CDC, Omidyar, Accel Lead $21m Equity Round for Indifi, Lender to SMEs in India

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Sempli Raises $8m in Equity for e-Lending to SMEs in Colombia

Sempli, a financial technology (fintech) company based in Colombia, recently secured USD 8 million through a Series A equity round led by Incofin CVSO, a cooperative fund managed by Belgium-based Incofin Investment Management (IM), and Netherlands-based cooperative investor Oikocredit. Established in 2017, Sempli combines in-house with on-site due diligence in lending to small and medium-sized enterprises in amounts ranging from USD 10,000 to USD 100,000 for periods of six months to three years. The other participants in the funding round are Generacion Exponencial, Impulsum Ventures, the Inter-American Development Bank Group’s IDB Lab and XPT1 Fund. Felipe Vargas, equity investment manager for Incofin IM, commented, “Improving the access to credit for small entrepreneurs, the so-called ‘missing middle’ has a significant potential in terms of social and economic impact, given the key role of these businesses in the creation of formal job opportunities.” Sempli has a loan portfolio of USD 7 million. September 30, 2019

“Despair” in Sri Lanka as Microfinance Loans Blamed for Suicides

At least 170 people in Sri Lanka reportedly took their own lives during 2018 after being unable to repay their microloan debt. Interest rates in the country have ranged up to 72 percent per year, and multiple lending is a problem. Nalani Wickremesinghe, a woman from Sri Lanka’s South Province, reportedly accepted loans from 11 companies - nine of which are not registered with the country’s central bank - to pay for her husband’s medical treatments. Lacking sufficient income to repay these debts, she expects to cover them by taking on additional loans. Since December 2018, the government of has capped interest rates at 35 percent. However, Hema Bansal, a campaign manager at the US-based nonprofit Accion, said, “One-off measures will not do. Sri Lanka needs properly enforced rules that prevent over-indebtedness and ensure fair treatment of borrowers. Until then, microfinance will be a cause not for hope but for despair.” The 14 microlenders in Sri Lanka that report to the US-based nonprofit Microfinance Information Exchange have an aggregate loan portfolio of USD 471 million outstanding to 321,000 borrowers. September 11, 2019

Sierra Leone Launching Digital ID Platform

The government of Sierra Leone recently launched “Africa’s first blockchain and decentralized identity implementation” in partnership with Kiva, a US-based nonprofit microfinance fundraiser, as well as the UN Capital Development Fund and the UN Development Program. The national digital identity platform links a person’s thumbprint with her identity. Matthew Davie, the chief strategy officer at Kiva, said users “can walk in and, because the government has already done all this work around digital ID, they can thumbprint in and…enable in two seconds.”

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The power of microfinance is that it goes hand in hand with technical education and a safe journey home. Not having the right to travel, to own property, to open a bank account or even the right to education and a safe journey home.

On the other hand, they have few rights. In many countries, women do not have the right to travel, to own property, to open a bank account or even the right to education and a safe journey home.

The women of Africa have cultivated. The African economy owes a tremendous debt to all the ones carrying the heavy loads, bringing back the produce that they worked they are - that women not only take care of the household and young women. From my experience of over 20 years, I remain firmly convinced that microfinance is one of the key levers for poverty empowerment in Africa by bringing together investors, microfinance institutions (MFIs), researchers, banks, networkers, innovators, governments and other stakeholders. The 2017 SAM hosted 700 participants from 58 (mostly African) countries, including representatives of 200 MFIs; 25 exhibitions at the Innovation Fair; and 26 investors, who made 170 MFI contacts at the Investor’s Fair. The proceedings also included conference sessions presented by 60 speakers plus 20 training programs.

Grand Duchess Maria Teresa of Luxembourg on SAM, the Pan-African Conference on Financial Inclusion

MicroCapital: Your Highness has stated that microfinance “awakens the creative forces…enabling the poorest to regain their dignity and to bring about solutions for their own needs.” Is this why Your Highness is so involved in microfinance?

Grand Duchess Maria Teresa (pictured at right): I would like to quote Professor Muhammad Yunus, who said that “Microcredit is, above all, a tool that unlocks human dreams and helps even the poorest and most unfortunate people on this planet achieve dignity, respect, and meaning in their lives.”

I have been involved in microfinance ever since I met Professor Yunus, because, through him, I discovered the importance of trusting the poorest of the poor, without conditions. By that I mean trusting in their honesty, in their creativity, in their capacity for hard work, and in their demand for dignity. It is important to push back against the idea that you are only trustworthy if you are backed up by finance, if you have collateral to put on the table. I would almost go so far as to say that the opposite is true. Professor Yunus demonstrated this by approaching the poorest of the poor. To women, in particular, he offered opportunity; and an astonishing percentage - over 95 percent - repaid that faith by paying their loans on schedule. Professor Yunus has said, “No poor person is poor out of choice, and not a single one is not intelligent.” Businesses can fail, but we must never cease to trust in the integrity of the people we aim to help. That is why I believe in microfinance, because it is proven that the poorest of the poor can transform their own lives and the lives of those around them by their own creativity and hard work, if they are given the chance. It is a question of trust.

Financial inclusion can be empowering, in particular for women and girls. How does this relate to the Grand Ducal vision for supporting developing countries?

It is extraordinary to see, especially in Africa, the extent to which women carry the economy of their countries. We all know how hard working they are - that women not only take care of the household and their children, but also that they are the ones who are out in the fields, working with children on their backs in the heat of the day. They are the ones carrying the heavy loads, bringing back the produce that they have cultivated. The African economy owes a tremendous debt to all the women of Africa.

The power of microfinance is that it goes hand in hand with technical assistance and education. Education is the most effective way of empowering women so that they are aware of their rights and their value in society. It is not just a duty, but a necessity to unlock the potential of a half of the population. We so easily overlook the luxury of having options in our lives - the choice to study what we want, live where we want, marry whom we want. For many women around the world, choice is just a dream.

Luxembourg has close bilateral partnerships with a group of countries in West Africa, Asia and Central America that form the core of our cooperation work. This is executed by various agencies and NGOs, such as ADA, with the support of the Directorate for Development Cooperation and Humanitarian Affairs.

Climate change has added a terrible new challenge to populations in all these regions. This is why we are very active in conducting field research into microfinance programmes that help to mitigate the effects of climate change, such as microinsurance for farming smallholders. On a wider scale, Luxembourg is very active in supporting multilateral projects.

What has motivated Your Highness to support inclusive finance for so many years, in light of the many competing priorities in international development?

As a UNESCO Goodwill Ambassador and as UNICEF’s Eminent Advocate for Children, I became interested in the microfinance and educational sectors, with a particular focus on the education of girls and young women. From my experience of over 20 years, I remain firmly convinced that microfinance is one of the key levers for poverty
eradication across the world, for guaranteeing high-quality education to less privileged children in developing countries and for providing job prospects to young people. As you may know, 75 percent of microfinance clients are women. Over the years, financial inclusion has played an invaluable role in women’s emancipation, allowing women to create their own enterprises, earn money, gain independence and enjoy dignity. Through microfinance, women (and men!) can increase their contribution to their households, their villages, their countries…

I am also active in working to stop violence against women in fragile environments. Microfinance, by enhancing women’s autonomy, is a key tool in the recognition of survivors and the reconstruction of their lives. Indirectly, it helps in the fight against the perpetrators who use violence to subjugate populations.

Twelve years ago, Your Highness bestowed High Patronage upon ADA. What would Your Highness like to say about the NGO reaching its 25th anniversary?

ADA plays a key role in microfinance. In 25 years, the NGO has developed so many innovations, including many new strategies for professionalizing MFIs. I am proud that this highly esteemed NGO has made its home in Luxembourg, a country whose expertise in finance (including microfinance) is well established. Today, ADA is involved in projects all over the world, from Africa to South America and Southeast Asia. Very few NGOs last 25 years; this longevity symbolises how effectively ADA supports inclusive finance. And by doing so, it is one of the levers for reducing poverty long-term.

What has impressed Your Highness about the SAM conference?

The SAM conference has the unique power to gather more than 700 experts in microfinance from the whole of Africa - and across the globe. For one week - from October 21 to October 25 - SAM becomes the world capital of microfinance. Whether they are directors of MFIs, banks, NGOs, public institutions, fund management firms or even government ministries, attendees can meet and exchange views about both the present and future of inclusive finance. SAM is not a snapshot of a moment in microfinance; it is a full week to share best practices, multiply impact and transform the whole sector. The agenda is so rich, with a training on social performance, two courses on microinsurance and three workshops on digital finance - as well as sessions on topics such as gender and blended finance - I am fully confident that participants will return from SAM with innovative ideas, new perspectives and a myriad of useful contacts.

By strengthening leadership within the sector, SAM has a major influence on inclusive finance. I strongly believe that financial inclusion can continue to play a key role in reducing poverty as well as supporting women’s freedom. Unfortunately, my busy schedule will not allow me to travel to Ouagadougou, but I would like to tell every potential participant: don’t miss this opportunity to take part in the evolution of inclusive finance.

I cannot conclude without mentioning Burkina Faso. This country is facing so many challenges, such as poverty, the repression of women and security issues. I strongly believe this is a place where inclusive finance can have a deep and meaningful impact.

ADA, an NGO based in Luxembourg, co-organizes SAM every two years with the support of Luxembourg’s Ministry for Development Cooperation and Humanitarian Affairs. The SAM steering committee members are: ADA, Luxembourg’s Ministry of Foreign and European Affairs, the Microfinance African Institutions Network, the African Rural and Agricultural Credit Association, and the Fédération des Associations Professionnelles des Systèmes Financiers Décentralisés de l’Union Economique et Monétaire Ouest Africaine. We invite you to learn more about SAM at http://www.sam.africa.  

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**BIGGEST INCLUSIVE FINANCE EVENT IN AFRICA!**

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SPECIAL REPORT

This feature is part of a sponsored series on European Microfinance Week (EMW), which will take place from November 20 through November 22, 2019, in Luxembourg. The event is held each year by the European Microfinance Platform (e-MFP). MicroCapital has been engaged to promote and document the event on-site each year since 2012.

European Microfinance Week 2019 - Connecting the inclusive finance world

MicroCapital: How is EMW different from other financial inclusion conferences?

Laura Hemrika (pictured at left): It’s unique in several ways! First, e-MFP is a member-led platform; our over 130 individual and organization members represent all types of stakeholders. They’re active at the highest levels of the sector, and we work closely with them on all aspects of our work, especially for EMW. We put together the programme with their input, and they are strongly represented as speakers, moderators and Action Group participants. Second, EMW is particularly interactive. We don’t see value in serial presentations of projects or products; all workshops and plenaries are designed to be provocative, interactive, and to stimulate debate and discussion. Third, the conference is the culmination of the annual European Microfinance Award; and each year there is a stream of sessions on the Award theme, which for 2019 is Strengthening Resilience to Climate Change. Fourth, EMW has an especially diverse attendee group, in terms of organisation types and home countries. It’s a truly remarkable breadth of stakeholders. Finally, we take great efforts to improve the conference iteratively and leverage its output via feedback surveys, offsite sessions, the comprehensive conference report and other publications.

MC: What kind of feedback do you get from attendees?

LH: Stellar! And extensive. Through our EMW 2018 feedback survey, we’ve learned that attendees especially value the diversity and seniority of speakers and participants as well as the high-quality opportunities for networking and knowledge exchange. This is in addition to the environment being conducive to safe and open dialogue, as well as the beautiful setting of the Abbaye de Neumünster.

MC: How has EMW evolved over the years?

LH: It’s definitely bigger, for one thing. The attendance has grown to almost 500, representing an increasing number of countries as well as specialties, such as fintech and telecommunications. We have also introduced new session formats. Last year there was an Oxford-style debate for the closing plenary; we’ve also had TED-style talks; “world cafe” sessions, at which speakers rotate among small groups of audience members; and various invitation-only sessions, too. We’re always willing to experiment with session designs to make them more productive and participatory. Of course, the content evolves as well. This includes the move beyond the microfinance focus of 10 years ago to the broader financial inclusion sector today, with its range from fintech to behavioural economics to agri-finance to standard setting in social performance management and more.

MC: Is there a session you are particularly excited about?

LH: Climate change is front and centre in the media, business world and public discourse - rightfully so! It’s key for our industry to articulate our role in climate resilience. The plenaries on protecting the working poor and protecting financial-services clients both have great speakers, as well. Building on last year’s focus on digitalisation and other forms of technology, there are also several sessions on the growing relevance of data analytics, including for climate-resilience agriculture and via the Atlas Data Platform.

MC: How would you describe the competition for the European Microfinance Award?

LH: It’s a diverse and intriguing field of 41 initiatives on climate resilience! The applicants include banks, NGOs, cooperatives, insurers, networks and technical-service providers, among others. Their areas of focus vary quite a bit, including innovations in index insurance, agricultural practices, value-chain development, nutrition, education, clean energy, disaster preparedness, and the use of geodata and other technologies. Whatever the final result, the Award has already shone a spotlight on an area of the financial inclusion sector that will become more and more important in the years ahead!

Ms Hemrika is the Global Head of Corporate Citizenship & Foundations at Credit Suisse and Chairwoman of e-MFP.

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EAR TO THE GROUND

A Splash of Cold Water for the Fintech Fire

I had the pleasure this month of attending Finnovista’s annual FINNOSUMMIT in Mexico City, where 2,700 participants shared their enthusiasm for fintech as a potentially disruptive force in banking in Latin America. I kicked off the financial inclusion day with Gabriela Zapata, a financial inclusion guru, at a “fireside” chat. While no literal fire was involved, Gabriela and I threw some cold water on the thousands of optimists in the audience.

Gabriela began by describing the results of the recent Metlife-Gallup survey of 15,000 people in 10 countries on their financial health. It indicates that financial inclusion is not necessarily leading people to financial health or better livelihoods. For example, in Kenya, where 83 percent of the sample is financially included, over 90 percent remain financially vulnerable, meaning they aren’t prepared for the possibility of losing their jobs or already are struggling to repay debt. In fact, Kenyans’ ability to withstand shocks and invest in the future has declined significantly over the past decade, even as the likes of M-Pesa’s transfer service and various digital lenders have flourished. We cannot assume the causality that financial inclusion is bad for financial health, but we must question seriously the hypothesis that inclusion is good for financial health. Supporting our call for caution is the survey data from the US, where 93 percent of the sample is financially included, but a whopping 70 percent remain financially vulnerable.

When Gabriela suggested that part of the problem was easy credit, I chimed in with a second quandary. In the halls of the FINNOSUMMIT, I heard representatives of many banks and fintechs discussing plans to offer small loans to boost their bottom lines. It makes sense to expand beyond mobile transfers and other low-margin products because fintech is a scale play, and scale has been slow to achieve. As a result, margins need to increase to meet the expectations of investors and board members. After all, lending is the most profitable bottom-of-the-pyramid financial service (until it isn’t).

I shared my concerns on the stage, giving the audience its second splash of cold water. The market that fintech is currently reaching (mainly via social media) is small, so the potential for overlapping rather than growing the market is large. If all these banks and fintechs rush to offer small consumer loans to this same small pool of customers, they could unleash the kind of debt problems we are seeing in Kenya. According to a study by Financial Sector Deepening (FSD) Kenya, one in two digital borrowers reported repaying a loan late, while 12.5 percent reported having defaulted on a loan. Half had to use savings to repay their loans, and one third turned to rougher strategies such as borrowing more, reducing food purchases, skipping a school fee payment, selling assets or foregoing medical treatment. In the FSD report, fear is one of the most common reason for avoiding loans. I have heard would-be clients express fear of this same debt trap in my field work in Mexico, as well.

I am not sure how much the bank and fintech pivot toward loans is driven by investor demand for high returns and fast exits, but I’ve been here before. When microfinance institutions have been pushed to grow and generate high returns, they have lost their way, over-lent to the same people and often saddled their clients with more problems than solutions. Fintech disruption is coming, and it can help many people gain access to tools that make life easier. But the challenge is to get fintechs and their investors to consider the lessons of microfinance, so they can tailor products for client success, right from the start.

About the Author: Ms Barbara Magnoni is President of EA Consultants, a development-consulting firm based in New York. She has 25 years of international finance and development experience and has worked with organizations including Goldman Sachs, Chase and BBVA and has advised institutions such as the International Finance Corporation, the US Agency for International Development and the International Labour Organization. She may be reached at +1 212 734 6461 or bmagnoni[at]eac-global.com, or you may follow her on Twitter at BarbaraEA.
Using Satellite Data in Financial Inclusion


The authors of this paper describe how financial service providers (FSPs) can use satellite data and data analytics to extend the reach of the products and services they deliver to remote customers, particularly smallholder farmers. Using a case study from Kenya, the authors demonstrate both the potential and limitations of using satellite data to predict crop yields and farmer incomes. One challenge is that the computing power required to process remote sensing data is large, requiring significant investment. Based on the positive results of the case study, however, the authors advocate for further exploration of the potential of satellite data for FSPs, particularly in the following areas: (1) “alternative credit scoring,” for example by estimating past and predicting future agricultural yields; (2) “estimating local infrastructure, housing and income levels;” (3) “assessing the effectiveness of...”

Taxing Mobile Phone Transactions in Africa: Lessons from Kenya


In this research, the author finds that the imposition of taxes on mobile airtime and mobile financial transactions is correlated with lower growth of mobile phone transactions as a proportion of all electronic payments. Professor Ndung’u suggests that these taxes may act as a disincentive to the use of mobile phone transactions, thus sustaining the usage of cash transactions and potentially...*

Analysis of the Strategy of Microfinance for Financial Inclusion of Refugees

By Amna Malik, Halil Orhan, Halil Fatih Akgul and Altay Elcin; published by the European Microfinance Network; July 2019; 7 pages; available at https://www.european-microfinance.org/sites/default/files/document/file/6_Analysis%20of%20the%20Strategy%20of%20Microfinance%20for%20Financial%20Inclusion%20of%20Refugees.pdf.

The authors draw on the experience of the Turkey Grameen Microfinance Program to identify some of the risks of lending to refugee populations and steps that can be taken to mitigate them. The risks they address include: (1) Borrowed funds may be used for unapproved purposes; (2) Excluding local...*

*To access the rest of these paper wrap-ups, please email info[at]microcapital.org to request a sample of the subscriber edition of this newspaper!