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Fusion Microfinance of India Borrows $4.9m from BNP Paribas
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CDC Invests $387m, Mainly for MSMEs; Commits Additional $2.6b to Africa
The UK government's CDC Group has committed to investing the equivalent of USD 2.6 billion in African businesses over the next two years. This follows its recent announcement of the following partnership agreements: USD 275 million for three banking institutions to invest in small and medium-sized enterprises (SMEs) as well as microenterprises; USD 67.5 million for three funds to invest in mid-caps and SMEs; and USD 45 million for two funds and one solar-energy firm to deploy in renewable energy and other technologies. CDC CEO Nick O’Donohoe said, “Investors have a real opportunity to embrace the UN’s Sustainable Development Goals - in partnership with African countries and businesses - to fight climate change, create jobs and skills, and bring about positive social and environmental change.” January 28, 2020

MercadoLibre, PayPal Linking E-payments for E-commerce to, from Brazil, Mexico
MercadoLibre, an Argentina-based platform for online sales and payments in 18 countries in the Americas, recently partnered with US-based payments firm PayPal to allow: (1) MercadoLibre sellers in Brazil and Mexico to accept money from 300 million PayPal customers in 200 countries via MercadoLibre’s Mercado Pago service; (2) PayPal merchants to accept payments from 48 million Mercado Pago users in Brazil and Mexico; and (3) Mercado Pago users to receive remittances via PayPal’s Xoom service. PayPal CEO Dan Schulman noted that both companies “want to help businesses compete globally and offer innovative financial solutions to help people who are underserved by the traditional financial system.” During the third quarter of 2019, PayPal earned revenue of USD 4.4 billion on transaction volume of USD 179 billion. During the same quarter, the MercadoLibre marketplace hosted 243 listings, and its Mercado Pago product handled transactions totaling USD 7.6 billion. In 2019, PayPal purchased a block of shares of MercadoLibre for USD 750 million. Both companies are traded on the US-based NASDAQ. January 22, 2020

US International DFC Takes Over for OPIC, USAID’s DCA with $60b Investment Cap
The government-backed US International Development Finance Corporation (DFC) recently launched with goals to “help businesses expand into emerging markets, foster growth and improve lives in the developing world, while reinforcing US foreign policy and national security interests.” DFC is taking over the work of the Overseas Private Investment Corporation, which had similar goals and an investment cap of USD 29 billion, and the US Agency for International Development’s Development Credit Authority, which provided a smaller amount of funding for lenders to small and medium-sized enterprises in developing countries. DFC has an investment cap of USD 60 billion to deploy in forms such as equity placements, insurance, technical assistance and research. DFC will continue OPIC programs such as the 2X Women’s Initiative. January 16, 2020

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**EAR TO THE GROUND**

**Microfinance 3.0 vs. Low-touch Pipe Dreams**

Over the past decade, we’ve been struggling to define “Microfinance 2.0.” This term refers to the idea that MFIs are no longer the most relevant actors in financial inclusion. They lack the scale and returns of telcos and fintechs as well as the impact promised in MFIs’ early days. I see Microfinance 2.0 as a polite way to shrug off an industry that has become financially sustainable but lacks a clear value proposition.

I’m starting 2020 with the idea that microfinance can remain a relevant market intervention - and perhaps this year become more so than ever - if it can adapt into Microfinance 3.0. (Stay with me; there’s a caveat coming later.) More and more people are wanting financial services, especially the ability to send and receive payments. They are using e-commerce; they are receiving digital salaries and other payments that they distribute among family members, landlords, utility companies and other suppliers. Unevenly, perhaps - starting with salaried, urban youth - access to digital payments is becoming just as essential in the developing world as it is elsewhere.

With all the talk of the fintech customer experience and bypassing pain points, there is hope that fintechs will bring benefits to more low-income people in developing countries. However, this outcome is far from obvious when you follow the money. I doubt that capital-rich banks and VC-funded fintechs will drive developing market financial inclusion in 2020 because that’s not where the sexiest and simplest business cases are. They are seeking fast exits and huge returns.

Adoption by the most excluded folks is slow, requiring lots of iteration to enable learning by clients, service providers and regulators. This amount of patience is a luxury that few fintechs can afford. And neither fintechs nor most traditional banks have significant footprints in informal and other suppliers. (More and more people are wanting financial services, especially the ability to send and receive payments.) More and more people are wanting financial services, especially the ability to send and receive payments. They are using e-commerce; they are receiving digital salaries and other payments that they distribute among family members, landlords, utility companies and other suppliers. Unevenly, perhaps - starting with salaried, urban youth - access to digital payments is becoming just as essential in the developing world as it is elsewhere.

Throughout 2020, I’ll explore these ideas in this column, considering the demand, supply and market-level drivers that are influencing these trends, while considering the opportunities for a more accessible and useful financial system that includes Microfinance 3.0. I am confident that the touch vs tech debate will get only hotter and that institutions strong in both touch and tech will be the most successful.

Here’s my caveat: Facebook. Facebook’s footprint is deep, and users’ trust in the company is high. While it’s extremely low-touch, it builds trust through convenience and intimacy. If Facebook can figure out how to develop a successful financial marketplace, Microfinance 3.0 could look profoundly different.

*About the Author:* Ms Barbara Magnoni is President of EA Consultants, a development-consulting firm based in New York. She has more than 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](https://twitter.com/BarbaraEA).
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PAPER WRAP-UPS

Micro-business 2.0: A New Generation of Women “Social Commerce” Entrepreneurs in India & Indonesia


Through surveys and interviews with women business owners in both India and Indonesia, the author investigates questions such as, “What drives successful adoption of online platforms among women microentrepreneurs?” Ms. Theis finds that female entrepreneurs did not always engage in the elements of “social commerce” in the same sequence or manner. For example, some used multiple electronic platforms to complete a transaction with a customer, but still concluded the sale with cash. Ms. Theis notes the success of the “assisted adoption” model, through which financial institutions’ sales representatives support new merchants as they use e-commerce and digital payment apps for the first time. She also writes in favor of “peer ambassador” programs to reach women who work from home. Among the challenges is that a woman who runs a business alongside her...*

Young People in Africa: Research Showing Opportunities for Financial Service Providers in Morocco, Nigeria and Senegal


The authors argue that financial services providers should focus on addressing various stages of young people’s lives as well as their diverse lifestyles. For example, those who are financially dependent on their families might benefit from a shared account that allows free transfers among household...*

China’s Long March to a Cashless Future: Regulatory Responses to DFS Innovation and the Challenges of Rural Distribution


Mr. Meagher argues that regulators in China should allow more experimentation, such as to let banks use more cloud-based technology to improve access to financial services. The author also notes that to build a cashless system, companies must increase the number of service points in rural areas, where people are most...*

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