Credijusto Borrows $100m from Credit Suisse for E-lending to SMEs in Mexico
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Grameen Crédit Agricole Foundation Survey Finds Widespread Effects of COVID-19
From March 11 to March 19, the Grameen Crédit Agricole Foundation, whose head office is in Luxembourg, collected observations from 56 microfinance institutions (MFIs) regarding the effects of COVID-19. Markets are closed, putting traders out of work; and group borrowers’ meetings are canceled. While these are replaced in some instances with door-to-door transactions, other MFIs are reducing in-person transactions to minimize virus transmission. Remittance inflows are down. Tourism enterprises are being asked to return deposits for canceled trips. A respondent in Burkina Faso noted the inability of clients to cross borders to purchase goods for resale. An MFI in Myanmar reported lower crop prices due to the border closure with China, as well as volatility in exchange rates. On the other hand, an MFI in Kyrgyzstan foresees an increase in agricultural prices, benefitting farmers. Meanwhile, an MFI in Uganda predicts, “we will need liquidity [due to] high provisioning for impaired assets due to increased non-repayment.” The Grameen Crédit Agricole Foundation argues that reducing funding to MFIs at this time “would only intensify the difficulties and impacts of the crisis.” March 31, 2020

IFC Boosts COVID-19 Response to $8b, Including $294m Already Deployed in Vietnam
The World Bank Group’s International Finance Corporation (IFC) recently increased its commitment to counter the effects of COVID-19 to USD 8 billion. David Malpass, President of the World Bank Group, said, “It’s essential that we shorten the time to recovery.” The funding package comprises USD 2 billion each for: (1) cash for banks in emerging markets to on-lend for working capital; (2) guarantees for local banks increasing credit lines to companies in emerging markets; (3) risk-sharing for lenders to import-export firms, including small and medium-sized enterprises; and (4) loans and equity for existing clients in the health, farming, infrastructure, manufacturing and service industries. Given “fast-track” status, the intervention already has extended support to clients including banks in Vietnam that have accessed an additional USD 294 million. March 27, 2020

To Fight COVID-19 in Kenya, Safaricom Suspends M-Pesa Fees,Ups Balance Ceiling
At the urging of Kenyan President Uhuru Kenyatta, the mobile network operator Safaricom has loosened the terms for users of its M-Pesa mobile money product. This is intended “to reduce the risk of spreading the [COVID-19] virus through the physical handling of cash.” Kenyans will pay nothing to send amounts up to the equivalent of USD 9.40. In addition, the Central Bank of Kenya is allowing for a daily M-Pesa transaction limit of USD 1,400, roughly double the previous amount. The maximum account balance also has been increased to USD 2,800. In a separate measure, Safaricom set up a toll-free number, 719, that users may call to ask questions about “how to prevent and manage suspected cases” of COVID-19. Safaricom was established in 1997 and offers both mobile and fixed-line telecommunications services. It is 40-percent held by…*

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MICROCAPITAL BRIEFS

UNCDF Program Boosts Digital Financial Services in Rural Uganda
The UN Capital Development Fund (UNCDF) recently announced a set of partnerships to boost financial inclusion in the Northern and West Nile regions of Uganda. UNCDF will work with mobile network operators Airtel and MTN to increase mobile phone usage in rural communities. It also will collaborate with agricultural technology firms Ensibuuko Tech and Mobipay Agrosys to increase the “last-mile” distribution of digital financial services as well as to increase financial and digital literacy. Founded in 2014, Ensibuuko offers cloud-based software for smaller financial entities in Africa. Founded in 2016, Mobipay Agrosys uses a cloud-based model to monitor agricultural data and provide payment services to 100,000 farmers. March 29, 2020

Liwwa Raises $6m in Equity for E-loans to SMEs in Egypt, Jordan
Financial technology (fintech) firm Liwwa recently raised USD 6 million in equity to expand its facilitation of loans to small and medium-sized enterprises (SMEs) in Egypt and Jordan. Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO), which is 51-percent owned by the Dutch government, led the investment. Liwwa also borrowed a total of USD 15 million from multiple parties. Please refer to http://MicroCapital.org for a list of these investors. Founded in 2015, Liwwa is an online platform that connects borrowers with lenders. Individuals and entities from Malaysia and several countries in the Middle East and North Africa are eligible to lend. Borrowing firms must have annual turnover at least equivalent USD 63,000. The maximum loan size is USD 100,000, and repayment periods range from six to 24 months. During the quarter ending September 2019, Liwwa facilitated loans totaling USD 27.5 million. March 25, 2020

DFIs, GIIN Add Gender Metrics to IRIS+ Impact Reporting System
A group of development finance institutions (DFIs) recently collaborated with the US-based nonprofit Global Impact Investing Network (GIIN) to improve the way they track the results of their investments that are meant to benefit women in developing countries. The outcome is an expansion of GIIN’s Impact Reporting and Investment Standards Plus (IRIS+), which provides a framework to “identify, measure and manage the social and environmental impact of investors’ actions and report their impact.” The new metrics are grouped into approaches such as gender-specific services; increasing equality through financial inclusion; and governance, leadership and ownership. Sample metrics include the percentage of female employees, pay equity by gender and whether a business is woman-founded. The participating DFIs include members of the 2X Challenge for investing in women in developing countries and the Belgium-based European Development Finance Institutions ASBL. March 23, 2020

Union Bank Targeting Women’s SMEs in Conflict Zones in Nigeria
The World Bank Group’s International Finance Corporation recently announced it will guarantee half of any losses that Union Bank of Nigeria may incur in lending the local-currency equivalent of USD 25 million to small and medium-sized enterprises in Nigeria. In particular, “the bank plans to offer more products and services to women-owned businesses, especially in Nigeria’s conflict-affected Northern and Delta regions.” Union Bank, which was established in 1917, operates 284 branches and reports total assets of USD 4.6 billion. March 18, 2020

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This is a free, abbreviated preview of a monthly report available by paid subscription at MicroCapital.org
SPECIAL REPORT

This article was written by Christian Ruehmer, Co-Founder of Q-Lana, the sponsor of this feature, digitizes credit processes for financial institutions with the goals of improving risk management, efficiency and portfolio management.

COVID 19: Communicate - Learn - Act

COVID-19 is having significant effects on our personal and professional lives. We have heard a lot of suggestions on how financial institutions can handle this critical situation. Summarizing the information of the past days and weeks, we see three key steps: “communication,” “learning,” and “acting,” which can be applied among four target groups: “staff,” “clients,” “investors” and “regulators.” We keep our findings short and focused:

Staff:

• Communicate: Staff members work from home or provide essential services under stress. Understand their worries. Show empathy for their problems. Communicate regularly through multiple channels. Encourage collaboration.

• Learn: Is communication technology working? What are the personal challenges? How can staff stay motivated? Can you maintain current staff levels? What support is offered from local or state government? What can you learn from your staff? Is staff aware of how to handle a COVID-19 infection?

• Act: Your staff needs your leadership. Encourage your managers to conduct regular calls with staff. Coach your teams as they learn to work from offsite, which can be challenging for both technical and personal reasons. Use various communication channels. Show trust in your team members when they work from home, but also guide them to stay productive. Have backup plans in place, in case of infections. If you need to take cost-saving measures, such as staff reductions or salary cuts, explain them well.

Clients:

• Communicate: Assume all clients are affected. Ask them about the implications of this. Convey your support, show understanding and offer expertise. Explain the institution’s emergency procedures. Consider how the lack of physical meetings can create issues, such as for group lending.

• Learn: How are clients managing the crisis? What are the financial and non-financial problems? What measures are clients taking? How long will their cash last? How are other financial services providers approaching these problems? What is the level of public support?

• Act: This is the time to deepen relationships with clients. Demonstrate that you care. Share information and advice - from sanitation to sector information to knowledge about support programs. Stop new routine disbursements, but consider emergency overdrafts. Be smart on collection - deferring collection is fine if it is based on an explicit agreement. Deploy tiered restructuring policies. There is no benefit in aggressive collection. Share knowledge with clients via webinars, emails, SMS and calls. Help clients migrate to cashless payments, but be aware that digital channels may be less accepted by clients than you expect. Use your CRM system to collect and assess information.

Investors:

• Communicate: Inform your investors proactively about the situation as it evolves. Establish a regular and frequent communication schedule. Explain how staff and clients are handling the situation. Explain what measures are being offered to clients. Explain the market and regulatory situation. Provide portfolio information: new business, FX risk, credit risk, arrears ratio, deferral requests and changes in deposit levels. Ask investors about their experience and approaches to other financial services providers’ challenges.

• Learn: Understand the repayment schedules of your own debt. Understand the status of covenants, and project any potential covenant breaches. How vulnerable is your institution to lower revenues, higher operating expenses and increased defaults?

• Act: Request waivers for covenant breaches. Implement significant but careful cost-cutting measures. Postpone payments where possible. Tap your available credit lines; the cost of surplus liquidity is secondary. Bring your investors together to negotiate additional funding. Organize regular update calls. Communicate changes proactively.

Regulators:

• Communicate: Governments and financial regulators are trying to support their constituents, primarily the workforce and vulnerable populations. Central banks have already published guidelines on how to handle cash payments, transfer fees, and mortgage or other loan payments during the crisis. Keep regular communication channels open.

• Learn: Understand the mindset of regulators and how willing they are to implement various support measures. Try to understand the situation regarding FX risk.

• Act: Lobby for policy measures that can touch your target clients, such as emergency liquidity lines and post-crisis business recovery lines.

Final words

The COVID-19 crisis will likely be long and significant, but it does not change the case for impact investment. To the contrary, social responsibility is more needed and its case more valid than ever. This is the time when we will learn who takes impact seriously. At Q-Lana, we are here to help you in the difficult months to come.

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EAR TO THE GROUND

Microfinance, Actually - and More than Ever!

In January, I began my column explaining that during 2020, I would explore how “Microfinance 3.0” might look if the sector is going to stay relevant. Today, I feel like I need to hurry it up! On one hand, the COVID-19 pandemic is showing microfinance to be as relevant as ever. On the other hand, we still have so far to go.

As governments consider how to get cash transfers, soft loans and other support into the hands of the most vulnerable communities, many are finding that low levels of digital usage mean that solutions must include cash as well as speeding up the pace of digital adoption. Boosting digital usage is difficult, but it can be done, with the right strategies. In my own household, it took us a decade to convince the woman who cleans our house to “go digital.” She finally agreed to learn to use Venmo with the aim of minimizing the risk of virus transmission from traveling to work and handling paper cash, plus three hours of help from her daughter! Teaching tech takes time and patience along with strong knowledge of the end-client and her needs. Microfinance is the sector best positioned to take on this role today. But that doesn’t mean that MFIs will make a big dent in this problem without some seriously agile thinking.

For many countries looking to get funds to informal workers impacted by the coronavirus, MFIs are one of very few conduits to reach those who don’t use mobile money. In Mexico, for example, the authorities are working with some of the largest providers of microfinance to figure out how to do the same with technology - that is, how to get simple, useful products in the hands of a large number of low-income people worldwide with savings and credit services….as of 2018, the value of their credit portfolios was USD 124 billion.” Critically, most of these clients are women, who are less likely to use mobile money than are men.

I began 2020 saying that if microfinance successfully adapts to changing markets, it can remain a relevant market intervention and perhaps become more relevant than ever. Meanwhile, the need to bridge the digital/cash divide suddenly has become much more urgent. Years ago, MFIs bridged the inclusion/exclusion divide by offering loans and savings accounts to those who had no access to banks. Now, it’s time for them to figure out how to do the same with technology - that is, how to get simple, useful products in the hands of a large number of low-income households in order to reduce the pain that is sure to come.

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 BarbaraatEA.
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API Deployments in Inclusive Finance:
Recommendations to Optimize API Deployments Between Banks and Fintechs for Financial Inclusion


One way to harness application programming interfaces (APIs), which can facilitate communication among various digital systems, is to help integrate “nimble, iterative and product-oriented” financial technology (fintech) firms with traditional financial institutions that have steady customer bases. This can allow for a symbiotic relationship through which the low-income customers of older financial institutions gain access to innovative products more quickly. This report focuses on examples of API use by small and midsize financial institutions with limited resources to roll out new technologies.

Based on a literature review and interviews with two dozen leaders of traditional financial institutions, fintechs and API implementers, the authors find that the number of failures among API deployments vastly surpasses the number of successes. Successful API partnerships typically address the needs of customers that are middle- or high-income, as banks know these customers better.

The report’s recommendations are: (1) consider each API within the financial institution’s broader technology strategy to maximize the potential benefit of the API; (2) build APIs tailored to customer needs; (3) evaluate compliance and regulatory risks early in the planning process to minimize the use of resources on projects that are unlikely to succeed; and (4) hire teams specifically for the roles of…*

What Does the Clean Cooking Market Look Like in the DRC?


The Democratic Republic of the Congo is undergoing deforestation and forest degradation, a significant portion of which is to provide biomass energy for cooking. This assessment of the “clean cooking” market involved evaluating 50 enterprises in terms of viability and investment readiness as well as testing 24 types of equipment that are available locally. The product testing addressed criteria such as quality, consistency, efficiency and customer preferences.

The authors find a large market for clean cooking equipment, with the maturity of this market varying significantly by region. They conclude that companies operating in the segment would benefit from cooperation with financial services providers to offer their products with financing solutions that would be attractive to price-sensitive populations.

The document also outlines plans for an incubation programme to support local enterprises that offer clean cooking products through the following means: (1) technical assistance; (2)…*

Her Home: Housing Finance for Women


The authors of this paper analysed the housing finance markets in Colombia, India and Kenya, identifying barriers that women face in accessing loans for purchasing, constructing and improving housing units. The authors observed that the rate of female-headed households is 26 percent in Colombia, nine percent in India and 25 percent in Kenya.

Among the women polled, a range of 20 percent (in India) to 65 percent (in Kenya) “are planning to purchase a home or make home improvements in the next five years.” To fund these expenditures, they plan to use personal savings primarily, with formal loans as a secondary source. The barriers to women accessing formal housing loans include: (1) lack of required income and documentation thereof; (2) lack of documents proving ownership of collateral; (3) lack of experience with formal borrowing; and (4) socioeconomic norms. The authors argue that by increasing access to housing finance for women, financial institutions can increase their client base, social impact and profitability, particularly as…*

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