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**Greenlight Planet Secures $90m for Pay-as-you-go Solar**
Request a sample of the subscriber edition to read about this MicroCapital Deal of the Month!

**Executives of Uganda Microfinance Support Centre Jailed**
Three employees of the Ugandan government's Microfinance Support Centre recently were released on bail after being held in prison on charges relating to the theft of the equivalent of USD 2.9 million that had been supplied by the Ugandan government for disbursal to the Uganda Teachers' Cooperative Savings and Credit Union. A member of the cooperative was also held. The allegations consist of embezzlement and conspiracy to defraud, which carry maximum prison terms of 14 years and 3 years, respectively. The accused denied all charges against them during a recent joint court appearance. September 24, 2020

**Fintech Supersim Raises $6m in Debt for Microfinance in Brazil**
Supersim, a Brazilian financial technology startup, recently entered into a securitized debt agreement with a cap equivalent to USD 5.7 million, arranged by Navi, a Brazil-based asset manager. Supersim was founded in 2019 and offers collateral-free microloans as well as loans using mobile phones as collateral. Meanwhile, CEO Antonio Brito explains that Supersim “recently launched a fast-funding feature, where we deposit the loan proceeds in customers’ bank accounts within 30 minutes or less after approval or we do not charge interest.” The firm’s loans are all digital and range in term from 4 months to 12 months. Each customer pays a registration fee of USD 75 before receiving her or his first loan. Data indicating the size of the firm are unavailable. September 20, 2020

**Insurtech PasarPolis of Indonesia Raises $54m in Equity**
Indonesian insurance technology firm PasarPolis recently closed its Series B round of investment, raising a total of USD 54 million from nine investors. The firm plans to use the new funding to: (1) develop a claims-automation platform that harnesses artificial intelligence; (2) develop new products; and (3) grow its agent-onboarding platform Mitra. In addition to Indonesia, PasarPolis provides insurance to underserved customers in Thailand and Vietnam. PasarPolis sells policies, such as vehicle and health insurance, as a broker for 30 insurers. The firm’s own offerings include protection for: (1) customers’ online purchases; (2) small businesses’ inventory in case of damage or loss; and (3) the health of ride-share drivers and passengers in case of accidents. PasarPolis, which was founded in 2015, issued 650 million policies during 2019. Its investors are listed at https://microcapital.org. September 16, 2020

**Sri Lanka Planning Mergers of Most NBFIs**
The Central Bank of Sri Lanka is working on a plan to merge troubled non-banking financial institutions (NBFIs) in the country with stronger firms, given that “nearly half of the sector face[s] severe liquidity issues.” Central Bank Governor W D Lakshman reportedly argued the plan is necessary “to ensure stability in the financial sector….”

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**Next Month:**

10 Years of Lessons Learned from Omtrix’s Higher Education Finance Fund

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**We wish you health!**

We recognize the significant health and business impacts that COVID-19 is having on communities around the world. Thank you for your efforts to minimize the risks that we all are facing. While each of us at MicroCapital is lucky enough to be able to work from home, we understand that many of our colleagues are not able to do so. We wish you and your loved ones good health and resilience during this time.

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**MICROCAPITAL BRIEFS**

**IDB Loans $750m to BNDES to Support MSMEs in Brazil**
The Inter-American Development Bank, whose membership comprises 48 nations, recently loaned USD 750 million to Banco Nacional de Desenvolvimento Econômico e Social (BNDES), the Brazilian government’s development bank, to support micro-, small and medium-sized enterprises (MSMEs) that have seen significant drops in revenue during the COVID-19 pandemic. The loan is expected to enable on-lending to 11,000 MSMEs via accredited retail financial institutions, for both working capital and the “acquisition of production-oriented assets.” BNDES has total assets equivalent to USD 132 billion. September 29, 2020

**Abyssinia ITMs Allow for Remote Account Opening in Ethiopia**
Bank of Abyssinia, a financial services provider in Ethiopia, recently introduced five interactive teller machines (ITMs) that allow customers to open or close accounts, apply for loans, access tellers via video, transfer funds within Ethiopia, and withdraw and deposit cash. “In the future, these machines will enable customers to receive cash sent through international money transfer agents,” said Bekalu Zeleke, President of Bank of Abyssinia. The ITMs were manufactured by NCR Corporation, a US-based company with quarterly revenue of USD 1.5 billion. Founded in 1996, Bank of Abyssinia serves 2.8 million customers via 532 branches and 114 automated teller machines (ATMs). The institution reports total assets equivalent to USD 1.1 billion. September 28, 2020

**EasyPaisa Adding Cashpoints at 12k NADRA Offices in Pakistan**
EasyPaisa, a digital payment platform owned by Pakistan’s Telenor Microfinance Bank, recently partnered with government-backed National Database and Registration Authority (NADRA) Technologies, to enable EasyPaisa customers to access services at 12,000 NADRA “e-sahulat” locations, which offer cash-in and cash-out services for electronic transactions. The head of branchless banking at EasyPaisa, Khurram Malik, said, “Effective collaborations are the ideal way forward to extend our services...to make digital payments simple and conveniently accessible for everyone, while also improving financial inclusion ratios...”. Meanwhile, Norway’s Telenor Group, which holds a 49-percent stake in Telenor Microfinance, and China’s Ant Group, which owns 45 percent of the microbank, increased their commitments to the firm with equity investments totaling USD 45 million. Telenor Microfinance serves low-income customers online and via 150,000 agents with products such as loans, money transfers, bill payment, savings and insurance. September 27, 2020

**Swedfund to Loan $12m to SunFunder for Solar Energy**
The Swedish government’s Swedfund recently pledged an investment of USD 12 million to the Solar Energy Transformation (SET) Fund, an offering of Kenya-based SunFunder. SET is a nine-year, USD 70 million debt fund that aims to increase access to solar electricity, mainly in Africa. Swedfund’s CEO Maria Hakansson expressed her support of the move “to provide capital to a fund with an outspoken strategy to invest their way through the COVID-19 pandemic at a point in time where the general interest for investments in developing countries is expected to decrease.” Founded in 2012, SunFunder has disbursed loans totaling USD 152 million as of 2019. September 23, 2020

**Isbank Georgia, IFC Agree on Cross-currency Interest Swaps**
Isbank Georgia, a subsidiary of the Turkish bank Türkiye Is Bankası, recently agreed to accept a “long-term” loan from IFC, a member of the World Bank Group, and for the two organizations to participate in cross-currency interest swaps. Hakan Kural, the Deputy CEO of Isbank, said the loan will help small and medium-sized enterprises “become more competitive and generate employment. Execution of interest rate and cross-currency swaps will enable us to manage our assets and liabilities better, which in turn will increase benefits for our customers and shareholders.” Launched in 2012, Isbank reports share capital of USD 21 million, total assets of USD 93 million and a net quarterly loss of USD 531,400. Türkiye Is Bankası has total assets of USD 75 billion and operations in six countries. September 22, 2020

**IVF Lends $68m in El Salvador, India, Panama**
Invest In Visions (IV) Mikrofinanzfonds, a fund managed by Germany’s IV, recently loaned a total of USD 32 million to unidentified microlenders in in El Salvador and Panama, the equivalent of USD 30 million to Asirvad Microfinance of India, and USD 6 million to Sonata Finance of India. Asirvad Microfinance, a subsidiary of Manappuram Finance Limited, was founded in 2007 and lends to women microbusiness as well as small and medium-sized enterprise. The lender has USD 679 million in total assets. Sonata Finance, founded in 1995, also lends to low-income women and has total assets of USD 211 million. September 17 and September 22, 2020

**Kåpan, Nordea, Skandia Invest $91m via DWM**
Developing World Markets (DWM), a US-based fund manager, recently raised USD 90.4 million to “provide local-currency debt financing to benefit low-income communities and...” Kåpan, Nordea, Skandia Invest $91m via DWM

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connecting the inclusive finance world

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DIPLOMA IN FINANCIAL INCLUSION
Take a step beyond the certified expert?
SPECIAL REPORT

This feature is part of a sponsored series on European Microfinance Week 2020, which will take place online from November 16 through November 20. The event is held yearly by the European Microfinance Platform (e-MFP). MicroCapital has been engaged to promote and report on-site from the event each year since 2012.

Saving(s) Microfinance in a Pandemic - and Beyond

Back in the distant pre-pandemic memory, e-MFP launched the European Microfinance Award (EMA) 2020 on Encouraging Effective & Inclusive Savings. While clearly an important topic, with innovations across the sector that are ripe for exposure and commendation, little did we know just how relevant a topic it would turn out to be.

Many months later, the sector has suffered - and continues to reel from - challenges on multiple fronts: to clients, financial services providers, investors, support providers and others, all trying to mitigate losses and preserve the important gains made over recent decades.

Among the clearest lessons revealed by this difficult year is that the mobilisation of savings among vulnerable populations - ensuring access to secure, demand-driven, purpose-matched, flexible and effective savings products and services, that are based on the “mental models” that drive savings behaviour - is crucial to household resilience in the face of immense financial and economic challenges. This is abundantly clear even just from the unprecedented response to the EMA 2020, with its record number and diversity of applicants and savings initiatives (now in the final stages of evaluation before a Selection Committee and then a High Jury, with the winner to be announced on November 19).

“Save money - and money will save you”, goes a Jamaican proverb. How true. It’s also intuitive. We all have a basic understanding of what are savings or the act of saving - “savings as a verb,” as Stuart Rutherford memorably puts it. You hold back some of what you earn, sacrificing immediate pleasures or other opportunities for some future benefit. This benefit can vary from coping with unplanned shocks that can throw one’s life into disarray to more highly planned savings for predictable future events.

Why savings matter to clients...

There is a growing body of research on the benefits of savings to clients, providers and society at large. Probably most significant of these is the array of benefits that savings bring to clients. Among them are:

- **Long-term planning**: Savings are a perfect fit for most lifecycle events - from birth to schooling to marriage and child-rearing - whose cost and time of arrival is often known well in advance.
- **Gender empowerment**: Microfinance and women’s empowerment have been inextricably linked from the start, but few products generate the depth of impact for women that savings does.
- **Savings for equity creation**: Whether the goal is to buy land or invest in a moveable asset, savings are an effective way to increase a household’s net worth and improve its financial well-being.
- **Productive investment**: While credit is a key product for business investment, savings can be cheaper, less risky and equally effective - especially for smaller and less time-sensitive investments.
- **Formalisation**: Savings can be an important entry point to formal financial services, building a client’s transaction history and creating opportunities such as access to low-cost credit.
- **Safety and convenience**: Besides the usual risks (such as theft and fire), cash at home is subject to “leakage,” whether to help out a neighbour or succumbing to an impulse purchase. The use of formal savings helps avoid this tendency - an effect seen among people of all income levels.

...to MFIs...

Savings mobilisation offers an opportunity for providers to develop new relationships with clients. Providers that offer meaningful savings services to a broad client base can sustain growth and innovation for longer periods because of the higher stability of deposits, increased customer loyalty, increased opportunities to cross-sell products like credit, and linkage of institutional growth to clients’ preferences and regional economic trends. Savings also offers financial stability. Diversifying into local-currency deposits can reduce dependence on foreign funding and reduce the risks stemming from exogenous financial and political events.
...and to communities

Savings accrue significant benefits to communities and societies as a whole. A savings culture is part of the development of an “ownership society,” in which citizens acquire wealth, build assets and have a personal stake in the prosperity of their environment. This is complemented with private-sector growth, cost reductions, increased efficiencies, job creation and expansion of the role of the financial inclusion sector beyond just financial services.

Saving can also improve health outcomes, enabling timely medical treatment in communities where state-provided health care is limited or nonexistent. Similarly, the empowerment of women through financial autonomy has benefits that radiate beyond the individual. And households that are able to save for later in life place fewer burdens on the state, freeing funding for projects that benefit society as a whole.

The “mental models” behind savings

So what makes people choose to save? Financial decisions are affected by a multitude of variables: long-term calculations, risk aversion, gut instinct, habits, social pressures, and a host of misaligned incentives and misperceptions. Put together, these variables commonly lead to savings practices that are inconsistent with the traditional economic view of people as rational actors.

The EMA 2020 has revealed that people employ various mental models to help them save better. One common practice is using different jars for different savings purposes. ROSCAs encourage saving by creating an obligation to one’s peers. Another common practice is giving cash to a neighbour to safeguard - not because the neighbour’s house is more secure, but because cash that is out of the house cannot be spent as easily.

Insights into these mental models are being uncovered increasingly by the relatively young field of behavioural economics, which often counters the idea of humans as rational economic actors. Instead, according to Nobel Laureate Richard Thaler, significant biases and cognitive limitations are “human traits that systematically influence individual decisions and market outcomes,” including savings choices.

Encouraging Effective & Inclusive Savings - and the EMA 2020

To highlight these emerging efforts, the organizers of the EMA 2020 invited applications from organisations that are innovating in the encouragement and delivery of savings for low-income and excluded populations. Three components of this topic distinguish exceptional initiatives.

First, financial and non-financial institutions can encourage savings by lowering barriers (making savings accounts or savings groups easier to open or join). But access alone is insufficient. Just as important is for institutions to show that their savings programme is built with an understanding of clients’ behaviour - to take advantage of incentives, group coordination and teachable moments to promote the choice to save.

Second, savings are effective when they are well matched to clients’ specific goals and needs; affordable; accessible; secure; easy to understand; and - wherever possible - taking advantage of technological innovations on the client and institution sides to expand outreach, lower costs and improve service quality. These products also are sustainable for the institution, exhibit high levels of transparency, promote client-provider trust and enjoy genuine client usage (rather than, for example, prioritising the opening of many new accounts that end up dormant).

Third, savings are inclusive when they reach underbanked segments, such as women and youth, protecting those most vulnerable to shocks within a comprehensive client protection framework. Holding poor clients’ savings carries a moral as well as a financial responsibility - not only to safeguard the money but to do so affordably and with high levels of transparency.

Over the course of the EMA 2020 application process, it became clear that applicants’ responses to the COVID-19 crisis would become increasingly important in their savings initiatives, institutional resilience, and protection of clients and staff. So we added to the questions asked of applicants - to go beyond those on outreach, scale, target populations and product usage - to explore how the crisis has affected their application. This has been a big ask of organisations already straining under the pressure of crisis management, and we acknowledge and appreciate their patience and efforts.

So, where do things stand now? The first round of the European Microfinance Award 2020 on Encouraging Effective & Inclusive Savings received a record number and range of applicants - 70 applications from 37 countries. And for the first time, every applicant invited to proceed to the second round this year - 38 out of 38 - completed this more comprehensive application form.

The EMA Preselection Committee then evaluated these 38 against a comprehensive set of criteria, and 19 were forwarded to the Selection Committee. This smaller group of applicants is extremely innovative, comprehensive, imaginative and diverse. The programmes are based in 17 different countries, spanning all of the main regions of the world. They comprise 10 microfinance banks, three NBFI's, two cooperatives/credit unions, two fintechs and two NGOs. They offer children’s accounts; commitment savings; doorstep “usu” collection models; financial education and literacy support; digital solutions; group and individual models; and models for many target markets - farmers as well as urban workers, employees as well as microentrepreneurs, business products as well as personal accounts; and many more.

The universe of inclusive savings is vast and growing. The applicants for this award - and especially the 10 semi-finalists that will be profiled in the e-MFP Award publication to be launched during European Microfinance Week - embody the rich array of approaches to encouraging effective and inclusive savings among the people who most need increased resilience during crises like this one.

We look forward to announcing the semi-finalists, subsequently the three finalists and ultimately the winner of this year’s Award. We have learned a lot, and we’re grateful to everyone who has taken part in the Award process. This topic was interesting and valuable nine months ago, but now it is more important than ever.

Sam Mendelson is a Financial Inclusion Specialist at e-MFP and part of its European Microfinance Award team.
**EAR TO THE GROUND**

**Better Late than Never: Evidence of Positive Impact from Trainings for Micro-, Small Businesses**

I find myself driving a lot more as a result of the epidemic and hence have discovered radio as a satisfying way to get a taste of people and places I can no longer see in person. One recent pleasant surprise was stumbling upon a radio show called La Voz del Negocio Hispano (Hispanic Business Voice) on the New York FM radio station La Música. Business owners call in with questions, and experts offer solid business advice - and a little marketing of their services. As I listened, I heard really valuable conversations taking place. One caller explained that his small business is barely surviving and had to lay off staff to stay afloat. A representative from Wells Fargo explained to him in Spanish how he could access government support. Another expert addressed the audience, praising the entrepreneur’s strategy: “Don’t hesitate; make decisions quickly, especially to cut your costs.” As I drove along, I also heard tips for boosting retail customer engagement for business owners who are unfamiliar with digital media strategies. It was a productive drive, and I was thrilled to learn that Latino small businesses here in the New York area have such a great resource available to them - free of charge.

I believe that information and training matters. Yet over the years, I have struggled to convince MFIs and donors of this. In 2012, leading World Bank economist David McKenzie published a meta-analysis of business training programs with his colleague Chris Woodruff. They found little impact of training on sales or profitability. However, this week, Dr McKenzie was delighted to learn that Dr McKenzie’s work could not have come at a better time! Hopefully it will lead to a charge of new products and services aimed at strengthening micro- and small businesses. Luckily for some, the voice of Mario Andrés Moreno at La Voz del Negocio Hispano has been here all along.

For MFIs that have been afraid of paying for business training, the specter of smaller and lower-quality portfolios may make this trade-off more attractive. That means Dr McKenzie’s research could not have come at a better time! Hopefully it will lead to a charge of new products and services aimed at strengthening micro- and small businesses. Luckily for some, the voice of Mario Andrés Moreno at La Voz del Negocio Hispano has been here all along.

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**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@eac-global.com, or you may follow her on Twitter at Barbara@EA.

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**EAR TO THE GROUND**

**Better Late than Never: Evidence of Positive Impact from Trainings for Micro-, Small Businesses**

Millions of micro- and small businesses worldwide have missed out on opportunities to receive useful hands-on guidance to improve their businesses, largely because of a handful of studies based on what appear in retrospect to have been bad programs. Dr McKenzie’s new research shows that high-quality business training modules - even short ones - can increase sales by 4.7 percent and profits by 10 percent. (When you are poor and capital-strapped, increasing labor productivity is a game changer since labor is the business’s main asset.) Better yet, the analysis found that adding customized approaches resulted in profit increases of 15 percent. These approaches included training specific to women, kaizen for small manufacturers, peer mentorship, heuristics (rules of thumb), and a focus on changing attitudes and behaviors.

As so many microbusinesses struggle to survive across the globe, this research offers some insight into how we can help. Supporting an MFI client with training might make the difference between her loan being viable or not. And if MFIs aren’t issuing new viable loans, portfolios will stay small, and poor-quality loans will make up a larger portion of them.

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PAPER WRAP-UPS

Has the Pandemic Spared Cambodia?
Liquidity Considerations of Cambodia’s Large MFIs

While other sources have reported on micro-borrowers in Cambodia being unable to repay loans and losing their land amid the COVID-19 pandemic, Mr. Sinha finds that the recent liquidity challenges faced by microfinance institutions (MFIs) in the country are less significant than elsewhere in Asia. The Cambodian government didn’t impose a lockdown on travel, and MFIs have offset the moderate drop in collections by cutting loan disbursements.

Based on a review of data from nine large MFIs, which have a combined portfolio equivalent to USD 11.4 billion, the author estimates a liquidity shortfall of USD 320 million for 2020. This amounts to 2.1 percent of the MFIs’ assets. Mr. Sinha attributes this minimal gap to the MFIs studied having relatively: (1) low…*

Never Waste a Crisis: How Sub-Saharan African Insurers Are Being Affected by, and Are Responding to, COVID-19

The pandemic has introduced reputational challenges to insurers from: (1) the requirement that a business be within a certain radius of an outbreak to make a claim regardless of the extent of the impact on the business; and (2)...*

Digital Technology in Social Assistance Transfers for COVID-19 Relief: Lessons from Selected Cases

Based on data from six countries, the authors’ findings include that: (1) digital media campaigns are important for marketing digital social transfers; (2) NGOs have an...*

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