**Latinia Backs Ábaco, Lender to Freelancers in Colombia, Mexico**
Request a sample of the subscriber edition to read about this MicroCapital Deal of the Month!

**Arohan of India Files for IPO, Early Investors to Exit, Deals May Total $247m**
The microlender Arohan Financial Services recently filed with the Securities Exchange Board of India in preparation for an IPO through which it seeks to raise the equivalent of USD 117 million. Of this total, Arohan may shift about one fifth to a pre-IPO placement round. The book runners for the IPO are Edelweiss Financial Services, ICICI Securities, Nomura Financial Advisory and Securities (India) and SBI Capital Markets Limited. Meanwhile, early investors in Arohan plan to sell shares in the firm for USD 130 million. The selling entities are the Aavishkaar Goodwill India Microfinance Development Company II, Maj Invest Financial Inclusion Fund II, Michael & Susan Dell Foundation, Tano India Private Equity Fund II and TR Capital III Mauritius. Arohan was established in 2006 and is a member of the Aavishkaar-Intellecap Group. Arohan offers loans designed for trading, services, utilities, solar products, telephones, bicycles, and small and medium-sized enterprise. The firm also offers life insurance, e-commerce support and financial literacy training. Arohan reports a gross loan portfolio of USD 667 million and 2.3 million customers served through 711 branches in 229 districts of India. The members of the Aavishkaar-Intellecap Group include “equity funds, a venture debt vehicle [and] a microfinance and advisory business including investment banking.” February 22, 2021

**Iran Planning NFC Retail Payment System to Compete with Cards**
The Central Bank of Iran reportedly is developing a contactless payment system using near-field communication technology that will allow customers to make retail payments using mobile phones. Among the goals of the effort is to reduce: (1) costs for banks and their customers; (2) the use of payment cards, which are generally imported; and (3) the risk of transmitting COVID-19. One challenge will be retailers having to upgrade their point-of-sale terminals to handle the new service. February 16, 2021

**FIE NGO of Bolivia Buys Back Stake in CONFIE from Bamboo**
Bamboo Capital Partners, a Luxembourg-based impact fund manager, recently announced its exit from Spain-based Corporación para el Fomento a Iniciativas Económicas (CONFIE), whose holdings include Banco FIE, a microfinance institution in Bolivia. CONFIE’s parent organization, Bolivia-based FIE NGO, bought the stake for an undisclosed sum. Since Bamboo Capital Partners invested in CONFIE in 2007, Banco FIE has grown to serve 1,040,000 customers via 470 branches and automated teller machines. The institution offers savings, loans, microinsurance, remittances and...

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MICROCAPITAL BRIEFS

EIB Lends $3m to MFW for Women Entrepreneurs in Jordan

The EU’s European Investment Bank (EIB) recently lent the euro-equivalent of USD 3.3 million to Microfund for Women (MFW) for on-lending to microenterprises in Jordan. These loans are intended to support 9,100 people, 90 percent of whom are women, whose livelihoods have been threatened by the effects of the COVID-19 pandemic. EIB drew the funds from the Southern Neighborhood Microfinance Facility, which has assets of USD 86 million and is intended to encourage microfinance in Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria and Tunisia. H E Maria Hadjitheodosiou, the EU ambassador to Jordan, praised the project for “addressing the impact of the COVID-19 pandemic and at the same time fostering women’s empowerment in Jordan, by helping them achieve sustainable livelihoods for themselves and their families…”. MFW is a nonprofit that was founded in 1996 and serves 124,000 borrowers. In addition to loans, it offers microinsurance and scholarships as well as training on business development, women’s health and women’s rights. February 24, 2021

Bank of Ghana Issues Crowdfunding Policy

The central bank of Ghana recently launched a policy aiming to promote and guide the use of crowdfunding, whereby people fundraise in small amounts from many individuals. Since long before it could be performed electronically, people have used the concept to raise funds from friends and family for purposes such as business, medical, education and funeral expenses. The new policy encourages crowdfunding via financial institutions, with the goal of increasing financial inclusion, accountability and the protection of funders’ interests as well as reducing the incidence of money laundering and terrorism financing. Bank of Ghana will regulate equity and debt crowdfunding models in coordination with Ghana’s Securities and Exchange Commission. February 24, 2021

SHE Investments Releases Bookkeeping App in Khmer

Cambodia’s SHE (Support Her Enterprise) Investments recently released a bookkeeping app, Kotra Riel, targeting women microentrepreneurs in Cambodia. The Khmer-language app assists with tracking income and expenses, managing cash flow, and accessing formal financial services. Kotra Riel, which allows the entry of 100 transactions per month at no charge, is available for users of Android phones and is slated for release for the iOS platform in the future. Development of the app was supported by the UN Economic and Social Commission for Asia and the Pacific (ESCAP) and the UN Capital Development Fund. ESCAP Deputy Executive Secretary Kaveh Zahedi said, “Too many women entrepreneurs in Cambodia and the region are at a disadvantage because they simply don’t have access to the digital and financial tools and knowledge…”

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ONLINE COURSES ON FINANCIAL INCLUSION AND GREEN FINANCE

English | French | German | Turkish | Spanish | Russian

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

Shafiqual Haque Choudhury: A Practical Visionary

Shafiqual Haque Choudhury was born into a landowning family in what was then East Pakistan. Just after he graduated as a sociologist from Dhaka University, a brutal civil war in 1971 ended in the emergence of his new country, Bangladesh.

Wanting to do something about the devastating post-war poverty and underdevelopment, Shafiq joined an overseas charity that had come to Dhaka after the war. But the fishing co-operatives that he helped to form were all too often controlled by their wealthier members, and he took the Maoist view that the poor needed to confront these local elites more directly. With funds from sympathetic international donors, he founded the Association for Social Advancement (ASA) in 1978.

ASA formed groups of working men in the villages, trained them in night schools to “recognise the sources of their oppression” and urged them to carry out “social actions” like work and rent strikes as well as withholding repayments due to moneylenders. The plan was to federate the groups at local, then at district and finally at national levels, with the ultimate goal of creating a government that reflected the needs of its poorest citizens.

It didn’t work. Social actions were few and dwindling. Group members didn’t see why they should fight their landlords: “at least they give us work and loans; all ASA does is lecture us.” More and more of them deserted ASA to join microcredit groups like Fazle Abed’s BRAC and Muhammad Yunus’s Grameen Bank.

When ASA reversed course and became a microcredit provider in 1992, Shafiq’s genius was fully revealed. He took the prevailing microfinance model, stripped it to its basics, and showed how a branch could become profitable within a year. It was hands-on work: Shafiq himself designed the elegantly simple paperwork and wrote the detailed rules governing how branches were to be run. He prioritised growth: ASA became the fastest growing microcredit provider, with a half million borrowing clients within five years, and well over 7 million - nearly all of them women - a decade later. Retained profits grew quickly, and ASA was the first big provider able to wean itself off grants and subsidised loans. It became the first to abandon “joint liability” (under which group members had to financially guarantee each other's loan repayments) in favour of individual loans, moving microcredit away from the communitarian toward a more individualistic approach. ASA encouraged savings, believing they protected both client and provider from loan repayment problems, an approach that helped save Bangladesh from the kind of microcredit meltdown that India suffered in 2010.

“…ASA was the first big provider able to wean itself off grants and subsidised loans. It became the first to abandon ‘joint liability’. ASA encouraged savings, believing they protected both client and provider from loan repayment problems, an approach that helped save Bangladesh from the kind of microcredit meltdown that India suffered in 2010.”

Donors had asked ASA to promote the “ASA Model” in other developing countries previously, so Shafiq had experience running overseas programmes by the time he met a Netherlands-based entrepreneur and in 2007 jointly set up ASA International, a commercial microcredit company working outside Bangladesh. ASA International, which now owns microfinance institutions in 13 countries in Asia and Africa, allowed Shafiq to pursue his social mission across the globe. ASA International still follows the ASA Model established by Shafiq many years ago. Its successful IPO on the London exchange in 2018 allows the wider public to invest in low-income people, an approach that Shafiq came to believe was essential to scale microfinance and improve the lives of many more people.

Shafiq was an always modest and sometimes contradictory character. Despite the astonishing success of his work in microfinance, he worried he had been a “traitor” in abandoning the dream of a peasant-led revolution. Though he skillfully steered ASA clear of party politics, he allowed himself to be flattered into taking a ministerial-level post as part of a short-lived technocratic caretaker government in 2006. Always charming and affable with friends, “President Sir,” as his staff called him, could seem a lonely figure, seated behind his big empty desk in his office on the top floor of ASA Tower, signing the documents that were sent to him and regretting that he could no longer visit the villages incognito.

Shafiq was both an inspirational and a transformative leader - and guardian to many. He stayed true to his social mission in everything he did. His legacy will live on.

He leaves a widow and three sons, one of whom, a senior ASA executive, has succeeded him in the role of President of ASA.

EAR TO THE GROUND

The Azalea Dilemma: Reflections on Achieving Impact

Recently, a friend told me he was planning to plant azalea seeds. Apparently, it is a tricky shrub to grow, requiring precise levels of heat and moisture indoors before being introduced to nature's elements. Even if your azalea survives, you may have to wait seven years for it to flower. My friend's strategy is to plant 2,500 seeds this winter in hopes of having some 200 adult plants a decade from now. There is a method that yields azalea flowers in just three years - if you combine exactly the right amounts of water, heat, fertilizer, etc - but my friend says no one grows them that way because it isn't cost-effective.

As I reflected on this “azalea dilemma,” I was reminded of some of the issues we debate regarding the impact of financial inclusion on low-income households. In the past few weeks, I have spoken with a number of donors and employees of financial institutions about what “impact” means to them. There is a lot of debate, from the traditional trade-offs between measuring outputs, outcomes and impact, to more nuanced thinking around theories of change that offer evidence-based pathways to impact.

Two often overlooked dimensions are segmentation and time. RCTs offer a great example. Many of the RCTs trying to measure the impact of microfinance have found limited or no impact. However, most have been constrained by their use of averages (assuming interventions effect different study participants in the same ways) and by spanning time frames of no more than three years. I believe more time is needed for compounding to take place. If I make USD 2,000 a year, and my income increases by 10 percent, that’s a difference of just USD 200. In most countries, USD 200 is not life-changing. It’s what you do with the USD 200 in year one and then again in each following year that starts to create robust impact.

Yesterday, I spoke with my friends at Genesis Empresarial, a leading MFI in Guatemala. The team at Genesis has been thinking about impact very deliberately for some time. Its findings suggest that it takes about 20 years to see impact in clients’ lives. Genesis has been able to reduce that to 13 years through a multi-dimensional approach, offering different products for each client segment. But like the wait for an azalea bloom, this feels too long. While there may not be an ROI story yet, Genesis has decided to target a seven- to eight-year impact timeframe for its interventions. The team deliberately is designing various combinations of interventions that target different segments based on their level of vulnerability as well as business type and size. This may cost more than it’s worth in financial terms for the MFI, but impact is, after all, why most of us are involved in the sector.

I am very interested in how a multi-dimensional approach such as Genesis’s could drive the rate of return on impact, leading to faster growth over time. If we consider the compounding aspect of impact, we might expect to see the rate of change accelerate significantly. This may be where a call for integrating other services into the provision of microfinance makes sense. Last month in this column, I talked about how the sector is going to need to collaborate more with both public and private service providers if we’re going to get out of the COVID-19 crisis any time soon. Maybe COVID-19 is our opportunity to start thinking about impact in a new way: more deliberately, multi-dimensionally and impatiently.

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, and you may follow her on Twitter at BarbaraatEA.
PAPER WRAP-UPS

Disaster Resilience Through Financial Inclusion


This paper addresses how financial services can contribute to disaster risk reduction, such as through “inclusive green finance,” which redirects funding from activities that may increase climate change toward sustainable activities and adaptations to climate change.

Preparing financial systems for disasters can include: performing risk assessments and modeling; planning for the fast provision of cash post-disaster; establishing disaster risk insurance, credit guarantees and recovery facilities; digitizing financial services; and increasing intergovernmental coordination.

After a disaster occurs, regulators can take the following temporary actions: lowering reserve requirements for financial institutions; performing quantitative easing; relaxing…*

COVID-19 and Cyber Risk in the Financial Sector

By Iñaki Aldasoro, Jon Frost, Leonardo Gambacorta and David Whyte; published by the Bank for International Settlements; January 2021; 9 pages; available at https://www.bis.org/publ/bisbull37.pdf

Financial institutions have shifted many of their employees to working from home (WFH) in response to the COVID-19 pandemic, and the authors of the paper posit a “strong link between the prevalence of WFH arrangements… and the incidence of cyber attacks between the end of February and…”*

ESG and Accountability to Communities

Published by Publish What You Fund; February 2021; 41 pages; available at https://www.publishwhatyoufund.org/download/dfi-transparency-initiative-ws3-working-paper-on-esg-and-accountability-to-communities/

This report examines 20 development finance institutions (DFIs) to learn how these organizations: (1) are transparent in terms of their policies on environmental, social and governance (ESG) issues; (2) actually disclose ESG risks and plans to manage those risks; and (3) implement independent accountability mechanisms to…*

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