

## MICROCAPITAL BRIEFS | TOP STORIES

### Peru's Mibanco to Issue IPO, Aiming to Raise \$15.5m

Shareholders of Peruvian microfinance lender Mibanco have agreed to raise up to the equivalent of USD 15.5 million via an IPO, according to a regulatory report. Mibanco holds USD 740 million in assets and equity worth USD 70 million. September 22, 2008

### Dutch SNS Fundraising for Second Institutional Microfinance Fund

SNS Asset Management (SAM) is reportedly fundraising for a successor to the SNS Institutional Microfinance Fund. The new fund, targeted at USD 140 million, was created in response to high demand from Dutch institutional investors. Run by Developing World Markets, it will invest 70 percent in microfinance institution debt and 30 percent in equity. Holding USD 28 billion in assets, SAM is a subsidiary of Dutch banking and insurance company SNS REAAL. The original SNS Institutional Microfinance Fund was the company's first fund dedicated to microfinance. September 8, 2008

### Nigerian Microfinance Banks to Set Up Interbank Market

Twenty-four microfinance banks and five discount houses in Nigeria are reportedly establishing an interbank money market for the sub-sector. Such a market would allow banks to borrow and lend among one another, as well as provide opportunities to invest excess funds and borrow to cover temporary liquidity shortfalls. It would be run by the government-operated Kawaka Discount House, which reports total assets worth USD 605 million, a debt-equity ratio of 93 percent and a return on assets of 1.8 percent. September 2, 2008

### Dutch Pension Fund ABP to Invest \$75m in BlueOrchard

Dutch pension fund ABP has committed USD 75 million to the BlueOrchard Private Equity Fund (BOPEF). By its final closing date of December 2008, BOPEF aims to double its capitalization to USD 220 million. BOPEF is advised by BlueOrchard Investments, a microfinance private equity advisory based in Switzerland. ABP holds assets worth USD 290 billion. August 28, 2008

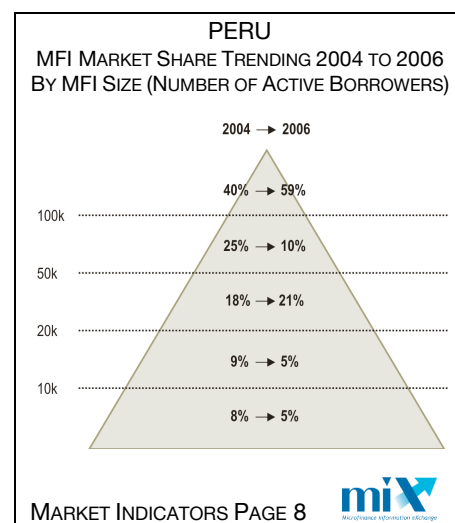
### Indian Banks Lap Up Microfinance Institutions' Farm Loans

Private banks in India are increasingly buying farm loan portfolios from microfinance institutions (MFIs) in an attempt to meet government-mandated agriculture sector lending targets. Such transactions also help MFIs meet the minimum capital adequacy ratio that is currently being raised in phases to 15 percent. Grameen Capital India has recently facilitated acquisitions by IndusInd Bank of receivables from SKS Microfinance worth USD 28.9 million and a package from Biswa, considered to be a Tier-II institution, worth USD 5.3 million. In a farm portfolio deal, banks get the loans at a low price, and MFIs get upfront payment plus a share of the interest later collected from customers. September 4, 2008

### Tanzania Illegally Bars Neighbors from \$55m Microfinance IPO

The Tanzanian government is selling 21 percent of the shares of National Microfinance Bank (NMB), a stake valued at USD 55 million. The Tanzanian government is barring participation outside the country, apparently in violation of the East African Customs Management Act. The restriction has been interpreted by analysts as an attempt to control the value of the Tanzanian shilling. National Microfinance Bank, with over 100 branches, offers financial services to organizations and individuals at all levels of the economic spectrum. Prior to the offering, top shareholders in National Microfinance Bank included the government of Tanzania, with 51 percent, and Coöperatieve Centrale Raiffeisen-Boerenleenbank (Rabobank) of the Netherlands, with 34.9 percent. August 18, 2008

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## MICROCAPITAL BRIEFS

### Deadlines Loom for CGAP Photo Contest, Technology Survey

Entries for the CGAP (Consultative Group to Assist the Poor) photo contest, with prizes worth up to USD 5,000, are due at the end of September, as are responses to CGAP's survey on the use of technology by microfinance institutions. September 23. 2008

### Credit Bureau Moves Ahead in Uganda

The pilot phase of the Ugandan Credit Reference Bureau has kicked off at Barclays, Centenary Bank, Standard Chartered, Uganda Microfinance and Pride Microfinance. Borrowers will be required to get an identification card that will include their photos and fingerprints. September 22. 2008

### World Bank Directs \$50m to Rural Finance in Mexico

The World Bank has approved an additional USD 50 million for a program to assist the Mexican government in strengthening savings and credit institutions in the rural sector. September 18. 2008

### Savings Soar in Kenya, But 38% Remain Unbanked

The Central Bank of Kenya (CBK) reports that the number of Kenyans with savings accounts tripled last year, rising from 3.3 million to 10.1 million, or 27 percent of the population. Although Kenya's Business Daily called the rise "possibly the most rapid take-off in the provision of financial services the world has ever seen," 38 percent of Kenyans still report no usage of either formal or informal financial products. Amid accusations of gouging, CBK now requires banks to receive approval before increasing fees and has ordered the publication of bank charges and lending rates in the media. Total banking assets in Kenya are equivalent to USD 951 billion. September 12 and September 17. 2008

### Ascendant to Develop Performance Metrics for ACCION

ACCION International has hired Ascendant Strategy Management Group to develop performance metrics for ACCION managers that will employ a system of, "strategy maps, change agenda, performance measures, initiative alignment, strategic reporting and review meetings." September 16. 2008

### Dutch Survey Shows \$824.5m Committed to Microcredit

Dutch banks and pension funds have invested USD 824.5 million in microcredit in developing countries, a figure that is set to double in the next three years, according to a survey by the Volkskrant. Respondents specified interest in expanding in India and Brazil. September 16. 2008

### Alex Counts of Grameen "Reimagines" Microfinance

In the Stanford Social Innovation Review, Alex Counts, CEO of the Grameen Foundation argues that the industry must "see past the false choice between pro-poor and commercial microfinance" to "lead this important and ever-improving antipoverty strategy to be a major force in creating a more just world." September 16. 2008

### Globe Telecom Philippines, Rural Bankers to Offer Mobile Banking

Globe Telecom, the Philippines second largest telecommunications provider, has partnered with the Rural Bankers Association of the Philippines (RBAP) to build a mobile banking system that will allow rural banks and clients to use mobile phones for withdrawals, deposits and loan and bill payments. Partially funded by the US Agency for International Development, RBAP comprises microfinance institutions holding an aggregate gross loan portfolio equivalent to USD 6 million and savings deposits of USD 4.9 million. September 16. 2008

### African Union Calls Politicians "Bad Economists"

At a recent African Union meeting, a stern warning was issued to politicians to steer clear of the microfinance sector: according to the delegates, politicians are "bad economists." As part of its roadmap for the development of microfinance, the African Union called for increased staff training, capacity building, consumer protection, local investment, and the prioritization of women's needs. September 16. 2008

### Bellwether Microfinance Fund Launches \$100m Indian Fund

Bellwether Microfinance Fund, an Indian microfinance venture capital fund, has announced the launch of the USD 100 million Indian Financial Inclusion Fund (IFIF). IFIF is a Mauritius-based, India-focused fund, which has raised USD 30 million as of August 2008. Fund manager Capsian Advisors reports IFIF will focus on microfinance institutions and companies that link banks to customers, as well as housing financiers and developers. September 16. 2008

### State Bank of Pakistan, DFID to Diversify Agrocredit

The State Bank of Pakistan (SBP) has set a credit disbursement target for the country's agricultural sector equivalent to USD 5.5 billion; up from an actual USD 4.7 billion during the year ending March 2008. SBP is also introducing a credit enhancement scheme with the UK Department for International Development encouraging banks to provide wholesale credit to microfinance banks. The program will expand to include housing finance after focusing on micro- and small enterprises during the first year. September 15. 2008

### Jamaica National Building Society Offers Microfinance Services

Jamaica National Small Business Loans Ltd. (JNSML) is offering a range of financing packages to small businesses at different stages of development, including those with limited collateral. JNSML has also commissioned the Jamaican Business Development Centre to provide a micro- and small business training program for its clients. JNSML is a subsidiary of Jamaica National Building Society, a mortgage company with assets of USD 67 billion. September 15. 2008

### Venezuela to Nationalize Local Unit of Spain's Banco Santander

Venezuelan President Hugo Chavez is reportedly set to offer Banco Santander USD 1.2 billion for its Banco de Venezuela. Despite its profitability, Banco Santander is selling the operation amid political uncertainty. "According to my estimates, it is worth USD 2.5 billion," Pierre-Alexander Pechmeze of Oddo Securities told Forbes.com. Banco de Venezuela has nearly 3 million customers and USD 11.0 billion in assets. September 15. 2008

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*MicroCapital would like to recognize the individuals at CGAP, The Microfinance Information Exchange (MIX) and the Microfinance Gateway for their outstanding work disseminating information on microfinance. Thank you!*

### A Little World of India Closes on \$6.3m Financing Package

A Little World (ALW), a technology company based in Mumbai, recently finished a round of funding totaling the equivalent of USD 6.3 million. Investors included Legatum Ventures, Bellwether Microfinance Fund (BMF) and BMF's India Financial Inclusion Fund. ALW uses technology to provide low-cost financial services to its one million customers, with a specialty in payments made via mobile phone. BMF, managed by Caspian Advisors, reports investments totaling USD 15.7 million. Legatum Ventures, the venture capital arm of Legatum Global Development, is a private equity investor reporting five active microfinance investments totaling USD 59 million. September 15, 2008

### World Bank, ADB Raise Poverty Lines Above \$1 Per Day

The World Bank and Asian Development Bank (ADB) have both released studies recently offering new definitions of extreme poverty. Breaking from its USD 1 per day poverty line, the World Bank now estimates that 1.4 billion people in the developing world (one in four) were living on less than USD 1.25 a day in 2005, down from 1.9 billion (one in two) in 1981. The ADB study defined a poverty line of USD 1.35 per day, which is specific to the Asia-Pacific region. International development finance institution ADB allocated USD 11 billion in loans, grants and technical assistance in 2007. September 12, 2008

### Vietnam: State Dominates Microfinance Market

Nguyen Thanh Binh of the Asian Development Bank (ADB) has said that over-regulation of the market has inhibited private investment in Vietnam's microfinance sector, in which all significant institutions are state-controlled. Nonetheless, with support from international aid agencies and NGOs, the sector reports having loaned USD 3.1 million to 25,000 poor people, mostly women. September 3 and September 11, 2008

### Micro Finance Bank of Azerbaijan (MFBA) Renamed Access Bank

The Micro Finance Bank of Azerbaijan has been officially renamed Access Bank (AB), reflecting the 16.53 percent stake in the microfinance institution controlled by Access Holding. For-profit AB reports total assets of USD 133 million, a gross loan portfolio of USD 113 million, a debt-equity ratio of 713 percent, return on equity of 36 percent and 46,653 active borrowers. Access Holding is a for-profit microfinance holding company owned by KfW of Germany, International Finance Corporation, LFS Financial Systems, Omidyar-Tufts Microfinance Fund, UK-sponsored CDC Group and the European Investment Bank. September 10, 2008

### Multilateral CAF Lends \$29.2m to Six Bolivian MFIs

Corporacion Andina de Fomento (CAF) has made loans worth USD 29.2 million to six Bolivian microfinance institutions. USD 10 million went to Banco Los Andes ProCredit, followed by USD 6.5 million to Banco Bisa and USD 5 million to each Banco Solidario and Banco Economico. Non-banking financial institutions Crecer and Fondo Privado Ecofuturo borrowed USD 2 million and USD 700,000 respectively. CAF is a multilateral financial institution owned by 17 Latin American governments and holds assets of USD 12.6 billion. Banco Los Andes ProCredit holds total assets of USD 324 million. September 10, 2008

### Tata Group, AIG Triple Revenue in Indian Microinsurance

Tata-AIG Life Insurance Company, a joint venture between India's Tata Group and American International Group (AIG), has tripled its staffing, premium revenue and number of policy holders in the past year, while touting a goal of achieving the first fully-insured villages. Indian conglomerate Tata Group reports a market capitalization of USD 65 billion. Based in New York, AIG is a USD 60 billion insurance company. September 10, 2008

## LATIN AMERICA - CARIBBEAN REGIONAL MICROCREDIT SUMMIT 2009

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### Mobile Banking Spreads in Kenya, Pakistan, Mongolia, Maldives

In a recent blog, Jim Rosenberg of CGAP (Consultative Group to Assist the Poor) reviews mobile phone banking successes in Kenya, Pakistan, Mongolia and the Maldives. Although banking infrastructure - such as branches and ATMs - is minimal in these countries, cell phone penetration is growing fast. Electronic means of moving cash are attractive where crime, long distances and other factors make transaction costs high. Banking via cell phone at a local store is very attractive to customers who can only get to a bank branch by traveling 30 miles or - in the case of one island in the Maldives - four hours by boat. September 8. 2008

### Central Bank of Nigeria Laments Poor Participation in North

At a recent event held by the Chartered Institute of Bankers of Nigeria, a Central Bank official bemoaned the low level of financial participation in northern Nigeria. Many have blamed the problem on larger issues of high poverty rates and minimal infrastructure in the region. The Central Bank of Nigeria reports total assets equivalent to USD 70 billion. September 4. 2008

### Increased Interest Rates, Regulation Put Pressure on Indian MFIs

Indian microfinance institutions Equitas Micro Finance India and Madura Micro Finance are reportedly raising interest rates by 1 to 8.5 percentage points due to increases in borrowing costs. Also, SKS Microfinance is looking for new sources of private equity funding, citing both increased interest rates and new reserve requirements. The Reserve Bank of India recently began raising reserve requirements for non-bank financial institutions to 15 percent. For-profit SKS reports total assets of almost USD 337 million, a gross loan portfolio of 261 million, a debt-equity ratio of 536 percent, return on equity of almost 12 percent and 1.6 million active borrowers. For-profit Equitas reports total assets of USD 4.8 million, a gross loan portfolio of USD 4.1 million, a debt-equity ratio of 66 percent and 16,166 active borrowers. Madura is a non-bank financial institution reporting a gross loan portfolio of USD 35 million and 182 branches. September 3. 2008

### UN, Ford Foundation Loan \$27m to Support Nigerian Microfinance

The United Nations' International Fund for Agricultural Development (IFAD) will provide USD 27 million in debt capital to support the expansion of microlending in Nigeria. Co-financed with the Ford Foundation, the effort aims to build ties between microfinance institutions and mainstream banks in twelve Nigerian provinces. Since its inception, IFAD has invested USD 9.8 billion in 751 programs and projects that have served 310 million people. In 2007, the Ford Foundation reported total assets of USD 13.7 billion and the approval of USD 530 million in grants. September 2. 2008



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### Banco Compartamos' Client Base Reaches One Million

Mexican microfinance giant Banco Compartamos has announced that it now provides services to one million active clients. September 2. 2008

### Bank of Bangladesh Says 13% of Population Accesses Services

The Bangladesh Bank has reported a total of 19 million bank accounts in the country - with 13 percent of the population holding accounts - and a 62 percent rise in agricultural credit disbursements. However, the New Nation, a Bangladeshi newspaper, argues that commercial banks have begun to focus only on "rich clients" and have reduced attention on rural areas. The newspaper also cites "exploitation of the poor loan-seekers from a section of micro-credit providers." September 1. 2008

### Sparks Fly Over Nigerian Microfinance Institution Salaries

Controversy has arisen over the governance and operations of microfinance institutions (MFIs) in Nigeria. Pastor Kehinde Alaba, CEO of Lagos State University Micro Finance Bank has reportedly argued that restrictions on foreign exchange transactions and buying government securities limits the ability of MFIs to meet market demand for loans and to pay MFI employees competitive salaries. He also complains that many states in Nigeria have not followed the Central Bank of Nigeria's (CBN's) directive to devote one percent of state funds to microfinance services. Tunde Lemo, of CBN, argues that microfinance institutions already have "ostentatious" benefit packages and that the government may revoke the licenses of MFIs that "are not run the way they should be." August 28. 2008

### AIG Announces Investment in MicroCred Nanchong

American International Group has acquired 18 percent of MicroCred Nanchong, China (MNC) and the exclusive right to sell microinsurance to MNC clients for two years. MNC is the first wholly foreign-owned microcredit company in China. International Finance Corporation, KfW Bankengruppe and MicroCred SA also hold stakes in MNC. August 27. 2008

### Sudanese Microcredit "Bank of Family" Opens

Sudan's Bank of Family is starting operations in six locations, ranging from Khartoum to Darfur, with joint public-private backing worth USD 32 million. August 27. 2008

### India's HDFC to Open 100 Branches in Race for Rural Customers

India's third-largest bank HDFC is expanding its branch network by 200, including 100 branches in rural areas that will target farmers and self-help groups (SHGs). Offerings are to include consulting services for SHGs and surcharge-free ATM access. The bank's disbursements this year to SHGs and microcredit customers are expected to total USD 230 million. August 26. 2008

### Food Prices in Bangladesh Impact Microfinance Repayments

Microfinance institutions in Bangladesh report that the 60 percent increase in food prices since 2007 has driven clients to miss loan payments and to use loan proceeds to cover food costs instead of for income-generating enterprises. August 26. 2008

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### Philip Vassiliou of Legatum Favors For-Profit Microfinance

In a recent Economic Times editorial, Philip Vassiliou of international investment firm Legatum Capital argues that, “to reach its full potential, the microfinance sector must embrace free market principles of competitive pricing and commercial incentives.” Countering concerns of over-charging poor borrowers, he states that, “interest rates in Bolivia have fallen from 70-80 percent in the early 1980s to a current average of 28 percent, thanks to increased competition and commercialization.” August 26, 2008

### ILO Offers Microinsurance Grants

The International Labour Organization’s Microinsurance Innovation Facility has closed its second round of innovation grants aimed at developing and testing innovative approaches to providing insurance to low-income households. Over the next five years, the group will issue 40 to 50 innovation grants totaling USD 18 million. In Round 1, ten grantees were selected from 127 applications. Round 3 will be opened in January 2009. August 26, 2008

### India’s Equitas Raises \$12.5m from Bellwether, MicroVentures

Indian microlender Equitas Microfinance recently raised the equivalent of USD 12.5 million in capital from existing investors MicroVentures SPA, Bellwether Microfinance Fund and Bellwether’s Indian Financial Inclusion Fund. With the latest infusion, Equitas’s total equity stands at USD 16.1 million. As of March 2008, Equitas reported total assets of USD 4.8 million, a gross loan portfolio of USD 4.2 million and a debt-equity ratio of 66.27 percent. The Bellwether Microfinance Fund is an Indian investment fund that reports a portfolio of microfinance investments totaling USD 15.7 million. MicroVentures SVA is a private equity firm reporting microfinance investments totaling USD 12.4 million. August 25, 2008

### ACE Gives \$100k to Chilean NGO for Microloans, Training

The ACE Foundation has granted USD 100,000 to nonprofit BanIguadad of Chile for its microenterprise program that offers microloans and business education to 1,400 families in rural Chile. August 25, 2008

### Regime Change at India’s Cooperative Development Foundation

Former Vice President Sandhya Rani has succeeded Rama Reddy as President of the Cooperative Development Foundation (Sahavikasa), which reports total assets of USD 2.9 million. August 25, 2008

### Study: Microfinance Program Reduces HIV Risk in Women

A recent public health study indicates that the provision of microfinance and business training services to impoverished women is associated with a significant reduction in risk behaviors for contracting HIV. The study monitored the effects of Intervention with Microfinance for AIDS and Gender Equity (IMAGE), a program administered by MFI Small Enterprise Foundation and the university-sponsored RADAR research initiative. The study was conducted in South Africa over a two-year period, during which loans averaging USD 166 were repaid at a rate of 99.7 percent. August 25, 2008

### Citi Agrees to Purchase Up to \$30m from ACCION Texas

Citi announced today it has entered into a five-year contract with ACCION Texas to purchase up to USD 30 million in microenterprise loans. August 22, 2008

### Kenya’s Co-operative Insurance Offers Microinsurance Again

The Co-operative Insurance Company is making another attempt at microinsurance, this time in conjunction with the International Labor Organization Microinsurance Innovation Facility (MIF) and the Swedish Co-operative Center (SCC). The effort will include a public “education” campaign to counter the Achilles’ heel of previous products: the perception that insurance is a luxury only for the rich. Pricing will begin at the equivalent of USD 0.30 per day. The MIF is discussed in the August 26 brief above. SCC is an umbrella organization for sixty development organizations that works primarily in rural areas of Africa. August 22, 2008

### China Life Introduces Microinsurance in Nine Provinces

China Life Insurance Company has launched four personal insurance products, three group insurance products and two microloan products in nine Chinese provinces. Publicly traded China Life reports total assets equivalent to USD 144 billion, a debt-equity ratio of 353 percent and a return on equity of 19 percent. August 20, 2008

### IDB Raises Stake in Mexican VC Fund IGNIA to \$30m

The Multilateral Investment Fund of the Inter-American Development Bank (IDB) has made a USD 5 million equity investment in IGNIA Social Investment Fund and has also committed a USD 205,000 technical cooperation grant. IGNIA also recently received a USD 25 million loan from the IDB’s Opportunities for the Majority Initiative. The IGNIA Social Investment Fund is a new venture capital fund investing in Latin American companies that serve individuals making under USD 300 per month. The IDB is a multilateral institution with 47 member countries. August 19, 2008

### Bahrain Looks to Indian Practitioners in Developing Microfinance

As part of a plan to sponsor microfinance programs in Bahrain, officials are visiting various Indian organizations involved in the field, such as the National Bank of Agricultural and Rural Development (NABARD), an unnamed microfinance research institution and various NGOs. MFI Innovation Bank, which commenced operations in 2007 with USD 25.6 million in authorized capital, appears to be the only registered microfinance institution operating in the country. August 18. 2008

### HSBC Turkey Allocates \$5m to Microcredit

HSBC Turkey has reportedly allocated USD 5 million for microcredit, citing the need to establish an infrastructure for delivering microfinance services. NGO partners to date include Turkish Waste Prevention Foundation (TSVA), the Community Volunteers (TOG) and Female Labor Assessment Foundation (KEDV). The funds are to be divided equally to serve recent university graduates, those living in poor urban neighborhoods and those living in rural areas. HSBC has previously listed Turkey, Argentina, Brazil, China and Poland as targets for microfinance expansion. Based in the UK, HSBC has operations in 85 countries. August 18. 2008

### IFC Supports Bai Tushum, Kyrgyz Investment and Credit Bank

International Finance Corporation (IFC), a member of the World Bank Group, has signed a USD 5 million loan agreement with the Kyrgyz Investment and Credit Bank (KICB) to expand its micro-, small and medium enterprise lending operations in less developed areas of the Kyrgyz Republic. The loan will also finance projects in the agricultural sector. In addition, IFC will provide mortgage lending advisory services to Kyrgyz microfinance institution Bai Tushum. KICB shareholders include IFC, Aga Khan Fund for Economic Development, Habib Bank Limited, the European Bank for Reconstruction and Development, the Kyrgyz government, KfW Bankengruppe and DEG of Germany. Bai Tushum reports total assets of USD 56.5 million, a total loan portfolio of USD 37.5 million, a debt-equity ratio of 608.34 percent, return on equity of 23.31 percent and 17,431 active borrowers. August 18. 2008

### Lok Capital, MSD Foundation Invest \$1.5m in Indian MFI Arohan

Lok Capital, a microfinance venture capital fund focused on India, and the Michael and Susan Dell Foundation have announced a USD 1.5 million equity investment in Arohan Financial Services Limited, a for-profit Indian microfinance institution. Arohan reports total assets of USD 795,580, a loan portfolio of USD 686,618 and 9,945 active borrowers. Lok Capital is microfinance-focused venture capital fund with total assets of USD 22 million. Investors in Lok Capital include UK-based CDC Group, Dutch Development Agency FMO, KfW Bankengruppe, the International Finance Corporation, ACCION International, responsAbility and Développement International Desjardins. The Dell Foundation reports an endowment of over USD 1 billion. August 18. 2008

### Nigerian State to Release \$7.3m to Five Microfinance Institutions

The Lagos State Microfinance Institution, a government agency, is giving the equivalent of USD 7.3 million to the following institutions: Integrated, LASU, MIC, Gapbridge and Ojokoro Microfinance Banks. Applications from other microfinance institutions are now being evaluated for access to the remaining USD 4.7 million budgeted for distribution this year. August 15. 2008

### \$250m OPIC Fund Expands Mortgage Lending in Jordan

The US Overseas Private Investment Corporation (OPIC) is investing USD 250 million to extend long-term mortgage lending to low-income households in Jordan via three banks: the Arab Bank, the Housing Bank for Trade and the Cairo Amman Bank. August 15. 2008 ♦♦♦



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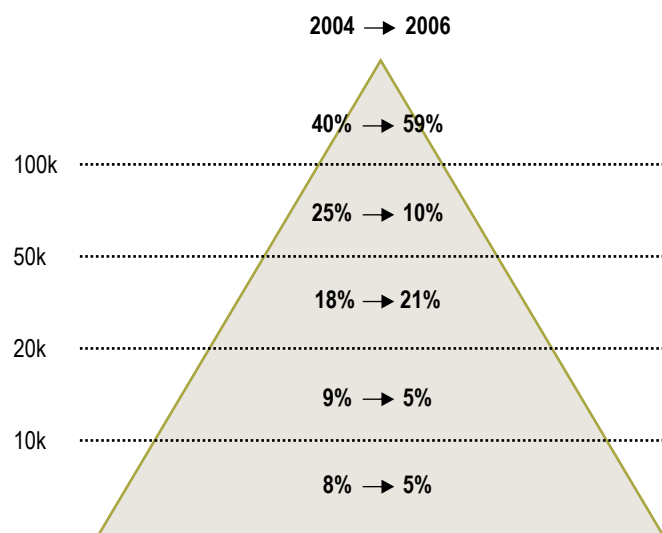
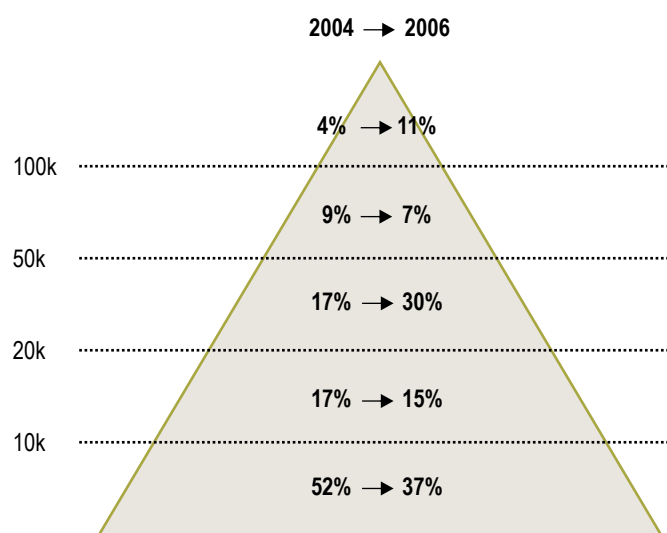
46 MFIs REPORTING <sup>1</sup>

## TOP 10 MICROFINANCE INSTITUTIONS (MFIs) BY GROWTH IN GROSS LOAN PORTFOLIO: CHANGE IN USD

MFI NAME	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2004	2006
Caja Municipal de Ahorro y Crédito de Trujillo	43,653,528	36.0	102,855,472	190,162,528
Banco del Trabajo	34,043,536	11.7	274,688,096	342,775,168
Caja Municipal de Ahorro y Crédito de Arequipa	33,159,016	25.6	114,793,840	181,111,872
Caja Municipal de Ahorro y Crédito de Piura S.A.C.	32,248,576	25.5	112,183,424	176,680,576
EDPYME Edyficar S.A.	18,732,136	38.2	41,170,960	78,635,232
Caja Municipal de Ahorro y Crédito de Sullana S.A.	18,433,280	27.3	59,454,520	96,321,080
Caja Municipal de Ahorro y Crédito de Huancayo	16,340,562	29.1	49,110,852	81,791,976
Caja Municipal de Ahorro y Crédito de Cusco	14,311,784	22.0	58,528,664	87,152,232
EDPYME Confianza	11,888,229	65.5	13,672,711	37,449,168
Caja Municipal de Ahorro y Crédito de Tacna	10,892,299	28.5	33,487,190	55,271,788

## PERCENT OF MFIs IN MARKET BY SIZE (NUMBER OF ACTIVE BORROWERS)

## MARKET SHARE BY MFI SIZE (NUMBER OF ACTIVE BORROWERS)



(1) Denotes only MFIs that report data for 2004 - 2006 to MicroBanking Bulletin (MBB) or MIX Market.

Source: Microfinance Information Exchange, Inc., September 2008, based on MFIs reporting to MBB or MIX Market.



## UPCOMING EVENTS

### Clinton Global Initiative Annual Meeting

September 23 - September 26, 2008, New York, United States

Former US President Clinton will host this invitation-only assembly of leaders from business, government, academia, science, religion and the non-governmental sector to address poverty and other issues. For more information, contact +1 212 397 2255, [info@clintonglobalinitiative.org](mailto:info@clintonglobalinitiative.org) or <http://www.clintonglobalinitiative.org/>.

### Building Fair Financial Markets For All

October 1 - October 2, 2008, Geneva, Switzerland

This symposium is hosted by the World Microfinance Forum Geneva. The cost is the equivalent of USD 728 for both days, with special rates for single-day passes and nonprofit organizations. For registration or more information, contact <http://www.microfinanceforum.org/>, [info@microfinanceforum.org](mailto:info@microfinanceforum.org) or +41 22 770 00 83.

### Eleventh Inter-American Forum on Microenterprise (FOROMIC)

October 8 - October 10, 2008, Asuncion, Paraguay

The Inter-American Development Bank will host this forum which costs USD 450. More information is available via [foromic@iadb.org](mailto:foromic@iadb.org) or <http://www.iadb.org/foromic/>. No telephone number is offered.

### Social Capital Markets 2008 (SoCap08)

October 13 - October 16, 2008, San Francisco, California

Xigi.net is organizing this conference, which will include a microfinance investing track. The registration fee is USD 1195. More information is available at <http://socialcapitalmarkets.net/> or from [amy@xigimedia.net](mailto:amy@xigimedia.net). No telephone number is offered.

### African Microfinance Investor's Fair

October 15 - October 16, 2008, Dakar, Senegal

African Microfinance Transparency has organized this investor fair to connect rated African microfinance institutions (MFIs) with investors. To be eligible to attend this fair, MFIs must have been externally rated. However, on October 14, a session will be held for Senegalese MFIs who have yet to undergo a rating. To register at no charge, contact Emma Paul at +352 45 68 68 31 or [Emma.ada@microfinance.lu](mailto:Emma.ada@microfinance.lu).

### Microfinance & New Technologies Summit

October 21 - 22, 2008, New Delhi, India

This event is intended to increase the level and quality of the use of information and communication technologies in microfinance. Registration fees are INR 13,200 (EUR 200) with discounts available. No telephone number is offered, but communication may be sent and more details had via <http://www.mfntsummit2008.org/>.

### Third Global Credit Reporting Conference

October 21 - October 23, 2008, Rio De Janeiro, Brazil

This conference will be hosted by the World Bank, International Finance Corporation and the Central Bank of Brazil. The registration fee is USD 700 per person, with more information available via [http://www.ifc.org/ifcext/economics.nsf/Content/CON\\_Credit\\_Reporting\\_Brazil](http://www.ifc.org/ifcext/economics.nsf/Content/CON_Credit_Reporting_Brazil). Registration forms may be requested from Angela Bello at [abello1@worldbank.org](mailto:abello1@worldbank.org) or +1 202 473 1000.

### European Summit On Global Microfinance Investments

October 29 - October 30, 2008, London, United Kingdom

The conference will examine risks, business models and how to facilitate increased microfinance investment. The cost of the conference is GBP 1,291 (USD 2,230), with discounts available. More information is available via +44 20 7878 6888, [enquiries@c5-online.com](mailto:enquiries@c5-online.com) or [webserv.c5groupinc.com/www\\_secure/conf\\_details.php?conf=5438](http://webserv.c5groupinc.com/www_secure/conf_details.php?conf=5438).

### SEEP "Powering Connections" 2008 Annual Conference

November 4 - November 7, 2008, Arlington, United States

The SEEP network is hosting this conference with financial support from the US Agency for International Development. Registration fees are USD 320 per day with discounts available. More details and registration are available via <http://seepnetwork.org/conference/>, +1 202 884 8392 or [seep@seepnetwork.org](mailto:seep@seepnetwork.org).

### Microinsurance Conference 2008

November 5 - November 7, 2008, Cartagena, Colombia

This is the fourth such conference hosted by CGAP (Consultative Group to Assist the Poor) and Munich Re Foundation. Fees are EUR 690 (USD 1010), with discounted fees as low as EUR 100 (USD 150) for NGOs. Details are available via +49 89 3891 8888, [info@munichre-foundation.org](mailto:info@munichre-foundation.org) or <http://www.munichre-foundation.org/StiftungsWebsite/Projects/Microinsurance/2008Microinsurance/>.

### Mobile Money Transfer 2008 Conference & Expo

November 10 - November 11, 2008, Dubai, United Arab Emirates

This event will highlight practical challenges and proven solutions to launching a service, structuring partner relationships and extending financial services to developing nations. Registration fees begin at GBP 1199 (USD 2180), with discounts for registrations before September 25 and for multiple attendees from one organization. Pre- and post-conference meetings are available for an extra fee. For further inquiries or to register, contact [harpreet.sohanpal@clarionevents.com](mailto:harpreet.sohanpal@clarionevents.com) or visit <http://www.mobile-money-transfer.com/>.

### Mobile and NFC Payment Strategies

November 24 - November 27, 2008, Budapest, Hungary

This event addresses strategies for investing in mobile payment and remittance providers. The registration fee for all four days is EUR 4674 (USD 6830), with partial registrations and group discounts available. More information is available via +44 (0) 20 7017 7483, [registrations@iir-telecoms.com](mailto:registrations@iir-telecoms.com) or <http://www.iir-events.com/IIR-conf/Telecoms/EventView.aspx?EventID=1683>.

### Building Inclusive Financial Systems:

#### How Can Funders Make a Difference

November 10 - November 14, 2008, Kigali, Rwanda

Organized by CGAP (Consultative Group to Assist the Poor) and the Microfinance Management Institute, this course focuses on developing microfinance projects and policy. This event costs USD 1,900 and will be held in French. For more information, contact Natasa Goronja at [ngoronja@themfmi.org](mailto:ngoronja@themfmi.org) or +1 202 721 5605 or visit <http://www.themfmi.org/course/>.

### European Microfinance Week 2008

November 12 - November 14, 2008, Luxembourg

Hosted by the European Microfinance Platform, the Week is themed "Frontier Issues in Microfinance - opportunities and challenges for European actors." The registration fee is EUR 300 (USD 430), with student discounts available and limited free seats for members. Registration and more details are available via +352 26 27 13 55, [contact@microfinance-platform.eu](mailto:contact@microfinance-platform.eu) or <http://www.microfinance-platform.eu/>.

### Risk Management Excellence in Microfinance

November 17 - November 21, 2008, Luxembourg

This workshop is targeted at microfinance institutions that have or are about to create risk management departments. The registration fee is EUR 1000 (USD 1460). Registration forms and more information are available via <http://www.microfinance.lu/> or [microfinance@atf.lu](mailto:microfinance@atf.lu). ♦♦♦

## PAPER WRAP-UPS

### The Microfinance Sector: Its Success Could Be Its Biggest Risk

*Published by Fitch Ratings, June 2008, 20 pages, available at: <http://microfinancegateway.org/content/article/detail/49914>*

This paper presents what Fitch Ratings believes to be the key risk factors of commercial microfinance. While the title of the report suggests that the paper presents risk factors directly associated with the sector's rapid growth, the report actually includes a wide array of perceived risks that may not stem from the sector's success.

#### Risks Associated With Transformation

Following the success of many large-scale commercial lenders, many nonprofit microfinance institutions (MFIs) seek to transform into commercial institutions. Fitch cites two risk factors associated with this legal transformation. First, Fitch asserts that a commercial MFI runs the risk of becoming too bureaucratic and thus may not be able to retain a connection with the communities it serves, which is often seen as a key ingredient to an MFI's success. Fitch raises an important concern here, but does not make the case that this risk is more important to a commercial lender than it would be to any large lender regardless of its legal status.

Fitch also asserts that following transformation, nascent commercial MFIs may be more prone to "mission drift". That is, an MFI's search for profit increases its temptation to shift toward higher loan amounts or into higher yielding consumer loans, both of which are less costly to provide. This of course would lead to serving fewer of the poorest customers.

#### Reputation Risks

Fitch is particularly concerned with reputation risks of the microfinance sector. It believes that, because the majority of MFI funding comes from socially-motivated as well as financially-motivated investors, an investor's discovery of an MFI in its portfolio performing unethically may leave them with a sense of disillusionment about microfinance as a whole. Fitch believes that this disillusionment could lead to capital outflows by some investors.

#### Foreign Currency Risk

As an emerging-market investment, microfinance can also suffer from currency risk. Seventy percent of microfinance investments are made in foreign currency (usually USD), rather than in currency local to MFI operations. Consequently, this creates risk for either the MFI or its clients: the MFI is at risk if its assets are in the local currency, and the clients risk high repayment requirements in the event of local currency devaluation.

#### Political Interference

Finally, the report stresses the detrimental effects of governmental interference with commercial microlending, the most damaging forms of which are interest rate ceilings and direct lending from government funds at below-market rates. The report cites an example in Ecuador, where in 2007 policymakers introduced "hard caps" on effective interest rates in an effort to create fair disclosure of the full effective costs of an MFI loan (whereas the previous "soft cap" on interest rates could be circumvented by MFIs adding disbursement fees). The existence of such hard caps has the potential to stifle the growth of commercial MFIs, as they restrict a firm's ability to charge interest rates high enough to cover operating costs and to generate sufficient capital.

### An Investigation of Economies of Scale in Microfinance Institutions

*By Joshua Zacharias, a working paper released by The Leonard N. Stern School of Business, New York University, May 2008, 25 pages, available at: <http://archive.nyu.edu/handle/2451/25936>.*

The phrase "economies of scale" refers to increased efficiency (lower cost per unit produced) achieved as firms increase the size of their operations. For a financial institution, this efficiency takes the form of savings realized from increasing the size of its loan portfolio in terms of both number of loans and overall value of loan portfolios. Zacharias explains that this topic is especially important in microfinance because of recent debates over for-profit microfinance institutions (MFIs) like Compartamos of Mexico. Those in favor of for-profit microfinance believe that potential profit will fuel increased investment, leading to an increase in the size of MFIs. If economies of scale do exist, then these larger institutions would be able to offer microfinance services at lower costs (interest

rates) to customers. Those opposed to commercializing microfinance argue that the desire to maximize profits and shareholder return will shift MFIs away from their original goal of alleviating poverty.

From the first round of testing, Zacharias reaches two major conclusions. The first is that an increase in gross loan portfolio (GLP) size does have a significant negative relationship with average cost. This result implies that increasing the overall size of GLP does allow MFIs to offer lower interest rates to customers with loans of the same size.

The other major result from this round was that there is a strong inverse relationship between average loan size and average costs. This correlation is three times stronger than that between GLP and average costs. In microfinance, there can be a tenuous balance between maximizing efficiency and assisting the poor. This finding implies that managers who strive to improve cost efficiency may do so by increasing loan sizes. This could mean shifting away from the goal of serving those most in need, creating a dilemma for some MFI managers.

In the second portion of the study, which employs time-trend data, Zacharias finds further evidence of economies of scale in MFIs. These effects appear to be more pronounced in non-governmental organization (NGO) MFIs, which focus on social return, but often strive for self-sufficiency. This could be due to the fact that NGOs receive grants and subsidies, which affect the ability to compare the costs of for-profit and NGO MFIs.

Also in this second section, Zacharias finds vast differences in the effect of increasing sizes in MFIs across geographic regions, with South and East Asia and the Middle East seeing greater reductions in cost with increased size. These findings, however may have been influenced by widely variant sample sizes from different regions.

Overall, this study does provide evidence of economies of scale in MFIs. According to Zacharias, these results are difficult to translate into policy and business plans because of the potential trade-off between efficiency and organizational mission. Zacharias believes that his findings support the growing body of evidence that managers cannot plan for a blanket "win-win" scenario with increased efficiency and improved social effects.

## Creating Value for All: Strategies for Doing Business with the Poor

*Published by the United Nations Development Programme, July 2008, 156 pages, available at: <http://www.undp.org/gimlaunch/docs/GIM%20Report%20Final%20August%202008.pdf>*

This report of the United Nations Development Programme's Growing Inclusive Markets Initiative covers 50 studies by researchers predominantly from developing countries. These case studies demonstrate the successful pursuit of both revenues and social impact by companies ranging from small and local to large and international. The report also highlights five strategies for overcoming the most common obstacles to doing business with the poor, as well as two tools: a strategy matrix to help find potential solutions to common constraints and heat maps that identify opportunities by depicting access to water, credit, electricity or telephone service in a specific geographical area.

## Making Money Transfers Work for Microfinance Institutions: A Technical Guide to Developing and Delivering Money Transfers

*By Jennifer Isern, William Donges and Jeremy Smith, published by CGAP (Consultative Group to Assist the Poor), March 2008, 141 pages, available at: <http://www.cgap.org/p/site/c/template.rc/1.9.3003>*

This guide is intended to help financial service providers determine whether they should offer money transfer services. It also addresses what strategy, products and institutional structures are needed to support a successful operation.

## 2007 MIX Asia 100 Ranking of Microfinance Institutions

*Published by Microfinance Information Exchange and Asian Development Bank, April 2008, 52 pages, available at: [http://www.themix.org/publication\\_detail.aspx?publicationID=239](http://www.themix.org/publication_detail.aspx?publicationID=239)*

The 2007 MIX Asia 100 is a report on microfinance in Asia produced by Microfinance Information Exchange (MIX) and the Asian Development Bank. The report includes rankings of microfinance institutions (MFIs) in nine categories. Although Asian MFIs have long been touted for their extensive outreach to the poor, the authors argue that performance could be improved.

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## Azerbaijan Microfinance Analysis and Benchmarking Trends Report 2008

*Published by the Azerbaijan Micro-finance Association and the Microfinance Information Exchange, September 2008, 12 pages, available at: [http://www.themix.org/pub\\_popup.aspx?publicationID=252](http://www.themix.org/pub_popup.aspx?publicationID=252)*

Using 2007 financial data on 12 microfinance institutions (MFIs), and three-year trend data on a subset of 9 MFIs, this report analyzes the market in Azerbaijan and benchmarks the performance of MFIs. Although the Azerbaijani microfinance market is moving towards maturity, non-bank MFIs still dominate the market. Because of its young age relative to other microfinance markets in the Central Asia region, Azerbaijan MFIs exhibited faster growth in outreach and scale than most of its regional peers, while at the same time resisting going up-market. This indicates that MFIs in Azerbaijan remain focused on reaching the poorer populations with microloans and savings services.

The report also covers the regulatory environment and macroeconomic conditions, including the high inflation Azerbaijan has been experiencing, and how these factors impact MFIs and their outreach to micro entrepreneurs and other clients.

## Islamic Microfinance: An Emerging Market Niche

*Published by CGAP (Consultative Group to Assist the Poor), August 2008, 16 pages, available at: [http://www2.cgap.org/gm/document-1.9.5029/FocusNote\\_49.pdf](http://www2.cgap.org/gm/document-1.9.5029/FocusNote_49.pdf)*

This paper argues that the Islamic finance industry, with its unprecedented popularity and growth, is well-placed to reach the 72 percent of people in Muslim-majority countries who do not use formal financial services. Much of that gap owes to unmet demand for products that comply with Islamic law, or Sharia. According to a survey of 125 institutions in 19 Muslim countries, Islamic microfinance providers - institutions that offer Sharia-compliant products - reach only 300,000 clients, one-third of them in Bangladesh alone. Another 80,000 clients bank through a network of Indonesian cooperatives. Complicating matters for Islamic microfinance institutions is the question of authenticity: there is no single standard for deeming a product Sharia-compliant. ♦♦♦

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