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MICROCAPITAL BRIEFS | TOP STORIES

Indian Government Subsidizes Interest Rates in Slums

The government of India, Asha Community Health and Development Society, the Life insurance Corporation of India (LIC) and nine public sector banks have launched a pilot scheme to allow residents of Delhi's Ekta Vihar slum to apply for loans at a rate of 10 percent. While microfinance institutions generally charge rates of 21 to 30 percent, none currently operate in Ekta Vihar. The initiative will also aim to connect every family in the area with a "no frill" bank account, extended financial services and affordable life insurance from LIC. June 30. 2008

The Economist Comments on Profiting from Microfinance

The Economist- a British weekly targeted at an American audience - has weighed in on the CompartamosBanco debate about the Mexican microbank that made a killing in public markets, stating that, "By charging an interest rate that generates a profit, the bank can grow fast and provide many more 'micro-entrepreneurs' with the finance they need.... Since going public, it has offered financial literacy courses - some 60,000 of its clients went on one last year. If only those rich-country banks which touted subprime mortgages to the poor had been as public-spirited." While the juxtaposition to unethical US bankers is well received, even the laissez-faire Economist did not have the stomach to tell its readers that Compartamos, meaning "we share" in Spanish, made its fortune charging over 100% annual interest rates targeting illiterate Mexican mothers. Apparently, the Economist subscribes to the "don't ask, don't tell" principle, just like Compartamos and the US bankers to whom it sells subscriptions and advertisements. June 30. 2008

Morgan Stanley's Microfinance Group Shrinks

Condé Nast Portfolio reports that Morgan Stanley's microfinance group, formed in September 2007, has lost its leaders, Ian Callaghan and Ellen Brunsberg, and dwindled from over 30 to just four or five employees amid reports that "There is some talk...that perhaps they'll even abandon this area because of its small size and because of problems with CDOs and CLOs." Morgan Stanley responded that, "Morgan Stanley remains committed to microfinance and continues to pursue opportunities in the space." June 20. 2008

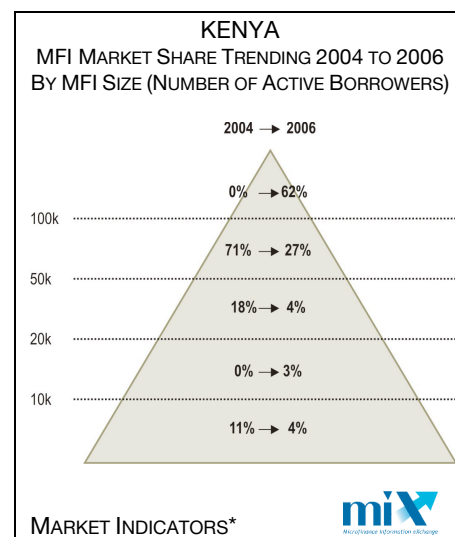
MPower Ventures Commits \$100m to Early Stage MF Companies

US-based venture fund MPower Ventures has committed USD 100 million to be directed at start-up companies that provide financial services to the unbanked. The effort is funded by Roy and Bertrand Sosa of Netspend and Jorge Vergara Madrigal of Grupo Omnifile. The fund will invest first in MPower Labs, which assists MPower Ventures' companies with research, business and product development. MPower Ventures has invested previously in international payments, mobile payments and retail financial services. June 23. 2008

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MICROCAPITAL BRIEFS

MFI Faulu Kenya Offers Free Payments Via Postal Corporation

Customers of Faulu Kenya can now repay loans through 330 Postal Corporation of Kenya (PCK) outlets across the country. They can also receive and send money through the PCK's electronic funds transfer service PostaPay. On a pilot basis the PCK has so far handled an equivalent USD 5.3 million in loans and repayments. July 15. 2008

LuxFLAG Grants Label to Belgian Incofin's Rural Impulse Fund

Nonprofit Luxembourg Fund Labelling Agency (LuxFLAG) has granted its label to the Rural Impulse Fund (RIF). The label indicates that a fund invests the majority of its assets in microfinance and has at least 25 percent of its microfinance portfolio invested in institutions rated by a recognized rating agency. LuxFLAG has granted its label to six funds that manage assets totaling USD 1.3 billion. RIF, which holds USD 38 million in assets, was developed by Belgian microfinance investment company Incofin. As the microfinance investment frenzy mounts, such authenticity is very important; please look for the label. July 15. 2008

PetNet of the Philippines to Expand Remittances via MFIs

Money transfer agent PetNet has partnered with Alalay Sa Kaunlaran, Inc. (ASKI) and GSIS Family Bank to offer remittances to their customers. PetNet is a money transfer agent of Western Union with 200 locations in the Philippines. ASKI, which provides loans and microinsurance, reports a capital base equivalent to USD 1.4 million. June 18. 2008

Jamaica's St Thomas Credit Union Puts \$44m in Small Businesses

St Thomas Co-operative Credit Union (STCCU), a non-profit financial cooperative based in Jamaica has launched a Micro and Small Enterprise unit with USD 44.2 million from the European Union and the Jamaican government. STCCU has 15,000 members. June 17. 2008

SKS, Nokia, Airtel to Offer Cheap Cell Phones in India

SKS Microfinance estimates that it can sell cell phones from its new initiative to 75 percent of its customers and has approached the Reserve Bank of India to loosen mobile banking restrictions. SKS also plans to provide non-financial services like food, consumer durables, health, disaster management to the poor. Last year, SKS extended unsecured loans worth USD 38 million to 1.9 million consumers. June 17. 2008

Compartamos of Mexico to Accept Payments at Oxxo Stores

Compartamos Banco has announced a partnership with OXXO, whereby customers of Compartamos Banco may make loan payments at any OXXO retail location. With 5,563 stores in Mexico, OXXO is a top subsidiary of major Latin American beverage company FEMSA Comercio. June 17. 2008

IFC, IDB Back Brazilian Unik's Planned \$147m Microfinance Fund

The International Finance Corporation (IFC) and the Inter-American Investment Corporation (IIC), have recently invested in Unik, a Brazilian issuer of payroll cards. The IFC will obtain a 12 percent equity stake in Unik, while the IIC will hold 8 percent of the company's stock. The combined equity and debt funding - estimated to be worth USD 9.8 million - launches Unik's planned USD 147.3 million credit investment fund to develop and expand access to financial services by its 750,000 low-income clients. Brazilians without Unik cards can also use the Unik network to make cash payments at designated establishments. Unik had total revenues equivalent to USD 118.6 million and is owned by Rio Bravo, a Brazilian investment firm. June 12. 2008 ♦♦♦

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ASIA-PACIFIC REGIONAL MICROCREDIT SUMMIT 2008

REGISTER NOW TO ATTEND

The Microcredit Summit Campaign and Gema PKM Indonesia will host the Asia-Pacific Regional Microcredit Summit 2008 in Bali, Indonesia from July 28-30.

President of Honduras Manuel Zelaya and Nobel Peace Prize Laureate Muhammad Yunus have confirmed to attend - will you join them?

Close to 1,000 delegates from more than 40 countries are expected to attend, including microfinance institution practitioners, advocates, investors, and many more. We hope that you will join your fellow visionaries in action toward ending global poverty through microcredit.

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PAPER WRAP-UPS

Microfinance in Nigeria and the Prospects of Introducing its Islamic Version There in the Light of Selected Muslim Countries Experience

By Aliyu Dahiru Mohammed and Zubair Hasan, published by the Munich Personal RePEc Archive, April 2008, 18 pages, available at http://mpra.ub.uni-muenchen.de/8127/1/MPRA_paper_8127.pdf

This paper examines the potential for microfinance in Nigeria and suggests that the replication of Islamic microfinance, which has had success in other countries, would bring greater growth. The paper begins by classifying the majority of Nigerians as poor people working within micro and small-sized enterprises. It traces the country's previously unsuccessful attempts at offering finance and states that despite the existence of microfinance institutions (MFIs) in Nigeria, 65 percent of the population lacks access to financial resources.

As the charging of interest is not allowed under Islamic law, the authors propose various methods to offer microfinance to the 55 percent of Nigerians who are Muslim. The paper explores examples of Islamic Microfinance Institutions in Bangladesh,

Sudan, Malaysia and Yemen. Joint liability and profit sharing are especially highlighted as they align with Islamic prohibition against usury (which restricts interest rates). One example is of the "benevolent loan" (Qardhul Hasan) whereby the lender may not demand interest, but the borrower may offer it as a form of gratitude. Another example cites a fee for "protection" of a limited form of collateral in exchange for a loan. The study concludes by asserting that the Nigerian microfinance market is unexploited, and with more diversified microfinance opportunities, the country could offer much opportunity for investors.

Social Entrepreneurship: The Case for Definition

By Roger L. Martin and Sally Osberg, published by the Stanford Social Innovation Review, Spring 2007, 13 pages, available at http://www.skollfoundation.org/media/skoll_docs/2007SP_feature_martinosberg.pdf

The authors argue that the term *social entrepreneurship* needs clarification to protect its public image and secure flows of investment and donations. The following entrepreneurial traits are discussed: the ability to create or sense opportunity, out-of-the-box thinking and determination. The proposed definition of entrepreneurship includes these qualities plus

the transformation of opportunity into the creation of value. The experiences of the following entrepreneurs are reviewed: Steve Jobs and Steve Wozniak of Apple Computer, Pierre Omidyar and Jeff Skoll of eBay, Frederick W. Smith of FedEx, and Ann and Mike Moore of Snugli.

Shifting to social entrepreneurship in particular, the authors specify that social entrepreneurs identify a highly underserved or disadvantaged population and provide a transformative societal benefit that may not have otherwise been realized. Dr. Muhammad Yunus, the 2006 Nobel Peace Prize Laureate and founder of Grameen Bank of Bangladesh, is given as an example. In contrast, the authors cite social service provision and social activism as forms of social engagement that are often falsely labeled as social entrepreneurship.

They conclude their paper with the following description of a social entrepreneur: "Someone who targets an unfortunate but stable equilibrium that causes the neglect, marginalization or suffering of a segment of humanity; who brings to bear on this situation his or her inspiration, direct action, creativity, courage and fortitude; and who aims for and ultimately affects the establishment of a new stable equilibrium that secures permanent benefit for the targeted group and society at large." ♦♦♦

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