MicroCapital Monitor
THE MICROFINANCE NEWSPAPER

FREE PREVIEW EDITION*

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MICROCAPITAL BRIEFS | TOP STORIES

Predicted Effects of Meltdown Vary Widely

Muhammad Yunus of Grameen Bank, Ivan Pictet of Swiss bank Pictet & Cie, India's "Economic Times" Columnist Swaminathan S A Aiyar and others have recently declared that the global financial crisis has not (yet) effected microfinance. This may indeed continue to be the case for certain sub-sectors, such as savings-led financial cooperatives - common in Africa - that do not take foreign investment. One historical example occurred in Indonesia in the 1990s: while the currency collapsed and the economy decreased 13 percent in 1998, the country's network of 2,200 People's Credit Banks held their collective loan portfolio largely steady. However, India's "Daily News & Analysis" has quoted Julie Peachey of the US-based Grameen Foundation as saying, "The global credit crunch has led to a significant drop in fund flow…." *(Continued in the subscriber edition…)* October 1, October 3, October 8, October 14 and October 16. 2008

Barclays to Donate $20m to Replicate CARE Model in Africa

Barclays bank has announced a three-year, USD 20 million funding plan to support microfinance programs in ten countries in Africa, Asia and Latin America. The funding plan will focus on expanding village savings and loan associations of the type Barclays has previously funded in Uganda via CARE International. Other partners are to include NGO Plan International and consultancy firm Accenture. Nonprofit CARE works in 71 countries and reports assets of USD 351.5 million. Barclays Plc of the UK reports assets of USD 1.82 billion. October 7. 2008

Tanzanian Court Ends Strike at National Microfinance Bank

The High Court of Tanzania has ruled against staff of National Microfinance Bank (NMB) following their one-day strike, which was in response to delays of lump sum benefit payments promised to workers after the bank was partially privatized in 2005. NMB claims that it cannot make the payments because the government has not transferred the disputed funds to the bank. Despite the resumption of duties, customers complained of poor service and some automatic teller machines ran out of money. September 23 and September 26. 2008

HSBC to Sell Stake in Financiera Independencia of Mexico

Financiera Independencia (FinDep) of Mexico has announced that UK-based HSBC Overseas Holdings plans to divest its 18.68 percent stake in the bank. FinDep's controlling shareholders have indicated thy will acquire the majority of the shares from HSBC Overseas, which will retain its seat on FinDep's board. Simultaneously, HSBC Mexico agreed to increase FinDep's outstanding line of credit from USD 187.5 million to USD 234.5 million. September 24. 2008

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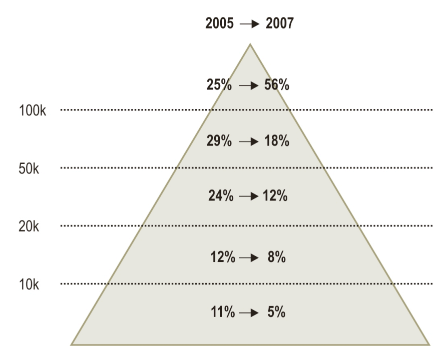
INSIDE Page

PHILIPPINES
MFI MARKET SHARE TRENDING 2005 TO 2007
BY MFI SIZE (NUMBER OF ACTIVE BORROWERS)



MARKET INDICATORS*

MICROCAPITAL BRIEFS

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First MicroFinanceBank Afghanistan to Offer Housing Loans

International Finance Corporation (IFC) has committed an undisclosed sum to assist First MicroFinanceBank Afghanistan (FMFB) in offering housing loans to low- and middle-income Afghans. FMFB, a unit of Aga Khan Development Network, reports USD 27.2 million in loans outstanding. October 16. 2008

BlueOrchard Invests in Asmitha Microfin Limited of India

BlueOrchard Private Equity has closed its first equity investment in an Indian microfinance institution, with a placement worth USD 5.3 million in Asmitha Microfin Limited. October 16. 2008

Microfinance, Education Offered Together in Dominican Republic

Fondo Para el Desarrollo (FONDESA) of the Dominican Republic has signed a partnership agreement with the Cisneros Foundation of Venezuela to offer a cooperative approach to education and microfinance. The Cisneros Foundation is affiliated with the Cisneros Group, which reported revenues of USD 4 billion in 2005. As of 2006, nonprofit FONDESA reported assets worth USD 10 million and 10,400 clients served. October 7. 2008

World Bank Publishes Remittance Price Database

The World Bank Group has published a database of remittance prices intended to benefit migrant workers and their families in developing countries by making pricing more transparent and thus putting competitive pressure on providers to reduce prices, which range from 0.2 percent of the total value sent to 40 percent. In Latin America, the publication of prices was followed by a drop in fees from about 15 percent in 2000 to 5.6 percent in 2006. In 2007, recorded remittances flows to developing countries totaled USD 251 billion. October 7. 2008

Lenders Adopt Code of Conduct

A wide-ranging group of microfinance players has agreed to a code of conduct intended to protect borrowers from exploitation. The code is an outgrowth of an April 2008 meeting convened by Deutsche Bank amid accusations of profiteering. Key elements include mechanisms to improve pricing transparency, handle complaints, protect client data, prevent over-indebtedness and prohibit abusive collections practices. Signatories include ACCION International, Al Amana, CGAP, Compartamos Banco, Deutsche Bank, Freedom from Hunger, Grameen Foundation, Opportunity International, Pro Mujer and Women's World Banking. September 29. 2008

AIG Funds Nigeria's Blue Intercontinental Micro Finance Bank

AIG Investments' Global Emerging Markets Fund II LP will make an equity investment in Blue Intercontinental Micro Finance Bank of Nigeria. The bank was established in March 2008 by Blue Financial Services of South Africa and Intercontinental Bank Plc of Nigeria. Blue Financial Services reports assets equivalent to USD 109.6 million, a loan book of USD 64.4 million, return on assets of 7.34 percent, return on equity of 11.71 percent and a debt-equity ratio of 3.65 percent. Intercontinental Bank reports assets of USD 11.5 billion, a loan portfolio of USD 3.8 billion, return on equity of 16.96 percent, return on assets of 3.24 percent and a debt-equity ratio of 590 percent. September 29. 2008

PAPER WRAP-UPS

FREE PREVIEW EDITION*

Banking on Mobiles: Why, How, For Whom?

By Ignacio Mas and Kabir Kumar, published by CGAP (Consultative Group to Assist the Poor) as Focus Note Number 49, June 2008, 28 pages, available at http://www.cgap.org/gm/document-1.9.4400/FN_48%20ENG_9-10-08.pdf

This paper begins and ends with a description of an existing Pakistani microfinance bank, Tameer Microfinance, currently implementing a mobile banking solution. Tameer, seeking a means to penetrate a market with minimal infrastructure and a rural landscape, considered branchless banking an ideal model that could be delivered using mobile phones. However, Abbass Ali Sikander, the Tameer Group Executive Director, knew that without a clear strategy for implementation, it would be an uphill battle. This real-life example used by the authors is reflective of the larger aim of the paper, to define the key factors driving a successful mobile banking operation and to answer the question, "How can banks translate the potential of mobile phones into greater financial access for poor people?"

The authors do not offer a single solution but attempt to identify the fit of mobile banking within a bank's overall customer strategy. Specifically, the paper discusses the strategic value of mobile banking, the types of implementation choices a project will face, which technologies are being used today, and lastly, what lessons have been learned from existing mobile banking programs.

What makes a mobile phone useful compared to other electronic banking interfaces?

Mas and Kumar offer a hypothesis that mobile banking changes the relationship between a bank and its customers. Specifically, the bank is connecting with poor people by providing access to previously limited services. The mobile phone can operate as a virtual bank card, a point-of-sale (POS) terminal, an automated teller machine (ATM) and a laptop for Internet banking. These are all services that otherwise might be largely inaccessible to the poor by nature of their location and cost. The bank would incur higher investment costs pursuing Internet banking and is instead able to ride the market penetration already made by the mobile phone companies.

Also, cell phone technology provides the bank with some useful options. First, it allows the bank to send out personalized messages to market products or communicate account information. Second, the two-way communication eases the account management process. Third, security is enhanced through the use of SIM cards and location awareness.

What about cash?

Physical cash delivery channels still need to exist and as such, any rollout of a mobile banking program will require some form of bank branches, ATMs, or third party banking agents. Generally a program rollout will have stages. Customers will want to be able to cash-in and cash-out any money in play immediately (loans, government benefits, etc…). As the roll out progresses and confidence builds, the cash-out becomes daily and, over time, cash conversion becomes less necessary. However, there needs to be wide acceptance of electronic payments at some point, otherwise the customer does not see the convenience.

How does the bank meet its strategic objectives?

(Continued in the subscriber edition…)

Latin America - Caribbean Regional Microcredit Summit 2009

Cartagena Colombia June 8-10

Save the Date

Join the **President of Colombia, Álavaro Uribe**, **Nobel Peace Prize Laureate Muhammad Yunus**, and more than 1,000 microfinance leaders and other stakeholders at the Latin America - Caribbean Regional Microcredit Summit to be held in Cartagena, Colombia from June 8-10, 2009.

We are pleased to announce that the **Microcredit Summit Campaign** has partnered with **Banca de las Oportunidades** to host the Summit.

We hope that you will save the date and plan on joining us.


photo | Poverty Fighters

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