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SKS Sells \$135m in Loans, but ADB Won't Back Loans in Andhra Pradesh

SKS Microfinance, an Indian for-profit microfinance institution (MFI), recently announced the sale of securitized loans worth the equivalent of USD 135 million to unnamed buyers in a move to increase liquidity amidst a funding shortage that is one part of the turmoil in the microfinance industry in the Indian state of Andhra Pradesh. SKS reports total assets of USD 1.2 billion, a gross loan portfolio of USD 1.2 billion, approximately 6.6 million borrowers, return on assets of 6.3 percent and return on equity of 22.4 percent. Meanwhile, the Asian Development Bank (ADB) reportedly will not back MFIs in the Indian state of Andhra Pradesh as part of its USD 250 million risk-participation facility that was announced in the January issue of this newspaper. Hasib Ahmed, the principal investment officer for private sector capital markets for ADB, cited a lack of "clarity on the financial and regulatory environment" in Andhra Pradesh. Separately, unnamed sources were cited by India's *Business Standard* newspaper as indicating that the ADB facility had earmarked USD 75 million of its funds to back lending in India and elsewhere in Asia by Standard Chartered, an international bank based in the United Kingdom. March 28 and April 7, 2011

BlueOrchard Private Equity Completes First Distribution of \$7.5m

BlueOrchard Private Equity (BOPE) Fund, an investment vehicle of Swiss microfinance intermediary BlueOrchard, has announced its first distribution to investors. The USD 7.5 million distribution comes three years after the fund's first close and includes proceeds from a partial exit from an indirect shareholding in TenGer Financial Group, the owner of Mongolian microfinance institution XacBank. BOPE Fund retains a direct shareholding in TenGer, which reports total assets equivalent to USD 256 million. With USD 195 million in investor commitments, BOPE Fund is still in its investment period, with 12 investments in microfinance institutions and funds completed to date. April 4, 2011

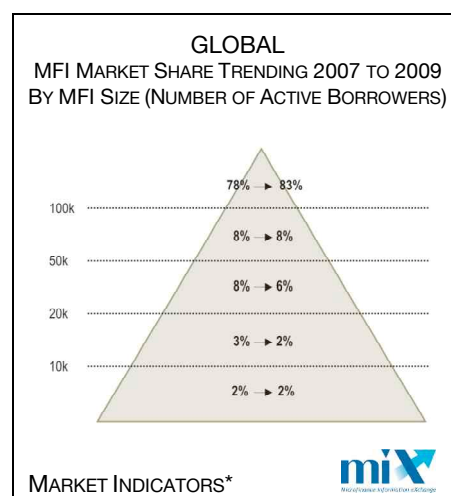
Mexico's Compartamos to Acquire 82% of Peru's Crear for \$63m

Compartamos Banco, a Mexican microfinance institution (MFI), has announced plans to acquire an 82-percent stake in Peruvian MFI Financiera Creditos Arequipa SA (Crear) for USD 63 million with the closing scheduled in June. The acquisition begins Compartamos's international expansion, the planning stages of which have been covered in several MicroCapital stories over the past year. Compartamos reports a loan portfolio equivalent to USD 803 million, and Crear reports a loan portfolio of USD 130 million, 87,000 customers and 24 branches. March 29, 2011

(For more top stories, please refer to the subscriber edition)

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FIELD NOTES

Responses to “Sex, Money and Microfinance...”

We hope you enjoy the following responses to last month's opinion column by Barbara Magnoni on women's leadership in microfinance. -MicroCapital

Women's World Banking (WWB) was surprised and saddened to learn that Barbara Magnoni “came up short” in her recent search for a woman thought leader in microfinance. One would have only needed to look at the WWB network to find at least 21 examples of visionary women CEOs in microfinance around the globe. At the core of the microfinance industry are inspiring women leaders - from Michaela Walsh, WWB's founder and current emeritus trustee, to Jennifer Riria, CEO of Kenya Women Finance Trust and WWB board chair. These talented women from WWB form only a small part of the industry's female leadership. Notable examples are Lynne Patterson, co-founder and director of Pro Mujer, and Diana Taylor, chair of ACCION International.

This is not the time to decry the lack of women leaders pursuing the cause of women's economic empowerment. Rather, this is the time to rally around the many women leading the way. Mary Ellen Iskenderian, president and CEO of WWB, said in response to the article, “We recognized years ago that nurturing women leaders was going to be a pre-requisite for the industry's growth. In response, we launched women's leadership courses that have grown into our Center for Microfinance Leadership, which seeks to address the declining number of women in senior management by offering leaders workshops, coaching and support for organizational change.” The Center graduates - many of whom have shared their leadership stories at <http://leadership.swwb.org/> - need resources, a platform to voice their concerns and successes, and the finances to execute their mission to empower women across the globe through access to financial services. They do not need to be overlooked.

Ultimately for WWB, the leaders of the industry are the more than 19 million female clients we serve. We should honor and celebrate these countless women who bring financial security to their households and communities and, in turn, impact generations to come. **-Women's World Banking**

* * *

Women know the wants and needs of women best, and given the 65 percent microfinance client base that Barbara cites as well as the many women in the labor force supporting them, it is particularly important to make a concerted effort to recruit and retain women in leadership roles within the industry. Fortunately for Pro Mujer, Rosario Pérez took the helm as CEO in 2008, and her commitment to women's empowerment


is being felt from the top down. That being said, we need to ensure that the landscape of women leaders in microfinance doesn't disappear altogether while also continuing to engage men so that together we can maximize our impact.

Pro Mujer was founded on the belief that empowered women are the key to catalyzing change. This is true not only of our more than 200,000 clients but also of our more than 1,360 employees; women hold 80 percent of our senior management and country director positions and 70 percent of all of our leadership positions.

Listening to the wants and needs of our clients is ingrained in our organizational culture, and over the years they've told us they wanted more. While microfinance is an invaluable tool, it is just one arrow in Pro Mujer's quiver. As Barbara points out from her 2010 study, women-owned business are “smaller” and “less profitable than those owned by men” because of, among other reasons, “poor access to financial services” and “limited training.” We've sought to fill the gap by providing clients with an integrated package of services that not only includes financial services but also business and empowerment training; preventative health education; and access to high-quality, low-cost primary healthcare. What better way to influence the field than to demonstrate how complementary services can piggyback on microfinance infrastructure, thereby maximizing the transformational dimension of microfinance? **-Lynne Patterson, co-founder and director, Pro Mujer**

* * *

This month, I am excited to be sharing this space since my article last month stirred a little controversy. I should have included “controversy” in the “Sex, Money and Microfinance” title because often controversy (in moderation) can call attention to important issues. I hope that in this case it will translate into more buzz and attention to the needs of poor women entrepreneurs. I would like to clarify, nonetheless, that my intention was not to criticize, but to emphasize that with more and more men in the industry, the needs of the women entrepreneurs served by microfinance providers need to be made known more widely. I believe that the experiences and leadership of many great women in the field have not trickled to the ears of donors and policy makers, and I hope that Pro Mujer, WWB and others can play a role in getting the voices of these busy, important women heard. **-Barbara**

About the Author: Ms Barbara Magnoni is President of EA Consultants, a development consulting firm based in New York. She has 15 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. 

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PAPER WRAP-UPS

Making Insurance Markets Work for the Poor: Microinsurance Policy, Regulation and Supervision – India Case Study

By Sanjay Sinha and Swetan Sagar, published by the CGAP (Consultative Group to Assist the Poor) Working Group on Microinsurance, January 2009,

127 pages, available at http://www.microinsurance-network.org/file/8_India_Impact_RSP_2009.pdf

This document presents the findings from the Indian component of a five-country study on the role of regulation in the development of microinsurance markets. The other countries that comprise the series are Colombia, the Philippines, South Africa and Uganda.

The authors trace the evolution of microinsurance in India from the deregulation of the insurance industry in the 1990s, which facilitated the entry of private insurance providers into the market. In 2000, the Insurance Regulatory and Development Authority (IRDA) was established to oversee the development of the insurance industry and ensure that the benefits of insurance services reach low-income people. Accordingly in 2002, IRDA promulgated a law that requires insurance companies to develop business on a quota basis from predefined rural areas and social sectors. Meanwhile, the minimum

capital requirement equivalent to USD 25 million to establish an insurance provider deterred restricted competition in the industry.

In 2005, IRDA introduced microinsurance regulations including:

- The definition of microinsurance and delineation of product guidelines
- The promotion of the use of microinsurance agents to sell and service insurance products, including microfinance institutions (MFIs) and other community organizations
- The capping of commissions paid to those agents at 10 percent to 20 percent of premiums collected

The authors report that the 2005 regulations coupled with economic growth have stimulated the microinsurance industry, with life microinsurance provided to approximately 14 million clients as of January 2009. Over 80 percent of this coverage is channeled by formal insurance companies via the micro- and rural finance network, of which approximately 90 percent is provided via compulsory credit-life insurance products. These products pay off the loans of microborrowers that die with an outstanding loan balance. The 10 percent of microinsurance taken up voluntarily consists mainly of endowment products... *(Continued in the subscriber edition)*

Integrating Microfinance and Health Strategies: Examining the Evidence to Inform Policy and Practice

By Sheila Leatherman, Marcia Metcalfe, Kimberley Geissler and Christopher Dunford; published by Oxford Journals' Health Policy and Planning; forthcoming, available for purchase at:

<http://heapol.oxfordjournals.org/content/early/2011/02/21/heapol.czr014.abstract>

This paper examines the benefits of integrating microfinance with health protection services and makes recommendations intended to inform policy and program design for expansion of the practice.

After conducting a review of multiple studies, the authors conclude that microfinance institutions are capable of contributing to health improvements by increasing client knowledge that leads to behavioral changes and by enhancing access to health services by decreasing financial, geographic and other barriers.

Sheila Leatherman, the paper's lead author, points out that, "while the quality of some of the studies is uneven, the evidence of positive health benefits in diverse areas such as maternal and child health, malaria... *(Continued in the subscriber edition)*



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Solutions for Financial Inclusion: Serving Rural Women

By Anjali Banthia, Janiece Greene, Celina Kavas, Elizabeth Lynch and Julie Slama; published by Women's World Banking; 2011; 17 pages; available at: http://www.swrob.org/sites/default/files/pubs/en/solutions_for_financial_inclusion_serving_rural_women_1.pdf

This case study on Uganda examines gender-based barriers confronting women in rural areas and the operational challenges faced by microfinance institutions (MFIs) in serving these women. Uganda was chosen for the study as 88 percent of its population lives in rural areas, agriculture is the predominant form of economic activity and three quarters of Ugandan women are engaged in agriculture.

The study divides the challenges faced by MFIs in serving rural women into two elements:

1) Demand-side issues: The authors consider gender-based inequalities faced by rural women as the primary factor affecting the demand for MFI services. The study indicates that the community norms within rural Ugandan households result in women assuming additional burdens when adding entrepreneurial activities to their traditional roles: earning disproportionately low levels of income for their effort on farms, as their husbands are usually the managers, owners

and sellers of the crop; lack of ownership of assets; and lack of control over decision-making in their households. In addition to this, in Uganda, women have a lower literacy rate (64 percent) than men (81 percent), thereby making it harder for them to understand loan documentation and creating psychological barriers such as fear and anxiety that prevent them from approaching MFIs to access services.

2) Supply-side issues: The study also explores operational constraints that affect the supply of services to rural women by MFIs. As the primary objective for some MFIs is profit-maximization, they sometimes adopt lending methodologies that focus on low-risk, high-profit clients; design products that may not be customer-centric; and serve areas that are easier to access in an effort to reduce transaction costs. The authors argue that these tendencies lead MFIs to serve predominantly urban areas - as they are easier to access - and men - as they are more likely to manage cash crops.

Based on the above analysis, the authors examine strategies to overcome these issues to serve the market in a sustainable manner. The authors discuss the importance of governance and leadership within MFIs to ensure that the commitment to serve rural women is developed and communicated across all staff levels. The study proposes the following strategies:

1) Developing "lifecycle" products to serve women throughout their lives, supporting their dual role as income generators and caregivers: These may include savings programs to help women achieve differing goals based on their stage of life and the ages of their children; health microinsurance to compensate women for health costs and loss of income while tending to their own or their family members' health needs; and micropensions and life microinsurance to address costs associated with old age such as increased healthcare needs and the risk of losing a spouse.

2) Helping women purchase and retain control over land and other assets: The study recommends that MFIs encourage ownership of assets by women such as by directing the use of loans to purchase assets to be held solely in women's names.

3) Tailoring marketing messages to resonate with women: The authors recommend sales messaging be tailored to highlight features such as confidentiality and trust; personalized based on customers' lifecycle stages; and adapted to serve illiterate women.

4) Adapting sales and delivery approaches to reach women: Providers should sell financial services in places that women are likely to visit such as community events, local markets and places of worship. The use of alternative delivery channels such as... (Continued in the subscriber edition) 📖



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