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#### UK Commits \$102m for India's Samridhi "Patient Capital" Fund

The British government has committed the equivalent of USD 102 million over eight years to partner with the Small Industries Development Bank of India to create Samridhi, an entity that will provide "patient capital" to entrepreneurs that will service an estimated 12 million poor people in the Indian states of Bihar, Madhya Pradesh, Orissa and Uttar Pradesh. December 22, 2011

#### World Bank Loaning Mexico \$100m for Financial Inclusion

The World Bank has approved a loan of USD 100 million to support Mexico's "Financial Consolidation and Inclusion Project," which seeks to improve the performance of the country's credit and savings institutions and help them expand into underserved rural areas. Areas of focus are to include technical assistance, investment in operational systems and financial education. Additional project costs of USD 94 million are to be financed by Mexico's Treasury and Public Credit Ministry with about USD 15 to be financed by beneficiary institutions. December 22, 2011

#### Nigeria's Fortis Preps Mobile Banking for 180 MFIs

Nigeria's National Association of Microfinance Banks, Lagos State Chapter (NAMBLAG) has signed an agreement with Fortis Mobile Money, a mobile money operator licensed by the Central Bank of Nigeria, to enable NAMBLAG's 180 members to offer mobile banking services to their customers. Mr Olufemi Babajide of NAMBLAG was quoted as saying, "All MFBs [microfinance banks] would provide financial transactions to all registered mobile phone users, thereby increasing financial inclusion." MFBs are expected to begin offering mobile banking in January 2012. Fortis Mobile Money, an affiliate of Nigeria's Fortis Microfinance Bank, has so far facilitated the equivalent of USD 48,000 in transactions. Fortis Microfinance Bank has 13 branches and reports having loaned a total of USD 31 million since its inception. December 20, 2011

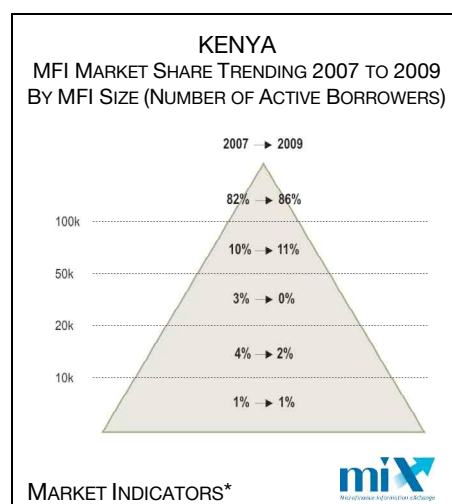
#### BlueOrchard Spends \$1.6m on CHF DFI Stake, Focus Is on Middle East

BlueOrchard Private Equity Fund, a microfinance investment vehicle managed by Switzerland's BlueOrchard, recently acquired a 20-percent stake in CHF Development Finance International, a holding company established by US-based nonprofit CHF International to own and manage CHF's commercially oriented microfinance subsidiaries. BlueOrchard's investment of USD 1.6 million represents a 30-percent premium over book value. CHF International Vice President for Development Finance Elissa McCarter said that BlueOrchard has "shown needed flexibility during this early stage investment in recognition of the challenging environments in which we work, particularly in the Middle East, which is a region of focus for the company." With operations in 29 countries, CHF reports net assets of USD 101 million. December 5, 2011

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

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## FIELD NOTES

### To Focus on Clients...Invest in Staff

Having broken my ankle this month, I am fortunate that one of our most active projects is taking place in New York City, where I can still hobble around and do some interesting work. My team and I have spent some time in local banks to learn about how they serve the local immigrant community. Over the past week, I have spent a few hours at several branches of Citibank, which has kindly offered us access to their staff for a study. One branch I visited is in a formerly low-income area that - over the past 20 years - has turned into a booming, expensive neighborhood where artists and bankers buy million-dollar-plus apartments and housing projects seem like colorful relics. Another branch I visited is in a still-depressed community, where credit access is scarce and businesses struggle to make ends meet.

I expected the Citibankers to have their sights set on middle- and upper-class customers with little to say about the low-income people who may live and work nearby. What I found was a much more nuanced story. Both wealthy and poor clients walk through Citibank's doors. Both receive attention and very friendly service. The difference is the products they are offered and which staff spend the most time with them. Bankers, whose compensation depends more on performance bonuses, spend less time with low-income prospects. Business lenders in particular don't "waste" too much time on these customers because few of them are credit worthy under today's tough lending criteria. However, tellers and customer service representatives, who are paid a fixed salary, spend a lot of time answering immigrants' questions, translating and offering advice. It seems compensation plays a role in how immigrants are served. As I sat with a sweet Dominican customer service representative,

she greeted by name all of the Latinos who walked into the bank, often followed by "Hola, mi amor" ("Hello, my love"). Customers come in with questions, many of which could have been answered by calling a nationwide phone number and pressing "2" for Spanish, but they prefer to come in and ask in person.

I am fascinated by the parallels between offering immigrants financial services in New York and serving their counterparts in their home countries. On both sides of the border, customers want to be listened to. They need solutions and appreciate a face-to-face contact when discussing how to protect their hard-earned income. CGAP (The Consultative Group to Assist the Poor) has recently been calling attention to the need for "client-centered" microfinance. Understanding the needs of low-income clients is key; we have based a huge part of our work at EA Consultants on it. But understanding what drives staff is also critical. There is no point in developing products and services for customers without aligning incentives to support these services. In many microfinance institutions, aggressive performance targets based on sales and delinquency don't leave staff enough time to actually help clients plan their financial futures. That is a huge missed opportunity for all of us in the industry. Perhaps we can do a better job selecting, training and fairly compensating staff rather than setting them up to undermine clients' long-term goals.

*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](mailto:bmagnoni@eac-global.com), or you may follow her on Twitter at [BarbaraatEA](#).*

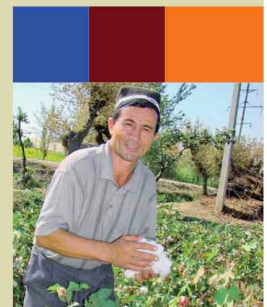
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## PAPER WRAP-UPS

### Poverty, Income Inequality, and Microfinance in Thailand

By Kelly Bird, Kelly Hattel, Eiichi Sasaki and Luxmon Attapich; published by the Asian Development Bank; November 2011; 23 pages; available at: <http://beta.adb.org/sites/default/files/poverty-income-inequality-microfinance-thailand.pdf>

The authors of this paper provide an overview of the level of poverty and income inequality in Thailand and discuss the potential role that Thailand's "undeveloped" microfinance sector can play in addressing these issues.

In 2008, the Thai government conducted a Household Socio-Economic Survey that found Thailand's poverty rate declined from 33 percent in 1988 to 9 percent in 2008. However, the survey indicates that Thailand's Gini index of household income - a measure of income inequality - stands at 0.51, signaling that income distribution remains skewed toward a small share of the population. Moreover, high rates of poverty are concentrated in low-per-capita-income regions of the Northeast where the majority of households are engaged in the agriculture sector. Savings and asset distributions in Thailand follow a pattern similar to...  
(Continued in the subscriber edition)

### Too Much Microcredit? A Survey of the Evidence on Over-Indebtedness

By Jessica Schicks and Richard Rosenberg, published by CGAP (Consultative Group to Assist the Poor), September 2011, 44 pages, available at: <http://www.cgap.org/p/site/c/template.rc/1.9.55377/>

The authors of this paper discuss over-indebtedness from the perspective of microborrowers and examine its prevalence, causes and consequences. Over-indebtedness is defined as when borrowers have serious problems repaying their loans. While the authors assert that the objective should be to reduce the prevalence of over-indebtedness, they acknowledge that complete elimination is not a practical goal, as there is often a trade-off between over-indebtedness on one hand and access to credit on the other. The only way to eliminate over-indebtedness completely is to stop lending.

The authors make a case for intensifying the resources devoted to reducing over-indebtedness, noting that evidence suggests that it is more prevalent and that its consequences may be more serious than previously believed. India and Morocco are among the countries cited as becoming more competitive and saturated - and thus more exposed to the risks of over-indebtedness.

Behavioural economics suggests that "borrowers don't always make smart choices" and raises doubts about relying on microborrowers' prudence to keep their borrowing levels healthy. Additionally, strong repayment statistics do not necessarily mean that there is no problem, as even a borrower who repays a loan faithfully may encounter very serious problems in making the payments.

Aside from its negative impact on borrowers, over-indebtedness can also lead to political backlash and regulatory overreaction. Furthermore, the authors note that there is less confidence recently in the impact of microcredit on borrowers. If the sector's benefits are lower, there must be a lower tolerance for downside risks, such as over-indebtedness.

The authors find that lender practices, borrowers' behaviour and external factors can all contribute to the problem. For instance, over-indebtedness may ensue from a lack of transparency in advertising loan conditions, which reduces a borrower's ability to make an informed decision. A heavy focus on growth may also push a microfinance institution (MFI) to relax lending standards. Aggressive collection methods may result in lenders adding to borrowers' struggles. Borrowers, on the other hand, may put too much weight on...  
(Continued in the subscriber edition) 📖



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