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#### ResponsAbility Loans \$9m to ProCredit Moldova, Noa of Albania

Please see page 2 for coverage of this "MicroCapital Deal of the Month"

#### Taiwanese Banks to Enter Chinese Microcredit Sector

Taiwan's Financial Supervisory Commission recently relaxed regulations on cross-border banking, reportedly prompting Taishin Financial Holding, Chinatrust Financial Holding, SinoPac Holdings and Cosmos Bank to consider establishing microcredit operations in China. Although Taiwanese regulators are not expected to allow the disbursement of larger loans in Chinese yuan quickly, banks may now offer loans up to the equivalent of USD 7,800 with terms of up to two years. Similarly, Taiwanese financial institutions reportedly are interested in entering the Chinese leasing business. August 8. 2012

#### Bangladesh to Establish Microdeposit Insurance Fund

The Microcredit Regulatory Authority (MRA) of Bangladesh will reportedly create a security fund to benefit microfinance depositors up to the local-currency equivalent of USD 43, which is equal to or greater than the balance of 80 percent of depositors. Microbanks will pay into the system based on their assigned level of risk. Of the 3,000 microfinance institutions reportedly operating in Bangladesh, the 600 that are registered with MRA have 10 million clients and USD 360 million in deposits. August 3. 2012

#### Accion Buys 9% of Mexico's CrediConfia for \$1.9m

US-based nonprofit Accion recently made an equity investment of USD 1.9 million in CrediConfia, a Mexican microfinance institution (MFI). Accion obtained a 9-percent stake in CrediConfia; a seat on the MFI's board of directors; and a three-year contract to provide governance, management and technical support to the microlender. CrediConfia currently serves 21,500 economically active poor people through 25 branches in Mexico City and the states of Puebla, Hidalgo and Michoacán. CrediConfia reports assets of USD 8 million, a gross loan portfolio of USD 5 million, return on assets of -46 percent and return on equity of -69 percent. Accion serves 3.18 million active clients in 22 countries with an active loan portfolio of USD 3.81 billion. July 26. 2012

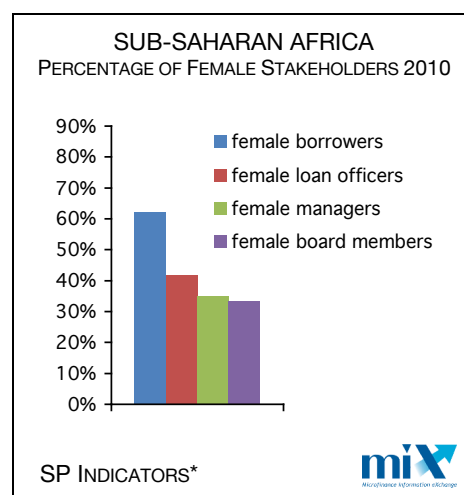
#### Nigerian Stock Exchange Lists Fortis Microfinance Bank

Fortis Microfinance Bank of Nigeria has joined the Nigerian Stock Exchange, increasing the exchange's market capitalization by the equivalent of USD 50 million. Fortis reports a loan portfolio of USD 65 million, 434 staff members, return on assets of 11 percent and return on equity of 24 percent. July 19. 2012

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

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## MICROCAPITAL BRIEFS

### MIF Commits Equity, Grant Funds to Haiti's ACME

The Multilateral Investment Fund, which is administered by the US-based Inter-American Development Bank, has approved an equity investment of undisclosed size in Haitian microfinance institution Association pour la Cooperation avec la Micro Entreprise (ACME). MIF will also provide ACME with a technical assistance grant of USD 600,000. The equity investment will be used to help ACME expand and improve its outreach outside of Port-au-Prince, while the grant will be used to strengthen ACME's governance, operations and service provision. ACME reports total assets of USD 24.5 million, a gross loan portfolio of USD 19.8 million, return on assets of 4.6 percent, return on equity of 17 percent and 30,300 borrowers. August 6, 2012

### India May Allow Shop Owners to Sell Microinsurance

India's Insurance Regulatory and Development Authority reportedly has released a draft set of microinsurance regulations that would allow shop owners to sell microinsurance policies. To date, NGOs, microfinance institutions, self-help groups and banks are among those authorized to act as microinsurance agents. August 6, 2012

### BPC's SmartVista to Run Branchless Banking for Cambodia's HKL

Hattha Kaksekar Limited (HKL), a Cambodian microfinance institution, has contracted with Russia's Banking Production Centre (BPC) Banking Technologies to implement its SmartVista electronic banking product. The service will allow HKL customers to make withdrawals and loan payments using automated teller machines (ATMs) and - eventually - mobile phones. The service also allows customers to process remittances at ATMs. All of these services can be performed using an ATM card or on a card-less basis via biometric technology. HKL reports total assets of USD 86.8 million, and BPC reports serving 110 million customers daily. August 5, 2012

## MicroCapital Deal of the Month

### ResponsAbility Loans \$9m to ProCredit Moldova, Noa of Albania

ResponsAbility Social Investments of Switzerland recently reported to MicroCapital that it issued loans totaling USD 7.8 million to ProCredit Moldova, a subsidiary of Germany's ProCredit Group. ProCredit Moldova reports assets of USD 150 million, outstanding loans of USD 117 million, deposits of USD 43.6 million and return on equity of 8.8 percent. As of 2010, ProCredit Group, which has 21 subsidiary banks, reported assets equivalent to USD 6.8 billion. ResponsAbility also loaned a total of USD 1.2 million to Noa, a microfinance institution in Albania that is owned by Amance Holding of the Netherlands. Noa reports USD 56.8 million in assets, 15,000 borrowers, a gross loan portfolio of USD 39.8 million, return on assets of -4.4 percent and return on equity of -28 percent as of 2010. Amance is backed by US-based Creation Investments and Switzerland's Balkan Fund for Southeast Europe.

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## FIELD NOTES

### Investing in Rural Financial Access: Hurricane Watch Ahead?

Earlier this year, my company embarked on a new challenge: to understand how we can add value to the recent trend of microfinance institutions (MFIs) expanding to rural areas. We have bumped around on trucks visiting rural microfinance programs in six countries, met with donors and experts, and mapped access where we could. The anecdotes we heard and impressions we gleaned from talking with clients are consistent with the results the World Bank's Findex, which is based on a recent survey of 50,000 people in 148 economies. (Please refer to the June issue of this newspaper for details on Findex.)

Our first impression was that there are multiple sources of finance available in many rural areas (at least in Latin America). Why then is there so much talk about lack of rural access? A few months ago, I mentioned in this space that we have seen roads in rural Paraguay peppered with banks, MFIs, pawn shops and consumer finance companies. Well, the same is true in many of the other areas we've visited. I was in Comayagua, the "third" city of Honduras, last month and saw about 20 financial service providers within a five-square-block radius of the central square. Part of the issue is how we think of and define rural. (Comayagua is a bustling town of over 100,000 people.) However, the Findex data show that rural people in low- and lower-middle-income countries are more likely than their urban counterparts to have taken out a loan in the past 12 months. This trend is strongest in Southeast Asia and Latin America.

The area in which Latin America lags is savings. This is especially interesting because savings play a much larger role than credit in the average person's financial life in developed countries. While 90 percent of developed-world respondents have formal savings accounts, fewer than 15 percent have loans. In low- and lower-middle-income countries, this gap is almost nil: only about 10 percent of rural respondents have

formal savings accounts, and about the same number have loans. In urban areas, savings is slightly higher but still under 18 percent.

While there certainly are opportunities for lenders in rural areas, there are also high costs and large risks. Rural clients are scattered and hard to identify and visit. Climate change is damaging crops, inventory, infrastructure and even the ability to travel to make loan payments.

Market risks driven by commodity price fluctuations and government intervention such as tariffs also play a role. While there are still significant gaps in our understanding of the cash flows of rural households, answering that question would be just a drop in the bucket in a broader strategy to manage rural risk. Many MFIs have shared with us their plans to expand to rural areas. They report that rural borrowers seem less "tainted" by multiple lending. Because investors and donors seem comfortable funding this expansion (partly because of the social value of serving hard-to-reach clients), it may be only a matter of time before we see financial service providers aggressively tackle rural areas, pushing up multiple borrowing. Should lenders just stay out? Perhaps not, but there is a need for better risk management tools. For clients, these include savings, technical assistance and insurance. MFIs need better rural credit analysis, portfolio risk management, insurance and partnerships - including with governments. For investors and donors, understanding the markets, their risks and their access gaps is key. Without these tools, gains in rural financial access might wash away with the next hurricane.

*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

### Youth's Financial Inclusion Policy Reform Study

By Yassir Ahmed Hassan Jamie; published by MDG (Millennium Development Goals) Achievement Fund, Microfinance Unit - Central Bank of Sudan, UN Development Programme; May 2012; 103 pages; available at <http://www.microfinancegateway.org/gm/document-1.9.57618/Youth%20Financial%20Inclusion%20Policy%20Reform%20Study%20FINAL.pdf>

This study, conducted in the Sudanese states of Blue Nile, North Kordofan and South Kordofan, aims to identify the challenges faced by youth, women and vulnerable groups in accessing financial services and to make recommendations to improve financial inclusion among these groups. As defined in the study, financial inclusion is "the quality supply of financial services to all who could use them, combined with a regulatory framework and client knowledge levels that enable the safe and informed use of those services."

The first problem addressed by the study is the cost and limited availability of money-transfer services. The study suggests improvements in technology such as services that allow transfers to be made via mobile phones. Branchless banking can be particularly important in places like Sudan where conflict can damage bank branches and disrupt access to them.

The author states that regulation in the country makes it expensive to launch new financial service organizations and to open new branches. The author argues that these regulations particularly impact the ability of NGOs to enter the market, although they are critical to achieving financial inclusion, as they are better suited to protecting clients, adjusting product designs to meet client needs and providing non-financial assistance such as business skills training and financial education.

The study recommends that the Central Bank of Sudan (CBOS) relax these regulations and provide incentives and training to support NGOs in expanding. Additionally, the study recommends CBOS support NGOs in increasing financial inclusion by mapping appropriate NGOs, providing... (Continued in the subscriber edition)


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### Financing Small Enterprises: What Role for Microfinance Institutions?

By Jasmina Glisovic and Meritxell Martinez, published by CGAP (Consultative Group to Assist the Poor), July 2012, 12 pages, available at: <http://www.cgap.org/gm/document-1.9.58676/FN81.pdf>

This paper examines how microfinance institutions (MFIs) serve small enterprises. The authors first give an overview of the financial needs of small enterprises, then analyze the role of MFIs in serving them and conclude with possibilities for improvement. The authors base their findings on a 2011 survey of approximately 300 MFIs in 69 countries; interviews with networks of MFIs; and a review of recent studies on small businesses, economic growth and job creation. Relative to... (Continued in the subscriber edition) 

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