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#### MIF to Invest \$4m in Equity in Vox Fund of Brazil

Please see page 3 for coverage of this “MicroCapital Deal of the Month.”

#### India's Ujjivan Cuts Operations in Bihar After Staff Murder

Ujjivan Financial Services, a Bangalore-based microfinance institution (MFI), reportedly has ceased operations in the Vaishali and Muzaffarpur districts of the Indian state of Bihar following the murder of its customer relations officer Achchhe Lal Prasad. Three people on motorcycles shot him as he was returning to his office with cash collected from borrowers. This is one of eight “cash loot” crimes reported in the region during the last four months. Ujjivan COO Rajat Singh reportedly stated, “In the prevailing situation, I don’t think any MFI working in Bihar will go ahead with its expansion plan.” November 5, 2012

#### Kenya to Levy 10% Tax on Mobile Money Transactions

Kenya’s government recently announced that a 10-percent excise duty will be charged on fees for cash transactions executed using mobile money transfer systems. The policy is expected to have a significant effect on M-Pesa, which intermediates two million transactions per day for 14 million clients through 28,000 agent outlets. Prior to the announcement, Airtel Kenya, a division of India’s Airtel serving four million people in Kenya, removed fees on its mobile money services in an effort to cut into M-Pesa’s market share. Kenya’s treasury reportedly expects mobile money operators to absorb the cost of the tax rather than increasing service fees to customers, though some analysts deem this unlikely. October 25, 2012

#### Bank of Zambia Sounds Alarm on Consumption Lending

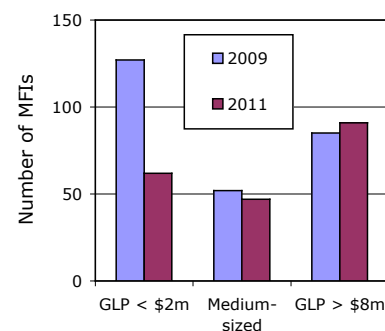
The Bank of Zambia (BOZ), the country’s apex financial institution, recently called for lenders to embrace lending to productive sectors over consumption lending, which is estimated to account for 90 percent of the volume in the country’s “microfinance” sector. At the recent launch of Microfinance Zambia, a subsidiary of Finance Bank Zambia Limited, BOZ Deputy Governor Dr Bwalya N’gandu reportedly remarked that the microfinance sector comprises mostly payroll-based personal loans. For comparison, he noted that 30 percent of lending in the traditional banking sector is for consumption. Dr N’gandu also cited plans to increase the minimum capital requirement for non-bank financial institutions in an effort to bring down interest rates. The minimum capital requirement currently stands at the equivalent of USD 47,800 for deposit-taking microbanks and one tenth of that amount for microlenders. October 19, 2012

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

INSIDE	Page
<b>MicroCapital Briefs</b>	<b>2*</b>
Microfinance news	
<b>Field Notes</b>	<b>3</b>
“Mass Market or Mass Disillusion?”	
<b>Market Indicators</b>	<b>*</b>
Courtesy of the MIX	
<b>Upcoming Events</b>	<b>*</b>
Industry conferences	
<b>Paper Wrap-ups</b>	<b>6*</b>
Latest research and reports	
<b>Subscribe to the Monitor</b>	<b>6</b>
Subscribe, renew or advertise via MicroCapital.org or +1 617 648 0043	



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### Indian MFIs Share, Asmitha Revive Merger Plans

Share Microfin Limited and Asmitha Microfin Limited, two Indian microfinance institutions (MFIs), reportedly have rekindled efforts to execute a merger. The firms were considering such a move in 2011 but then called off their merger plans, as MicroCapital reported at the time. Share Founder Udai Kumar reportedly stated that the microlenders are waiting to see how the Reserve Bank of India implements the latest MFI Bill before moving ahead with the merger. Alok Prasad, CEO of India's Microfinance Institutions Network, reportedly stated that, "Consolidation is the way forward for the MFI industry. Over the next three years, we could see several mergers in the MFI space." Share and Asmitha's combined portfolio would total the equivalent of USD 555 million. November 3, 2012

### IFC Loans \$10m to Patria Credit of Romania

The World Bank Group's International Finance Corporation recently agreed to loan the local-currency equivalent of USD 10.3 million to Patria Credit, a non-banking microfinance institution in Romania. Patria CEO Bogdan Merfea remarked, "IFC's support will allow us to increase financial inclusion and reduce gaps in formal financing for local microenterprises, many of which are managed by women." Patria Credit reports total assets of USD 69 million, a gross loan portfolio of USD 61 million, return on assets of 1.8 percent, return on equity of 5.2 percent and 12,340 borrowers in 29 provinces of the country. October 30, 2012

### Yavuz Sariyildiz Wins CGAP Photography Contest

US-based nonprofit CGAP (Consultative Group to Assist the Poor) recently announced that Yavuz Sariyildiz of Turkey has won its 2012 Photography Contest for "Smoke of Charcoal," which was chosen from among 2,500 entries from 80 countries. October 30, 2012

## MicroCapital Deal of the Month

### MIF to Invest \$4m in Equity in Vox Fund to Support Brazilian Firms

The Multilateral Investment Fund, a member of the US-based IDB (Inter-American Development Bank) Group, recently announced that it will invest USD 4 million in equity in Vox Capital Impact Investing Fund, a Brazilian venture capital fund targeting small and medium-sized enterprises as well as firms that offer access for people with low incomes to education, housing, health and financial services. The fund aims to provide long-term financing and advisory services to approximately 20 such firms that have annual revenues of USD 500,000 to USD 7.5 million. Financial information on the fund and its manager, Vox Capital, is not available. The Multilateral Investment Fund, which has 39 donating member countries from the Americas, Europe and Asia, disburses approximately USD 100 million per year in grants, equity and loans.

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## FIELD NOTES


### Insurance at the Bottom of the Pyramid: Mass Market or Mass Disillusion?

Sitting at the annual Munich Re microinsurance conference in Dar es Salaam, I am perplexed about the future of the microinsurance market. The business is more reliant on scale than even microbanking, with monthly insurance premiums commonly near USD 1. To address this challenge, microinsurance advocates have pushed for formal insurers to scale down into this market. And down they have gone...well, mostly. Local insurers are finding a niche at the bottom of the pyramid, often leveraging local brand identity. Some, such as South Africa's Hollard, are becoming regional players and bringing their microinsurance business with them. This makes sense as transnational insurance companies continue to service larger individual and corporate clients. However, the large transnational insurers have made a go at the bottom of the pyramid as well, often driven by a well-meaning board or long-term hopes of reaching this market as it climbs from the bottom. Some have been more successful than others, and all have linked their microinsurance business to either bank-assurance or mass-market activities to leverage their existing infrastructure and spread out costs over multiple business units.

This brings me to my thoughts on the definition of mass-market insurance versus microinsurance. In Africa, where bundling insurance policies with mobile phone airtime, for example, has become a large and growing opportunity, it is difficult to argue that products delivered widely through mobile phones are not "microinsurance" - especially when few other delivery or payment channels reach the poor. To some extent, microinsurance is a construct invented by a small group of stakeholders interested in improving access to insurance for the poor in a responsible manner. In contrast, "mass market" insurance sounds sort of evil. After all, insurance can be deceptive, confusing and the source of

great disillusion. Take that to the "masses," and you might be setting yourself up for mass disillusion. Perhaps this is why I am not attached to the term "microinsurance," but I do feel that it has value in encouraging insurers to take responsibility for offering quality products to the poor. "Mass market" does not.

Going forward, it will be important to admit that mass market approaches to offering insurance might offer some value to the poor. However - and this is a big however - they must be offered responsibly. To avoid mass disillusion, in which consumers are offered products they might not need or understand (sometimes as a mandatory add-on to other services), appropriate products and consumer protection will be key. However, Michael McCord, who heads the US-based for-profit Microinsurance Centre, warns that consumer protection initiatives may add unnecessary steps, paperwork and costs to the process of offering insurance that contradict a main principle of microinsurance: that products be simple to understand, deliver and process. It's a conundrum that people are trying to tackle with things like the SMS (short message service or text message) "education" components being demonstrated here at the conference. Perhaps consumer protection should focus more on broad-based education campaigns that help consumers understand what questions to ask and how to differentiate insurance products rather than regulation that pushes insurers to print pages of documents with tiny print or hassle consumers with frequent SMS quizzes that test their insurance knowledge in an effort to prove to regulators that consumers understand what they are buying.

*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

### Global Microscope on the Microfinance Business Environment

*Published by The Economist, October 2012, 72 pages, available at: <http://www5.iadb.org/mif/en-us/home/knowledge.aspx?idPublication=64206>*

This report examines the regulatory and operating conditions of microfinance institutions (MFIs) in 55 countries over 12 months ending in June. Two categories of factors were considered: (1) regulatory framework and practices such as legal recognition for MFIs, supervisory capacity, deposit policies and market distortions; and (2) supporting frameworks including reporting standards, credit bureaux, pricing, dispute resolution and rules for offering microfinance through agents. The authors also took into account MFI performance and general country conditions and political shocks. The study indicates that the sector improved most in Peru as a result of strengthened regulation, pricing transparency and financial literacy. Bolivia and Pakistan were the second- and third-most improved sectors, with...

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### The State of Microfinance Investment 2012


*Published by MicroRate, October 2012, 17 pages, available at: <http://www.microrate.com/downloads/78>*

Based on responses from 86 microfinance investment vehicles (MIVs) managing a total of USD 7 billion in assets, this survey indicates the MIV sector grew 11 percent in 2011, an increase of USD 540 million. Latin America had the largest share of absolute growth, while the pace of growth was faster in Africa and East Asia and the Pacific. In general, there was movement toward equity and away from...

*(Continued in the subscriber edition)*

### The Jipange KuSave Experiment in Kenya

*By Sarah Rotman, David Ferrand and Stephen Rasmussen; published by CGAP (Consultative Group to Assist the Poor); October 2012; 4 pages; available at: <http://www.cgap.org/sites/default/files/CGAP-Brief-The-Jipange-KuSave-Experiment-in-Kenya-Oct-2012.pdf>*

The Jipange KuSave (JKS) Experiment, which was initiated by Mobile Venture Kenya Limited, was executed in an effort to promote savings among poor people in Kenya while offering quick access to borrowed funds. JKS is based on ideas from P9, a loan product offered by... *(Continued in the subscriber edition)* 



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