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Suryoday of India Raises \$3.8m from Lok, Aavishkaar, HDFC

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

Vision Microfinance Loans \$5m in Columbia, Mexico, Paraguay

Austria's Absolute Portfolio Management recently informed MicroCapital that it has disbursed the equivalent of USD 5 million to microfinance institutions (MFIs) in Colombia, Mexico and Paraguay through its Dual Return-Vision Microfinance funds. The sizes of each loan were not disclosed. The only MFI named is Solucion Asea of Chiapas, Mexico, that borrowed local currency to support programs such as its work with low-income women in rural areas. Solucion Asea reports total assets of USD 16 million, a loan portfolio of USD 13 million, 39,000 active borrowers, deposits of USD 3.3 million and 67,000 depositors. February 9, 2013

CFI, Citigroup, Visa Launch Financial Inclusion 2020 Initiative

The Center for Financial Inclusion, a program of US-based nonprofit Accion, together with US-based financial service providers Citigroup and Visa, has launched Financial Inclusion 2020, an initiative designed to widen "responsible" access to credit, payment tools, savings and insurance by the year 2020. The organizers seek input from governments, NGOs and the private sector on a "Roadmap to Financial Inclusion" to be presented at the Financial Inclusion 2020 Global Forum to take place in the UK in October. January 29, 2013

India's IFMR Capital Lists Pool of Loan Assets from 8 MFIs

IFMR Capital, an affiliate of the Institute for Financial Management and Research (IFMR), an Indian NGO that aims to provide local enterprises with access to financial services, recently listed a securitized debt instrument on the Bombay Stock Exchange pooling loan assets from eight unidentified microfinance institutions (MFIs). According to IFMR Capital CEO Kshama Fernandes, "By pooling loans from multiple MFIs, it is possible to reach a critical portfolio size that can then be of interest to a mainstream investor." The value of the pool has not been disclosed. January 22, 2013

Bank of Zambia Caps Microfinance Interest Rates at 42%

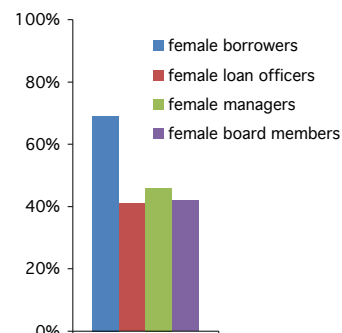
The Bank of Zambia, the country's central bank, reportedly has mandated a 42-percent cap on the effective annual interest rates charged by non-bank lending institutions designated as microfinance service providers. The cap is designed to protect microborrowers from rates that have climbed as high as 200 percent. Non-bank financial institutions that are not designated as microfinance service providers must conform to a maximum rate of 30 percent. January 18, 2013

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

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MFIs in Uzbekistan, Azerbaijan Ponder Islamic Microfinance

The Pakistan-based nonprofit AlHuda Center for Islamic Banking and Economics has signed agreements with Hamkor Bank of Uzbekistan and VisionFund AzerCredit, an Azerbaijani subsidiary of US-based NGO VisionFund International, to support their efforts to begin offering Islamic microfinance, which employs concepts such as joint venture and profit sharing rather than charging interest. VisionFund AzerCredit reports total assets of USD 46 million. Hamkor reports total assets of USD 290 million and classifies roughly half of its operations as microfinance. February 13 and January 31, 2013

Kenya's Safaricom Boosts Some Transfer Fees to Match 10% Tax

Kenya-based mobile operator Safaricom recently increased the cost of transferring funds via M-Pesa, a Kenyan mobile money service, in response to a new 10-percent government tax on money transfer fees. Safaricom customers transferring the equivalent of USD 1.20 or more will incur 10-percent higher fees than before, but the fees for smaller transactions remain unchanged. Safaricom CEO Robert Collymore was quoted as saying, "...a tax on mobile money is at this time premature and is likely to have a negative impact on the country's financial deepening agenda by creating an unnecessary barrier for wananchi [citizens] who are most in need of basic financial services." M-Pesa handles an estimated 2 million transactions per day. February 12, 2013

IFC Loans \$7m to Georgia's Kor Standard Bank for SMEs

The World Bank Group's International Finance Corporation has agreed to loan USD 7 million to Kor Standard Bank of the republic of Georgia in an effort to triple the number of loans Kor provides to small and medium-sized enterprises by 2016. Kor reports assets equivalent to USD 186 million and a loan portfolio of USD 119 million. January 25, 2013

MicroCapital Deal of the Month

Suryoday of India Raises \$3.8m from Lok, Aavishkaar, HDFC

As part of an effort to increase its customer base by 1 million by 2014, India's Suryoday Micro Finance Private Limited reportedly has raised the rupee-equivalent of USD 3.8 million in capital from three of its previous investors: Aavishkaar Goodwill, a for-profit, Indian-Dutch joint venture; Lok Capital, a Mauritius-based microfinance investment vehicle; and India's Housing Development Finance Corporation. Specifics on the amounts invested by each party or the sizes of the stakes they hold have not been disclosed. Vineet Rai, Aavishkaar Goodwill's managing director, was quoted as saying, "Suryoday's business model is strong, as it does not look at financial inclusion as a single dimensional platform for credit, but helps move the under-served population towards formal banking habits." Suryoday, which does not accept deposits, reports a gross loan portfolio of USD 18 million, 120,000 active borrowers, return on assets of 2.1 percent and return on equity of 5.5 percent.

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FIELD NOTES

The New “Downscaling” Dilemma

As the discourse about financial access has moved beyond microcredit, a new set of institutions promises to break new ground where financial institutions have struggled in the past. Just last week, for example, during the Financial Inclusion 2020 Launch Webinar, an impressive group of speakers gave their time to talk about the potential for mobile payment systems. It's still a lot more talk than action, but the involvement of players like Visa and Citigroup in the discussion suggests there is commercial interest in these new business models.

Following a visit to Colombia last month, I am left with some thoughts about how “downscaling” in the insurance market may translate to other downscaling business models that might be used by phone, mobile payment and card companies. In Colombia, what is especially interesting about “microinsurance,” which specifically targets the poor, is that there is not much of it. However, mass-market insurance is a significant and growing segment within the business lines of many traditional insurance companies. The “math” behind this business is curious, since it relies on delivering pretty small, low-cost services to primarily low-income customers. Insurance policies with premiums of USD 1 to USD 8 per month must cover operations that mimic those backing larger, traditional insurance policies. They are developed, marketed, paid, serviced and supported by large companies. Why would a large company take on this challenge when so few traditional banks, for example, are willing to do the same for loan products that have much larger margins?

In part, the business case for downscaling traditional insurance in Colombia exists precisely because few of these products are targeted specifically to the poor. Instead, they are targeted to the masses rather indiscriminately. Last month in Colombia many stakeholders pressed me to define “microinsurance.” Honestly, I could find only two distinctions

between microinsurance and mass market that apply in Colombia. The first is that if I can access it easily, it's a mass-market product. The fact that I managed to buy personal accident insurance at the supermarket in Bogota is a testament! I am unlikely to be in contact with microinsurance products that are targeting the poor. But I can access mass-market insurance as easily as I can access many other mass-market products including 99-cent hamburgers, Barbie dolls and credit cards. The second distinction is that microinsurance generally is delivered with more of a concern for consumer protection (beyond what the regulator requires and actually supervises) because we are offering products specifically for the poor. Mass market products often skip over important consumer protection principles such as making sure explanations of a product match consumer needs for information.

As companies unfamiliar with working with low-income segments begin to figure out business models that allow them to reach the masses sustainably, they will comprise a force to be reckoned with. If policy-makers can't agree on basic standards for disclosure, transparency and ethical practice, microfinance institutions should get ready to face some tough competition from entities that are not thinking much about what information consumers need or what services might be best for them. I am apprehensive about this scenario. Models that target the masses may offer the scale we've been looking for in efforts for broader financial inclusion. But financial inclusion should be a means to an end and not an end in itself. If inclusion can't improve livelihoods, then new efforts will not amount to more than 99-cent hamburgers and Barbie dolls.

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, or you may follow her on Twitter at [BarbaraatEA](#).



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PAPER WRAP-UPS

The Landscape of Microinsurance in Africa 2012

By Michael J. McCord, Roland Steinmann and Molly Ingram; published by Deutsche Gesellschaft für Internationale Zusammenarbeit and Munich Re Foundation; 2012; 11 pages; available at: http://www.microinsurancecentre.org/resources/documents/doc_download/918-briefing-note-the-landscape-of-microinsurance-in-africa-2012.html

This report presents an analysis of the microinsurance industry in Africa, updating and expanding the 2010 "Landscape of Microinsurance in Africa" released by the UN's International Labor Organization. For the 2012 study, the researchers collected data on 511 African microinsurance providers in 39 countries including company structure, performance results, descriptions of microinsurance products and perceptions of the current state and future trends of the African microinsurance industry. This includes eight countries that were not identified as having had access to microinsurance in the 2010 study. The report identified 598 microinsurance products... (Continued in the subscriber edition)

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Map of Microfinance Distribution in India

By Amulya Krishna Champatiray, Parul Agarwal and Santadarshan Sadhu; published by the Centre for Micro Finance of the Institute for Financial Management and Research; 2012; 41 pages; available at: http://www.centre-for-microfinance.com/wp-content/uploads/2012/02/Updated_Final_Report_Map_of_Microfinance_Report_CMF_June27.pdf

This report summarizes information gathered on the portfolios, products and business correspondents of 103 microfinance institutions (MFIs) in India. In addition, the project gathered state-level data on savings and loan balances through sources such as... (Continued in the subscriber edition)

Doing the Math with Property Microinsurance in Coastal Columbia

By Barbara Magnoni and Derek Poulton, published by the Microinsurance Centre, October 2012, 2 pages, available at: http://www.microinsurancecentre.org/milk-project/milk-docs/doc_details/914-condensed-milk-18-doing-the-math-with-property-microinsurance-in-coastal-colombia.html

This brief examines the performance of a microinsurance offering from Mapfre Columbia following a weather-related disaster. The study finds that the product did not help clients recover from flood costs but did assist them in repaying their microloans. The study also finds... (Continued in the subscriber edition)



Vision Microfinance: Social Impact Investing

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www.visionmicrofinance.com



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