MicroCapital Monitor
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FREE PREVIEW EDITION*

MICROCAPITAL BRIEFS | TOP STORIES

West African Development Bank Loans $6m to Niger's Asusu for Refinancing

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

India Boosts Margin Cap to 12% for Large Microlenders

The Reserve Bank of India has raised the interest-rate margin cap from 10 percent to 12 percent for microfinance institutions with loan portfolios over the equivalent of USD 18 million. This cap on amount that lenders charge above their cost of funds now matches that allowable for smaller microlenders. June 6. 2013

$380m Committed to SMEs in Middle East, North Africa

A group of government-funded organizations has agreed to establish a facility for small and medium-sized enterprises in the Middle East and North Africa that will operate via risk-sharing arrangements with banks in Egypt, Jordan, Lebanon, Morocco and Tunisia. The funding consists of: USD 150 million from the International Finance Corporation, a member of the World Bank Group; USD 150 million from the European Investment Bank, the long-term lending bank of the EU; USD 50 million from Agence Francaise de Developpement, the international development agency of France; and the euro-equivalent of USD 31 million from the Neighborhood Investment Facility of the EU's European Commission. June 6. 2013

EBRD Loaning $10m to KazMicroFinance for Rural Kazakhstanis

The UK-based European Bank for Reconstruction and Development has agreed to loan the local-currency equivalent of USD 10 million to KazMicroFinance (KMF), a non-bank financial institution in Kazakhstan, in an effort to increase access to credit for micro-, small and medium-sized enterprises in rural areas of the country. KMF reports total assets of USD 104 million, a gross loan portfolio of USD 83 million, return on assets of 5.9 percent, return on equity of 25 percent and 73,700 active borrowers. June 2. 2013

Low Repayment Rates Threaten Ghana's MASLOC

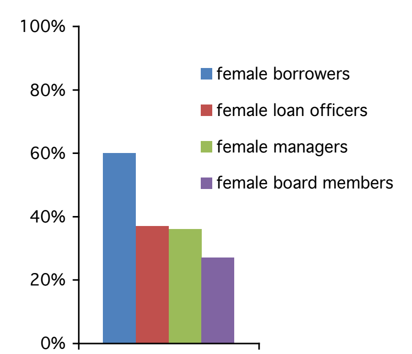
The Microfinance and Small Loans Center, which was established in 2004 by the government of Ghana, reportedly has indicated that low loan repayment rates are threatening the program, which disbursed the equivalent of USD 121 million in microcredit during 2011. May 21. 2013

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

INSIDE

MicroCapital

GLOBAL
PERCENTAGE OF FEMALE STAKEHOLDERS 2011



SOCIAL PERFORMANCE INDICATORS*

mix

MICROCAPITAL BRIEFS

Gulf African Bank, AGF Partner to Lend $1.2m to Kenyan SMEs

The African Guarantee Fund (AGF), which underwrites commercial lending to small and medium-sized enterprises with backing from the African Development Bank, reportedly has agreed to guarantee an unspecified portion of the local-currency equivalent of USD 1.2 million to be loaned by Gulf African Bank, a Kenyan bank offering Shariah-compliant products and services. Such products are designed in accordance with Islamic law, which limits the types of investments in which Muslims may participate. AGF, which has branches in nine African countries, was established in Kenya in 2012 with initial capital sufficient to issue partial guarantees of loans totaling USD 50 million. Gulf African Bank reports total assets of USD 112 million. May 29. 2013

Azerbaijan Microfinance Association to Establish Credit Bureau

Through approximately August, the First Credit Bureau Executive Committee, which was established by the 30-member Azerbaijan Microfinance Association, is accepting proposals from organizations interested in operating a credit bureau for the organization. The following Azerbaijani banks have agreed to participate in the bureau: AccessBank, Azerigas Bank, DemirBank, Pasha Bank, Azerbaijan Industry Bank, Mugan Bank, Turan Bank, Bank Respublika, YapiKredi Bank Azerbaijan and Unibank. May 28. 2013

MIX to Validate Social Data from Microfinance Institutions

The Microfinance Information Exchange (MIX), a US-based nonprofit, recently announced plans to publish "validated social data" from microfinance institutions on its MIX Market website. For the data to be deemed validated, MIX social performance analysts must be able to review social performance documents from the microfinance institutions that corroborate the summary data submitted. May 14. 2013

MicroCapital Deal of the Month

West African Development Bank Loans $6m to Asusu of Niger to Refinance Agro-loans

Asusu SA, a microfinance institution in Niger, reportedly has agreed to borrow XOF 1 billion (USD 6.3 million) from the West African Development Bank. The agreement will enable Asusu to refinance loans it previously granted to customers in the agro-industry field who have historically had little access to credit. The financing is intended support crop and equipment loans targeted toward microentrepreneurs in locations deemed to have high agricultural potential. The West African Development Bank reported total assets in 2003 of USD 1.3 billion; more recent financial information has not been made publicly available. According to the US-based nonprofit Microfinance Information Exchange (MIX), Asusu had assets of USD 17.4 million, a gross loan portfolio of USD 9.4 million, 54,000 borrowers and deposits of USD 4.7 million collected from 221,000 depositors as of 2011. As of the same year, Asusu earned return on assets of 0.8 percent and return on equity of 2.6 percent.

FIELD NOTES

Brazil: Hyped Up on Mobile

This month, I have asked Elyse Klein, a recent graduate of the School of International and Public Affairs at Columbia University and collaborator at EA Consultants, to contribute some thoughts on mobile money. Why Elyse? Her experience in Brazil is worth sharing, particularly in light of recent changes in mobile money legislation there. Also, I believe that her youth promises a less jaded assessment than my own of the "hype" in the industry. Interestingly, her first thoughts were that "mobile banking has not lived up to its hype." *The words that follow are hers.*

Despite M-Pesa's rapid success in East Africa and ample funding available to support the expansion of mobile solutions, penetration remains low worldwide. According the Financial Services Assessment project of the US-based NGO Microfinance Opportunities and the University of Maryland, even when mobile money is used, it is quickly converted back into cash, suggesting that the use of e-money simply mimics cash behaviors. Needless to say, mobile money is not delivering the banking revolution that many expected.

With inconclusive evidence of impact, what's behind the hype?

If it's the potential for scale, can we obtain the same results in other ways?

I spent the past seven months grappling with these questions while working with a group of students for Instituto Palmas, a nonprofit network of 103 community development banks in Brazil. Drawing on the excitement surrounding mobile money, Instituto Palmas wanted to create a lab to advance financial inclusion through information and communication technology with an emphasis on mobile banking. Yet we learned early on that the Brazilian regulatory system essentially prohibited small microfinance institutions or technology companies from developing their own mobile payment systems. Meanwhile, larger banks and mobile network operators (MNOs) were hesitant to invest in developing a platform because of unclear regulatory direction.

Ultimately, I believe that the lab benefited from not being able to utilize mobile payment systems, as it forced us to examine *other* technology solutions. After all, MNOs aim to reach scale profitably, but not necessarily with social impact. Also, while mobile payments might reduce the costs of outreach to rural areas, they are not the only tech solution that can help.

Innovations abound. Handheld devices help service clients in isolated areas, and newer technologies offer added bonuses such as photography and fingerprinting that can give clients an identity card on the spot. Simple text message (short message service) reminders nudge clients to make loan payments or save. One organization, Adel, provides internet access to very rural areas and then uses an online training platform to allow entrepreneurs to exchange ideas to create more structured production chains. Other organizations use crowdsourcing to map hard-to-find local businesses.

The lab at Instituto Palmas has begun pilot projects with text message reminders and handheld mapping devices and hopes to add more services in the future. Although mobile payments are possible in Brazil - thanks to legislation was passed on May 20 - I hope that the lab and other industry players continue to consider a wide range of technology solutions, rather than get hyped up with mobile.

About the Author: Ms Barbara Magnoni is President of EA Consultants, a development consulting firm based in New York. She has 18 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.

PAPER WRAP-UPS

Microfinance at the Margin: Evidence from Bosnia and Herzegovina

By Ralph De Haas, Heike Harmgart, Britta Augsburg and Costas Meghir; published by the European Bank for Reconstruction and Development; November 2012; 8 pages; available at: http://www.ebrd.com/downloads/research/economics/publications/specials/bosnia_mircofinance.pdf

This report describes a randomized field experiment conducted in Bosnia and Herzegovina to analyze the effects that lack of credit may have on entrepreneurship and poverty.

The authors pose the following interlinked questions: (1) Could microcredit be more inclusive without unduly compromising loan quality?; and (2) What measurable impact does access to credit have on small-scale entrepreneurship and poverty alleviation for those who would normally fail to qualify for microcredit? Microcredit Foundation Ekonomsko kreditna institucija (EKI) provided loans and staff support to the participants in the study.

Loan officers across the country interviewed 1,198 potential "marginal" clients - those whose loan applications would normally be rejected due to reasons such as lack of education or insufficient collateral. The clients, however, were not burdened with poor credit histories, over-indebtedness or suspected fraud. Applicants were randomly assigned to groups deemed the treatment (loan) group and the control (no loan) group. All participants were re-interviewed 14 months after the initial survey.

The findings of the field experiment were mixed. While access to credit increased business activity and self-employment compared with the control group, this did not translate into increases in profits or household income. Clients in the study with low education… *(Continued in the subscriber edition)*

Microinsurance in Ghana: Microinsurance as a Means of Insurance Sector Development

By Jan Meissner; published by the National Insurance Commission, Deutsche Gesellschaft für Internationale Zusammenarbeit; 2013; 243 pages; available at: http://www.microfinancegateway.org/gm/document-1.9.61118/Promoting%20Microinsurance%20in%20Ghana_Full%20Book.pdf

This book analyzes potential ways to enhance the development of the microinsurance sector in Ghana, providing an overview of inclusive financial market development in the country as well as a series of recommended best practices for… *(Continued in the subscriber edition)*