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CAF makes US\$5mn equity investment in BBVA microfinance fund

114 words

26 November 2008

Business News Americas

English

(c) 2008 Business News Americas (BNamericas.com)

The Andean Development Corporation (CAF) has invested US\$5mn for an equity stake in the **microfinance** investment fund of Spain's BBVA (NYSE: BBV), CAF said in a press release.

CAF said the investment in BBVA Codespa Microfinanzas is aimed at generating greater opportunities for Latin American **microfinance** firms.

The BBVA Codespa Microfinanzas fund was created in 2006 with the aim of contributing to the development of Latin America's microfinance industry through investing in debt issues by microfinance firms.

The fund has 23.5mn euros (US\$30.421mn) in equity and accumulated profitability of 6.96%, according to the release.

<http://www.bnamericas.com>

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Shenzhen Unveils New Microcredit Products

175 words

26 November 2008

SinoCast China Business Daily News (Abstracts)

Page 1

English

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SHENZHEN, November 26, SinoCast -- Some financial institutions in Shenzhen, South China, lately launched a batch of innovative financial products and services at the 2008 China (Shenzhen) International Finance Exposition, in an attempt to better serve the SMEs (small and medium enterprises).

Led by the Shenzhen Trade & Industry Bureau, the Shenzhen Branch of Bank of China Ltd. (BOC, SHSE: 601988; SEHK: 3988) announced its new **microfinance** business model recently. In the near future, the Beijing-located lender will integrate its financial resources and then develop the services and products for SMEs' import and export financing.

Remarkably, there is no need for the SMEs to ask for loans from China Construction Bank (CCB; SHSE: 601939; SEHK: 0939) and the Shenzhen Branch of Shanghai Pudong Development Bank (SPDB; SHSE: 600000) via mortgage or pledge but credit accumulation, once the two lenders bring forward the new credit plans.

In addition, Agricultural Bank of China will grant an integrated credit line to the SMEs with a registered capital of more than CNY 300,000.

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MasterCard Foundation and BRAC Expand Microfinance Services in Uganda

436 words

26 November 2008

Wireless News

English

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The MasterCard Foundation and BRAC announced a \$19.6 million program to expand financial services to the poor across Uganda, benefiting approximately 2 million people.

This initiative will demonstrate for the first time the full potential of BRAC's holistic **microfinance** approach to reduce poverty and improve livelihoods in Africa. Insights generated from this program will enable BRAC to accelerate its long-term plan to adapt this approach for other African countries.

"The MasterCard Foundation is working with innovators like BRAC to expand the access and reach of microfinance services to the poor, supporting their entrepreneurship so they can improve their own lives and communities," said Reeta Roy, President and CEO of The MasterCard Foundation.

Based in Bangladesh, BRAC is the world's largest development organization and is one of the providers of microfinance services. BRAC's approach, which it calls "microfinance multiplied," increases the ability of poor clients to productively use their loans to augment their incomes and build their assets, as well as stimulate economic and social development within their communities.

"This initiative with The MasterCard Foundation will be our largest program in Africa," said Fazle Abed, Founder and Chairperson of BRAC. "What we learn in Uganda, including how to provide savings to poor women and their communities, will help us rapidly scale up our operations to provide services to millions of people throughout Africa."

Working with the MasterCard Foundation, BRAC is poised to become one of Uganda's most effective institutions serving large numbers of rural households. BRAC recognizes the need of poor people to have a secure place to save their money and the role of savings in sustainable microfinance. As part of this program, BRAC will explore the feasibility of becoming a regulated deposit-taking institution in Uganda, a role it has not yet played in Africa.

The government of Uganda has made expanding financial services to the rural poor one of its top

priorities. More than 37 percent of Uganda's population lives on less than a dollar a day and 62 percent do not have access to financial services.

Women and girls are among the most negatively affected by poverty, and they play an important role as change agents in their families and communities. In Uganda, the program will provide economically active women with loans, training and technical support to enable them to improve their livelihoods. Additionally, the program will expand vocational and life-skills education for adolescent girls.

Comments on this story may be sent to newsdesk@closeupmedia.com

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Microfinance is thriving, but ... ; Indian microfinance organisations are coming into big global funding, at...

subir roy

943 words

26 November 2008

Business Standard

9

English

(c) 2008 Business Standard Ltd.

Indian **microfinance** organisations are coming into big global funding, at a time when global credit is seizing up. This month, two leading names--SKS **Microfinance**, the biggest in the country, and Ujjivan, a pioneer in working among the urban poor--have between them raised close to \$100 million of private equity. This underlines a sea change sweeping the sector, signalling it has come of age. As much as this is a cause for celebration, it is also necessary to ask if all is well with the sector, which way it is going and most importantly, which way it ought to go.

The first positive is the growth. According to the 2008 Microfinance India by N Srinivasan (this competent annual study is itself a feather in the cap of the industry), last year microfinance's client base grew 25 per cent to reach 54.8 million. This is defining microfinance narrowly. If you also add up the small loans of commercial banks, primary cooperative societies and self-help groups, the total client base at end-2007-08 comes to 115 million. Thus microfinance now reaches over 20 per cent (even allowing for those who get loans from more than one organisation) of the country's 600 million working poor.

Most importantly, in a country riven by poor governance, this is not money down the drain. Repayment to banks is 90 per cent and microfinance organisations following the Grameen Bank model over 98 per cent! What this has established, says Samit Ghosh, founder of Ujjivan, is "microfinance is an eminently viable commercial proposition." Viability plus rapid growth induced hunger for capital is attracting the private equity.

But the picture changes somewhat when you look at the quality of growth. As Srinivasan points out in his report, the growth has been horizontal, and not gone deep. The three southern states which lead in microfinance (Andhra Pradesh, Tamil Nadu and Karnataka) account for 52 per cent of clients, whereas

six major states and all those in the northeast account for only 1 per cent of clients. Truth is, the hardcore poor and remote areas of the country are left out of the microfinance story.

As for depth, a microfinance loan is typically for Rs 3,500-5,000 and returned in or under a year. You can't do much with that kind of a loan, it only eases liquidity problems. Naturally, microfinance is yet to deliver on its primary objective-- take people out of poverty. Only half of its clients have escaped poverty. The report quotes one of the pioneers of the microfinance movement, Vijay Mahajan, as saying, "...MFs want nearly 100 per cent repayment and they are getting it because poor people are paying out of cash flows from other activities. To say that the MFI has got 99 per cent repayment is not by itself any great virtue, because if the people are engaged in several activities, they have been given a loan and lost the asset (such as livestock death or crop failure) and are now paying you out of wage work, that is not the purpose of founding microfinance."

A corollary to the coming in of risk capital is the exit of the social or "transformational capital" which the promoters had brought in because they wanted to change the world. This new predominantly profit oriented capital is low on social objectives, marking a dilution of the original mission. There are pluses from this development too. The buying out of individual investors is creating a market for microfinance institutions and the private equity players bring in a lot of business discipline. What is more, not every equity fund is equally driven by profit. So it is a variegated scene with examples of original investors existing entirely, or remaining in part, and importantly, not all equity players being equally profit driven, with some having only a partial profit motive. The most important plus is of course the chance for the poor to escape from the clutches of the moneylender.

Health security and educational opportunity are two other key elements that, along with sustained means of livelihood, make up the composite offering that allows deliverance from poverty. (One out of five loans is taken for a major family illness and urban maids frequently take loans to put their children in English medium schools.) This is why totally social oriented organisations are pursuing a different model, or starting a separate foundation to deliver a composite package. The report highlights Sarvodaya Nano Finance, which operates in the heartland of India's poverty-- Bihar, Jharkhand, Madhya Pradesh, Rajasthan— and also Maharashtra and in a big way in Tamil Nadu. It offers capacity building support services, with emphasis on dairying. It also runs health centres and organises community marriages so that families can escape the financial burden of dowry. Its recovery performance is "exceptional".

A particularly innovative organisation is Institute for Rural Credit and Entrepreneurship Development, Sangli. It has been working on grain banks in tribal areas successfully for over a decade. From a food security model it has become a microfinance model. Women's groups from rural areas take grain loans and repay in 10 instalments. The grain and other produce are sold to groups in urban areas. Through a

notion of share capital, groups get grain loans six times their capital. With retained margins their share values go up every year. "There is tremendous demand for this product," says Kiran Kulkarni. To reach the goal of removing poverty you have to undertake a long journey. Microfinance is a vital early step.

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Finance

SKS Microfin raises funds at low costs despite credit crunch

381 words

25 November 2008

The Economic Times

English

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MUMBAI: Even as many top-rated corporates are struggling to grow and have seen their borrowing costs go up by 300-400 basis points (bps) during the credit crunch, **microfinance** major SKS **Microfinance** has said that borrowing costs rose at a much slower rate - by 100-150 bps. The NGO-turned NBFC, which still sees huge opportunities for itself is diversifying its product range, is looking at infusing Rs 250 crore over the next six months.

Speaking to ET, SKS **Microfinance** chief finance officer Dilli Raj said, "Our incremental cost of borrowing has gone up to 12.5% from 11.5% two months ago." This is significant, as banks themselves were starved of funds until a few weeks ago and were lending at about to 300-400 bps above their regular lending rates to even top-rated corporates. Even some smaller **microfinance** institutions have not found it easy to raise cheap funds. SKS has been borrowing funds from Citi, ABN Amro, ICICI Bank, HDFC Bank in addition to a few public sector banks.

SKS Micro founder-chairman Vikram Akula, who recently relinquished the CEO post, added that since microfinance comprises a part of priority sector lending for commercial banks, there has not been much of a difficulty in borrowing funds. Microfinance has remained largely decoupled from the global crisis as borrowers are less integrated with the formal economy.

MFIs had remained unaffected even during the peak of the Asian crisis in 1997-98. Moreover, the borrowings from MFIs have been for small businesses though working capital loans, while sub-prime borrowings are consumption loans against which the possibility of income generation, added SKS Microfinance COO MR Rao. Mr Akula said that going forward, he would primarily focus on strategic initiatives such as developing new products and identifying new investors.

SKS has already tied up with Airtel and Nokia to sell cell phones among the poor. In addition, the MFI is also diversifying into micro-insurance, education loans and consumer loans among the urban poor. As for investors, the company is looking at infusing an additional Rs 250 crore equity in case it identifies an

appropriate investor over the next six months. SKS has also not ruled out a public listing.

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BP

Big microfinance firms taking over clients of smaller players

Anita Bhoir,anita.b@livemint.com

livemint

371 words

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Delhi

15

English

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SKS **Microfinance** Pvt. Ltd, a non-banking finance company (NBFC) that operates in the **microfinance** space, is acquiring customers of smaller firms in the business that are finding it difficult to lend as they have no money.

Microfinance refers to the business of lending money to poor or low-income clients.

SKS founder and chief executive officer Vikram Akula sees consolidation in the industry as the liquidity crunch intensifies. Early this month, SKS raised \$75 million (more than Rs375 crore today) from Sandstone Capital Llc.—the largest private equity investment in microfinance, globally.

According to Akula, small and medium microfinance institutions (MFIs) are finding it difficult to raise funds. “In the current environment, capital is flowing to quality and this is affecting the small and medium MFIs,” he said. However, Mint could not independently verify this.

“Banks are lending only to large MFIs. We are in a strong position. We are holding discussions with MFIs who are facing strain and helping them by taking over their clients,” said Akula.

According to him, many small players may have to close shop as they have no money to lend.

“In the next one year, we would see lesser number of MFIs,” Akula said.

There are about 1,000 MFIs in India and close to 90% of these serve less than 10,000 clients each, according to a recent industry study.

SKS caters to the needs of 3.4 million consumers through its 1,500 branches.

Currently, microcredit extended by MFIs in India stands at \$5 billion while the demand for microcredit in the country is \$55 billion, said a recent World Bank report *Maturing of Indian Microfinance*.

Akula said that the Reserve Bank of India (RBI) should permit NBFCs to act as business correspondents to enable credit penetration.

RBI's guidelines on business correspondents allow banks to use MFIs to market their deposit and loan products, but NBFCs are not allowed to do so.

"The business correspondent restriction should be applied to NBFCs owned by banks and not for MFI-NBFCs. The loan ticket size can also be restricted to Rs25,000," Akula said.

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STATES

Microfinance institutions benefit from slowdown

470 words

24 November 2008

Business Line (The Hindu)

12

English

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PE players, banks keen on investing, lending

G. Naga Sridhar

Hyderabad, Nov. 23 While most corporates are reeling under the adverse impact of the global economic slowdown and domestic liquidity crunch, microfinance institutions (MFIs) seem to have a different story to tell.

Global private equity players and domestic banks are now chasing MFIs to take a stake or to extend term loans if the industry trends are any indication to go by.

“There is a realisation that MFIs are a better place to invest in, in the context of the economic slowdown in the US. Many venture capitalists are keen on investing in MFIs in India now,” Mr Udaia Kumar, Chairman and Managing Director, Share Microfin Ltd (SML), told Business Line.

SML is in the process of finalising an equity investment of Rs 250 crore from a private equity player based out of India and is likely to announce the closure of the deal shortly.

SAFE AVENUE

The reasons for the trend are many. A large clientele of MFIs in the country is now being seen as a section of society which is largely insulated from the ripples of economic slowdown. “The small ticket loans, which are generally in the range of Rs 4,000 to Rs 12,000, have become a positive aspect of MFIs now. There is little scope for defaults as these people are not too directly linked with the crisis. Further, the returns on equity are between 27 per cent and 35 per cent which is attracting the private equity investors,” Mr Kumar said.

According to Mr Vikram Akula, Chief Executive Officer of SKS Microfinance Pvt Ltd, the reason for global interest in MFIs is the “maturity” of the MFIs over the last one-and-a-half decade. “The MFIs are now being eyed for long-term investment which is safe, while also addressing social issues such as eradication of poverty,” he said.

He said even during the crisis that hit the South-East Asian economies during the late 1990s, MFIs demonstrated their strengths and crucial role in helping the poor.

SKS had received Rs 366 crore equity investment led by Boston-based Sandstone Capital recently.

The liquidity needs of big MFIs are also met by “aggressive” lending by banks. “There has been a big positive shift in the bank’s attitude towards MFIs after the implementation of the agricultural debt waiver scheme of the Government recently,” Ms G. Padmaja Reddy, Spandana Spoorthy Innovative Financial Services, said.

“As lending to MFIs can also be seen as priority sector advances, many banks, especially, the public sector banks, are coming forward to give term loans to MFIs,” she observed.

Last week alone, both SML and Spandana received Rs 200 crore each as term loans from SIDBI, besides smaller loans from other banks.

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Telenor acquires 51 percent shares of Tameer Microfinance Bank

RECORDER REPORT

351 words

22 November 2008

Business Recorder

English

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Telenor Pakistan on Friday entered into an agreement to acquire 51 per cent of the shares in Tameer **Microfinance** Bank for a Foreign Direct Investment (FDI) of USD 12.5 million (PKR 1 billion approximately) through a direct rights issue. The proceeds from the rights issue will be used to finance further development of the bank, however the transaction is subject to full regulatory approval.

"The acquisition of 51 per cent of the shares in Tameer **Microfinance** Bank is part of our strategy to offer financial services in Pakistan," said Jon Eddy Abdullah, CEO of Telenor Pakistan. He said that Telenor Pakistan is a 100 percent subsidiary of Telenor Group and a leading mobile operator in Pakistan with more than 18 million subscribers.

The Telenor Group has close to 160 million mobile subscribers world-wide, with revenues of approximately 19 billion dollars in 2007, he added. "We are pleased with the deal we have entered, as Telenor is a solid partner for further growth, and we have a common view about how financial and telecommunication sectors together can improve customer offerings by combining services," said Nadeem Hussain, President and Chief Executive Officer Tameer Bank.

He said that Tameer Bank, a fast growing microfinance bank licensed by State Bank of Pakistan in August 2005, has a current network of 27 on-line branches and 23 sales & service centers across Sindh and Punjab. He said that Tameer Bank has given a new complexion to the microfinance sector through the induction of innovative, technology-driven financial services.

"Tameer aims to empower Pakistan's under-served population through choice of bank tellers, ATM machines and Point of Sale (POS) terminals," he added. He said that since inception, Tameer has disbursed more than Rs 2.2 billion with active portfolio of Rs 950 million and over 40,000 loan customers with delinquency trend of 1.4 percent- supported with a deposit base of more than Rs 670 million. While the total customer base of Tameer has crossed 65,000 with staff strength of 950.

WORLD; BRIEFING: AFRICA

Women lead the way ; Female entrepreneurs use microfinance wisely

Anne-Laure Buffard, THE WASHINGTON TIMES

916 words

20 November 2008

The Washington Times

A18

English

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When Vivian Adamah lost her husband in 1990, she found herself looking for work to support their infant child.

Because no child care was available in Ashaiman, her village in Ghana, she began a day care service by looking after a couple of toddlers in her living room.

Today, she runs a school with 360 students. The transformation was made possible with support from Opportunity International, a pioneer in microfinance.

Development agencies operating in sub-Saharan Africa are increasingly turning to women as would-be entrepreneurs, who often prove effective in Africa's difficult business environment.

As a result, gender equality has become a tenet for many international development institutions such as the World Bank.

The bank launched in February 2007 a Gender Action Plan, which commits the global lender to "intensify gender-equality work in the economic sectors over four years, in partnership with client countries, donors, the private sector and other development agencies."

To date, some \$36 million has been pledged for implementation.

"Gender Equality is also smart economics," said bank President Robert B. Zoellick in the foreword of a recent report titled "Doing Business: Women in Africa." The report compiles success stories of female entrepreneurs in Cameroon, Rwanda, Senegal, South Africa, Tanzania and Uganda.

For example, Kah Walla, a young executive who returned to Cameroon after completing graduate study in the United States, created a management consulting firm, Strategies, with annual sales of \$500,000.

"I wanted to help my country," she said in the report.

As vice president of the American Chamber of Commerce in Cameroon, Ms. Walla is also a strong advocate of female entrepreneurs in her country, a nation ranked by the World Bank as No. 137 out of 154 countries in a gender-equity index.

"Many studies suggest that incomes put in the hands of women are more likely to positively impact family welfare, nutrition and girls' education," Amanda Ellis, the World Bank's lead specialist on gender equality said in a recent interview.

"The private sector also recognizes this gender differential," she added. She cited Starbucks in Kenya and Rwanda, where the world-famous coffeehouse chain focuses on female managers and employees.

Agriculture is another area where women can excel, said former U.N. World Food Program chief Catherine Bertini, now with the Bill and Melinda Gates Foundation.

"Efforts at reducing poverty by boosting agriculture in the developing world should be aimed more at women," Ms. Bertini said on the sidelines of a recent conference.

"I propose that when we talk about farmers in these programs, we say 'she' rather than 'he,' " Ms. Bertini said.

Rural women are responsible for half of the world's food production, and in developing countries, they produce 60 percent to 80 percent of the food, according International Center for Research on Women.

"About 80 percent of food grown in Africa is grown by women," said Rekha Mehra, official at the center.

"Yet, traditionally, development assistance has mainly be given to men. We need to change this."

Susy Cheston, vice president of Opportunity International, said female farmers can benefit from improved banking services.

"Savings are extremely important for farmers who have to carry over themselves for 10 months after the harvest. And in most African countries, women value savings more than their male counterparts," she

said.

By focusing on women in sub-Saharan Africa, development institutions are also trying to make up for governmental and legal obstacles to gender equality.

"Constitutionally in Kenya, custom law overrides the principle of gender equality, with the result that women own only 1 percent of land in their own names," said Ms. Ellis of the World Bank. "It's a major limitation to women's rights and also a huge bridle for food production."

Some progress in reducing gender-based discrimination has been made in sub-Saharan Africa.

Cameroon has enacted laws that grant women new rights, including the ability to travel without male escorts, open bank accounts and register businesses on their own, without their husbands' consent.

In Uganda, the World Bank works closely with the Ministry of Finance.

"Over the years, the government has instituted several policies to liberate women from socioeconomic and political discrimination," said George Ndahendekire Ndyamuba, first secretary of the Ugandan Embassy in Washington.

For example, in 1995, the government enshrined affirmative action in the country's constitution.

Recent statistics indicate that 69 percent of active borrowers from microfinance institutions in Uganda are women, Mr. Ndyamuba added.

"Women play a vital role in reducing household poverty through their preferential investment in nutrition, education of the young and their capacity to manage business," he said.

Ms. Adamah's Providence International school in Ghana has turned into a collective blessing in the community.

It employs 19 full-time teachers and provides an affordable education to hundreds of children.

Said Ms. Cheston, whose organization helped finance the school's growth from its humble beginning as an in-home day care center:

"Our clients are the ones who make the changes. We only help them."

Caption: Vivian Adamah turned a need for child care and a loan from microfinancer Opportunity International into a school for 360 students in her native Ghana. The World Bank and development agencies trying to build up Africa are increasingly looking to women as key players, thus are urging governments to work toward gender equality. [2 Photos by Barbara L. Salisbury/The Washington Times]

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In Africa, women turn to microfinance

By Anne-Laure Buffard, The Washington Times

McClatchy-Tribune Regional News

879 words

20 November 2008

The Washington Times (MCT)

English

Distributed by McClatchy-Tribune Information Services.

Nov. 20--When Vivian Adamah lost her husband in 1990, she found herself looking for work to support their infant child. Because no child care was available in Ashaiman, her village in Ghana, she began a day care service by looking after a couple of toddlers in her living room.

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In Uganda, the World Bank works closely with the Ministry of Finance.

"Over the years, the government has instituted several policies to liberate women from socioeconomic and political discrimination," said George Ndahendekire Ndyamuba, first secretary of the Ugandan Embassy in Washington.

For example, in 1995, the government enshrined affirmative action in the country's constitution.

Recent statistics indicate that 69 percent of active borrowers from microfinance institutions in Uganda are women, Mr. Ndyamuba added.

"Women play a vital role in reducing household poverty through their preferential investment in nutrition, education of the young and their capacity to manage business," he said.

Ms. Adamah's Providence International school in Ghana has turned into a collective blessing in the community.

It employs 19 full-time teachers and provides an affordable education to hundreds of children.

Said Ms. Cheston, whose organization helped finance the school's growth from its humble beginning as an in-home day care center:

"Our clients are the ones who make the changes. We only help them."

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BUSINESS

US backs RP effort on microfinance

Ted P. Torres

334 words

20 November 2008

The Philippine Star

English

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The US government will continue to support the Philippines' efforts to extend the use of mobile banking technology for microfinancing in the rural areas, the top US diplomat in the country said.

At a forum sponsored by the Rural Bankers Association of the Philippines (RBAP), US Ambassador to the Philippines Kristie Kenney acknowledged the pioneering efforts of the Philippines to promote mobile banking and the use of technology to bring credit to the poor.

"The Philippines is already the text capital of the world, and Philippine rural banks have become a global model for mobile banking," she said.

Mobile banking allows the flow of cash into the countryside where most of the poor are located. The mobile phones allow rural folk access to credit or cash for micro-businesses, agriculture, small and medium enterprises (SMEs), and beneficiaries of overseas Filipinos.

One of the key partners for mobile banking, Kenney pointed out, is the Microenterprise Access to Banking Services (MABS), a joint project between the United States Agency for International Development and RBAP.

"We have extended the services of MABS, which has been very successful. We extend a lot of technical assistance to the rural banks and the telcos, we will continue to do that, and we want to continue to build the foundations of our two countries" the US official said.

"And at a time when there are a lot of bad financial stories, the Philippines is a good success story," she said, noting that microfinance and mobile banking in the Philippines has been recognized as a global model.

She lauded the Bangko Sentral ng Pilipinas (BSP) for having weathered the financial storm in 1997 and building a solid foundation for the country's financial system.

“The BSP has not only built solid foundations, but it has also developed fiscal integrity, a sound footing between the banking community and the banking public, and build bridges to the private and government financial sector, “ she added.

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BUSINESS

Microfinance support for women sets up Canadian chapter here

Rose Simone

RECORD STAFF

344 words

19 November 2008

Waterloo Region Record

Final

E2

English

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WATERLOO

An international organization that tries to boost the role of women in **microfinance** and enterprise development has set up a Canadian chapter, based in Waterloo.

Women Advancing Microfinance (WAM) Canada, the newest chapter of WAM International, was launched yesterday in Gatineau, Que., in conjunction with the Canadian International Development Agency's International Co-operation Days.

Linda Jones, the chair of WAM Canada, formerly worked for Waterloo-based Mennonite Economic Development Associates (MEDA), which is providing the new organization with its official address.

"Canada has been very involved in the microfinance movement internationally. MEDA has been very involved almost from the start and there are also many other organizations involved in international microfinance here," Jones says.

WAM International started in Washington D.C. in 2003 and now operates around the world. Its members work to support women in the microfinance sector, as well as women who receive microfinance and enterprise development loans.

Microfinance and enterprise development loans range from small loans that help families in poor countries cope with emergencies to loans for businesses, including farmers, small manufacturers and networks of women, who make products in their homes.

Women often take the lead in establishing the organizations and projects that initiate these loans. Often, they also are the ones who start small enterprises or take out loans to help their families. "It is estimated that about 85 per cent of the loan-takers are women," Jones says.

But too often, as microfinance organizations grow, women fade into the background because they don't have the education and professional development opportunities to take management roles, says Jones.

WAM works to increase their visibility, and promote education, training and leadership opportunities for them, through scholarships and speaking opportunities, for example.

The Canadian chapter will also promote the concept of microfinance and international enterprise development and Canada's role in that field.

WAM Canada is now accepting memberships. More information can be found at: www.wam-canada.ca

rsimone@therecord.com

NEWS

Document TKWR000020081119e4bj0002c

New Vision (Uganda) - AAGM: We Need Better Ways of Rural Financing.

Nathan Were

362 words

18 November 2008

New Vision

English

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A two-day **microfinance** forum on the theme "expanding frontiers in rural finance" was held in Bergamo in Italy recently.

The concern of the key presenters and participants was how to improve access to financial services especially in Africa, where the majority of the poor do not have access to these services.

In Uganda, a 2007 study revealed that 62% of the population has no access to either formal or informal financial services. Only 16% utilise commercial banking services, 2% regulated microfinance institutions, and the remaining 20% of the population is shared among non-governmental organisations, savings and credit co-operatives, village savings and loans associations.

Majority of those without access are in rural areas and 66% are women. Access to a well-functioning financial system empowers poor people; it allows them integration into the economy and protection against economic shocks. To increase incomes of the poor so as to enable them acquire capital, manage risk, and work their way out of poverty, there must be appropriate loan schemes for small enterprises.

The Government needs to push financial institutions to come up with affordable and flexible products to target the poor in the countryside. It should also create supportive infrastructure in rural areas to enhance market access for farmers. This needs to be based on information on demand, supply and prices of agricultural products in both local and international markets.

Though microfinance institutions are helping improve access, there costs for loans and savings are still high and unaffordable for most poor people. It is sad that microfinance institutions are much more focused on making profits than fulfilling their mission of eliminating poverty. Thus many people remain without access to financial services.

The way forward is to push for policies that will have formal institutions downscale to reach the people not served. Financial institutions also need to be more innovative. Microfinance institutions are the key players in this struggle since they have more experience in handling lower market segments than banks.

The writer is a Ugandan at the University of Bergamo, Italy

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Microfinance Goes Mobile: New Heights Microfinance Bank Selects Clickatell To Provide Mobile Messaging To Accelerate Adoption; Huge Underbanked Market Gains Access To Broad Range Of Financial Services Via SMS

1,395 words

18 November 2008

M2 Presswire

English

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Redwood City, CA -- Clickatell, leading global provider of mobile messaging solutions for financial institutions, today announced that New Heights **Microfinance** Bank Ltd Nigeria (<http://www.newheightsmfb.com/>) has chosen Clickatell to deploy mobile messaging services to its customers.

In just over a year of operating, New Heights has introduced its suite of **microfinance** solutions including loans, credit, savings, money transfer services, and microinsurance products to serve an eager underbanked market.

As Africa's most populous country and counted among the top ten most populous countries in the world; Nigeria has an estimated 79% of the adult population that are considered underbanked. In order to address this huge market opportunity and meet the needs of a rapidly expanding customer base, New Heights required a scaleable, SMS-based, mobile messaging solution to improve service delivery and ensure their customers gain immediate access to their suite of microfinance products anytime, anywhere. Having the largest global range, reach and mobile messaging delivery experience in the financial services sector, Clickatell is the partner of choice to provide New Heights with enterprise-class mobile messaging solutions required to meet their growing needs now and in the future.

Globally, it has been estimated that only about one-sixth (500 million of an estimated 3 billion) of underprivileged people throughout the world have access to proper financial services. Wherever the poor exist in mass in Nigeria and throughout Africa, Asia, Latin America, Europe and North America; emerging financial services providers like New Heights are addressing the challenge of how to best serve the financial needs of individuals with low socioeconomic status (SES). Microfinance refers to financial

services offered to low SES individuals that are excluded from the traditional financial system and often are considered 'unbankable' - lacking collateral, steady employment and verifiable credit history. Aspects of Microfinance, such as microcredit and microloans, are designed to help lift individuals, families and communities out of poverty by providing small loans for personal businesses and start-up capital for entrepreneurial projects, which will presumably help individuals to generate income, build wealth and ultimately exit poverty.

This new way of thinking about banking is sweeping the world, especially in areas of great poverty, as thousands of financial institutions and microfinance service providers have emerged in recent years to address the needs of the underserved, unbanked around the world. The Consultancy Group to Assist the Poor (CGAP) noted, "There is a vast potential market for retail financial services among low-income clients, and a growing number of commercial banks have successfully entered this market."

MOBILE MICROFINANCE TAKES THE STAGE USING SMS Forbes article "Mobile Microfinance" reported, "An estimated 750 million households worldwide don't have a bank account. In Mexico, cash transactions constitute 79% of payments. In India, 91%. In China, 82%. Even in the U.S., 80 million people are in the category of the underbanked. Most people around the world, however, own a mobile phone. Over the past few years, a number of start-ups have put these facts together to form an industry that helps people access banking services on their cell phones." Due to its low cost, ubiquity, instant availability, and accessibility on mobile phones around the world, SMS is an ideal medium to communicate, provide status and notifications, and account activations to the underbanked population.

"Most of the world's underprivileged remain so because they are denied the basic things they need to make a living. Microlending is getting attention around the world and our early success has shown that microloans and microcredit works to help people get started on the path to success," said Oladipupo Olakunle Michael, Head of IT for Nigerian-based New Heights Microfinance Bank Ltd. "Our vision to be the No.1 bank in Nigeria means we need to partner with companies that share a similar philosophy and competence. Many of our customers have a cell phone, but they may not have the ability to find a physical branch, make a phone call, or log on to a PC.

SMS alerts give our customers the ability to keep a watchful eye over their finances anytime, anywhere. Clickatell provides us with global reach and critical messaging services, and they have an enviable track record in the financial services sector."

New Heights customers will receive SMS messages when transactions occur, informing them on the spot of any account activity. When payments are due, customers will receive alerts letting them know. And, if fraudulent activity occurs, customers can notify New Heights immediately, rather than waiting 30 days to

receive their end of month statement. New Heights also sends monthly statements directly to mobile phones making it easy, convenient, and even possible for customers to stay in touch with their financial portfolio.

"Given these tough global economic times, we are seeing strong demand for Microfinance providers to address a broader market through mobile solutions," noted Pieter de Villers, CEO of Clickatell.

"Innovators like New Heights are seeking the same same benefits typically provided by Clickatell to banks globally - scalability, reliability and trust. By incorporating SMS, microfinance providers can improve adoption and quality of service by increasing access to personal financial information at a relatively low cost of acquiring and servicing customers."

ABOUT NEW HEIGHTS

New Heights Microfinance Bank Limited (NHMFBLtd) was incorporated as a limited liability company on the 17th May 2007. New Heights received approval to carry on the business of microfinance banking on the 26th July 2007 from the Central Bank of Nigeria (CBN). New Heights' mission is to provide efficient and comprehensive microfinance banking services to all customers in a friendly environment by deploying the power of information technology and using the most experienced and trained personnel. With only the Head Office Branch on commencement of banking operation on the 6th of August 2007, New Heights now has 10 customer meeting points spread across Lagos, with a customer base of over 20,000 - comprising of micro customers and small and medium scale customers.

New Heights has various products, amongst which are; Current Account, Regular Savings Account, Target Savings Account, Children Future Savings Account, Daily Contributions Savings Account, Artisan Savings Account, Motor Cycle/Tricycle Savings Account, Shares Savings Account, Call/Fixed Deposit Account etc. New Heights' Loan Product includes, but is not limited to, the following; Working Capital Loan, LPO Financing, Group Support, Chain Lending, Asset Purchase, Consumer Loan etc. New heights Microfinance Bank Limited is well known as a leader in the deployments of ICT in quality service delivery to its numerous customers.

ABOUT CLICKATELL

Clickatell enables businesses, governments and communities to leverage the ubiquity of mobile messaging to inform, alert, notify, transact, interact and share information. Delivering mobile messaging solutions since 2000, Clickatell is a global leader in mobile communications specializing in SaaS messaging services and Bulk SMS gateway connectivity to small, medium and large enterprises in a variety of vertical markets. Clickatell's multi-modal capability and worldwide coverage gives organizations

the power to deliver any message to any device anywhere in the world. Reaching more than 700 networks in more than 200 countries, Clickatell serves 8,300 customers including Visa, Nokia, Oracle, RSA, AVAYA, BBC, Continental Airlines, CNN, First National Bank, Metropolitan Life, Oracle, Shell, and other industry leaders. Clickatell products and services increase customer acquisition, improve loyalty and build trusted brands through direct, personal, easy, and immediate communications. A Sequoia-backed company, Clickatell is headquartered in Redwood City, CA, and has offices in South Africa. For more information, please visit: <http://www.clickatell.com/central/campaigns/redir.php?cid=58690>

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The MasterCard Foundation and BRAC Expand Microfinance Services in Uganda ; \$19.6 million program will benefit approximately 2 million people with innovative approach to microfinance

690 words

18 November 2008

08:00

Business Wire

English

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TORONTO - (BUSINESS WIRE) - The MasterCard Foundation and BRAC announced today a \$19.6 million program to expand financial services to the poor across Uganda, benefiting approximately 2 million people. This initiative will demonstrate for the first time the full potential of BRAC's holistic **microfinance** approach to reduce poverty and improve livelihoods in Africa. Insights generated from this program will enable BRAC to accelerate its long-term plan to adapt this approach for other African countries.

"The MasterCard Foundation is working with innovators like BRAC to expand the access and reach of **microfinance** services to the poor, supporting their entrepreneurship so they can improve their own lives and communities," said Reeta Roy, President and CEO of The MasterCard Foundation.

Based in Bangladesh, BRAC is the world's largest development organization and is one of the leading providers of microfinance services. BRAC's approach, which it calls "microfinance multiplied," increases the ability of poor clients to productively use their loans to augment their incomes and build their assets, as well as stimulate economic and social development within their communities.

"This initiative with The MasterCard Foundation will be our largest program in Africa," said Fazle Abed, Founder and Chairperson of BRAC. "What we learn in Uganda, including how to provide savings to poor women and their communities, will help us rapidly scale up our operations to provide services to millions of people throughout Africa."

Working with the MasterCard Foundation, BRAC is poised to become one of Uganda's most effective institutions serving significant numbers of rural households. BRAC recognizes the need of poor people to

have a secure place to save their money and the role of savings in sustainable microfinance. As part of this program, BRAC will explore the feasibility of becoming a regulated deposit-taking institution in Uganda, a role it has not yet played in Africa.

The government of Uganda has made expanding financial services to the rural poor one of its top priorities. More than 37 percent of Uganda's population live on less than a dollar a day and 62 percent do not have access to financial services.

Women and girls are among the most negatively affected by poverty, and they play an important role as change agents in their families and communities. In Uganda, the program will provide economically active women with loans, training and technical support to enable them to improve their livelihoods. Additionally, the program will expand vocational and life-skills education for adolescent girls.

ABOUT THE MASTERCARD FOUNDATION

The MasterCard Foundation is an independent, private foundation based in Toronto, Canada. It was established through the generosity of MasterCard Worldwide customer financial institutions at the time of the company's initial public offering in 2006. The Foundation has more than \$1 billion in assets. Its vision is to make the economy work for everybody by advancing effective and innovative programs in the areas of microfinance and youth education. For more information, go to www.themastercardfoundation.org.

ABOUT BRAC

BRAC, the largest non-profit in the developing world employing 120,000 staff, was launched in Bangladesh in 1972 and today reaches more than 110 million people with its holistic approach to addressing poverty by providing micro-loans, self-employment opportunities, health services, education and legal and human rights education. BRAC's vision is to improve the health, wealth and well being of millions of the poorest families primarily in Asia and Africa. BRAC has provided \$5 billion in micro-loans to nearly seven million borrowers, mostly women, and created 8.5 million self-employment opportunities. BRAC's 73,000 community health promoters have provided basic health services to more than 93 million people. To learn more about BRAC, please visit www.bracusa.org.

Document BWR0000020081118e4bi004ng

Finance

Credit crisis crimps microfinance in Asia

By Rina Chandran

Reuters

872 words

18 November 2008

International Herald Tribune

3

15

English

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MUMBAI -- A global credit crisis that has felled large investment banks and prompted multibillion-dollar bailout packages is also hurting unlikely victims half a world away: small South Asian businesses that depend on **microfinance**.

Microfinance has helped poor women and farmers in Bangladesh and India set up businesses and grow crops since the 1970s.

But as credit tightens and largess from companies and socially minded investors dries up, microfinance activity will slow and will have an effect on poor people who have no other access to finance.

"A liquidity crisis is the very worst-case scenario for microfinance institutions," said Roy Jacobowitz, managing director of development and communications at ACCION International in Boston, which backs microfinance institutions. "The demise of microfinance will be devastating. It will leave people that depend on it in a very, very bad situation. They could go from a level of success back to poverty."

South Asia accounts for the most microfinance borrowers, making up more than half of global demand, according to Sa-Dhan, an association of community development finance institutions.

While ACCION has not seen a "catastrophic impact" on microfinance institutions there yet, Kashf Foundation, one such institution in Pakistan, is now seeking international lines of credit, Jacobowitz said.

In India and Bangladesh, microfinance has given hope to hundreds of thousands, especially women. But these may now be under threat because of tighter credit.

"There's less money out there, so there's less money for MFIs," said Siddhartha Chowdri, a manager for ACCION in India, referring to microfinance institutions.

"For MFIs, the cost of their funds has gone up, and at the same time, they're under pressure not to raise lending rates to their borrowers. At some point that becomes unsustainable."

Microfinance shot into the spotlight in 2006 when the Nobel Peace Prize went to Muhammad Yunus of Bangladesh and his Grameen Bank, which pioneered the process of offering small loans without requiring collateral.

But today in Bangladesh, one of the poorest nations in the world, microfinance borrowers and workers are a worried lot.

Kulsum Bibi, a 45-year-old mother of three, set up a nursery with a loan of 3,000 taka, or \$44, from Bangladesh Rural Advancement Committee, or BRAC, after her husband left her and their children.

"I felt as if I was sinking in a deep sea," said Kulsum, who also enrolled in a BRAC school for adults. She can now read and write and maintain the accounts of her small but profitable business selling plants and saplings, which employs 10 people.

BRAC is one of the largest providers of financial services to the poor in Bangladesh, having disbursed more than \$5 billion to nearly seven million people since 1972, mostly women.

"If commercial banks are affected, then the expansion of the microfinance program will be affected," said Mahabub Hossain, an executive director at BRAC, adding that its donor-dependent efforts in education, health care and family planning were at risk.

Hosne Ara, a health worker in Bangladesh who focuses on family planning and tuberculosis projects, said: "I am deeply worried. I have been working on this program for many years now, and if it stops, my family will be deprived of a regular income."

In neighboring India, microfinance programs were serving 10.5 million clients at the end of 2007, according to Sa-Dhan. The market is expected to expand to 50 million clients by 2012, with the outstanding loan portfolio rising to \$6 billion from about \$769 million now.

Indian banks have focused on the programs as part of the government's "priority lending" program, which

requires 40 percent of all loans to be made to smaller businesses and entrepreneurs.

About 500 commercial, regional and cooperative banks are indirectly involved in microfinance, including State Bank of India, ICICI Bank and Yes Bank.

Global heavyweights including Standard Chartered Bank and HSBC are also active in this area of finance.

But with banks turning cautious, the microfinance programs may suffer, particularly smaller outfits that cannot afford higher interest rates or have access to private equity or venture capital.

"Now that banks themselves are facing the heat, they might either resist lending to MFIs or increase interest rates on loans further," said Prathima Rajan, an analyst at the research firm Celent.

"On the flip side, MFIs might resist borrowing," she said, adding that this would hurt their chances for growth and success.

When they see the programs cutting back, borrowers may also be unwilling to repay loans, which is critical to maintaining liquidity and giving fresh loans, Jacobowitz said.

"That will lead to belt-tightening, and for poor people it means tightening a belt that is already tight," he said.

If banks could overcome their doubts, however, then the case for lending to microfinance candidates for small, high-margin loans with low defaults is stronger than ever, said Somak Ghosh, group president of corporate finance and development banking at Yes Bank.

"This is actually a good time for banks to raise lending to MFIs, as their business model is a lower risk than large loans for a few big corporates, which are anyway seeing a slowdown," he said.

Document INHT000020081117e4bi0004m

Financial Express: Column : Small is beautiful and efficient.

818 words

18 November 2008

Financial Express

English

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While the global economic crisis has made the notion of decoupling seem absurd, there is one sector that is largely decoupled-namely, **microfinance** and the rural poor clients it serves. Those of us in the **microfinance** sector have known this all along, but hopefully the global economic crisis will make the mainstream financial world see this as well. At first glance, the idea that **microfinance** is decoupled from the financial crisis may seem rather strange. But if you think about it, **microfinance** clients are less integrated into the formal economy. They don't use or depend on imports; they rely instead on domestic goods and services. And even there, consumer spending is a low percentage of their overall expenditure. They are also not affected by currency fluctuations. On the other hand, the clients of conventional retail banks are exactly the opposite-thoroughly integrated into the global economy.

The other reason microfinance is decoupled is because micro-loans are primarily for income-generating activities. Loans also usually have a shorter maturity and the staff have much closer ties to borrowers, often meeting with them weekly. This enables practitioners to reduce borrower-specific risk as they can carefully monitor the repayment of micro-loans and adjust lending practices if necessary. In addition, poor clients have tremendous resilience. Over the years, they have proven that they have the capacity to adapt to shifting economic currents; this is part of the survival skills that have enabled them to cope with drought, crop failure, other calamities and the general seasonal swings in their annual income over the years. The clients of mainstream banks have little ability to adapt in the manner in which poor clients have been able to do so. Moreover, studies have shown that the return on enterprises for microfinance clients are very high, averaging around 50% even after the cost of capital. Thus, even if there is some negative impact from the financial crisis, the poor have high enough margins to weather this. The reason that returns to the enterprises of the poor are so high is that rural markets are incredibly inefficient, so micro-enterprises can add significant value with little effort. In addition, most micro-enterprises are driven by family labour, which is typically more productive than external labour. Combine this with minimal capital expenditures-a village kirana store for example is a home front store-and no taxes or legal costs because of being in the informal sector and you get very high margins for micro-enterprises. The result is that, despite the collapse of the mainstream financial world, microfinance continues to thrive. At SKS, for

example, in the month of October, we disbursed Rs 512 crore in loans to our existing 30 lakh clients and added 4 lakh new clients-that's close to 10 clients a minute! And we continue to see huge demand across the country. Meanwhile, our repayment rates remain 99%. We see this vibrancy in microfinance not only in India today, but also saw this during the recession of the late 1990s that hit Southeast Asia and Latin America. Despite the turmoil, MFIs held a steady loan portfolio and some even increased their profits. Finally, microfinance companies are typically privately-held companies that usually have long-term owners that are less driven by market forces. Also, priority sector policies ensure that, despite credit tightening, the government has a strategic interest in ensuring that the rural poor get funding. In addition, average debt-to-equity ratios in microfinance are in the 3-6 range as opposed to much higher leverage ratios in commercial banks. This makes the microfinance sector much stronger than the mainstream commercial financial services world. What is most significant is that investors are starting to realise that even in these tough times, microfinance is a quality investment. Consider the statement of the chief investment officer of TIAA-CREF, one of the largest pension funds in the world. In making a \$43 million investment in the MFI, ProCredit in 2006, he said, "this investment in ProCredit, gives us an opportunity to seek competitive returns through socially responsible investments that we believe have a low correlation to traditional equity and fixed income markets." The idea that microfinance is negatively correlated or decoupled from the financial world is also taking hold in India. This month, SKS received \$75 million of private equity, the largest equity investment in microfinance in the world. And this closed just a few weeks after Lehman Brothers collapsed. Even Bill Clinton commented on the phenomenon, saying investors should "consider the poor of developing nations as viable investment alternatives to today's turbulent markets." If investors heed these words, the flow of capital to microfinance and the poor that benefit from it would truly be the silver lining of the economic crisis. -The author is founder & CEO of SKS Microfinance

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Paradigm Shift; Microfinance Meets Church

480 words

18 November 2008

Life Science Weekly

532

English

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2008 NOV 17 - (NewsRx.com) -- Paradigm Shift, a Colorado non-profit, is training South African churches to fight poverty in their communities by utilizing the highly successful tool of **microfinance**.

Forty-two percent of South Africa's children live in homes where both parents are unemployed, making entrepreneurship the only hope of survival for millions. Nobel Peace Prize winner Muhammad Yunus has often said, "Humans are not born to suffer the misery of hunger and poverty; they suffer now as they did in the past because we turn our heads away from this issue."

Middle-class South African churches agree, and they are beginning to realize that handouts do not eradicate poverty. Now, instead of giving out free food and clothes, churches are being empowered by Paradigm Shift to lead practical courses on business skills, offer microloans and provide mentoring - - all to train the poor to grow their businesses and provide for their own families.

Paradigm Shift's country partner is the Association of Christian Schools International (ACSI). ACSI's South African Christian schools will serve as bases for their affiliated churches to reach out to the poor in their communities. ACSI's business-focused high school students assist in training the poor, giving the students a front-row seat for learning how to effectively change poverty. As South Africa's future policymakers and business leaders, the student component is a very intentional inclusion in the program.

"Our desire is for people's lives to be touched practically as well as spiritually. We have seen a need to empower people by providing basic skills to start their own businesses and become productive," says Grant Walton, pastor of New Creation Church near Johannesburg, the first of many South African churches to be trained by Paradigm Shift.

Paradigm Shift was founded by Jedd and Janelle Schroy, who recognized a serious need for churches to change the ways they interact with the poor. After the founders personally visited and thoroughly researched microfinance and development projects in ten countries around the world, Paradigm Shift's

program was designed by coupling proven best practices with innovative ideas.

The program has caught on. Individuals who decided to change their careers to serve full-time in South Africa with Paradigm Shift include a Wall Street broker, a former White House staffer, a Los Angeles social worker, a member of Vanderbilt University's Board of Trustees, and others from a wide range of professions.

The entire staff also happens to be under 31 years old, reflecting the growing trend for young professionals to seriously engage with tough social issues early in their careers in order to bring about change.

For additional information please visit Paradigm Shift's website, <http://www.shiftingparadigms.org/>.

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MENTOR

Accounting for MFIs

146 words

17 November 2008

Business Line (The Hindu)

07

English

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Microfinance institutions normally incur three types of costs while delivering financial services, viz. operating costs, risk costs, and cost of funds. Thus informs Technical Guide on Accounting for **Microfinance** Institutions (www.icaai.org).

Operating costs are incurred by the MFIs (**microfinance** institutions) in delivering credit to the clients, including visits to the clients, completing paperwork, disbursing loans and collecting repayments, the publication explains. These costs include ‘the cost of minimising risk through monitoring and follow-up of disbursed loans, exercising internal control and undertaking external audit of the MFIs.’

Risk costs, which are the provisioning expenses to meet possible losses, represent non-cash operating expenses, and are the cost of portfolio losses. And the third type, the cost of funds, is the cost incurred in borrowing or raising funds for on-lending to microfinance clients.

Instructive material.

D. MURALI

BookPeek.blogspot.com

Document BSNLNE0020081116e4bh0001y

Guardian Newsprint Supplement

Inspire and innovate: Developing world: Microfinance: how to grow a business from grassroots and grit: Microfinance is not a new idea, but its model, based on small loans made to groups based on trust, is lifting people out of poverty

Bhavna Mistry

789 words

17 November 2008

The Guardian

7

English

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To an entrepreneur, lending without collateral is banking anathema, even in times of rude economic health. But last year nearly pounds 287m was loaned in the UK on pretty much this basis, based on the innovative notion of trust-based banking.

It's not a new idea. **Microfinance** - lending small amounts to entrepreneurs too poor to qualify for traditional loans - has been traced back in one form or another as far back as feudal times. What is ground-breaking about its most recent incarnation is a fundamental understanding that people on low incomes are bankable: or, in the words of Dr Muhammad Yunus, that "poor people can, and do, repay loans".

Yunus is largely credited with making microfinance a socially responsible and viable business model, winning a Nobel peace prize in the process. He set up the Grameen Bank in Bangladesh, and since its foundation in 1982, it has issued \$6.38bn to 7.4 million borrowers. Yunus says the sustained success of Grameen lies in the fact that "we have made the system easy for borrowers to access, with a no-hassle, no-documents, no-credit-check policy. There is nothing threatening about the Grameen methodology."

Specifically, the Grameen bank uses a system of "solidarity groups - small, informal collections of people who apply together for loans. Each member acts as a co-guarantor of repayment, and supports one another's efforts at economic self-advancement," explains Yunus. A bank representative who visits businesses on site on a weekly basis generally collects repayments. The Grameen board is made up of

elected representatives from borrowers, giving everyone a stake, and savings are also encouraged. Clearly, the system works: according to Yunus, Grameen boasts a 98.3% repayment rate.

So what can the west learn?

While Yunus believes the model can be successfully transferred globally, some observers say cultural differences make a wholesale import of the idea impractical.

"Developed countries have fewer people who don't have access to traditional banking, and with small loans, scale plays a big part in sustainability," says Whitney Thomas, investment manager at Triodos Bank. "Also, while group loans have been tried in the west, they're not the right cultural fit because people here are more individualistic."

In the UK, this has seen microfinance evolve into a fragmented sector. "UK community development finance institutions (CDFIs) adopt a range of different operating structures, products and target groups compared with most microfinance institutions," says Thomas.

"Agencies may focus on different market niches, such as small loans to previously unemployed female entrepreneurs, cultural or creative industry enterprises, business start-ups in deprived areas, or socially driven organisations. While some specialise in microfinance loans, the sector as a whole consists of a range of product offerings to address financial exclusion, and to channel finance to deprived communities."

There are 70 CDFIs in the UK, according to the Community Development Finance Association, which in 2007 helped 15,000 small businesses, generating 33,000 jobs.

One such organisation is Fair Finance, in London's East End. Founder Faisal Rahman says the agency, along with most other CDFIs, borrows from the Grameen model in the sense that it has a relationship banking policy that includes everything from straightforward micro-loans, to finance that comes complete with business advice support on everything from paying the loan back to helping set up traditional bank accounts for entrepreneurs. Rahman says although 70% of Fair Finance's loans are to people who have never run a business before, default rates are low at less than 5%.

Given that at the last count, some two million adults in the UK didn't have bank accounts, while eight million couldn't borrow at high street bank rates, microfinance clearly has a relevance here, says Barclays Bank's head of financial inclusion Peter Kelly. Barclays, as well as RBS/Natwest and Citibank, have bought into the evolved version of Yunus' original concept with support at various levels.

This is perhaps where the real innovation of Yunus' Grameen model lies: in proving to the mainstream finance industry that microcredit can be a source of potential growth, and thereby enabling entrepreneurship from the grass roots. As Yunus concludes: "We have to get out of this mindset that the rich will do the business and the poor will [make do with] charity."

Weblinks:

Grameen: grameenfoundation.org

Barclays: barclays.co.uk/financialinclusion

Fair Finance: fairfinance.org.uk

Community Development Finance Association: cdfa.org.uk

Natwest: natwest.com/community

Document GRDN000020081117e4bh00010

Guardian Newsprint Supplement

Microfinance: how to grow a business from grassroots and grit: Microfinance is not a new idea, but its model, based on small loans made to groups based on trust, is lifting people out of poverty

Bhavna Mistry

759 words

17 November 2008

The Guardian

7

English

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To an entrepreneur, lending without collateral is banking anathema, even in times of rude economic health. But last year nearly pounds 287m was loaned in the UK on pretty much this basis, based on the innovative notion of trust-based banking.

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Document GRDN000020081116e4bh00017

HEADLINES

Nearly 900,000 jobs created through microfinance

Paolo Romero

224 words

17 November 2008

The Philippine Star

English

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Nearly 900,000 jobs were created in the first nine months of the year due to intensified efforts of government to support small businesses in the country, Malacañang said yesterday.

Presidential Management Staff chief Secretary Cerge Remonde said efforts to provide financial support to micro-enterprises, or micro-finance for short, presently cover all 82 provinces of the country as well as all its 131 cities.

Citing a report by People's Credit and Finance Corp. (PCFC) president Edgardo Generoso before the Inter-Agency Coordinating Council for Micro, Small and Medium Enterprises last week at the Palace, Remonde said only 43 towns in the country remain to be reached by the government's micro-finance programs.

"A total of 859,569 jobs were created from these micro-finance efforts over the nine-month period beginning January 2008, surpassing last year's accomplishment over the same period by 289,449 jobs," he said.

"The amount of loans extended, meanwhile, more than doubled from January to September 2008 as compared to last year, from P25.945 billion in 2007 to P53.634 billion this year," he added.

Remonde said the Land Bank of the Philippines (LBP) should "be commended for leading government instrumentalities in the micro-finance component of the Arroyo administration's job generation effort."

Document PHSTAR0020081116e4bh0001g

News

SKS Microfinance Raises US\$75 Million

137 words

14 November 2008

Asia Private Equity Review News Flash

English

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SKS **Microfinance** Pvt. Ltd. announced that it has secured US\$75 million from investors in its fourth round of equity funding. The investment, led by the Sandstone Capital, is the largest transaction to-date in **microfinance** globally. The Boston-based hedge fund was joined by two of SKS **Microfinance**'s existing investors, Kismet Capital and SVB Capital Partners, in this transaction. Since March 2006 and inclusive of this latest round, SKS **Microfinance** has received approximately US\$126.5 million from investors. Its earlier investors include Khosla Ventures, Elevar Equity LLC, Sequoia Capital India and Small Industries Development Bank of India. SVB Capital Partners is the fund management firm for SVB India Capital Partners Fund and all other funds under SVB Capital, the private equity arm of Silicon Valley Bank.
(Investments)

Document APERNF0020081118e4be00007

POVERTY AND DEVELOPMENT EXPERT TO SPEAK ON MICROFINANCING

163 words

13 November 2008

States News Service

English

(c) 2008 States News Service

The following information was released by the University of Vermont:

Ananya Roy, associate dean of academic affairs in the Division of International and Area Studies and associate professor of urban studies and international development, will speak on "Poverty Capital: **Microfinance** and the Frontiers of Millennial Development" on Monday, Nov. 17, at 5 p.m. in the Sugar Maple Ballroom, Davis Center.

Roy, who also serves as the director of the Blum Center for Developing Economies, recently led an effort at Berkeley to create a new undergraduate minor, Global Poverty and Practice. According to Roy, microfinance the practice of making financial services available to low-income or poor clients — is one of the most popular ideas of the new millennium for eradicating poverty.

The lecture is sponsored by the Burack President's Distinguished Lecture Series and is hosted by the Department of Geography. A reception will immediately follow the talk.

11/14/08 17:30:03

Document SNS0000020081114e4bd001o7



Microfinance Looks Set to Emerge as a New Asset Class ; New Report from Arthur D. Little Reveals How Microfinance Institutions Are Surpassing Repayment Rates and Exhibiting Promising Risk and Return Ratios

721 words

13 November 2008

05:52

Business Wire

English

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LONDON - (BUSINESS WIRE) - No longer limited to third world countries, according to a new report released today by global management consultancy Arthur D. Little, **microfinance** is thriving as it finds untapped demand within the European market. Founded on microcredits, **microfinance** programs extend small loans to the world's most basic entrepreneurs – the stall holders and craft makers selling products in the downtown area of every major city in the developing world. The new report, “**Microfinance** on the Rise,” reveals how **microfinance** institutions (MFIs), having already lifted millions of poor microentrepreneurs out of poverty in developing markets, is now being more broadly offered in Western economies, reflecting rising demand from low income customers.

According to Arthur D. Little's latest report, conventional creditors are wary of lending to the poor as they are seen to lack collateral. The high administrative costs of offering a large number of small loans as opposed to larger loans to more secured borrowers has also kept traditional financial institutions out of microfinance in the past. However, the low income customer has been rapidly increasing its net income and is raising both its purchasing power and credit worthiness, often resulting in higher collection records for MFIs than the more conventional lending programs.

In this report Arthur D. Little explains how the microfinance approach to borrowing is moving from charitable initiatives undertaken in developing markets into a private market endeavour in developed European markets. The demand for microfinance in developed economies has been fuelled by the lower customer segment, which has been both understated and underrepresented in the past, and relies on low-cost, market-stall based economy.

“The global network of small enterprises we can observe today is a testament to the entrepreneurial capabilities of some of the world’s poorest citizens, and yet what many of these enterprises lack, is simply the access to reliable and affordable sources of credit” says Gerrit Seidel, the Global Head of Arthur D. Little’s Financial Services Practice. “As the low income customer segment continues to increase its net income faster than the average population, untapped demand for microlending will grow in both developed and developing markets, bringing it increasingly closer to the capital markets.”

For a large number of microfinance institutions, many of whom rely on subsidies from outside institutions or governments, there remains the issue of their businesses long term sustainability. Without being self-sufficient, these institutions are unlikely to ever provide microcredit to the millions who could benefit from it.

In response to this problem, Arthur D. Little’s report details the key characteristics of successful microfinance:

* Customers; success shown through a peer-lending model where each member of a group holds equal rights and responsibilities for each loan.

* Lending processes; well-managed projects that are both quick and simple.

* Organization; recruitment, training and staff retention are essential elements to a successful institution.

With global leaders such as Deutsche Bank and Credit Suisse having already launched a number of vehicles to fund to these initiatives, it is clear that despite relatively small current volumes, microfinance is on the threshold of emerging as a new asset class.

“Microfinance on the Rise” is now available for download at www.adl.com/microfinance

About Arthur D. Little

Arthur D. Little, founded in 1886, is a global leader in management consultancy, linking strategy, innovation and technology with deep industry knowledge. We offer our clients sustainable solutions to their most complex business problems. Arthur D. Little has a collaborative client engagement style, exceptional people and a firm-wide commitment to quality and integrity. The firm has over 30 offices worldwide. With its partner Altran Technologies, Arthur D. Little has access to a network of over 16,000 professionals. Arthur D. Little is proud to serve many of the Fortune 100 companies globally, in addition to many other leading firms and public sector organizations. For further information please visit

www.adl.com

Document BWR0000020081113e4bd003xp



Grameen America Distributes \$1 Million Worth of Micro-Loans to Underbanked Women Entrepreneurs in New York City

523 words

12 November 2008

Hugin Press Release

English

(c) 2008

NEW YORK, NY--(Marketwire - November 12, 2008) - Grameen America, a **microfinance** organization based on the Grameen lending model, announced today it has successfully disbursed more than \$1 million in micro-loans to low-income women, many of whom are immigrants, in Queens, New York.

To celebrate this milestone, Grameen America will hold a press conference in Jackson Heights, Queens, at 12 PM, November 15th, followed immediately by an open house presentation featuring staff, borrowers, and Muhammad Yunus, founder of the Grameen Bank and winner of the 2006 Nobel Peace Prize.

Grameen America is a microfinance organization with a mission to alleviate poverty through entrepreneurship. In January 2008, Grameen America launched its first branch office in the Jackson Heights neighborhood of Queens to provide micro-loans (currently averaging \$2,200 each) to the working poor, especially women, so they can lift themselves and their families out of poverty. The loans, meant for income-generating purposes, bear reasonable rates and enable borrowers to avoid predatory lending.

"When we started Grameen America in New York, people had no concept of what Grameen was," says Shah Newaz, Senior Vice President and General Manager of Grameen America. "Many were skeptical that the model, which proved successful with over 7.5 million people in Bangladesh, could be applied in the US," says Mr. Newaz, a 27-year veteran from the Grameen Bank. "The numbers we have achieved speak for themselves -- in the course of 10 months alone Grameen America has lent over \$1 million to 380 borrowers, maintaining a repayment rate of 99.6%."

Grameen America is built upon the success of the Grameen Bank in Bangladesh. Founded by Nobel Laureate Muhammad Yunus, Grameen Bank is the most widely recognized microfinance organization in

the world.

Aside from bringing affordable financial services to its clientele, Grameen America provides borrowers with a valuable social network of like-minded individuals committed to improving their economic standing through entrepreneurship.

"We look our clients in the eye every week with our group training and center meetings; that is the nature of our business," says Center Manager Ms. Alethia Mendez. "We are not only bankers to these women; we are social workers, friends and advisors."

With a loan portfolio of \$1 million and nearly a year of operating experience in the US, Grameen America now hopes to increase outreach, raise more capital and expand its services to other NYC boroughs in the coming year.

Grameen America is a microfinance organization with a mission to alleviate poverty through entrepreneurship by providing loans, savings programs, credit establishment and other services to the working poor, especially women, in the United States. It is built upon the success of the Nobel Peace Prize Laureates Grameen Bank of Bangladesh and Founder Professor Muhammad Yunus, who serves on Grameen America's Board of Directors.

For further information, contact:

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Document HUGNEN0020081112e4bc004mp

SKS Microfinance raises \$76.24 million in fourth round funding

155 words

11 November 2008

Financial Deals Tracker

English

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Deal In Brief

SKS **Microfinance**, an India-based **microfinance** institution that offers financial services, has secured INR3,660 million (\$76.24 million) in its fourth round of funding led by Sandstone Capital. Vinod Khosla, SVB India Capital Partners, and Kismet Capital also participated in the round.

Deal Value (US\$ Million)	76.24
Deal Type	Venture Finance
Sub-Category	Growth Capital/Expansion
Deal Status	Completed: 2008-11-10

Deal Participants

Target (Company) SKS Microfinance

Deal Rationale

SKS Microfinance would use the funds to leverage access to commercial finance and scale of our outreach in the next two years.

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Document FDTRA00020081112e4bb0009m

“Microfinance is an attractive asset class”

496 words

10 November 2008

Al-Bawaba News

English

(c) 2008 Al-Bawaba

Grameen-Jameel, a social business that serves the Arab **microfinance** industry, is co-hosting the region’s first Arab **Microfinance** Investment Symposium on the 30th of November 2008 in Dubai with Geneva-based **microfinance** investment manager BlueOrchard.

Scheduled to take place at the Emirates Towers Hotel, the Symposium will bring together investors and **microfinance** institutions (MFIs) from the region for the first time ever, hence demonstrating the growing importance of **microfinance** in the Arab World and its emergence as an attractive asset class. Across the world, the \$300 billion **microfinance** industry achieves average annual growth rates of 40% and investment returns of 25%.

Delivering a keynote speech entitled “Microfinance Market and Trends in the Arab World,” Heather Henryon, General Manager, Grameen-Jameel, said “Microfinance is known to be countercyclical to the macroeconomic environment. As governments across the Arab region begin to create microfinance-friendly regulatory environments, the window for investment is opening.”

The event is a platform for MFIs and investors to share ideas and explore opportunities in the Arab World and Pakistan. Keynote speakers and panellists include Fadi Ghandour, Founder and CEO of Aramex and Chairman of one of the leading MFIs in Jordan, National Microfinance Bank; Fadi Abdul Latif Jameel, Board Director of Grameen-Jameel; Jack Lowe, President of BlueOrchard Finance Inc.; Prashant Thakkar, Microfinance Business Head of Standard Chartered Bank; Royston Braganza, CEO of Grameen Capital India; and Deepak Khanna, Senior Program Manager of International Finance Corporation.

Ten microfinance institutions are being showcased as investment opportunities and are seeking \$500 million in debt and equity financing over the next three years. The MFI panel discussion will feature Ziad Al Refai, CEO of Tamweelcom in Jordan; Hassan Faried, Executive Director of DBACD in Egypt; Essma Ben Hamida, Executive Director of enda inter-arabe in Tunisia; and Roshaneh Zafar, President of Kashf Foundation in Pakistan. The goal is to demonstrate how microfinance is not just a safe investment vehicle that could be part of a diversified portfolio but also an asset class that is socially responsible.

“Times are tough for almost everyone right now and in the near future. Solidarity with those living in poverty will require a strong commitment and much courage,” said Jean-Pierre Klumpp, CEO of BlueOrchard Finance S.A. “There are still huge possibilities in the Arab world to support microentrepreneurship as only an estimated 10% of the needs for financial services for the poor are presently met.”

Grameen-Jameel, a for-profit limited company jointly owned by Grameen Foundation and Abdul Latif Jameel Group, was established to facilitate the work of Arab microfinance institutions that give direct loans to uncollateralized microentrepreneurs as a way to lift them out of poverty while creating self-sustaining businesses. These entrepreneurs create jobs in their poor communities, build wealth, exit poverty and improve their standard of living and that of people around them. “It is doing good while doing well,” added Henryon. © 2008 Al Bawaba (www.albawaba.com)

Document ALBAWA0020081110e4ba0005m



'Microfinance Not Yet in Nigeria'

by Babajide Komolafe

482 words

10 November 2008

07:08

All Africa

English

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Nov 10, 2008 (Vanguard/All Africa Global Media via COMTEX) -- Despite the over 1000 **microfinance** banks scattered around the country, **microfinance** is yet to be in Nigeria.

Managing Director/chief executive, Hazounwao Assets Management Company, Mr. Wale Akinwande made this observation while fielding questions from journalists at the commissioning of the company's office in Lagos.

Disclosing that Hazonwao has been granted a microfinance bank license by the Central Bank of Nigeria, he remarked that he noted that the aim of the company in the microfinance bank segment is to touch peoples' lives by training them, giving them information they needed for wealth creation and provide financial assistance to help them set up their own businesses.

He stated that microfinance is yet to reach Nigeria adding that for example there is no microfinance bank in my village and microfinance is yet to touch ordinary people in the country. Hazonwao he restated will make a difference in this regard and that is why its pay off is "Help is Here". He disclosed that though the proposed microfinance bank was registered with N20 million capital base, he said that this has increased to about N500 million and it would soon be raised to N1 billion.

Responding to the complaints about the posh office set up by microfinance banks, he stated that the truth is that the way people perceive things in Nigeria is different from that of places like Bangladesh where microfinance began. He noted that over there, microfinance banks operate with a table and bench from where they attend to their customers.

If you try that here in Nigeria, nobody will patronise you. He added that to do microfinance bank in Nigeria successfully, there is need to reorientate the people who are the target market audience about savings and investment adding that this is the first step in the relationship between Hazonwao and its clients. We partner with them to train and discuss with them on how to handle the money we are giving them.

Explaining the structure of the Hazonwao group, Akinwande stated that the parent company is Hazonwao Asset Management Company and it is duly registered with the Securities and Exchange Commission. The group he said has a Bureau De Change, a Property company and a hospitality company as well as the microfinance bank.

Hazonwao, he disclosed commenced business less than two years ago with the vision for wealth creation adding that this is reflected in the name of the company which is a combination of two words. The first a Hebrew word 'Hazon' meaning vision, and the second WAO meaning Wealth Actualisation Offer, which the flagship product of the company. The specialisation of the company is personal finance and wealth creation and its intention is to bring wealth creation which has been hyped up there to the level of the ordinary Nigerian.

Document AFNWS00020081110e4ba000mo



CITY-PUNE

Banking experts give nod to microfinance

Prachi Rege

315 words

10 November 2008

DNA - Daily News & Analysis

English

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The Indian Institute of Foreign Trade (IIFT) organised a seminar to help students understand the Indian finance sector.

In the backdrop of the global meltdown, the institute roped in professionals from the field of banking and finance to address students at the National Finance Symposium. "By organising the symposium, we wanted students to get an industry perspective on how Indian banks function," said KT Chacko, IIFT director.

Experts tried to explain the rationale for the global financial crisis. "The world is in financial turmoil. The rapid expansion of credit is the primary reason behind this," said Meera Sanyal, country executive, ABN AMRO Bank, India.

Sanyal spoke on the topic, Indian Banking sector-The Road Ahead, a perspective of international banks of their Indian counterparts. "An American consumer has low personal savings as compared to an Indian and that's where the problem lies. With young Indians having good income, they are able to repay loans on time, which has saved our banks from liquidation," said Sanyal. She also stressed on the need to include more people into the banking system. "Over 130 million households in the country need to reap the benefits of the modern banking facilities," Sanyal added.

Vinod Rai, comptroller and auditor general of India, who was the chief guest of the symposium, spoke on the benefits of microfinance. "The global meltdown is a crisis of ignoring the foundation. It is the greed at the top which has exhausted us. Banking at the bottom of the pyramid is essential. It's there that the real challenge lies. The poor will come out of poverty if given a chance. Banks should have a multi-pronged

approach to target the underprivileged sections of the society," said Rai. Rai lauded the successful work done by NGOs and financial institutes providing microfinance credit to the poorer sections.



Document DNADAI0020081110e4ba0001u

Gulf News: First Arab Microfinance Investment Symposium in Dubai.

285 words

8 November 2008

Gulf News

English

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Dubai: The Arab world is beginning to embrace **microfinance** - a \$300 billion global industry that achieves average annual growth rates of 40 per cent and investment returns of 25 per cent.

Grameen-Jameel - new **microfinance** entity born out of an alliance between the Bangladesh-based Grameen Foundation and Saudi Arabia's Bab Rizq Jameel Limited, a subsidiary of Abdul Latif Jameel Group - has facilitated local currency financing of \$44 million backed by \$20 million in guarantees to its partners.

Grameen-Jameel has reached more than 200,000 new microfinance clients through its partners in Morocco, Tunisia, Lebanon, Jordan, Egypt, Yemen, and Saudi Arabia.

It is co-hosting the region's first Arab Microfinance Investment Symposium on the November 30 in Dubai with Geneva-based microfinance fund manager BlueOrchard.

Scheduled to take place at the Emirates Towers Hotel, the Symposium will bring together investors and microfinance institutions (MFIs) from the region for the first time ever, hence demonstrating the growing importance of microfinance in the Arab World and its emergence as an attractive asset class.

Heather Henyon, General Manager, Grameen-Jameel, said "Microfinance is known to be countercyclical to the macroeconomic environment. As governments across the Arab region begin to create microfinance-friendly regulatory environments, the window for investment is opening."

Keynote speakers include Fadi Ghandour, Founder and CEO of Aramex and Chairman of one of the leading MFIs in Jordan, National Microfinance Bank; Fadi Abdul Latif Jameel, Board Director of Grameen-Jameel; Jack Lowe, President of BlueOrchard Finance Inc.; Prashant Thakkar, Microfinance Business Head of Standard Chartered Bank; Royston Braganza, CEO of Grameen Capital India; and Deepak Khanna, Senior Programme Manager of International Finance Corporation.

WGNS67911219

Document MEWGUN0020081108e4b80001i

Gulf News: Microfinance programmes reaching out to Muslim women.

391 words

4 November 2008

Gulf News

English

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Dubai: The International Finance Corporation (IFC), a member of World Bank Group, has dispersed almost \$600 million (Dh2.2 billion) in the greater Middle East region, while working with 11 **microfinance** institutions (MFIs).

IFC has invested \$72 million in the institutions based in countries in the region that have low access to finance, especially Morocco, Pakistan and Afghanistan, according to Momina Aijazuddin, programme manager of **Microfinance**.

The institutions have provided microfinance to 1.25 million clients.

"Most people have not had access to financing before. In the case of Muslim countries, almost 60 per cent of the clients are women," Aijazuddin said.

While there is a great need for financing, an estimated 72 per cent of people living in Muslim-majority countries do not use formal financial services, according to Michael Tarazi, senior regulatory specialist at the Consultative Group to Assist the Poor (CGAP), a microfinance researcher, housed at World Bank.

CGAP conducted a survey on Islamic microfinance, gathering information from over 125 institutions and experts from 19 Muslim countries.

Surveys in Jordan, Algeria and Syria reveal that 20 to 40 per cent of respondents cite religious reasons for not accessing conventional microloans, according to a report called Islamic Microfinance: An Emerging Market Niche.

While Islamic microfinance has the potential to overcome the barriers that keeps Muslims from approaching financing, it has an estimated global reach of 380,000 customers and accounts for only an estimated half of one per cent of total microfinance outreach.

Sharia-compliant

In the past 30 years, the Islamic finance industry has developed to over 500 Sharia-compliant institutions, reaching out to 75 countries.

Today, the industry's total assets are estimated at \$500.5 billion, reports say. Of the total, 36 per cent is located in the Gulf Cooperation Council (GCC) countries, 35 per cent in non-GCC Southwest Asia and North Africa and 23 per cent in Asia (primarily in Malaysia, Brunei and Pakistan).

Edward Greenwood, country director of Finca Jordan, an institute that provides microfinance said that surveys in Jordan, showed that 32 per cent of the people preferred Islamic microfinance.

However, Islamic MFIs have not been successful in the area. He says this is due to two reasons: the preceding success of conventional microfinance and the more expensive cost of Islamic microfinance.

WGNS67816573

Document MEWGUN0020081104e4b40001g

MicroCredit Enterprises; MicroCredit Enterprises' CEO Receives 2008 Innovation Award

251 words

4 November 2008

Science Letter

4445

English

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2008 NOV 4 - (NewsRx.com) -- MicroCredit Enterprises, a private sector, anti-poverty program, announces that founder and CEO Jonathan Lewis will accept a 2008 Innovation Award from Social Venture Network today. Lewis is receiving this honor for developing MicroCredit Enterprises' unique guarantee-based business model which funds **microfinance** institutions (MFI) that provide small business loans to impoverished entrepreneurs in developing countries who live on \$1 per day or less.

"I am thrilled to receive this award from Social Venture Network," said Jonathan Lewis, CEO of MicroCredit Enterprises. "I am happy to know that MicroCredit Enterprises has the support of a leading network of socially responsible individuals and organizations so we can work together to build a sustainable economic future."

To date, MicroCredit Enterprises has financed 95,000 micro-entrepreneurs in 15 countries on four continents by leveraging the good credit ratings of Guarantors, those individuals able to guarantee a \$1 million loan, eliminating dependency on traditional aid and charity. Under MicroCredit Enterprises' guarantee model, not one penny leaves a Guarantor's bank account unless an overseas MFI defaults on a loan, which has not happened since the inception of MicroCredit Enterprises in 2005.

What Does A \$1 Million Guarantee Mean?

-- Support for up to 5,000 microcredit business loans

-- Food for 25,000 impoverished people

What Are MicroCredit Enterprises' Successes to Date?

This article was prepared by Science Letter editors from staff and other reports. Copyright 2008, Science Letter via NewsRx.com.

Document SCLT000020081031e4b4004ga

IFC HELPS FIND WAYS TO PROMOTE SHARIA-COMPLIANT MICROFINANCE LENDING

402 words

3 November 2008

States News Service

English

(c) 2008 States News Service

The following information was released by the International Finance Corporation:

IFC, a member of the World Bank Group, is helping governments and financial institutions find new ways to serve the poor in the Middle East and North Africa by hosting a workshop on how Islamic finance could be used to support **microfinance** entrepreneurs.

The workshop in Dubai, which is being hosted today by IFC and the Consultative Group to Assist the Poor, brings together microfinance experts, government officials, and Islamic finance specialists who will discuss ways to address the challenges surrounding implementation of Sharia-compliant microfinance initiatives.

Many people in Islamic countries do not use conventional banking services for religious and cultural reasons. Making Islamic finance products more easily available in these countries could help people at the bottom of the economic pyramid and promote economic growth.

“Building partnerships between the Islamic finance and microfinance industries can better serve the poor, which is critical in the battle against poverty in the Middle East,” said Momina Aijazuddin, IFC Program Manager.

Islamic microfinance has an estimated global reach of only 380,000 customers and accounts for only about half of one percent of total microfinance outreach, according to a 2007 global survey by CGAP, which collected information on more than 125 institutions and contacted experts from 19 Islamic countries. The supply of Islamic microfinance is concentrated in a few countries—mainly Indonesia, Bangladesh, and Afghanistan.

Microfinance has proved to be a critical tool in the fight against poverty and is now entering the financial mainstream. Yet it still reaches less than 20 percent of the potential market among the world's poorest people. IFC is the largest international investor in terms of outreach to microfinance institutions, operating

in more than 60 countries. IFC's total committed investment portfolio in microfinance is \$848 million, with \$315 million invested in the financial year ending June 30, 2008.

About IFC

IFC, a member of the World Bank Group, creates opportunity for people to escape poverty and improve their lives. We foster sustainable economic growth in developing countries by supporting private sector development, mobilizing private capital, and providing advisory and risk mitigation services to businesses and governments. Our new investments totaled \$16.2 billion in fiscal 2008, a 34 percent increase over the previous year. For more information, visit www.ifc.org.

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Document SNS0000020081106e4b3000mq

Microfinance Surging

Gary Gardner

98 words

1 November 2008

World Watch

30

Volume 21; Issue 6; ISSN: 08960615

English

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Commercial institutions such as investment banks and private equity firms are investing in **microfinance** in expectation of high returns, but a fierce debate rages over the results. There are concerns, for instance, that such investment may pressure MFIs to act more like commercial firms, for example by distributing profits to shareholders rather than reinvesting them in **microfinance** activities, or by charging the highest possible interest rate-83 percent, in the case of one Mexican MFI-to create the greatest financial return, even if it dilutes the social return.

Copyright Worldwatch Institute Nov/Dec 2008

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Microfinancing in Bangladesh: Impact on households, consumption and welfare

Rubana Mahjabeen

85 words

1 November 2008

Journal of Policy Modeling

1083

Volume 30; Issue 6; ISSN: 01618938

English

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This paper examines the welfare and distributional implications of **microfinance** institutions (MFIs) in Bangladesh in a general equilibrium framework. The major findings are that MFIs raise income and consumption levels of households, reduce income inequality and enhance welfare. This implies that **microfinance** is an effective development strategy and has important policy implications regarding poverty reduction, income distribution and achievement of millennium development goals (MDGs).

[PUBLICATION ABSTRACT]

Copyright Elsevier Sequoia S.A. Nov/Dec 2008

Document JMO0000020081104e4b10000c

Can social capital be intentionally generated? A randomized trial from rural South Africa

Paul M Pronyk; Trudy Joanna Harpham Busza; Godfrey Phetla; Linda A Morison; James R Hargreaves; Julia C Kim; Charlotte H Watts; John D Porter

295 words

1 November 2008

Social Science & Medicine

1559

Volume 67; Issue 10; ISSN: 02779536

English

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While much descriptive research has documented positive associations between social capital and a range of economic, social and health outcomes, there have been few intervention studies to assess whether social capital can be intentionally generated. We conducted an intervention in rural South Africa that combined group-based **microfinance** with participatory gender and HIV training in an attempt to catalyze changes in solidarity, reciprocity and social group membership as a means to reduce women's vulnerability to intimate partner violence and HIV. A cluster randomized trial was used to assess intervention effects among eight study villages. In this paper, we examined effects on structural and cognitive social capital among 845 participants and age and wealth matched women from households in comparison villages. This was supported by a diverse portfolio of qualitative research.

After two years, adjusted effect estimates indicated higher levels of structural and cognitive social capital in the intervention group than the comparison group, although confidence intervals were wide. Qualitative research illustrated the ways in which economic and social gains enhanced participation in social groups, and the positive and negative dynamics that emerged within the program. There were numerous instances where individuals and village loan centres worked to address community concerns, both working through existing social networks, and through the establishment of new partnerships with local leadership structures, police, the health sector and NGOs. This is among the first experimental trials suggesting that social capital can be exogenously strengthened. The implications for community interventions in public health are further explored. [PUBLICATION ABSTRACT]

Copyright Pergamon Press Inc. Nov 2008

Document ISMD000020081104e4b100001

MicroPlace; MicroPlace Launches Exclusive Women's Investment to Commemorate World Poverty Day and Give Women Worldwide the Chance for a Better Life

432 words

1 November 2008

Obesity, Fitness & Wellness Week

3115

English

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2008 NOV 1 - (NewsRx.com) -- MicroPlace.com, an online brokerage specializing in socially responsible investments that address poverty, announced a new female-focused **microfinance** investment opportunity. The Women's Empowerment investment, directing loans largely towards female borrowers, was launched to mark the International Day for the Eradication of Poverty, on October 17, a United Nations' sanctioned day committed to presenting and promoting activities centered on the eradication of poverty and destitution. Over 1.2 billion of the world's working poor subsist on less than \$1 a day, and 60 percent of them are women.(2)

"About 84 percent of all **microfinance** borrowers are women(3)," said Tracey Turner, founder of MicroPlace. "For these women, having access to money to start a small business really isn't about fulfilling a dream, it's literally about keeping their families one step ahead of starvation and putting a roof over their heads."

The new Women's Empowerment opportunity is comprised of investments on MicroPlace.com that are specifically focused on women and have a borrower base of at least 70 percent women. The Women's Empowerment opportunity offers a 3 percent return.

Turner also pointed out that women have historically shown to be more likely to use their profits to reinvest in family and household. They also tend to take fewer risks with their business and are more careful to repay their loans. "In many ways, women are the ideal microfinance borrower," said Turner.

The Women's Empowerment investment will help women like Harina Barin, who used her loan of \$150 to buy the rickshaw her husband was renting, plus purchase four additional auto rickshaws that she rents out to other drivers. Her rickshaw business has earned her a whole new level of respect in her village, plus she is well on the road to fulfilling her daughter's dreams of becoming a fighter pilot in the Indian Air Force.

It is widely estimated that women make up the majority of the world's poor, and seven out of 10 of the world's hungry are women and girls.(4) Yet when women are afforded the opportunity to work and contribute to the economy, they have tremendous impact. The Economist estimates over the past decade, women's work has contributed more to global growth than China.

This article was prepared by Obesity, Fitness & Wellness Week editors from staff and other reports. Copyright 2008, Obesity, Fitness & Wellness Week via NewsRx.com.

Document OBWK000020081024e4b1002oo

Finance

MFIs face challenge of global meltdown

Trushna Udgirkar

860 words

31 October 2008

The Economic Times

English

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HYDERABAD: Financing FOR the poor is getting more frugal now with **microfinance** institutions facing the heat of the global financial meltdown. There has been a virtual halt in fresh disbursements to MFIs by banks and financial institutions coupled with over 200 basis points hike in interest rate. It does not end at credit squeeze alone. Banks are also asking for personal guarantees of directors of MFIs.

A few banks have hiked the security margins from 10% to 25% over the loan amount sanctioned to banks. As a result, MFIs are unable to use even sanctioned funds. According to sector trackers, MFI sector may have trouble raising loans till January as banks will try to complete their priority sector lending targets more aggressively only in the last quarter of the fiscal.

The total disbursements to MFIs aggregate to around Rs 1 lakh crore and south India is the hub of microfinance activity in the country. For Bangalore-based Ujjivan, a microfinance entity that lends to the urban poor, raising the fourth round of equity (nearly Rs 90 crore) has perhaps come at a very opportune time. So, when the microloan industry is facing a credit squeeze, Ujjivan has addressed some of the capital raising woes with the equity round.

The MFI has received some advance subscription from its existing shareholders - Unitus , Bellwether, Micheal and Susan Dell Foundation. "It is just a coincidence," says Ujjivan founder Samit Ghosh. "Bank lending rates have jumped by 400-500 basis points. We have to tighten our belts considerably. We are depending on internal cash flows, repayments and fee income to keep interest rates stable," he adds.

The situation is similar in MFI hub, Andhra Pradesh. Hyderabadbased Share Microfin managing director M Udaia Kumar says, "the situation is alarming in India for MFIs since it affects the credibility of the organisation. Further, it strains the relationship of trust built with clients and may result in clients not making timely repayments ." Adds Padmaja Reddy, managing director, Spandana. "Banks are tightening credit lines. Current sanctions are available but disbursements are getting delayed. Interest rates have

predominantly gone up by over 200 basis points. But we have been able to absorb the rise in interest cost as our operating costs are low," she said.

Spandana has a diversified debt portfolio that could help cushion the impact of higher interest costs. "We are preparing to diversify our debt raising capabilities, through bonds issuance and securitisation through capital market and structured debt funding," said Shiv Narain, chief financial officer, Spandana. Bankers, notably the PSU lot, that ET spoke to, however, deny a slowdown in lending to MFIs and self help groups.

"One doesn't see a reason for reduction in the quantum of lending to these institutions. The rate at which we lend to MFIs is dependent on a number of factors including the rating of such agencies.

These rates may have marginally gone up due to the prevailing liquidity situations," said one banker. Also, given the near 100% repayment of such loanees, banks say, lending to such entities like MFIs makes imminent commercial sense. "PSU banks have clearly mandated social banking goals and we have to achieve it," said another. With the first tranche of the farm loan waiver/agri debt relief scheme being disbursed to banks, they opine that the liquidity situation would ease up giving them additional room for onward lending to MFIs.

Most banks lend to MFIs/SHGs in the range of 8.5% to 12.5-13 %. There have been some instances where well-run MFIs have secured funding at the lower end of say 8.5% to 9% also.

The core demand for MFIs, like many others, is more credit from banks at affordable interest rates. Share Micro Fin, on its part, has not passed on the higher interest cost burden to its borrowers. "We have asked our clients to use the loan funds effectively to tide over the global financial crisis," said Udai Kumar. Disbursements nearly doubled to Rs 854 crore during April to September this year compared to Rs 441 crore in the same period, last year.

SKS Micro finance too is adopting a wait-and-watch approach. "We have not yet passed on the hike in interest rates to our members. They continue to pay earlier rates" , said MR Rao, CEO, SKS. But the story is not the same for all MFIs. "We have passed on the increase (in interest rate) to customers availing disbursements now in case of certain loan products," said NV Ramana, chief financial and technical officer , Basix.

The MFI charges interest ranging from 15-24 %, depending on the loan product. Basix disbursed loans aggregating to Rs 295 crore during April to September this fiscal compared to Rs 132 crore in the same period last fiscal. A silver lining is equity investors are still looking at pumping funds into MFIs. This would help them strengthen their network. "Equity investors are showing interest in MFIs as valuations are

attractive. But this could be impacted over a period of time," adds Udaia Kumar.

(With inputs from Arun Iyer & J Padmapriya in Bangalore)

Document ECTIM00020081030e4av0002i



12 States Contribute N10 Billion to Microfinance - CBN

by Kayode Ekundayo

485 words

30 October 2008

15:43

All Africa

English

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Lagos, Oct 30, 2008 (Daily Trust/All Africa Global Media via COMTEX) -- The Governor of the Central Bank of Nigeria (CBN), Charles Soludo, said in Lagos on Tuesday that only 12 out of 36 states in the country have contributed to **microfinance** activities in their states to the tune of N12.075 billion.

The governor of the apex bank who was speaking at the launch of "Enhancing Financial Innovation and Access (EFINA)," a nongovernmental organization, named the states as Zamfara, Delta, Lagos, Ekiti, Kebbi, Kwara, Ondo, Kogi, Cross River, Benue, Anambra, Osun and Oyo.

He said in terms of actual disbursement of funds, Lagos state has disbursed N620 million within one year through selected microfinance banks, Delta N600 million through Oceanic Bank and some microfinance banks while Osun disbursed N99.780 million through the Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB).

Soludo said that based on the 2006 census, it was estimated that over 91.0 million, 65 per cent of 140 million of Nigerian are underserved or totally lack access to finance.

In order to bridge the gap, 815 microfinance banks comprising six states and 809 unit banks have been granted licences.

He said though lots of challenges have emerged since the launch of the policy and licencing of microfinance banks, the CBN, he said, is taking steps to address them.

"Since 2006, the bank has been holding capacity building programmes to enable managers of the banks

and their staffs acquire skills for microfinance banking. It has just concluded an interim capacity building programme for 3000 staff of microfinance banks across the country and is planning to execute same programme for part time directors to enable them assume their responsibilities effectively", he said

Soludo explained that a comprehensive certification programme will commence for the microfinance banks in 2009. The programme, he said, when started, would orientate the management team of MFBs and enhance the acquisition of appropriate operational skills on microfinance business models and practices.

The chief operating officer of the organization, Mrs Modupe Ladipo, said the emphasis is basically on empowerment of the poor through access to financial services, adding that a survey and research conducted by the organization through a South African firm, FinMark and Research and Marketing Services (RMS), shows a sad development in the nation's banking and insurance sectors of the nation's economy.

According to the survey, 79 per cent of adult population are unbanked, 85 per cent of adult females are un-banked while 53 per cent of the Nigerian adult population are financially excluded with no access to either formal or informal financial services.

The report also revealed that only two per cent of the adult population have access to insurance products while 67 per cent of the adult population are currently saving but 33 per cent of those saving do so at home

Document AFNWS00020081030e4au001bx



Globe Telecom Forms Alliance for Mobile Banking

Jing Li

140 words

30 October 2008

Global Insight Daily Analysis

English

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The Pilipino conglomerate Ayala Corp and its units Bank of the Philippine Islands (BPI) and Globe Telecom today agreed to form a mobile **microfinance** bank, Dow Jones reports. The venture will extend loans to **microfinance** institutions using mobile phone technology to deliver financial services and expand its retail client base. The three companies will use Pilipinas Savings Bank, a subsidiary of BPI, as the vehicle for the venture. BPI and Globe will have stakes of 40% each, while parent firm Ayala will own 20% of the bank. Significance: The venture is the first of its kind in the Philippines. However, it remains to be seen how fast the services will take off. Globe Telecom, 30% held by Ayala, is the second-largest telecoms company in the island nation after incumbent PLDT.

Document WDAN000020081030e4au00024

Microfinance empowering Egyptian women

765 words

30 October 2008

Daily News Egypt

English

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CAIRO: The Association for the Development and Enhancement of Women (ADEW) embarked on its operations over 20 years ago in Mainsheet Nasser, at that time one of the largest unrecognized illegal settlements in Egypt.

Field experience and academic research indicated that it was particularly difficult for women who head their own households to access credit and employment, and research conducted by ADEW showed that there were no lending programs that considered the conditions of these women.

Within the microfinance framework, women are afforded the opportunity to start small businesses in and around their homes so they are not compelled to leave their children at home alone. Examples of such businesses include selling vegetables, other groceries, self-made clothing items or accessories. Women are thus able to provide sustenance, education and medical care for their children, providing them with the opportunity for improved social and professional standing.

In Egypt, microfinance loans are offered to groups of at least five women without the need for collateral or guarantees, provided that each of the women has committed to working on a specific project.

In order to obtain loans, women should have either an existing business or ideas for an intended one. Field research is then carried out by specialized researchers depending on the nature of each project to ensure they are profitable and suitable for the area in which they are established.

Quite well known in the world of microfinance globally but less so outside it, the loan repayment rate among women who are recipients of these loans is stunningly high - 99 percent in the case of Egypt.

This is so even though interest rates in microfinance are unusually high compared with those of conventional loans, as recipients typically have no credit history or even bank accounts. Furthermore, women who receive loans often succeed in establishing and expanding private projects.

Unfortunately, however, there are obstacles facing the microfinance sector in Egypt. For example, there are no specific microfinance laws in Egypt comparable to other countries in the Middle East, such as Morocco, which institutionalized legal frameworks for microfinancing NGOs within which they could operate.

There is also a lack of information about the program and as a result, about 80 percent of the Egyptian population is not aware of the lending processes currently in place, or the opportunities available to them.

A gender quota is much needed because these loan programs, while aimed at both genders, are granted mostly to men because many women lack identity cards or other official documents.

In addition, there is very little collaboration between NGOs or other institutions regarding loans. For Egypt to overcome these obstacles and ensure that microfinancing is made available to more people in need, institutional coordination is required. Commercial banks with no microfinance divisions might consider providing NGOs with special loans that would allow these NGOs to identify microfinance customers themselves, broadening the reach of credit to the poor while also increasing the margins of lending institutions.

Diversification of microfinance services to include group loans, training, technical support and feasibility studies, and lifting restrictions on lending activities beyond conventional loans, could also increase the scope and benefit of initial microfinance successes.

The establishment of a specialized information centre to document borrowers' credit history, and holding training courses for those working in microfinance programs, would also help improve the system.

For example, ADEW is calling for coordination among practitioners and the Social Fund for Development, a joint initiative between the Egyptian government and the United Nations Development Program, which designs development programs and provides funding for various development initiatives.

Lending is not a function of banks alone. NGOs working in microfinance are already playing a principal role in the development process in Egypt through their extensive knowledge of remote and marginalized areas not targeted by the commercial banking sector.

NGOs like ADEW are therefore in a unique position to reach marginalized beneficiaries and promote awareness about lending processes to individuals otherwise out of reach. The close relationship with marginalized communities as well as the cooperation with bilateral and multilateral donors makes NGOs a natural actor in lending processes.

While these loans will not alleviate Egypt's poverty completely, or bring about imminent economic development, they are an innovative means of survival and sustainable employment for many Egyptians and can play an important role in Egypt's overall development.

Dr Iman Bibars

is chairperson of the Association for the Development and Enhancement of Women (ADEW,

www.adew.org/adew

) and an international gender and development expert. This article was written for the Common Ground News Service (CGNews).

Document DAINEG0020081030e4au0002u

Ayala, Units BPI And Globe To Form Mobile Microfinance Bank

159 words

30 October 2008

01:57

Dow Jones International News

English

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MANILA (Dow Jones)--Conglomerate Ayala Corp. (AC.PH) and its units Bank of the Philippine Islands (BPI.PH) and Globe Telecom Inc. (GLO.PH) Thursday agreed to form a mobile **microfinance** bank - a first in the Philippines.

The venture will extend loans to **microfinance** institutions using mobile phone technology to deliver financial services and expand its retail client base.

The three companies will use Pilipinas Savings Bank, a subsidiary of BPI, as the vehicle for the venture.

It will have an authorized capital of PHP500 million.

BPI and Globe will have stakes of 40% each, while parent firm Ayala will own 20% of the bank.

"The venture seeks to further enhance the Ayala Group's participation in building a financial ecosystem within the microfinance community," Ayala said in a statement.

-By Cecilia E. Yap, Dow Jones Newswires; (632) 848-5051; cecilia.yap@dowjones.com [30-10-08 0603GMT]

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MicroPlace; MicroPlace Launches Exclusive Women's Investment to Commemorate World Poverty Day and Give Women Worldwide the Chance for a Better Life

430 words

30 October 2008

Women's Health Weekly

603

English

(c) Copyright 2008 Women's Health Weekly via NewsRx.com

2008 OCT 30 - (NewsRx.com) -- MicroPlace.com, an online brokerage specializing in socially responsible investments that address poverty, announced a new female-focused **microfinance** investment opportunity. The Women's Empowerment investment, directing loans largely towards female borrowers, was launched to mark the International Day for the Eradication of Poverty, on October 17, a United Nations' sanctioned day committed to presenting and promoting activities centered on the eradication of poverty and destitution. Over 1.2 billion of the world's working poor subsist on less than \$1 a day, and 60 percent of them are women.(2)

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Document WHWK000020081024e4au000ib



Microfinance Inter-Bank Money Market Takes Off

by Babajide Komolafe

531 words

27 October 2008

08:32

All Africa

English

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Oct 27, 2008 (Vanguard/All Africa Global Media via COMTEX) -- There are strong indications that the proposed **Microfinance** Inter-bank money market will take off by the end of this year.

It would be recalled that Financial Vanguard exclusively reported that some **Microfinance** Banks in the country have commenced moves to set up an inter-bank money market for the sub-sector. It includes the five discount houses.

However, other financial institutions like micro-finance banks and primary mortgage institutions (PMIs) cannot participate in the market because they do not have direct access to the clearing house of the Central Bank of Nigeria hence the decision of microfinance banks to create their own inter-bank money market.

Investigation however revealed that the micro-finance inter-bank market was spearheaded by Financial Derivatives Limited, in collabo

An inter-bank money market is a market where operators borrow and lend among one another. The market provides opportunity for them to invest their excess funds, and also borrow to cover temporary shortfall in their liquidity position. Apart from the 24 banks, other players in the Nigeria inter-bank money market include Kakawa Discount House Limited.

Although details of the initiative is still been worked out, it was gathered that part of the preparatory measures is that microfinance banks would form a money market association patterned after the Money Market Association of Nigeria (MMAN), which is the umbrella body for bank treasurers.

It was gathered that the constitution of the association is been worked out while effort is been made to reach out to as many microfinance banks as possible especially those outside Lagos. Just as it obtains in MMAN, the proposed association would be operated by the treasurers of micro-finance banks while the banks would be members.

Financial Vanguard reliably gathered that the ground work like the rules and procedures for trading in the market have been concluded, while Kakawa Discount House will be the settlement agency and lender of last resort for the market.

It was further gathered that executives for Microfinance Money Market Association have been elected.

A micro-finance operator who confirmed this development to Financial Vanguard disclosed that work is almost concluded on the initiative, except the constitution which is been fine-tuned, and it is expected to take off before the end of the year.

It was gathered that the Money Market Association of Nigeria (MMAN), the umbrella body of banks' treasurers as well as the Central Bank of Nigeria (CBN) are not involved in this initiative. The CBN it was gathered will only be notified, as it is a purely private sector driven initiative.

On the need for the microfinance inter-bank market, head of operations, in one of the microfinance bank involved in the initiative recently told Financial Vanguard that the inter-bank market is very necessary for the sub-sector as it would afford microfinance banks opportunities to earn some income from the excess funds while those with temporary liquidity shortfalls will not panic but have the confidence to carry on their operations knowing that there is a market where they can always access funds.

Document AFNWS00020081027e4ar000w5

BP

Microfinance draws interest

Samanth Subramanian,samanth.s@livemint.com

livemint

512 words

24 October 2008

Mint

Delhi

14

English

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In a volatile economy, **microfinance** institutions are offering stable returns over the long term and have begun to draw investor interest.

The quarter to September saw the most hectic venture capital action in **microfinance** yet, according to data collected by Venture Intelligence, which tracks such investments in the country.

“If the banking and financial services sector was the second favourite destination for venture money in that quarter, it was largely thanks to microfinance companies,” says chief executive Arun Natarajan.

“Microfinance was heating up even of its own accord, but given that other investment options are falling off the radar, it is standing out even more now.”

With a huge base of borrowers and emphasis on timely repayments, microfinance is relatively insulated from defaults. It also targets a different demographic—rural, rather than urban, borrowers—which lends it the appeal of a robust alternative.

“The credit crunch has had some impact on the sector, but the larger microfinance firms have not been affected as much,” says Abhijit Ray, vice-president at microfinance consultancy Unitus. Ray has seen “at least 10-12 mainline investors” grow interested in this sector, displaying the sort of zeal absent earlier.

“Also, many investors would earlier not want to talk about any amount below \$25 million (Rs124.5 crore),” he says. “But now, they’re even willing to discuss investments of \$10-15 million.”

That fits with the Venture Intelligence data, which cites two of the three deals in the three months to

September as involving investments of \$20 million or less. The values of the third deal was not publicly disclosed.

But Vineeth Rai, chief executive officer of Aavishkaar Venture Management Services Pvt. Ltd, cautions against reading too much into the recent activity.

“It is just the natural lifecycle of the Indian microfinance sector that, as it develops, it will attract more deals,” he says.

The next six months will further determine the contours of microfinance activity by determining the answers to key questions: Will banks continue to lend? Will microfinance prove immune to the credit crisis? Will the larger microfinance institutions still carry out any plans to go public if the stock market continues to be lukewarm?

Rai predicts there will be five-seven more deals in the October-December quarter; over the next six months, he forecasts seven large deals and 10-15 smaller ones.

“There will simply be more smaller deals and fewer bigger ones, as microfinance institutions get into later stages of raising capital,” he says.

P.N. Vasudevan, managing director of Equitas Micro Finance (India) Pvt. Ltd, which successfully raised \$12 million from a troika of investors in August, similarly predicts a flurry of activity in microfinance, which he calls a “good, socially relevant sector”.

“What will happen is that interest will be translated into investment. Mainstream private equity investors will sign deals instead of just studying the potential,” he says. “Once someone else plants the flag, people will feel a lot more comfortable following suit.”

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San Francisco Chronicle

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Microfinance moving into health care ; Leaders in global field say wellness is good business

Meredith May

Meredith May Chronicle Staff Writer

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Global **microfinance** leaders met Wednesday in San Francisco to discuss a cutting-edge strategy to get the world's poorest borrowers to repay their loans: Keep them healthy.

Philanthropists and anti-poverty experts who use microloans to help families buy a cow or a kiosk to lift themselves out of extreme poverty have noticed illness is the most common reason for default.

Freedom from Hunger, based in Davis, is funded by a \$5.6 million grant from the Bill and Melinda Gates Foundation and is among a handful of nonprofits experimenting with health care microfinancing.

"Through lots of discussions with banks and microfinance institutions, they weren't seeing an impact over time because people were using the microloans to pay for a sick kid instead of growing a business," said Priya Jaisinghani, global development program officer for the Bill and Melinda Gates Foundation.

In 2007, Freedom from Hunger started its Microfinance and Health Protection Program at microfinance institutions in five nations, offering discount doctor visits, health care savings accounts, affordable medicines and emergency health care loans. In most cases, customers were required to attend health care classes in order to get the small business loan.

"We're venturing out into new territory," said Myka Reinsch Sinclair, Freedom from Hunger's director of

microfinance and health protection. "We wanted to go beyond health care education."

The theory is that healthier borrowers will make better bank customers. They will repay their loans, come back for larger loans, and their startups will thrive, along with their families. The more they invest, the more the bank will have to lend to their neighbors.

Representatives from microfinance institutions in Bolivia, India, the Philippines, and the West African nations of Benin and Burkina Faso met at the Holiday Inn at Fisherman's Wharf to compare notes from the pilot program's first year.

Jaime Aristotle Alip, managing director of the Center for Agriculture and Rural Development, a Philippine bank network, said 15,000 rural families are now getting basic medical care.

"When we first talked to the doctors about offering discounted care, we got seven to sign up," he said.

"Now there are 51 doctors. They don't lose money because they get more patients this way."

Jose Auad, general manager of the Credito con Educacion Rural, a Bolivian microfinance institution, said women are attending health seminars and using health care loans to pay for eyeglasses and minor surgeries. The average loan is \$300.

"In order for this to be profitable, it has to go to a larger scale," he said. "But we also realize there are social profits."

Freedom from Hunger will continue its experiment through 2009 and share research findings with microfinance institutions worldwide.

"We're venturing out into new territory. We wanted to go beyond health care education."

"We're venturing out into new territory. We wanted to go beyond health care education." - Myka Reinsch Sinclair, Freedom from Hunger

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Microfinance changing lives of Afghan women but sector has its challenges

BY TOBI COHEN

CP

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KABUL, Afghanistan _ Plump and jovial, with a grin running ear to ear, 35-year-old Nasreem operates a successful carpet weaving and embroidery business with the help of her two daughters.

The Kabul family is of moderate means. Her husband Korban works as a government security officer. They were spared the harsh years in Afghanistan under Taliban rule, having fled to Pakistan where she worked as a carpet weaver in Peshawar.

Upon their return to Afghanistan after the fall of the Taliban, she once again began working for others until she learned of MISFA _ the Microfinance Investment Support Facility for Afghanistan, and its partner agencies that are making small-business loans available to the country's poorest entrepreneurs.

"I went there and talked to the manager of the organization and said I have skills of making carpets and embroidery and I need money to become an independent business woman," she said through a translator at her cosy workshop in the village of Shahrakay Sabz, on the outskirts of the Afghan capital.

After receiving an initial 30,000 afghanis, or \$700 Cdn, she was able to buy clothes, needles and other materials to get started. A friend with contacts at Bagram Airbase, a major U.S. military facility outside Kabul, has since helped secure a steady client base of foreign soldiers who often seek custom designs.

She has now received two more loans of 45,000 (\$1,050) and 90,000 (\$2,100) afghanis which has helped her hire a staff of about 20 women.

At 9:30 a.m., after they've completed their own household chores, the women begin streaming into the workshop.

They come six days a week for about eight hours to do embroidery, make carpets and other handicrafts. While their monthly wages peak at about 1,000 afghanis, or just under \$25, most say they enjoy the opportunity to socialize and get out of the house.

The pocket change also helps cover the cost of personal items or the odd surprise expense like school supplies, said Laila, one of the older workers whose husband is a labourer struggling to support their six children.

“It's a great skill but it doesn't pay that well,” she said. “It's good to keep busy and pass the time.”

Nasreem won't discuss her profit margin in front of her staff, but she admits she's successful, that her husband is happy because her work has not taken her far from home and that she is pleased to be able to help others in the process.

“It's a great honour for me and I really feel happy that I'm helping these women,” she said. “At least I provide them some money.”

According to MISFA, the microfinance sector in Afghanistan has grown exponentially since 2002 when just a few providers were offering small-business loans to about 12,000 Afghans.

MISFA was created a year later by the Afghan government and registered as a limited liability non-profit company to oversee the microfinance sector and pool funding from international donors so it could be fairly distributed to the partner institutions that deliver the services.

Within five years, the sector grew from three microfinance institutions to 15 serving nearly half a million people with small- and medium-sized enterprises in 23 of the country's 34 provinces including restive Kandahar, where the bulk of Canada's military and development activity is centred.

About 70 per cent of microfinance clients are women and 40 per cent live in rural areas. The Canadian International Development Agency has remained MISFA's top donor with a total contribution of more than \$96 million since 2003.

A baseline impact study conducted last fall found there were 3,782 widows receiving small-business loans as well as 92 disabled clients.

It's estimated that every client generates 1.5 employment opportunities which translates to some 500,000 spin-off jobs.

“The challenge in many developing countries is that the banking system is not yet developed to serve the poor or small-scale enterprises because of the perception of (the) poor (being a) credit risk,” said George Saibel, CIDA's head of aid.

“The reality of microcredit operations, particularly those aimed at women, is quickly debunking this perception and contributing to banking sector reforms which are connecting the poor to more formal commercial and banking possibilities.”

A review of the microfinance sector conducted two years ago, however, suggested providers are not necessarily reaching the poorest of the poor. The report said lending institutions tend to approve applications primarily on the individual's “ability to pay” rather than their “relative vulnerability.”

According to the report, while providers “implicitly strive to make social impacts,” they don't explicitly target the most vulnerable households.

While banks and credit unions are among MISFA's partner agencies, managing director Katrin Fakiri said most of them are non-profit groups that reach out to marginalized populations like women, widows and orphans. That said, Fakiri said MISFA has recently taken measures to ensure partner agencies don't “lose sight of the double-bottom line.”

Products are designed to appeal to the poor and it's estimated that three-quarters of clients are at or below the poverty line, she said.

Building Afghanistan's microfinance sector is not without challenges.

Because of the sector's “remarkable growth,” the “professionalization” of the partner agencies is not yet up to international standards, she said.

There have been concerns over their long-term sustainability, essentially their ability to move away from donor-funded lending to more commercial sources of funding so that when “donor fatigue” sets in, the sector can continue functioning.

But MISFA's operations director Dale Lampe said even that's changing. Three institutions are already 100 per cent self-sustainable and a fourth is expected to be by the end of the year.

On the security side, Fakiri said the insurgency has often prevented microfinance institutions from “rolling

out their services and expanding outreach to underserved populations in volatile regions."

It's why the volatile south accounts for just three per cent of the microfinance sector countrywide.

The only institution operating in all of Kandahar is BRAC, or Bangladesh Rural Advancement Committee. Regional manager Mahiuddin Azad said it began providing small- business loans about a year and a half ago.

Now more than 60 male shopkeepers are receiving anywhere from 50,000-500,000 afghanis (\$1,170-\$11,700) to improve their existing businesses under BRAC's small- enterprise program.

About 90 women are receiving more modest loans worth 20,000-30,000 afghanis (\$470-\$700) as part of its microfinance program for tailoring, handicrafts, farming and animal husbandry-type enterprises.

"Security is the big problem," Azad said, noting all the clients are in Kandahar city because the rest of the province isn't safe enough. "We can't come down here all the time to deliver the program. Often we deal with things over the phone from Kabul."

Because of security and the strict religious customs many in the south adhere to, female participants must be married in order to facilitate collections as men are not supposed to interact with women who are not their relatives.

BRAC has also encountered problems with some shopkeepers and local religious leaders because charging interest goes against Islamic law, area manager Rafiqul Islam said.

Other times, men have expressed outrage at the idea of operating a program for female business owners, Azad added.

But assistant area manager Zabiullah Tokhi said BRAC has managed to keep proper tabs on clients and report just one case in which a woman misappropriated funds, spending the cash on herself rather than her business.

Fakiri insisted measures are in place to ensure microfinance funds aren't being funnelled into illegal activities like the lucrative opium and marijuana industries, or the insurgency, and that such problems haven't come up.

Loan officers regularly monitor their clients, and group lending programs encourage clients to monitor one

another's activities as indiscretions could affect the entire group, she said.

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