

DEVFINANCE

Discussion list on development finance of the Ohio State University

A monthly review

January 2000

General Information¹

➤ A newsbrief on microfinance

Cerem-Lux, a microfinance research centre in Luxemburg, is publishing a newsbrief (in French) on microfinance every month. It contains interesting information on activities, events, websites, courses and literature related to microfinance. The February version is to be found in the annexe (Adalux, 28th January 2000, Newsbrief Février 2000). For those interested in receiving directly a copy, send a mail to adalux@pt.lu.

➤ Bangladeshi microfinance institutions doing banking?

Two articles on microfinance and the banking sector in Bangladesh have been published in The Independent, a national newspaper. The first article compares the microfinance sector, on one hand, and the banking sector, on the other hand, in terms of deposits and credit volumes. The second article treats about legal and political aspects linked to the Bangladeshi banking sector. Both articles are in the annexe: C. Ani, 4th January 2000, Bangladeshi MFIs² doing banking?

➤ Safe Save Award

A Bangladeshi MFI, Safe Save Bangladesh, has received the Worldaware for financial innovation award from the UK Trade Minister, in January of this year. Safe Save's website is www.drik.net/safesave and Worldaware's website is www.worldaware.org.uk.

➤ Microfinance institutions undergoing ISO 9000 Qualifications

ISO 9000 is a certification given by qualified auditors for the International Standardisation Organisation (more info from <http://www.iso.ch>). The ISO 9000 family of standards for quality management and quality assurance is one of the most successful in the history of the organisation. There are many benefits from adopting the ISO 9000 norms, such as: reduction of costs, improvement of quality of products and workmanship, opening to new markets, satisfaction of customer requirements, etc.

One MFI in Poland, the Polish National Association of Cooperative Savings and Credit Unions (NACSCU), received the ISO 9000 certification last year. In Brazil, there is also an MFI (its name has not been mentioned) that is currently undergoing the certification process.

Courses and seminars

➤ Workshop on insurance provision by microfinance institutions

This workshop will be held in Washington D.C. on 14th February 2000 and is organised by the Microenterprise Best Practices project of Development Alternative Inc. (MBP-DAI). The workshop follows a global movement towards broadening the offer of financial services to meet the needs of the target market. In cases where the households are exposed to risks which cause losses beyond means, insurance may be a promising product, as it allows for risk pooling, i.e. the spreading of losses incurred by a few over a larger group. For more information, contact Nhu-An Tran at nhu-an_tran@dai.com.

¹ The most relevant articles of the discussion list are mentioned in the text with their author, date of issue and subject. They are to be found in the annexe, classified in the same order as they appear in the present text.

² MFI: MicroFinance Institution

➤ **Micro-insurance discussion forum in Dhaka**

CARE and MBP-DAI will conduct an international discussion forum about micro-insurance in Dhaka, Bangladesh, on 28th to 29th February 2000. The forum is intended to introduce the concept of micro-insurance to established microfinance institutions. The key resource agencies that will be referred to at the international discussion forum are the following: Delta Life Insurance Company, BRAC, Grameen Bank, ASA, SANMFI, CDF, Gashful, Nepali MFIs. Mr Warren Brown, researcher at the MBP-DAI project, has recently completed a research study on micro-insurance and will present the key findings of that study in the forum.

For more details on the discussion forum see the website at <http://www.geocities.com/WallStreet/District/5823/insure1.html> or ask information, sending a mail to agora@dna.affrc.go.jp, with the following command in the body of the message: send <http://www.geocities.com/WallStreet/District/5823/insure1.html>.

➤ **New Hampshire College's training program in microenterprise development**

The Microenterprise Development Institute of the New Hampshire College is organising this training program for the second time. It will take place from June 4th to 24th and will emphasise on both the financial and social capital. The event is sponsored by Save the Children, Catholic Relief Services, FINCA, Freedom from Hunger, the Heifer Project, the Microcredit Summit, SEEP, Trickle Up and World Relief Services. For more information, send a mail to Sharon Hunt at mdi@minerva.nhc.edu or browse the web on <http://melin.nhc.edu>.

➤ **Delinquency management and setting sustainable interest rates**

The Microfinance Center for CEE (Central and Eastern Europe) and the NIS (New Independent States) announces the forth edition of its 2-module training course, on delinquency management and setting sustainable interest rates, which will be organised on March 20th to 24th in Krakow. For more information, contact Hala Kosiura at mfc102@hotmail.com.

➤ **Partnering for results**

The John Hopkins University , Institute for Policy Studies, Centre for civil society studies, organises a workshop on "partnering", from June 5th to 8th 2000. Partnering for results is an opportunity for non profit organisations' staff and board members, corporate philanthropy professionals, government managers, business professionals and community leaders world-wide, interested in creating effective partnership. For more information, contact Carol M. Wessner at ewessner@jhu.edu or search the web at: <http://www.jhu.edu/~ips/Programs/ThirdSect orProject/partnering2000.html>.

➤ **Online training modules in microfinance**

PlaNNet Finance would like to develop high quality online training modules on microfinance. For this purpose, PlaNNet Finance is looking for trainers, forum managers and microfinance practitioners for its PlaNNet University. Interested people should address an e-mail to Olivia Vernier at overnier@planetfinance.org. For more details, see in annexe: O. Vernier, 27th January 2000, Online training modules in microfinance.

➤ **Business planning and financial modeling for microenterprise programs**

This course will include practical work on Microfin, an Excel-based financial projection tool developed through contracts with CGAP and Women's World Banking. The course will take place from 10th to 14th April 2000. For more information, see in the annexe, Ch.&S. Waterfield, 31st January 2000, Course announcement: Business Planning / Microfin.

Publications

➤ **Microfinance: Conversations with the Experts**

This new book was jointly published by Calmeadow, Accion and the Microenterprise Policy Institute. It contains discussions with microfinance experts on the following topics: vision setting, institution building, performance monitoring, staff and client development, the role of donors, governance, regulation and supervision. You can order the book through Accion's website,

www.accion.org or by sending a mail to pubs@accion.org. The price is US\$ 12.

➤ **Money and Culture: Examples from Indonesia, South Africa and India**

Working paper no. 44 (1999) from the University of Vrije, Amsterdam, edited by P. Smets. The subject refers to money, reciprocity, redistribution, security, consumption, personal roles and the social context in Indonesia, South Africa and India, respectively. The paper can be ordered from: PGSM.Smets@scw.vu.nl. In the annexe you will find an abstract (P. Smets, 21st January 2000, New publication).

➤ **Insurance Provision for Low-Income Households: A Primer on Insurance Principles and Products.**

This paper, from Microenterprise Best Practices (MBP) is available for downloading from <http://www.mip.org/pubs/mbp-res.htm>.

Subjects of interest

➤ **Micro-insurance**

The offer of insurance in microfinance institutions is becoming more and more actual and has often been mentioned in the January discussions on the Devfinance list. In Bangladesh, for example, a private company called Delta Life Insurance Company is offering low-cost micro-insurance products to 1.8 million people. For more information on Delta Life see the annexe, C. Ani, 1st January 2000, Micro-insurance: Gono Bima.

In Benin, PADME (Projet d'Appui au Développement des Micro Entreprises) conceived a credit life insurance program, in order to relieve debt for the relatives of a deceased debtor. An additional one half to one percentage point fee on loans disbursed would be set aside and deposited into a separate insurance fund account. In the event a client passed away, a surviving relative would present a death certificate to PADME. The outstanding amount due on the deceased client's loan, inclusive of all accrued fees, interest and penalties, would be charged against the insurance fund. (R. Croulet).

➤ **Gender equity policies in microfinance institutions**

Linda Mayoux, who has been doing a lot of research on gender and microfinance, has

been given the mandate by the International Labour Organisation to elaborate "best practices" on gender planning and training for microfinance. Some participants on the list have mentioned that gender specific strategies are often characterised by the absence of gender balance. "Almost all the attention goes to women. The poor performance of many male clients, as borrowers or savers, is just taken for granted, hardly analysed and strategies/methods to include them in a positive manner as active clients, are given little attention." (K. Verhagen). Programs and methods should address the gender issue in a more holistic perspective.

An example mentioned by The Life in Africa Foundation (Uganda) mentions the interesting fact that in rural Uganda, both husband and wife often borrow at the same time. They "strategize" together in order to achieve common goals to benefit the family. This has been observed for the Uganda Microfinance Union. Therefore, women are on a more equal basis with men that was often believed in rural Uganda. Moreover, it seems that men save more, contrarily to the common belief, and that male borrowers tend to create more employment than women do. Nevertheless, one of the biggest repayment problems experienced by the Microfinance Union was due to a man with many wives, who had all of them borrow and give him the money. Since the wives had all different residences and were in separate groups, the institution did not know, until it was too late, that they were all married to the same man!

➤ **Informal finance**

Dale Adams has raised the question whether informal finance has survived the Asian financial crises and what the recent dynamics of informal finance are, particularly in the cases of Indonesia and Bangladesh.

It seems that in Indonesia, according to a study realised in urban Yogyakarta, informal finance (moneylenders, relatives, neighbours, pawnbrokers, financial self - help organisations, etc.) remains very important for ordinary Indonesians (poor to lower middle-class). Financial self-help groups have come to provide a more diversified package of financial services, including ROSCAs, loan funds, small lotteries and funeral funds, while making use of a variety of ingenious ways to collect savings. These

self-help organisations are also trying more and more to establish links with NGOs and banks. Moreover, they do not seem to have suffered from the economic crises at all. On the contrary, due to the collapse of banks, people have become more careful with their money and are participating more in ROSCAs. (H. Lont, University of Amsterdam).

Also in Bangladesh, informal finance has still its importance. CARE, for example, has 60 partner MFIs and all of them pretend that they can not meet the demand for credit of their clients. Nevertheless, it seems that the number of moneylenders has decreased in the last 15 years, as a natural response to the increase in the number of MFIs. Poor people in many areas can now make choices, unlike before, on whom they will borrow money from. There is also an important number of pawnshops in Bangladesh, but they operate informally. They provide quick credit to poor people who need cash. (C. Ani, CARE Bangladesh).

There is a lot of information on informal finance in Africa on the website of MicroSave-Africa: www.undp.org/sum.

➤ **Old-age oriented micro-savings products**

R. Rosenberg and S. Hashemi from the World Bank wish to start exploring savings products designed to help micro-clients save for their old age. The idea is based on the observation that in many countries, old people are accounting for a growing proportion of the poor. Even people who are well-off today are at risk of later poverty if they cannot build some kind of safety net. Rosenberg and Hashemi think that for retirement saving, which is of much longer term than normal savings accounts, the MFI must show a much stronger image of safety and durability. "Because retirement-oriented deposits tend to represent a stable funding base, it ought to be possible to invest such funds in high-yield, long term instruments without much liquidity risk." (R. Rosenberg).

People who are interested either in mentioning examples of MFIs which offer that kind of saving services or in making propositions can directly write to R. Rosenberg (rosenberg@worldbank.org).