

# ANNEXES

## To the Devfinance quarterly Review

October-December 2000

### General Information

➤ [MFI guidelines for content of financial statements \(1 mail\)](#)

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<b>From:</b> <a href="mailto:Rosenberg@worldbank.org">Rosenberg@worldbank.org</a> [ <a href="mailto:Rosenberg@worldbank.org">mailto:Rosenberg@worldbank.org</a> ] <b>Sent:</b> Mittwoch, 8. November 2000 15:23 <b>Subject:</b> CGAP Disclosure Guidelines for MFI Financial Reporting
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CGAP's 28 member donors have approved distribution of a preliminary version of a set of guidelines for the CONTENT (not the FORMAT or ACCOUNTING POLICY) of MFI financial statements. There will be extensive field testing before a final version is prepared next year.

The objective of the guidelines is to assist in the preparation of financial statements that provide the minimum information necessary for an outsider to understand an MFI's financial condition.

Whether, and in what cases, to require use of the guidelines will be up to individual donor members. A summary version of these guidelines is included in this e-mail. The full text and examples of the provisional guidelines will be posted on [www.cgap.org](http://www.cgap.org) in about one month. Anyone who wants the full text and examples before then should send me an individual e-mail (do not hit the reply button, please). Comments welcome.

#### 1. FINANCIAL STATEMENTS

(1.1) At a minimum, MFI financial statements should include both a balance sheet and an income (profit-and-loss) statement, with accompanying notes.

#### 2. PRIOR YEARS' INFORMATION

(2.1) Statements should show financial information for both the current year and at least the previous year, and include a comment on any unusual movements.

#### 3. SEGMENT REPORTING FOR MULTI-SERVICE MFIs

(3.1) An MFI that offers both financial and non-financial services should provide a separate income statement for the financial service business (in addition to a consolidated income statement and balance sheet covering the institution as a whole).

(3.2) There should be a clear explanation of the methods used to allocate shared costs or revenues between financial and non-financial services.

#### 4. MICRO-LOAN PORTFOLIO ACCOUNTING ISSUES

(4.1) Expenses related to actual or projected loan losses should be shown separate from other expenses in the income statement. The accounting policy underlying the recognition and amount of such loan loss expense should be clearly described.

(4.2) The amount of the loan loss reserve should be shown, usually as a negative asset deducted from the loan portfolio, or as a reserve in the capital account. The accounting policy underlying the determination of this reserve should be clearly described.

(4.3) The amount of loans written off during the period must be shown. The policy governing the amount written off should be stated clearly and in detail, including how other accounts are affected by the write-off.

(4.4) The financial presentation should include a table that reconciles

the accounts affecting the loan portfolio, including  
Loan portfolio at the beginning and end of the period,  
Loan loss reserves at the beginning and end of the period,  
Loan loss provision expenses recognized during the period, and  
Write-offs of uncollectable loans.

(4.5) If the MFI accrues unpaid interest on late loans, there should be a clear and thorough explanation of the MFI's policy in this respect, including especially the point at which further accrual is stopped and previous accruals are reversed.

## 5. PORTFOLIO QUALITY AND MANAGEMENT

(5.1) A portfolio report showing the extent of late payment on loans as of the end of the current reporting period should be presented, and any measurement of late payment should be explained thoroughly, including precise definitions of the numerator and the denominator of any ratio measuring loan portfolio quality.

(5.2) The MFI's actual practice in allowing, tracking, and provisioning for renegotiation of delinquent loans should be described clearly.

(5.3) Insider loans should be disclosed, including outstanding amount, interest rate, collateral, and repayment status on every loan to members of management, the MFI's governing body, or parties related to them. Small loans available generally to all employees may be reported showing only total amount and number of such loans outstanding, along with the interest rate and an indication of the degree of late payment on such loans. Policies governing these kinds of insider loans should be described precisely.

## 6. DONATIONS

(6.1) Revenue from donations should be shown separately from income generated by the MFI's financial business, so that the profit or loss from operations can be determined.

(6.2) The source and amount of current period donations should be disclosed; if there have been no donations, there should be an explicit statement to that effect.

(6.3) The method of accounting for donations should be explained.

(6.4) In-kind donations or subsidies should be disclosed, and there should be an estimate of the additional expense the MFI would have to incur in the absence of the subsidy.

(6.5) The cumulative amount of all prior-period donations for the MFI's financial operations should be shown.  
(Optional: strongly recommended but not required)

## 7. DETAILS OF LIABILITIES

(7.1) For all loans to the MFI that account for more than 10 percent of total liabilities, the following information should be provided:

### ***Source of the liability***

Terms (amount, repayment schedule including grace periods, interest rate, and currency in which it is to be repaid)

Guarantee mechanisms used to obtain loan, including percentage of the loan covered by the guarantee.

Average outstanding principal balance of the liability during the reporting period, calculated on a monthly or at least quarterly basis.

Interest expense during the reporting period, including cash payments and accruals.

Full details of any arrears if the MFI has failed to make a payment when due during the period or is not current on the loan at the end of the reporting period.

(7.2) Any type of deposit account that is tied to clients' ability to obtain future micro-loans should be shown separately from other deposits, and there should be a general description of the conditions of the account and its linkage to loans.

## 8. OTHER SIGNIFICANT ACCOUNTING POLICIES

(8.1) Accounting policies with respect to accrual/deferral of income or expense should be explained briefly.

(8.2) There should be an indication of whether the MFI depreciates fixed assets, and the methods used for such depreciation.

(8.3) Any accounting policy that provides for, registers, or otherwise compensates for the effects of inflation on the MFI's financial situation should be described briefly, including an indication of which accounts are affected.

(8.4) For MFIs with assets or liabilities denominated in a foreign currency, any significant currency mismatch (financial assets balanced against liabilities denominated in a different currency) should be disclosed, and the accounting treatment of unrealized gains or losses due to foreign currency fluctuations should be described.

### ➤ Information systems and Microfinance (1 mail)

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**From:** Normand Arsenault [mailto:normand.arsenault@sympatico.ca]  
**Sent:** Montag, 13. November 2000 00:33  
**Send reply to:** [devfinance@lists.acs.ohio-state.edu](mailto:devfinance@lists.acs.ohio-state.edu)  
**Subject:** Information Systems and Microfinance

For the information of people involved in information systems assessment, development and implementation, here are interesting documents found on the web:

Vanderbilt University's web site:

#### **"MIS DEVELOPMENT METHODOLOGY"**

<http://mis.vanderbilt.edu/methodology/>

On Microsoft's web site:

#### **"SUCCESSFUL SOLUTIONS FOR THE ENTIRE IT LIFE CYCLE"**

<http://www.microsoft.com/trainingandservices/default.asp?PageID=enterprise&P>

ageCall=lifecycle

This web site provides an inexhaustible source of information on IS development strategy and methodology. In particular view this web page where you can download many guides and models:

#### **"FRAMEWORK FOUNDATION WHITE PAPERS"**

<http://www.microsoft.com/trainingandservices/default.asp?PageID=enterprise&P>

ageCall=whitepapers

And also:

"The Information Systems Challenge: How to Develop an Effective System without Putting the Organization into Bankruptcy!" MicroFinance Network

<http://www.bellanet.org/partners/mfn/theme2.html>

"FDIC's Information Technology Strategic Plan"

[http://www.fdic.gov/about/strategic/information/toc\\_new.html](http://www.fdic.gov/about/strategic/information/toc_new.html)

"The Standish Group CHAOS Research Paper"

<http://www.standishgroup.com/visitor/chaos.htm>

"Unfinished Voyages"

<http://www.standishgroup.com/visitor/voyages.htm>

"Review of off-the-shelf Micro-Finance Software"

<http://www.verkoyen.org/softwrev.doc>

"Information technology management white paper, Evaluating Information Technology Investments"

<http://www.itmweb.com/essay529.htm>

"Aligning Information Technology with Business Strategy, a Bibliography"

[http://www.ipo.de/engl\\_version/hot\\_themen/1998/ausricht\\_it/ausricht\\_it\\_artikel.htm](http://www.ipo.de/engl_version/hot_themen/1998/ausricht_it/ausricht_it_artikel.htm)

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A strategic approach to information systems can be based on the following three principles:

- 1 Keep the User who understand the business at the centre of the design and place him in "control". Technologists are important but don't let them assume control. Put someone in charge from the business side;
- 2 Insure executive management support and involvement. Many managers are suspicious of information technology (IT) because they haven't a clue about how it works. It is critical that management demonstrate commitment, leadership, and involvement in the process through the clear communication of purpose and objectives. Management should be convinced of the importance of IT and IT experts should drop the jargon and focus on business strategy. The organization and the individuals within the organization must be willing to make the investment-both in dollars and time-to integrate the change;
- 3 Provide clear statement of requirements and don't let the software vendors call the shots. Define what you want in extreme detail and align it with your business plan and organizational capabilities before even thinking of a software.

Information technology should be an integral part of the business plan and should be seen as the new engine for growth, and not as a frustrating cost center that nobody understand. IT success should be measured by profits, not cost. The business plan should establish business objectives calling for a clear vision and powerful business case for what the business will achieve. IT should be viewed as a vehicle within the business plan for improving results in the overall business rather than be viewed only as a vehicle for putting technology in place.

In order to be successful in IS development, organizations must consider the people who are affected by, will have to live with, and are often crucial to effecting the change in question. Software projects do not usually fail for technology reasons but for failing to address the non-technical aspects associated with organizational change. You can find information about organizational change at:

**"MANAGING ORGANIZATIONAL CHANGE"**

<http://www.microsoft.com/trainingandservices/content/downloads/MRFMOC.doc>

and:

**"READYING AN ORGANIZATION FOR CHANGE"**

<http://www.microsoft.com/trainingandservices/content/downloads/MRFOrgChange.doc>

doc

You can also view on the web site of DBS Consult (Pty) Ltd, Cape Town, South Africa an article I wrote about:

**"THE KEY TO INFORMATION SYSTEMS: INFORMATION"**

[http://www.dbs.co.za/FLASH/flash\\_index.htm](http://www.dbs.co.za/FLASH/flash_index.htm)

Section " News and Views"

Section "Current News and Views"

Unleashing true potential of information systems is one of the most exciting challenges facing Microfinance practitioners. IT can be an integral part of a strategy for growth rather than shoved aside as an annoying back-office function.

What is your IT strategy and approach? How do you leverage IT in your organization?

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➤ **Meeting on deposit mobilization in Peru (1 mail)**

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<b>From:</b> Dale W Adams [mailto: <a href="mailto:dwadams@burgoyne.com">dwadams@burgoyne.com</a> ] <b>Sent:</b> Montag, 30. Oktober 2000 01:47 <b>Send reply to:</b> <a href="mailto:devfinance@lists.acs.ohio-state.edu">devfinance@lists.acs.ohio-state.edu</a> <b>Subject:</b> Meeting on deposit mobilization in Peru
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This past week I attended a meeting in Peru that focused on deposit mobilization. The grist for the meeting was a field study recently completed by Swisscontract for COFIDE/Inter-American Development Bank. The study involved interviews with about 1,100 individuals in a handful of places in the country along with case studies. I don't know of any other recent country studies on this important topic.

Some of the results of the study were:

- a third or more of the microentrepreneurs and urban individuals interviewed were members of self-help financial groups -- roscas -- (called juntas, panderos, tanamoshies, and redonillas in Peru).
- the authors had a difficult time measuring savings capacities -- it's near impossible to measure something that hasn't been expressed, and therefore can't be seen.
- many people didn't have much money in savings accounts because they remembered the havoc wrecked on deposits by inflation in the 1980s, the charges that banks often placed on deposit accounts, and poor quality of deposit services.
- a few cajas municipales and even a couple of weak cajas rurales, however, have recently been aggressive, and successful, in mobilizing substantial amounts of deposits. Several other financial organizations are experimenting with techniques used by roscas in the country to attract clients.
- excessive legal reserve requirements -- as high as 40% -- force banks to pay interest rates on deposits that are far below the rates they charge on loans.

It will be interesting to see if this type of research and conference stimulates financial institutions to be more aggressive in mobilizing deposits in Peru.

As an aside, I talked with several people who have done a parallel study of informal finance in Peru. A draft of their report should be done in mid-November. One of the individuals involved did a case study of a rice merchant who is lending more money informally to rice farmers than the total amount of lending done by most of the individual caja rurales in the country. I look forward to reading this study when it is available for distribution.....jane.

## Publications

➤ **Micro finance regulation (1 mail)**

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<b>From:</b> Laura Dubery [mailto: <a href="mailto:laurad@itpubs.org.uk">laurad@itpubs.org.uk</a> ] <b>Sent:</b> Dienstag, 19. Dezember 2000 15:27 <b>Send reply to:</b> <a href="mailto:devfinance@lists.acs.ohio-state.edu">devfinance@lists.acs.ohio-state.edu</a> <b>Subject:</b> Microfinance Regulation - Special issue of Small Enterprise Development
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Dear All,

You may be interested in the latest edition of SEDJ which focuses on Microfinance Regulation. I attach the contents and the editorial. Details of how to obtain it are also given below.

Laura Dubery

Small Enterprise Development Journal Volume 11 Number 4 December 2000

#### [From the Chair - MARK HAVERS](#)

Regulating microfinance-the options - ROBERT PECK CHRISTEN and RICHARD ROSENBERG Building the regulatory framework for microfinance in India - MATHEW TITUS Microfinance regulation in Bangladesh-a long path to progress - DAVID CRACKNELL Regulating microfinance NGOs in Bangladesh -S. M. RAHMAN The state of microfinance activity and regulation in Russia -MEHNAZ S.

SAFAVIAN, DOUGLAS H. GRAHAM, CLAUDIO GONZALEZ-VEGA and DENNIS WHELAN

Towards a market-friendly environment for microfinance-

legal and regulatory reform in Zambia -PATRICK MEAGHER and BETTY WILKINSON

BOOK REVIEWS :Journal of Development Economics: special issue on group lending; The new middlewomen: profitable banking through on-lending groups

WEB WATCH

NOTES AND NEWS

PROBLEMS, PROBLEMS

TAKING STOCK - What should universities do for MSE development? ALLAN GIBB

DIARY

#### [From the Chair](#)

A new and very successful British current affairs weekly has a section headed 'Boring but Important'. Undoubtedly, this is how many people would describe the subject of microfinance regulation. We are therefore all the more indebted to our authors in this edition of Small Enterprise Development for showing us that the subject is not only very important, but also interesting, understandable and (at times, yes) even amusing. A key current interest in many development disciplines is defining the most appropriate boundaries between what government should do and what it should not do. For some years now we have been confident that government should not be directly involved in the delivery of microfinance and business development services. We have been rather less clear about the extent to which we want government to be involved in the regulation of the microfinancial services delivered by NGOs and other non-banks, and what the nature of that involvement should be. I hope this issue, which brings together considerable diversity of experience, will help to take us all forward in this difficult area.

The keynote article in this edition is the contribution by Christen and Rosenberg who effortlessly guide us through the key issues in microfinance regulation and instruct us in the current state of the art, as far as it can be said that there is one. Their main conclusions are that:

- **Credit-only MFIs should not be subject to regulation and supervision.**
- **Small community-based MFIs should be allowed to take deposits, even if unregulated.**
- **Special regulatory windows for MFIs are suitable in some countries, but currently premature in most.**
- **Experience shows that self-regulation by federations of MFIs is unlikely to be effective.**

Against these notes of scepticism, however, the authors are clear in their overall conclusion that the future of microfinance must eventually lie in a licensed setting in order to enable MFIs to achieve scale and outreach. Since a licensed framework demands regulation and supervision, then regulation and supervision we must one day have. In the meantime, however, we are told that benign neglect may be the best approach for most countries. Wide-ranging as Christen and Rosenberg's paper is, they themselves admit that it is essentially rooted in the Latin American experience of microfinance regulation. It is therefore excellent that we are able to bring you detailed discussions on the state of microfinance regulatory play from a wide range of other countries. Thus, we have valuable contributions from Cracknell (Bangladesh), Meagher and Wilkinson (Zambia), Rahman (Bangladesh again, but from a different perspective), Safavian et al. (Russia) and Titus (India).

So, what do we learn from taking an overview of these various pieces? Firstly, we learn that before going into microfinance regulation we need to be very clear as to exactly why it is that we want to regulate. For example, is it because we want to increase depositor confidence and therefore the level of savings, or is it because the authorities want to get a closer grip on the activities of microfinance NGOs?

Secondly, there is currently a tendency to assume that the lack of a suitable regulatory framework is a key factor that is holding back the development of microfinance in many countries. The reality is that there is little real evidence for this. Some countries have substantial microfinance sectors without ever having had any proper regulation, while others simply do not (yet) have the sort of MFIs (in terms of size and institutional strength) which could be expected to respond to any change in their environment, however positive. The weakness lies in the institutions, not the law.

Thirdly, we need to be aware of the dangers of regulation. Even where regulatory frameworks are being put in place with the best of intentions, it is still possible for things to go wrong. Apparently well-meaning controls on strategic change in MFIs may result in the repression of innovation and growth, with consequent holding back of the financial deepening process. Less innocently, regulators may prove unable to resist political pressures to impose interest rate ceilings. There are also risks in the ease with which legislation can be enacted, but often without having the necessary resources to carry out the necessary supervision. Since it creates an illusion of security, regulation without supervision is worse than no regulation at all.

Fourthly, it may therefore be better to be realistic rather than idealistic, thus allowing (as has already been proposed) the continuation of benign neglect. After all, Bangladesh has got to over eight million microfinance clients without having a regulatory framework in place. Lastly is the lesson that perhaps comes most clearly out of the different country experiences. Despite the excellent efforts of our authors and others, we are still some way from knowing how to regulate the microfinance sector, especially outside Latin America. Knowledge based on hard experience from Asia and Africa remains insubstantial and there is still a huge amount of learning to be done.

This issue sees the birth of 'Problems, Problems', with Professor Malcolm Harper trying to give helpful answers and suggestions to the hard-pressed and lonely managers of microfinance and BDS projects everywhere. While light-hearted in tone, we hope that this section will try to get to grips with some of the big issues faced by those who are really trying to make a success of providing financial and business development services to disadvantaged people. Send us your problems now! In the next issue, 'Problems, problems' will be complemented by another new section, 'Crossfire' in which two experts with opposing perspectives on a theme will put their point of view. Women's empowerment is our first (undoubtedly lively) topic.

Mark Havers

The Springfield Centre for Business in Development, UK Subscription Details Standard rate (for organizations) £88 / US\$130 Concessionary rate (for individuals) £42 / US\$62 For full airmail service add £8 / US\$14 to subscription rates above. Single issue copies are also available: £10 plus p&p. Subscriptions should be sent to: The Subscription Manager, ITDG Publishing, Journals, Portland Press, Commerce Way, Whitehall Industrial Estate, Colchester, Essex, CO2 8HP, UK. Tel: 01206 796351; Fax: 01206 799331; Email:

[sales@portlandpress.com](mailto:sales@portlandpress.com)

Small Enterprise Development is also available free online with a print subscription. Subscribers should go to:

<<http://www.catchword.com/titles/09571329.htm>> and follow the instructions. You can receive, by email, contents details of each new issue of Small Enterprise Development in advance of publication. This service is free of charge, and you do not need to be a subscriber to the journal. Visit:

<<http://www.catchword.com/titles/09571329.htm>> and submit your email address

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➤ **CMF publications (1 mail)**

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**From:** Shalini Manandhar [mailto:cmf@cmf.org.np]  
**Sent:** Donnerstag, 19. Oktober 2000 11:02  
**Send reply to:** [devfinance@lists.acs.ohio-state.edu](mailto:devfinance@lists.acs.ohio-state.edu)  
**Subject:** CMF Publications

Dear All,

Find below the list of materials with its price list. All these materials are on SALE. If you would like buy these materials, please email to [cmf@mos.com.np](mailto:cmf@mos.com.np) Training Manuals and Tools of Savings and Credit Language Nrs.

US\$

*Registration of Savings and Credit Organizations: A Training Manual for Promoters*, (English & Nepali), 100.00, \$3.00  
*Book-keeping Systems for Savings and Credit Organizations: Guidelines for Local Promoters*, (English & Nepali), 100.00, \$3.00  
*Amalgamation of Savings and Credit Organizations: A Training Manual for Promoters*, (English & Nepali), 150.00, \$4.00  
*Participatory Institutional Assessment and Visioning Exercise for CBOs* (English & Nepali), 150.00, \$4.00  
*Peer-Based Capacity Building of Savings and Credit Organizations: A Training Manual for Promoters*, (English & Nepali), 100.00, \$3.00  
*Productive Credit Management in Savings and Credit Organizations: A Training Manual for Promoters*, (Nepali only), 200.00, \$5.00  
*Accounts Supervisory Committee in Savings and Credit Organizations: Guidelines for Local Promoters* (English & Nepali), 150.00, \$4.00  
*Gender Equity in Savings and Credit Organizations: A Training Manual for Promoters*, (English & Nepali), 200.00, \$5.00  
*Financial Management of Saving and Credit Cooperatives: A Training Manual for Promoters*, (English & Nepali), 400.00, \$7.00  
*Accessing the Rural Self Reliance Fund Guidelines for Savings and Credit Cooperatives*, (English & Nepali), 50.00, \$2.00  
*Business Planning for Savings and Credit Cooperatives: A Training Manual for Promoters*, (English & Nepali), 400.00, \$7.00  
*Business Planning for Micro Finance Institutions* (English & Nepali), 500.00, \$10.00  
*Management Tools and Other Resources*, Language, Nrs., US\$  
*Registration of Savings and Credit Groups* (brochure), (English & Nepali), 50.00, \$2.00  
*Introductory Brochure on the Cooperative Act* (English & Nepali), 50.00, \$2.00  
*Model By-laws for Savings and Credit Organizations* (English & Nepali), 100.00, \$3.00  
*Model Policy Guidelines for Savings and Credit Cooperatives* (Nepali only), 200.00, \$4.00  
*Institutional Audit Tools for Savings and Credit Organizations* (English & Nepali), 300.00, \$5.00  
*In Search of Best Practices: A Study of Community Based Savings and Credit Organizations in Nepal*, (English & Nepali), 100.00, \$3.00  
*Manual for the Financial Auditing of Savings and Credit Cooperatives* (English & Nepali), 200.00, \$4.00  
*Limited Banking Licenses for Savings and Credit Cooperatives: Guidelines and Lesson Learned*, (English & Nepali), 100.00, \$3.00  
*Computerization: Guidelines for Savings and Credit Cooperatives* (English & Nepali), 100.00, \$3.00  
*Micro Enterprise Resource Directory*, (English & Nepali), 400.00, \$7.00  
*Energizer Activities for Savings and Credit Trainers* (English only), 100.00, \$3.00  
*An English-Nepali Glossary of Micro-Finance Terminology* (English only), 400.00, \$7.00  
*Micro Finance Tools*, Language, Nrs., US\$  
*Principles of Micro Finance - Module I*, English, 500.00, 10.00  
*Management of Micro Finance Institutions - Module II*, English, 500.00, 10.00  
*Seminar /Workshop /Study Tour Proceedings*, Language, Nrs., US\$  
*Workshop Report on Business Planning for MFIs - , March 13-18 2000*, English, 150.00, \$2.00  
*All Women Study Tour to India - March 7-21 1999*, English, 100.00, \$2.00  
*National Seminar on the Savings Services , February 5, 2000*, English, 175.00, \$2.00  
*Training Workshop on Conceptualizing and Designing Savings Products - February 3-4, 2000*, English, 100.00, \$2.00  
*The Business Planning Training Workshop for Savings and Credit Organizations - February 14-19 2000*, English, 150.00, \$2.00

*Workshop Report on Management of MFIs - December 12-17, 1999, English, 175.00, \$3.00*  
*National Seminar on the Role of Apex Institutions on Building Sustainable Micro Finance Institutions - March 7, 2000, English, 100.00, \$2.00*  
*Training Report on the Principles of Micro Finance I - September 5-11, 1999, English, 250.00, \$3.00*  
*National Seminar on Women's Empowerment Through Micro Finance – March, 24-25, 1999, English, 175.00, \$2.00*  
*Report on the Consultative Meeting on the Financial Intermediary Act, -5-Feb-99, English, 100.00, \$2.00*  
*An internship Package - Oct 1999, English, 100.00, \$2.00*  
*Report on Principles of Micro Finance: Training Modules I, October 30, Nov 4, 1999, English, 150.00, \$2.00*  
*Report on Management of Micro Finance Institutions - Training Workshop, Jan 17- 22, 2000, English, 100.00, \$2.00*  
*Studies, Language, Nrs., US\$*  
*Community Based Savings and Credit Organizations in Nepal: Current Status and Future Prospects: January 1996: English, 350.00, 7.00*  
*In Search Of Best Practices: A Study of Community-Based Savings & Credit Organizations in Nepal: 1998, - English, 350.00, 7.00*  
*Occasional Papers, Language, Nrs., US\$*  
*Management Information Systems (MIS) for Micro-Finance Institutions: Review of Selected Software Packages: January 1999, Occasional Paper No. 1, English, 100.00, 2.00*  
*Women's Empowerment Through Micro-Finance? The Case of the Micro-Credit Project for Women: March 1999; Occasional Paper No. 2 ;English, 100.00, 2.00*  
*Micro Finance Activities of Forest User Groups in Nepal: Current Status and Future Prospects, September 1998 Occasional Paper No. 3, English, 200.00, 3.00*  
*Strategies for the Amalgamation of Savings and Credit Groups in Nepal: A Comparative Assessment; September 1998 Occasional Paper No. 4; English, 200.00, 3.00*  
*Empowering Women Through Micro-Finance Interventions: The stories of Thirty Nepali Women: March 1999 Occasional Paper No.5, English, 200.00, 3.00*  
*Micro Finance and Women's Control Over Savings and Loans in Nepal: August 1999, Occasional Paper No. 6, English, 200.00, 3.00*  
*Research on Women, Savings and Empowerment, June 2000, Occasional Paper no. 7, English, 200.00, 3.00*  
*Regulation of Financial Intermediary NGOs and The Supervision of Micro Finance Institutions; May 2000 Occasional Paper No. 8, English, 200.00, 3.00*  
*MICRO FINANCE DIRECTORY, Language, Nrs., US\$*  
*Micro finance directory, who is who in Nepal, a directory of micro finance institutions and its program in Nepal, 1999, software and hard copy, English, 2000.00, 35.00*

Please forward questions or comments about this web site to :

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➤ [Book review by J.D. von Pischke \(1 mail\)](#)

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<b>From:</b> J. D. Von Pischke [mailto:jdvp@erols.com] <b>Sent:</b> Sonntag, 12. November 2000 04:55 <b>Send reply to:</b> <a href="mailto:devfinance@lists.acs.ohio-state.edu">devfinance@lists.acs.ohio-state.edu</a> <b>Subject:</b> Review of a book on the history of finance in parts of Africa
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Review of Stiansen and Guyer, eds., CREDIT, CURRENCIES AND CULTURE: AFRICAN FINANCIAL INSTITUTIONS IN HISTORICAL PERSPECTIVE. 174 pp. Uppsala: Nordiska Afrikainstitutet, 1999. Transaction Publishers in the US,

The Africa Book Centre in the UK, Almqvist and Wiksell International elsewhere.

This book consists of an introduction and eight articles from a 1996 conference. The Africa it covers extends roughly from the Atlantic through Cameroun, on to Sudan, and over to the Maghreb, with the greatest attention to West Africa. The history it covers extends over about 1000 years, but primarily from 1700 onward.

The first three articles provide interesting commentaries on the problems arising from the lack of a common currency or from the competition of several currencies. These go far beyond the historical problems of bi-metalism, or competing gold and silver standards in what are now developed countries. Imagine the exchange rates between glassware, cowries, slaves, salt and different metals, for example, each preferred in different areas and for different types and sizes of transactions. Currency choice was also influenced by the transport costs of whatever the preferred currency happened to be. This goes far beyond the frontier of formal finance into a sort of raw edge of exchange.

Yet, markets coped. Trade progressed in interesting ways throughout the entire area and beyond. Africans developed creative responses to the availability of goods from Arab and later European sources. Preferences changed over time. Eventually colonial authorities imposed metal coins and paper notes that became standard, but not without false starts and other difficulties. Several articles discuss the great cowrie inflation during the latter 1800s and early 1900s. Issues of collateral and credit are also explored. These often involved the roles of local rulers in creating confidence and setting standards.

Two chapters deal with Islamic finance, one historically and the other based on relatively recent events. I found these to be very informative in an area of discourse that is often confusing or inconclusive to the outsider.

The article that may be closest to the central concerns of devfinnet readers portrays the 50-year history of efforts in local development assistance by French colonial administrators through cash and kind savings and credit societies. This account discusses how these societies were founded to address shortcomings (primarily lack of foresight) in local behavior as perceived by French policy makers; how different, non-credit functions became attached to these societies; the consequences of inconsistent credit policies; the implications of combining mandatory and voluntary behavior; responses to changes in land use and management practices; and governance problems within the colonial administration. The article concludes: "Ultimately, for African participants..., foresight meant holding on to the ability to improvise." Echoes are found in post-colonial efforts to establish credit and savings associations.

The book concludes with a wonderful chapter on the Yoruba view of money, presenting ideals and contradictions. This piece is nicely crafted, combining the best traditions of West African story telling and proverbs, the discipline of historical research, and social commentary. This article provides perspectives on this universal cultural problem in an informative and entertaining way.

J.D. Von Pischke

➤ [Article review about savings \(1 mail\)](#)

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<p><b>From:</b> Rebecca Vonderlack [mailto:rmv1@gwbmail.wustl.edu] <b>Sent:</b> Donnerstag, 16. November 2000 19:32 <b>Send reply to:</b> <a href="mailto:devfinance@lists.acs.ohio-state.edu">devfinance@lists.acs.ohio-state.edu</a> <b>Subject:</b> Institutional Determinants of Savings</p>
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I recently read: "Institutional Determinants of Savings: Implications for Low-income Households and Public Policy", Journal of Socio-Economics, Vol.28, No.4, pp.457-473 by Sondra Beverly and Michael Sherraden (1999). Beverly can be contacted at [sbeverly@ku.edu](mailto:sbeverly@ku.edu).

Beverly and Sherraden's article examines if the poor within the US have the ability to save and how programs and policies could facilitate their savings. Implications for savings behaviors of the poor in developing nations can also be drawn. The initiation of the paper explores existing theories of savings and asset accumulation and assesses their inadequacy in accurately reflecting the stages of saving in low-income households. Critiques of the Life Cycle Hypothesis, the Permanent Income Hypothesis, psychological, sociological, and behavioral theories in their failure to specify for low-income households are presented. Michael Sherraden's (1991) institutional theory explaining the savings patterns of low-income individuals is highlighted due to the particular focus on the poor that it offers.

Beverly and Sherraden conclude that the poor of the US and developing nations are saving and encourage economists to identify how the poor are saving and to develop initiatives to facilitate their savings. The authors then explore the poor's savings capacities and lists five key categories of variables affecting saving in low-income households: demographic, psychological, sociological, behavioral, and institutional. The last category regarding institutional variables reflects Sherraden's work (1991). It addresses:

- **an individual's access to institutional savings mechanisms**
- **one's level of financial education**
- **the affect of incentives offered by institutions**
- **the role of institutions in facilitating savings**
- **an individual's access to credit or the affect of liquidity constraints**

The paper concludes with a discussion of the research and policy implications and testable propositions in regards to the poor's willingness and ability to save.

## Subjects of interest

### ➤ [Investing in saving programmes \(4 mails\)](#)

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<b>From:</b> Dale W Adams [mailto:dwadams@burgoyne.com] <b>Sent:</b> Montag, 9. Oktober 2000 13:00 <b>Send reply to:</b> <a href="mailto:devfinance@lists.acs.ohio-state.edu">devfinance@lists.acs.ohio-state.edu</a> <b>Subject</b> Puzzled
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I recently read the latest annual report of CGAP. I was pleased to see savings featured in the first paragraph of page one, even before debt was mentioned. This raised my hopes that CGAP was nudging the microdebt industry toward microfinance. My hopes were diminished when I read through the list of CGAP's recent "investments" (in the old days these were called grants). Of the 80 odd projects funded by CGAP, only a few had a flavor of deposit mobilization. (Perhaps there is some deposit mobilization hidden in projects that appear to me to be indebteding efforts.)

In my humble opinion, only three major institutional forms ought to be involved in mobilizing formal deposits in most low-income countries: regulated banks, credit unions, and postal savings institutions. These types of institutions are scarce as hens teeth in CGAP's portfolio of "investments."

I finally glanced over the CGAP staff biographies at the end of the report looking for individuals with experience in mobilizing deposits. Most all of the staff listed themselves as specialists in microfinance, but I looked in vain for even one staff member who mentioned experience in mobilizing deposits—they are all micodebtors.

I'm puzzled how CGAP is going to promote deposit mobilization—as suggested in its annual report—when few of its "investments" are directed at these efforts, it works with few institutions that ought to mobilize deposits, and it has essentially no staff with experience in deposit mobilization.....jane.

<b>From:</b> Bhelms@worldbank.org [mailto:Bhelms@worldbank.org] <b>Sent:</b> Montag, 16. Oktober 2000 15:57 <b>Send reply to:</b> <a href="mailto:devfinance@lists.acs.ohio-state.edu">devfinance@lists.acs.ohio-state.edu</a> <b>Subject</b> Jane's puzzlement
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Dear devfinance colleagues,

I wanted to follow up on Jane's recent comments re. CGAP and savings mobilization. Jane is correct in saying that over the past year or so CGAP has placed greater emphasis on flexible financial services for the poor, including savings, as opposed to the "traditional" focus on microenterprise credit. At the same time, we have also realized that many of our past investments have focused more on microcredit programs. However, we would like to point out that even from the beginning our portfolio has included a large number of banks, credit unions, and others that legally mobilize savings from the public. These include several ACCION affiliates in Latin America, two Ghanaian Rural Banks, several West African credit union networks, large reforming government banks like Banco do Nordeste in Brazil and the Government Savings

Bank in Thailand, Centenary Bank in Uganda, CARD Rural Bank in the Philippines, etc. etc. Preliminary (incomplete) analysis shows that these organizations serve somewhere in the neighborhood of ½ million savers.

Of course, we recognize that we still have a lot more to learn and can continue to improve! That's why several of our most recent investments (i.e. over the past six months) have a strong pro-savings character to them, including:

MicroSave Africa, SafeSave in Bangladesh, work on product development and costing with a focus on savings products, and others.

A wider point is that CGAP is attempting to position itself more as a "service center" to the microfinance industry and much less as a "donor" per se. We have stepped up our commitment to provide relevant products and services for practitioners and donors, and we couldn't agree more that taking a broader approach to microfinance (as opposed to microcredit) is one of several important trends in the industry that we need to support.

I'd like to close by providing devfinance readers with a description of CGAP's Guiding Principles, for your information:

- **Build institutional capacity on the ground—as long as demand far outstrips supply, increasing the number of competent MFIs providing services at the retail level remains the number one priority.**
- **Put clients at the center ? CGAP believes that listening to the poor is key to knowing who they are and understanding their financial services needs and preferences.**
- **Move from microcredit to flexible, pro-poor financial services ? Not all poor people want credit or can use it effectively. Voices from the field tell us that the poor require financial services that allow them to address a range of needs, from investment to death ceremonies to education and health expenses.**
- **Extend the poverty-sustainability frontier ? The twin pillars of reaching the very poor and achieving financial sustainability may involve tradeoffs, but both can be improved.**
- **Improve transparency ? Transparency promotes accountability and is a powerful tool for improving the quality of MFIs and their services to clients. Transparency should be promoted both on financial matters as well as the poverty profile of clients.**
- **Appreciate the critical role still remaining for donors ? Donors will continue to play an important role in the development of the microfinance industry, particularly in supporting early-stage pioneering MFIs that show commitment to sustainability and promise to reach significant numbers of very poor people.**

We welcome any feedback you might have about these principles or CGAP activities. Please visit our website ([www.cgap.org](http://www.cgap.org)) for more information.

Regards,

Brigit Helms

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<p><b>From:</b> Dale W Adams [mailto:<a href="mailto:dwadams@burgoyne.com">dwadams@burgoyne.com</a>] <b>Sent:</b> Donnerstag, 19. Oktober 2000 12:36 <b>Send reply to:</b> <a href="mailto:devfinance@lists.acs.ohio-state.edu">devfinance@lists.acs.ohio-state.edu</a> <b>Subject</b> Re: Jane's puzzlement</p>
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Brigit:

Thanks for pointing out that CGAP has made "investments" in a number of financial institutions that have the genetic capacity to mobilize deposits. How many of these projects were aimed at encouraging the institution to extend more micro-debt? How many of the "investments" were mostly focused on stimulating or encouraging more deposit mobilization?

Could you give us an overall estimate of the percent of value of CGAP's "investments" that focus on substantially boosting deposit mobilization? Would it be as much as 5% of your total portfolio of "investments"?

There are several people on CGAP's staff I haven't met. Perhaps some of them have had hands-on experience with mobilizing deposits. If I added up all of the person-years of professional experience of CGAP's staff, what percent of it would have been spent on deposit mobilization? Would it amount to as much as 1 percent?

How many workshops, conferences or seminars have been promoted with CGAP funds? How many of these concentrated on deposit mobilization? Would it be as high as 5%?

I'm sorry to be a crank on this subject, but I don't see CGAP doing much more than giving lip service to deposit mobilization and that is worse than completely ignoring this important facet of development. If you can show I'm wrong in this assertion, please accept my apologies.....Jane

**From:** George Petty [mailto:gmp@eclof.org]  
**Sent:** Freitag, 20. Oktober 2000 11:12  
**Send reply to:** [devfinance@lists.acs.ohio-state.edu](mailto:devfinance@lists.acs.ohio-state.edu)  
**Subject** Re: Jane's puzzlement

These comments on savings are fine. We have all heard them, many times now. But they always seem to be presented in a void.

Institutional capacity to manage savings seems to be either assumed or ignored.

Lets not talk about the "forgotten half". If you want to, call it a third. Insurance is vital as well. People's savings are wiped out every health crises, drought etc.

The possibility of working with other institutions also seems to be ignored. Many MFIs require their borrowers to have savings accounts with banks. Does this not achieve the goals one seeks in savings mobilization?

Isn't the discussion now more about how to mobilize savings. It seems stuck on cheerleading for savings.

George Petty

### ➤ [The honesty of MF providers and systemic risk \(3 mails\)](#)

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**From:** [mailto:imatin@antisocial.com]  
**Sent:** Dienstag, 31. Oktober 2000 20:34  
**Send reply to:** [devfinance@lists.acs.ohio-state.edu](mailto:devfinance@lists.acs.ohio-state.edu)  
**Subject** Groups and client level transparency

i noticed that almost all 'taking savings and making the run' type of mf proviers in bangladesh do not use groups. as a matter of fact, forming groups was often pointed out by many clients as an indicator of permanence and honesty of a mf provider. the discusison around groups in mf have focussed on either it being merely a 'contractual' arrangement (joint liability and all that jazz) and/or the transaction costs it imposes on clients. while i'm sure the transaction cost is real, especially over time, there are lots of other perspectives and issues that need to be brought in on the discussion of groups and microfinance, such as client level transparency, especially when legal and regulatory structures are inappropriate and/or unenforcable. any thoughts?

IM

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**From:** Betty Wilkinson [mailto:seafan@pond.net]  
**Sent:** Donnerstag, 2. November 2000 16:51  
**Send reply to:** [devfinance@lists.acs.ohio-state.edu](mailto:devfinance@lists.acs.ohio-state.edu)  
**Subject** Groups and client level transparency

Imran, nice note. To start the responses—

Some of the things I have heard group members say about why they like being in a group, and where I have encountered them recently:

- enables development of social relations/cohesion (China),
- helps us ensure that the members are honest (Bangladesh),
- makes us more rigorous in our own business efforts, and get advice from successful group members (Zambia),
- helps us resist being forced to be involved in other programs, especially government ones which we know we can't do well (a number of countries),
- way to ensure that the credit officers stay honest since we all watch (PNG, others),
- we use the groups to internally experiment and modify the rules sometimes (many locations).

This indicates that groups can lower transactions costs by buildup and ranking of social capital, enforcement of organizational integrity and personal business commitment/skills, development of new product ideas, and self-policing/a unique form of "internal audit."

Would very much like to hear from practitioners what they view as the benefits to group operations.

Betty Wilkinson

<p><b>From:</b> [mailto:imatin@antisocial.com] <b>Sent:</b> Freitag, 3. November 2000 17:02 <b>Send reply to:</b> <a href="mailto:devfinance@lists.acs.ohio-state.edu">devfinance@lists.acs.ohio-state.edu</a> <b>Subject</b> Contagion effect and lending technologies</p>
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there is a lot of discussion now-a-days about systemic risk in microfinance, especially when there are no collective sanctioning mechanisms such as credit bureau. systemic risk is to a large degree a function of how widespread and rapid is the contagion effect across various players, i.e. the extent and the speed with which repayment indiscipline spreads across mfis. now, i was wondering if the very nature of certain types of lending technologies using highly personalized forms of relationship based lending impacts on this contagion effect--- i have noticed how despite defaulting with one mfi the same clients have perfect repayment with others and also how field staff and management of other players employ quite complex forms of strategies to ensure that the contagion effect is limited. we need to understand these. the nature of such lending technologies is that often reputation built vis-a-vis one mfi is difficult to be readily transferred to another---this to a degree i think internalizes contagion effect. my point is not to argue against the need for collective information system---but to be analytical about the costs and benefits with particular attention to the nature of lending technologies employed by most mfis. other experiences?

IM