



MICROFINANCE CENTRE

# Microfinance

MFC NEWSLETTER ISSUE NO. 2/2011

## JASMINE Microfinance Revolution in EU

Aldona Rutkowska, MFC Capacity Building Program Manager

**MFC has completed the first stage of the European Commission funded capacity building program for 14 Microfinance Institutions (MFIs) in Europe under the EIF's JASMINE Technical Assistance Project.**

The JASMINE (Joint Action to Support Microfinance Institutions in Europe) Project was launched in 2008 by the European Commission, the European Parliament and the European Investment Bank Group to develop microcredit in the EU. It comprises of a technical assistance program in addition to a funding facility. Microfinance Centre (MFC) is the implementing partner for this project.

In October 2010 MFC started its technical assistance activities for 14 MFIs which play an important role in providing access to finance to micro and small businesses in Europe. Among the selected MFIs are: FAER, LAM, Opportunity Microfinance (OMRO), Express Finance from Romania, PRIMOM, Mikrohitel, FEA (Foundation for Regional Enterprise Promotion for the Town of Székesfehérvár) from Hungary, Nachala, Mikrofond, USTOI from Bulgaria, PSYBT (Prince's Scottish Youth and Business Trust) from the UK, CP'AC (Fundación Privada per la Promoció de L'Autoocupació de Catalunya) from Spain, PerMicro from Italy and Créa-sol from France.

The training courses offered to JASMINE beneficiaries are developed based on an initial assessment or rating of the MFIs' activities and performance by Microfinanza Rating and Planet Rating. After the completion of the evaluation phase, MFC's experts provide customized training courses to the staff and management of MFIs, with particular attention to the weaknesses observed in the evaluation/rating reports. The training courses are organized around four focus areas: good governance, strategic planning, IT and risk management.

In January 2011 the first MFIs – LAM and FEA have completed the whole package of training courses organized by MFC, which focused on credit training, delinquency management, financial analysis, MIS and IT, marketing and risk management in MFIs. "During the first training that LAM staff received in November 2010, we got lots of useful information, which helped us to conduct our business and our day-by-day activities in a much more efficient way", says Adel Kotro, LAM's General Manager. "We would

## IN THIS ISSUE:

- **JASMINE Microfinance Revolution in EU**  
Aldona Rutkowska, MFC Capacity Building Program Manager ..... 1
- **Plan Your Future training courses in Uzbekistan**  
Justyna Pytkowska, MFC Research Program Manager ..... 1
- **Excellence in Client Protection**  
Magdalena Ruskowska-Cieslak, MFC Senior Project Coordinator..... 4
- **Over-Indebtedness** Robin Gravesteijn, Ging Ledesma, Ben Simmes, Oikocredit ..... 5
- **The market for deposit services in Tajikistan**  
Justyna Pytkowska, MFC Research Program Manager ..... 6
- **2011 MFC Highlights** .....2-5
- **MFC MEMBER CORNER** ..... 7  
New MFC Members  
News from MFC Members

## Plan Your Future training courses in Uzbekistan

Justyna Pytkowska, MFC Research Program Manager

**During 2010 MFC carried out a series of training courses for some of the low-income population in Uzbekistan. This was part of the Financial Education Programme (FEP), financed in part by European Commission. The multi-component project was designed to improve the financial capability of low-income households in Uzbekistan through implementing a process of institution-building, innovation and the creation of relevant infrastructure at local, regional and national levels.**

One of the project's main strands was to facilitate the development of a financial education toolkit - "Plan Your Future" package - adapted to local needs. The outcomes of the "Plan Your Future" training courses were measured on two levels: the influence of the course on forming the intentions for behavioural change immediately after the course; the long-term impact on financial behaviour.

The intentions, an intermediate step between the gains in knowledge, skills and attitudes and the actual behaviour, were measured at the end of the training courses. Participants of eight training courses completed the questionnaires before and after the training course. They revealed their financial practices before the training course, the intentions to improve the behaviour after the training course, as well as their knowledge and attitude towards financial institutions. The transformation of the intentions into actual behaviour was investigated via a series of interviews conducted several

### Microfinance Centre

ul. Koszykowa 60/62 m. 52  
00-673 Warsaw, Poland  
Tel.: +48 22 622 34 65  
Fax: +48 22 622 34 85  
microfinance@mfc.org.pl  
www.mfc.org.pl

like to thank MFC for the learning opportunity. The high quality training courses that LAM received focused on issues of great concern to our organization”.

MFC offered almost 60 courses, and the program involved over 500 participants and provided opportunities for new skills development and revisions of strategies of microfinance institutions. Training and consulting services enhanced MFIs' capacity to provide microfinance services in Europe and to overcome the challenges in reaching sustainability.

The most asked of training courses by MFIs were in the area of credit management and risk management, which reflects the current challenges in microfinance after the financial crisis, especially in Central Europe. Strategic planning proved to be equally important as MFIs struggle to redefine their market positioning and future growth. 46% of all events were devoted to risk management and 38% to strategic management issues. Only 16% of the technical assistance went to IT aspects of MFI management and 1% to governance, which in the light of the crisis was dwarfed by credit management challenges.

Western European MFIs focused more on the fundamentals of credit management and challenges of business start-ups, which dominate their portfolios, while Central European MFIs focused on repayment issues and delinquency management. All institutions were equally interested in strategy reviews and growth options for the future.

In addition to training courses and consultancies, MFC facilitated two additional events: several MFIs participated in the IFC/MFC risk management training session and one exchange visit between FEA and CPAC related to reviewing the best practices in IT applications in microfinance.

In 2011, the following European MFIs have been selected to receive technical assistance under the JASMINE Project: Nachala, Mikrofond and Bulgarian Development Bank JOBs two MFIs from Bulgaria, Patria credit, ROMCOM and The Agency for Implementing Projects and Programs for SMEs from Romania, Manchester Credit Union and Business Finance Solu-

tions from the UK, Qredits from the Netherlands, Credal from Belgium and Fondazione Risorsa Donna from Italy.

To learn more about the MFC training courses provided for JASMINE MFIs please contact: Aldona Rutkowska: [aldona@mfc.org.pl](mailto:aldona@mfc.org.pl) or Yuliya Chumachenko: [jchumachenko@mfc.org.pl](mailto:jchumachenko@mfc.org.pl)

For additional information about the JASMINE Project please go to: [http://www.eif.org/what\\_we\\_do/microfinance/JASMINE/index.htm](http://www.eif.org/what_we_do/microfinance/JASMINE/index.htm)

### Redefining the Strategy: PSYBT Scotland

PSYBT, operating since 1989, provides access to micro-credit and business support for excluded young people in Scotland. PSYBT has traditionally relied upon donations to sustain its activities and to supplement the insufficient income earned from its lending activities. However, with the reduced availability of grant funds the organization faces financial challenges which mean that it will have to change its strategy towards stronger self-sufficiency.

After the initial meeting in July 2010, MFC and PSYBT developed a training plan which focused on delinquency management, internal control, financial ratios and financial sustainability. The first round of training courses on delinquency management took place in October 2010 and clearly showed that the organization needs first to review its overall strategy, and then, it needs more time to reflect on the direction it needs to take before more specific training courses are provided. This led to the change of plans for the remainder of the program: instead of providing a skill building training course MFC, in cooperation with the Shore Bank Advisory Services, provided consulting assistance in revising the organization's strategy and providing inputs into the sustainability scenarios to be presented to the Board of Trustees.

The flexibility of the JASMINE program allowed MFC to adjust the training offer as we better assessed the needs of the client and provided the inputs that are the most needed at a given moment for the organization.

## 2011 MFC Highlights

### Encouraging low-income families to save money in Poland

MFC in cooperation with its partner, the Association of Friends for Integration, organized six training courses of saving module for social benefits recipients in Warsaw in January and February. 61 of 74 people taking part in the trainings joined a six month saving program. The program participants can win money awards for regular saving practice. During the first two months of saving, 1 person resigned from the program and 7 skipped their monthly saving (which is allowed once during the duration of the program).

The second component of the project focuses on incentivizing low-income households that went through financial education training to save regularly through reminders. Since beginning of 2011, first group of over 30 people who signed up for the program have been receiving weekly SMS reminders with different tips regarding savings. Additionally, a group of over 90 people has been created to receive postcard reminders. The group will be receiving postcard reminders for a period

of 6 months. Effectiveness of both types of incentives for improving saving practices (money awards and reminders) will be assessed at the end of the project to evaluate their effectiveness. The project is founded by Levi Strauss Foundation.

### The Financial Education Project in Tunisia

The ENDA Inter-Arabe project evaluation meeting took place in Tunisia, from 28-29 March, 2011. The project was to build the organisation's capacity to deliver the financial education training element of the Plan Your Future module to its clients, through group training courses and individual consultancy sessions. The following objectives were achieved: the training and consulting modules were modified and adapted to the local context and to the needs of the organization, the internal capacity of five senior trainers was built to deliver the integrated financial education package to the loan officers and service consultants within the organization. More than 20 staff members were trained during the training of trainers. Financial education during the pilot testing was delivered to more than 300 clients with plans to reach around 20 000 clients by the end of 2011.



months after the training course with a small sample of training participants (26 people).

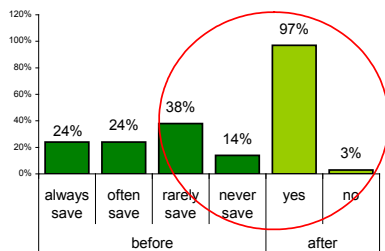
### Intentions to improve financial behaviour

The most important outcome of the training courses in Uzbekistan was that the majority of participants finished the training course with the intention of improving their financial behaviour. The training courses had the strongest impact on people's intention to save – 97% of non-savers declared that, after the training course, they wanted to start saving for emergencies or for specific goals.

A comparably large impact was observed in another financial behaviour - income/expense tracking: 86% of the participants had already started recording what they earn and spend during the training course or planned to start to do that immediately after the training course. The willingness to engage in financial planning was more modest, as only 69% of trainees intended to start preparing household budgets for a longer period of time.

Altogether, 84% of those participants who underperformed in at least one of the areas of financial behaviour intended to improve but 16% did not plan to make any changes or resigned from one of the practices (negative impact).

**Figure 1:** Frequency of saving before the training course and the intentions to start saving after the training course.



### Who benefited most from being trained?

Several characteristics distinguish those on whom the training course had the largest impact. Those who came to the training course without any proper financial habits (no budget planning, expense tracking and saving) were the most enthusiastic about changing their behaviour.

Cognitive ability also helped to bring about more benefits – those with higher computation skills appreciated training messages more and were more willing to use them for better

money management. The influence of age and perception of one's control, although weaker, were still significant – older and internally-motivated people were more eager to formulate intentions to improve financial habits.

### What influenced participants to say they would improve their financial behaviour?

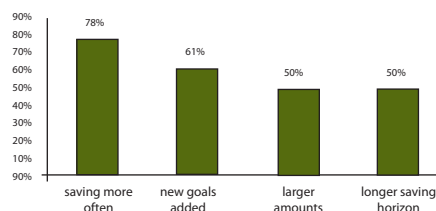
The following factors related to the training course outcomes were found to be significant in forming intentions:

- attitude towards financial institutions - participants who gained more trust about the financial system during the training course were more likely to engage in better financial behaviour after the training course
- knowledge - improvement in the knowledge about prerequisites for successful saving was coupled with the intentions to start saving
- satisfaction with the training course - higher overall training satisfaction led to the formation of the intentions to improve financial behaviour

### Long-term impact on saving habits

Among those who saved before the training course the vast majority continued saving 8 months after the training course. The improvements in saving practices mostly occurred in the areas of the frequency of saving and goals setting. 78% started saving more often, 61% added new saving goals. Additionally, 50% extended the saving horizon and 50% managed to increase the amount saved. However, the reactive method of saving – saving what is left unspent – continued. As many as 89% still saved only what was left after covering all expenses, rather than putting aside some money up front.

**Figure 2:** Changes in saving practices 8 months after the training



Among those who started saving after the training course 50% admitted that it was a difficult task but the support of the family and awareness of the importance of saving helped to continue the practice.

## 2011 MFC Highlights

### The Financial Education Program for low-income households in Uzbekistan

The program, financed by EU IBPP Programme, is coming to its final stage. The national strategy for financial education is included as part of the national Welfare Improvement Strategy as well as part of the National Microfinance Strategy. The case-studies from local partners were presented during the dissemination conference, which took place in Tashkent on 11 March, 2011. Around 80 high-rank officials from the Ministries, Central Bank, donor agencies, media and implementing agencies participated in the event. Achievements and ways forward were discussed at the workshop. The results of the projects will also be presented during the financial education workshop at the 14th MFC Conference in Prague.

### The Financial Education Project in Kyrgyzstan

The workshops of the Debt Management training module were delivered to almost 240 low-income people by local train-

ers. The project evaluation meeting is planned for 7-8 April, The objectives of the upcoming event are to share experiences of conducting financial education trainings, to evaluate the results of work already done and to discuss the lessons learned about dissemination channels. The last phase of the project is some field research on the long-term influence on those low-income people, who have taken part in the workshops. The studies are planned for next months. This project is financed by ICCO.

### The Financial Education Project in Tajikistan

Continuing the MFC work of establishing the financial education delivery mechanism in each of the Central Asian countries the Financial Education Project was launched in Tajikistan. The project is financed by ICCO and co-organized with AMFOT. The training of trainers of the Plan Your Future module took place in Dushanbe on 11-16 April, Following the training of trainers, the trainers will deliver workshops to low-income households in the regions. The evaluation meeting is planned for July.





## Excellence in Client Protection

Magdalena Ruszkowska-Cieslak, MFC Senior Project Coordinator

**In Spring 2010, MFC together with The SMART Campaign launched the first edition of the Excellence in Client Protection Award for microfinance providers in the ECA Region. The Award promotes the 6 Client Protection principles in the microfinance sector and acknowledges those institutions which have developed outstanding practice in at least one of the six principles, effectively mainstreaming the principle into organizational systems.**

Partner Micro Credit Organization (MCO) from Bosnia and Herzegovina was recognized as the Main Award Winner for its outstanding practice in all 6 Principles. In particular, Partner MCO excels in preventing over-indebtedness<sup>1</sup>. The Loan Officers work meticulously in their client's business analysis, completed by a compulsory check with the credit bureau of the client, guarantors and even spouses. After the loan disbursement, the lending practices are monitored by Internal Auditors, who randomly visit clients and use a questionnaire to detect procedural violations that could increase the risk for client over-indebtedness. Moreover, Partner MCO promotes financial literacy among employees and clients as the key for smarter financial decisions; Partner's entire staff received financial education in order to better advise clients on the use of financial tools. Clients also receive pamphlets on interest rate calculations, hidden credit costs and guarantor's responsibilities and obligations.

Additionally, four other MFIs were given special recognition: The acknowledgements went to **Adie (France)**, for outstanding practice in Transparent Pricing and Ethical Staff Behaviour Principles. Adie believes strongly that customers are able to make sound decisions about the benefits, costs and risks of financial products and services, when they are provided with transparent information in a form that they can understand.

<sup>1</sup> The awarded practices were described in detail and are available in the SMART-notes series available on [www.smartcampaign.org/tools-a-resources/2/109](http://www.smartcampaign.org/tools-a-resources/2/109)

To empower clients in making informed credit decisions, Adie equips its Loan Officers with templates of dialogues to be conducted with clients (specifying questions to be asked and providing various options of answers to potential clients' questions). Adie trains staff in communicating the product offering to non native-speakers (migrants) or illiterate clients (Roma population). The loan contract is written in a clear and simple language, with no foot print or small font, and staff read it aloud and discuss it with both customer and guarantor prior to signature.

Adie's management created an outstanding organizational culture, firmly focused on the client's needs, making staff desiring client's business success as measure of Adie's own success. This focus starts with the multi-stepped hiring process, which evaluates whether a candidate will fit into the above standards. As a first step, the candidate analyzes a case study on a loan application for a typical client of Adie and takes part in a test role-play during which the candidate has to manage a client's unusual behaviour. Then, HR experts evaluate the candidate's personality, their ethical approach and whether they have a team spirit.

**AccessBank of Azerbaijan** was honored for Preventing Over-Indebtedness. The Bank's procedures are in place to focus on a solid evaluation of the borrower's repayment capacity and loan affordability, including an analysis of both the business and client's household cash flows. In addition to an extensive analysis of documents, the Loan Officer checks the client's living standards during a site visit to the client's business and home in order to verify the self-reported information and documents provided by the client.

The Internal Audit, which has 10 staff members, plays a crucial role in reviewing the lending practices in all the Bank's branches throughout the year. Each branch is fully audited twice a year to ensure that lending does not exceed policy limits and also that multiple loans have not been given to related individuals.

**EKI Microfinance Foundation from Bosnia and Herzegovina** was recognized in the field of Preventing Over-Indebtedness and Transparent Pricing. Currently, as a routine procedure, the

### 2011 MFC Highlights

#### The risk of over-indebtedness of microcredit clients in Kosovo

The MFC has taken part in the second study funded by EFSE on the risk of indebtedness of microcredit clients. The project in Kosovo aims to measure the degree of debt burden on microfinance clients and identifying those factors which contribute to over-indebtedness. Kosovo is the second county, after Bosnia and Herzegovina, in which the study on the risk of over-indebtedness is being conducted. The study is made up of three phases: the analysis of the credit bureau data, bank/MCO survey, and the microcredit client survey.

#### MFC engages in a new public-private initiative to support microfinance in Kazakhstan

MFC, together with the Fund for Financial Support of Agriculture in Kazakhstan are founders of the Center for Assistance to Microcredit Organizations (CAMCO). The official launch took place in February, in Astana (Kazakhstan). MFC will contribute to the CAMCO know-how in curriculum development and will support

trainer and consultant certification. This is an important initiative that will enable MFC to further decentralize and develop the capacity of local organizations working on improving financial access.

#### Social Performance Start-up Fund for Networks

Strengthening support for networks to engage in SPM has been identified by the Social Performance Task Force as a top priority for advancing practice of social performance in the microfinance sector. The Ford Foundation has approved a grant for MFC to set up and run the Social Performance Start-up Fund for MF associations – a facility to provide technical and financial support to MF associations willing to start their activities in Social Performance. The launch of the facility is planned for May 2011. For more information please contact: [SPFund@mfc.org.pl](mailto:SPFund@mfc.org.pl).



total cost of a loan (both the nominal and effective interest rate, plus the application fee) is disclosed verily clearly on all EKI promotional materials and on the EKI website.

EKI has developed a standard loan contract containing full information about the interest rate, the fee applied and monthly installments. It shows the schedule for paying back the loan, highlighting the principal amount, the interest rates and the fees. Both the Loan Officer and the client must sign the check list as a proof that the client was fully aware and advised about all the important aspects of the loan contract and that the client has understood the product, the terms of the contract, their rights and obligations.

**KazMicroFinance (KMF) from Kazakhstan** was honored for its commitment to Preventing Over-Indebtedness and staff to promote Ethical Behaviour. The Award Committee recognized KMF's efforts in translating the principles into practice by providing its Loan Officers with both a specific training course and a tool supporting the quality of the client repayment capacity assessment. The tool is composed of 5 elements of the client's business assessment, called the "five 'C's rule": examining 5 aspects of how a business runs: character, capacity, capital, collateral and conditions. Thus, the loan disbursement procedure requires, besides the examination of the client's cash flow and an obligatory site visit, verification of the viability of the business from sources other than the business owner: i.e. the analysis of external conditions affecting the business and of the personal reputation of the applicant.

KMF's Organisation's Code of Ethics ensures high customer service standards by highlighting the need to provide accessible, timely and transparent information, as well as ensuring a timely reaction on non-standard situations and client's complaints. Moreover, the KMF Customer Service Standards manual describes the main principles for working with clients; points out the time limits to serve clients, suggests speech modules in communications with clients in different situations, as well as describing the process of communication with potential clients.

More case studies coming soon.

## Over-Indebtedness

Robin Gravesteyn, Ging Ledesma, Ben Simmes, Department of Social Performance and Financial Analysis



The threat of poor entrepreneurs taking on too much loan debt is a growing reality, and a genuine threat to the rapidly expanding microfinance sector.

For the past 35 years, Oikocredit's primary goal has been to provide credit and investment to organizations which otherwise may not have access to funding. Oikocredit is one of the world's largest sources of private funding to the microfinance sector. We also provide credit to cooperatives, fair trade organizations and small-to-medium enterprises (SMEs) in the developing world. Oikocredit believes that microfinance itself does not assure poverty alleviation, and the success often requires social performance strategies and continuous performance monitoring.

Oikocredit's top priority has always been the welfare of the microfinance end-client. With that in mind, investigating methods of reducing the risk of over-indebtedness is paramount to the Oikocredit mission. In January of the last year, Oikocredit issued a survey to explore the actions undertaken by MFIs, MFI networks and microfinance investors to address the danger of over-indebtedness. The survey aimed to provide clarity on the issue of over-indebtedness and highlighted measures taken by Oikocredit as a social investor to address this issue among microfinance clients.

Of 508 active microfinance partners, 236 (45%) responded from 39 countries. The survey examined the policy design of partners but not the effectiveness of these policies. Response rates were particularly high (over 80%) from the Balkans, Tajikistan, Cambodia, Guatemala and the Philippines.

Of those responding to the survey:

- 96% take client repayment capacity into consideration and have lending limits.
- 86% use credit bureaus and/or share information on a client's total debt burden with other MFIs.
- 81% endorsed the client protection principles or national codes of conduct for consumer protection, transparency and prudence.

## 2011 MFC Highlights

### Social Performance Strategy Development Framework for Networks

Incorporating the Social Performance Agenda into the strategy of a MF associations was identified as one of the key success factors in scaling up SPM practice among its members. In order to support networks in developing a comprehensive SPM strategy, well rooted in the local market needs and interests, the Framework "Decision Tree" has been developed. The Decision Tree leads a network through a series of prioritized choices, tailored to the local context and resulting in a concrete action plan. The launch of this public good is planned for June 2011 (at annual SPTF meeting). The framework has been developed by Cerise and the Imp-Act Consortium (represented by Microfinance Centre), within the project sponsored by the Ford Foundation. To learn more contact: [eva@mfc.org.pl](mailto:eva@mfc.org.pl)

### 2011 MFC TRAINING COURSES

#### June 2011

**Risk Management** (in English), Dubrovnik, Croatia  
**Business Planning & Financial Modeling** (in Russian),

Tashkent, Uzbekistan

#### September 2011

Training Course for Loan Officers (in Russian) Astana, Kazakhstan

Customer Service for MFIs (in English), Tbilisi, Georgia

#### October 2011

**Fundamentals of Microfinance** (in Russian), Astana, Kazakhstan

**Delinquency Management** for MFIs (in Russian), Tashkent, Uzbekistan

**Internal Control and Audit** (in English), Budapest, Hungary

#### November 2011

**Risk Management** (in Russian) Almaty, Kazakhstan  
**Efficiency Management in Microfinance** (in English), Istanbul, Turkey

To learn more about MFC training courses please contact :

Aldona Rutkowska: [aldona@mfc.org.pl](mailto:aldona@mfc.org.pl) or Yuliya Chumachenko: [jchumachenko@mfc.org.pl](mailto:jchumachenko@mfc.org.pl)



- 77% offer savings in addition to credit. Such products may mitigate the danger of over-indebtedness by building up reserves, which help to reduce client vulnerability to shocks.
- 69% offer consumer education and financial literacy services to some of their borrowers. However, the quality and degree to which they offer these social services differs substantially.
- More than two-thirds claimed to have procedures in place to handle customer complaints and provide debt-counseling or loan restructuring for clients with severe repayment difficulties.

Results show that some MFIs fear the financial consequences of client over-indebtedness may affect income streams and create defaults, while others express concern about the well-being of their clients. MFIs called for more prudence on the part of investors, and cautioned against flooding markets with too much funding which increases competition and leads to irresponsible lending.

Analysis of client repayment capacity and the development of solid client relationships through regular contact and feedback mechanisms were identified as essential elements in preventing over-indebtedness. A number of respondents re-

ported that while credit bureaus or other forms of credit information exchange are useful, they require strengthening. In fact, several MFIs cautioned against the assumption that credit bureaus will solve the problem. While credit bureaus are important, MFIs should take primary responsibility in carefully selecting, screening and monitoring clients. Other financial and non-financial services including savings, micro-insurance, financial literacy training and debt counseling may also mitigate the danger of over-indebtedness of clients.

From this brief overview of survey results, it is clear that MFIs struggle with the issue of over-indebtedness and strive to address it. Many indicate that addressing over-indebtedness requires careful assessment of how clients repay, rather than if clients repay.

Oikocredit continues to actively monitor and address over-indebtedness via its own network, and through involvement in several key industry initiatives.

This is an excerpt from Oikocredit's Report, "Over-Indebtedness". Full report available: [www.oikocredit.org/socialperformance](http://www.oikocredit.org/socialperformance)

## The market for deposit services in Tajikistan

Justyna Pytkowska, MFC Research Program Manager

In the second half of 2010, the MFC conducted a comprehensive study of the market for deposit services in Tajikistan. The study funded by GTZ aimed to understand the saving habits and attitudes of the population of Tajikistan, evaluating the demand for savings products, assessing the interest of microfinance clients in saving with MFIs and developing market projections for various savings products. The study was conducted in two phases: the supply study (shadow customer research, a competition analysis matrix) and the demand study (focus group discussions and a quantitative survey).

The results show that the use of financial services in Tajikistan is very limited. As per the statistics of the National Bank of Tajikistan, the total value of deposits collected by banks is the lowest in the whole region of Europe, Caucasus and Central Asia and is no more than 24% of the country's GDP. Few people keep their money in banks or microcredit-deposit organizations (MDOs) and the few people who do, usually deposit very large sums. The average deposit value exceeds the national income per capita by over 5 times and is the highest in the region. This creates an opportunity for developing deposit services in the country.

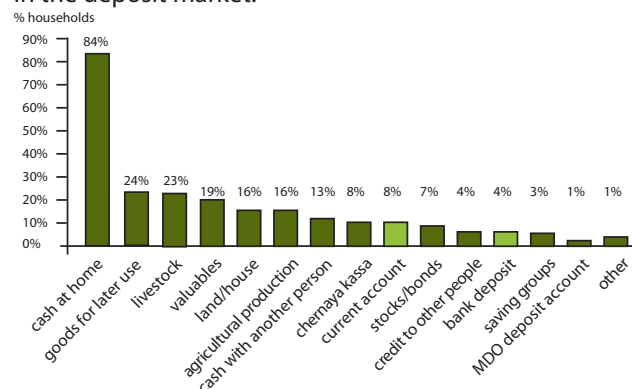
Although banks and MDOs have a range of deposit products, which in theory could be attractive for customers, in reality the uptake of these products is very low. While it is difficult to find a definite answer as to why deposit products are not attractive, the shadow customer research proved that financial institutions lack marketing materials, communication about products and show no real effort in trying to actively sell these products. Moreover, the customer service of MDOs is notably worse than that of the banks.

The survey of households revealed that less than half of households in Tajikistan (40%) save and, in most cases, they save irregularly, only when some money is left after covering everyday living expenses. The median value of annual savings is only TJS 900 (USD 200) per household.

As 42% of households live below the poverty line, the main reason for not saving is a lack of sufficient income. Howev-

er, people who save usually do it for precautionary reasons and save for emergencies. 65% of saving households have an emergency fund for unexpected expenses. Additionally, many households save for long-term goals, including family celebrations, children's education and housing needs.

Microfinance borrowers have better saving habits compared to the general population – 73% of them save and many of them save regularly, not only for family celebrations but also to invest in business. Their annual savings are 2.5 higher than in the general population – the median annual savings of microcredit clients reaches TJS 2,250 (USD 511). Only 11% of saving households keep their deposits with a financial institution, which means that overall less than 5% of households entrust their savings with a bank or an MDO. MDOs hardly figure in the deposit market.



Other financial services are also rarely used: 53% of the households do not use any financial products and a further 35% use only one (among which money transfers are the main service). Only 12% use more than one service. Savings are usually kept at home (84% of the households) and invested in livestock or valuables or goods for use later on in the household or business.

The interest in using deposit products depends on the product features. Product concept testing showed that higher appreciation was given to a semi-liquid deposit account denominated in TJS with an option to make additional payments, as well as offering an opportunity to withdraw some funds once a month. In general, households in Tajikistan are very price-sensitive with high expectations for the deposit interest rate.



## MFC MEMBER CORNER

### NEW MFC MEMBERS:



#### Moldcredit LCC, Moldova

Moldcredit LCC, a Joint Venture Microfinance Organization, joined the MFC network in February 2011. Moldcredit LCC focuses on offering consultancy services and financial products to stimulate entrepreneurial activity, socio-economic development and increase living standards. The institution's activities are aimed at customers who are classified as: agricultural and non-agricultural, rural and urban, trade, production and services, in the tourism industry with the target of social development.

Serving the above-mentioned target customers aims to initiate and develop micro, small and medium business, savings and loan associations and cooperatives. Further information about this Joint Venture Microfinance Organization be found at [www.moldcredit.md](http://www.moldcredit.md)



#### Budapest Enterprise Agency (BEA), Hungary

The main objective of BEA, by offering non-profit integrated services, is to promote the development of SMEs (start-ups, micro and small enterprises) based in Budapest. Finance is one of the most important services of BEA. The BEA and its finance consulting network practice on SME credit provision differs fundamentally from commercial banks' practice. The BEA objective is to serve the real interests of start ups and emerging, developing SMEs. Within the framework of microcredit and Budapest Small Enterprise Credit programmes, the conditions of providing credit are less restricted because they can be used for the procurement of current and fixed asset finance. Low interest rates and low costs of credit facilities provide sustainable growth and increased competitiveness to a SME in the long run. More information is available at [www.bvk.hu](http://www.bvk.hu)



#### Business and Finance Consulting (BFC), Switzerland

BFC was founded in 2003. Its head office is in Zurich, Switzerland with additional regional offices in Armenia, Georgia, Moldova, Russia, and Tajikistan. Since its inception, BFC has successfully implemented assignments in more than 30 countries. The mission of BFC is to promote and facilitate financial sector development in emerging markets through the provision of innovative services. BFC view the development of the financial sector as a tool for achieving economic growth and reducing poverty. BFC's main clients include international financial institutions as well as banks and MFIs in developing countries. More information is available at [www.bfconsulting.com](http://www.bfconsulting.com)

## NEWS FROM MFC MEMBERS:

#### AKIA pushes for changes in Credit Union legislation in Azerbaijan



Azerbaijan Credit Unions Association (AKIA) was founded by seven Credit Unions in 2003. At present AKIA brings together 75 Credit Unions, who have nearly 19 000 members amongst them. The authorized share capital of member Credit Unions is AZN 8.1 million\*, with AZN 2.2 million in reserve funds. In 2009, AKIA acceded to the World Council of Credit Unions (WOCCU). In March, 2010, the Association joined the Asian Association of Confederation of Credit Unions (ACCU). AKIA has recently put forward initiatives for changes to be made to the "Credit Union" law and existing legislation around credit unions working in the country, which are not currently in line with international requirements. For more information visit the AKIA website: [www.akia.az](http://www.akia.az)

\* As of 14 March, 2011 the exchange rate was: 1 EUR = 1.1047 AZN and 1 USD = 0.7933 AZN

#### FAF-DC's study show the positive impact of microcredit on living standards in Albania

The First Albanian Financial Development Company (FAF-DC) carried out a study in Tirana in order to find out if the current level and extent of microcredit is bringing positive social and economic progress in Albania. The Survey Report has shown that those who had received a loan were improving their standards of living. This shows that access to finance provides low income people with opportunities to invest in income-generating activities, smooth consumption and thus reduce their vulnerability to income fluctuations during emergencies. It is now widely accepted that microfinance makes a positive contribution to economic and social development efforts. To find out more please visit <http://faf-dc.com/expressions.htm>

#### A success story from "Bai Tushum and Partners" LLC in Kyrgyzstan



Taalaibek Gaipberdiev since early childhood was greatly interested in sewing clothes. He soon began to sew for himself, and then he realized that he could make money this way and began to sew clothes for sports clubs. In 1994, Taalaibek decided to open his own mini-shop for sewing children's clothes, but he always wanted to create stage and carnival costumes. However, he understood that to make beautiful and good-quality costumes he needed quality materials and exclusive accessories. So, in 2002 Taalaibek decided to take his first loan from "Bai-Tushum and Partners" to implement his creative potential. Today Taalaibek sells his stage and carnival costumes, not only in Kyrgyzstan but also in Russia and Kazakhstan. His customers are attracted by the wide choice, exclusive models and good quality of costumes. Currently, he employs 30 people and he plans to expand further. Taalaibek plans to build a small factory for sewing stage and carnival costumes and a spacious showroom.

#### MLO "IMON INTERNATIONAL" LLC – putting the focus on women entrepreneurs in Tajikistan

MLO "IMON INTERNATIONAL" LLC is a financial institution for whom supporting women-entrepreneurship is one of their priority areas in the social sphere. The organization was awarded an A+ rating for its commitment to social values. Their new loan product that supports women entrepreneurship with a preliminary training element is a step made towards the development of women businesses. The "Start-Up" loan product meets the needs of women-entrepreneurs and offers them great opportunities. It provides freedom of choice in determining the area of work, planning, and expanding the possibilities of doing business. 459 loans for a total of USD 466 743 have been disbursed since 2009 since the introduction of this loan product. The «Start-up» loan product is a springboard to the world of successful businesses.

#### Six-principles SMART campaign in action in Bosnia and Herzegovina



The Customer Protection policy of EKI (Microcredit Foundation EKI) has proven to be a success. The policy takes into account the transparency of its operations, clients' data protection and other stated principles. EKI say that "we have approached the problem systematically and adjusted policies with the latest international practice and standards". Hence EKI has created a six-principles-SMART-campaign-based Policy of clients' protection. Employees are familiar with the Policy and act according to the policy. EKI continues updating, promoting, implementation and control of this policy.

#### KazMicroFinance, working in rural areas in Kazakhstan



Microcredit Organization KazMicroFinance (KMF) is one of the leading companies in Central Asian microfinance sector. 14 branches successfully operate in large cities of Kazakhstan, including capital – Astana city and financial center Almaty city, 45 outlets function in rural areas serving residents of over 500 remote population centers. Company web-site address is:

## FINCA experience a new expansion of their networks in Russia



In Q1 2011 FINCA CJSC, the Russian subsidiary of FINCA International, expanded its regional Russian national network into the town of Pyatigorsk in Stavropol Krai, in the Russian North Caucasus region. The company further expanded its current presence in the Republic of Bashkortostan, opening a sub-branch in the town of Sterlitamak. Currently, the company has 30 offices in the Volga, Siberia and North Caucasus regions of Russia, focused on further developing the microfinance sector by providing loans to entrepreneurs, small-businesses, rural small enterprises and farming households.

## Annual General Meeting of UCORA, Armenia

On March 10, 2010 UCORA (Union of Credit



Organizations of the Republic of Armenia) held its Annual General Meeting. Representatives from the Central Bank of Armenia (CBA), financial sector, partner organizations and media participated in the event which started with a welcoming message from the Chairman of the CBA. A brief summary of 2010 activities was presented to the audience. Some of the major highlights included: continuous activities with the CBA on creation of favorable legal environment for the operation of credit organizations; grant support received from Oxfam-Novib in 2010 aimed at infrastructure and capacity development; SEEP membership which was obtained in 2010; continuous partnership with MFC for ECA region; membership capacity building and training programs with local training companies such as Financial Banking College Foundation and Business Support Center. Khoren Kerobyan, Executive Director of New Horizon UCO LLC was elected as a Chairman of UCORA for a second term.

## OMRO 10 Year Celebrations



Building a healthy loan portfolio, increasing the developmental impact of its activity and returning the Institution to sustainability were the main challenges for Opportunity Microcredit Romania in the last two years. This included a redefinition of Opportunity Microcredit Romania's vision to become the leading social purpose financial institution in Romania. Opportunity Microcredit Romania celebrated its 10 Year Anniversary in April, an important milestone for the Romanian microcredit sector, as well as for the Company itself. Bringing hope and transforming the lives of those who are financially disadvantaged remains their main objective in the future. Opportunity Microcredit Romania seeks to offer outstanding value to all stakeholders, including its investors, lenders, employees and clients, as well as the local community.

## AQROINVEST, a Credit Union with success in Azerbaijan

Aqroinvest Credit Union (CU) has got Financial Rating B and Social Rating BB in FY 2010. Credit Union is still one of the biggest Credit Unions in Azerbaijan. In March 2010, CU passed to new MIS system SMART and it will be the first credit union using this program in Azerbaijan. AqroInvest has new partner Microcredit Enterprises (MCE). AqroInvest has opened two new branches in Aghsu city and Bilasuvayr city.



## Special Award by Azerbaijan Micro-Finance Association

The organization's corporate culture values and rewards for high standards of ethical behavior and of client service are surrounded AzerCredit. Its managers and supervisors review ethical behavior, professional conduct and the quality of interaction with clients as part of staff performance evaluations. So, as a result of all above mentioned activities, in January 2011, VF AzerCredit was awarded "Best member succeeding in SMART Campaign Client Protection Principle 4: Ethical Staff Behavior" by Azerbaijan Microfinance Association.



## ECLOF Armenia supplements new microfinance products

ECLOF's new products will create new opportunities for community development and rural establishment of new cooperatives. All products include social and development components. ECLOF highly appreciates its international cooperation, especially with French organization AFDI, which started a new Project that will support establishment of the rural cooperatives in Armenia. This project includes free trainings and technical assistance for rural areas.

## Housing Microfinance in Europe and Central Asia

Habitat for Humanity International's Europe and Central Asia national programs made their initial forays into housing microfinance because in many countries, whole new houses were not an affordable solution for the poor. For that target market, progressive or incremental housing initiatives were the most reasonable way to slowly improve shelter conditions. Indeed, not just the poor, but an estimated 70 percent of all housing investment in developing countries occurs through progressive building.

As a way to enable households to acquire meaningful incremental home upgrades amid a vast and growing need for adequate shelter, housing microfinance became a strategic avenue for Habitat. Though not part of the traditional building program Habitat is known for, incremental housing solutions and housing microfinance have, over time, accounted for the bulk of Habitat households served in the region. This program has emerged from the fringe to become a central component of Habitat's strategy to serve exponentially more families. Some factors that contributed to housing microfinance and incremental housing as a success include repayment, sustainability, scale and promise of transforming systems.

Such projects as metafinance in Kyrgyzstan, remittance-linked home-improvement loans in Tajikistan or home-improvement incremental housing projects in Macedonia, prove to be sustainable ways out of housing poverty.

Habitat for Humanity International in Europe and Central Asia has housing microfinance partnerships and ongoing projects in more than eight countries, mobilizing more than \$12,000,000 and serving more than 3,100 families.



## NEWS FROM MICROFINANCE

### EMN 8th Annual Conference

The European Microfinance Network (EMN) will hold its 8th Annual Conference in Amsterdam on June 9th and 10th, 2011 at the Beurs van Berlage, the former Amsterdam Stock Exchange. The Conference will be opened by HRH Princess Máxima of the Netherlands in her capacity of UN Secretary-General's Special Advocate for Inclusive Finance for Development.

The conference will deal with the following topic: Complementing microfinance with sustainable non-financial services: But, who will pay the ferryman? The topics of BDS and exchange North-South will be particularly stressed. To learn more visit:

<http://www.european-microfinance.org/conference>

### CREDITS

We would like to express our gratitude to MFC members for providing photos of their clients for all MFC publication:

*Albania:* BESA Fund; *Armenia:* AREGAK Universal Credit Organization CJSC, FINCA Armenia; *Azerbaijan:* AqroInvest Credit Union, AccessBank, Azerbaijan Micro-finance Association (AMFA), CredAgro Non Banking Credit Organization, Vision Fund AzerCredit LLC; *Bosnia & Herzegovina:* Microcredit Organization MI-BOSPO, PARTNER Microcredit Foundation; *Micro Credit Company MIKROFIN;* *Microcredit Foundation EKI;* *France:* ADIE - Association pour le Droit à l'Initiative Economique; *Georgia:* Bank Constanta, *Kazakhstan:* LLP MCO "Arnur Credit"; MCO KazMicroFinance LLC; MCO Asian Credit Found LLC; *Kosovo:* KEP Trust; *Kyrgyzstan:* MCC "Mol Bulak Finance" LLC, Microcredit Company "Bai Tushum and Partners" LLC; *Macedonia:* Saving House Mozhnosti, *Mongolia:* XacBank; *Montenegro:* AgrolInvest; *Russian Federation:* ZAO FINCA; *Serbia:* Micro Development Fund; *Slovakia:* Habitat for Humanity International Europe and Central Asia Regional Office; *Tajikistan:* Micro-Lending Organisation OXUS Micro Finance.