

Report on
Frontier innovations in Financial Inclusion
Microcredit Summit Campaign
Abu Dhabi, UAE
14 -17 March 2016

Microcredit Summits organized by the Microcredit Summit Campaign is to encourage practitioners and other stakeholders to use microfinance as a means towards ending global poverty, especially within the region, as well as to spur progress towards fulfilling the Campaign's Two Goals.

Summit History

In February 1997, RESULTS Educational Fund (REF) convened the first Microcredit Summit, launching a nine-year Campaign to reach 100 million of the world's poorest families, especially the women of those families, with credit for self-employment and other financial and business services by the end of 2005. This historic event, held in Washington, DC, brought together over 2,900 delegates from 137 countries.

Building on the achievements of the 1997 Summit, a series of Global and Regional meetings have since been successfully held. They have attracted more than 15,000 delegates from over 140 countries. From 1997 to the present, the Microcredit Summit Campaign has relentlessly pursued its goals, maintaining a steadfast commitment to the Summit's four core themes. The Microcredit Summit Campaign is a global effort to restore control to people over their own lives and destinies.

Since 1997, the Microcredit Summit Campaign has been leading, supporting, and guiding the microfinance field to address failures in reaching the very poor. The success of the first phase of the Campaign, during which those with microloans grew from reaching 7.6 million of the world's poorest families in 1997 to more than 100 million in 2007, fueled the decision to extend the Campaign. The Campaign's goals for 2015 were launched at the 2006 Global Microcredit Summit in Halifax, Canada.

The Microcredit Summit Campaign is the only global network linking all actors in the microfinance sector that sets and regularly measures progress toward bold goals for using microfinance to end poverty. It announces progress towards these goals through the publication of the State of the Microcredit Summit Campaign Report.

Microcredit Summit Campaign's conferences are the largest microfinance gatherings in the world, which assemble a full range of those active in the field of microfinance including practitioners, advocates, investors, UN agencies, donors, domestic government agencies, and many more.

Frontier Innovations in Financial Inclusion

It will provide an opportunity for participants to delve into some of the most advanced and successful examples of public-private partnerships (PPP) in the microfinance field, all while bringing together the relevant parties that can work together to elevate these programs to a large scale, including government regulators, microfinance practitioners, product design experts, providers of support services, and heads of institutional multinational banks. These different actors will meet with their peers and counterparts from all over the world to engage in a deep dialogue around challenges and opportunities, and work together on our collective mission to eradicate extreme poverty in the near future.

In microfinance, PPPs have not only mobilized private capital into the sector, increasing poor people's access to necessary financial services, but they have also played a vital role in providing better services in important sectors like housing and health. In Brazil, the *Bolsa Familia* program has provided conditional cash transfers to millions of families living in poverty, while also providing access to financial services and a bridge to productive employment. In Kenya, government regulators have created a space for mobile cash transfers, which have greatly increased access to finance for those living in rural areas through mobile phone providers and their agents. In the Philippines, new insurance regulations allowed Microensure, working with local insurance agencies, to develop crop insurance for rural farmers. New public-private partnerships can serve the poorest by linking safety nets and microfinance to help them move from extreme poverty into a position where they can make use of financial services.

The 2016 Summit comes at a critical time with just one year past to achieve the Millennium Development Goals. It is estimated that, at the current rate of progress, approximately 1 billion people will still be living in extreme poverty in 2016 and that, today, nearly 2.6 billion people in the world have no access to formal financial services. Microfinance providers work to reduce this gap and to offer non-financial services to help improve the lives of families around the world. They have the ability to effectively deliver education, business development services, and health services to the poorest, especially to women, living in rural areas of the world. When combined with savings, loans, and insurance, these interventions are powerful tools in the fight against global poverty.

The Microcredit Summit Campaign and its partner, Khalifa Fund for Micro enterprises are seeking the support of visionaries and leading organizations for this 4-day Summit gathered an estimated 1,000 participants from around the world to discuss how PPPs, in conjunction with the growing financial inclusion movement, can dramatically increase poor people's access to necessary financial services and make progress in the fight against poverty. We invite you to take a look at the complete list of sponsorship packages offered and consider the opportunity to be recognized at this groundbreaking event.

Concentrating on Public-Private Partnerships, the upcoming Summit seeks to combine the expertise of the microfinance field and other sectors, such as health, education and agriculture, in order to provide services and infrastructure more efficiently and sustainably. It will be an opportunity for the sectors to meet their counterparts from all over the world to engage in a deep dialogue around challenges and opportunities and to work together on our collective mission to eradicate extreme poverty in the near future.

As the organizers of the event we want to offer a space where synergies are created and where deals are brokered that help bring financial services and other products to vast numbers of the excluded at much lower costs. The Summit will be filled with the people who can make the decisions that build these types of partnerships:

- government ministers and leaders who run cash transfer programs
- CEOs and top management of payment providers who can provide channels that deliver services at low cost,
- heads of financial institutions that can develop products that help those in poverty build resilience against shocks and take advantage of opportunities,
- and leaders of NGOs and other civil society programs that have developed relationships of trust in poor communities through decades of service.

Come to Abu Dhabi and share with us your best practices and work to accelerate innovation in poverty reduction. There will be plenty of opportunities to network, and in doing so, you can help us reach our goal of ensuring that 100 million of the world's poorest families move out of poverty. Join us in this movement and together we can create a global network working with the world's poorest to transform their lives!

The Microcredit Summit Campaign brings together microfinance practitioners, advocates, educational institutions, donor agencies, international financial institutions, non-governmental organizations and others involved with microfinance to promote best practices in the field, to stimulate the interchanging of knowledge and to work towards reaching our goals.

In 1997, the first Microcredit Summit launched a nine-year campaign to reach 100 million of the world's poorest families, especially the women of those families, with credit for self-employment and other financial and business services by the year 2005.

In November of 2006 the Campaign was re-launched to 2015 with two new goals:

1.) Working to ensure that 175 million of the world's poorest families, especially the women of those families, are receiving credit for self-employment and other financial and business services by the end of 2015. 2.) Working to ensure that 100 million families rise above the US\$1.25 a day threshold adjusted for purchasing power parity (PPP), between 1990 and 2015.

Goal (this summit)

The Campaign has six core themes that focus not only on the number of clients reached but also on the quality of the practitioners' work:

- **Integrated health and microfinance:** Health shocks often trap families in poverty or pull them back in to it. They can also cause loan defaults and account closures. Financial service providers can support growing livelihoods for their clients and reduce in their portfolio, by providing health financing and health training, and by partnering with others to deliver health products and provide health service.
- **Savings groups:** The global savings group movement led by international NGOs now reaches over 10 million clients worldwide, most of whom live on less income than the typical microfinance client. In India the Govt promotes a similar program called Self Help Groups (SHGs). The National Bank of Agricultural Developments links 50 million SHG members to financial services through its bank linkage program. Recent innovations with bank linkages, mobile delivery, and fee-for-services offered through these informal groups, while also increasing their viability.
- **Graduation programs:** The Ultra-poor graduation model developed by BRAC has proved effective in Bangladesh and many other countries at reaching those living in the direst poverty and helping them to develop livelihoods and financial capability. Linking these program to financial institutions and government social-protection programs can allow these initiatives to reach scale.
- **Agricultural value chains:** Most people in extreme poverty live in rural areas and earn most of their income from agriculture work. Expanding agricultural value chains to reach smallholder farmers, providing them with financing, risk mitigation tools, and access to the inputs and markets they need to expand production will increase income and opportunity.
- **Conditional cash transfers:** Government social-protection programs provide cash transfers (both conditional & unconditional) to house-holds living in extreme poverty, to the elderly and to those with physical disabilities. Delivering these payments through accounts in financial institutions, combined with incentives for savings and education, help households assets overtime.
- **Digital finance:** Digitizing financial transactions can greatly reduce costs, while increasing speed and accuracy, making it possible to profitably deliver transactions in small units and over great distances. The most popular financial service so far has been the ability to transfer payments over the phone. Recent innovations, such as getting mobile network providers to pay the cost of micro insurance as a lure to retain customers or mining transaction data to determine credit-worthiness, have expanded the range and value of services delivered digitally.

Additionally, the Campaign is the administrative home of the industry initiative, the Seal of Excellence for Poverty Outreach and Transformation. The Seal aims to certify institutions reaching the poorest clients and achieving results, and to share best practice of institutions that are having the greatest success in achieving their poverty outreach missions.

Plenary Session

Financial Literacy:

A Step for Clients Towards Financial Inclusion

Introduction: Financial Education for Financial Inclusion

These are tumultuous and exciting times for microfinance, marked equally by the stunning potential of the cell phone to change the face of financial services and disturbing reports of suicides linked to over-indebtedness. Against this backdrop, a shift in the industry is taking place, drawing our attention from the financial institution back to the client. Indicators of a renewed concern for clients include research to quantify the ‘unbanked’, rallying calls for consumer protection, and efforts to better meet customer needs with diversified products. A key driver of this change in focus is the now widely embraced goal of ‘financial inclusion’. Governments of developed economies, in G20 Summit agreements, have recognized financial inclusion and consumer protection as integral to achieving financial stability and integrity. Financial access has been highlighted as a ‘key accelerator’ to meet the Millennium Development Goals. Key to attaining this laudable goal is financial education (World Savings Bank Institute, 2010). Financial inclusion is a multi-dimensional, pro-client concept, encompassing better access, better products and services, and better use. Herein lies its challenge – without the third element, use, the first two are not worth much. Technological innovations are bringing both new customers, potentially including millions of unbanked cell phone owners, and new service providers – a diverse array of retail outlets, telcoms and others – into the market. Diversification of products and services has already resulted in rich, and complex, choices for consumers, especially compared to the early days of one-size-fits-all working capital loans. Yet, increased access and better choices do not automatically translate into effective use. The path from uptake (i.e. opening an account) to usage is still an uncharted course. Effective use is hampered by asymmetries of information and power between financial institutions and poor consumers, an imbalance which grows as customers are less experienced and the products they can choose are more sophisticated, 4 an imbalance which holds real potential for negative outcomes due to institutional abuses or ill informed client decisions.

Integrating Microfinance and Health

Benefits, Challenges and Reflections for Moving Forward

We realized that simply microfinance can't achieve our ultimate goal of poverty alleviation and women's empowerment....The need of the hour was to ensure holistic development of the poor...and that was possible only through credit plus interventions.

C.S. Ghosh, Bandhan, India

Access to financial services is undeniably important to poor families, but it is insufficient on its own to address the multi-dimensional challenges of poverty. Ill health and the inability to access health care are key factors both leading to and resulting from poverty. Microfinance clients and staff frequently report that the cost of illness causes difficulties with loan repayment and savings deposits, often requiring clients to use their business loans and other household assets to pay for healthcare expenses. Clients report low usage of health services and delays in seeking care, stemming from barriers of cost, geographic access, cultural beliefs and lack of trust in health providers. Inadequate information about how to prevent and treat illness is a common and

pressing concern.

Microfinance service providers with long-term, routine and trusting relationships with clients are well positioned to play a cross-sectoral role in improving access for the poor to a range of important health-related services. Microfinance providers are keenly aware of the health needs, which can prevent their clients from repaying on time, from growing their own businesses financed by loans, from depositing savings, or even push their clients to drop out altogether. Many microfinance leaders would like to respond to the common and debilitating health problems of their clients—but only if they can see what they are getting into beforehand. They want evidence that others have done this and succeeded—evidence that it will make a real difference in their clients' lives and perhaps create greater client satisfaction and loyalty, leading to improved repayment performance and increased volume.

Micro insurance to reduce vulnerability: Health, Life, Disaster and More

Over the past decade there has been significant growth in the micro insurance market which has evolved from simple credit life products to include higher impact products such as weather index and health insurance. But what lessons have been learned about how to provide the poor with access to insurance? This paper considers which mechanisms and products have shown the greatest potential and also seeks to set out issues that remain for the industry to solve.

According to a recent Swiss Re Sigma report, the global micro insurance market has a potential of covering up to four billion people through market-based risk transfer solutions and public private partnerships (PPP)¹. This translates into a potential premium volume of approximately USD 40 billion making micro insurance the largest untapped insurance market in the world. It is estimated that of the potential micro insurance market of 4 billion people, only 78.5 million are currently served, just 1.96% of the potential total market share². Furthermore, the 2% of the available market that do have access to micro insurance are limited to accessing simple credit life products that do not meet their needs.

Micro insurance offers a viable alternative for low-income households to manage their risks. At the same time, it is increasingly being viewed as a vast untapped growth segment for the insurance sector. The Asia-Pacific region, which is home to around 70% of the world's low-income population, is the largest micro insurance market. Micro insurance has grown rapidly, particularly in India and Bangladesh, while new initiatives are being observed in other key markets including China and the Philippines. Africa is a vast and largely untapped market and offers tremendous growth potential.

Credit life is the dominant micro insurance product, driven by its simplicity and a strong push from microfinance institutions to bundle life protection with microcredit. However, the product provides limited protection to low-income families and other products, most notably health, are cited by clients as being in highest demand. Increasingly insurers are designing products that offer more comprehensive life/property protection and help to mobilize savings.

Health and agricultural micro insurance are pertinent to the low-income population; however, they are also more complex in terms of their design, pricing and administration. Innovation - in product design, distribution and technology is therefore important in improving the viability of micro insurance. Index-based weather products for instance, are examples of innovative product design that help overcome the challenges of traditional agricultural insurance.

Microfinance and Mobile Banking

Many microfinance institutions (MFIs) globally are facing the same challenges Opportunity Bank faced. In the past decade or so, they have experimented with alternative delivery channels to reduce costs, facilitate greater outreach to hard-to-reach areas, and increase customer convenience. In theory, mobile phones could

be used to reach many more customers at a lower cost than any existing delivery channel. Yet despite this potential, in the vast majority of countries there is not yet an existing m-banking service that MFIs can leverage. M-banking to date has largely been driven by MNOs and, to a lesser extent, by some large banks. MFIs have by and large not played a significant role in the implementation of m-banking services. There are fundamental reasons why MFIs are generally not positioned to get into m-banking early on. Most m-banking deployments provide transfers, a service that very few MFIs provide. Indeed, MFIs and successful m-banking businesses occupy different worlds today. The MFI world is focused on credit and maybe some savings, while the m-banking world is focused on transfers and payments. The MFI world largely uses unsophisticated backend systems while the m-banking world uses some of the most sophisticated backend systems we know today (even better than some banks). The MFI world focuses on creating low-cost, human-driven infrastructure, while the m-banking world is tied into and uses payment systems infrastructure. It is not surprising then that these two worlds have not yet aligned. These gaps mean that many MFIs are considering m-banking, but find themselves in the same situation as Opportunity Bank in Malawi: m-banking promises a revolution in customer outreach and service at a very low cost; their customers and potential customers already have mobile phones; but there is no m-banking service available. What should MFIs in these situations do? This Focus Note aims to do two things: (i) explore the various roles that MFIs can play in m-banking and (ii) explore the potential benefits MFIs and their customers expect to gain from pursuing m-banking. The role that MFIs can play largely depends on the presence or absence of widely available m-banking services.

What is the Low Bar and What is the High Bar on Client Protection?

Financial services have the power to help people improve their lives, sometimes dramatically so. However, if offered carelessly or used improperly, financial services can also cause harm – exacerbated when the recipients are poor and have little formal education. Recognizing this, the global microfinance community has come together around a set of Client Protection Principles as promoted by and embodied in the Smart Campaign.¹ This paper is an opportunity to explore in depth how these principles can become vibrant and meaningful forces in the microfinance industry and even beyond to all providers of financial services to low income people.

¹ www.smartcampaign.org.

There is no question that a broad array of high-quality financial products can help individuals and families save for the future, pay for school for their children, build small businesses, and cope with unexpected setbacks such as illness or poor crops. However, the operative word is “quality.” Client protection is focused on several dimensions of product and delivery quality. It addresses transparent, respectful and prudent treatment of clients. Good client protection practices should be especially beneficial for the more vulnerable populations that microfinance serves, such as women, youth, rural dwellers and the disabled. Strong practices are particularly important for anyone who is becoming a customer for the first time – clients in newly penetrated areas, and young people. Lacking in experience, these new clients must be treated especially carefully by providers. As the young move into the workforce, marry and have children, their own sense of the possible will be influenced by how they experience their interactions with financial institutions.

Measuring the Social Performance for MFIs

There is near unanimous consensus that financial sustainability is a crucial gauge of the success of microfinance institutions (MFIs)—after all, an MFI that can cover its costs can also grow, serving more and more clients. Today, more than 400 sustainable institutions report to the Microfinance Information eXchange (MIX), a leading source for market data. The industry as a whole is growing fast, adding 13 percent more borrowers each year since 1999. This growth is thanks in large part to the insistence on financial sustainability. But for most microfinance practitioners and funders, it is also important to reach poor and very poor people, to provide quality services, and most important to improve clients’ lives. In other words, both financial performance and performance in positively affecting people’s lives—social performance—matter. And the two aims are not necessarily at odds with one another. Thus, many funders and financial institutions are seeking more transparent ways to measure social performance in addition to measuring for financial performance. This Focus Note highlights the emerging emphasis on social performance in

microfinance and reviews some of the assessment tools recently developed.

Why Social Performance?

Much of the passion and commitment to microfinance is anchored in the belief that access to financial services can help clients improve their lives. Though financial sustainability is essential for massively expanding services, it does not automatically ensure that client-level benefits are realized. The increasing interest in social performance seeks to shed more light on how financial services affect the lives of poor people. Simply put, social performance is about “truth in advertising.” Many individuals, donors, foundations, and governments put money in microfinance with the belief that microfinance helps poor people. To be accountable to these funders, MFIs (or those who support them) should be able to report on how (or whether) the stated goals they have promised (i.e., improved earnings, reduced vulnerability, increased empowerment, etc.) are being realized. Many financial institutions that serve the poor, especially those with a development mission, already agree with this approach and themselves want to know whether they are achieving their social missions or drifting away from them.

My learning

1. Expand health program in all branch.
2. Start mobile banking and Value chain development program
3. Maintain Social performance management
4. Give emphasis on a progressive Microfinance program not on quantity.
5. In future organization will be treated on quality management and smart client protection not portfolio.
6. Should implement credit plus activity like health, livestock, microinsurance.
7. Include Microinsurance program.

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