

ISSUE # 100

2023



SAMN
South Asia Micro-entrepreneurs Network



MONTHLY NEWSLETTER

THIS DOCUMENT CONTAINS LATEST NEWS AND
PUBLICATIONS FROM SAMN MEMBER COUNTRIES.

[@FACEBOOK.COM/SAMN2008](https://www.facebook.com/SAMN2008)

WWW.THESAMN.COM

India

Historic Budget to Boost Rural India, says Prime Minister

Prime Minister Narendra Modi hailed the budget as one that will lay a strong foundation for fulfilling the aspirations of a developed nation. He asserted that it was aimed at welfare of the deprived sections of society and will especially benefit the rural economy, the poor, the farmers, and the middle class.

Addressing the nation soon after the budget presentation, Modi congratulated finance minister Nirmala Sitharaman and her team for a "historic budget" that focuses on small and medium artisans, women, and promotion of green technology, among other sectors.

Referring to the budget announcement of the Pradhan Mantri Vishwakarma Kaushal Samman (ViKAS) to support traditional artisans, Modi said it will benefit carpenters, ironsmiths, goldsmiths, potters, and sculptors, among others, who are "creators of the nation."

Read more at: <https://economictimes.indiatimes.com/news/economy/historic-budget-to-boost-rural-india-says-pm/articleshow/97534882.cms>

Budget 2023: The Amrit Kaal for Financial Institutions and MSMEs has Arrived

The Union Budget FY24 was presented at a time when the global economy is grappled with high inflation, elevated interest rates and growth slowdown amid geo-political tensions and surge in Covid-19 infections in some parts of the globe. India on the other hand remained resilient with its strong rebound in domestic consumption and government capex that is eventually crowding in private capex.

Thus, Budget 2023 became a critical instrument in achieving India's dream of Amrit Kaal and the government has tried to tip the right dominoes in this direction. The Budget, on the one hand, remained mindful on the fiscal glide path and pegged fiscal deficit as percentage of GDP at 5.9% for FY24 from 6.4% in FY23. The Union Budget 2023 has focused on three main areas to set India on a clear path of accelerated economic growth which are propping up demand, strengthening the supply chain, and creating a robust ecosystem to support the two.

Read more at: <https://timesofindia.indiatimes.com/blogs/voices/budget-2023-the-amrit-kaal-for-financial-institutions-and-msmes-has-arrived/>

From Struggling to Thriving: How Credit Guarantees Can Bridge the Credit Gap Faced by MSMEs

In India, the share of credit disbursed to the MSMEs as a % of GDP is very low as compared to other emerging nations. Countries such as China, South Korea, and even Bangladesh have had massive industrial growth, mainly led by MSMEs, on the back of high leverage. Increased credit to MSMEs leads to higher investment in productive assets, thereby driving economic growth and job creation.

Indian MSMEs find it difficult to get finance due to weak creditor and property rights, informal economy, lack of appropriate accounting records, and information asymmetry. Furthermore, the administrative cost of lending to

MSMEs is relatively higher because of their smaller loan sizes. Collecting information on MSME's creditworthiness requires more resources as a percentage of the underlying loan. Therefore, lending institutions may not always find it economically rational to lend to MSMEs.

Read more at: <https://economictimes.indiatimes.com/small-biz/money/from-struggling-to-thriving-how-credit-guarantees-can-bridge-the-credit-gap-faced-by-msmes/articleshow/98204362.cms>

Microfinance Industry Grows 26% Year-On-Year to Rs 3.24 Lakh Crore by December End

The microfinance industry grew 26% year-on-year to Rs 3.24 lakh crore at the end of December 2022, backed by about 43.4% growth clocked by NBFC-MFIs.

The massive jump in their gross portfolio cemented NBFC-MFIs' dominance in the sector with 38.5% market share. Only three months back, NBFC-MFIs regained their leadership in lending to the economically weaker section by overtaking banks. Banks enjoyed 35.7% market share at the end of December, according to a quarterly report published by Sa-Dhan, a microfinance industry body.

Read more at: <https://economictimes.indiatimes.com/industry/banking/finance/banking/microfinance-industry-grows-26-year-on-year-to-rs-3-24-lakh-crore-by-december-end/articleshow/98214179.cms>

Nepal

Nepal Rastra Bank (NRB) Makes Stricter Rules for Microfinance Loans

Nepal Rastra Bank (NRB) has tightened the lending of loans from microfinance companies. Now borrowers who have taken loans from any bank will not get loans from microfinance companies. In addition, NRB has made such arrangements that no one can take loans from more than one microfinance company.

NRB has implemented such a system by amending the 'Unified Directives Microfinance Financial Institutions, 2078' to micro finance institution of class 'D'.

While providing microloans without collateral or under the security of collateral, only one financial institution shall disburse to one borrower without exceeding the credit limit as per this provision. Borrowers who have taken loans from commercial banks, development banks and finance companies will not be eligible to take loans from microfinance financial institutions, according to the instructions of NRB.

Read more at: <https://myrepublica.nagariknetwork.com/news/nrb-makes-stricter-rules-for-microfinance-loans/>

Pakistan

Reducing Distortions in the Allocation of Resources and Talents a Must to Sustain Stronger Growth in Pakistan

Pakistan's economy can grow sustainably only if the country introduces productivity enhancing reforms that facilitate a better allocation of resources into more dynamic activities, and of talent to more productive uses, according to a new World Bank report.

The report, *From Swimming in Sand to High and Sustainable Growth*, finds that the country's inability to allocate all its talent and resources to the most productive uses has stunted economic growth. It presents evidence of systematic productivity stagnation across firms and farms. In manufacturing and services, most of the productivity stagnation is related to firms losing efficiency over time. The report also shows a systematic decline in agricultural productivity, as well as a strong link between elevated temperatures and rainfall variations and productivity.

The report presents a roadmap to reduce distortions in the economy that are currently acting as a deterrent to productivity growth. Critical reforms include: harmonizing direct taxes across sectors, so that more resources flow into dynamic tradable sectors like manufacturing and tradable services, instead of real estate and non-tradables; reduce the anti-export bias of trade policy by lowering import duties and reversing the anti-diversification bias of export incentives.

Read more at: <https://www.worldbank.org/en/news/press-release/2023/02/10/world-bank-reducing-distortions-in-the-allocation-of-resources-and-talents-a-must-to-sustain-stronger-growth-in-pakistan>

SECP Join Hands with Google and Apple to Fight Against Illegal Loan Apps

Google, at the request of SECP has reviewed their policies and has now limited their platform to licensed digital lending companies only

Mobile phone users in Pakistan have been consistently facing a long-standing problem surrounding various loan applications that are scamming people in the name of low interest loans, blackmailing them with personal information and then demanding higher returns.

SECP in a previous statement said that loan companies performing these operations are illegal since they are running a lending business without a proper license.

In its fight against these illegal and unregistered loan companies, SECP has now joined hands with both Google and Apple.

Read more at: <https://www.techjuice.pk/secp-join-hands-with-google-and-apple-to-fight-against-illegal-loan-apps/>

Sri Lanka

ADB, LOMC Sign \$25 Million Loan to Boost Credit Access, Support Sri Lankan Micro Business

The Asian Development Bank (ADB) and LOMC, one of Sri Lanka's leading non-bank microfinance institutions, today signed a \$25 million loan agreement to boost access to credit for individuals and micro enterprises.

"Greater financial inclusion is of critical importance for Sri Lanka to increase economic opportunities and job creation," said Monisha Hermans, Investment Specialist with ADB's Private Sector Operations Department. "This loan will enable LOLC Micro Credit, the fastest-growing microfinance institution in the country, to better target the needs of individuals and micro enterprises that exhibit growth potential."

Under the terms of the agreement signed by Ms. Hermans and LOMC CEO Ravi Tissera, LOMC will use the funds for on lending to individuals and microbusinesses. The loan will also help LOMC improve financial products and increase outreach to remote villages and farmers. Mobile banking will be further developed to serve the unbanked especially in rural areas, and financial literacy programs will be introduced to improve reach and address over indebtedness of household borrowers.

Read more at: <https://www.adb.org/news/adb-lomc-sign-25-million-loan-boost-credit-access-support-sri-lankan-micro-business>

Boost to Sri Lankan Economy with IFC Providing Financing of up to \$400 Million to Banks to Ensure Essential Imports

To support Sri Lanka amid an ongoing economic crisis, the International Finance Corporation (IFC) is providing a cross-currency swap facility to three of the country's leading national banks that deal with over 30 percent of Sri Lanka's remittances and exports. It will support the private sector with critical financing, contributing to the country's urgent need to stabilize the economy.

Sri Lanka has been facing its worst economic crisis in decades. The country's output is estimated to have fallen by 9.2 percent in 2022 and drop a further 4.2 percent in 2023.

To support the country, the IFC facility will provide \$400 million over one year to Commercial Bank of Ceylon (CBC), Nations Trust Bank (NTB), and Sampath Bank to help facilitate imports of essential goods—food, medicine, fertilizers—most of which are traded in US dollars (USD). The facility will further support the banks financing of exports of goods and services for their clients while allowing them to make USD-denominated debt repayments.

Read more at: <https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=27428>

Updates from Members

INDIA

MFIN: Events & Workshops:

Customised Masterclass for Directors” Workshop held in February 2023

The Customised Masterclass for Directors” workshop was held on February 21st & 22nd in association with the Institute of Directors for the Board Directors of microfinance lenders. The faculty comprised of distinguished professionals who delivered modules on important topics like Companies Act and other corporate laws, the duties, responsibilities and liabilities of directors, and aspects of improving corporate credibility and governance standards etc. MFIN CEO & Director, Dr Alok Misra took a session on building a great Board and Board’s role specific to microfinance regulations and guidelines.



MFIN holds a Webinar in Association with Equifax on Household Comprehensive Credit Information Report

More than 100 participants attended the webinar organised by MFIN in association with Equifax for the launch of the Household Comprehensive Credit Information Report on Feb 7th, 2023. This is an important report to enable robust underwriting at the household level.

In Focus

NBFC-MFIs Dominate Microfinance Market, Says New Report

The NBFC-MFIs (non-banking finance company-micro finance institutions) group dominated the microfinance market with portfolio share of 35.1% as of September last year, credit information services company Crif High Mark said in a report.

It said that NBFC-MFIs surpassed banks by a thin margin. Banks as a group controls 34.8% of the market, in which lenders provide micro loans without collateral to joint liability group members. Loans given by banks to self-help group members are not included here.

The Crif report thus validates the trend which was first spotted by microfinance industry body Sa-Dhan earlier in December. ET had highlighted it on December 14, 2022

The small finance banks group controls 16.8% of the market while other NBFCs and not-for-profit companies together enjoy 13.3% market share.

According to Crif, the size of the market grew 21.5% year-on-year to Rs 3 lakh crore at the end of September last year. NBFC-MFIs as a group grew 32.2% during the same period while banks reported 4.1% rise in their collective microfinance portfolio.

Crif said that about 47% of NBFC-MFIs' portfolio consisted of loans of ticket sizes between Rs 30000 and Rs 50000, as against 35.9% for banks and 50.2% for SFBs.

The report highlighted that micro loans portfolio at risk for over 30 days after the due date of repayment (PAR 30+ DPD) improved to 5.4% at the end of September from 5.8% three months prior to that.

Symbiotics Investments launches USD 9 million Social Bond with Agri Cover Credit IFN SA in Romania

Symbiotics Investments is delighted to partner with Agricover, a major player in the Romanian agribusiness, whose integrated business model combines synergies between small and medium sized agri-business, agri-finance and agri-technology segments. Its mission is to increase farming productivity in the country by supplying the latest sustainable agricultural technologies and financing solutions.

With the issuance of this bond, Agricover reinforces its long-term commitment to sustainable development in Romania, catering to the financing needs of smallholder farmers. It also showcases its ability to align with the internationally accepted International Capital Market Association Social Bond Principles "ICMA SBP", increasing the attraction of international financiers.

“Symbiotics Investments is proud to support Agricover’s deeply rooted social mission of promoting sustainable finance, by providing Romanian farmers with access to agri-inputs, financing, and the latest technology. With this issuance, Symbiotics Investments is contributing to the food security and sustainable food system in Romania. Furthermore, through the potential effect of the provision of microloans and Small and Medium Enterprises loans to smallholder farmers, Symbiotics Investments is also contributing to employment generation in the country.”, said Katerina Ermidou, Symbiotics Investments Regional Manager for Eastern Europe.

“We are delighted to partner with Symbiotics Investments to further sustain the development of small and medium sized farmers by offering tailored products that secure the working capital and investments needed for sustainable productivity growth. Attracting a partner of Symbiotics Investments’ stature gives us confidence that our commitment to increasing agricultural productivity will help define the future of sustainable and high-performing Romanian agriculture.”, said Serhan Hacisuleyman, General Manager Agricover Credit IFN.

Programs that were implemented at scale both before and after the pandemic demonstrate how early education programs can help children acquire new skills and recover from learning losses. Recent evidence suggests that even simple and low-cost programs can lead to sizable gains in skills. In Bangladesh, for example, attending a year of additional pre-school through two-hour sessions significantly improved literacy, numeracy, and social-development scores. Meanwhile, in the Indian state of Tamil Nadu, six months of extra remedial classes after school helped students catch up on about two-thirds of lost learning linked to eighteen months of school closures.

In the longer term, countries need to build agile, resilient, and adaptive health, education and social protection systems that can better prepare for and respond to current and future shocks.

The World Bank is working closely with governments in South Asia to protect and invest in people as they cope with and recover from the pandemic. The World Bank’s pandemic response financing in South Asia reached nearly \$11 billion during the two years since the start of the pandemic (April 2020 - April 2022), including \$2.7 billion that supported social safety nets benefitting more than 857 million vulnerable people, \$2.5 billion for 15 health projects, \$2.80 billion for 12 education projects, and more than \$1 billion to support vaccine purchase and deployment.

About SAMN

The South Asian Micro-Entrepreneurs Network (SAMN) is a regional microfinance industry association working to enhance financial inclusion among low-income population in South Asia. SAMN achieves this by improving knowledge, business environment and capital flows for the microfinance industry. SAMN, through its members, who national networks from the countries of the region, is the representative and collective voice of the industry reaching more than 50 million low-income customers in the region.

SAMN was established in late 2008 with a vision to improve quality and scale of financial services among low-income population in the countries of South Asia. The early foundation of SAMN was laid by ACTED, a French INGO along with a number of regional and global microfinance stakeholders.

Today, SAMN membership consists of the leading national networks in six countries of the region representing over thousand microfinance providers and other industry players. The current SAMN members, each represented by Executive Head on the Board of Directors, are:

- **In Afghanistan:** Afghanistan Microfinance Association (AMA)
- **In Bangladesh:** Credit and Development Forum (CDF)
- **In India:** Microfinance Institutions Network (MFIN)
- **In Nepal:** Centre for Microfinance (CMF)
- **In Pakistan:** Pakistan Microfinance Network (PMN)
- **In Sri Lanka:** Lanka Microfinance Practitioner's Association (LMFPA)

