



# University Meets Microfinance (UMM)

## Newsletter May 2010

### UMM Scholarship winners 1<sup>st</sup> Call 2010

Since the beginning of 2009, 13 students have won a UMM Scholarship for field research on microfinance. The latest three scholarship winners come from Vietnam, Canada and Kenya and present their research topics in this newsletter. We thank all selection committee members for voluntarily supporting the UMM scholarship programme.

**Ngoc Anh Nguyen** is a student at **Solvay Brussels School of Economics and Management - Université Libre de Bruxelles**. The topic of her Master thesis is "Better poultry value chain development through microfinance in Vietnam". The research will be conducted within 3 months in the frame of the master thesis of the European Microfinance Programme. By applying the value chain approach, it aims at identifying current microfinance services with particular focus on microcredit for stakeholders of the poultry supply chain in Vietnam, including types of services, main providers and lending methodology. In addition, it attempts to analyze the contribution of these services towards the livelihood of main actors in the chain, who use these microfinance services, and at the same time clarify their demand as well as advantages, constraints and challenges of microfinance services to better serve them in the development of their activities and towards a poultry value chain of quality.

**James Ryan Hogarth** from **London School of Economics** will be conducting research on the topic "The Potential Merger of Microfinance and Carbon Finance - A Mechanism for Small-Scale". A number of microfinance institutions make loans for purchases of clean energy technologies such as solar home systems and solar lanterns, clean energy cook stoves, and biogas digesters. Such decentralized energy solutions could contribute to the displacement of rapidly expanding coal powered electricity grids in rural areas. Furthermore, they could replace dirty fuels like firewood, animal dung and charcoal, which have significant consequences for human health. His research will examine the potential for microfinance clean energy lending programmes to access carbon finance in order to reach a broader scale. James will conduct a market analysis among microfinance borrowers to determine the demand for clean energy technologies, and will explore ways in which microfinance networks can be leveraged to administer carbon-offset projects.

**Elias Ngari Njiru**, enrolled at **University of Hohenheim**, researches on the topic "Loan Default Crisis in the Cambodian Microfinance Sector: A case study of Angkor Mikroheranhvatho Kampuchea (AMK) clients". Microfinance Institutions (MFIs) operating in Cambodia experienced greater strain as the recent past financial crisis deepened. More recently, MFIs operating in Cambodia have been experiencing unprecedented high Portfolio at Risk Ratios (PAR) and increasing loan default rates. MFIs have been blaming these troubles on the economic slowdown attributed to the financial crisis and the lack of a credit bureau. Bearing this in mind, this research will focus on the case of AMK (Angkor Mikroheranhvatho Kampuchea Co. Ltd.), a Cambodian licensed MFI, in order to assess the loan default crisis in Cambodia, highlight the factors putting the loan repayments at risk and draw recommendations on the best way to deal with such situations in the future.

### How to participate?

The next application deadline for Bachelor and Master students for the UMM Scholarship programme is July 15th 2010. The application forms are available at [www.universitymeetsmicrofinance.eu](http://www.universitymeetsmicrofinance.eu).



Ngoc Anh Nguyen



James Ryan Hogarth



Elias Ngari Njiru





## UMM Awards: First publication on Mission Drift in Microfinance

In November 2009, Pim Engels received the 1st Prize of the University Meets Microfinance - Awards for his Master thesis on the influence of institutional and country risk indicators on the trade-off between the financial and social performance of microfinance institutions (MFIs). He has carried out his research with ING Microfinance and was able to analyze data of 600 microfinance institutions operating in 84 countries in 2007. The thesis was supervised by Professor Thorsten Beck and supported by ING Microfinance.

The interest of institutional investors in the dual return investment opportunity of microfinance is growing. At the same time, however, the microfinance industry is facing growing pains. Rapidly commercialising MFIs show signs of mission drift. Reaching out to wealthier clients, while crowding out poorer clients, enhances profitability. Tension between the financial sustainability and social performance advocates is rising, while little empirical evidence on this topic is available so far. The purpose of Engels' research was to see how institutional investors can recognize and prevent mission drift taking place amongst the MFIs in their own portfolio.

First, the author concentrates on the role of institutional and country risk indicators in predicting the financial and social performance of MFIs. Evidence shows for instance that regulation, network membership and institution's size do not affect the financial performance of MFIs. Country risk rating is negatively associated with the financial performance of MFIs. Alternatively, regulation, size and country risk rating negatively affect the social performance of MFIs. Network membership positively affects the social performance of MFIs.

Then, the author explores the relationship between the financial and social performance of MFIs. Strong evidence for the existence of a trade-off between the financial and social performance of MFIs is found. Nevertheless, by balancing the profitability, cost efficiency, and productivity of the institution, MFIs can prevent the occurrence of mission drift.

Finally, Engels analyses how variations of the institutional and country risk indicators influence the trade-off found. Evidence suggests that regulation and size of institutions make MFIs more susceptible, while network membership make MFIs less susceptible to the occurrence of mission drift. Young MFIs are more susceptible to mission drift, while more mature MFIs are more susceptible to reverse mission drift. Based on these findings Engels states, that investors can prioritise institutional and country risk rating indicators in order to assess the balance between the financial and social performance of MFIs."

## Microfinance Dialogues 2010: University Meets Microfinance @ Leibniz Universität Hannover

We are pleased to announce the Workshop on "Impact and Social Performance of Microfinance". The workshop takes place on **June 17<sup>th</sup>** and **June 18<sup>th</sup> 2010** in cooperation with the International Conference on Development Economics and Policy at Leibniz Universität Hannover. You can find the complete workshop programme and register at [www.universitymeetsmicrofinance.eu](http://www.universitymeetsmicrofinance.eu).

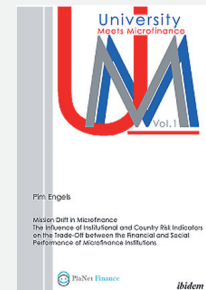
To enhance the exchange of theory and praxis on this fervently discussed topic we have invited students, leading researchers and practitioners working on impact assessment and Social Performance Management to present and discuss their findings and experiences.

The first day of the workshop is designed to provide an introduction into the subject. After a general overview on Social Performance Management and Impact Assessment in theory students will present their general studies on the subject applied in practice completed by an empirical analysis on the trade-off between financial and social performance.

On the second day the participants will go into more detail: it starts with a key note speech by William Pariente who researches at the **MIT Poverty Action Lab** and is an expert on impact assessment. He will talk about the importance of impact assessments and how methodologies have changed with the time. In the next session students will present their current research: empirical studies related to impact assessment and social performance. Subjects are ranging from poverty outreach of microfinance in Ecuador to the impact of microfinance in Uzbekistan. Each presentation is followed by comments of professors and practitioners whose critical advice provides the students the opportunity to further enhance their studies. Students from **University of Hohenheim, University of Frankfurt, Tilburg University, University of Sheffield, Charles University Prague** and **University of Wageningen** will present their findings.

The last session brings the participants back to the field: practitioners from **OikoCredit, Planet Rating, CERISE** and **PlaNet Finance** will share their positive and negative experiences with specific social performance measurement tools they developed and/or applied. They will discuss the challenges one needs to overcome when measuring Social Performance or when implementing a Social Performance Management system.

The two days provide the participants with a rounded overview on the current state of impact assessment and social performance management but also offers the opportunity for a critical knowledge exchange between research and the field.



You can order the publication [here](#).

You can download the workshop programme [here](#).

Please register for the Workshop by June 2<sup>nd</sup> at [www.university-meetsmicrofinance.eu](http://www.university-meetsmicrofinance.eu)



Keynote Speaker  
William Pariente

## 4<sup>th</sup> Microfinance Breakfast

The 4<sup>th</sup> Microfinance Breakfast organized by MicroEnergy International and PlaNet Finance Deutschland e.V. in cooperation with Up Micro Loans took place on March 4<sup>th</sup> at Pöllath + Partners in Berlin. The topic of the discussion was "The potential of linking microfinance and energy supply". Due to the big interest on this issue many people took part at the breakfast. There were more than 60 people attending. The complete report is available [here](#). About 1,6 billion people live off-grid or cannot afford on-grid facilities. People still rely on traditional biomass for heating and cooking. A typical household in Bangladesh using kerosene lamps and rechargeable car batteries for lighting, TV and other applications spends an astonishing 1.50 € per kWh – compared to the subsidized price for grid electricity of only 0.03 € per kWh in Bangladesh and the slightly higher price of more than 0.20 € in Germany. The expansion of renewable and efficient energy supply can contribute to improve and enhance the access of low-income people to energy. Productive and income generating activities

are enabled as result of access to energy service. Three examples of microfinancing energy were given by Noara Kebir, Micro Energy International, and Pascale Geslain, PlaNet Finance: Grameen Shakti in Bangladesh and Sarvodaya Economic Enterprise Development Services Ltd. (SEEDS) in Sri Lanka with the focus on Solar Home Systems as well as the implementation of biogas digestors through microfinance in China.

### What are the key lessons learnt from existing experiences?

MFIs can play a significant role in the supply of efficient energy systems to low-income clients. This is not only because micro-loans are an appropriate financial instrument to overcome the barrier of relatively high investment costs compared to the clients' incomes. MFIs also offer the right structure and experiences for the distribution of the systems. Nobody else has penetrated the BoP segments as deeply or is as well-organized. Moreover, MFIs are often the only stakeholder with an economic interest in quality, since they

carry the financial risk if a system breaks during the repayment period. However, significant challenges remain. MFIs, energy companies, future donors and investors can be inspired by the experience made by Grameen Shakti in Bangladesh, SEEDS in Sri Lanka and by PlaNet Finance in China.

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## Country News: Italy

### Latest awareness rising events:

**March 8<sup>th</sup>:** Università "Luigi Bocconi" of Milan, Ivana Damjanov (Deputy Director of Operations PlaNet Finance advisory services) held a conference on Microfinance and Women, together with another Italian practitioner - Fabio Malanchini (Executive Director of Microfinanza S.r.l.).

**March 23<sup>rd</sup>:** Università "Luigi Bocconi", Ambassador Loïc Hennekinne, President of PlaNet Finance Italia, spoke about "The role of microfinance for the development" during a conference with Mr Paride De Masi (CEO Italgets S.p.A.) who especially discussed the role of renewable energies.

**April 27<sup>th</sup>:** Università Cattolica of Milan, and **April 28<sup>th</sup>:** Università degli Studi of Torino, Mathieu Dubreuil, Program Coordinator in Africa at PlaNet Guarantee, held a lesson on Micro-insurance & Health, and focused on the Benin experience.

In total six events on microfinance were organized in Italy. Over 150 students attended.



Loïc Hennekinne

### New partnership:

A new partnership has been signed between sanofi-aventis Italia and PlaNet Finance Italia. The partnership will make the organization of several awareness raising events on microfinance at Italian universities, to promote the European programme University Meets Microfinance (UMM).

In particular, the second European workshop of this year will be held next fall, at a major Italian University.

**sanofi aventis**

La salute, la cosa più importante

## Important Dates

### UMM Workshops 2010

- **June 17<sup>th</sup>/18<sup>th</sup>:** Microfinance Dialogues 2010 - University Meets Microfinance @ Leibniz Universität Hannover
- **September 6<sup>th</sup>:** University of Greenwich, in cooperation with the Conference on Global Partnerships in Microfinance
- **October 22<sup>nd</sup>:** University of Bergamo, in cooperation with the Master in Microfinance
- **November 30<sup>th</sup>:** 2 hours session at the European Microfinance Week

### Application Deadlines

For UMM Scholarship Programme:

- **July 15<sup>th</sup>, 2010** (Bachelor, Master, Phd)
- **November 15<sup>th</sup>, 2010** (Bachelor, Master)

For UMM Award Programme:

- **August 31<sup>st</sup>, 2010**