Resource Guide: Inclusive Business and Financial Services

An estimated 2.7 billion people in low- and middle-income countries, lack access to financial services such as bank accounts and access to credit and loans.

Financial inclusion has the potential to alleviate poverty by giving people the tools to trade, accumulate savings and invest in income-generating activities. People with access to financial products and services are able to better protect themselves and their property against risks, and to use savings for school tuition, health care and other essential needs.

The private sector has a crucial role to play in providing financial services to the “unbanked” by developing products specifically tailored to their needs. In the past, lack of infrastructure was a major obstacle to reaching off-grid communities, but the rapid growth of mobile phone penetration has provided unprecedented access to previously unreachable population segments further spurring private sector innovation of financial products and services. Through various types of partnerships, formal banks, mobile operators and startup companies offer mobile money transfers and payment services to the poor, while companies and NGOs support setting up Village Savings and Loan Associations (VSLAs) that allow individuals to take out loans based on group collateral. Other innovative products such as mobile-based microinsurance are also rapidly being piloted and expanded.

Business Call to Action member companies implementing inclusive business models in the financial services sector include:

**Barclays** has developed the Banking on Change (BoC) initiative, which will provide access to formal financial services for 60,000 low-income people in Ghana, Kenya, Tanzania, and Uganda. By linking traditional savings-led community finance models such as Village Savings and Loan Associations with the formal banking sector, BoC provides access to services such as loans and enterprise development training.

**Citigroup** used its global foreign exchange and cash transfer technology to introduce an innovative remittance service called “Remit as You Earn”. This service targets the UK National Health Service, which employs an estimated 250,000 members of Diaspora communities. The service enables employees to send money home via salary deductions, at a 50 percent lower cost than traditional money transfer methods, while enhancing the company’s reputation as an international payments provider.

**¡échale! a tu casa** helps low-income families in Mexico to own a safe, affordable and environmentally friendly home through an innovative finance lending program and do-it-yourself building kits. As part of its commitment to BCtA, the company will provide US$25 million in microfinance lending to help 25,000 families purchase home self-build kits by 2012.

**Juhudi Kilimo** provides access to finance and microloans to farmers in Kenya to help them get the capital they need to grow their business. By working with farmer associations and co-operatives, this investment company educates farmers about loan governance, risks and benefits. Loans will be given to 100,000 farmers intending to purchase productive assets such as dairy cows, chickens, and irrigation equipment for income generation.

**MAP International** seeks to remove barriers that prevent many Ugandans from entering the formal financial sector by connecting mobile phone users to banking services. The initiative allows them to manage their money more effectively and create new opportunities for long-term economic growth. MAP International has committed to provide 2 million people with access to bank accounts; enroll up to 600,000 government employees into an electronic salary disbursement system; and expand access points across the country so that people can securely retrieve or transfer money.

**SolarNow** provides home owners with access to credit through an innovative hire-purchase finance scheme backed by a network of retailers that distribute and retail solar power.

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panel systems. Users rent solar systems until they have paid off the cost of the full system. The company will scale up access to solar energy for more than 1.1 million people by 2015: cutting down energy costs, providing additional income opportunities and decreasing CO2 emissions by 22,620 tons.

**Standard Chartered** introduced a program to support small business development in Pakistan. During the pilot, and in partnerships with International Finance Corporation, Standard Chartered provided intensive training in finance accounting, customer service delivery and mentoring services. To date, 146 entrepreneurs have benefited from these services.

**Vodafone** provides low-income communities with basic financial services through its mobile money transfer platform M-PESA, whereby customers can transfer money to other customers, pay bills, and buy mobile air time. Implemented by the Kenyan mobile phone operator Safaricom, this service was launched in Kenya in 2007 and has since expanded to Afghanistan, Tanzania and South Africa. So far, M-PESA has reached more than 20 million customers worldwide.

**Vortex** provides uniquely designed ATMs to suit the conditions of rural areas in India, including unreliable power supply and lower levels of literacy among end users. These ATMs are solar-powered and consume 90 percent less energy than a conventional ATM. Vortex estimates that 10,000 ATMs will provide access to formal banking services for 30 million people. With a goal of 80,000 ATMs available in the next four years, this initiative plans to benefit 240 million people.

**WIZZIT** has developed a new loan offering that will allow thousands of micro and small businesses and individual customers to access the capital they need to grow through local mobile banking representatives – WIZZ2kids. To date in South Africa, WIZZIT has signed up over 500,000 customers for basic banking services and distributed 2,000 personal loans and 200 business loans.

**Africa Enterprise Challenge Fund (AECF)** - provides grants and interest free loans to businesses who wish to implement innovative, commercially viable, high impact projects in Africa; with focus on among other, financial services.

**African Development Bank Group (AFDB) and its Microfinance Multidonor Trust Fund** - provide technical assistance and capacity building programs for microfinance institutions and related industry sectors.

**Asia Development Bank (ADB) and its Microfinance: Financial Services for the Poor** - aim to ensure permanent access to institutional financial services for the region’s poor people and their small businesses.

**Aureos Capital** - a specialist private equity firm helping to build sustainable small and medium-sized businesses in emerging markets.

**Blue Orchard** - a commercial microfinance investment company.

**Catalyst Microfinance Investors (CMI)** - a private equity fund that invests in emerging, high potential microfinance institutions.

**Elevar Equity** - an equity investor in the markets at the base of the pyramid providing equity capital to microfinance institutions.

**Erase Poverty** - a social venture focused on sustainably helping erase poverty for good by strengthening and funding small business globally.

**Grassroots Business Fund (GBF)** - serves people who lack access to existing economic opportunities and who are not reached by other development models with a focus on innovations in finance.

**Grassroots Capital Management (GCM)** - an impact investment manager that have launched five microfinance funds since 2003.

**Gray Ghost Ventures (GGV)** - an impact investment firm focusing on investments in microfinance.

**Incofin Investment Management (Incofin IM)** – manages funds that invest in microfinance institutions in developing countries

**Inter-American Development Bank (IDB) and its Multilateral Investment Fund** – has undertaken the expansion of leading microfinance networks and fostered many of the innovations that enabled the development of this dynamic industry.

**Resources Section**

**Funding Sources**

**AfriCap** - a microfinance investment company with continued focus on young African microfinance institutions.

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Kiva - a non-profit organization with a mission to connect people through lending to alleviate poverty.

Leapfrog Investments – a fund that invests in financial services businesses, mostly companies that provide insurance, in Africa and Asia.

MicroVest - a capital-mobilizing intermediary for microfinance “banks” and other financial institutions targeting low-income individuals.

OikoCredit – a source of private funding to the microfinance sector, and providing credit to trade cooperatives, fair trade organizations and SMEs in the developing world.

Omidyar Network - creates opportunity for people to improve their lives by investing in innovative organizations that harness the power of markets.

Opportunity International - provides small business loans, savings, insurance and training to low-income people in the developing world.

ProCredit Holding - consists of 21 growing banks operating in developing countries for provision of banking services to SMEs and lower and middle income savers who have previously had limited access to formal financial services.

Key Actors

ACDI/VOCAC - a private, nonprofit organization that promotes broad-based economic growth, higher living standards and vibrant communities in low-income countries.

African Rural and Agricultural Credit Association (ARACA) - Association of Central Banks, Commercial Banks, and Agricultural Banks, Micro-finance Institutions and National Programmes dealing with agricultural and rural finance in Africa.

African Venture Capital Association (AVCA) - a not-for-profit entity founded to promote, develop and stimulate private equity and venture capital in Africa.

Alliance for Financial Inclusion (afi) - a global knowledge-sharing network designed for financial inclusion policymakers from developing countries.

Association of African Development Finance Institutions (AADDI) - main activities are the provision of information and training in the techniques of banking and finance as well as development policy advice to African bankers and finance officers.

Bill and Melinda Gates Foundation and its Financial Services for the Poor - supports research into the most effective methods, policies, and regulatory changes needed to help deliver safe, quality financial services outside traditional bank buildings to poor households.

BRAC - a development organization dedicated to alleviating poverty by empowering the poor to bring about change in their own lives.

CARE's Microfinance work - a humanitarian organization fighting global poverty.

Center for Financial Inclusion at Accion International - a collaborative effort to advance the commercial model of microfinance while upholding the interests and needs of poor clients worldwide.

Council of Microfinance Equity Fund (CMEF) - a membership organization bringing together the leading private entities that make equity investments in microfinance institutions in the developing world.

Emerging Markets Private Equity Association (EMPEA) - an independent, global membership association whose mission is to catalyze private equity and venture capital investment in emerging markets.

European Savings Bank Group (ESBG) - a European banking association that represents the interests of its 26 members vis-à-vis the EU Institutions, with a specific focus on retail banking issues.

Financial Access Initiative (FAI) - a consortium of leading development economists focused on substantially expanding access to quality financial services for low-income individuals.

Finca International - provides financial services to the world’s lowest-income entrepreneurs so they can create jobs, build assets and improve their standard of living.

Ford Foundation and its Economic Fairness – focuses on reforming public systems to help families move out of poverty and build the human capital, financial and productive assets they need for long-term intergenerational economic security.

Grameen Foundation - provides microfinance institutions in poor communities with access to the capital they need to make micro-loans to those working to develop or expand a small business.

Innovations for Poverty Action (IPA) - a nonprofit dedicated to discovering what works to help the world’s poor through randomized control trials.

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Inter-American Development Bank (IDB) and its Microfinance in Latin America and the Caribbean – helping the microfinance industry address challenges such as reaching underserved rural and marginal urban areas.

International Association of Microfinance Investors (IAMFI) - a global membership organization dedicated to helping current and potential commercially oriented investors in microfinance to achieve their financial and social goals.

International Finance Corporation (IFC) through Access to Finance – to expand access to finance (A2F) advisory services include assistance to banks and specialized financial institutions in improving their ability to provide financial services to micro, small, and medium enterprises.

MFX Solutions - dedicated to providing microfinance lenders with affordable and accessible hedging instruments and the know-how to better manage currency risk.

Microfinance Centre - a grassroots network of 105 microfinance institutions from Europe and Central Asia.

Microfinance Network - an international association of leading microfinance institutions.

MicroRate - microfinance rating agency dedicated to evaluating performance and risk in microfinance institutions and microfinance funds, also known as microfinance investment vehicles (MIVs).

PlaNet Finance Group - an international NGO that aims to alleviate poverty worldwide through the development of microfinance.

Sa-Dhan - the association of community development finance institutions in India.

Social Performance Taskforce (SPTF) - consists of over 1,000 members to engage with microfinance stakeholders to develop, disseminate and promote standards and good practices for social performance management and reporting.

The Center for Financial Regulation and Inclusion (cenfri) - a non-profit think tank based in Cape Town to support financial sector development and financial inclusion through facilitating better regulation and market provision of financial services.

The Financial Inclusion Centre - an independent, not-for-profit think-tank promoting fair, inclusive financial services.

The Seep Network - a nonprofit network of over 120 international organizations that believe in the power of microenterprise to reduce global poverty.

The World Bank Institute (WBI) - a global connector of knowledge, learning and innovation for poverty reduction. Part of the World Bank Group it connects practitioners, networks and institutions to help them find solutions to their development challenges.

United Nations Capital Development Fund (UNCDF) - offers a combination of investment capital, capacity building and technical advisory services to promote microfinance and local development in the Least Developed Countries (LDCs).

World Council of Credit Unions (WOCCU) - the global trade association and development agency for credit unions.

World Savings Bank Institute (WSBI) - the global representative of savings and retail banking.

Partnerships

Imp-Act Consortium - uniting 12 organizations aimed at making impact assessment more useful for MFIs.

Making Finance Work for Africa (MFW4A) - a multi-stakeholder initiative to support the development of African Financial Sectors.

The Microcredit Summit Campaign – brings together a variety of actors to ensure that 175 million of the world’s poorest families are receiving credit for self-employment and other financial and business services by the end of 2015.

Guidelines and Toolkit / Research / News

Africa Investor (AI) - supplies a broad range of investment data, research, broadcast and published content to a growing number of investors with interests in Africa.

Bankable Frontiers Associates - a niche consulting firm specializes in the design and evaluation of policies and strategies which extend the reach of formal financial services into low-income communities around the world.

Bid Network - engages thousands of entrepreneurs, experts and investors from all over the world to stimulate entrepreneurship and economic growth in emerging markets.

Boulder Center for Microfinance - a nonprofit organization founded to cultivate a platform for dialogue and critical thinking in microfinance.

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**Cerise** - a knowledge exchange network for microfinance practitioners.

**Consultative Group to Assist the Poor (CGAP)** and its **Microfinance Gateway** - an online resource for the global microfinance community.

**FinMark Trust** - a non-profit independent trust promoting financial inclusion and regional financial integration by conducting research.

**McKinsey and Society** - the online publishing site for McKinsey’s Social Sector Office that draws together research efforts and insights from across the firm on issues including economic development.

**Microfinance Focus** - an online knowledge platform about microfinance and sustainable development.

**Microfinance Information Exchange (Mix Market)** - A source for objective, qualified and relevant microfinance performance data and analysis.

**Microfinance Opportunities** - a non-profit organization developing ideas and solutions that help the financial community better serve the low-income consumer.

**World Economic Forum (WEF)** and its **Mobile Financial Services Development Report 2011** - measures the critical factors necessary to achieve meaningful scale of mobile financial services and to meet the needs of billions of individuals excluded from the formal economy.

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