



# MICROMAG 9

December 2018

Funded By:

## Annual Benchmark / State of the Sector “SoS” Report - 2017

Annual Benchmark or State of the Sector “SoS” Report – is a new initiative of AMA which contains both operational and financial data of AMA members and is based on audited financial statements. The report is developed jointly by MIX market and AMA. Based on the data provided by AMA, MIX analyzed the data and developed the report which gives it international recognition and acceptance.

The report provides in-depth analysis of the microfinance sector, based on several indicators which is very much helpful for practitioners to compare their performance with their peer groups and to take informed decisions with regards to their institutions. The report is equally important for donors, policy makers, researchers and

stakeholders for their in-depth understanding of the microfinance sector performance/status and reference. AMA published the first issue of the report in January 2019, and AMA would like to thank FMFB-Afghanistan for funding the development of this report. AMA plans to publish the same report for 2018.



## Establishment of HR Forum

AMA, based on its member organizations' request, established a Human Resources (HR) Forum for microfinance sector in July 2018. All current AMA member organizations (10 members) are part of the forum, and it is open for stakeholders to become a member of the forum.

The Forum is established with the purpose to discuss HR and capacity building related issues and opportunities in the sector with a particular focus on reducing staff poaching, and joint capacity building efforts.

The Forum also creates the opportunity to discuss new initiatives or systems that can

facilitate HR Departments' access to modern technology. The meetings will continue on regular basis, at least once in a quarter.

To proceed with joint capacity building efforts, a Report Writing Training was conducted on November 14 and 15<sup>th</sup> at AMA. Hosted by AMA, the trainer was contributed by the Aga Khan Foundation (AKF) free of cost.

22 participants from eight AMA member organizations attended the training. The training enhanced the skills of the participants on report writing.

This is a new initiative where AMA members share the resources and skills with each other which ultimately enhances the

capacity of the sector players in providing better financial services.





## AMA completed two projects with financial support of “Women in the Economy WIE” Project

Afghanistan Microfinance Association (AMA) completed two projects; Women Access to Finance (Matchmaking Roundtables) and Women Internship (Microfinance Training Program) in November 2018.

Each project was for two years and were financially supported by Women in the Economy (WIE) project of Development Alternatives, Inc. (DAI) funded by USAID under its larger project of “Promote”.

The knowledge and awareness of more than 600 women entrepreneurs, who participated in the roundtables raised about access to finance opportunities, and were linked with financial institutions. Further, 172 women entrepreneurs

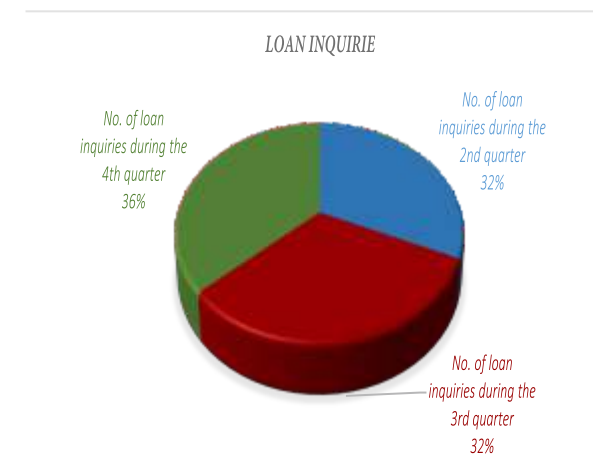
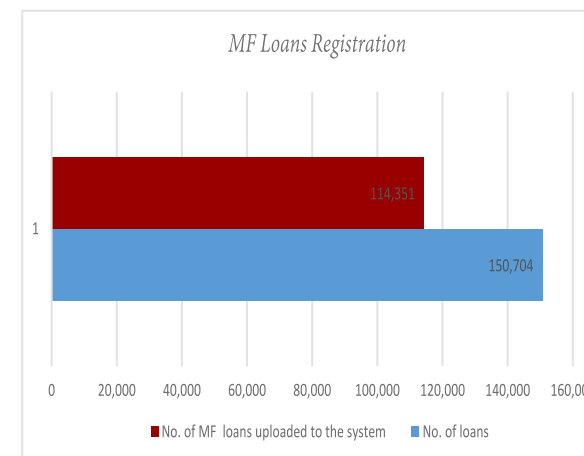
received loans of AFN 12.5 million (USD 165,000) from financial institutions. Additionally, 192 interns completed their internship out of which 56 have secured permanent jobs so far in the MFIs. It is hoped that the concerned MFIs will hire the remaining interns as soon as there are employment vacancies.

The program provides opportunities for fresh graduated young females to learn the essential skills and knowledge to be able to secure jobs to start their careers in their field of expertise/interest.

Similarly, it helps MFIs to recruit young female talents who are ready to utilize their theory into practice.



## National Public Credit Registry



AMA facilitated the completion of the national Public Credit Registry (PCR): the registration of small-and-medium enterprises (SME) clients' information in PCR. As a result, all the MFIs: FINCA, OXUS, FMFB, Mutahid DFI, ARFC, and IIFC-Group, successfully uploaded their data related to microfinance loans into the live environment of the system.

Exchangerzone Inc. (a new MFI), also joined PCR and is in the process of registering their SME clients in the test environment. They have received the required training from PCR. AMA has played an active role to engaging all MFIs to become part of the Public Credit Registry of the Da Afghanistan Bank (Central Bank of Afghanistan). The Association will build on these

efforts to promote the importance of the PCR to sector stakeholders. The Registry is likely to reduce duplication, multiple lending, over-indebtedness and delinquency/fraud, which will ultimately improve the quality of the MFIs' portfolios.

75% of the total microfinance clients are registered into the system, however the remaining 25% out of total loans that are mostly female clients and received group loans do not have NIDs due to which the system does not accept clients information with unique NID. MFIs have uploaded 116,649 out of 156,267 which shows 75% of their active loans into the system, as of December 31, 2018.

## Extension of Kabul Green Homes Project

In frame of Kabul Green Homes Project, implementing by GERES, RMO and AMA, Afghanistan Microfinance Association (AMA) with GERES support and in collaboration with First Microfinance Bank – Afghanistan plan to scale up and generalize green loans beyond project target areas.

Bamyan and Herat are selected as pilots due to their eligibility for ESS disseminations and progress of green loans. A MoU is signed between AMA and FMFB- A on adding Energy Saving Solution techniques in FMFB-A housing loans package and construction of ESS demo in FMFB Housing demo site.

FMFB-A will provide loans to the residents of Herat City, where GERES and AMA with FMFB- A, selected and trained 6 MSMEs and build the demos of solar veranda and windows thermal insulation.

FMFB- A is committed to facilitate visits of Herat people to demo sites, distribute promotional tools of constructed demos and provide green loans to interested beneficiaries.

AMA and GERES are closely following the component with FMFB-A and extend their remote support to trained MSMEs and FMFB- A branches in Herat province.

## FinTRACA Included Micro Finance Institutions as reporting entities

Based on articles 5, 12, 17 and 18 of Anti Money Laundering and Proceeds of Crime law, Micro Finance Institutions are included in Suspicious Transactions (STRs) and Large Cash Transactions (LCTRs) reporting entities to Financial Intelligent Unit (FIU) of Da Afghanistan Bank (DAB)- the Central Bank of Afghanistan and are duly obliged to observe AML/CFT regime and report STRs and LCTRs to FinTRACA.

Accordingly, FinTRACA and Afghanistan Microfinance Association (AMA) recently commenced an initiative on Suspicious Transactions (STR) and Large Cash Transactions (LCTR) reporting and implementation of AML/CFT regime in Micro Finance Sector.

As a result of this initiative both entities have successfully established a framework that ensures compliance of Micro Finance sector with the above mentioned articles. Commemorating this achievement, Director General of FinTRACA expressed his views by emphasizing on the significance of cooperation

among AMA and FinTRACA. He stated; "Apart from being a legal obligation, reporting by MFIs to FinTRACA is a significant step taken towards ensuring integrity and transparency and reducing the risks of exploitation of the Micro Finance Sector.

" Following FinTRACA's annual plan, Microfinance Institution employees have also received a specialized training program aimed at capacity building and enhancing STR and LCTR reporting capabilities of Microfinance Institutions.

FinTRACA shall continue to abide by its commitment to provide continuous technical support and coaching assistance in the future to ensure continuous improvement in the mentioned sector's abilities to structure and submit high quality and error free STRs and LCTRs reports to FinTRACA.

FinTRACA has collected 7 STR and 257 LCTR reports from microfinance institutions in the period October - November 2018

Extension of Kabul Green Homes Project





## Exclusive Interview

### Chief Executive Officer "SAMN: South Asia MicroFinance Network

Syed Mohsin Ahmed has been associated with the Pakistan Microfinance Network since its creation as a legal entity in 2001, initially as the Finance Manager of the entity he was promoted to the position of General Manager in 2006 and is now heading the management team as the Chief Executive Officer.

He is involved in putting in place a strong management team along with internal control systems to ensure that PMN continues to perform as a cutting-edge entity along with managing business risks for the institution.

As head of the representative body of microfinance providers he has been instrumental in engaging with both domestic and international organizations to influence policy and elucidate the narrative of microfinance and financial inclusion in Pakistan. He is also the Honorary CEO of the South Asia Microfinance Network (SAMN).

Mohsin has been instrumental in advocating for development of industry infrastructure to manage risk; including establishment of a MF Credit Bureau, raising awareness around setting up of a Disaster Risk Management Fund, influencing government in creating a steering committee to regulate Non-Bank MFIs and actively pursuing establishment of a client grievance redressal mechanism.

#### Q1. What is the mission and vision of SAMN and its long-term perspective?

The South Asia Micro-Entrepreneurs Network (SAMN) is a regional network that aims to enhance capacity of its members, explore diversified financing opportunities and promote regional dialogue about microfinance sector of South Asia. SAMN governance comprised of leading Apex Institutions from the member countries.

SAMN was established in 2008 with a vision 'To enhance financial inclusion among low-income



population in South Asia'. SAMNs long-term perspective is to reach more than half a billion low-income clients in the region by improving knowledge, business environment and capital flows for the microfinance industry across seven countries in the region: Afghanistan, Bangladesh, Bhutan, India, Nepal, Pakistan and Sri Lanka.

#### Q2. What role SAMN plays in the promotion of Microfinance industry in South Asia?

South Asia accounts for close to 50 percent of the world's poor: an estimated 40 percent of the

population lives on less than USD 1.25 per day; 74 percent lives on less than USD 2 per day. Many of the poor are also financially excluded across South Asia i.e., unbanked and out of the fold of formal financial services. As a result, financial inclusion has become a significant policy agenda in all the countries across South Asia. Central banks and financial regulatory authorities in several countries are now fully engaged in dialogue on how to further deepen the outreach of financial services with micro credit, micro deposits, micro-insurance and remittances/payments.

Over the past decade, promoting financial inclusion has become a national priority essentially for all developing and emerging economies. It has become vital component of the SDGs' 2030 Sustainable Development Goals'. Microfinance agenda is to financially include unserved and underprivileged populous that leads to job creation and small businesses expansion and ultimately contribute to economic growth.

As a network, SAMN plays an important role in sharing knowledge quotient and spreading across the South Asia region through facilitating a regional learning platform. The aim of the SAMN is to bring financial inclusion and poverty reduction experts and professionals from the region together to debate the common challenges such as regulation, product diversification, responsible finance, growth and risk management.

As a result, Microfinance practitioners and sector stakeholders benefit from the exchange of best-practices and innovations pioneered in the inclusive finance space in different countries of South Asia. SAMN also manages a knowledge hub that shares relevant data, news and views from within its geographic canvass i.e., the seven countries within its current membership.

It also undertakes research that identifies trends, promotes best practices, supports innovations, builds consensus and sets standards. The purpose of developing and maintaining a knowledge hub is to amalgamate plurality and insights of thoughts and experiences, thereby improving the capacity of the industry to innovate, replicate and adopt best practices.

#### Q3. Briefly mention some of main achievements of SAMN over past few years.

Over the past few years SAMN has been able to accomplish some of the achievements under its name that includes: three regional microfinance conferences where prominent speakers participated from the member countries participate and exchange views on emerging issues in Financial inclusion in South Asia. These conferences were held in Pakistan, India & Sri Lanka where more than 1000 people gathered from across the globe and shared their ideas with each other.

Besides this, SAMN network with the support of Pakistan Microfinance Network publish a research study on 'Microfinance in South Asia', this study entails an overview of the status of Microfinance or more specially, Micro-credit in the six-countries of SAMN, namely Afghanistan, Bangladesh, India, Nepal, Pakistan and Sri Lanka.

Another achievement of SAMN is its governance structure which has strengthened over the past few years and is now actively engaged in SAMN activities as well as on defining future direction for SAMNs initiatives.

#### Q4. How do you see AMA's engagement and contribution to SAMN?

SAMN as a network of networks in the South Asian countries values the engagement and contribution of all its member institutions. Given the fact that microfinance recently introduced in Afghanistan, therefore it is not surprising to see that its outreach numbers are quite low relative to other South Asian countries. Nevertheless, AMA being the voice of Afghanistan has contributed a lot in terms of capacity building and knowledge sharing of best practices. AMA has played an important role in the activities of SAMN, be it the regional conference or the knowledge management vertical.

AMA has represented SAMN at different platforms and since Mr. Najibullah Samim is the current chair of SAMN, he provides valuable guidance for the engagements of the network.

**Q5. Is SAMN recognized by the SAARC secretariat? If not, is there any plan for that and when do you expect this to happen?**

At this point of time SAMN is not recognized by the SAARC secretariat as the membership consists of seven-countries and as per the membership criteria of SAARC we need to include Maldives into our membership. For this purpose, the SAMN secretariat is putting a lot of efforts. SAMN secretariat is in continued discussion with the SAARC and is planning to set up a meeting sometime soon in this year to present its vision and mission with the defined objectives to the representatives of SAARC. We are hopeful that SAMN will be recognized by this esteemed body by SAARC, hence giving the network furthermore credibility. There is no denying that once SAMN is recognized by the SAARC secretariat, it will be able to pitch more projects across the region that will create opportunities for:

- The growing interaction between technology providers, the telecom sector, and financial sector providers that has resulted not only in an increase in the type of delivery channels available to microfinance providers (MFPs),

financial institutions (FIs) and their clients, but also in the range of financial services available to low-income clients.

- Increased acceptance and understanding of industry dynamics and nuances among regulators and policymakers. With each country at a different point along the regulatory continuum, increased peer dialogue and interaction between regulators and policy makers can be of specific importance to engendering enabling environments within the region.
- The countries in South Asia continue to present some of the largest untapped markets for financial inclusion.
- The need for improved meso-level infrastructure such as credit bureaus and grievance redressal mechanisms. India and Pakistan have already made progress in this regard having established credit bureaus for microfinance. Credit bureaus have a significant role to play in enforcing good lending and borrowing practices and reducing the credit risk faced by service providers.

**The First MicroFinanceBank (FMFB-A) Launches 'Quality of Life' Loans**

After decades of war, people in Afghanistan strive to live a better life. Although enormous obstacles and challenges remain, standards of living have increased over the past decade.

By obtaining a Human Development Index (HDI) value of 0.498, Afghanistan ranks 168th among 189 countries in the latest HDI report (2018) by the United Nations, indicating a fair progress compared to 2010 when the HDI value obtained was 0.349.

As the leading microfinance bank in

Afghanistan, FMFB-A strives to take initiatives in any areas where it can contribute to enhancement of the economic growth.

After successful development and rollout of its business loans across its branches for the purpose of improving income-generating activities, FMFB-A, now, has the privilege to introduce the rollout of its new products - Quality of Life loans.

**The First MicroFinanceBank (FMFB-A) Launches 'Quality of Life' Loans**

What is Quality of Life Loan?

Quality of Life loans or Consumption loans are personal loans aimed at providing finance to individuals who have been excluded from traditional financial services. Typically, these loans are availed for education, marriage and emergency purposes that eventually enhance the quality of the recipients' personal lives. These loans often have lower interest rates, longer and more flexible repayment periods and are normally given for non-revenue generating purposes in the short-term, but have a social impact and contribute to the inclusion of disadvantaged and individuals who normally do not have access to reliable and long-term sources of funds.

Quality of Life loans can also be used to reduce discrimination and poverty among marginalized groups such as women and returnees by offering them financial assistance for skills training, capacity building for income generating activities and functional literacy that will increase their employability and empower them in long-term.

What types of Quality of Life loans does FMFB-A offer?

FMFB-A has developed the following types of QoL loans available to eligible clients:

1. Vehicle Loan; Suitable for individuals who plan to purchase a new/second-hand Motorcycles, or

cars, such as Sedans, Pickup Trucks, SUVs and Vans.

2. Student Loan; Suitable for individuals who need fund to enroll in a Diploma/Bachelor/Master programs within Afghanistan.
3. Marriage Loan; Suitable for individuals who need fund to cover their marriage-related expenses, such as purchase of jewelry and gifts, rental of banquet halls, purchase of outfits, catering charges and etc.
4. Home Appliance Loan; Suitable for individuals who need fund to purchase consumer durable goods, such as washing machine, air conditioner, refrigerator, laptop and etc.
5. Healthcare Loan; Suitable for individuals who need fund to cover medical expenses of themselves or their immediate family members. Medical expenses include hospitalization bills, medicine costs, and cost of surgeries and non-surgical procedures.

For more information regarding Quality of Life loans, you can visit our website at <http://fmfb.com.af/> Or call our customer service at +93 79 001 0105/4

“FINCA Afghanistan Started Piloting Its Centralized Lending Process (Credit Scoring)”

Introduction:

At FINCA Afghanistan, we believe in smart and easy ways to improve efficiency of our field staff and create simpler process flow for our clients. The more efficient our process of winning clients are, the more customers are served, the higher FINCA Afghanistan will scale ahead. Once such initiative to build Capacity Utilization and Scale, which stands out is ASAN II, and means “Easy” in English.

Starting Nov 2018, FINCA Afghanistan launched its Centralized Lending Process (ASAN II) in its Kabul based branches with a vow to simplify new loan disbursement for existing clients in just 30 minutes.

Data Science behind simplification:

The Centralized Process helps FINCA Afghanistan to minimize its operation cost and cost of loan application for its clients and make the process easy and convenient. The process starts with extraction of existing clients' data from the MIS System and followed with analysis of those data based on specific criteria and finally scoring of clients in 3 categories of “Low Risk”, “Mid Risk” & “High Risk”.

Centralized efficiency through dedicated Call Center:

Later FINCA Afghanistan's call center team contacts those eligible clients to visit their respective FINCA's branch and get loan in 30 minutes. The process is named ASAN because it is true to its English meaning “Easy”, client gets a new loan in 30 minutes flat.

Zero Hassel loan:

This process does not require field verification of clients and approval from Head of Community Council or redoing all clients form. Simply, a client visits FINCA's branch with his/her financial guarantor and their original ID, then, FINCA's available officers at the branches fill their application form and loan agreement form and gets it approved and right after approval of the Branch Manager, the loan is being disbursed.

Considerable Improvement of loan quality during the pilot phase:

This process has caused reasonable reduction in operation costs for both FINCA and its clients during the pilot project. With the new process, our Field Staff has more time to focus on loan quality and increase their focus to acquire more clients. Besides, this process has higher customer satisfaction and greater social impact amongst FINCA's clients; they feel the fund is available upon their needs and also feel they are more economically independent.

Our commitment to simplify the process:

We are committed to drive ease of access to finance with simpler process through innovative products and services. This is not the end; we have better innovations on the way!

Meet Our Member!



OXUS Afghanistan Profile

OXUS Afghanistan (OAF) is registered as a Joint Stock Company Limited by shares with Afghanistan Investment Support Agency (AISA) under Ministry of Commerce and Industries (MCI) and was founded in 2007 by OXUS, a Paris-based network of microfinance institutions.

Since its inception, OAF has been supported by grants and concessional loans from the Microfinance Investment Support Facility for Afghanistan (MISFA), Agriculture Development Fund and by equity investment from OXUS Holding, its main shareholder. Apart from Afghanistan, OXUS has affiliates in Tajikistan and Kyrgyzstan.

OAF is operating in 10 provinces through 24 branches. OAF current portfolio is AFN 1,022 million with 22,000 active clients.

Mission:

OXUS is transparent and responsible enterprise engaged in providing financial services to the working poor and the under banked worldwide.

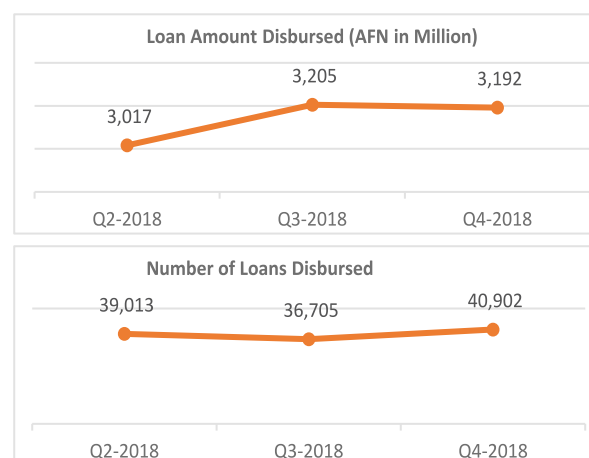
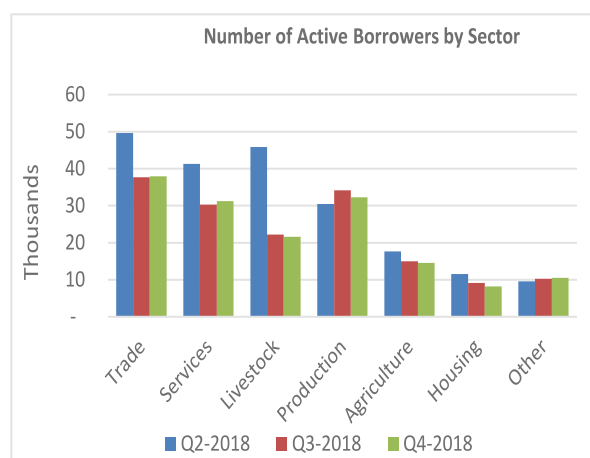
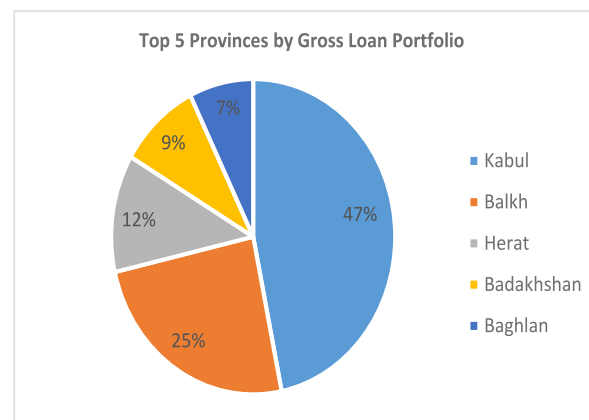
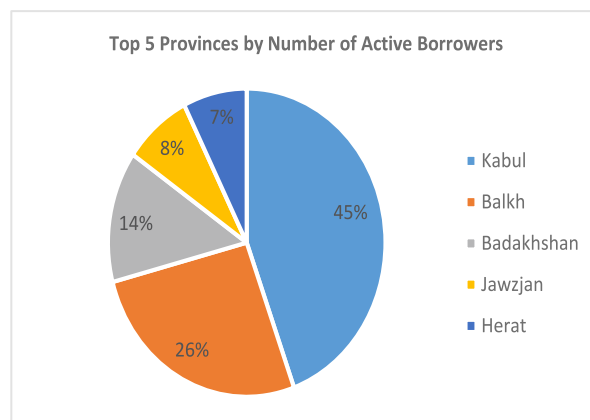
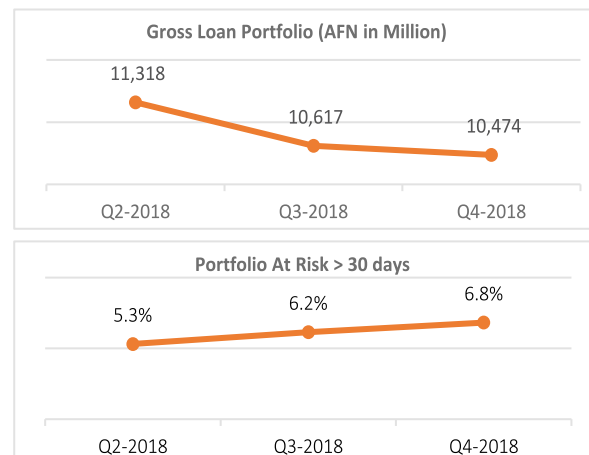
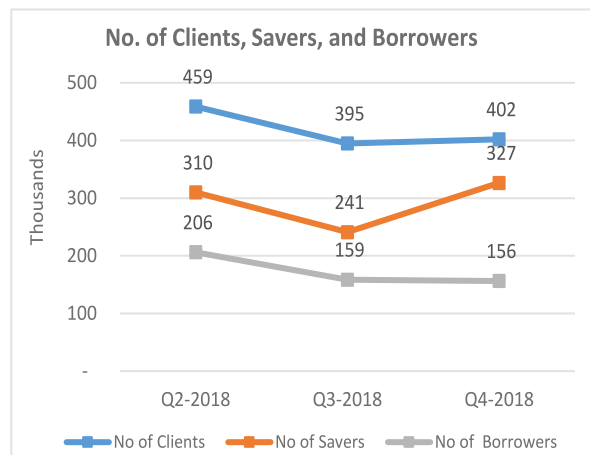
OXUS is dedicated to building teams of recognized professionals, creating and offering the most efficient microfinance services and overall providing sustainable livelihoods for its clients.

Vision:

Providing sustainable livelihoods for our clients and striving to be the microfinance organization of reference everywhere we are present. Our clients are 20% of rural, 80% urban clients and 47% of Women clients in Feb 2019.



## Sector At A Glance



## 2019 Calendar of Events

### National and International Trainings and Events

#### International

Can the Future Still Be Female? A Panel Discussion on Fintech and Gender Balance

TYPE: Event

Location: Washington, DC - United States

DATE: 05 Mar 2019 - 05 Mar 2019

Annual Africa Banking and Finance Conference

TYPE: Event

Location: Nairobi, Kenya

DATE: 24 Apr 2019 - 25 Apr 2019

Responsible Finance Annual Conference 2019

TYPE: Event

Location: Liverpool, United Kingdom

DATE: 13 Mar 2019 - 14 Mar 2019

Save the Date for the 2019 MFC Annual Conference: 29-31 May in Istanbul, Turkey

TYPE: General

SOURCE: Microfinance Centre (MFC)

DATE: 29 May 2019

Scaling Digital Finance & Commerce Innovations in Sub-Saharan Africa

TYPE: Event

Location: Johannesburg, South Africa

DATE: 09 Apr 2019 - 09 Apr 2019

#### National

- ☞ AIBF Trainings: January - June 2018
- ☞ Operational Risk Management
- ☞ Internal Auditing Standards
- ☞ Project Management Professional (PMP)
- ☞ Quick Book Specialist
- ☞ Marketing communication
- ☞ General Banking Operations
- ☞ IT Risk Assessment
- ☞ Customer Services Management
- ☞ Risk Awareness & Risk Culture in Bank
- ☞ Risk Based Approaches for Modern Internal Auditing
- ☞ General Banking Operations



## Story of Latifa Azimi

Latifa Azimi, a 35-year old married woman lives with her seven children and husband in the Badmorghan area of Herat city. Two of her daughters are married and others are school students. Her husband is a mechanic. Latifa established her fitness club in 2013 in her home basement, with the initial capital of AFN 200,000. With this initial capital, Latifa was only able to purchase some basic equipment and furnish the basement.

Latifa's fitness club was the only club in the area, however, after some time, two new fitness clubs started to operate with more equipment and better facilities in the vicinity of her fitness club. These two competitors started to absorb Latifa's customers. Latifa felt that she could strongly compete in the market, but she needed financial assistance to put up the capital she needed in order to improve her business and compete in the market. In March 2017, Latifa participated in a roundtable discussion conducted by the Afghanistan Microfinance Association (AMA) in Herat.

She learned about different types of loans and loan providers in Herat and eventually applied for credit from The First Microfinance Bank (FMFB) Afghanistan. She received AFN 70,000 for her first loan cycle. With this money and the savings she had, Latifa purchased second hand equipment for her fitness club and focused on providing services designed to retain her customers to stay ahead of the competition. Latifa extended her club's working hours so that working women can come to the club after office hours.

This gave Latifa the opportunity to attract employed females as new customers. Latifa's fitness club is the only female club in Herat providing exercise sessions for both employed and unemployed women. To attract more customers, she invested some money on advertisement and promotion of the fitness

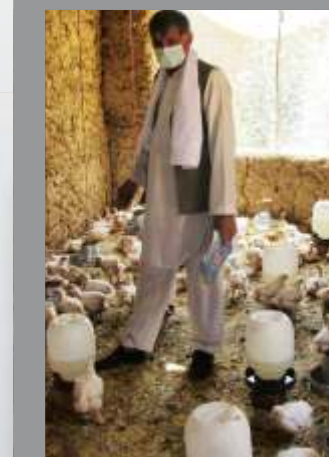
club. She hired eight female employees to support her business. Latifa currently has 200 customers who can benefit from eight sessions of exercise from 6:00am to 6:00pm.

With the increase in her income, Latifa could take some initiatives, such as creating a special exercise session for children from 5 to 15 years old, establishing a small beauty salon, a skin cleaning service with natural ingredients, a physiotherapy section, and massage and exercise regimen for pregnant women. "I could use small loans and bring big changes to my life and business," "When I compare myself now said Latifa.

to my past status, I see lots of things have changed for good that are beyond my expectations."



## Microfinance Clients



*Prepared and Designed by:  
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