

# IMPACT REPORT

2021

# Q3



# Highlights 3Q 2021

Nordic Microfinance Initiative (NMI) has, as of the third quarter of 2021 (3Q 2021), made direct investments in 29 Financial Service Providers (FSPs) in Sub-Saharan Africa, South Asia, and Southeast Asia. Our current portfolio consists of 17 direct investees. In total, NMI has USD 374 million in aggregated commitments.

## Investments in 3Q 2021

- NMI has exited the Musoni debt investment (2018) through repayment.
- Bina Artha (Indonesia) made the final repayment on their 2018 loan in 2021, and we also entered into a new loan agreement with the company.

## Social ratings supported by NMI's

### Technical Assistance

NMI's Technical Assistance facility helps our investees with capacity building, and in 2021 supported the following investees to gain an external social rating:

- Baobab Nigeria
- Baobab Senegal
- Juhudi Kilimo (Kenya)

An independently assessed social rating is a valuable tool to help financial institutions serving poor people assess how well they achieve their social mission and identify areas for improvement. A broad range of elements, including Client Protection and Social Performance Management, are assessed as part of the rating.

## Strengthening Client Protection through new pathway

NMI has undersigned an industry statement of support for the recently launched Client Protection

Pathway, calling on all financial service providers (FSPs) to join and implement the Client Protection Standards.

The Social Performance Taskforce (SPTF) and CERISE have joined forces to provide this free-of-charge initiative to support FSPs in implementing good client protection practices. The pathway builds on the work of the Smart Campaign, a global initiative from 2009 to 2020 led by the Centre for Financial Inclusion.

*The three key stages of the Client Protection Pathway.*



Source: Social Performance Taskforce

New elements introduced include a tiered system showing the steps the FSPs have implemented, allowing organizations to demonstrate both big achievements and progress along the way. It also gives partners a clearer way of identifying FSPs who have signed up and committed to the pathway and are continuously documenting their progress.

[Read more](#)

## About Nordic Microfinance Initiative

NMI's vision is empowerment of poor people in developing countries and creation of jobs and wealth on a sustainable basis. Our mission is investing in and supporting institutions providing financial inclusion to poor people in developing countries.

Being a public-private-partnership, our investors include the Norwegian and Danish governmental funds for developing countries (Norfund and IFU) and private institutional investors including DNB Livsforsikring, Ferd, KLP, Lauritzen Fonden, PBU, Storebrand, TD Veen and Koldingvej 2, Billund A/S.

We invest equity or debt to support and build up microfinance institutions (MFIs) and other financial service providers (FSPs) in developing countries in Sub-Saharan Africa, South Asia, and South-east Asia. We target good social and sustainable financial results.

Our investment philosophy is based on active and long-term partnerships. We take board positions and work actively to support growth and professionalization. Furthermore, our Technical Assistance (TA), funded by the Norwegian development agency Norad, supports projects to build institutional and human capacity at the investees.



## Stories from the field

Mamie, fresh food retailer, Baobab, Democratic Republic of Congo



Aged 41, Mamie is a Congolese retailer who has been specialising in the sale of fresh food products for nearly 22 years. Unfortunately, four years ago, she was robbed by armed bandits who stole her capital and goods.

Traumatized and deprived of her cash flow, this mother of three confided in one of her friends who urged her to turn to the services of Baobab (Democratic Republic of Congo). Mamie quickly became a Baobab customer and received her first loan. Being resourceful and experienced in the retail trade, she made good use of her financing. Today, she has left the market stalls to build premises that house her store and a cold room to keep her food fresh.

Thanks to Baobab's support, she has gone from being a retailer to a wholesaler and now employs four people. Happy and fulfilled, she regularly shares her experience with other retailers around her. As a true ambassador of Baobab, Mamie constantly recommends them to other entrepreneurs facing difficulties in their business. Her dream now is to own several cold rooms and become a reference in the fresh food sector.

*NMI invested equity in Baobab Group, which Baobab DRC is a part of, in 2016.*

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**Thanks to Baobab's support, Mamie has gone from being a retailer to a wholesaler and now employs four people...**

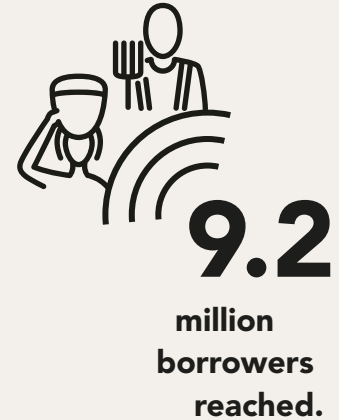
# Contribution to the SDGs

## NO POVERTY

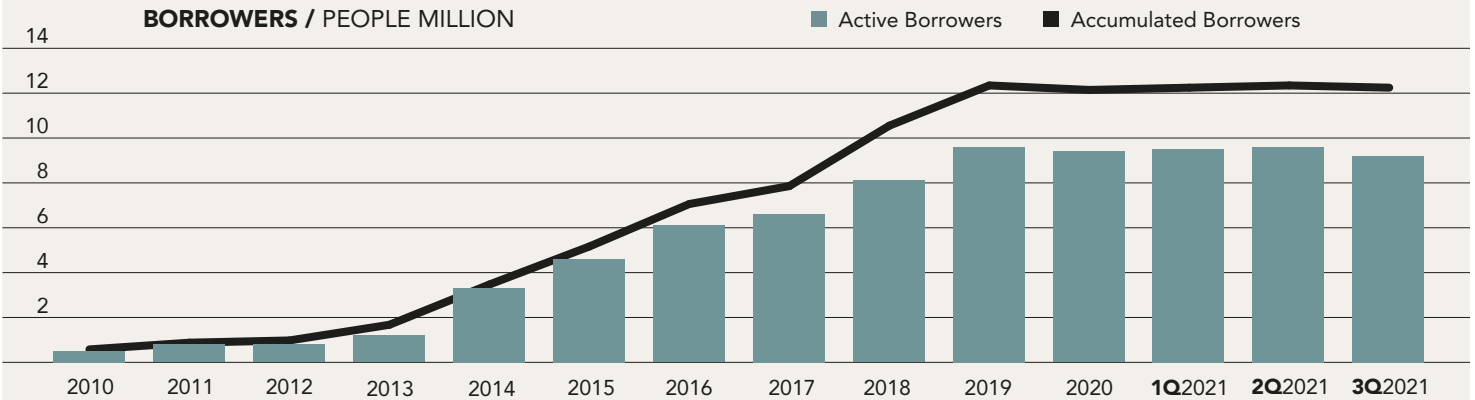
Financial Inclusion means having access to basic financial services such as credit, savings, remittances, payment services, insurance and other basic financial products. Credit adapted to clients' needs empowers people to break the vicious circle of poverty through income-generating activities, i.e., microentrepreneurship. Savings and insurance further reduce clients' vulnerability to fluctuations in income or economic shocks.

**Our investees continue to experience stable and solid growth in the number of borrowers.**

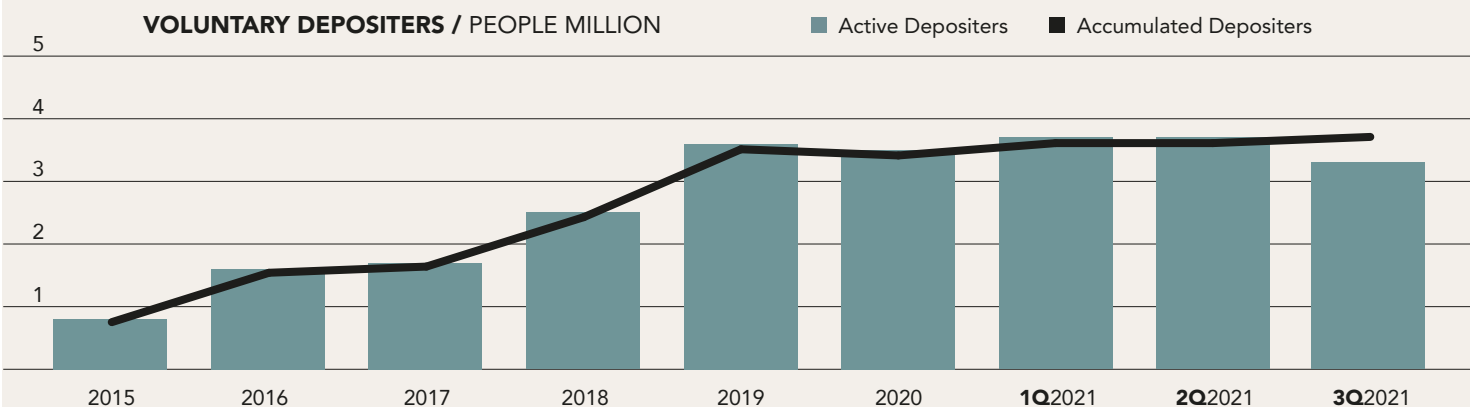
Today, NMI's 17 direct investees reach a total of 9.2 million borrowers. Eight of the investees offer savings products and reach a total of 3.3 million depositors. Since inception, NMI has cumulatively supported 12.2 million borrowers.



**BORROWERS / PEOPLE MILLION**



**VOLUNTARY DEPOSITORS / PEOPLE MILLION**



## Financial Inclusion Is Part of The Solution

1.7 billion people don't use formal financial services and more than 50% of adults in the poorest households around the globe are unbanked (*World Bank 2018*). Financial inclusion and microfinance are parts of the solution, contributing to UN Sustainable Development Goals (SDG).



### GENDER EQUALITY

The financial empowerment of women is a crucial factor in achieving gender equality and independence.

Today, 95% of the borrowers reached by NMI's direct investees are women, and 66% of depositors are women. 41% of small and medium-sized enterprise (SME) loans are extended to women.



**95%**  
of the borrowers  
reached by NMI's  
investees are  
women.



### DECENT WORK AND ECONOMIC GROWTH

We invest in institutions providing access to financial services and microfinance loans - fueling both entrepreneurship and growing existing micro and small businesses. Credit is extended to 8.5 million clients with the specific purpose of supporting income-generating activities.

The institutions in which NMI invests are important local employers. NMI's investees employ 53,000 full-time staff as of this quarter, and 23,000 new jobs have been created at the institutions over the period when NMI has been invested.

**NMI's investees  
employ  
53,000  
full-time staff.**



### REDUCE INEQUALITY

Empowerment of the so-called "Bottom of Pyramid" population in developing countries, e.g., promoting and supporting self-employment and microentrepreneurship, is pivotal to reducing inequity. NMI's 17 investees extend the equivalent of USD 5.1 billion as microfinance loans to support income-generating activities at the Bottom of the Pyramid. The loan sizes range from approximately USD 250 to USD 5,000.

Particularly, women and the rural poor lack access to financial services that could empower them to work their way out of poverty and reduce inequality. We, therefore, track our ability to reach these groups with the investments we make.



**76%** of the  
borrowers live in  
rural areas.

NMI invests where we believe we can achieve the biggest social impact alongside sustainable financial returns. Geographically, 26% of our portfolio is invested in Sub-Saharan Africa, 36% in South Asia, 38% in Southeast Asia.

USD 66.2 million or 41% is invested in what the SDG's define as Least Developed Countries, specifically in Cambodia, Kenya, Rwanda, Senegal, and Myanmar.



**TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS**

NMI's portfolio includes several investees with triple bottom line approaches and commitments to sustainable climate solutions. Many of our investees offer climate-friendly products such as solar lamps, pay-as-you-go energy solutions, water & sanitation solutions, and crop loans for diversification of farming. USD 1.8 billion agri-loans that are specifically adapted to the crop produced or the livestock raised, are extended by NMI's investees.

In 2019, we established a new Climate Smart Fund (CSF) with support from the Norwegian Ministry of Climate and Environment. Through loans and agricultural training, CSF seeks to make Indonesian smallholder farmers intensify work on their existing farmland instead of further encroaching on rainforests through slash and burn agriculture.



**NMI's Climate Smart Fund, established in 2019, focuses on reducing de-forestation in Indonesia.**

Rainforest, Borneo, Indonesia.



**PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT**

NMI is a public-private partnership, with an investor split between public and private capital of 40/60 (in NMI Fund IV, our most recent fund). NMI's investment philosophy is based on active, long-term partnerships with investees and focused on achieving both social and financial goals. NMI requires board seats in all equity investments and currently holds 12 board seats.



**The NMI TA Facility has supported 51 capacity-building projects at 31 investees.**

NMI administers a public-funded Technical Assistance (TA) facility, which supports investees to build capacity in areas where they are weak. To date the NMI TA facility has supported 51 capacity-building projects at 31 investees.

Furthermore, NMI's public-funded foreign exchange facilities enables local currency funding where hedging conditions otherwise would prohibit such investments. The facility has been instrumental in securing debt and equity investments of ~USD 87 million across six currencies since inception.



PHOTO: GETTY IMAGES



# Client Protection and Social Performance

## Making a social mission a reality

Strong commitment to client protection and a willingness to further develop good Social Performance management practices—how an organization works to make their social mission a reality—is a pre-requisite for NMI’s investment. Our approach is described in [NMI’s Social Performance Framework](#), which is based on recognized industry standards.

Our Technical Assistance facility, which helps investees build capacity in areas that need strengthening, can support the external evaluation of an investee’s social performance and client protection practices. External evaluation verifies what has been implemented and helps identify areas for further improvement.

## Client Protection

Protecting clients is crucial to building a responsible and inclusive financial system. We have committed to the Client Protection Standards (CPS) and require all our investees to do the same. 41% of our investees hold a valid external verification of social performance management or client protection practices—either a social audit/rating or CPS assessment conducted by an external rating agency.

## Key performance indicators

We track key performance indicators each quarter at investee and portfolio level to give us insight into how much customers are paying, which target group is reached and whether social and financial return is balanced.

The investee’s strategic focus, their chosen target group and the country’s general market conditions affects the types of loan given, as well as the average loan size and the financial and operational cost.

**Portfolio yield as a percent of gross loan portfolio (GLP)**, is a proxy for the effective interest rate (EIR) paid by credit clients. EIR differs among target groups, product types and geographies. Prior to investing, we benchmark EIR in the market to ensure interest rates are responsible and continue to monitor closely.

**Average loan size and the percentage of group / individual loans** tells us about which target group in each region has been reached.

On the following pages (8,9 & 10) you’ll find a snapshot of some of our key performance indicators per region.

*Tea picking, Rwanda.*



PHOTO: GETTY IMAGES

SOUTH ASIA

In South Asia, we currently only have investments in India, which is in itself a large and diversified market. The Indian financial inclusion market is highly regulated, e.g., loan sizes and interest rates are capped by Indian authorities, and only investees regulated as Small Finance Banks (SFBs) may offer deposit services. The products offered and the methodology used are relatively standardized across the sector. The target group of the traditional microfinance sector is women, and non-collateralized Joint Liability Group loans are the core product. However, the industry is developing rapidly both in terms of digitalizing processes and expanding the product range.



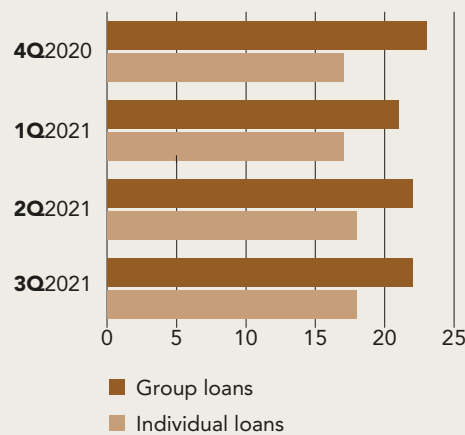
**96%**  
Group loans



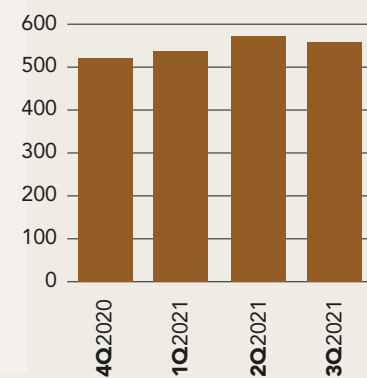
**4%**  
Individual loans

The residual is corporate loans provided to a legal entity, i.e., a company.

Portfolio yield of GLP (%)



Average loan size at disbursement (USD)



Street Barber, Mumbai, India.



PHOTO: GETTY IMAGES



SOUTHEAST ASIA

We currently hold investments in Cambodia, Indonesia, and Myanmar. The financial inclusion sectors look somewhat different in these three countries. In Cambodia, the target group is typically small and medium-sized enterprises (SME) and credit is offered as individual loans. Therefore, the average loan size is higher, and portfolio yield lower. In Indonesia and Myanmar, the target groups are microentrepreneurs. The average loan size is small, and the portfolio yield, therefore, also higher.



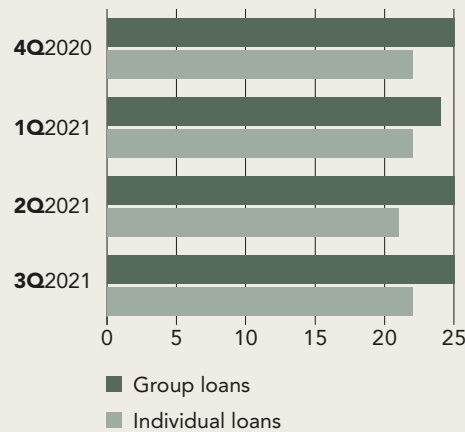
**45%**  
Group loans



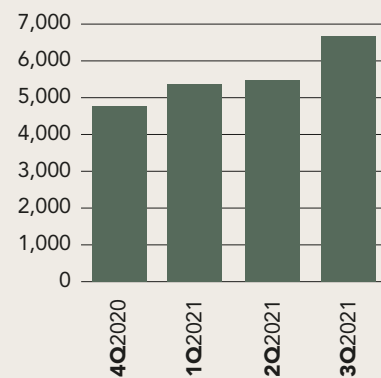
**53%**  
Individual loans

The residual is corporate loans provided to a legal entity, i.e., a company.

Portfolio yield of GLP (%)



Average loan size at disbursement (USD)



Food stall owners, Siem Reap, Cambodia.



PHOTO: GETTY IMAGES

SUB-SAHARAN AFRICA

We currently hold investments in Kenya, Rwanda, Senegal, and in a holding company with subsidiaries in 10 African countries. The financial inclusion sector in Africa offers both individual and group loans. To mitigate risks, financial service providers (FSPs) usually require customers with no credit history to provide small savings as cash collateral prior to receiving a loan. Average loan sizes and portfolio yield depend on the products offered.



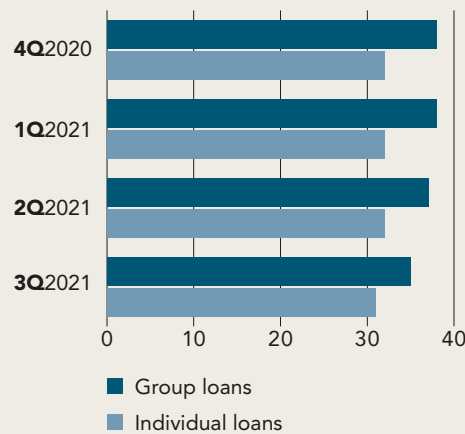
**42%**  
Group loans



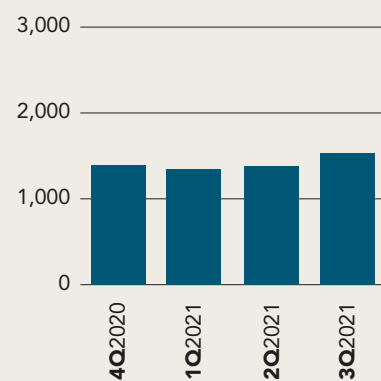
**56%**  
Individual loans

The residual is corporate loans provided to a legal entity, i.e., a company.

Portfolio yield of GLP (%)



Average loan size at disbursement (USD)



Note 3Q 2021: Baobab Group is not included in the graph depicting portfolio yield. Baobab has ten subsidiaries in Sub-Saharan Africa and China. Portfolio yield matches product types and market terms in the country of operation.

Bamboo cutting, Rwanda.



PHOTO: GETTY IMAGES

## Portfolio Quality and Risk of Overindebtedness

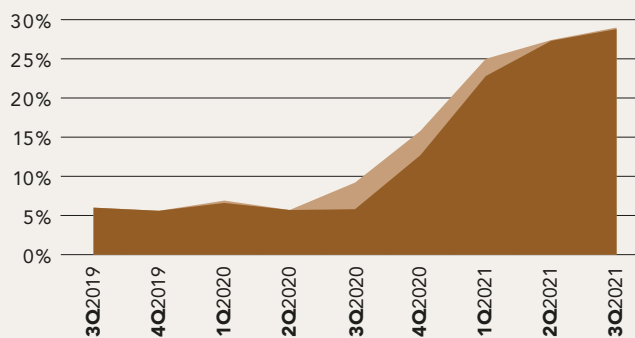
Portfolio at risk (PAR) measures whether customer loans have been repaid on time. When loans are not repaid on time it is because customers are unable to pay—this could be because they do not have the capacity and are over-indebted or, in some instances, unwillingness to repay.

- **PAR 30** shows loans where the customer is more than 30 days behind on payments
- **Write-off** shows how much of the loan the financial institution expects not to recover

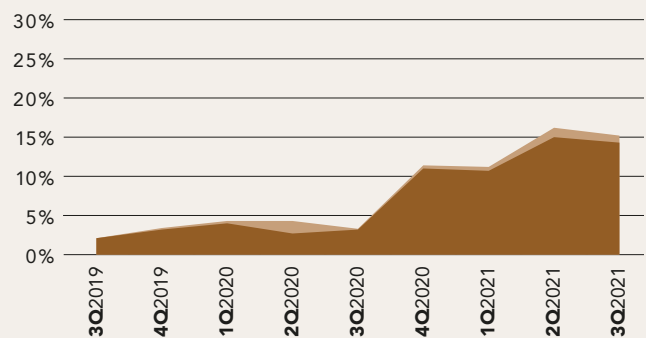
Average PAR levels differ by market and type of loan (group/individual). We monitor developments in PAR 30 and write-offs at both investee and portfolio level.

### SOUTH ASIA

Individual loans ■ PAR >30 ■ Write-offs

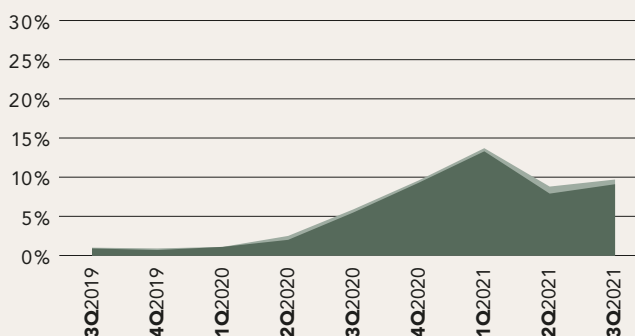


Group loans ■ PAR >30 ■ Write-offs

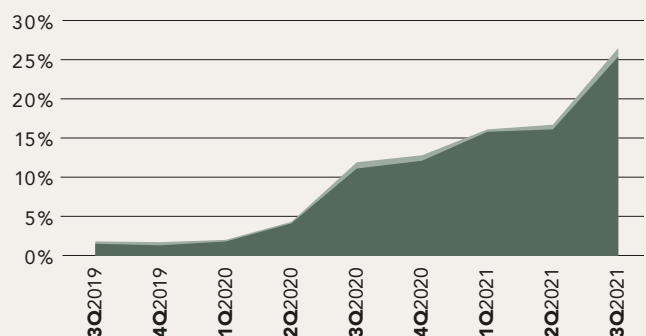


### SOUTHEAST ASIA

Individual loans ■ PAR >30 ■ Write-offs

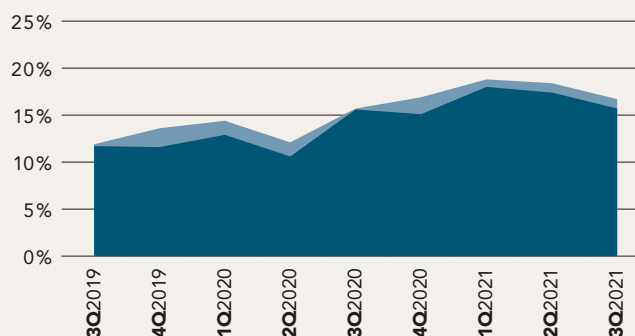


Group loans ■ PAR >30 ■ Write-offs

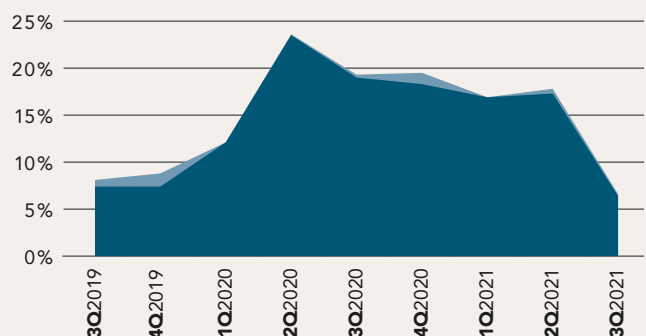


### SUB-SAHARAN AFRICA

Individual loans ■ PAR >30 ■ Write-offs



Group loans ■ PAR >30 ■ Write-offs



Note 3Q 2021: The impact of COVID-19 is visible in the portfolio quality for all regions, and we are not seeing a clear indication of improvements. Particularly one investee is experiencing high PAR 30 in individual loans (but has a very small portfolio of individual loans), which increases the average PAR 30 for our portfolio and the changes in the underlying portfolio also impacts the picture. Please note that due to differences in regulation, policies, and reporting, the aggregated graphs do not show an exact picture.



# Stories of impact

## Help in tough times: Mumbai's urban poor navigate the pandemic



Mamta Bombarde lives with her husband and their two sons in a small house in the Mankhurd slum community of Mumbai, India. A Svasti customer since 2015, Mamta has a small business selling South Indian snacks – mainly *idlis* and *vadas*, with chutney and *sambar* – outside her house.

She's one of the uncounth millions contributing to the Indian economy through micro-enterprises, many which have been especially hard hit by the effects of Covid-19.

Nearly 65% of Svasti's 200,000 customers live in Maharashtra, India's economic powerhouse, and one of the states most affected by the pandemic. Strict lockdowns have carried on in varying degrees for 18 months. The city of Mumbai—with over 40% of its population living in slums—has borne much of the brunt.

Informal microbusinesses are an integral part of the city's economy and the major source of income for people living in slum communities, but restrictions and reduced demand have forced many businesses to temporarily or permanently shut down. Many people lost their livelihoods or had their income severely curtailed and needed help to manage the economic shock.

Overcrowding, limited access to health services and shared water and sanitation facilities have also meant many of Svasti's customers in slum communities faced additional health risks from the pandemic, making them more vulnerable to economic instability.

When the lockdown started in March 2020, Svasti staff working from home set about contacting all customers to understand their health and financial situation and help them make informed decisions. A digital communication and payment platform was launched by Svasti through WhatsApp in early 2020 – part of a pre-Covid move to digitise processes – which proved crucial for assisting customers at a distance.

### Facts - Svasti

Vision	Fulfilling the right to finance and transforming the lives of women
Country of operation	India
Regulation	Non-Banking Finance Company
Year established	2008
Branches	84 branches across 4 states
Staff	1023
Active borrowers	200,000
Commitment to client protection	Yes
External verification of Client Protection and Social Performance	Yes
Technical Assistance	In 2020 NMI supported Svasti in 2 projects: * Crisis management * Strengthening training and technology structure
NMI investment	2018, equity

In Mankhurd, Mamta faced mounting financial problems due to lockdown which prevented her from operating the additional *puri bhaji* business she had started in January 2020 with a loan from Svasti. Once initial restrictions eased, she began operating her new business from home but was unable to generate much profit due to lower demand. Svasti understood and gave Mamta breathing room to repay her loan installments once financial condition stabilized.

“Our front-line team ensured that all the customers felt supported during these challenging times. Conversations with customers revolved around their well-being rather than collection recovery,” explains Nitesh Sinha, Vice President of Operations Risk Management at Svasti. “We provided comfort that there is no need to worry about their monthly installments (EMIs) and that we will deal with it once the situation improves.”



Mamta Bombarde, Snack Seller, Mumbai.



Svasti's "Essential Service Warriors".

In both the first and second wave, moratoriums were initially offered via digital channels to those in need, and once lockdown measures subsided, Svasti's "essential service warriors"—equipped with face masks and sanitizer—were motorbiking back out to communities to help customers in person. Customers were encouraged only to repay loans if their household cashflows had improved, if not they were encouraged to take a restructuring option.

Svasti customer Suraya Shaikh owns a small general shop in Mumbai's Govandi slum community but could not procure enough stock during lockdown to keep up an income stream despite her shop being considered an "essential service". Svasti were able to grant a three-month grace period in installment payments to tide Suraya over while she sourced more stock.

These customer-friendly strategies paid off: Svasti's collection efficiency showed steady month-on-month improvement after the initial lockdown periods. They made disbursements of renewal loans to customers who had successfully repaid their current loans and disbursed to fresh groups, which shored up confidence that Svasti would continue to support customers despite the pandemic.

As Mumbai now emerges from the lengthy lockdown, schools have re-opened and restrictions on opening hours of shops and restaurants have slowly eased—and Svasti is now focused on getting customers fully back on their feet.

Mamta has both her snack businesses back in operation and has been able to continue to repay her installments on time. Suraya was able to start paying installments once her moratorium period was over, and her shop is now stable and providing an income.

While business activities have not resumed to pre-Covid levels for all customers, most businesses are getting back on track and most customers have resumed some form of income-generation.

Svasti remain focused on understanding the lasting impact of the last 18 months on their customers' livelihood through close dialogue and awareness of each customer's sometimes complex individual situation. Customer payment installments, managed responsibly, are moving in a positive direction, and Svasti are anticipating collections reaching pre-Covid levels by late 2021.

They are conscious of the possibility of third wave and have taken steps throughout the last 18 months—including accelerating technology projects on customer analytics, operations efficiency and risk controls – to ensure they are well-equipped to support customers in any future crisis. Their customers, say Svasti, are less concerned about the future and more focused on the here-and-now.

“Our customers are typically very practical and face challenges head on and overcome them when they arise,” explains Ravi Kumar Nagaram, Svasti’s Vice President of Microfinance Loans. “Their well-being is of utmost importance to Svasti and we will continue to do all we can to ensure all our customers feel valued and cared for during these unprecedented times.”

Read more about Svasti’s work: [www.svasti.in](http://www.svasti.in)

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**Our customers are typically very practical and face challenges head on and overcome them when they arise...**

Ravi Kumar Nagaram,  
Vice President of  
Microfinance Loans, Svasti

*The slum communities of Mumbai sit in stark contrast to the city's skyscrapers.*



*Communicating safety information to customers was crucial step in Svasti's pandemic response.*



# NMI's Portfolio 3Q 2021

Investee Name	Country	Category of Institution	Outreach Active Borrowers ('000)	Investment Instrument	Board Seats
Sindhuja Microcredit	India	NBFC-MFI	127	Equity	Yes
Dvara KGFS	India	NBFC	407	Equity	Yes
Light Microfinance	India	NBFC-MFI	253	Equity	Yes
Satin Creditcare Network	India	NBFC-MFI	2,970	Equity	Yes
North East Small Finance Bank	India	Small Finance Bank	557	Equity	Yes
Sub-K IMPACT Solutions	India	BC-Company	457	Equity	Yes
Svasti Microfinance	India	NBFC-MFI	193	Equity	Yes
Utkarsh Small Finance Bank	India	Small Finance Bank	2,491	Equity	Yes
Proximity Finance	Myanmar	Non-Deposit-Taking MFI	200	Equity	Yes
PT Bina Artha Ventura	Indonesia	Non-Deposit-Taking MFI	398	Debt	No
Sathapana Bank	Cambodia	Bank	137	Debt	No
PRASAC Microfinance Institution	Cambodia	Deposit-Taking MFI	456	Debt	No
Juhudi Kilimo	Kenya	Non-Deposit-Taking MFI	44	Debt	No
Kenya Microfinance Bank	Kenya	Microfinance Bank	266	Equity	Yes
AB Bank Rwanda	Rwanda	Bank	8	Debt	No
Baobab Senegal	Senegal	Deposit-Taking MFI	Included in Baobab Holding*	Equity	Yes
Baobab Group	Global	Holding Company	201	Equity	Yes



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