

**Microfinance**  
Building Capacity for  
Inclusive Growth





## Foreword

# Connecting the base with the top of the pyramid



Dear Reader

Our commitment to microfinance across the bank dates back to 2002. More than 3 million people have been able to access improved financial services through our funds and initiatives. On the ground we have seen the needs of low-income households evolve, resulting in increased demand for a broader offering of financial products and services. Our Microfinance Capacity Building Initiative tackles this issue: By providing grant capital, sharing our expertise with microfinance institutions, and linking them to our clients and business, we foster the industry's innovation and growth in product development, and beyond. The initiative is also one of several of the bank's efforts to support the United Nations' Sustainable Development Goals.

A handwritten signature in black ink, appearing to read 'Urs Rohner', written in a cursive style.

Urs Rohner

Chairman of the Board of Directors, Credit Suisse Group AG and  
Chairman of the Board of Trustees of the Credit Suisse Foundation

April 2016

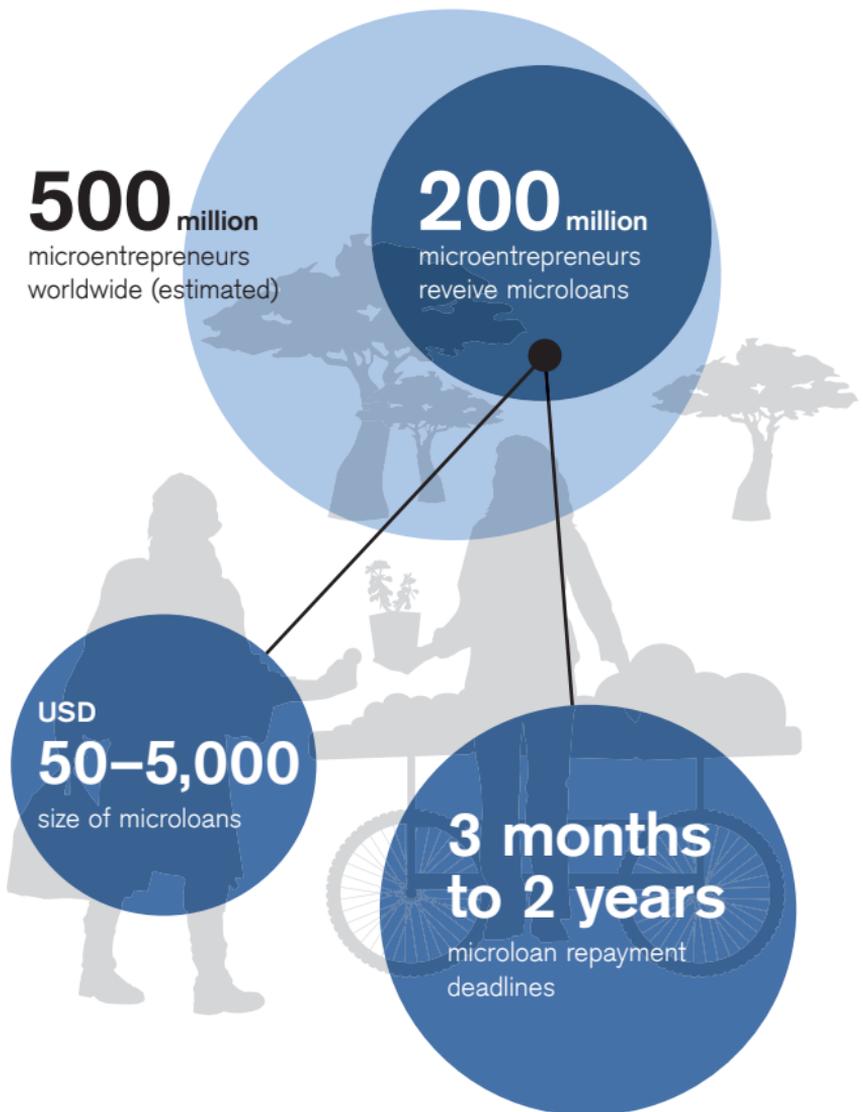
# Microfinance in a Nutshell

## Providing access to financial services

Microfinance involves providing small or very small loans and other financial services to microenterprises and low-income households predominantly in developing countries and emerging economies. It is an effective means of helping people to help themselves and increases financial inclusion around the world.

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### Key features of microfinance





## **Syed Rafiq and Nikhat Salma Managers of Ruby English School India**

The organization Varthana provides loans to affordable private schools, promoting access to quality education for India's poor and for its emerging middle class. Varthana partners with entrepreneurs who are committed and passionate about education.

Syed Rafiq and his wife Nikhat Salma have worked in education for nearly 20 years. They became clients of Varthana in order to build a safe play area for their students. Their school, Ruby English School, in the rural town of Vijayapura, has 600 students, most of whom come from illiterate families. The school has hosted free cataract operations and also provides health services for the community. While loan capital is the starting point of Varthana's engagement with schools, it also works to empower school owners by connecting them with essential resources such as technology, curricula and access to networks.

Accion's Venture Lab is an investment initiative that provides patient seed capital and support to innovative financial inclusion start-ups. Venture Lab invested in Varthana in 2013.

# The Credit Suisse Microfinance Capacity Building Initiative

## From grant to public capital

### A worldwide presence



The Microfinance Capacity Building Initiative (MCBI) is the bank's grant and technical assistance program for microfinance institutions (MFIs). It aims to strengthen the microfinance industry by providing financial and human resources to train the management of MFIs, and to drive further market development.

The Initiative strives to foster product and process innovation in the microfinance sphere by strengthening the ability of MFIs to serve the increasingly diverse financial needs of low-income households. This includes offering financial products and services specifically designed to meet the requirements of people at the base of the income pyramid in areas such as housing, agriculture and education.

## **Implementation of the Initiative**

Grants fund the implementation of projects with our global partners. Through the MCBI, partners engage experts and develop new financial products and services in collaboration with Credit Suisse across their global network. They then ensure that the knowledge and expertise built up in one MFI is replicated, adapted and applied in other MFIs in different regions, building on the acquired know-how, in order to achieve even greater impact. Our partners also share their knowledge at industry conferences and events, as well as through publications. In addition, the MCBI supports industry coordination and development efforts and training and industry thought leadership.

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### **Achievements targeted by the end of 2017**

- **Increasing consumer protection**

Improving client protection, investment readiness and microfinance industry innovation by holding more than 200 events and Smart Campaigns; MFIs that adhere to the Smart Campaign commit to offering a responsible and transparent pricing of their products.

- **Supporting education**

Backing some 530,000 students worldwide to provide them with access to schools, and increasing households' ability to afford the education of their children.

- **Supporting rural areas**

Raising the income of more than 40,000 people living in rural areas by increasing their access to working assets, such as short-term loans, and by improving their cash and inventory management.

- **Empowering women**

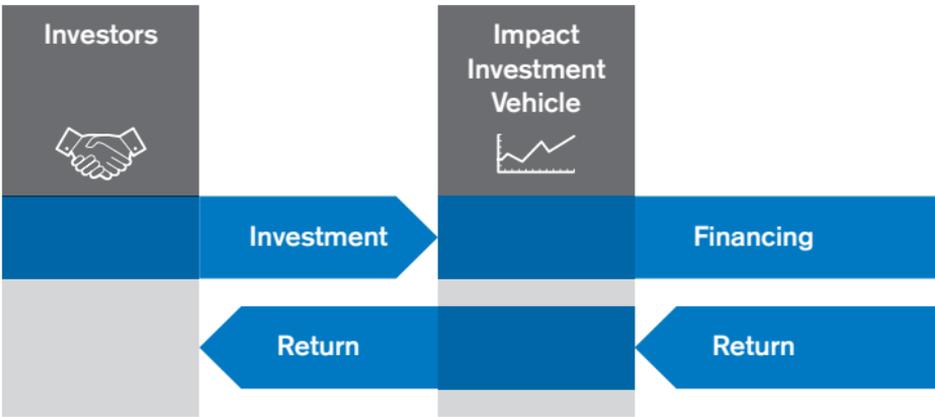
Equipping 120 managers at 60 MFIs with training and tools during a three-year period to better serve the unique needs of women; e.g. through new credit, savings and insurance products.

# Offering Solutions Along the Way

## An integrated approach across the bank

Credit Suisse has been a leading innovator in impact investment through microfinance investment for more than a decade, since co-founding responsAbility Social Investments AG in 2002, an independent asset manager that specializes in development-related sectors of emerging economies. Today, the bank holds more than USD 3 billion in assets under administration across a large number of financial vehicles in impact investment, including microfinance, fair agriculture, education, nature conservation and the financing of small and medium-sized enterprises (SMEs).

### Connecting the top with the base of the pyramid



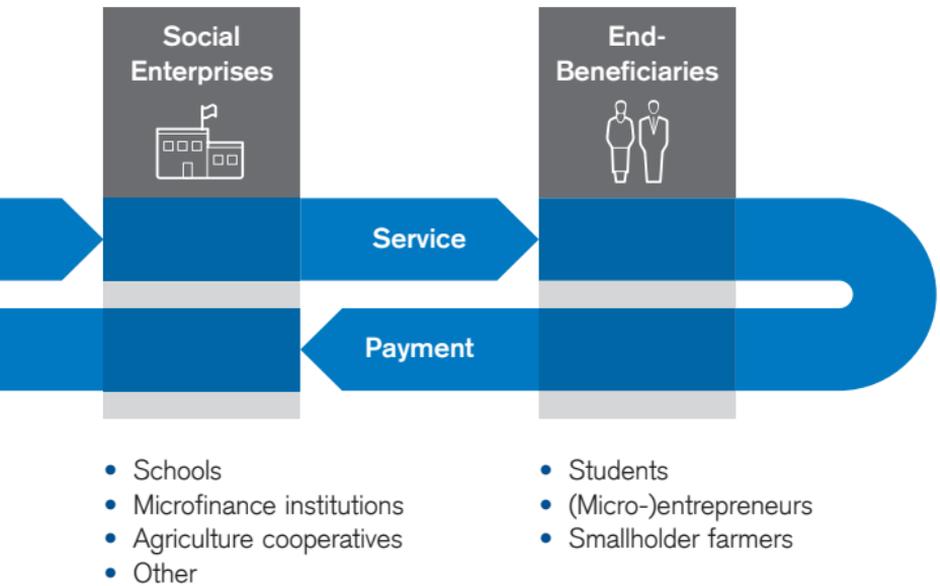
- HNWI/UHNWI/FO<sup>1</sup>
- Retail
- Institutional
- Foundation

- Investment fund
- Structured product
- Private placement
- Customized solution

<sup>1</sup> (Ultra-) High-Net-Worth Individuals and Family Offices

For private clients, Credit Suisse structures, manages and offers a range of innovative products and tailored solutions in impact investment, ranging from mutual funds to structured notes, each targeting a specific sector. Credit Suisse also provides fund administration services and custody for impact funds.

On the investment banking side, Credit Suisse offers micro-finance institutions and social enterprises access to capital markets. Credit Suisse was, for example, instrumental in carrying out some of the first global initial public offerings (IPOs) for several microfinance institutions.





## Lawrence Kakongji Shop owner and farmer Uganda

Lawrence Kakongji runs a small provisions shop in Rubindi, Uganda. He wanted to add more inventory but needed access to capital to do so. About eight years ago, he came to FINCA through its Village Bank program, where groups of low-income entrepreneurs share and guarantee one another's loans. With a loan of USD 220, Lawrence began to expand his shop.

As his shop sales grew, he wanted to diversify the crops grown on his small farm as well. In 2014, FINCA provided Lawrence with his first agricultural loan. His farm now includes a variety of crops such as 'matooke' (plantains), coffee and ground nuts. These crops have become the main source of income for his family, and he has hired two full-time employees to manage the farm while he tends to his shop.

Lawrence's businesses create better lives for his wife, Lillian, and their three young children. He has been able to send his oldest child to school thanks to his growing income.

"The loan terms and repayments are very good," he says. "With FINCA, we have really been able to grow."

## Sharing Expertise to Build Capacity

### The Global Citizens Program and other employee initiatives

The aim of the Global Citizens Program (GCP), launched in 2010, is to promote the transfer of skills and knowledge between the bank's employees and social organizations. Qualified employees go on assignment and use their professional skills to build the capacity of our partners in the areas of microfinance and education.

Such 'global citizens' support our partners in developing processes, strategies and projects, while they benefit from an enriching learning experience in return. In the area of microfinance, assignments focus on implementing best practices in areas such as cash and risk management, credit scoring and client research.

Employees interested in supporting our microfinance partners can also do so from their desk through Virtual Volunteering, sharing their know-how remotely. Or they can join the internal Microfinance Advocates Network, which organizes internal and external activities to raise awareness about microfinance and foster the exchange of expertise.

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#### Knowledge sharing since 2008





## Guada May Brion Marketing Manager at CARD Bank The Philippines

Guada May Brion is committed to ensuring that poor women have access to a bank account, in the same way that CARD Bank granted her mother a loan when she was a child. Guada is now a marketing manager at the bank and recently completed Women's World Banking's Leadership and Diversity for Innovation Program.

The one-year program brings together senior executives from institutions that are committed to serving low-income women. Each senior executive chooses a high-potential female employee to work with them on a strategic business initiative while also receiving leadership training and coaching. The strategic initiative chosen by Guada was to increase savings rates among her bank's clients, more than 1.6 million low-income Filipinos.

"The knowledge and experience I have gained means that I'm now more strategic in making decisions and more open to innovation. These are important factors in pursuing business initiatives that will benefit women. I already had the passion to help, but putting it into reality needs knowledge and skills as a leader," says Guada.

# Introducing Our Partners

## Advancing financial inclusion globally

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### Accion International

Accion is a global nonprofit organization dedicated to building a financially inclusive world with access to economic opportunity for all, by giving people the financial tools they need to improve their lives.

[www.accion.org](http://www.accion.org)



#### Program

1. Ongoing partnership with the Center for Financial Inclusion (CFI), a unique action-oriented think tank for the industry, including the leading industry initiative on consumer protection
2. Support of Venture Lab, an investment initiative that provides seed capital and support for start-ups in financial inclusion

#### Social Impact

Advances financial inclusion globally by expanding quality financial services

#### Business Impact

Over time, Accion has helped build 65 microfinance institutions in 32 countries on four continents

#### Geographical Focus

Global<sup>1</sup>

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### FINCA International

FINCA provides socially responsible financial services to underserved and low-income communities around the world. FINCA's microfinance operations span 23 countries in Africa, Eurasia, the Middle East, South Asia and Latin America, and enable more than 1.8 million clients to build assets, create jobs, and raise standards of living for themselves and for their families.

[www.finca.org](http://www.finca.org)



#### Program

Sustainable Agriculture Finance Initiative

#### Business Impact

Strengthening of the agricultural sector through financing of agricultural businesses

#### Social Impact

Improvements to livelihoods of underserved or financially excluded rural poor

#### Geographical Focus

Africa, Eurasia<sup>2</sup>

<sup>1</sup> Bolivia, Brazil, Cameroon, China, Colombia, Dominican Republic, Ecuador, El Salvador, Ghana, Guatemala, Haiti, Honduras, India, Kenya, Mexico, Myanmar, Nicaragua, Nigeria, Panama, Paraguay, Peru, Philippines, Tanzania, Uganda, United States, Venezuela and Zambia

<sup>2</sup> Armenia, Kosovo, Tajikistan, Tanzania and Uganda



## Peter Thuo Smallholder farmer Kenya

Peter Thuo is a smallholder farmer who runs a two-acre farm. He is in his late 40s and was born and raised in Mugaria, Murang'a county in Kenya. He is married with three children.

Peter took his first lease of KES 50,000 (USD 500) from Swisscontact partner Juhudi Kilimo to purchase a dairy cow to produce milk for his family and for sales. Subsequently, he took a loan to sink a borehole and buy a water tank that can store rain water, so he no longer has to fetch water from a river that is one kilometer away. Then, his first lease of KES 150,000 allowed him to start a poultry business.

He now has three cows, 200 layer chickens and a few coffee plants to complement his income. Through this, he is able to provide for the basic needs of his family and the education of his children. He has also created employment for the community and provides it with water from his borehole. Peter now earns an average of KES 50,000 per month from his farming business. He says that proper planning, time management and good research have contributed to his success, as well as Juhudi Kilimo's financial support and training.

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## Opportunity International

Opportunity International is a microfinance organization that invests philanthropic and social impact capital in order to spark and scale innovative solutions to global poverty, particularly in the area of education. The organization has increased the number of loans available to improve the quality, availability and affordability of education in impoverished regions.

[www.opportunity.org](http://www.opportunity.org)



### Program

Empowers generational change through Education Finance

### Social Impact

Improved economic growth through greater access to high-quality education

### Business Impact

Students and families are better equipped to afford educational costs and schools are more accessible

### Geographical Focus

Africa, Asia, Latin America<sup>3</sup>

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## Swisscontact

Swisscontact is a business-oriented independent foundation for international development cooperation. Represented in 32 countries with more than 900 employees, it has promoted economic, social and environmental development since 1959.

[www.swisscontact.org](http://www.swisscontact.org)



### Program

Microleasing expansion and international replication from Africa to Latin America

### Social Impact

Reduced poverty of excluded rural poor people

### Business Impact

Market enhancement by improving the supply of micro leasing products and services

### Geographical Focus

Africa, Latin America<sup>4</sup>

<sup>3</sup> Colombia, Dominican Republic, Ghana, India, Kenya, Malawi, Philippines, Rwanda, Tanzania and Uganda

<sup>4</sup> El Salvador, Kenya, Nicaragua, Peru, Rwanda, Tanzania and Uganda

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## Women's World Banking

Women's World Banking works closely with 40 financial institutions from 29 countries to create new credit, savings and insurance products designed for the unique needs of women.

[www.womensworldbanking.org](http://www.womensworldbanking.org)



### Program

Leadership and Diversity for Innovation Program

### Social Impact

Expands access to quality financial services for low-income women

### Business Impact

Equips leaders of microfinance institutions with training and tools to better serve the women's market

### Geographical Focus

Global

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## Industry Partners

Credit Suisse participates in key industry initiatives and networks to foster the exchange of knowledge, stimulate innovation and provide thought leadership.





## Mary Florence Awokyalya Owner of Kasubi School Uganda

Mary Florence was working as a primary school teacher when her husband died of AIDS. Left to raise her seven children on a single salary, she struggled to provide food, shelter and a good-quality education for her children. Knowing her neighbors also desired quality education for their children, Mary opened up a small home school with just three students. With such a small school, Mary did not earn enough money to buy supplies and other materials she needed. However, after a parent told her about Opportunity International, Mary took out a small loan to build her first classroom – and she’s never looked back. In the last decade Mary has received more than 10 loans from Opportunity, which she has used to expand her school building and to purchase textbooks, lab equipment and computers. Today, her school employs 50 neighbors and serves 500 students in primary and secondary school, with an additional 100 infants and toddlers in its nursery section. Mary plans to expand her school by adding a boarding section to improve attendance and standards.



## Bayport Financial Services Botswana Africa's first Smart-certified MFI Botswana

Bayport Financial Services Botswana is a lending organization with the goal of helping people achieve financial wellness through responsible access to credit. In 2015, the lender became the first African institution to be awarded a “Client Protection Certification” in recognition of its strong standards of client care. Bayport, which serves more than 10,000 clients, uses a mobile agent distribution model to take its services directly to the customer. It is also involved in initiatives aimed at education and dignified housing for all.

Housed at the Center for Financial Inclusion at Accion, the Smart Campaign is a global effort to unite microfinance leaders around a common goal: to keep clients as the driving force of the industry. In 2013, the Smart Campaign launched the certification program – a rigorous third-party evaluation – to publicly recognize financial institutions that adhere to standards of client protection. As of early 2016, 47 institutions serving more than 22 million clients have been certified.

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