

MICROFINANCE:

Enabling The Power of Ideas & Entrepreneurial Energy for the Other Half

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Story: 1994



First Inspiration



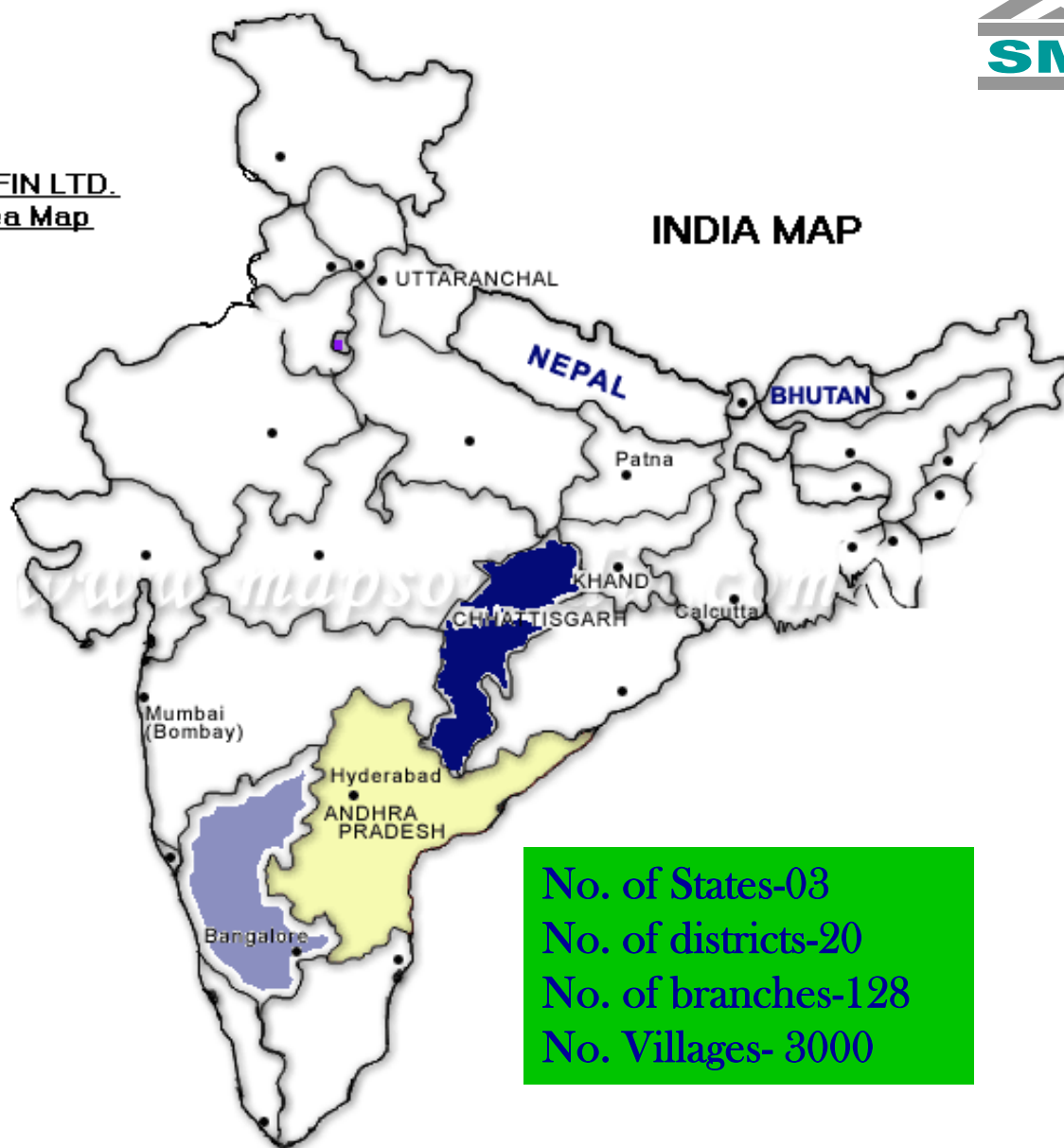
SHARE: History

		1998-99	1999-2000	2000-2001	2001-02	2002-03	2003-04
Active Clients		14,155	30,629	48,868	85,644	132,084	197,722
Yrly Disbursed		1,921,035	4,651,210	6,047,275	12,868,419	20,358,382	36,479,044
Cum Disbursed		3,254,810	7,906,020	13,604,790	25,825,362	43,938,060	81,393,506
Loan Portfolio		1,098,896	2,616,531	4,101,330	6,728,653	10,738,703	18,209,566
Financial Self Sufficiency		71%	74%	84%	100%	104%	110%
Cost per \$ Loan		0.13	0.09	0.09	0.09	0.08	0.07

Source: Company Information

SHARE MICROFIN LTD.
Operational Area Map

INDIA MAP



No. of States-03
No. of districts-20
No. of branches-128
No. Villages- 3000

SHARE: Dreams

		2004-5	2005-6	2006-7	2007-8	2008-9
Branches		186	266	346	426	500
Staff		1728	2486	3215	3945	4622
Active Members		335,757	505,931	679,093	854,762	1,028,018
Total Disbursements(\$ Mil)		59.4	91.5	126	162.9	200.1
Loan Portfolio (\$ Mil)		31.2	47.3	64.6	83	101.6
Self Sufficiency (Financial)		106	110	112	112	112

Equity (\$ Mil)		0.6	0.7	0.7	0.4	0.4
Pref. Capital		3.3	1.1	1.1	1.1	1.1

Source: Company Information

TARGET:

SML provides access to financial resources to people excluded from the conventional, formal financial system.

Rural Poor Women;

Whose asset value is less than Rs. 20,000/- (US \$ 444.44);

Whose per capita income is less than Rs. 350/- (US \$ 7.77) per month and

Who live in poor housing conditions.

Impact:

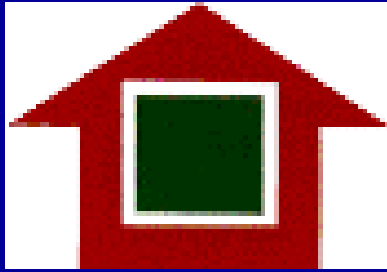


Impact Study

(Bath, Sheffield & Sussex Universities – England)



- 1) 76.8% of the clients experienced significant reduction in their poverty over the last four years of which;
 - i. 38.4% moved from Very Poor to Moderate Poor
 - ii. 17.6% moved from Very Poor to Not Poor
 - iii. 20.8% moved from Moderate Poor to Not Poor
- 2) 38.4% are in the Non Poor category.
- 3) 80% witnessed increase in income levels.
- 4) Women actively participate in family decisions.
- 5) Most of the members children are being sent to schools.
- 6) 17 different combinations were used as paths out of poverty.



GRAMEEN BANK

Began in 1976 in Bangladesh

3.5 million borrowers

\$4.4 billion lent

500 types of micro-businesses

average amount: \$160

peer support and pressure

\$4.1 billion repaid



120,000 GB families overcome
poverty each year (1992 WB survey)

*Prof. Muhammad Yunus,
Founder, Grameen Bank*

Grameen Foundation, USA's Partners in India

\$2.1 million invested since December 2000

Quadruple growth from 80,000 to 330,000
borrowers in 3 years

	SHARE	ASA	CFTS	SKS	Grameen Koota	SNEHA	Total
# of Active Clients	197,943	68,781	27,769	21,946	9,083	6,059	331,581
Branches	99	27	17	9	9	4	165
Cum Loans Disbursed (US\$)	71,031,219	14,124,871	11,183,363	5,529,670	1,228,917	1,824,421	104,922,461
Portfolio O/S (US\$)	16,773,450	3,528,145	2,213,363	1,766,496	494,654	483,189	25,259,296
PAR > 30 Days	0%	2.7%	4.44%	0%	0%	0%	

GF-USA Results

- Scale up leading MFI in Pakistan (Kashf)
 - 15,000 to 60,000 clients in 20 months
 - GF-USA invests \$356,000
- Guarantee for SHARE securitization
 - Largest in history; only second overall
 - GF-USA invests \$325,000 (doubling past \$)
 - Leverage: 12:1; 25,000 new clients in Q1
- Industry-leading technology projects
 - Replication of Grameen Telecom in Uganda (5,000 phones; 400 in place & 60/month)
 - Village Computing Project in India



Strategic Plan 2004-2008

- Three Goals
 - 5m new borrowers
 - Half Out of Poverty
 - Champion 3 innovations
- Total Fund-raising Goal: \$80 million (private: \$56m)
- Total leveraged: \$255 million



DREAM the DREAMS!

Microcredit Summit 1997

Reach the Poorest

Empower Women

Build Financially Self-Sufficient Institutions

Positive Measurable Impact

100m by 2005 (x5)

Source: The State of the Microcredit Summit Campaign Report 2003

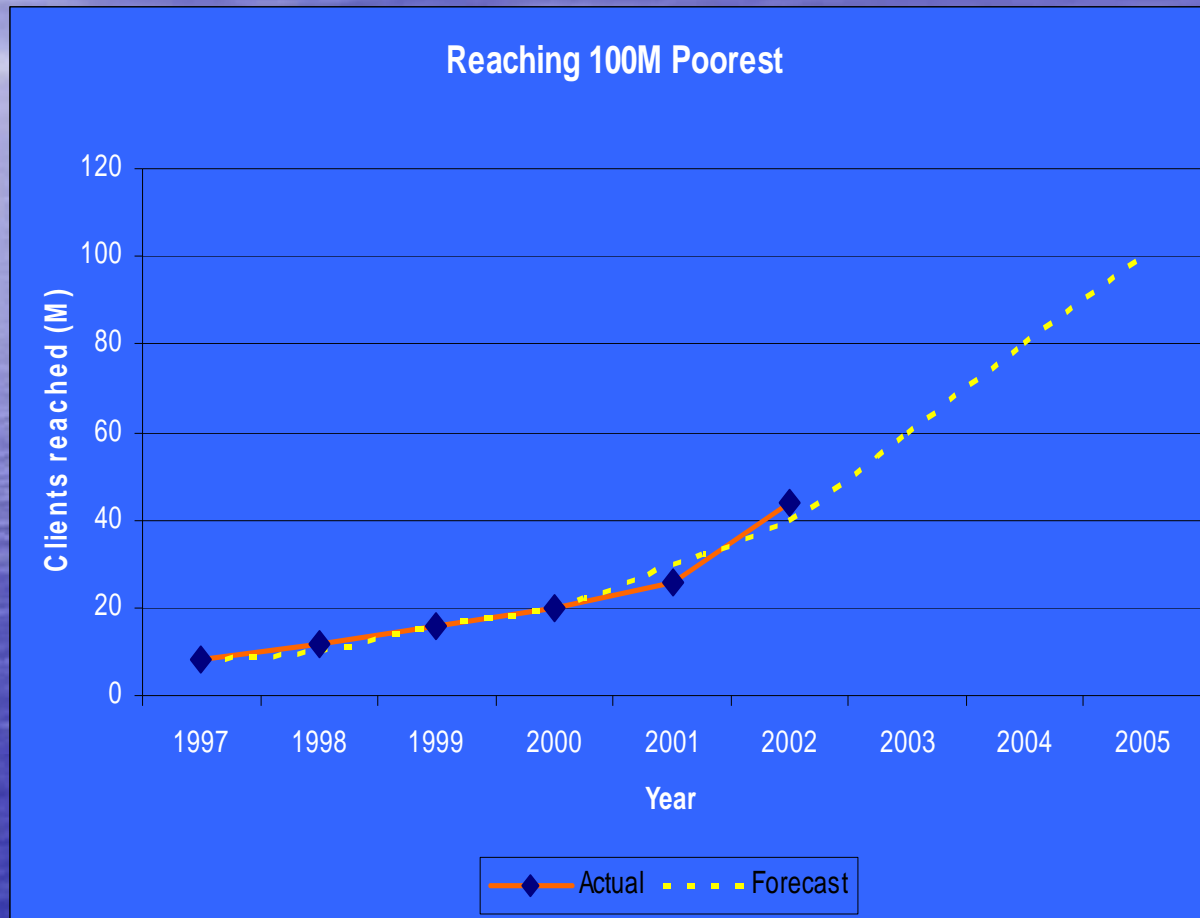
Remove The Myths

The poorest are too costly to reach & motivate

Institutions for the poor cannot be financially self-sufficient

Such institutions will only add a debt burden to the poor

Impact



Source: The State of the Microcredit Summit Campaign Report 2003

Impact:



Exponential Growth:

		Institutions Reporting	Clients Reached (Mil)	"Poorest" Clients Reached (mil)
Dec-97		618	13.5	7.6
Dec-98		925	20.9	12.2
Dec-99		1065	23.6	13.8
Dec-00		1567	30.7	19.3
Dec-01		2186	54.9	26.9
Dec-02		2572	67.6	41.6

Source: The State of the Microcredit Summit Campaign Report 2003

Exponential Growth:

Size of Institution (in terms of clients)	Number of Institutions	Combined Number of Clients	%
> 1 million	8	13,545,168	32.56%
100,000 - 999,999	25	6,414,155	15.42%
10,000 - 99,999	222	5,961,996	14.33%
2,500 - 9,999	410	1,958,777	4.71%
< 2500	1904	1,003,372	2.41%
Networks	3	12,711,310	30.56%

Source: The State of the Microcredit Summit Campaign Report 2003

Economic Basis

Ratings

Professional Boards

Audit Functions

Market Cost of Funds

Incentive Compensation

.and much more

Sustainability



Notes:

Operational Self-Sufficiency (OSS) is the ability of a MFI to meet all its operational and financial costs out of its income from operations

Financial Self-Sufficiency (FSS) measures the extent to which its income from operations covers operating costs after adjusting for all forms of subsidy and the impact of inflation

Source: M-CRIL Microfinance Review 2003

Capitalism Scaled?

Virtuous Pyramid Scheme

Sustainable

Better NOT Best Alternative Methodology

Incentive Schemes for Workforce

Scalability: Commercial basis at ALL levels

Economic Efficiency from Darwinian Model

Powers of

Entrepreneurship

Power of Ideas

Self preservation, Survival & Betterment

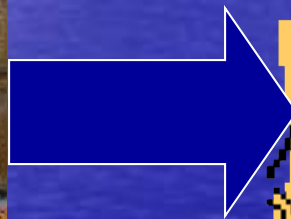
Appropriate Capital

Appropriate Assistance

Regulation

The background of the slide is a photograph of a vast, deep blue ocean stretching to the horizon. The sky is a lighter blue with wispy white clouds. The word "Regulation" is written in a white, serif font in the upper left quadrant of the image.

Securitization: Creating a Secondary Market for Micro-finance



Example: SHARE Securitization

SHARE sold \$4.3 million of its portfolio to ICICI Bank in Jan 04

42,000 loans from 26 branches as of 10.31.03

Continues to act as collection agent

ICICI discounted the FV of principal and interest of these receivables at 8.75%

Repayments will all be made by Jan 05

All future loans originated in these branches will be thru Partnership Model

Boosts SHARE's ROA and ROE

Benefits of Commercialization

Investors and lenders demand increased efficiency and transparency

- New efficiencies can mean lower costs to borrowers
- Increased transparency and professionalism leading to lower risk of error and fraud

Tapping into virtually unlimited sources of capital for expansion

Reduction of time management spends fund-raising

A blue-tinted photograph of a vast ocean under a cloudy sky. A bright reflection of the sun is visible on the left side of the water's surface. The text "Do Good , Do Well" is overlaid in the upper left corner.

Do Good , Do Well

Technology s Role:

ICT for cost management

ICT as products

?

MIT Media Labs

UC Berkeley

Debates?

Sustainability vs MFI+

Definition of BPL

Impact Assessment Issues

Usurious Interest?

NGO or For Profit

Role of Government

Role of Big Institutions

Lessons From Silicon Valley

David or Goliath?

Process or Passion?

Help vs Enablement vs Get out of the Way

Entrepreneurial Innovation

Entrepreneurial Persistence

Entrepreneurial Capital Efficiency

Entrepreneurial Energy

Venture Capital & Venture Assistance



Mix of \$

Research

Programs

Impact Assessment

Equity

Loans



Comments?

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Risks of Commercialization

Exclusion of poorest people and areas

- to reduce perceived portfolio risk among MFI lenders/owners

Phasing out of complementary services (BDS, credit with education) and social impact experimentation

- to reduce costs and increase profits

Mission Drift : Overarching poverty reduction objective slowly diluted/lost

Ownership is increasingly foreign and from traditional banking sector

Risk Mitigation

Right mix of incentives for MFI loan officers

- Grameen Bank Five Star System

- 2 for social impact

- 3 stars for financial performance

Apex organizations choice of MFIs

- Case of SHARE & GF-USA

MFI choices for key management and governance posts (case of Fonkoze)

Donors/Investors attention and valuing of:

- Poverty targeting, poverty impact (monitoring & results), experimentation & complementary services
- Ensuring that ownership is predominantly local and ideally includes clients themselves

Goal 1: 5m new clients

- 4m from ~12 MFIs
 - Mostly Asian
 - Capacity-building & financing
- Directly Invest \$40m
- Leverage \$240m
- Final 1m:
 - “Seedbed” MFIs (smaller, ensure pipeline for future growth)
 - Latin America, China, Arab World

