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LA FONDATION  
GRAMEEN CRÉDIT AGRICOLE

www.gca-foundation.org

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# Foreword

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Amélie, Alice and Juliette. Interns, Fondation Grameen Crédit Agricole

Every year, the Grameen Crédit Agricole Foundation welcomes many trainees. Generally graduated from business schools, engineering schools or university, our trainees spend an average of six months at the Foundation. They conduct due diligence missions along with investment officers, participate in the drafting of investment projects, are involved in research or ad hoc work and have a "full and complete" vote during the exchanges and internal committees that play a significant role in the functioning of our small institution.

This newsletter is a special issue. Indeed, we gave carte blanche to the three excellent interns whom we welcome right now, to draw up its content. It is thus with the eyes of their generation that Alice Forgeois, Amélie Riou and Juliette Charrier share with us their doubts, criticisms, hopes and recommendations on the inclusive finance sector.

Wishing you a pleasant reading, the entire GCA Foundation team shares with you its wishes for a better world. Alice, Amélie and Juliette have already started contributing to this goal. 

## News

### In 2017, the Grameen Crédit Agricole Foundation continued to grow

As of December 2017, the Grameen Crédit Agricole Foundation recorded € 64.1 million in commitments, including € 57.5 million in funding to microfinance institutions and € 4.8 million invested in social business companies, up 45% compared to the previous year.

[Further information +](#)



### GCA FOUNDATION Key figures

AS OF DECEMBER 2017

28 Countries

64,1 TOTAL COMMITMENTS  
Million Euros

57 supported MFIs

14\* SOCIAL BUSINESS COMPANIES  
Supported

GEOGRAPHICAL DISTRIBUTION  
OF COMMITMENTS

24,6%  
Eastern Europe  
& Central Asia

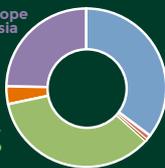
3,6%  
Western  
Europe

35,0%  
South  
& South-East Asia

0,2% Latin America  
& Caribbean

35,3%  
Sub-Saharan  
Africa

1,3%  
Middle East  
& Northern Africa



\*Including ACAD Finance and Chamroun which are also MFIs

LIVRE BLANC

SOCIAL BUSINESS  
Vers un entrepreneuriat de l'utilité sociale



### The Grameen Credit Agricole Foundation publishes its White Paper on Social Business

The Grameen Crédit Agricole Foundation has published its White Paper « *Social Business, the way to socially-useful entrepreneurship* », which draws lessons from its eight years of investing in social businesses.

[Further information +](#)

### Positive assessment of the technical assistance scheme to support rural microfinance in Africa

The 3<sup>rd</sup> Forum of the African Facility Partners, a scheme to support microfinance institutions [...] was held this year within the framework of the African Microfinance Week (SAM) in Addis Ababa, [...] with a very positive assessment from participants.

[Further information +](#)



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## Social Business: the arrival in a social business impact fund or boarding the rollercoaster of investment funds

By Juliette Charrier

When one enters a Social Impact Foundation, you do so with lots of misconceptions and idealism. At least that was my case. I would now finally discover the recipe of the qualitative and quantitative impact to find models that are meaningful, efficient to combat poverty, financially successful and that align the interests of all actors in the value chain. **Cold water on my hopes!** Nothing is ever all right or all wrong. It is difficult to have an impact and we have found no single recipe for success. However, gradually we realise it is possible to contribute to the economic development of emerging countries, support companies that create economic opportunities, that remunerate in an inclusive and equitable way their stakeholders.

**First of all, disillusionment:** have we been lied to for 10 years? Can social business companies really balance profitable growth with social impact? When we first look at our portfolio, we would be tempted to give up and ask ourselves whether we are creating a financial and social speculative bubble on the concept of social business by saying it works although the figures are not forthcoming. Despair and loss of confidence.

Then, by digging into the subjects and by understanding each social business company, we realise that there are strong and concrete improvements, sometimes operational, sometimes social, sometimes both. Except in extreme cases, there are tangible results. It is reassuring, exciting! **Renewed hope towards Social Business companies.**





**There are certainly results, but still well below expectations.** We think about the means to be employed, we realise that this is a long-term process and that we must be properly coached.

We also conclude that there are as many situations in social business companies as variables to collect to ensure their success. But are we the only ones to face such situation?

**Phase shift:** some impact funds indicate they have real social impact and market yields: how is that possible? Two lessons emerge: 1) the concept of impact investing is very broad and ranges from “investments that do no harm, to investments that are seeking at any price to do good”. 2) The Grameen Crédit Agricole Foundation funds more social start-ups than companies or social programmes. The Foundation thus belongs to the “impact investing” sector, in the “social business” section, and more specifically in the Social Impact Seed-Capital Risk subsection, due to its low average tickets and the entrepreneurial nature of the companies invested. When we realise that Venture Capital funds rely on a “unicorn” company to achieve the added value that will absorb the costs of a dozen less

successful investments, while creating, when possible, returns to remunerate managers and shareholders, all this in flourishing and developed economies ... **we measure the challenge** faced by Seed Social Business Funds in emerging countries.

#### Is it a problem of financial means?

Do investment funds invest too little to really enable social business companies to develop, be structured and create a business? According to the GIIN report, internal return rates (IRRs) do not vary according to the total size of the funds but may vary according to the size of the investments.

#### Is it a problem of extra financial means?

The isolation of entrepreneurs and the lack of qualified support? How to draw lessons with investments as diverse in terms of leadership profile, market segment, socio-economic context, value added of the company, targeted beneficiaries etc?

And even if it all works, are the social business companies the best way to achieve impact? Would it not be better to try to change the methods and practices of large groups already resilient in emerging countries to have a real global impact? Integrating new

stakeholders such as new customer and supplier segments could ultimately have a longer reach.

**In the end, we grow up**, by realising that the goal is not to have the most profitable social impact but to contribute to the economic development of emerging countries, by integrating into value chains previously excluded actors, by creating jobs and giving access to essential goods to as many people as possible. The key is that we find ourselves in a stimulating environment, where situations evolve rapidly, where we fumble in search of successful mechanisms, where we try to strengthen social business companies through fruitful partnerships, to achieve financial balance and maximize social utility, and where innovation is everywhere.

### The Grameen Crédit Agricole Foundation draws lessons from its investor experience: discover the White Paper on Social Business



After eight years of investing in social businesses, the Grameen Crédit Agricole Foundation wished to draw lessons from its experience and share them...! It thus sets out the challenges that these social business companies face. The Foundation puts forward proposals to strengthen this promising model. 

**Further information** 



## Microfinance: a sector undergoing a full (r)evolution

By Amélie Riou and Alice Forgeois

When we think about microfinance, we think small loans, for people who do not have access to credit, only in the most remote and abandoned areas, granted by small operators managing the outstanding loans of their customers on paper or old computers, only to finance professional activities. In short, nothing very revolutionary or innovative. Do not be fooled! Microfinance continues to evolve and adapt to its environment: better customer relationships and protections, digital services and provision of innovative products for rapidly meeting essential needs. Be ready for a few surprises!

### Microfinance and GAFAs\*, a possible love affair?

Microfinance is no longer the exclusive domain of NGOs and specialised microfinance institutions. At least, no longer exclusively. Is it for the best...? New market players, internet, mobile, digital giants, are interested in microfinance and offer microcredit products. Easy for them as they know their customers well and can exchange information and money very quickly with them. Here are some examples:

**Baidu**, the Chinese google, offers microloans through its subsidiary Chongqing Baidu Micro Finance to ride the wave of consumer credit which is growing steadily in China and which represented, as of September 2017, a market of 30.2 billion yuan (3.9 billion euros). Baidu reported using big data, machine-learning techniques and facial recognition technology to help assessing the credit record of potential borrowers. Micro-borrowers repay directly through a "wallet" application and the loan application is submitted online. These loans are often intended to finance studies in private institutions.

Simultaneously, last September, **Amazon** announced a partnership with Bank of Baroda (India) to offer microcredit products to sellers on Amazon. Loans at this stage are offered to sellers who fulfill a number of criteria. Indian sellers will be able to use directly the profits from their sales to repay

their loan. Amazon wishes to attract 15 to 20% of Amazon India's customers in one year...! Be careful, digital can be a channel for the development of microfinance, but could ultimately be a factor of additional financial exclusion, by recording and making available a large amount of information and borrowers' history...



### Microfinance and macro-services?

Green microfinance, micro-nutrition, agricultural insurance ... No link between these different topics a priori? Indeed, there is a link. These products have now become an integral part of microfinance institution activities and complement the offer of traditional credit. Forget the classic pattern and welcome in the 2.0 microfinance! Thanks to the geographical diversity of MFIs, the proximity they have with each client and their strong rural roots, microfinance is becoming a privileged channel for the distribution of new services.

A team of researchers recently asked whether it was possible to use the network of MFIs to combat malnutrition, which is almost always linked to poverty in developing countries. The team thus made available to the institutions micronutrients containing 15 essential vitamins and minerals and then measured the impact of this distribution by taking blood samples. Following this study, this distribution network appeared to be very effective in the fight against malnutrition. To consolidate the results, a study will be conducted throughout Haiti. Interesting prospects are in sight!

Very little widespread in Africa but with huge potential developments, agricultural microinsurance offers small producers the opportunity to insure their harvest against various risks (weather conditions, diseases, etc.). How to democratise access to microinsurance? Precisely, thanks to microfinance: the insurance product can be offered to the client, together with a microcredit.

The supply of credit products has also grown considerably over the past years: specific microcredits to facilitate access to renewable energy, decent housing, etc. An increasingly wide range of products that make it possible to better cover the needs of the communities, on levels as different as necessary.

### Is microfinance heading towards new horizons?

Historically intended for developing countries, microfinance is also present in Europe.

**Why?** It is presented as one of the possible answers to the economic crisis, social unrest or financial exclusion and is supported by the States. **Who?** Thanks in particular to non-bank financial institutions and NGOs. **Who is it for?** According to the Convergences 8th Microfinance Barometer, the outstanding microcredit gross portfolio in Europe amounts to 2.5 billion euros, of which 71% is intended for professional purposes for people who have a limited access to financial resources.

**How?** The terms and conditions of these loans vary widely from one European State to another: from 3% in Poland, Finland and France to 28% in Serbia, with average loans per borrower ranging from around 100 euros to 25,000 euros. In addition to microcredit, these European microfinance institutions are increasingly offering additional services, such as savings, insurance, etc.

In addition to expanding to new countries, microfinance is adapting to countries in which it has already been present for many years: Islamic microfinance is developing. **Why?** In order to satisfy potential beneficiaries who do not use traditional microfinance because of their religious beliefs.

**How?** By adapting the traditional microfinance scheme to commercialise Sharia-compliant products, mainly by withdrawing the concept of interest rates from products on offer. **What prospects?** Still in a minority compared to the entire sector, the market is growing rapidly in many countries. The three pioneering countries of Islamic microfinance are Indonesia, Lebanon and Bangladesh but the model should expand to improve the financial inclusion of all. **What impact?** The scope of this new type of microfinance is very important in Muslim countries with around 56% of Moroccans who refuse to use microfinance services for religious reasons. 

\*Acronym for the four US giants of fixed and mobile Internet, Google, Apple, Facebook and Amazon

Further information 

