

Microfinance

We seek to increase the supply and usage of financial products that improve and accelerate the financial inclusion of low-income individuals



People need safe and reliable ways to engage in the local economy and conduct basic financial transactions. Research has shown that households with access to fairly priced and appropriate financial products are more likely to save on a regular basis and use credit products to accelerate asset building. Despite that, more than 2.5 billion people worldwide remain either unbanked or under-banked¹ leaving many low-income individuals to rely on informal and in some cases, high-cost alternative financial service providers to access financial services.

Financial products are critical tools that enable people to participate in the formal financial system. They provide opportunity to save for children's education, protect against crop failure, or borrow money to start a business. Today, there are nearly 200 million people² who are accessing credit through microfinance institutions (MFIs) around the world, and as the sector has evolved, new financial products, offered by MFIs, have been added to enable more people to live stable financial lives. As a result, nearly 80 million³ people are depositing savings into MFIs while 135 million people have microinsurance policies.⁴

Clearly, a trend has emerged which indicates that more and more low-income people are benefitting by participating in formal financial programs. Despite these gains, ample opportunity exists to increase financial inclusion. However, increasing the flow of capital to MFIs and microentrepreneurs alone is not enough to maintain the growth of the microfinance industry. It is also essential to invest in the capacity of MFIs to manage responsible growth and scale the capital markets available to low-income clients as well as support the development of the human capital—MFI staff, leadership, and governance—that enable these institutions to thrive and ensure clients positively benefit from their services.

Our Strategy

Citi has been supporting the microfinance sector philanthropically for over 30 years. In addition to our long-term commitment to support efforts that help the microfinance industry achieve scale and sustainability, we are distinguished in this field by our on-the-ground presence and partnerships in the countries where microfinance is making a difference. In 2010, the Citi Foundation invested more than \$4 million to build the institutional and management capacity of microfinance institutions (MFIs), intermediary organizations and industry networks that are expanding the supply of their new asset building financial products and services. Further, we aim to support research and convenings in the sector and to identify innovations to assist institutions to achieve scale and sustainability.

¹Chaia, Alberto, et al. "Half the World is Unbanked (Financial Access Initiative Framing Note)". Financial Access Initiative, 2009.

²Larry R Reid. "State of the Microcredit Summit Campaign Report 2011". Microcredit Summit Campaign, 2011.

³MIX Market provides financial data and performance indicators for microfinance (<http://www.mixmarket.org/>).

⁴Lloyd's 360 Risk Insight and the Microinsurance Centre. "Insurance in Developing Countries". Retrieved from <http://www.lloyds.com/News-and-Insight/360-Risk-Insight/Research-and-Reports>



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Examples of Our Leadership



Human Capital Center

The Citi Foundation has partnered with Grameen Foundation since 1999 and has supported various initiatives that have catalyzed the organization's capacity to become one of the world's leading microfinance networks. A recent investment from the Citi Foundation is providing funding for Grameen's Human Capital Center of Excellence. This center is designed to inform the microfinance industry as it addresses critical problems facing long-term organizational sustainability stemming from human capital management (HCM) issues.

Since 2008, Grameen has focused on developing best practices and innovations in HCM and will launch a human capital pilot with 5-10 local MFIs in India to prove the concept of strategic HCM practices as a lever for organizational growth and to inform a global strategy that will be executed in the next three years. A set of robust human capital practices will be developed and shared throughout the microfinance sector.

MONITOR



Better Financial Education Solutions for MFIs

This year, the Citi Foundation will begin helping to design and underwrite a comprehensive analysis of the microfinance sector's use of financial education--not only as a tool for empowering clients to make better financial decisions, but to help them become more powerful drivers of business. Our partners, Monitor Group and Partners for Sustainable Development, are researching and interviewing more than 80 leading financial service providers, educators, thought leaders, and policy-makers, in addition to undertaking field-based research in multiple countries, to determine what works and what does not in product-linked financial education. As part of this research, we will convene a select group of stakeholders to help inform a white paper that will be released in the public domain on the value of, and path forward for, financial education and capability. The project has benefitted from technical input and guidance provided by Citi Microfinance and by linking researchers to a range of Citi Foundation grantees and funding partners.



Best Practices in Financial Capability Building and Product Innovation

Established over 30 years ago, Women's World Banking's (WWB) microfinance network of 40 Microfinance Institution (MFI) members represents over 24 million low-income clients in 28 countries. It is the recognized leader in promoting the role of women in microfinance and understanding how financial inclusion impacts the lives of low-income women and families. Through its Developing Best Practice in Financial Capability and Product Innovation Program, funded by the Citi Foundation, WWB will launch an innovative learning program to test different approaches to combining women-focused microfinance products with financial education among their network of MFI members. This will not only bring in more clients to WWB, but will assist them in effectively using asset building products. This program will help WWB and the Citi Foundation to make the business case to the microfinance sector for including financial asset building to acquire and retain MFI customers and enhance consumer financial empowerment outcomes.