



Grameen forms investment bank for the poor

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Capital flows should become more promising for smaller microfinance institutions (MFIs), now that they have an investment banker to bank on.

The Washington-based Grameen Foundation co-founded by Dr Muhammad Yunus, IFMR Trust and Citicorp Finance India have partnered to form an investment bank for the poor, called Grameen Capital India (GCI).

The firm will provide assistance to MFIs on raising low-cost funds using syndication and securitisation, getting ratings from research firms and raising funds from equity markets, while it will also act as an intermediary between investors looking to invest in the space, according to Royston Braganza, the chief executive officer.

“We may also help out small MFIs raise funds by collaborating or floating a special purpose vehicle and taking it to the market,” Braganza said, adding, “At a later stage, we will also launch a wholesale fund for investment in MFIs.”

Braganza says that out of 75 million urban and rural households, less than 10% have access to money, and that the greatest barrier for MFIs is the lack of capital. There are other issues like availability and cost of funds, which GCI will look at.

There are 600 million people in India who do not have access to financial services. “In order to serve this segment, the microfinance industry requires wider access to capital markets. This capital will work to increase the growth and reach of microfinance,” said Nachiket Mor, president of the ICICI Foundation, which is ‘mentoring’ the IFMR trust.

“We are aiming to reach out to 100 million households in India by 2012,” Braganza said. GCI will focus on the northern region, where they feel not many MFIs are present.