

CARNEGIE COUNCIL *for Ethics in International Affairs*

Ethics Matter: Mary Ellen Iskenderian, CEO of Women's World Banking

Ethics Matter, Global Ethics Forum TV Series

Mary Ellen Iskenderian, Julia Taylor Kennedy

Transcript

Introduction

JULIA KENNEDY: Good afternoon and welcome to the Carnegie Council. I'm Julia Taylor Kennedy, program officer here. I want to welcome everyone here in the room and those who are watching us on the web stream.

I'm very excited to have Mary Ellen Iskenderian here today. I first heard of Women's World Banking [WWB] CEO Mary Ellen Iskenderian from the folks at Nike's [Girl Effect](#). They said, "Not only does she get microfinance, she has a holistic vision for its future." The more I read about her accolades and bravery and commitment to providing financial services for poor women, the more I was convinced we had to have her here as part of Ethics Matter.

Mary Ellen Iskenderian holds an MBA from Yale and Bachelor of Science in international economics from Georgetown. She began her career at Lehman Brothers and then spent 17 years at the International Finance Corporation [IFC], which is the private-sector arm of the World Bank. That's where she first worked with microfinance products.

Iskenderian joined Women's World Banking as president and CEO in 2006. She has won a variety of awards, including NYU Stern Business School's prestigious [Citi Fellowship and Leadership in Ethics](#) in 2009. She co-wrote a book on microfinance in India, called [Saris on Scooters](#). She speaks widely about financial options for women, and top media outlets frequently turn to her for her expertise.

Iskenderian has responded head-on to recent challenges to the financial world in general and to microfinance in particular. So I can't wait to hear more about that and other topics in our conversation today.

Mary Ellen Iskenderian, welcome to Ethics Matter.

MARY ELLEN ISKENDERIAN: Thank you so much.

Remarks

JULIA KENNEDY: You began your career in international finance. What drew you to that field?

MARY ELLEN ISKENDERIAN: Well, I grew up as the first-generation daughter of two immigrant parents, one from Italy, one from Turkey, and we would travel every year to visit my father's family in Istanbul during the summers. I was very, very fortunate to have a broad sense of the world, and a

broader world, at a very young age. So it really goes back to quite young.

JULIA KENNEDY: You studied at Georgetown and then went on to get your MBA from Yale School of Management. What was that like? I know that business school has a slightly different bent from many others.

MARY ELLEN ISKENDERIAN: I was very attracted to the school because it offered something that I think is much more common today but was quite unique at the time. It really focused on preparing leaders for all three sectors—the government sector, the nonprofit sector, and the private sector. I hoped that in my career I might have an opportunity to work in all three sectors and recognized that managerial skills and leadership skills were required in all three. And I wasn't disappointed. It was a wonderful program that I really prized.

JULIA KENNEDY: Did you enter thinking, "I'm going to go into international finance and it's going to be a finance career"? Or did it plant a seed for interest in the nonprofit sector at all?

MARY ELLEN ISKENDERIAN: I was very boringly linear in my career. I had a very clear idea that I wanted to have a long-term international finance and development career. But I had a pretty good sense that you needed to know how the real world finance worked before you might even think about applying it to development.

I'll never forget the first day that I showed up for work at the International Finance Corporation after having been at Lehman Brothers, the number of people who said, a little smugly, "Welcome to the real world," because the financial and accounting systems in the countries that we were working in were nascent to nonexistent. It was a far cry from what you actually had exposure to through, at the time, a top-flight investment bank like Lehman Brothers.

JULIA KENNEDY: Tell me a little bit more about your time at Lehman Brothers.

MARY ELLEN ISKENDERIAN: It was a fascinating time, because I was in the class that was there not even six weeks when we had the first [Black Monday](#). So it was really a very, very early education in the volatility of markets and how that can just completely upend lives.

I had been in the generalist pool, but, as a result of the financial problems and all of the offshoots of that, I was merged into the mergers and acquisitions [M&A] department. I had an amazing experience actually and learned a great deal in M&A.

The biggest deal I worked on was the Campo acquisition of the Federated Department Stores, which at the time was a huge deal. Much, much larger deals have been done since.

But it was historic in a lot of ways, because [Wasserstein](#) and [Perella](#) both left CSFB [Credit Suisse First Boston] at that time, in the middle of that deal. We had [Leon Black](#) at DLJ [Donaldson, Lufkin & Jenrette] involved with junk bonds for the first time. There was a lot of historic stuff that we came to be very used to seeing in transactions that were in this deal.

But I will never forget that the morning I went to take my Series 7 exam, which is a registration exam you need to take through the SEC [U.S. Securities and Exchange Commission] in order to work for a broker-dealer. It was the day that [Ivan Boesky](#) was arrested for insider trading. I thought, "Maybe the bloom is off the rose a bit."

JULIA KENNEDY: Tell me about how you first discovered microfinance, once you were at the World

Bank. How did you first come across that?

MARY ELLEN ISKENDERIAN: It was a wonderful discovery in a sense. My first 10 years in the World Bank were working in Eastern Europe and the former Soviet Union. We at IFC started investing in microfinance institutions. It was the first time that I saw people who had no faith whatsoever in their banking systems. And, frankly, the banking systems didn't have much faith in them either.

Banks were not prepared to take a risk on the entrepreneur. Seeing what even very small amounts of capital could do in terms of helping people realize their dreams, and that notion of taking a chance on someone—this was really the first experience of that for many of the people that we were working with in the Balkan countries—I worked on a microfinance project in Georgia and Ukraine, throughout that region. It was very, very compelling and you really understood that story.

I worked in Latin America for a while after leaving Eastern Europe, where some of the oldest and most prestigious, most successful microfinance institutions came about. I sat on a couple of boards of microfinance institutions and really saw what the combination of excellent regulation of institutions and a real commitment to sustainability could look like in a microfinance institution, so much so that I brought all of this with me when I was asked to take over the regional director for South Asia for the International Finance Corporation.

My first day on the job was September 4, 2001. A week later the world changed. I had Pakistan in the South Asia region, and it was a very proud accomplishment of mine that I made sure our first post-9/11 investment in Pakistan was a microfinance bank with Aga Khan Foundation, because I thought it was so important to send a message of hope that would be in such stark contrast to the message that we had seen on September 11th.

JULIA KENNEDY: Just for those who may be new to it, can you give us a quick-and-dirty definition of microfinance?

MARY ELLEN ISKENDERIAN: Traditionally, it has been thought of as the provision of fairly small loans to the working poor entrepreneur. It's not necessarily the poorest of the poor. It's that individual who has recognized that there may not be a job for him or her in her local economy but they can start a business on their own.

But increasingly, and I think very excitingly, we are seeing that microfinance now can really take on a much broader range of financial needs and respond to a much broader range of financial security needs in a poor household. So increasingly we are seeing savings products being offered through microfinance institutions, and also insurance products. We've got a very exciting pension product that we are developing.

It all sort of comes back to this notion that the poor *can* borrow and *can* repay, they *do* save. In the Women's World Banking Network we see on average 10 to 15 percent of monthly income is being saved, which if you think about it—you know, these are people who are living on \$1 to \$2 a day, and that \$1 to \$2 a day doesn't come every day, and how much 10 to 15 percent of monthly income really represents.

So it is now becoming a much broader set of products, and the notion of financial inclusion is what we talk about in the scope of microfinance.

JULIA KENNEDY: You watched microfinance grow and really bloom and blossom in popularity.

What was it like to watch that happen over the 1990s and the early 2000s?

MARY ELLEN ISKENDERIAN: It was very exciting. Anybody who starts their career as a banker can get very excited about seeing what very basic grassroots banking can do to change people's lives. I think many of us enter the field with a very romantic notion. With microfinance you actually get to see the romantic piece of that story play itself out.

We did see a development of the sector. But it was all a little bit still under the radar until the 2006 Nobel Peace Prize announcement for [Muhammad Yunus](#). That was a month after I joined Women's World Banking. So it was very exciting moment to have the movement, have the industry, receive that kind of attention.

It also shone a much, much brighter spotlight on the industry as well, and there have been some ramifications to that brighter spotlight in the last couple of years.

JULIA KENNEDY: Right. Of course that's what I want to ask you about next. You knew it was coming.

MARY ELLEN ISKENDERIAN: I knew you were going there.

JULIA KENNEDY: It has taken a reputational hit. Some critics cry out for more accountability. Others are saying that—I mean we can go through the criticisms one by one. But I'm just curious why you think this has come. Just because people are paying more attention to the sector?

MARY ELLEN ISKENDERIAN: I think that was certainly a big part of it. There was the sense of, "Wow, this is really too good to be true." But at the same time, it was not just paying attention to it, but a lot of money flooding into the sector. There was probably the first really well-publicized initial public offering, IPO, of a microfinance institution in Mexico, Compartamos, which, when the offering documents were released, we saw that the bank was making 56 percent returns on equity, and interest rates were hovering around 100 percent.

It was not the business that we all thought it was to some degree, but it was making the people who were the founders of that institution an awful lot of money.

That fueled a lot of capital inflow into the sector. We estimate that in the last four years we have seen on average about \$10 billion of private capital coming into the sector, which is an extraordinary amount of capital that is primarily return-seeking. So the way that those microfinance institutions manage growth and manage the expectations of those investors has really started to change very dramatically.

That's where I think Women's World Banking's role really starts, because we are great believers in the role of private capital. There are 2.7 billion people estimated by the UN to have absolutely no access to any financial services today, microfinance or otherwise. So there is no way we are going to be able to develop a pipeline out to those people without private capital.

But the whole question of who makes money on the backs of these poor people and can they be included somehow in the returns to capital—just because you can charge 100 percent interest, do you have to charge interest that high? So we are very keen to be encouraging investors who do truly recognize a double bottom line and that microfinance does have a special obligation to its clients not to make every single penny off their backs that they can.

Also, the growth model of microfinance has been primarily around credit. Institutions will come into a market and they will say, "Maria has a great repayment record, and a great microfinance institution lends to her. Well, I'll just lend to her." They won't do any background check. They won't see just how much capacity to repay she has. And unfortunately, Maria doesn't necessarily have the wherewithal to say, "No, I don't want to over-indebt myself and my family."

I think a growth strategy that takes these other products that we were talking about into consideration is a much more responsible growth path and one that we are really trying to help the institutions that make up Women's World Banking foster.

JULIA KENNEDY: Another criticism that has come is from the studies that have been done on consumption patterns, saying, "Well, you don't see recipients of microfinance loans consuming more, so we don't see the level of impact that we are looking for." How do you respond to that kind of feedback?

MARY ELLEN ISKENDERIAN: One very big caveat. I have a lot of issues with the methodology that is behind these randomized controlled studies. So I am officially announcing I am stepping onto a soapbox here, though I hope it doesn't become too obnoxious.

The studies—I think we are all so hungry to see how impact is actually measured and what does and doesn't make a difference, what levers can we pull. But the RCTs [randomized controlled trials], as they are called, typically take place over an 11-month period of time, and as you point out, they measure changes in consumption.

Well, if you think about, in any country, if a business is in an entrepreneurial growth phase, the family is not going to be spending money on consumption; it is going to be investing money back into that business to grow that business.

Also, some of the questions that these studies are asking about—"How have the lives of the people who borrow been changed?" Eleven months is a very, very short period of time. Our network members tell us, on average, that it is three loan cycles, which is anywhere from two-and-a-half years to three years, before you start to see even basic, basic changes.

The kind of change they're talking about is the movement from a mud floor to a wood floor or a thatched roof to a tin roof, so changes that aren't necessarily going to show up if you are only looking at consumption or which are so infinitesimal.

And yet, if you stop and think about it, a mud floor to a wood floor is an enormous shift for a family in terms of its health, in terms of dirt getting into the family's eyes—all sorts of health benefits of making that shift. None of that gets measured by consumption.

I will step off my platform here. There is a study that some economists at the Kennedy School did about 18 months ago that I thought was a really good example of an RCT. They looked at whether, if a woman was given a longer repayment period—microfinance loans tend to be repaid every two weeks or every month—if you gave her six weeks, or even two months, would she be more likely to reinvest more money into her business rather than using the funds in some other way? It turns out she would. I thought that was a really good question to be asking.

I don't think the methodology needs to be thrown entirely away. I just think we have to be careful about what change we are expecting to see in the lifetime of a study.

JULIA KENNEDY: Do you think that microfinance should always be used for new businesses, or can it be appropriately used for subsistence reasons, for food or for other day-to-day life options?

MARY ELLEN ISKENDERIAN: There's a wonderful book that I would urge everyone to read at some time that [Jonathan Morduch](#) has written, *Portfolios of the Poor*, where a very clear picture is drawn of just how complex the financial lives of the poor are—really no less complex than ours.

The truth of the matter is microfinance loans get used for lots of different things, including income smoothing. As I said before, that dollar a day doesn't come every day. And how can you make sure that a family gets by during the course of the month? There is definitely savings involved, but I personally don't have a problem if the microfinance loan gets diverted. Money is fungible, and I think that's the way a poor household is going to make it through that month.

JULIA KENNEDY: Something that I've seen you cite a lot in your talks is this figure that 77 percent of the world's poor are women, which I think is staggering. I guess I'm answering my own question a little bit, but why focus on women and why is this a particularly good tool for women?

MARY ELLEN ISKENDERIAN: It's a great question, and you have answered it to a certain degree.

If your objective is a development objective, why not go after the market that you are really looking for?

There was a study done a couple of years ago of the investors, purely just looking at the funds that were making investments in microfinance. Every single one of them—there were 125 of them that were surveyed—said, "Yes, outreach to the poor is a requirement. Any microfinancing institution we invest in has to have outreach to the poor."

Then, when they were asked, "Do you gender-disaggregate the data? Do you ask the microfinance institution. "Who are you lending to, men or women?"—"Oh no, we don't do that."

It doesn't stand to reason, if that is your objective, not to make a particular point in focusing on women.

Why, once you have made that determination to focus on the poor, women make a particular sense in terms of being a target market, is that the things that women—when they have income in their own names—will spend their money on, are pretty much the same everywhere in the world: the education of their children, the health care of their families, and improvement of their living circumstances. Those are the kinds of changes that can really lead to an intergenerational movement out of poverty.

I think it also just makes an enormous amount of economic sense. We were talking about the 51 percent before. To leave half of your population underutilized economically just doesn't make good economic sense.

We've seen a couple of really interesting statistics. The countries of the APEC region, the Asia Pacific countries, did a study in 2010. They estimated for the region that there would have been \$42-\$46 billion of additional GDP if the women in the region had been better utilized economically.

My alma mater did a really interesting similar study in Uganda and said if the women had economic participation at the same level that men did in the Ugandan economy, you'd be able to account for—and this is staggering—9 percentage points additional GDP every year. And this was a country that was growing at a pretty keen clip of 6 percent year in and year out. But 9 percentage points

additional if you just had a parity of economic participation.

There are just a lot of very, very smart arguments for focusing on women.

JULIA KENNEDY: We're back to the response to backlash in the microfinance community. You have become part of the Microfinance CEO Working Group, which is a prestigious group of leaders within the microfinance community that have come together to address some of the challenges that the sector has seen. Why did you decide to become part of that group?

MARY ELLEN ISKENDERIAN: I think we were all quite concerned at the directions that the industry was taking, but also the parts of microfinance that were really being forgotten by virtue of all of the press that had come out, particularly out of the [Andhra Pradesh crisis](#) in India. And then, over Christmas 2010-2011 we started to see some very personal attacks made on Professor Yunus by the Bangladeshi government and his regime at Grameen Bank.

So really, it was my first day back after the New Year in 2011, and a group of us, the heads of the major international networks—[ACCION](#), [Opportunity International](#), [World Vision](#), [Pro Mujer](#), [FINCA](#)—came together to say, "Yes, we compete for donor money and we're often in each other's territory, but this is a much bigger problem for the industry, and we need to come together."

It has fostered a wonderful working relationship amongst us and a level of openness and candor with each other about the issues that we face. When there is something that comes up in the press, one of us goes out and responds.

I think that was a particular frustration for many of us, that the press was just hammering, and we were each individually being called. I was being called for several interviews daily during the Professor Yunus situation. But there was no real unified voice for the industry.

We don't pretend to represent the entire microfinance industry. But if you look at the institutions that fall under our umbrella, we can account for a number of the major institutions.

And then, our commitment to holding the institutions in our networks accountable for some of the client protection principles that have been developed, some of the self-regulating mechanisms that are now being put in place in the microfinance industry—we really think we can move the ball forward.

JULIA KENNEDY: So there has been backlash on finance generally in the past little while as well.

This is a program about ethics and values. Why do you continue to value finance as a solution to help people out of poverty, and microfinance specifically, with all this conversation going on bashing both industries?

MARY ELLEN ISKENDERIAN: I just see it too plainly in front of me on the ground. Again, I'm going to go back to giving women these options; if you give women a level of economic agency and economic independence, they will make incredibly good choices about many of the other development challenges that they face. They will buy good education for their children. They will buy good health care for their families.

In the last 18 months or so, we have developed a health micro-insurance product in Jordan that we're very excited about, because it has had, as so many things in development often do, some really interesting unintended consequences.

The women were telling us that they were really worried about the days that they had to take away from their businesses when their children or their spouses were sick. That was globally the number-one reason that women's microenterprises were liquidated or decapitalized, was to cover unexpected health emergencies.

So we rolled out this product the we called the caregiver product. If I have any insurance gurus in the room, you'll say, "Oh, that's not a health insurance product; that's business interruption insurance." Be that as it may, we are using it for health purposes.

The really exciting thing is we rolled this out in April 2010. We've sold over 52,000 policies so far. We've had about 1,100 claims on the policies, and fully half of them were not used for caregiver purposes, but they were used by the women themselves for complications during pregnancy.

It just brought home to us that, again, if you make an independent choice available to a woman, she will make a good decision about how to spend her money, how to treat her family and her family's needs and her own needs. So I am still a very great believer in the role that finance can have to allow families and individuals to plan for the future.

Again, crop insurance has turned out to be a very, very powerful tool at the micro level. There was a wonderful study done—it was an RCT too—in Ghana that gave some families cash and some families crop insurance. The families that had the crop insurance were much more likely to do two things that didn't have anything really to do with whether or not there was a drought or a flood or what you'd think of as crop insurance: they had more members of the family eating three meals a day, so they were able to plan in order to feed their family; and more girls in the family were able to go to school.

So you can have hopes and plans for your future in a way when you are not constantly protecting yourself against the shocks of poverty, which is the worst part of poverty.

JULIA KENNEDY: Do you find that microfinance is starting to find its footing at this time? You're out talking a lot, and Goldman Sachs is still very much involved in microfinance. So is there a future for this industry, and what do you see as the future for this industry?

MARY ELLEN ISKENDERIAN: The future of the industry is nowhere in doubt at all. In fact, if anything, this concept, as I mentioned before, of financial inclusion and starting to think more broadly about the financial needs of the unbanked and underbanked and those people who live in very rural or remote areas has really revived the industry.

You have seen cell phone operators coming into this sphere. You've seen retail stores coming into this sphere. You are seeing players coming in and making connections that, when we were just microfinance institutions talking to ourselves and not thinking about broader partnerships—not thinking about even partnerships with banks.

There are increasing numbers of banks in the countries that we are working in who are realizing the only growing market in their country is the low-income market. Maybe they don't know how to assess that risk or provide those products themselves, but they can certainly link up with a microfinance institution that does.

So I think there is more opportunity now, as we have started to expand what we think of as microfinance, than there ever was before.

JULIA KENNEDY: Great. Thank you so much for your answers. That was a wonderful overview.

Now I'd love to turn to you and hear what questions you have for our guest today.

Questions and Answers

QUESTION: Hi. My name is Arsh. Thank you for an amazing presentation.

You mentioned the Andhra Pradesh incident in passing. I just wanted to get your thoughts on the backlash following the incident and what role you think government could play in countries where credit is used as a tool for patronage. In India, politicians were gung-ho about recipients defaulting. What are your thoughts on that?

MARY ELLEN ISKENDERIAN: I'll maybe take a little step back. This was the state in India, Andhra Pradesh, that had the deepest penetration of microfinance, and some of the world's largest institutions were based there. At the same time, there was a government-sponsored program that offered microfinance loans at deeply, deeply un-commercial rates, about 3 percent.

Unfortunately, that program also came with a lot of corruption attached to it and there were a lot of people with their hands out along the way, so you ended up paying far, far more than that commercial rate. And quite frankly, borrowers wanted to go through the commercial microfinance institutions because they did feel the process was more transparent.

Now, lots of other problems arose with those institutions—some of those issues of uncontrolled growth or growth by just lending to the same guy that your competitor was lending to, some real issues related to over-indebtedness. You kind of had this powder keg brewing in this state.

The government's program is being pretty much ignored, you've got institutions that are running a bit amok in terms of their growth rate, and then you have an initial public offering for SKS Microfinance, the largest microfinance institution in the world, with some very, very heavy-hitter private equity fund investors who were quite keen and very explicit when they went into SKS, saying, "We're not about doing good, doing well, none of that. We think this is a really high-growth business and we think we'll make a lot of money in it."

Well, they did. They made a huge amount of money with this IPO, and it really was the match that, in my view, lit that powder keg in Andhra Pradesh.

The government put the brakes on microfinance and I think has actually been pretty reasonable in the way the regulator in India has now let the industry sort of settle out. They have put an interest rate cap on microfinance, which I typically don't support because I do believe microfinance institutions have to be able to recover their costs. But by the same token they have not let the industry die. We have seen some of the other institutions outside of Andhra Pradesh really regain their feet.

I think they have also been very smart in bringing [Ela Bhatt](#), whom we were talking about earlier. Ela was the founding chair of WWB's Board, but also a great pioneer in the field of women's economic security. They brought her onto the board of governors of the regulator.

As regulatory bodies start to take the voices of people who really have been working with the poor into consideration when they are developing regulations, I think those were all very, very positive steps.

QUESTION: In your view, how does the system look where a community or a country graduates from this microfinance state with subsidized lending, and perhaps even some of these loan shark kinds of lenders and whatnot, to a functional retail banking system where the poor's options are not just through microfinance institutions on the ground but you have functional retail programs for women and for communities? How do you see that process developing and what do you think is your organization's role in that in the bigger picture?

MARY ELLEN ISKENDERIAN: I think that regulation has everything to do with whether the outreach to the poor in terms of the financial sector can develop, as you've just described, into a robust and legitimized financial system.

You've seen some very farsighted regulation in Latin America. Bolivia and Peru have some very, very fine regulations, both in terms of the way they look at portfolio quality and capital requirements, but also the requirement that there be a very, very well-maintained credit bureau in place. In Peru, an individual cannot have more than two loans from microfinance institutions, and that is very closely monitored by the regulator.

In Kenya, you have seen exponential growth in cell phone banking because you had a regulator willing to take a very considered risk and who watches that whole process very, very, very closely. But it has provided millions of people with access to banking services that they never would have had before if the regulator hadn't been willing to take that risk.

But it also requires a regulator to say, "I understand what's different about this than a mainstream bank."

The example we always use—and it gets to your point about what role we have to play in Kenya—one of our network members there, Kenya Women's Finance Trust, was moving from NGO to bank. The CEO asked if I could come down, because she couldn't get an appointment with the regulator but she thought if she brought me in with her we would be able to get a message together.

Some of the things that they were asking microfinance institutions to do—they were requiring that all money movements, all money transfers, had to be done with Brinks trucks, the kinds of vaults that you were required to put in place in a microfinance branch. If any of you have ever been to a microfinance branch, you know these are often really little, tiny one rooms and the vault would have engulfed the entire branch if they had adhered to the regulation.

The capital requirements that they were looking for the microfinance institutions to have in place in order to open individual branches would have just destroyed the business.

The role that we were able to play was to point to a regulator who we knew had good intentions and say, "This is what has worked in other countries, this is what you might want to consider, this is how microfinance is different from mainstream banking."

QUESTION: I'm Susan Ball.

I want to know if you found it fair to be offering these poor people insurance and more sophisticated banking products? I've worked a little in microfinance and gone to these rural villages and talked to the women. You are giving them a \$100 loan and every cent of that is needed for whatever they are doing. And then these banks see it as a wonderful opportunity to earn money, and they have gone and tried to teach these poor women how to do insurance policies. It takes all their money. I mean, \$100 isn't enough to do anything. So do you find that a little bit disturbing?

MARY ELLEN ISKENDERIAN: I am so glad you asked that question because it would have been a real failing on my part not to bring up the whole issue of financial education. As we start to get into more complex products, it is absolutely essential that there be a financial education component in everything we offer.

One of my favorite stories is one of my network members started offering a life insurance product. One of her clients came to her at the end of the year and said, "I didn't die this year so can I have my premium back?" There was just a real lack of understanding about what it is that they had been investing in.

But I think with education there is a much keener understanding. If you think about it, if you are saving 10 to 15 percent of monthly income because you are afraid of a health emergency versus a monthly premium that is maybe half a day's wage, that's actually a very good deal. But you need to be able to explain that to the client in a way that she is going to understand.

She's illiterate, so you've make sure that you aren't using words that she can't read but that it's pictorial. We've found that with adults classroom training really doesn't work, it doesn't stick. Training by me or by even the branch manager is not going to stick the same way peer training does.

Another funny story: in India, one of our network members has a wonderful MFI [microfinance institution], but then there's a great foundation that works alongside it with financial education. The Indian School of Business was going to do a case study on the microfinance institution.

So all the newly minted MBAs go out to the village and talk to the woman and ask her, "What did you learn in your financial education?"

She said, "I learned to wash my hands when I'm finished in the bathroom."

No one understood where that had come from. That was the peer training that the foundation had done alongside the MFI, and that was really what stuck. Really learning how adults learn and making sure that they understand what it is you are selling them is an absolute obligation of the industry.

QUESTION: Allie Mazzara with State University of New York [SUNY].

We have a grant from the Jewish Foundation of Education to help young women at SUNY to pursue careers in international relations and global affairs. We have an internship program. One was at Women Advancing Microfinance last year, which was wonderful.

What advice would you give to them if they wanted to pursue careers in microfinance or global finance?

MARY ELLEN ISKENDERIAN: That's a great question.

Come and intern with us. That's the first step.

Sometimes when I talk to student audiences, I think I almost hear a sigh of relief that this is my answer. But I do think—and, granted, you heard my career path, so I am biased—getting a really good sense of how real-world finance works, so you that know how you kind of have to deviate from it in order to take the necessities of the poor population into consideration, getting a really good grounding in mainstream finance, is a very good platform.

And then getting some time out in the field: there is nothing like actually seeing what's happening at

the ground level—as you mentioned, just the reality of these people's lives and understanding again how you have to deviate from that mainstream in order to actually meet them.

QUESTION: This has been fascinating. Thank you so much. My name is Ann Phillips.

I really don't have a question but I wanted to relate something to you that I thought you might find interesting and that the people here might find of interest.

I was once on the board of Save the Children. I chaired their overseas development programs. So I had the opportunity to go around to many impoverished villages. I don't know how else to describe them—really incredibly poor villages in Central and South America and other places. I went with staff.

And another board member used to come who had worked with the UN. He began to feel that he wanted to do something to extend our work but do it on his own. So he and his wife decided that they would get contributions from friends—not huge contributions but some small contributions—and make small loans to these women whom he had encountered in the various communities around the world, in Africa, Central America, and South America. These were really microloans. They were \$50 or \$100.

They began doing it. They screened the women very carefully. They called the organization [Trickle Up](#). You might have heard about it.

MARY ELLEN ISKENDERIAN: Oh yes, yes, yes.

QUESTIONER: And it did trickle up. They would give \$100 to a woman who then had the wherewithal to buy the materials she needed to make the product that she knew how to make, and then she sold, had more money to be able to buy more materials, more products, and so forth. It did trickle up because she began to hire people, she was buying from people who had the resources for her, and so forth.

It was quite a remarkable thing to see. This was totally not-for-profit on the organization's part. It was an NGO completely. Not as sophisticated as what you're doing; it was just really microloans to help people. They always paid it back. So I thought you would be interested in this.

MARY ELLEN ISKENDERIAN: I didn't realize that was the genesis of Trickle Up. It's a wonderful organization. Thank you.

QUESTIONER: That was [Glen Leet](#), who actually was one of the founders of UNRWA [United Nations Relief and Work Agency] at the UN, and his wife [Mildred](#). They did it for years and years, and it really became quite a universally successful organization.

MARY ELLEN ISKENDERIAN: Absolutely. We know them very, very well.

QUESTION: Hi. I'm Felipe Botero from MetLife.

Mary Ellen, last year I was reading an article and I was really shocked by a simple statistic, that in Brazil the average life expectancy is in the mid-seventies, just like it is here. I think that's true around the globe.

And so the whole idea of elderly dependency on the family members is something that I'm very interested in. You mentioned a pension product that you're working on. Could you talk a little bit

about that?

MARY ELLEN ISKENDERIAN: Absolutely. Felipe, it's lovely to see you here. MetLife is doing some great stuff in this area.

It's a somewhat grim scenario that if a woman in the countries that we are working in can survive her childbearing years, then she does have very similar demographics to women in more developed countries. Again, to find a way to support herself and to not be a burden on her family is the same dynamic around the world.

Traditionally we were seeing many microfinance clients would start to borrow and not tell their microfinance institution that they were building an extra room on the house so they could rent that room out and that monthly rent would be the pension or the post-retirement or older age income.

But the thinking about a more formalized pension system is really very, very new. Like so many things that we innovate with in the WWB network, it comes out of the SEWA Bank in India.

One of the large state-owned insurance and pension companies, UTI [Unit Trust of India Mutual Fund], approached SEWA a few years ago and said, "What do you think it would look like if we made pension services available to your clientele of very, very poor women in the state of Gujarat in India?"

They started collecting roughly a dollar a month from the SEWA membership. Within 18 months they had \$3 million assets under management in this pension product. If anything, it has now become this accumulation problem and how do you manage those assets. So they have asked us to come in and start to think about how you would actually design a product, because again the poor save. If you provided enough of a platform that they are not thinking day-to-day, one foot in front of the other, then they can think longer term.

We are still in the super-early stages. There is a wonderful organization called [World Granny](#) in the Netherlands that is taking a lot of the expertise in the Dutch pension system, which is really one of the finest set of pension organizations in the world, and applying this to women in developing countries.

So stay tuned. It's still in the very, very early stages. But we are working in India first.

QUESTION: My name is Mary McCaffrey. I'm on the board of Pro Mujer.

I just wanted to say that all the information about training is totally critical. But at Pro Mujer we are also doing a lot of health care training. There's a lot of obesity, childhood as well as women, so we do screenings on diabetes. But it's all connected. I love hearing about the other products, the pension product and the insurance product.

Over time you see that there is a yin and yang with the regulatory issues, because it is hard to keep all these balls in the air when you're moving towards a regulated financial environment and still trying to build up these health care facilities.

MARY ELLEN ISKENDERIAN: I think that really is one of the big challenges that we'll all face. So many of these other services—health services, financial education, business development—all these things that are so important, that you just can't do under the umbrella of a regulated entity. It's expensive. The regulator doesn't really want you to be doing it in the first place.

What we are finding really is the model that is working quite well is—the way these transactions

typically get done is the original NGO, the original microfinance institution, will sell its loan portfolio to the regulated entity, and then sort of in one fell swoop it becomes this very well-funded NGO in its market. But it can no longer do what it was previously doing in microfinance.

We are trying to get the NGOs to stay very, very closely linked, providing some of the health training, health services, the ancillary things that are only beneficial to the clients of the bank but that the bank itself can't really provide, and to stay very, very tightly linked, because that's probably the best formula for keeping the bank really close to that set of customers and that mission.

QUESTION: Lynda Richards.

As somebody who contributes regularly to give these kinds of loans, is there any place that you can go to understand which are the best of these organizations, which ones work in various countries, et cetera?

MARY ELLEN ISKENDERIAN: I think probably the best information clearinghouse that does provide a certain level of rating, but some judgment is necessary, is the [MIX Market](#), which was a project that was started within the World Bank. It still gets some World Bank funding, but it is really a more independent entity.

The majority of the world's sustainable microfinance institutions report to the MIX. They have to tell you whether or not they have received a rating. Then, a lot of times, if you click on their reporting you can click into their rating as well.

They have also in the last two years started collecting social metrics as well from the institutions. So what kind of outreach to the poor, what percentage women clients—those kinds of metrics are available as well. It is very good, very reliable data.

QUESTION: Mary Ellen, you talked about the double bottom line. You also mentioned in the SKS example that some of the investors were truly in there for return. How do you balance this going forward, where there can be a large flood of money coming in to invest but at competing goals?

MARY ELLEN ISKENDERIAN: That's a great, great question. And this is a big role that we play with the 39 institutions that make up our network.

The microfinance institutions aren't stupid. They've seen what has happened, and they are very concerned that who you have around the table really can determine what happens to the future of your organization. So we spend a lot of time advising the network members on what's the optimal capital structure for you going forward and who are investors that are the most aligned with your goals.

There is a story that I've told many times, but it's always very heartening to me, because it says that investors really can be a force for good within an institution.

There is a microfinance institution in Cambodia—it's not one of the Women's World Banking network members—that had gone through this transformation process that I described and had now become a bank. They had a very extensive rural banking network. By happenstance, most of their women clients were served from those rural branches.

But the board had put very, very strict KPIs [key performance indicators] on management around operating costs, and management was going way over the operating cost ratio that had been set,

and their bonuses were linked to reaching those targets. So, "Why don't we close the rural branches? They are so expensive."

At the next board meeting, the board members were so excited about reaching the goal. But one board member apparently—and the management of the bank told us this story—spoke up and said, "Hey, wait a minute. Where did all the women clients go and what's the relationship between these two things?"

Well, on the spot, the investors and the board members rolled up their sleeves with management, redesigned a budget, redesigned a set of incentives for management, so that the rural branches could be reopened, the outreach to women clients could continue. Yet, there would still be a focus on performance, but not on performance that needed to be at the sacrifice of mission.

As I say, I take great hope that investors will be as committed to that double bottom line as we hope they are.

QUESTION: Jim Robins. I'll be the skunk at the picnic. [Laughter]

What strategies do the women use to keep the money that they have recently acquired, which never existed before in their society, out of the hands of those who want to use it for vice?

MARY ELLEN ISKENDERIAN: Said otherwise, you mean their husbands?

Well, I can't really speak to external parties, but that is an incredibly good question and a very, very big issue that we are facing. The tension between access to the money and control of the money is a very, very important one to monitor.

This institution that I told you about in India that we are so fond of and that we think does such a great job, they had brought us in to look at their—they were a group lender, so the women borrow in groups and they counter-guarantee each other, and the amount that you can borrow and grow your business with is really capped by how comfortable the group feels in making a loan.

They brought us in to start doing individual loans so the businesses could actually access more capital and grow. They swore to us that 100 percent of their clients were women.

Well, what we found was that really 60 percent of their clients were actually these women's husbands, who didn't necessarily need the women to be the face of the borrower and they could get a reasonable size loan, and they could do so without having to show up for this timely time-consuming board meeting. The men kind of came out of the woodwork and said, "I'm the borrower of record."

So this is a huge issue and it's one that the institutions have got to pay very, very close attention to. Who are you lending to and how is the money actually being used? It can be very, very different things in certain institutions if they're not careful. So it's a good question.

JULIA KENNEDY: One reason we invited you here today is because you are open to these kinds of frank discussions and questions, and I appreciate you dealing with them so well today. Thank you for coming.

MARY ELLEN ISKENDERIAN: Thank you.

Audio

CEO of Women's World Banking Iskenderian explains why investing in women makes so much sense. She also tackles the recent critiques of microfinance and discusses how it is evolving.

Video Clip

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TV Show

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