

Mikro Kapital's CEO on The True Value of Sustainable & Impactful Micro Credit along the Silk Road and Far Beyond

Launched in 2008, Mikro Kapital is Luxembourg-headquartered and focuses on the use of microfinance techniques for investing in small businesses across emerging markets, with a particular focus on SMEs along the 'Silk Road' countries of Central Asia and Europe. Johannes Feist, Chief Executive Officer, spoke with Hubbis recently to articulate the key missions and offerings that the firm delivers in some of the most remote and also least populated countries and markets of the world. He also commented on how the wealth management community can participate in the Mikro Kapital journey along the Silk Road, observing that the firm opens up a new world of Impact Finance and Microfinance that also provide considerable rewards for the investors. He explored their unique approach to microfinance, enhancing the opportunities for developing markets with a well-proven process to manage the risk and control the full value chain end-to-end without intermediaries. He explained why it is so rewarding to invest in local businesses across emerging regions, empowering and transforming micro-SMEs with micro-credits and micro-loans, and sharing economic and financing solutions. He is remarkably proud of their record in achieving a historical NPL rate of below 1% since inception despite dealing with numerous small obligors across remote and challenging landscapes. He also outlines the firm's expansion in the region through their relatively new Hong Kong office, where they have been obtaining specific asset management licences to help build presence and trust amongst partners and investors. In particular, he highlights ongoing efforts to build relationships within the wealth management and the broader financial communities to open up new investor avenues and offer those entities an interesting source of diverse and impactful assets.

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JOHANNES FEIST
Mikro Kapital

Worldwide, there has been steadily growing interest in more inclusive and impactful investment strategies, and Mikro Kapital is an alternative asset management firm specialising in microloans and private credit that stands at the forefront of this transformative wave. “We are distinctly positioned and delivering a very inclusive form of microfinance, serving the micro-entrepreneurs of the Silk Road countries in Central Asia, and also looking ahead to expansion in Africa and Latin America in the years ahead,” Johannes reports.

Putting investor money to good use

He explains that this commitment is not just a business model but a reflection of a deep-seated belief in empowering the underbanked communities in these often very remote and sparsely populated countries. Johannes elaborates on the firm’s genesis, crediting its foundation to Vincenzo Trani, a former European Bank for Reconstruction and Development professional. “Vincenzo’s vision was clear from the outset,” Johannes says. “He saw the transformative power of inclusive finance and acted on it. Sixteen years later, we have achieved a lot, and we are still committed to and driven by his original mission.”

Within communities for communities

Johannes says one of the distinctive features of the firm is its operational similarity to a banking institution, albeit with a crucial difference: all Microfinance institutions are regulated or authorized by the local central bank, but are not allowed to take deposits. Instead they

gather funds from Mikro Kapital: therefore investors are getting direct exposure to a unique micro-entrepreneur customer base through Mikro Kapital’s extensive network of companies and credit officers along the Silk Road.

“We have thus far assembled a large number of credit officers who work with us and are embedded within the communities they live in and serve,” he reports. “This close-knit structure allows us to tightly control and monitor our lending processes, ensuring a very benign risk profile and high transparency for our investors.”

Inclusivity: a key foundation

Moreover, the firm’s lending practices are sharply focused on inclusivity, with a significant emphasis on female entrepreneurs in these nascent, developing markets. “We channel our resources to where they can spur real change, and empowering women entrepreneurs is a critical part of this,” he remarks. “The impact of our work is closely aligned with several Sustainable Development Goals, as we focus

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not just on financial returns but also on vital societal benefits.”

Johannes is particularly proud of the financial outcomes his firm achieves. “While our core mission is impact-driven, we also deliver consistent, attractive returns to our investors, with annual returns ranging from high single digits to low double digits,” he explains. “This dual focus ensures that investors do not have to compromise on investment performance while contributing to meaningful societal and sustainability impact. I can say that what we’re doing is not just about finance but about fostering a sustainable future. We believe we are not just participants but pioneers, leading a charge towards a more inclusive and equitable financial world.”

Control and process

Johannes explains that what sets Mikro Kapital apart in the competitive landscape of microfinance is not just its focus on micro SMEs but its comprehensive, end-to-end control over its operations. “Our business model is unique,” Johannes points out. “We maintain full control over every aspect—from the sourcing of funds to the actual lending. This is relatively rare in our sector. This integrated approach enables Mikro Kapital to ensure consistency in its operations and maintain its commitment to true impact investing.

These robust control mechanisms allow Mikro Kapital to tailor their services precisely to the needs of clients, ensuring that each entrepreneur receives the support necessary to thrive. “By managing every link in the chain, our team

At a Glance – Eight Nuggets of Insights into Mikro Kapital and its Missions

Foundational Mission and Geographic Specialization: Founded in 2008 and headquartered in Luxembourg, Mikro Kapital has established itself as a pivotal player in microfinance, focusing on small and medium-sized enterprises across the Silk Road regions. This area includes multiple countries in Central Asia and Europe, where access to traditional financial services is often limited. CEO Johannes Feist emphasises how these efforts not only drive local economic growth but also open a new dimension of impact finance and microfinance for investors, providing significant rewards through engagement in transformative projects in some of the world’s most underserved areas.

Distinctive Banking Model and Micro-Entrepreneur Focus: Mikro Kapital operates with a unique model that mobilises capital from global professional and institutional investors to directly fund micro-entrepreneurs through a vast network of proprietary financial institutions along the Silk Road. This approach allows for stringent control over the lending process, directly contributing to an exceptionally low non-performing loan (NPL) rate of below 1%, which is remarkable after more than 16 years of operations.

Inclusivity and Societal Impact: The firm places a high priority on inclusivity, particularly in empowering women entrepreneurs in these often remote and nascent economies and markets. Johannes Feist stresses that this strategy is not only about financial gain but also about fostering societal benefits that align with the UN Sustainable Development Goals (SDGs). This dual focus enhances the quality of life in these communities and makes a material contribution to driving forward the global agenda for sustainable development.

Expansion and Licensing in Hong Kong: In a strategic move to expand its influence in Asia, Mikro Kapital opened an office in Hong Kong in 2023. This important hub is securing essential asset management licenses - Type 1 and 4 thus far and with eyes on Type 9 - to better facilitate operations and investor relations in the Asia-Pacific region. These licenses will allow the firm to operate more freely, engaging in broader sales and advisory activities that were previously restricted.



can swiftly adapt to changes in the market or specific needs of the customers, enhancing the firm's ability to make a meaningful and lasting impact on the communities we serve."

Johannes focuses attention on the investors who provide the capital. "We have a diverse investor base that is drawn to the world of impact investing but who also expect rewards for their commitment," he states. "These investors are drawn to Mikro Kapital not only because of our explicit focus on impactful outcomes but also due to its historical reliability and targeted support for entrepreneurs, especially women. Our investors appreciate the thematic focus on entrepreneurship and inclusivity, and they are attracted to progressive, socially conscious investments but expect appropriate returns at the same time."

Alternative, non-correlated assets

He notes that these investments are uncorrelated to the equity markets, a particular appeal in volatile times. "There is competition, but we are well positioned and experienced in financing the most promising entrepreneurs and their enterprises, so we are, through our established extensive network, picking the cream of the crop when it comes to loans and at the same time we adopt a conservative stance on collateralisation," Johannes details. "This approach not only minimises risk but also ensures a diversified and robust portfolio, leading to consistent, attractive returns."

He adds that the key is their network, allowing them to be deeply embedded in these

Regulatory Compliance and Investor Confidence: By securing Type 1 and Type 4 licenses from Hong Kong's Securities and Futures Commission (SFC), Mikro Kapital will of course now fully adhere to local regulations, and the granting of their licenses has significantly elevated credibility and investor trust. The SFC's rigorous assessment process is helping to reinforce and underscore amongst the investment community Mikro Kapital's commitment to transparency and operational excellence, key factors that attract discerning partners and investors.

Strategic Partnerships and Innovative Financial Structures: To effectively scale its operations in the busy, diverse and competitive Asia-Pacific market, Mikro Kapital is focusing on building strategic partnerships, particularly with wealth management firms and family offices. These partnerships are supported by innovative financial vehicles such as Special Purpose Vehicles (SPVs), which allow for tailored investment solutions that meet diverse client needs and enhance market penetration.

Broadening Global Reach and Diversifying Ventures: Looking beyond its established markets, Mikro Kapital is exploring expansion opportunities in Africa and South America, regions ripe for impactful investment. Additionally, the firm is innovating beyond traditional microfinance models, exemplified by its franchise venture, Anytime, in Thailand, which supports local entrepreneurship through a vehicle time-share business, further diversifying its impact initiatives.

Educational Leadership and Industry Influence: Under Johannes Feist's leadership, the experienced team at Mikro Kapital seeks to redefine the standards of the microfinance industry. By offering deep insights and sharing best practices, the firm aims to educate the market and shape industry standards. This commitment to leadership is seen in their proactive approach to fostering environments where microfinance is not only effective but also a catalyst for broad socioeconomic improvements, and at the same time delivering appealing financial returns to investors, which then results in new flows and additional resource for the micro-finance borrower communities.

communities, which gives them an edge in managing risks and optimising returns. "While our focus may seem niche and even somewhat esoteric, it is precisely this specialisation that underpins

our strength," he states. "The firm's strategy of diversifying by country and industry sector mitigates potential risks associated with operating in perceived high-risk regions."



Direct to the source

Johannes also remarks on how the firm’s network allows them to work with a direct investment channel, bypassing the need for intermediaries. “Our investors highly value the directness of our credit officer structure, which means that no third-party brokers or institutions are diluting their returns or adding unnecessary layers of fees or possibly confusing issues,” he explains. “This streamlined approach not only enhances efficiency but also ensures that capital is allocated precisely where intended, maximising both impact and returns for investors.”

From Hong Kong to APAC

Johannes then turns his spotlight on the expansion of their relatively new base in Hong Kong, which opened in 2023, and now has specific asset management licences. “We are committed to broadening our partner and investor footprint in the Asian markets, and Hong Kong serves as a pivotal hub for our activities, not just within the city but across the entire region,” Johannes explains, highlighting the strategic importance of this expansion.

He explains that obtaining the Securities and Futures Commission (SFC) licenses, particularly Type 1 and Type 4, is crucial as they allow Mikro Kapital to sell more extensively and with fewer restrictions than before. “Previously, our growth was somewhat constrained by limitations on private placements and other similar restrictions,” Johannes explains.

Regulation, reputation and trust

The licenses not only enhance the firm’s ability to operate more

freely in the market but also bolster the firm’s credibility, as the Hong Kong SFC’s stringent assessment criteria and their approval process are well-respected. “Once investors know we’ve met these high standards, it significantly boosts their confidence in us as a high-quality asset manager,” Johannes states. “With the Type 1 and Type 4 licenses, which cover sales and advisory services, we have greatly enhanced our operational scope. And we are now further expanding the licensing to include Type 9, which encompasses a broader array of asset management.”

Working with the wealth management community

Johannes expands on these comments, noting that growth will hinge significantly on forging more and increasingly robust strategic partnerships with wealth management firms and others who can access the right types of private investors. Despite being a Luxembourg-headquartered firm with a commendable 16-year track record, he says Mikro Kapital recognises the challenges posed by its relatively modest size in a busy market where there is a lot of competition for private investor attention.

“The Asia-Pacific region is bustling with activity, and the competition for investment funds is intense,” Johannes acknowledges. “That is why to build further across such a vast and diverse market, Mikro Kapital is prioritising partnership and collaboration. We will continue our efforts in direct sales to family offices and professional investors, complemented by our growing strategic focus on cultivating a

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dynamic and extensive portfolio of partnerships, especially within the wealth management community,” he explains.

Education aligned with market progress

He reports that this strategy of leveraging ‘one-to-many’ relationships is designed to extend Mikro Kapital’s reach across multiple countries, including China, Taiwan, Singapore, Korea, Japan, and Australia. “We need reputed and well-regarded ‘champions’ in key markets to truly access and engage with the broad spectrum of investors in these regions,” Johannes states.

He says their ambition is to grow their assets under management significantly. “Our goal is to manage half a billion to one billion dollars from the Asia-Pacific alone, and strategic collaborations are essential to achieving this,” he elaborates. “For example, we are making headway with these initiatives - we are already forming

partnerships with several multi-family offices in China, which allow us to tap into an extensive client base and tailor our services to meet the nuanced needs of the local market.”

The microfinance industry benchmark

Johannes draws the conversation closer by emphasising their goal of becoming a benchmark in the micro-credit industry.

“Our ambition is to establish ourselves as a reference point for impact in the microfinance sector,” he states. “In doing so, we will not only build market share, but we will leverage our extensive experience and profound understanding of microfinance and impact investing to educate and influence the industry. We bring not only financial resources but also a wealth of knowledge and educational insights into these markets, and help shape industry standards and practices, particularly in regions where such financial services can dramatically

influence socio-economic development and positive change.”

Eyeing new horizons

His final word is on Mikro Kapital’s strategic plans for expansion beyond their established markets. “Our 16-year tenure in Central Asia has set a solid foundation, and now we are setting our sights on broader horizons,” he reports. “For example, we have embarked on a recent venture, Anytime, a vehicle timeshare business that we have successfully franchised in Thailand, which is indicative of our commitment to supporting entrepreneurs with comprehensive services that extend beyond traditional financial assistance.”

Looking further afield, Mikro Kapital is also setting its sights on other continents. “We are not just focusing on Asia; we are also considering opportunities in Africa and South America,” Johannes reveals. “We are a relatively small organisation but gaining strength and momentum all the time.” ■

