



**PLANET FINANCE**

[www.planetfinance.org](http://www.planetfinance.org)

The Microfinance Platform

November 2006



## I.1. General Context

- 2.8 billion people worldwide live with less than 2 dollars/day
- 1% of the richest part of the population earns as much as the 60 % of the poorest part.
- The composition of world poverty has changed over the years. The number of poors have fallen in Asia but they have risen in the Sub Saharan Africa, in Latin America and the Caribbean.
- In 40 years, 50% of the world population could live in extreme poverty



## I.2. Definition

Microfinance enables the access to financial services for the poor and to those excluded from the traditional banking system :

- credits
- savings
- insurances
- money transfers





## I.2. Definition

- **90% of world's population** is excluded from the financial system and 3 billion people seek access to basic financial services
- **500 million of microentrepreneurs** without an access to loans
- **10 000 Microfinance Institutions (MFIs)** for a global portfolio of 30 billion euros.
- The average loan is 300 euros in a range that goes from € 10 to € 5,000
- 130 million of active borrowers
- 80% of borrowers are women
- From 65 billion euros of Public Development Aid, less than 1 billion goes to microfinance

Sources: PF, UNCDF and CGAP.

### Average loan by borrower contracted with an MFI :

Africa : € 437

Asia : € 353

Latin America : € 895

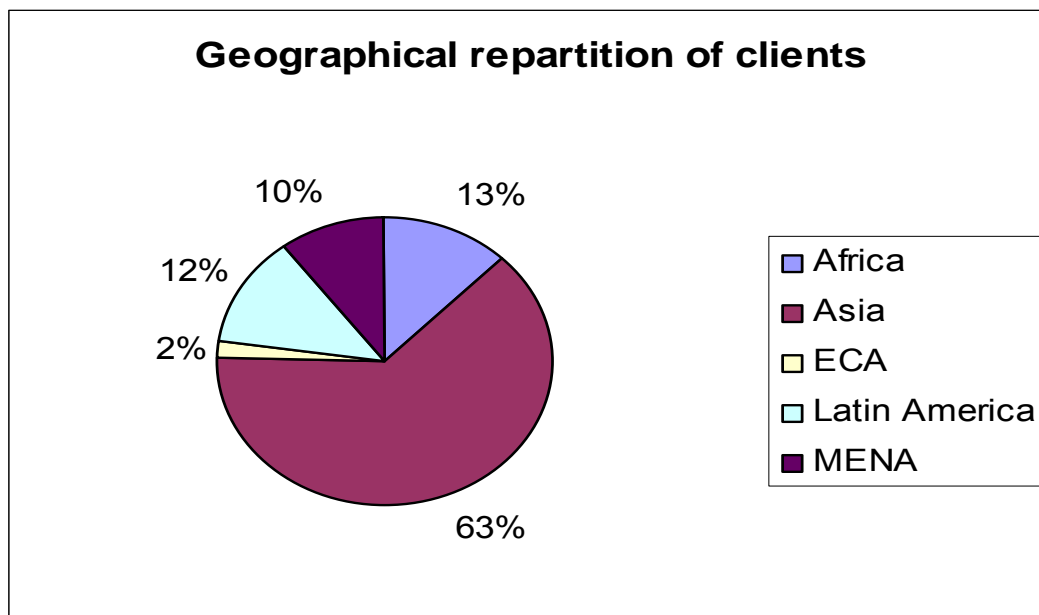
East Europe : € 1,049

France : € 5,000

Source : Mixmarket, benchmarks 2003



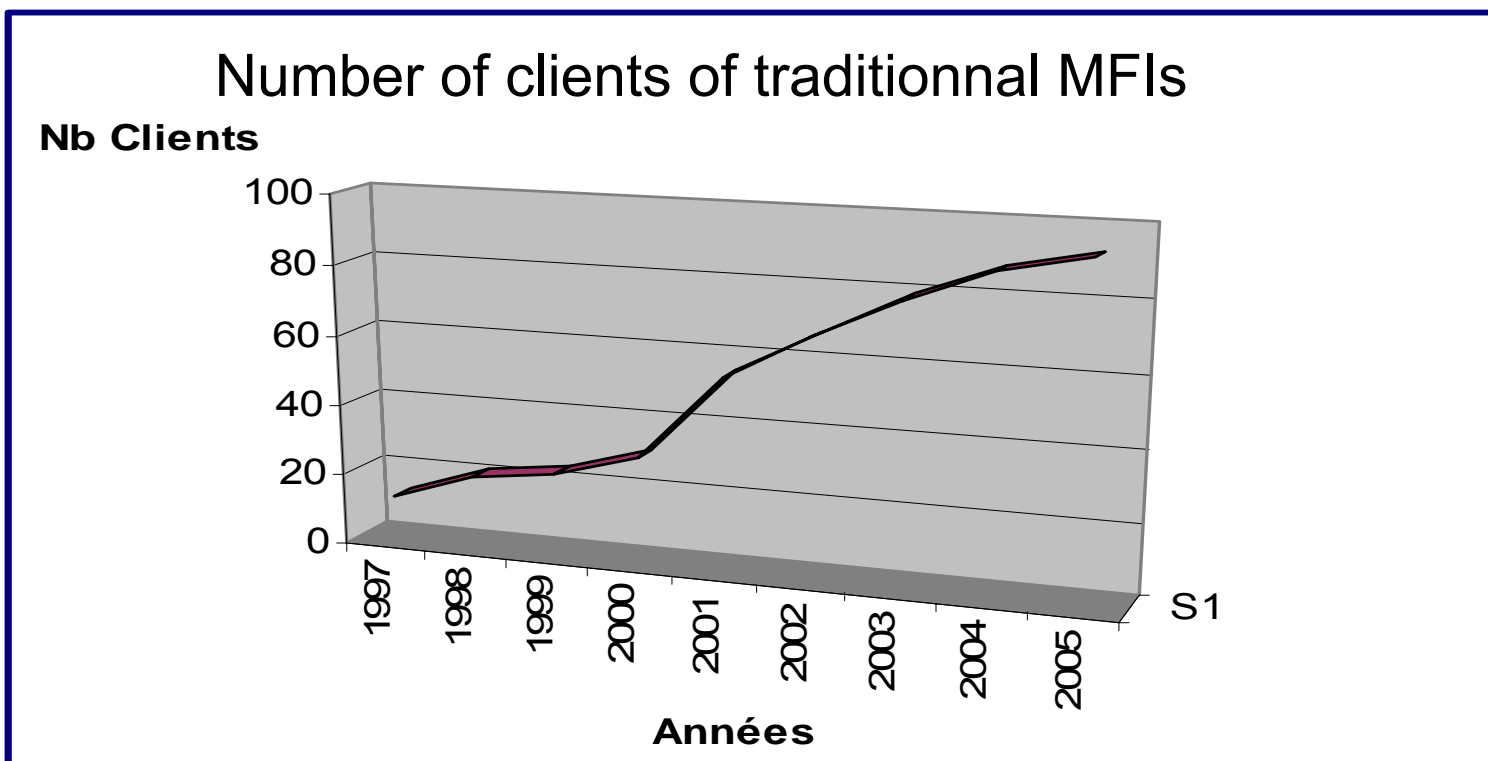
## I.3. Geographical repartition of active borrowers



Reference: PF, MicroBanking Bulletin 2004



## 1.4 Number of clients of traditionnal MFIs





## I.5 Institutions funding informal SMEs

Number of clients (by thousand)

	MFI	Cooperatives, commercial banks and credit unions	Rural Banks	Development Banks (mostly savings)	Postal Banks (mostly savings)	Total
Asia	107,26	14,579	17,677	140,752	277,388	557,65
Africa	6,246	5,94	1,117	634	12,854	26,791
ECA	495	5,692	N/A	28	11,503	17,718
Latin America	5,156	8,62	162	81	179	14,198
MENA	1,422	11	N/A	30,712	16,525	48,67

Source: CGAP



## Potential market

### POTENTIAL MARKET WORLDWIDE

- Demand: \$ 600 billion (vs 30 billion current outstanding loans)
- 600 billion microentrepreneurs and Small Entreprises in the private sector (vs 100 billion served by microfinance institutions)
- Current outreach of MFIs : 15%
- Growth of « pure players » microfinance : 20% /year



## I.6 Trend in term of fundings (from donation to commercial fundings)

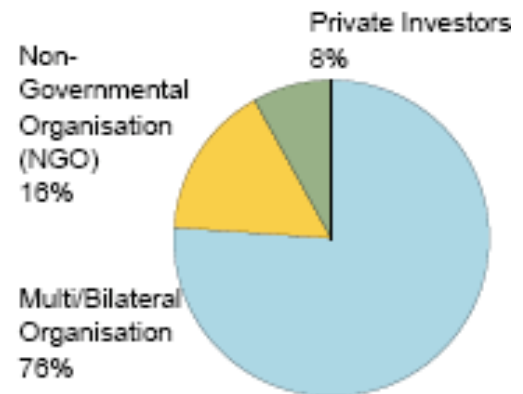
**-Access to new capital is imperative for further growth as traditional sources have limited capacity**

**-Capital supply from these sources is estimated to be approximately 10% to 15% of potential demand**

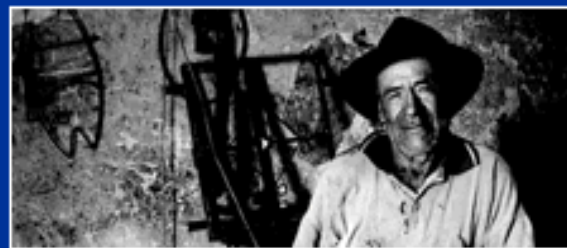
**- Until now, the public aid to development has covered 76 % of the sector's funding.**

**- As the industry grows and matures, commercial funding options become more and more important**

Capitalisation by Type of Organisation



Source CGAP, World Bank 2



## I.6 Involvements of banks

The universe of MFI funding sources has become increasingly diverse with major commercial banks, investment banks, insurance companies and fund managers all looking to enter the market.

### Private Financial Institutions

- HSBC (direct participant)
- AXA (fund sponsor)
- Barclays (direct participant)
- Citibank (direct participant)
- Credit Suisse (sponsor of the responsAbility Global Microfinance Fund)
- Deutsche Bank (Donor and fund sponsor)
- Dexia (fund sponsor)
- Rothschild (sponsor de fonds)
- Triodos
- ABN AMRO
- ING...

### Government Agencies

#### Supranationals

- ADB
- BERD
- EIF
- BID
- IFC

#### Gouvernement Agencies

- AFD (France)
- DFID (UK)
- KFW (Germany)
- FMO (holland)
- USAID

Etc..

### Foundations & Networks

#### Foundations

- Calvert
- Ford
- Omydiar
- Soros
- Oikocredit

#### MFI networks

- Accion
- Women Wold Banking
- PlaNet Finance
- Finca

- ...



## I.7. Perspectives

The main challenges and goals of the Microfinance sector:

- ✓ Reach 500 millions beneficiaries (for micro credits)
- ✓ Reduce interest rates (innovation in term in technology models, reduction of transaction costs, industrialization of process...)
- ✓ Develop trainings for microentrepreneurs
- ✓ To develop microinsurance, micro remittances
- ✓ To better evaluate the impact of programs
- ✓ To improve in some country the legal framework



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