

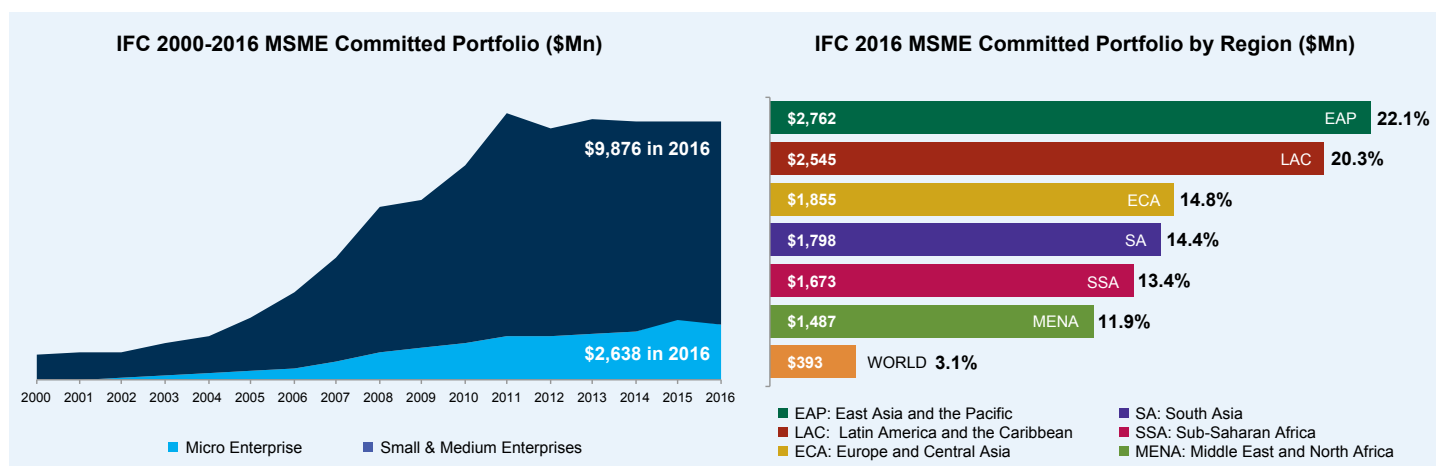
## GLOBAL OVERVIEW

### IFC Financing to Micro, Small and Medium Enterprises

Lack of access to financial services is one of the key barriers to the growth of micro, small and medium enterprises (MSMEs), which account for about 90 percent of the businesses and more than 50 percent of employment worldwide.<sup>1</sup> IFC through its network of financial institutions (FI) — including microfinance institutions, commercial banks, leasing companies — in more than 100 developing countries, is able to reach many more MSMEs than it could directly.

IFC offers a wide range of financial products and services to its client FIs, including loans, equity, risk sharing facilities, trade finance, working capital loans, and advisory services. It also helps to mobilize funding from other FIs and investors. In fiscal year 2016, IFC provided \$2.8 billion of long-term finance to client FIs for MSME support. As of June 2016, IFC's committed long-term MSME-focused portfolio was \$12.5 billion (see Chart 1). In addition, IFC had 85 active MSME-related advisory projects valued at \$101 million.

Chart 1. FY16 IFC MSME Committed Long-Term Finance Portfolio (USD \$ millions)



#### ANALYSIS OF MSME REACH FROM IFC FINANCIAL INSTITUTION CLIENTS

Every year IFC requests FI clients to provide IFC with information about their loan portfolio, deposits and other business related data. Through this Reach Survey IFC tracks and analyzes financing outreach to the final recipients, including MSMEs.

IFC collected and extrapolated 2015<sup>2</sup> data from 345<sup>3</sup> clients in 93 countries, which had over 511 million loans outstanding worth over \$1.3 trillion. This included retail, micro, SME and corporate loans. Of these, 303 clients globally received financing for MSME-related activities. Using IFC's proxy SME loan definition,<sup>4</sup> it is estimated that these clients had 51.2 million micro and 7.6 million SME loans totaling \$403.2 billion.<sup>5</sup> Table 1 and Chart 2 show regional distribution of micro and small loans by volume and number.

Table 1: IFC FI Clients' Micro and SME Outstanding Loan Portfolio by Region, 2015

Region	Micro Loans		SME Loans		MSME Loans	
	# Millions	\$ Billions	# Millions	\$ Billions	# Millions	\$ Billions
East Asia and the Pacific	9.8	30.2	4.0	154.7	13.9	184.4
Europe and Central Asia	4.2	7.3	1.4	56.0	5.5	63.4
Latin America and the Caribbean	13.1	9.4	1.1	77.3	14.3	86.7
Middle East and North Africa	2.5	2.6	0.1	13.5	2.7	16.1
South Asia	18.8	8.6	0.8	34.9	19.6	43.5
Sub-Saharan Africa	2.7	1.5	0.1	7.2	2.8	8.7
<b>Total Loans</b>	<b>51.2</b>	<b>59.5</b>	<b>7.6</b>	<b>343.7</b>	<b>58.8</b>	<b>403.2</b>

1. Source: IFC Annual Report (2015).

2. Reach Survey data is based on the calendar year cycle, which ends on December 31st, with the exception of a few clients that provide data based on different fiscal calendar.

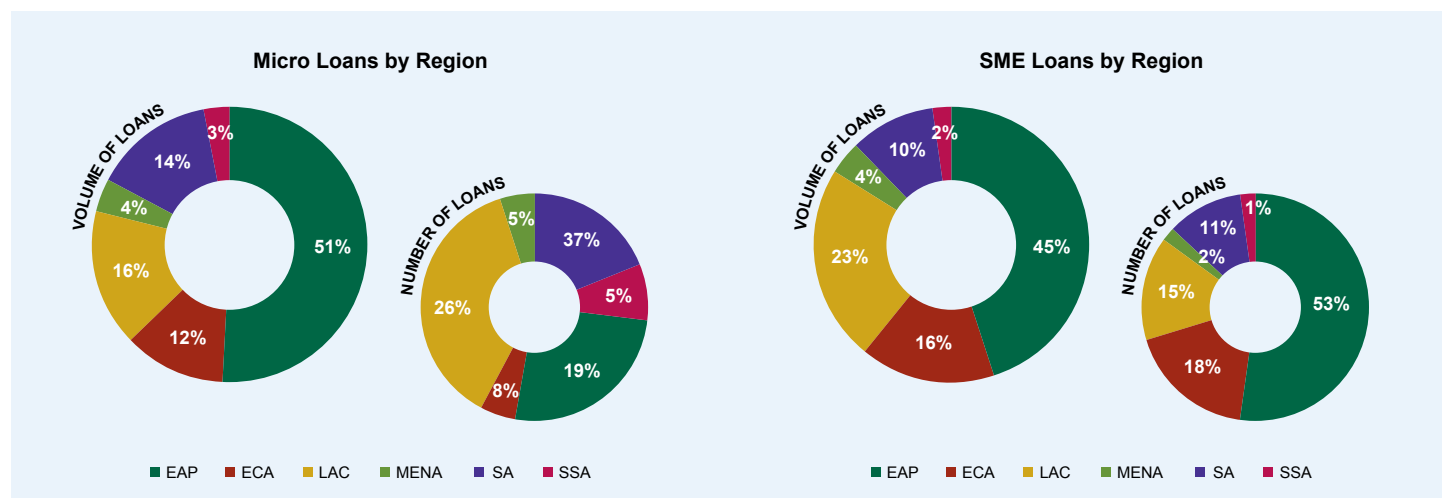
3. Out of total 345, 32 clients have loan portfolio extrapolated. Out of 303 MSME FI clients, 28 were extrapolated.

4. IFC categorizes its clients' sub-borrowers according to the following definitions: (1) micro enterprise have loan < \$10,000 at origination; (2) small enterprise have loan \$10,000 - \$100,000 at origination; (3) medium enterprise have loan \$100,000 - \$1 million at origination (\$2 million for more advanced emerging markets).

5. While numerous controls were performed on the data provided by clients, they are sometimes based on estimates and the understanding of the indicator definitions may vary among clients.



Chart 2: IFC FI Clients' Micro and SME Outstanding Loan Portfolio Distribution (%), 2015



### IFC CLIENTS' MSME LOAN PORTFOLIO BY TYPE OF IFC ENGAGEMENT

IFC places its MSME clients in two categories: FIs supported by IFC in the area of microfinance – clients with microfinance-focused engagements; and FIs supported by IFC in the area of SME financing – clients with SME-focused engagements. In 2015, IFC collected or extrapolated data from 118 microfinance and 185 SME-focused engagements. SME-focused clients funded about 1/3 of the total number of micro loans representing 2/3 of the total funding for the microenterprises. Likewise, the microfinance focused clients actively crossed over to SME with 15% of the number of SME loans and 11% of the total volume. In addition, 44 percent of clients with microfinance-focused engagement and 36 percent with SME-focused ones received advisory services.

Table 2: Microfinance-Focused Engagements<sup>6</sup>

Loan Type	Outstanding Loan Portfolio		Average Loan Size	NPLs
	# Millions	\$ Billions	\$	%
Micro	33.9	21.2	757	2.2%
SME	1.2	37.5	32,327	2.1%
<b>Total</b>	<b>35.1</b>	<b>58.7</b>	<b>2,125</b>	<b>2.1%</b>

Table 3: SME-Focused Engagements<sup>7</sup>

Loan Type	Outstanding Loan Portfolio		Average Loan Size	NPLs
	# Millions	\$ Billions	\$	%
Micro	17.3	38.3	991	8.0%
SME	6.5	306.1	61,074	4.9%
<b>Total</b>	<b>23.8</b>	<b>344.4</b>	<b>9,573</b>	<b>5.0%</b>

Notably, the portfolios of micro and SME-focused engagements were different in terms of loan performance. The clients receiving microfinance focused financing and services reported very low non-performing loan (NPL) levels – about 2 percent. The NPL level was at 5-8 percent among clients with SME-focused engagements.

### IFC CLIENTS' LOANS TO WOMEN AND WOMEN-OWNED SMES

Gender equality is a fundamental condition for a prosperous and sustainable world; however, in many countries women have lower access to education, employment, business opportunities and financial services, as well as unequal social status and rights. The annual estimated credit gap for women-owned SMEs is about \$260-320 billion.<sup>8</sup>

To address this challenge, IFC launched the Banking on Women Program that promotes financing for women-owned SMEs. In addition, recently IFC requested clients to report on their loan portfolios to women-owned enterprises. In 2015, 152 IFC FI clients provided gender-disaggregated data. These clients provided more than half of total micro loans by number to women, and 15 percent of total SME loans by number to women-owned firms<sup>9</sup> (see Table 4). Non-performing loans of the women borrowers were lower comparing to overall micro and SME loan NPLs (see Tables 4, 2 and 3).

6,7. Average Loan Size and NPLs do not include extrapolated data.

8. IFC Enterprise Gap Database (2011). <http://smefinanceforum.org/data-sites/ifc-enterprise-finance-gap>

9. IFC defines women-owned SME as a firm with (a) > 51 percent ownership/stake by a woman/women; or (b) > 20 percent owned by a woman/women AND 1 woman as CEO/COO (President/Vice-President) as well as 30 percent of the board of directors being women where a board exists; and which received loans from \$10,000 to \$1 or 2 million at origination.



Table 4: IFC FI Clients' Loans to Women and Women-owned SMEs

Loan Type	Number of Loans to Women	Total Volume of Loans to Women	Number of Loans to Women	Total Volume of Loans to Women	NPLs
	# '000	\$ Millions	% Of total	% Of total	%
Micro	9,310.7	5,843.3	57.0%	33.5%	2.0%
SME	241.5	6,729.2	15.4%	13.4%	3.2%

### MSME LOAN PORTFOLIO GROWTH AND DYNAMICS

The volume of micro and SME loans by IFC's portfolio of MSME client FIs has grown consistently over time. Three main factors influence MSME loan portfolio growth: 1) changes in the MSME portfolio among existing IFC clients, 2) entries of new clients, and 3) exits of existing clients, when, for example, IFC clients fully repay their loans. The dynamics of these factors determines the MSME reach growth trends from year to year. Thus, in the post-financial crisis period (2011-2015), the MSME loan portfolio increased 26 percent by number, and 19 percent by volume of loans on a compounded basis.

During 2014-2015, the volume of MSME loans increased by 49 percent, and the number of loans increased by 23 percent. In 2015, new IFC clients contributed to larger MSME outreach despite a slow economic growth and currency devaluation in many developing countries. Specifically, IFC's investments in two large clients in China and Brazil, which jointly held \$140 billion in MSME portfolio last year, significantly increased the overall SME reach numbers.

Also, 152 clients with MSME-focused engagements reported data in 2013, 2014, and 2015. During this period, the number of MSME loans they provided grew by 25.5 percent and volume increased by 13.9 percent on a compounded basis.

### DEPOSIT AND OTHER TRANSACTIONAL ACCOUNTS

Universal financial access is one of the strategic development goals for the World Bank Group. Financial access may include loans, but can also simply mean someone has access to alternative financial channels (i.e. mobile banking, internet banking) or deposit/saving accounts. The growth of savings accounts is also important as deposits provide major funding source for deposit taking institutions and a safe place to store cash for their clients.

In 2015, 196 clients reported \$476.9 billion in accounts, which include current/transactional accounts, interest-bearing deposits, and e-money accounts. In 2014, 203 institutions reported \$ 536.5 billion in liability accounts. Individual accounts hold about half of the total deposits volume among IFC's clients.

Chart 4 demonstrates the distribution of the deposits and other transactional accounts by the type of the account owner.

Chart 3. IFC Clients' MSME Loan Portfolio Growth, 2004-2015

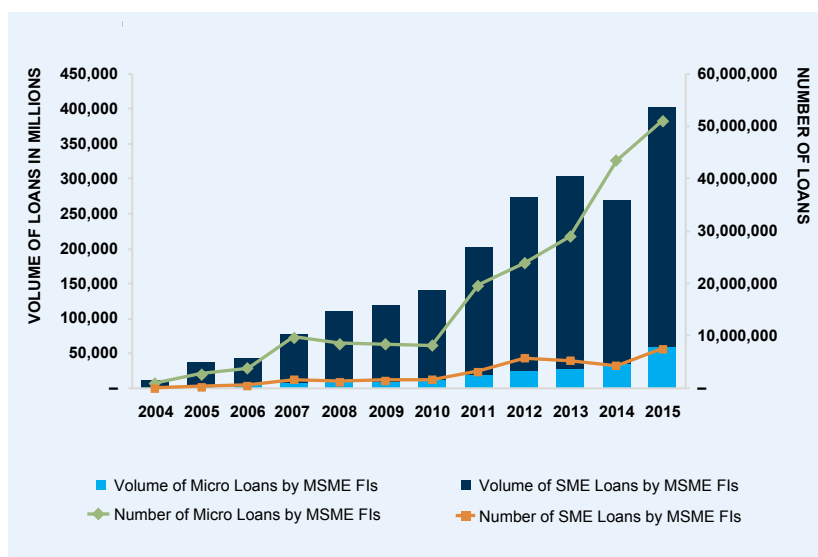
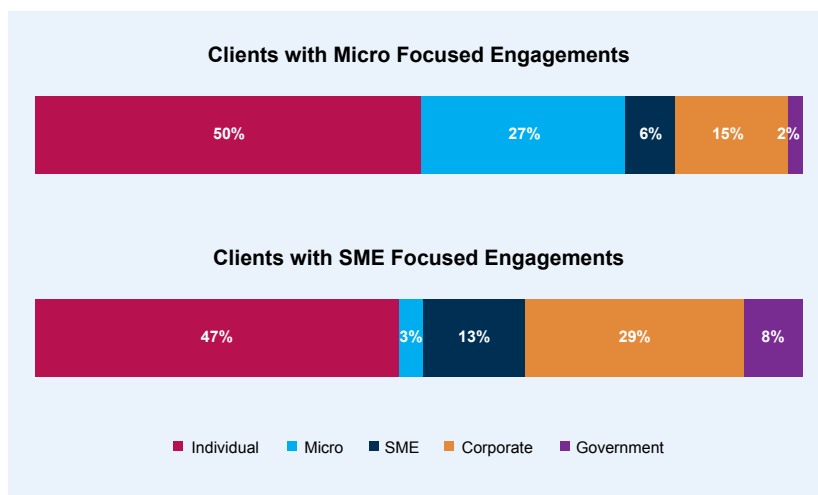


Chart 4. IFC Clients' Volume of Deposits and Other Transactional Accounts, 2015 (Average Volume Percentage Distribution)





## CLIENT HIGHLIGHT: RAWBANK, DEMOCRATIC REPUBLIC OF CONGO

### ABOUT THE CLIENT

Rawbank was established in 2002 and headquartered in Kinshasa, Democratic Republic of Congo (DRC). Nowadays it is the largest bank in the country with an average market share of 21 percent of total deposits and loans in 2015. Serving more than 300,000 customers, the bank offers a broad array of tailored products and services to corporate, SME and retail banking.

### ENGAGEMENT WITH IFC

IFC and Rawbank have a strong partnership through different programs and initiatives. Lady's First, a program established in 2010 with IFC support, has improved women's access to financial services and strengthened their managerial capabilities through training. Through the Global SME Facility project, which started in 2014, Rawbank will receive financing to expand its lending activities to SMEs, including women-owned SMEs. Since 2010, Rawbank has been implementing an SME Banking Advisory Services program with IFC called Business Edge. These training programs are intended for owners of SMEs who want to improve the management of their business and improve their competitiveness. In addition, Rawbank and IFC have worked to improve risk management procedures and to strengthen the bank's capacity to serve its SME clients.

### DEVELOPMENT RESULTS

Rawbank has been able to reach unbanked segments in the DRC with long-term lending from IFC. Over the past four years, Rawbank increased the number of outstanding loans by 45.7 percent and loan volumes by 17.6 percent (on a compound basis since 2011). SME lending increased by 59.3 percent in the same period. In 2015, total lending portfolio was more than \$257.1 million, with \$27 million attributed to the SME sector.

Rawbank has developed a significant network of branches in recent years. Its 2014 – 2016 strategic plan aims to increase the number of bank branches to about 80 to cover all of the market's needs throughout the country. At the end of 2015 there were 40 branches and 27 counters, of which 11 (two branches and nine counters) were opened during the course of 2015.

Rawbank has been successful in increasing its female customers. In 2015, 40 percent of number of micro loans and 11 percent of SME loans were dedicated to women. Moreover, women represent 34 percent of Rawbank's staff.

For regional MSME data and data visualization, please visit SME Forum:  
<http://smefinanceforum.org/data-sites/ifc-financing-to-msme>