

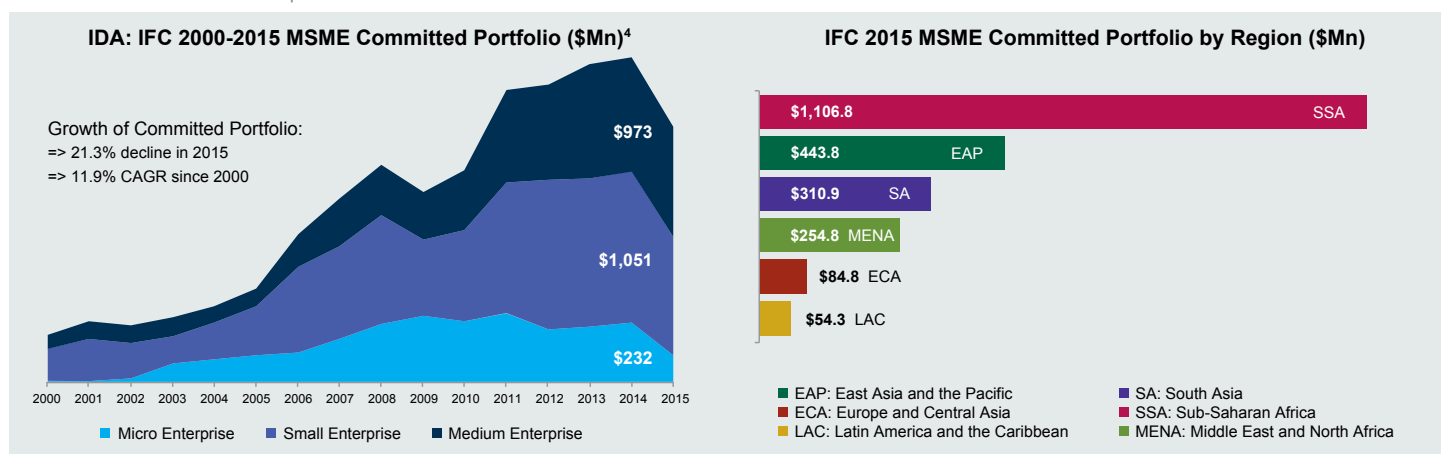
# THE POOREST COUNTRIES (IDA)<sup>1</sup>

## IFC Financing to Micro, Small and Medium Enterprises in 2014

Lack of access to financial services is one of the key barriers to the growth of MSMEs, which account for about 90 percent of the businesses and more than 50 percent of employment worldwide.<sup>2</sup> IFC, through its network of over 200 financial institutions (FI) across 51 IDA countries, including microfinance institutions, commercial banks, leasing companies, and private equity funds, reaches many more MSMEs than it could ever do directly.

IFC offers a wide range of financial products and services to its client FIs that work with local MSMEs, 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 2015,<sup>3</sup> IFC provided \$748.1 million of long term finance to client FIs for MSME support in IDA countries. As of the end of 2015 IFC's committed long-term finance MSME portfolio in IDA countries was \$2.3 billion.

Chart 1. IFC Committed Portfolio



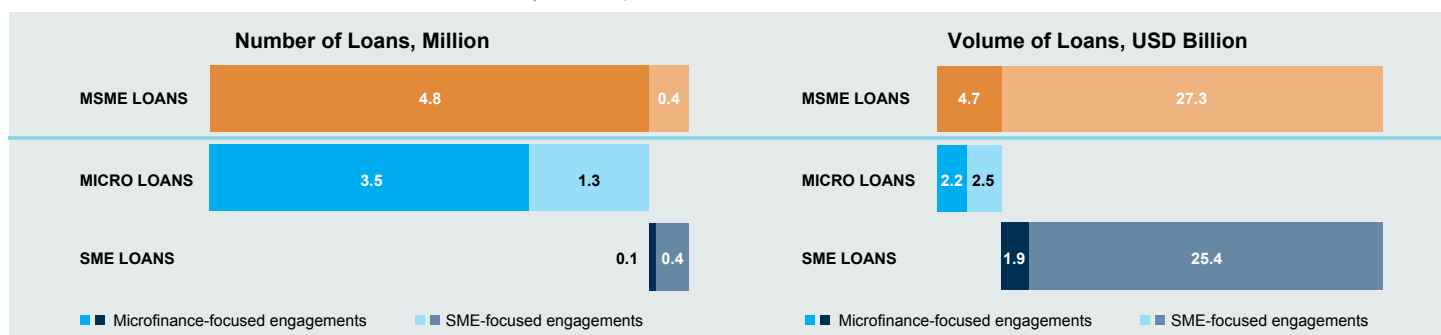
### IDA: ANALYSIS OF MSME REACH SURVEY DATA FROM IFC FINANCIAL INSTITUTION CLIENTS

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

In 2014, IFC collected and extrapolated data from 122 clients<sup>5</sup> in IDA and IDA-Blend<sup>6</sup> countries overall across 37 countries around the globe, which had over 11.1 million loans outstanding worth over \$114.8 million.<sup>7</sup> This included retail, micro, SME and corporate loans.

IFC specifically monitors the MSME financial outreach of its FI clients that received microfinance and SME related financing or services from IFC. IFC aggregates the collected loan portfolio data using MSME loan size proxy.<sup>8</sup> In 2014, 111 such clients in IDA countries had 4.8 million micro and 435.5 thousand SME loans totaling \$32.0 billion (see Chart 2).<sup>9</sup> Further analysis represents this group of clients.

Chart 2. IDA: IFC FI Clients' Micro and SME Loan Portfolio, 2014



1. Eligibility for IDA support depends first and foremost on a country's relative poverty, defined as GNI per capita below an established threshold and updated annually (\$1,215 in FY2016).
2. Source: IFC Annual Report (2015).
3. The IFC commitments data are based on the IFC fiscal year, which ends on June 30th. IFC's fiscal year 2014 year ended on June 30th, 2015.
4. The portfolio includes long-term financing to financial institutions, with the exception of commitments for trade finance and funds.
5. 93 percent of these clients provided actual data. The missing data were extrapolated.
6. Blend countries: IDA-eligible but also creditworthy for some IBRD borrowing.
7. 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.
8. IFC categorized its clients' sub-borrowers according to the following definitions: (1) micro enterprise have loan < \$10,000 at origination; (2) small enterprise have loan < \$100,000 at origination; (3) medium enterprise have loan < \$1 million at origination (\$2 million for more advanced countries).
9. While numerous controls are performed on the data provided by clients, they are sometimes based on estimates and the understanding of the indicator definitions may vary slightly between clients.

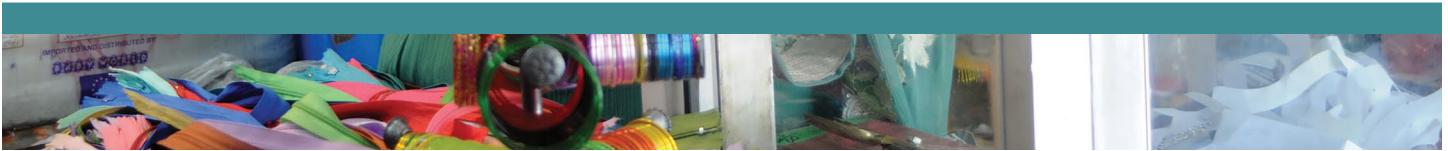
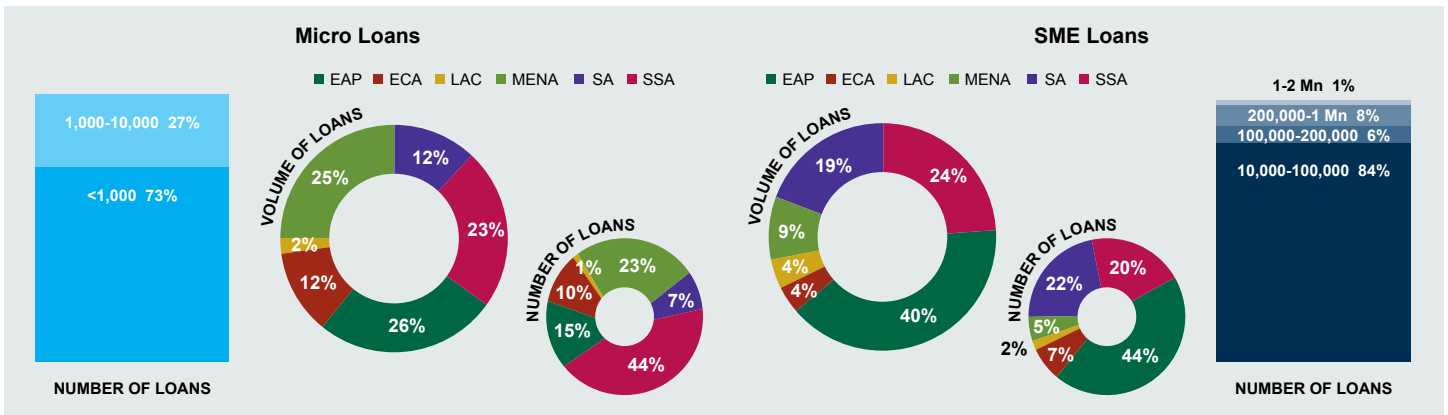


Chart 3. IDA: IFC FI Clients' Micro and SME Loan Portfolio by Region and Loan Size at Origination, 2014



### IDA: IFC CLIENTS' LOAN PORTFOLIO BY TYPE OF IFC ENGAGEMENT

Depending on the type of engagement, IFC places its clients in two categories: FIs supported by IFC in the area of microfinance, and FIs supported by IFC in the area of SME financing.

#### MICROFINANCE FOCUSED ENGAGEMENTS

In 2014, IFC was able to survey or extrapolate outreach data from 45 FI clients with microfinance-focused engagements in 24 IDA countries, 55.6 percent of these clients received advisory services from IFC.

#### SME FOCUSED ENGAGEMENTS

In 2014, IFC was able to survey or extrapolate outreach data from 66 FI clients with SME-focused engagements in 29 IDA countries, 45.5 percent of these clients received advisory services from IFC.

Chart 4. IDA: IFC Clients' Loan Portfolio Composition by Micro, Small and Medium Loans, 2014

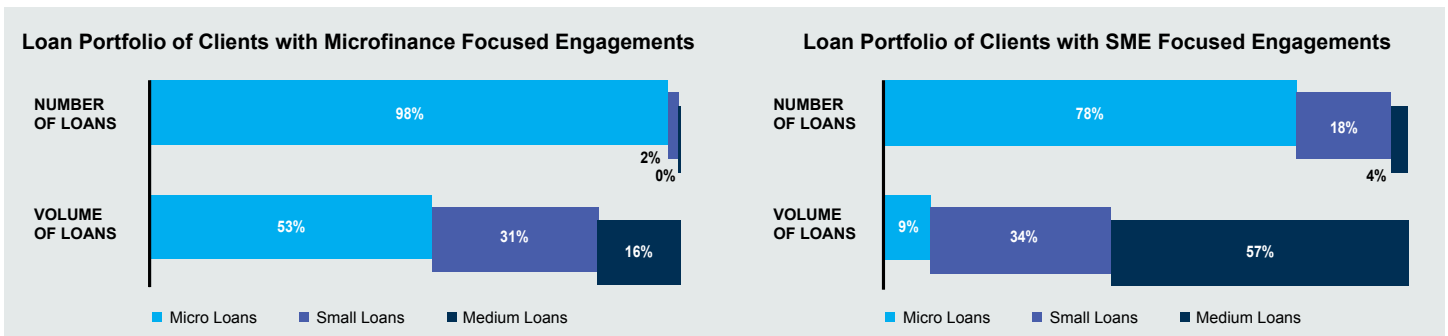


Table 1. Microfinance Focused Engagements in IDA: Detailed Loan Portfolio Breakdown, 2014

Loan	Outstanding Loan Portfolio		Average Loan Size	Number of Loans to women <sup>10</sup>	NPL percent <sup>11</sup>
	Number	'000 \$			
Micro	3,472,636	2,160,163	622	52.1%	1.4%
Small	69,650	1,283,756	18,432	31.9%	1.6%
Medium	6,232	655,114	105,121	55.4%	1.5%

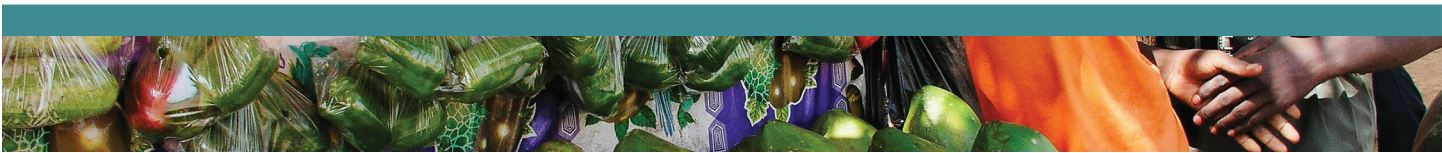
Table 2. SME Focused Engagements in IDA: Detailed Loan Portfolio Breakdown, 2014

Loan	Outstanding Loan Portfolio		Average Loan Size	Number of Loans to women <sup>10</sup>	NPL percent <sup>11</sup>
	Number	'000 \$			
Micro	1,294,797	2,494,027	1,926	19.2%	8.9%
Small	300,598	9,490,001	31,570	16.1%	9.6%
Medium	59,016	15,875,340	268,999	15.0%	6.6%

Notably, the portfolios of clients that had micro and SME-focused engagements with IFC were different in terms of loan performance and gender profile. The clients receiving microfinance focused financing and services, reported significant reach to women entrepreneurs (over 30 percent) and low NPL levels of micro, small and medium loans at approximately 1.5 percent. Clients with SME-focused engagements reported that about 15.0-19.2 percent of loans were issued to women entrepreneurs. The NPL level was at 6.6-9.6 percent among these clients (see Table 1 and Table 2).

10. Estimated percentage of outstanding loans to women in each loan size category. Data was reported by 27 clients with microfinance-focused engagements, and 20 clients with SME-focused engagements.

11. Nonperforming Loan (NPL) = > 90 days past due loans.



### IDA: MSME LOAN PORTFOLIO GROWTH AND DYNAMICS, 2004-2014

Volume of micro and SME loan portfolios of clients in IDA countries grew consistently over time. During 2004-2014, their MSME loan portfolio grew by 29.5 percent by number, and by 37.5 percent by volume of loans on a compounded basis.

Three main factors influence MSME loan portfolio growth: changes in the MSME portfolio among existing IFC clients, entries of new clients, and exits of existing clients, when, for example, IFC loans get fully repaid. The dynamics of these factors determines the MSME Reach growth trends from year to year.

In 2014, MSME loan volume of 93 existing clients grew by 3.4 percent, while the number of such loans increased by 21.7 percent over the year.

In 2014, 17 new IFC clients in IDA countries contributed to the wider MSME outreach with 633.9 thousand loan portfolio totaling in \$3.9 billion. At the same time, 22 clients that exited IFC portfolio (repaid or sold), moved the overall MSME portfolio down. In 2013, these clients jointly held portfolio of 1.1 million MSME loans worth \$2.6 billion. As a result of these factors, the volume of MSME loans increased by 7.7 percent, the number of MSME loans increased by 7.9 percent in 2014 compared to 2013.

Chart 5. IDA: IFC Clients' MSME Loan Portfolio Dynamic. Contribution from Existing and New Clients 2004-2014

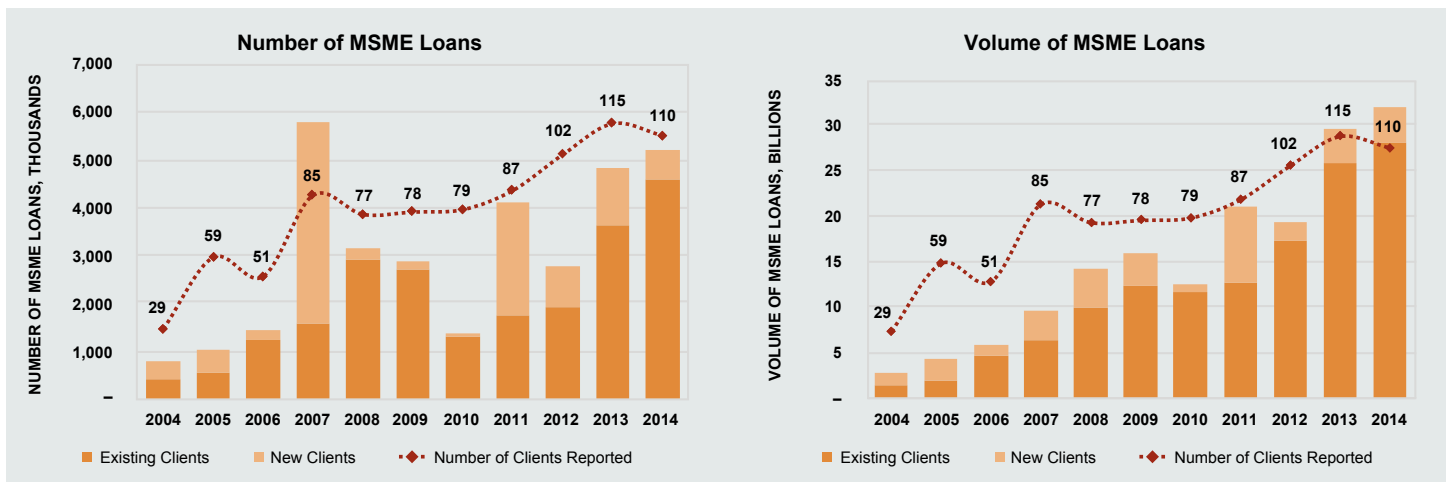
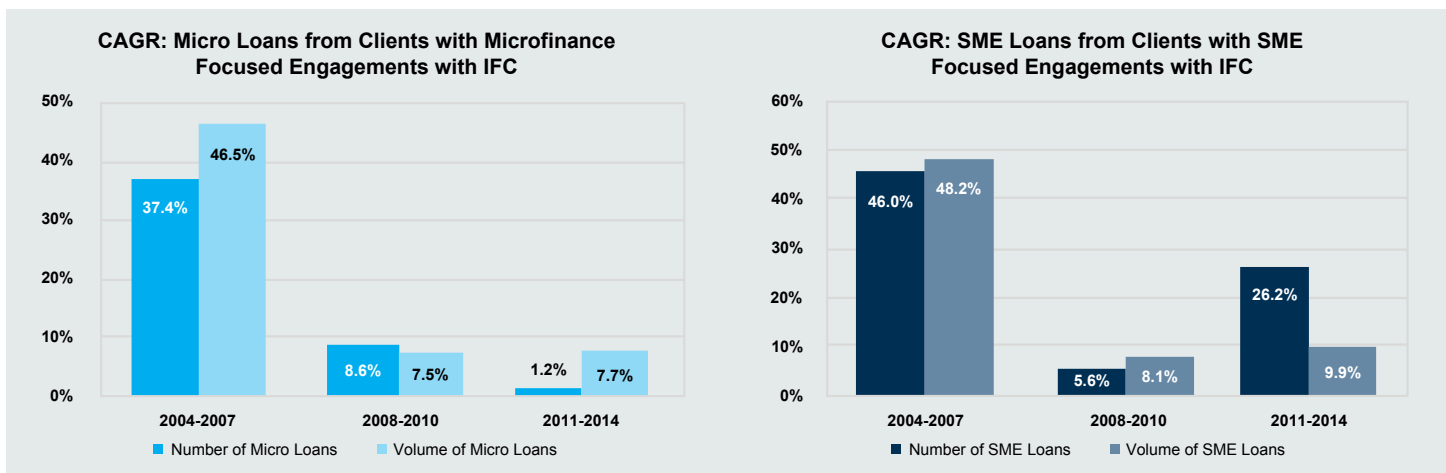


Chart 6. IDA: IFC Clients' Micro and SME Loan Portfolio Growth (CAGR), 2004-2014<sup>12</sup>



12. Compounded annual growth rate (CAGR) in IDA countries is calculated based on the data from 18 reporting and repeated clients in the CY2004-CY2007 period, 37 reporting and repeated clients in the CY2008-CY2010 period, 10 reporting and repeated clients in the CY2011-CY2014 period, excluding greenfield institutions and FIs that are closing their operations.

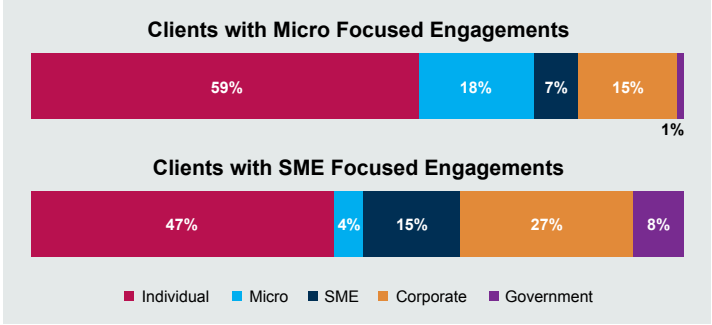


**IDA: DEPOSIT AND OTHER TRANSACTIONAL ACCOUNTS<sup>13</sup>**

Universal financial access, through financial products such as personal loans, loans to enterprises, alternative financial channels (i.e. mobile banking, internet banking), deposit/saving accounts, is one of the strategic development goals for the World Bank Group. IFC started to collect data about the liability accounts of the client financial institutions in 2014 to complement the analysis of increasing access to financial services for unserved and underserved segments. The importance of this data is reinforced by the fact that deposits provide major funding source for the deposit taking institutions.

The chart on the right demonstrates the distribution of the deposits and other transactional accounts by the type of the account owner: Individual, Microenterprise, SME, Corporate, and Government.

Chart 7. IFC Clients' Volume of Deposits and Other Transactional Accounts in IDA Countries



13. In CY2014, 86 MSME-focused FI clients in IDA countries reported data about liability accounts, which includes current / transactional accounts, interest-bearing deposits, e-money accounts. Classification of the enterprises is based on the reporting institution's definition.