Kyrgyzstan

Indebtedness of Individuals

Roy Pratt

January 2015

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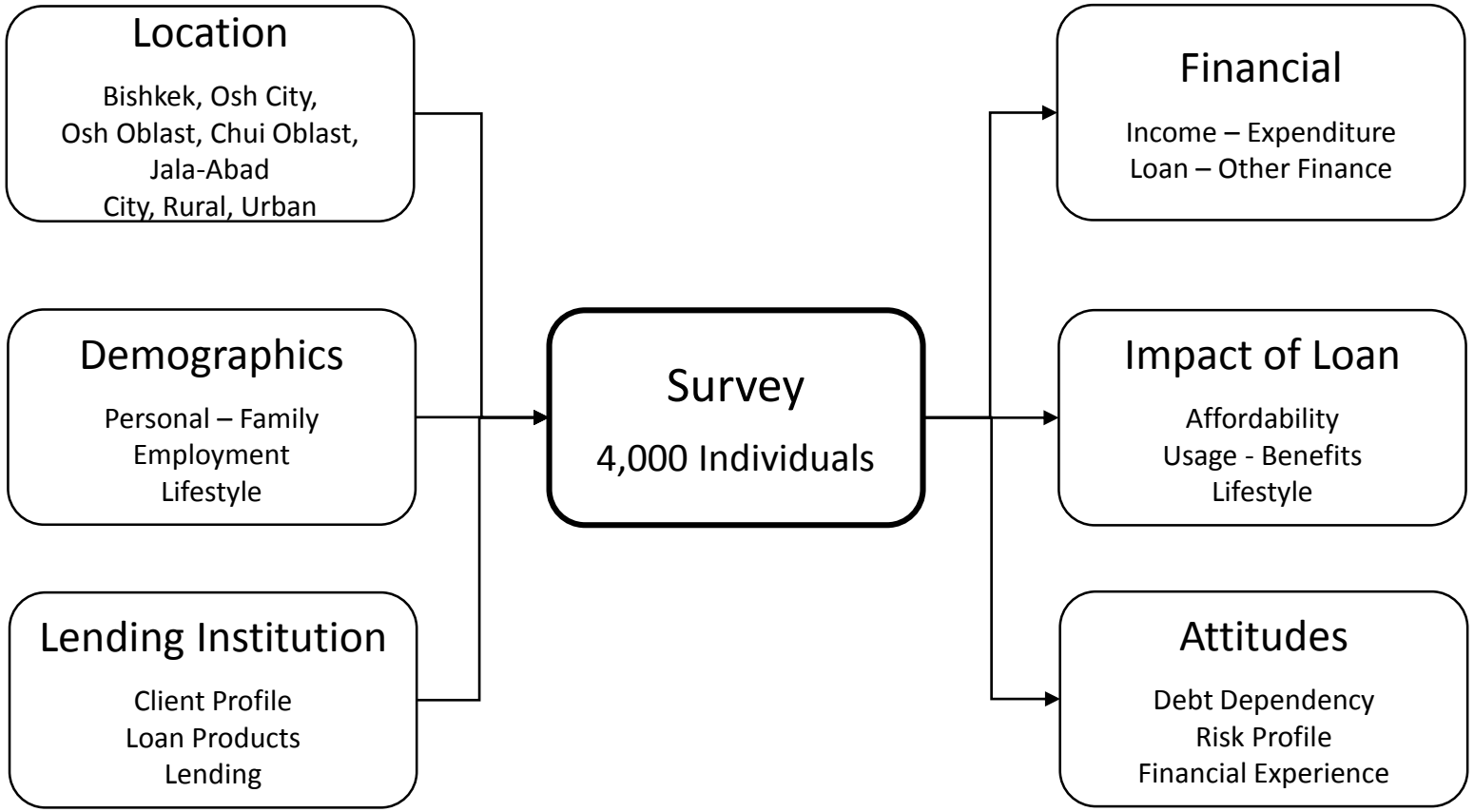
Survey Framework



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Improving Financial Position … ?

Financial

	MFI		Bank	
	2014	2013 2014	2014	2013 2014
Household income	25,400	↑	32,900	↑
Domestic expenditure (inc food)	9,500	⇔	11,400	↑
Net disposable income	8,100	↑	9,000	↑
Average Loan	53,500	↑	148,000	↑
Loan repayment difficulty	28 %	↓	28 %	↓

Attitude

	MFI		Bank	
	2014	2013 2014	2014	2013 2014
Loans improve quality of life	75 %	↑	75 %	↑
Financial situation improved in last 6 months	69 %	↑	73 %	⇔
Debt causes family problems	31 %	↓	33 %	↓
Borrowed too much	34 %	↓	42 %	⇔
Need help to resolve debt problems	29 %	⇔	27 %	↓

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… But … The Loan Portfolios have Changed

Borrowers … Distribution

Household Income : KGS	MFI 2014 %	MFI + / - %	Bank 2014 %	Bank + / - %
< 15,000	27	-4	21	-2
15,001-20,000	23	-4	17	-6
20,001-30,000	29	+4	29	0
30,001-40,000	11	+3	13	+2
> 40,000	9	+2	21	+6

Loan Value … Distribution

Household Income : KGS	MFI 2014 %	MFI + / - %	Bank 2014 %	Bank + / - %
< 15,000	16	-5	7	-2
15,001-20,000	18	-5	7	-5
20,001-30,000	30	+5	17	-5
30,001-40,000	15	+6	14	-1
> 40,000	20	-2	55	+13

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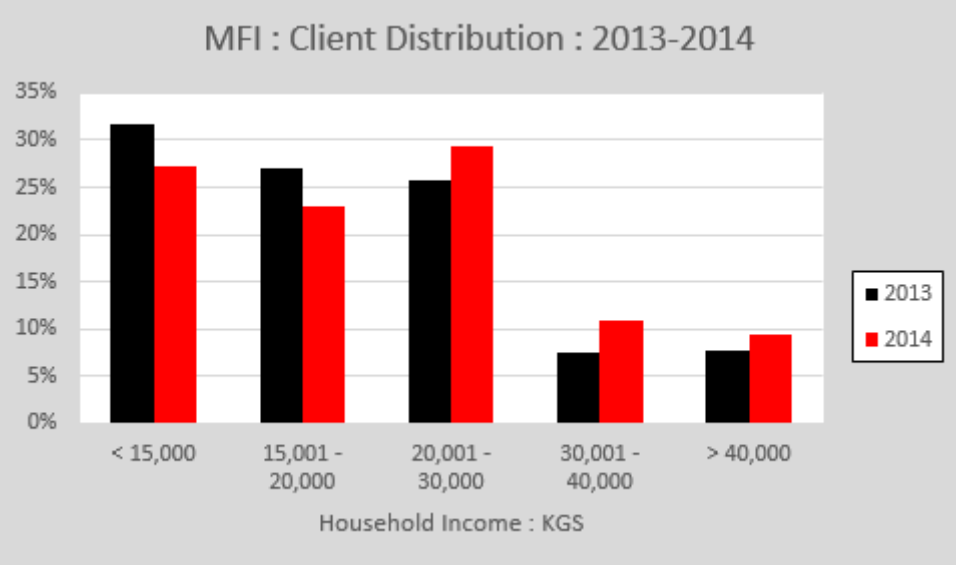
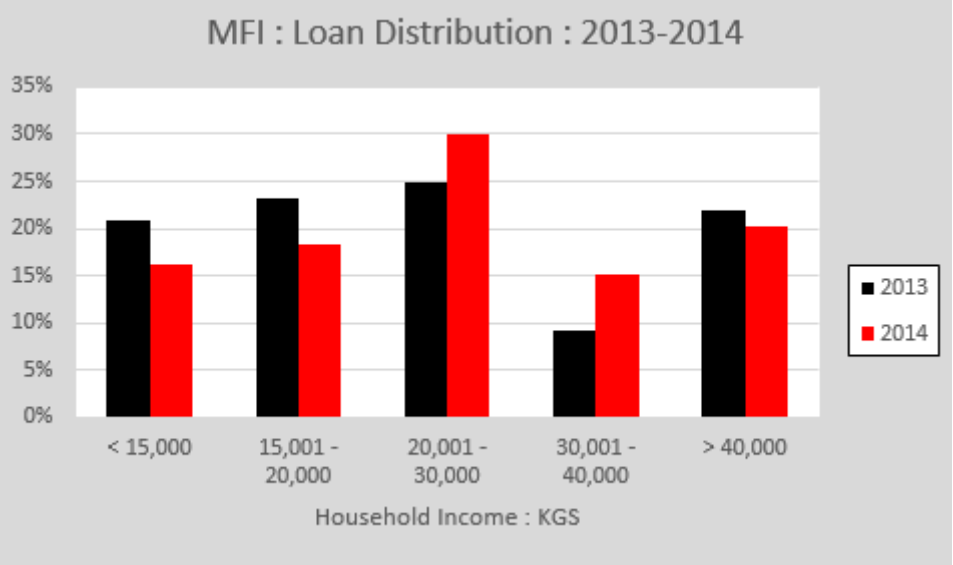
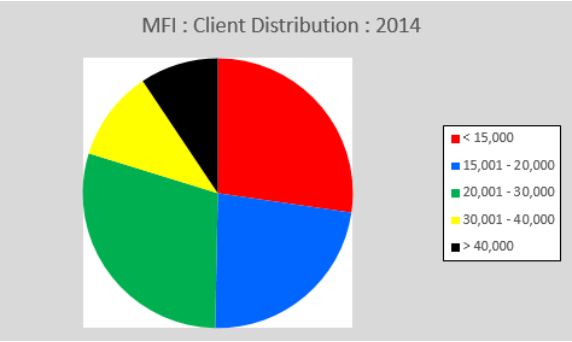
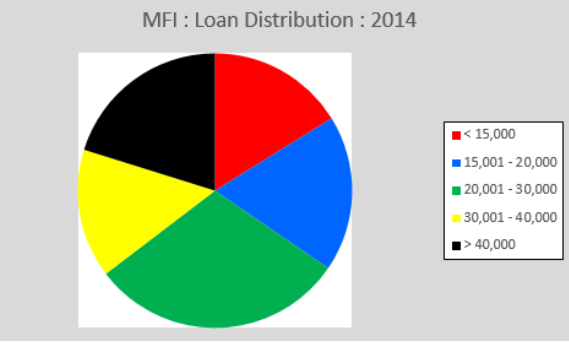
Microfinance Institutions : Loan portfolio redistribution

For reference – data to support previous summary slide re loan redistribution









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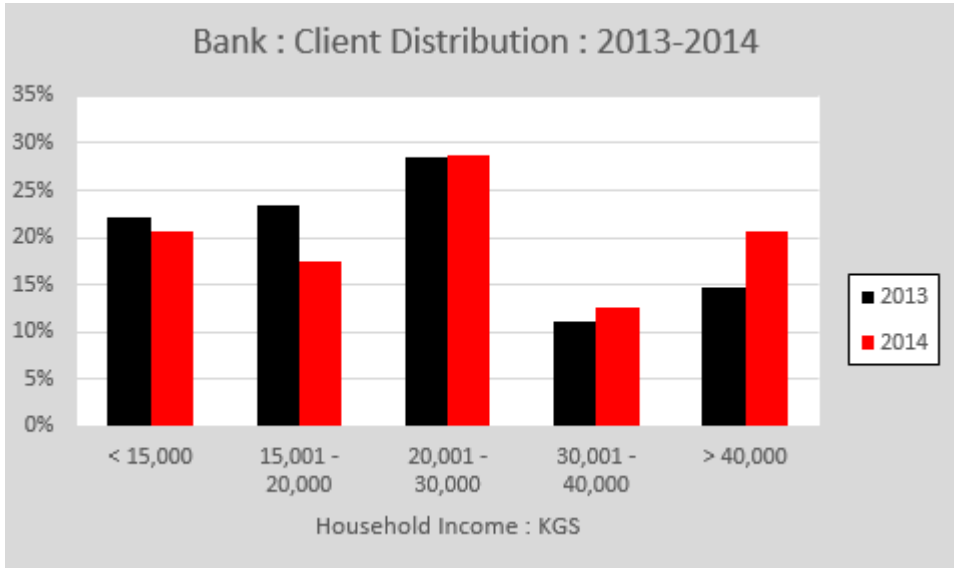
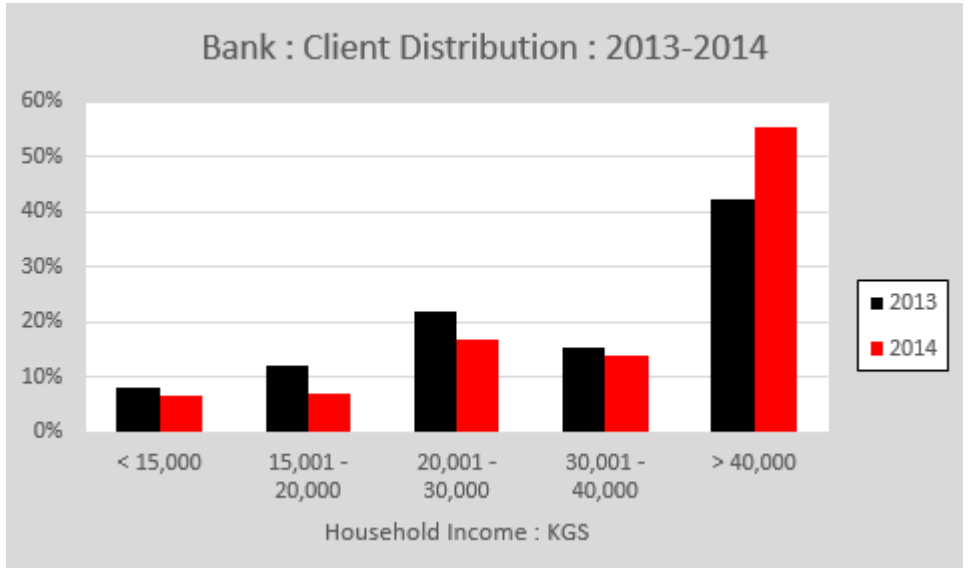
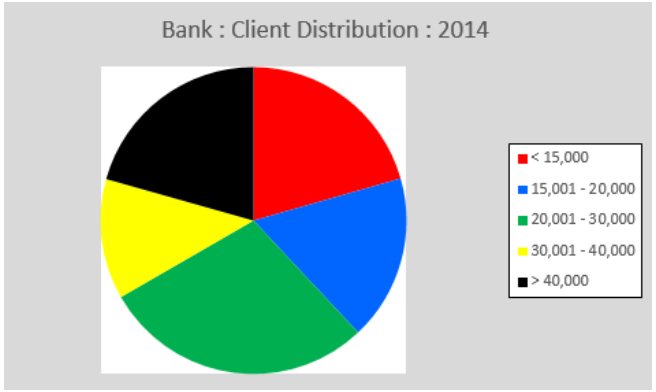
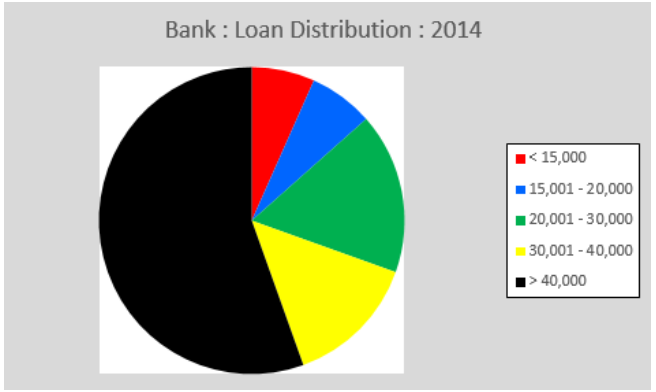
Commercial Banks : Loan portfolio redistribution

For reference – data to support previous summary slide re loan redistribution









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… and … Redistribution has varied across the Regions

Borrowers … Distribution

Household Income : KGS	Bishkek		Osh City		Chui		Jalal-Abad		Osh Oblast	
	2014 %	+ / - %	2014 %	+ / - %	2014 %	+ / - %	2014 %	+ / - %	2014 %	+ / - %
< 15,000	13	-9	17	-1	20	-5	43	+8	29	-10
15,001-20,000	14	-9	19	-6	24	0	24	-6	24	-2
20,001-30,000	31	+7	32	+3	32	+4	24	-3	28	+1
30,001-40,000	17	+5	12	-2	14	+4	4	-1	11	+6
> 40,000	26	+5	20	+6	10	-4	5	+2	7	+5

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Income : Expenditure - Regional

KGS	Household Income	Household Costs	Utility Costs	Loan Repayment	Net Income
Bishkek	37,000	12,300	2,200	11,800	10,700
Osh City	32,000	10,200	1,200	9,200	11,400
Chui Oblast	26,800	10,600	1,300	9,000	5,900
Jalal - Abad	21,100	7,800	1,200	6,500	5,600
Osh Oblast	25,400	9,900	700	6,400	8,400

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Income Redistribution + Domestic Savings = Increased Lending + Improved Affordability

All Borrowers	Household Costs			Loan Payments			Net Income		
KGS	2013	2014	Change	2013	2014	Change	2013	2014	Change
Bishkek	12,600	12,300	- 300	10,100	11,800	+ 1,700	9,000	10,700	+ 1,700
Osh City	11,600	10,200	- 1,400	8,200	9,300	+ 1,100	7,600	11,400	+ 3,800
Chui Oblast	10,400	10,600	+ 200	10,200	9,000	- 1,200	7,200	5,900	- 1,300
Jalal - Abad	9,500	7,800	- 1,700	5,500	6,500	+ 1,000	5,200	5,600	+ 400
Osh Oblast	8,000	9,900	+ 1,900	5,900	6,400	+ 500	5,400	8,400	+ 3,000

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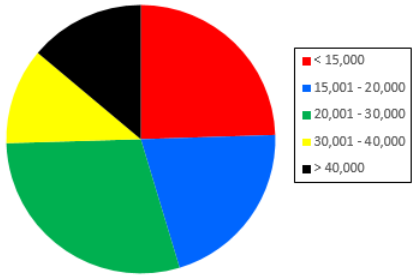
All Borrowers : Client Distribution : 2014



Income – 45 % of borrowers have household income less than KGS 20,000

reduced from 53 % in 2013

	Number of Earners per Household	Household & Utility Costs	Loan Repayment	Net Income (After Loan)	Average Outstanding Loan
< 15,000	1.7	7,000	4,400	700	37,000
15,001 – 20,000	2.0	9,100	6,200	3,700	48,000
20,001 – 30,000	2.1	11,500	7,700	7,500	68,000
30,001 – 40,000	2.4	14,600	11,300	11,500	115,000
> 40,000	2.4	20,000	19,100	28,200	284,000

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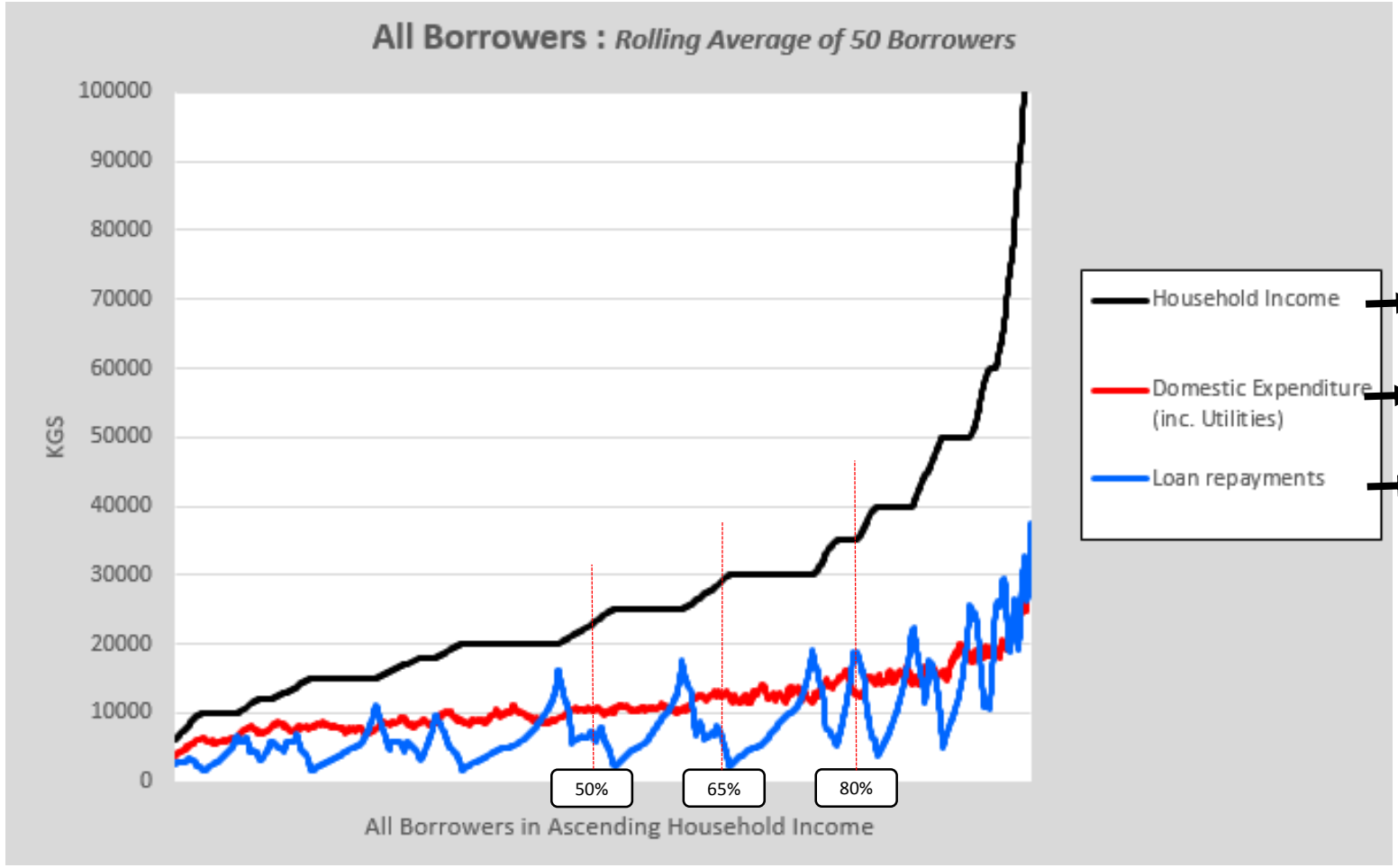
Domestic expenditure is very restricted … little scope for further reductions



Average KGS for Proportion of Clients		
50 %	65 %	80 %
24,000	30,000	35,000
10,000	12,000	13,000
5,000	6,000	6,500

Loan repayment average relates to all borrowers

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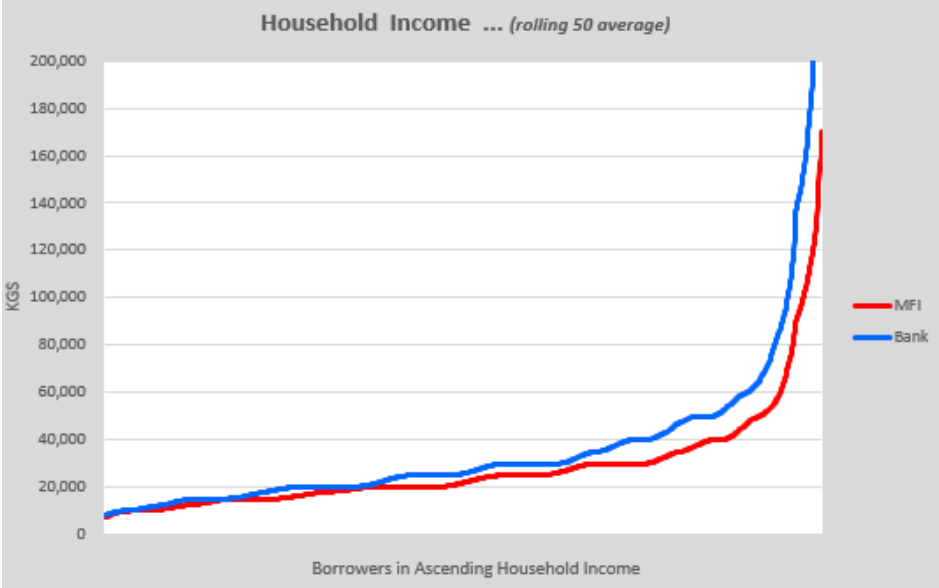
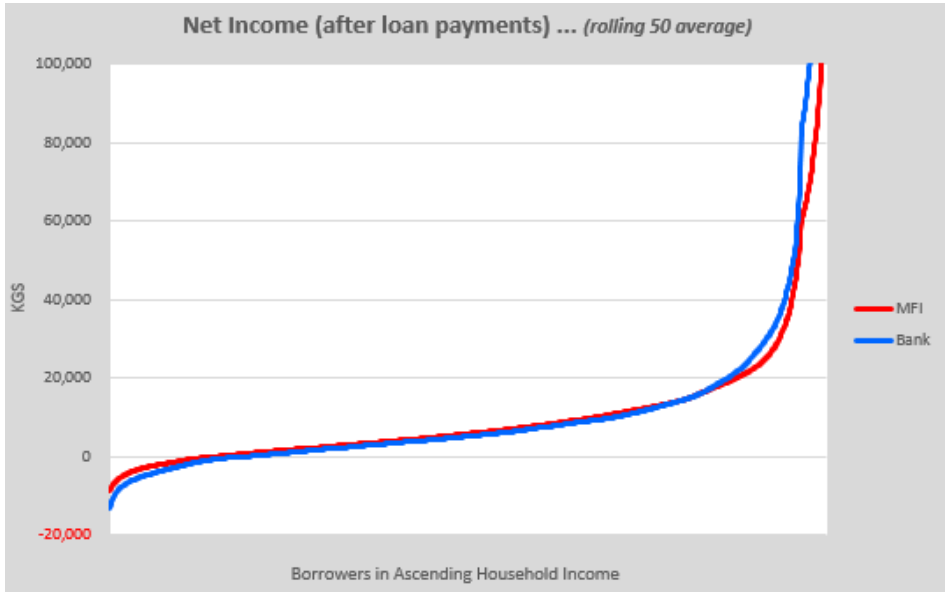
Market Differentiation

For reference – data to support previous summary slide re income and expenditure





	Net Disposable Income (after loan payment)				
	KGS <5,000	5,001-10,000	10,001 – 15,000	15,001 – 20,000	KGS >20,000
MFI	48 %	22 %	13 %	6 %	10 %
Bank	51 %	21 %	11 %	5 %	12 %

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Domestic Budgets have changed : Expenditure Down + Loan Repayments Up

	Household Expenditure (excl. Utilities)				Loan Repayments			
	MFI		Bank		MFI		Bank	
KGS	2013	2014	2013	2014	2013	2014	2013	2014
< 15,000	5,600	6,200 ↑	6,200	6,200 ⇔	4,300	4,200 ⇔	5,200	4,900 ↓
15,001 – 20,000	8,800	8,200 ↓	8,500	8,000 ↓	5,300	5,600 ↑	7,000	7,200 ⇔
20,001 – 30,000	10,600	10,000 ↓	11,100	10,400 ↓	6,000	6,800 ↑	8,200	9,000 ↑
30,001 – 40,000	14,700	12,800 ↓	15,200	12,900 ↓	7,600	9,400 ↑	11,600	13,800 ↑
> 40,000	19,700	17,200 ↓	21,900	18,100 ↓	14,400	12,400 ↓	23,700	23,500 ⇔

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In additional to Net Income, what different sources of funding ?

	Net Income after Loan Payment : KGS		Utility Arrears 2014	Loan from Family 2014	Credit from Retailer 2014	Family paid loan repayment 2014
	2013	2014				
MFI Clients	7,000	8,100	5 %	10 %	10 %	13 %
Bank Clients	6,900	9,000	4 %	10 %	10 %	12 %
Income : < KGS 15,000	600	700	8 %	14 %	13 %	16 %
Income : 15,001 – 20,000	3,300	3,700	4 %	12 %	11 %	15 %
Income : 20,001 – 30,000	7,900	7,500	3 %	8 %	7 %	11 %
Income : 30,001 – 40,000	10,900	11,500	4 %	11 %	10 %	9 %
Income : > KGS 40,000	28,100	28,200	3 %	6 %	8 %	7 %

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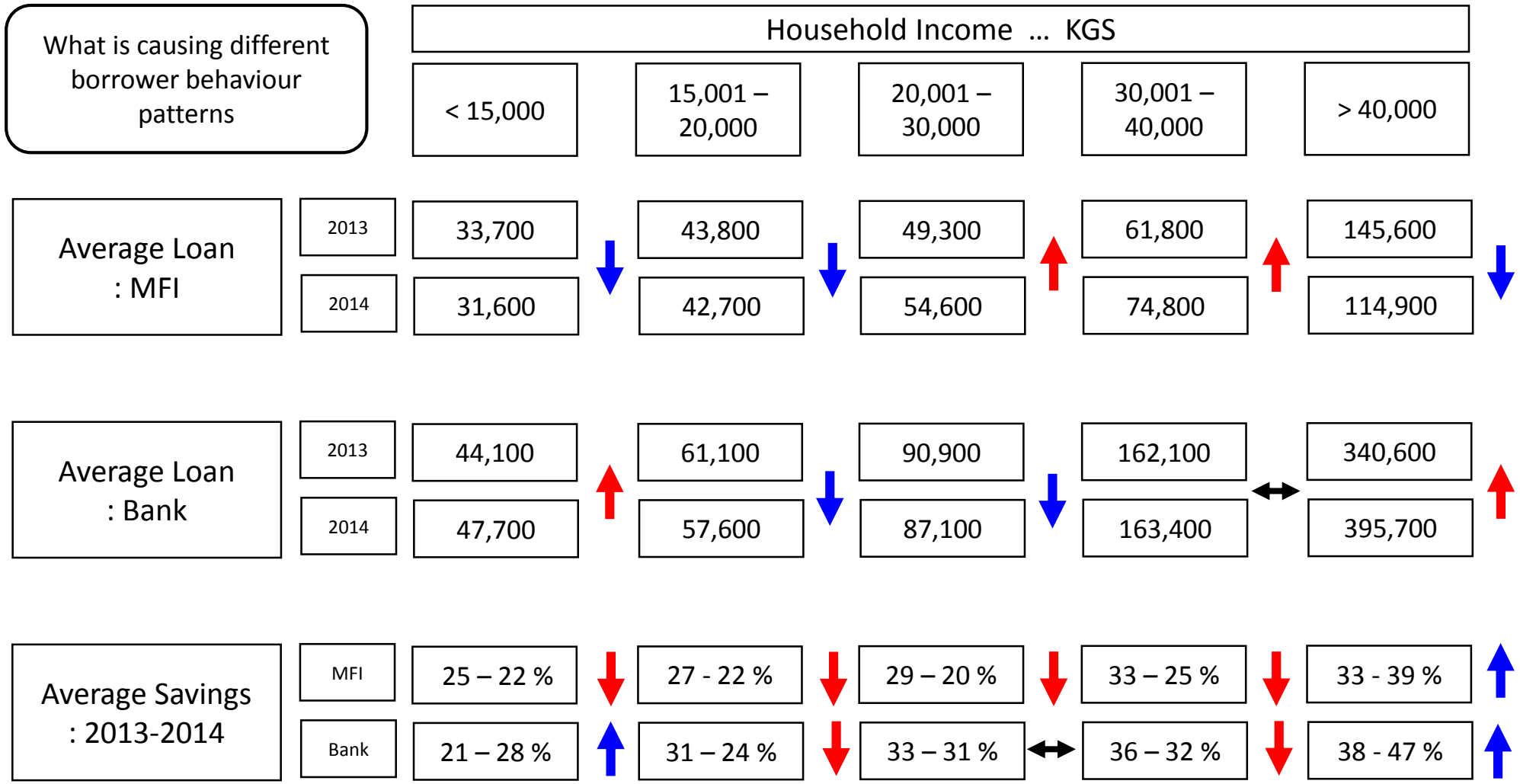
Are borrowers choosing to reduce their savings to support consumption?



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Different lending strategies and market positions ... Banks undertake higher loan leverage

Household Income : 2014	Average Outstanding Loan - KGS		Loan Repayment as % of Net Disposable Income		Net Disposable Income (after Loan) - KGS	
	MFI	Bank	MFI	Bank	MFI	Bank
< 15,000	31,600	47,700	82 %	93 %	900	300
15,001 – 20,000	42,700	57,600	56 %	73 %	4,300	2,700
20,001 – 30,000	54,600	87,100	44 %	59 %	8,600	6,100
30,001 – 40,000	74,800	163,400	41 %	60 %	13,400	9,100
> 40,000	115,000	395,700	29 %	47 %	30,300	26,700

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Different lending strategies and market positions

For reference – data to support previous summary slide re lending strategies and market position

Household Income : MFI	Average Outstanding Loan - KGS		Loan Repayment as % of Net Disposable Income		Net Disposable Income (after Loan) - KGS	
	2013	2014	2013	2014	2013	2014
< 15,000	33,700	31,600 ⇩	83 %	82 % ⇔	900	900 ⇔
15,001 – 20,000	43,800	42,700 ⇩	57 %	56 % ⇔	4,000	4,300 ⇔
20,001 – 30,000	49,300	54,600 ⇧	40 %	44 % ⇑	9,100	8,600 ⇓
30,001 – 40,000	61,800	74,800 ⇧	37 %	41 % ⇑	13,000	13,400 ⇔
> 40,000	145,600	115,000 ⇩	32 %	29 % ⇓	31,100	30,300 ⇓

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Different lending strategies and market positions

For reference – data to support previous summary slide re lending strategies and market position

Household Income : Bank	Average Outstanding Loan - KGS		Loan Repayment as % of Net Disposable Income		Net Disposable Income (after Loan) - KGS	
	2013	2014	2013	2014	2013	2014
< 15,000	44,100	47,700 ⇧	99 %	93 % ↓	0	300 ⇔
15,001 – 20,000	61,100	57,600 ⇩	74 %	73 % ⇔	2,400	2,700 ↑
20,001 – 30,000	91,000	87,100 ⇩	56 %	59 % ↑	6,600	6,100 ↓
30,001 – 40,000	162,100	163,400 ⇔	56 %	60 % ↑	9,300	9,100 ⇔
> 40,000	340,600	395,700 ⇧	48 %	47 % ⇔	25,900	26,700 ↑

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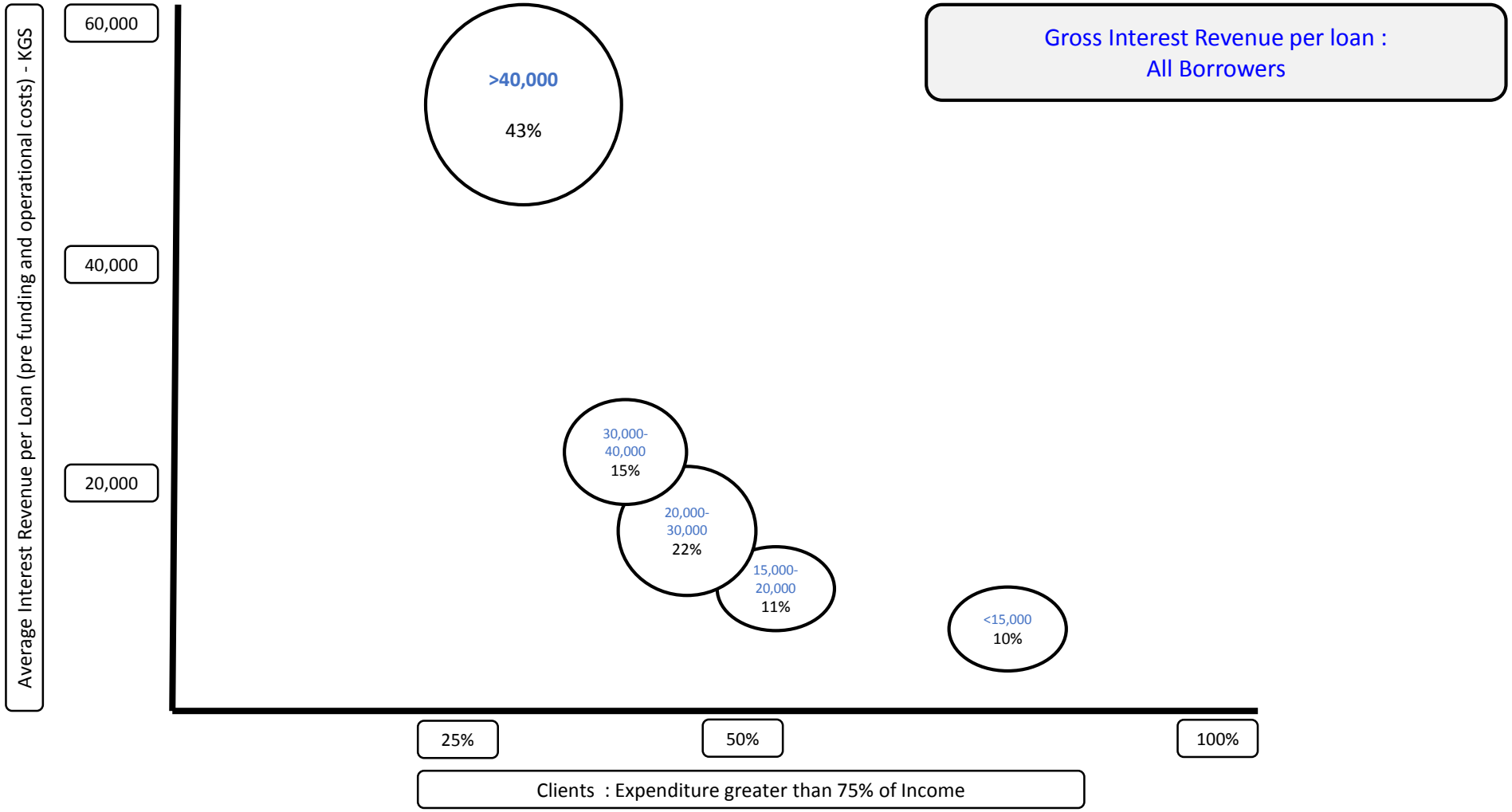
Structural risk and reward in the loan portfolio



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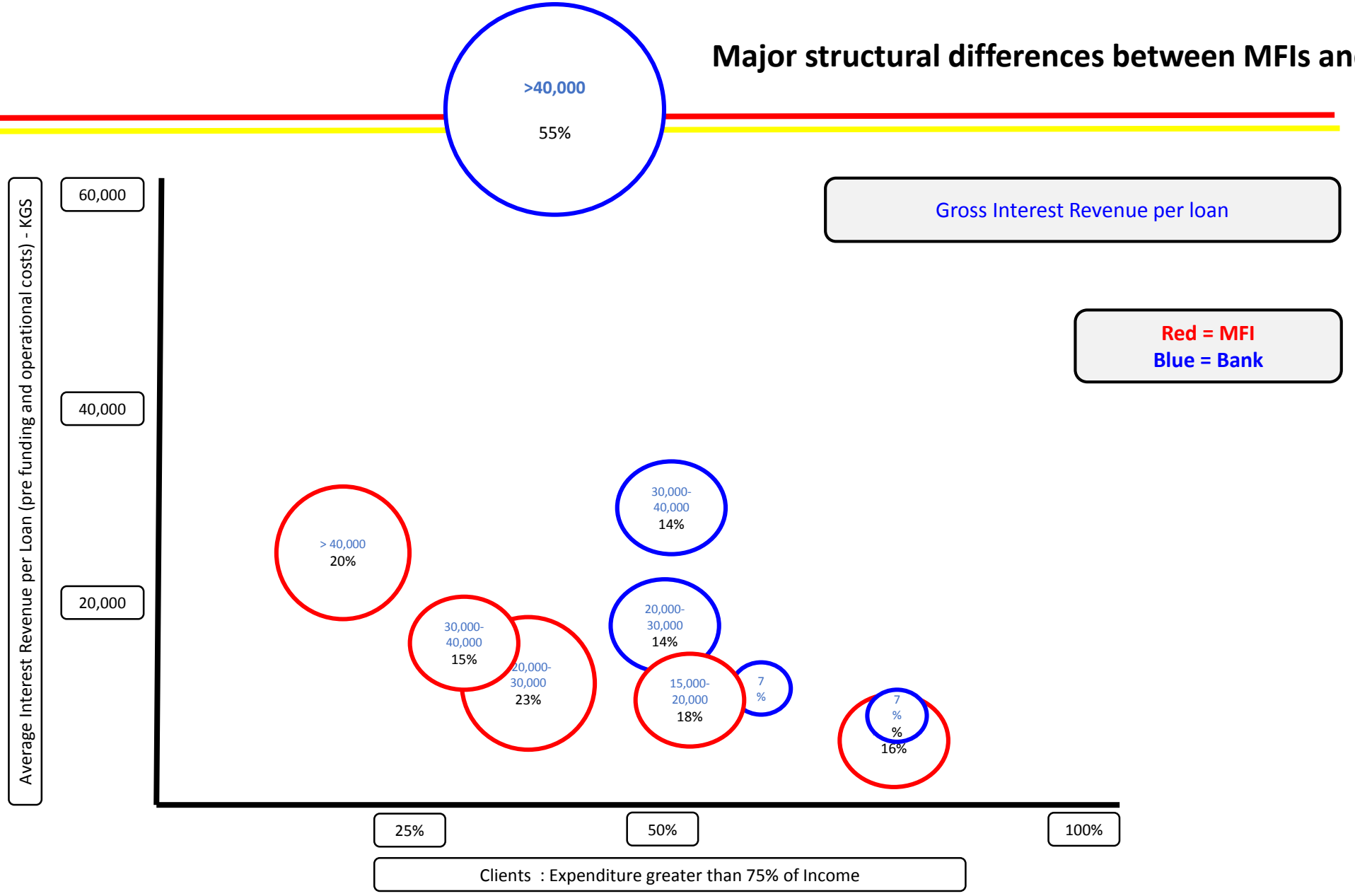
Circle % = distribution of loan value … Revenue assumes 20% interest rate p.a.

Major structural differences between MFIs and banks



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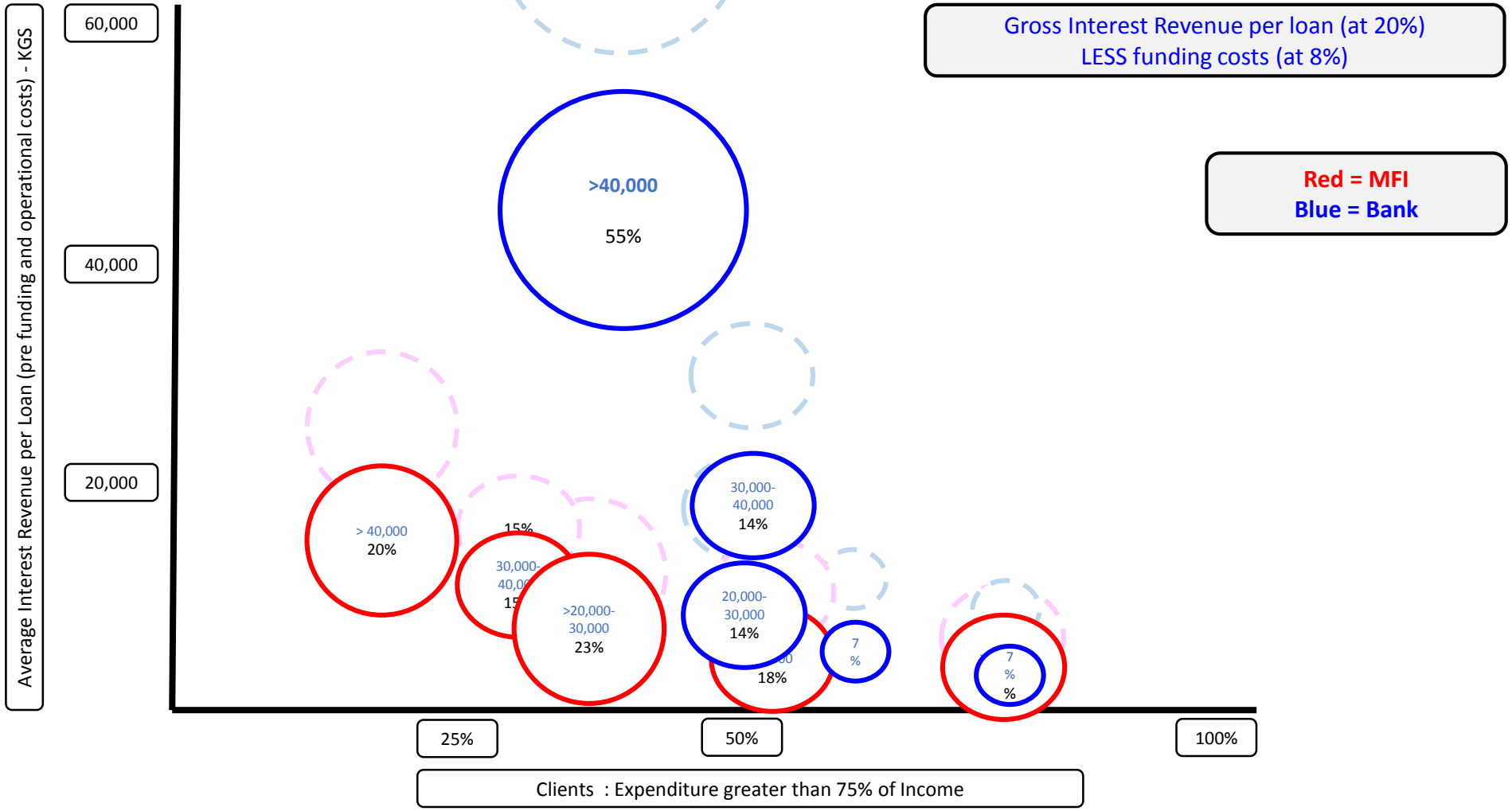
Circle % = distribution of loan value … Revenue assumes 20% interest rate p.a.

Major structural differences between MFIs and banks



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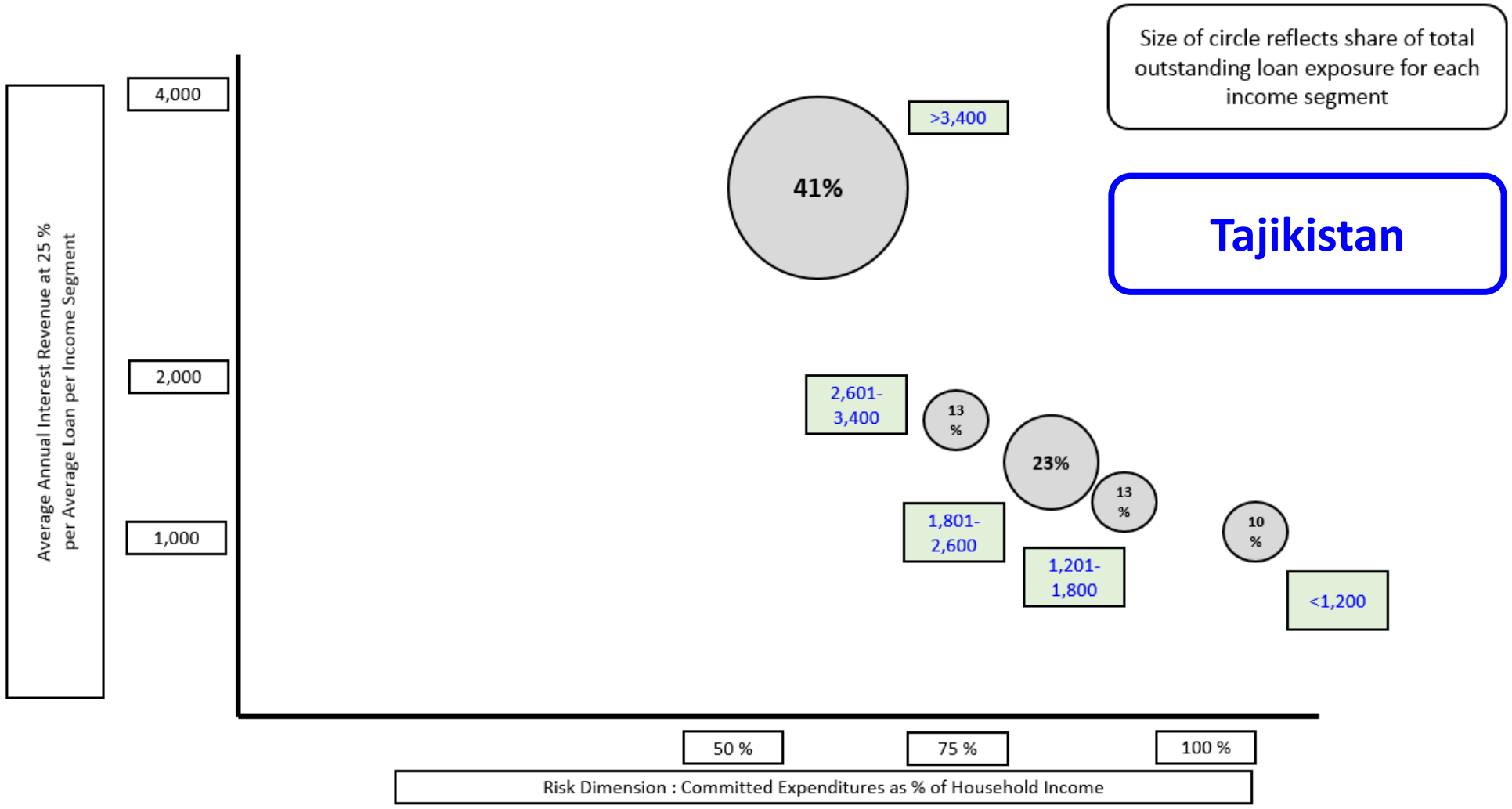
Circle % = distribution of loan value … Revenue assumes 20% interest rate p.a.

Tajikistan … for Comparison

For reference – comparison to support possible wider discussion of the previous bubble charts



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Income Segmentation : What Net Contribution? … MFI and Bank

For reference – data to support previous summary slide re loan segment 'bubble-gram'

Household Income : KGS	Distribution of Loan Value		Expenditure >75% Income		Gross Annual Revenue per Average Loan : KGS	
	MFI	Bank	MFI	Bank	MFI	Bank
< 15,000	16 %	7 %	72 %	71 %	6,300	9,500
15,001-20,000	18 %	7 %	53 %	60 %	8,500	11,500
20,001-30,000	30 %	17 %	36 %	51 %	10,900	17,400
30,001-40,000	15 %	14 %	30 %	53 %	15,000	32,700
> 40,000	20 %	55 %	20 %	43 %	23,000	79,100

Based on 20% p.a.

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Data to support previous 'bubble' diagram.

Can Borrowers Afford Their Debt ? … Different Income Segments = Different Affordability

	Loan repayments are more than I can afford		I borrowed too much		Reduced Food Expenditure	
	2013	2014	2013	2014	2013	2014
Total : All Borrowers	33 %	28 %	39 %	37 %	25 %	16 %
< KGS 15,000	37 %	39 %	38 %	46 %	26 %	26 %
15,001 – 20,000	30 %	31 %	39 %	42 %	21 %	17 %
20,001 – 30,000	33 %	24 %	37 %	33 %	27 %	12 %
30,001 – 40,000	30 %	21 %	36 %	33 %	26 %	12 %
> KGS 40,000	37 %	18 %	43 %	29 %	21 %	11 %

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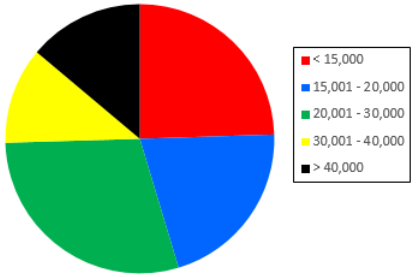
Data : All Borrowers

Roy Pratt – January 2015

All Borrowers : Client Distribution : 2014



Can Borrowers Afford to Repay … ? … Different Incomes – Different Affordability

	Loan repayments are more than I can afford				Reduced Food Expenditure			
	MFI		Bank		MFI		Bank	
	2013	2014	2013	2014	2013	2014	2013	2014
Total	32 %	28 %	35 %	28 %	24 %	16 %	27 %	17 %
< 15,000	36 %	39 %	40 %	39 %	25 %	27 %	28 %	26 %
15,001 – 20,000	26 %	29 %	35 %	34 %	20 %	15 %	26 %	19 %
20,001 – 30,000	34 %	22 %	33 %	27 %	29 %	10 %	29 %	14 %
30,001 – 40,000	29 %	23 %	31 %	20 %	24 %	12 %	27 %	12 %
> 40,000	40 %	16 %	35 %	19 %	23 %	9 %	21 %	12 %

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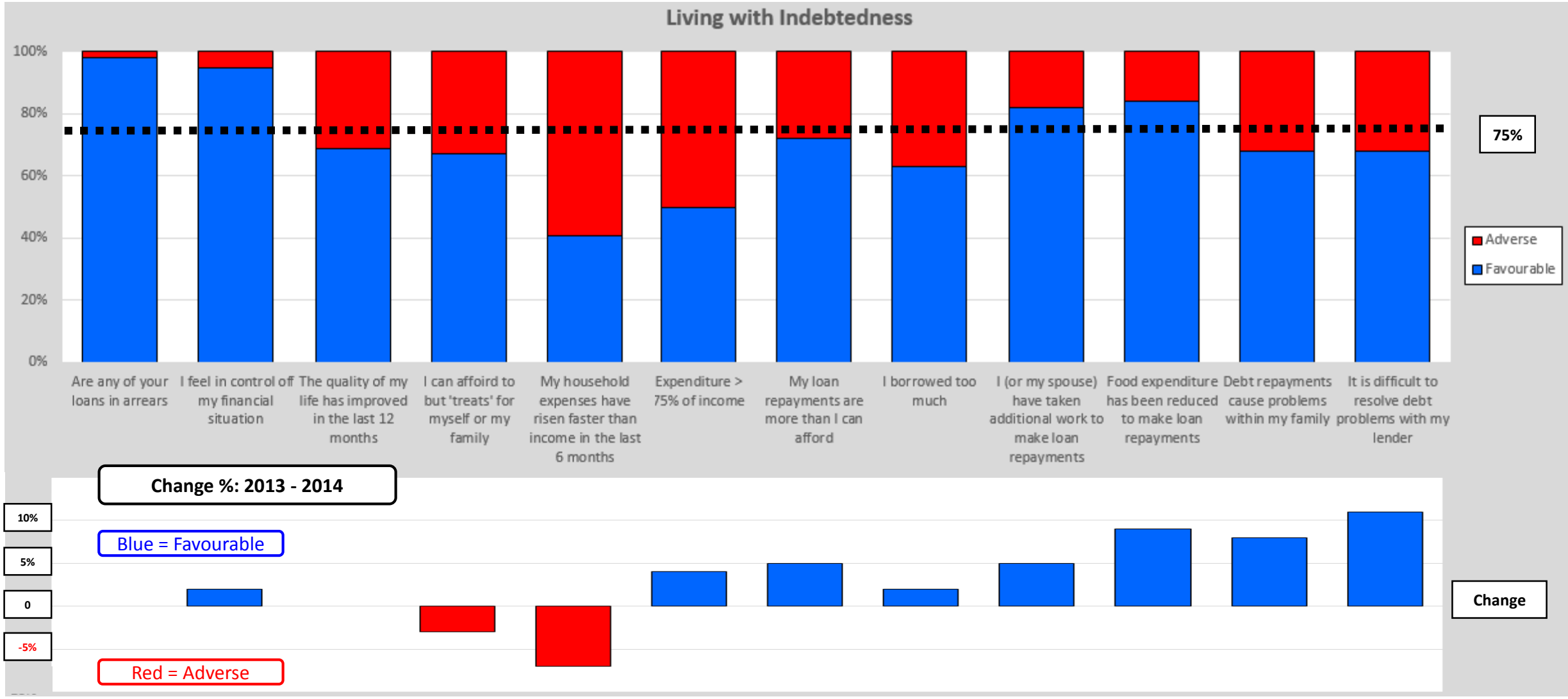
About 25-30% recognise financial difficulties … but some portfolio improvement in 2014



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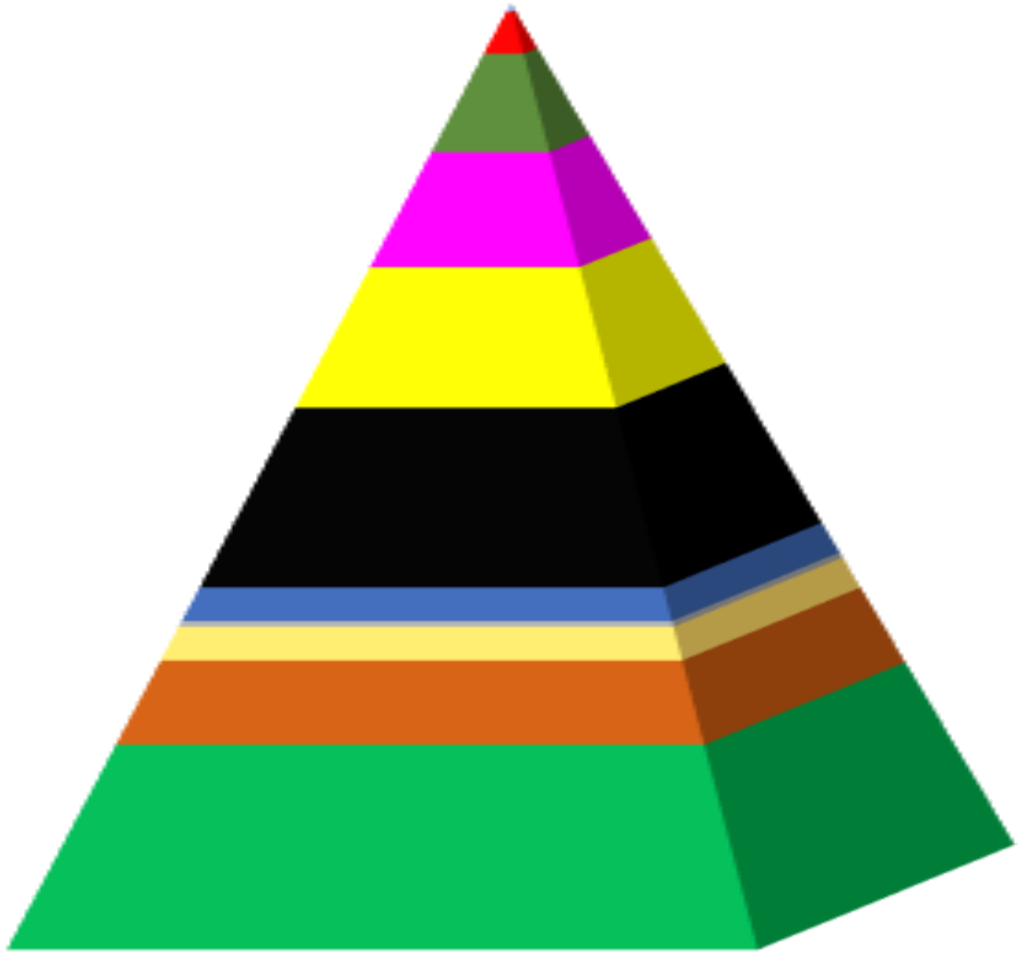
Arrears : only the tip of the Iceberg … What is the depth of indebtedness below arrears



2014		2013
2 %	Loan Arrears	2 %
4 %	Utility Arrears	2 %
10 %	Refinance and/or Loan Refusal	12 %
12 %	Other Informal Loans	9 %
15 %	Food Expenditure Reduction and/or Additional Work	20 %
19 %	Repayments more than can be afforded	15 %
4 %	Adverse events in last 6 months	4 %
1 %	Do not feel in control of financial situation	1 %
4 %	Debt causes problems in family	6 %
9 %	Financial situation has not impproved in last 6 months	2 %
22 %	Remainder	26 %

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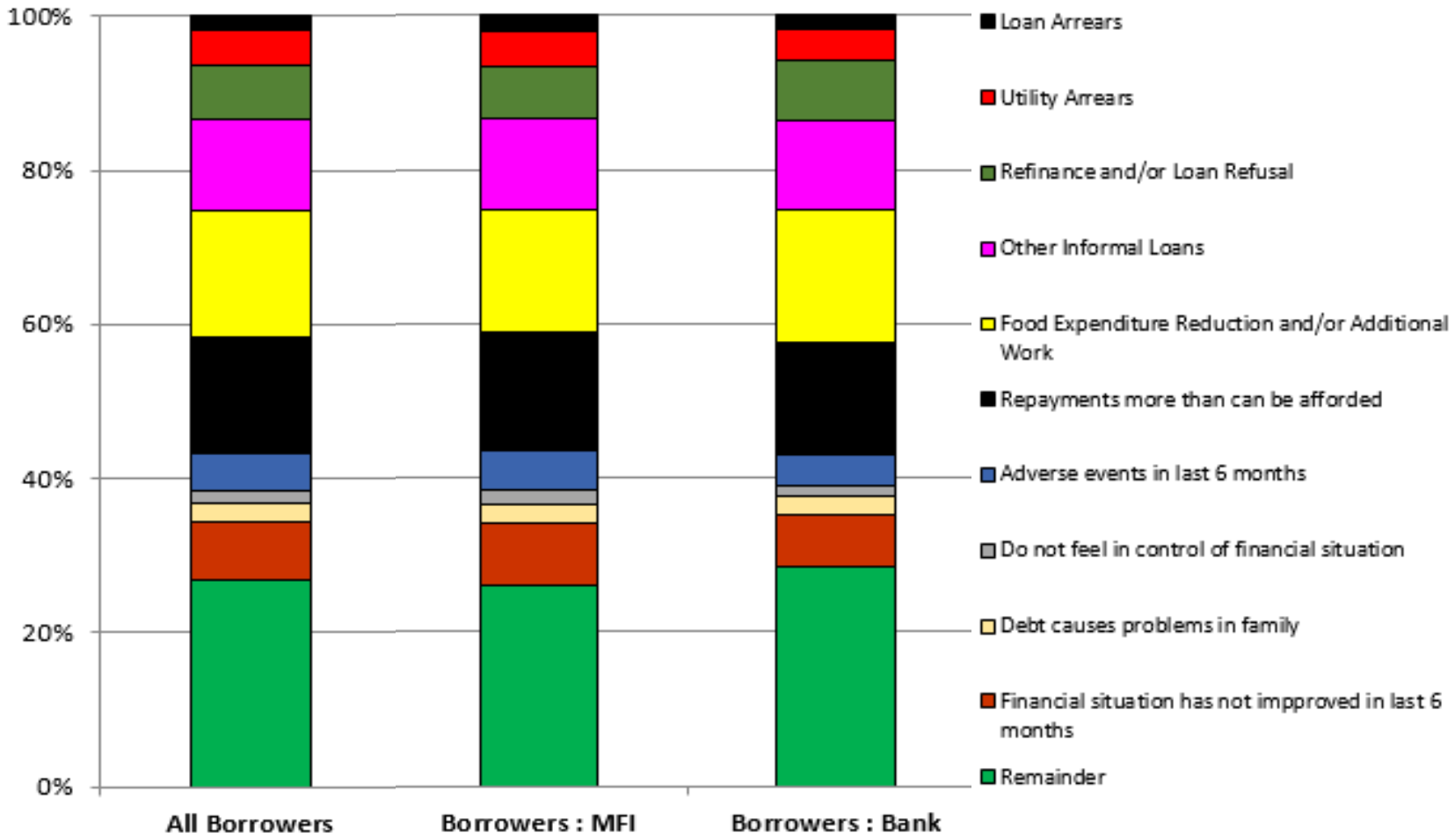
Little difference in the attitudes of MFI and bank clients



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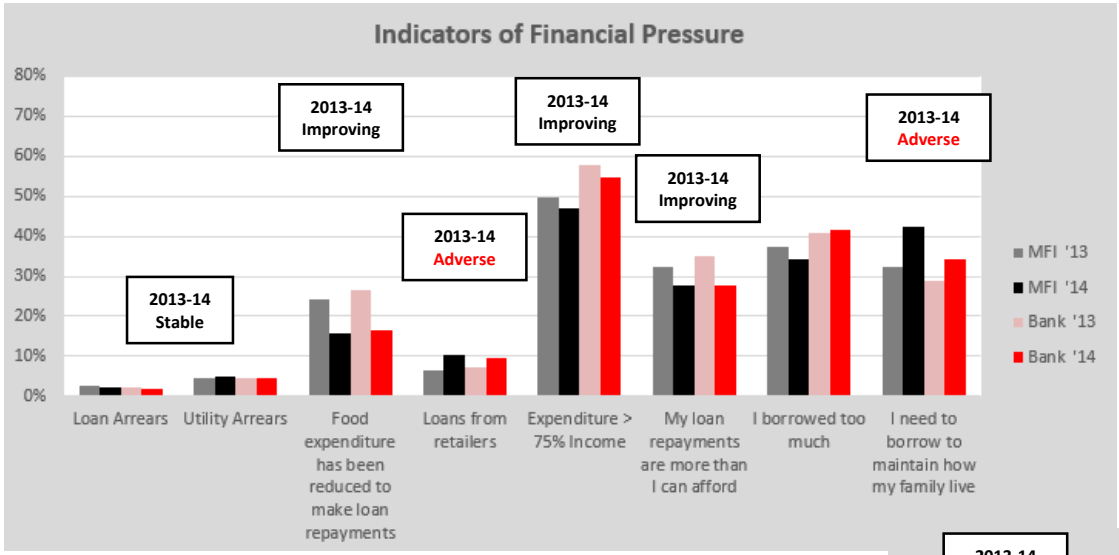
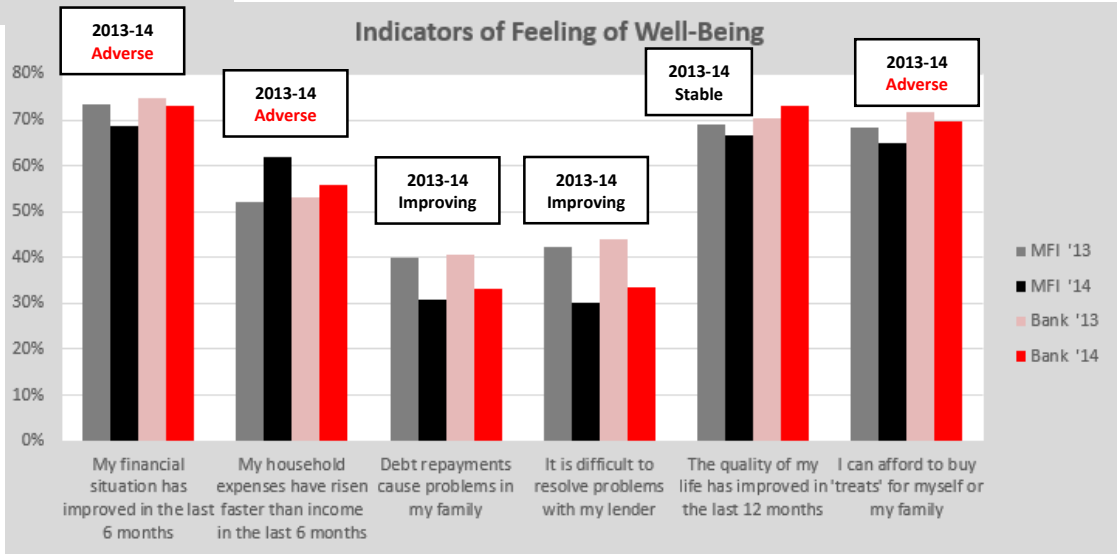
The complexity of understanding the borrowers' position …





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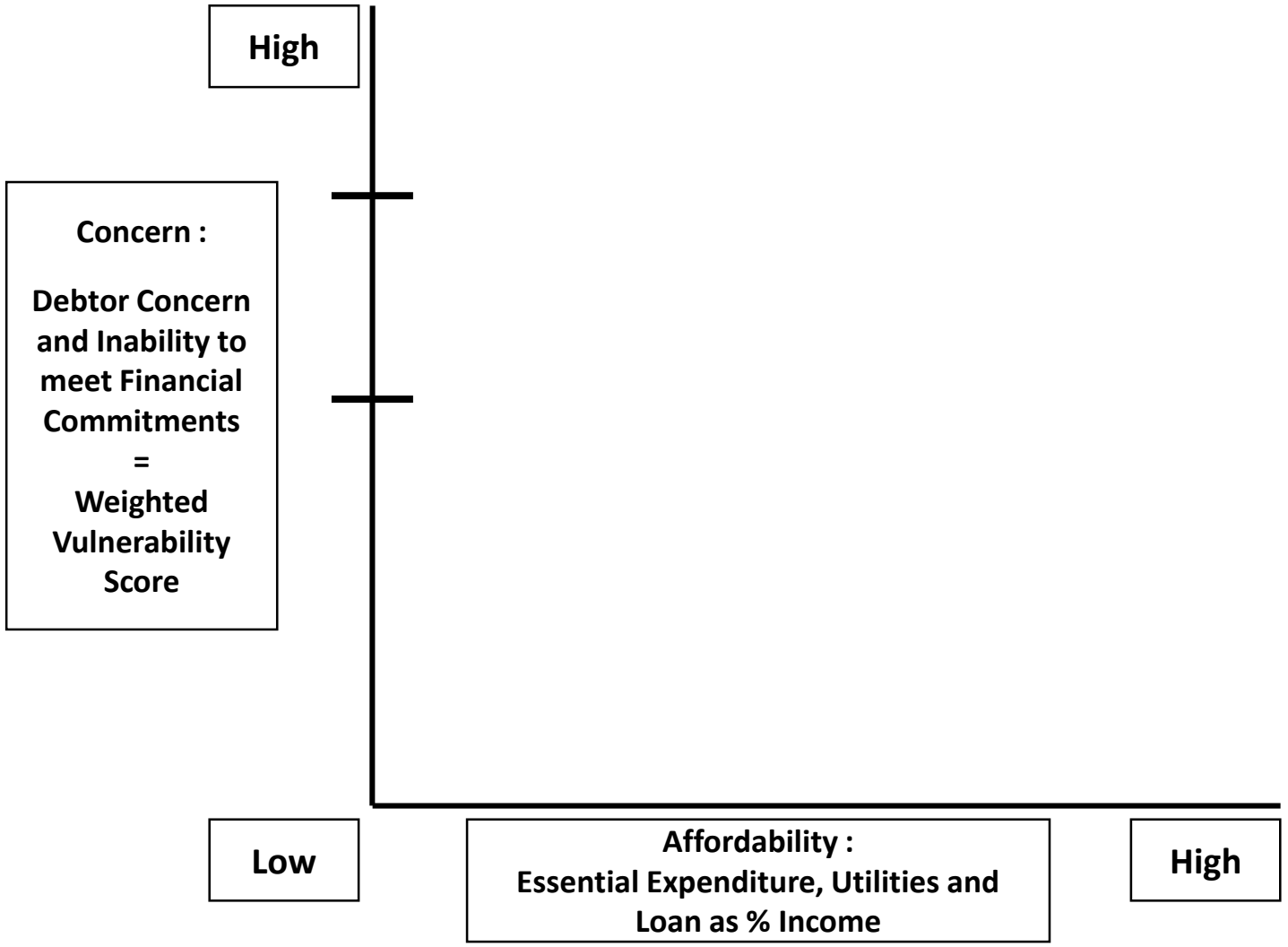
Concern and Affordability



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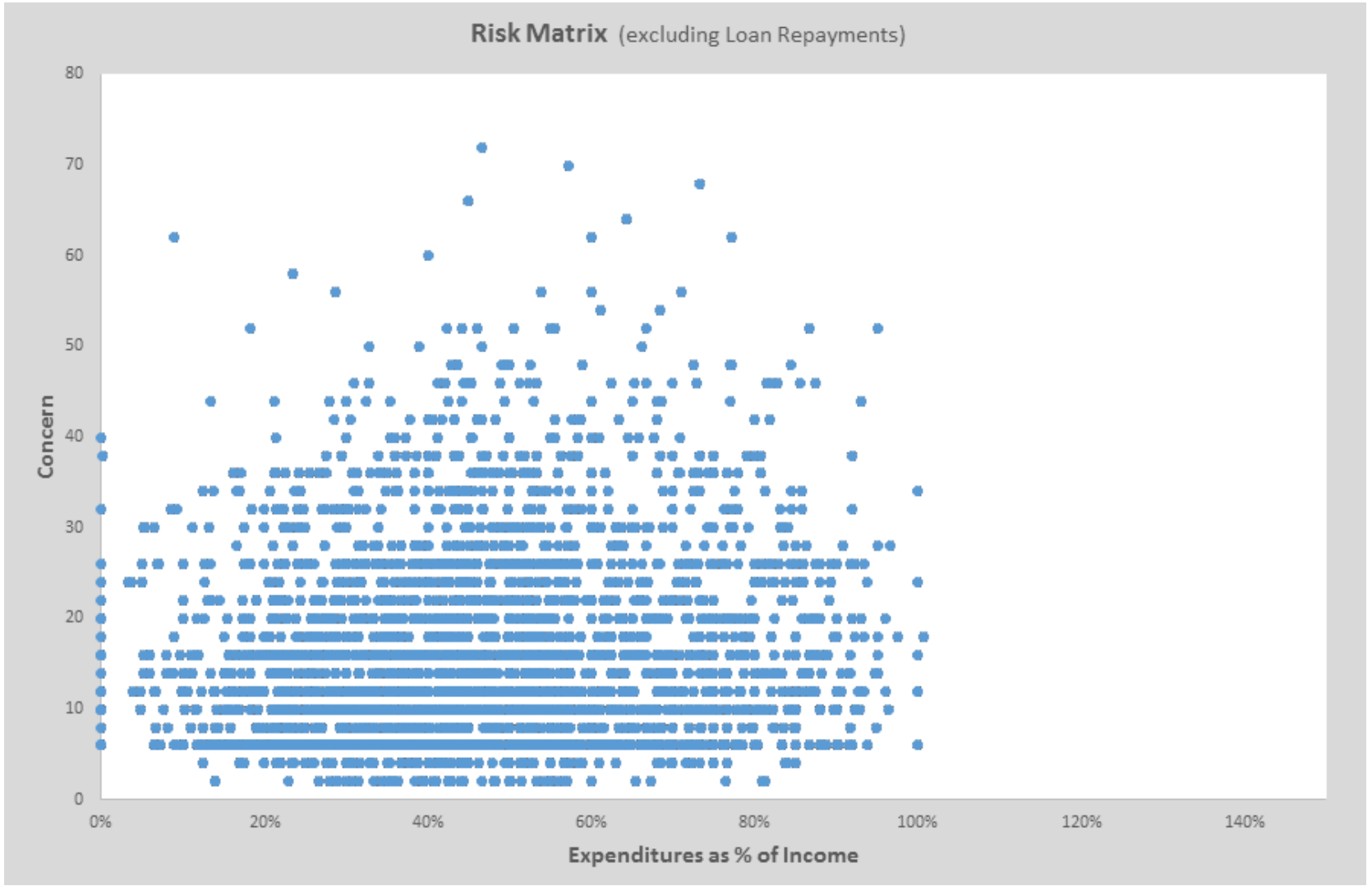
Borrowers are Different … different affordability … and … different concerns



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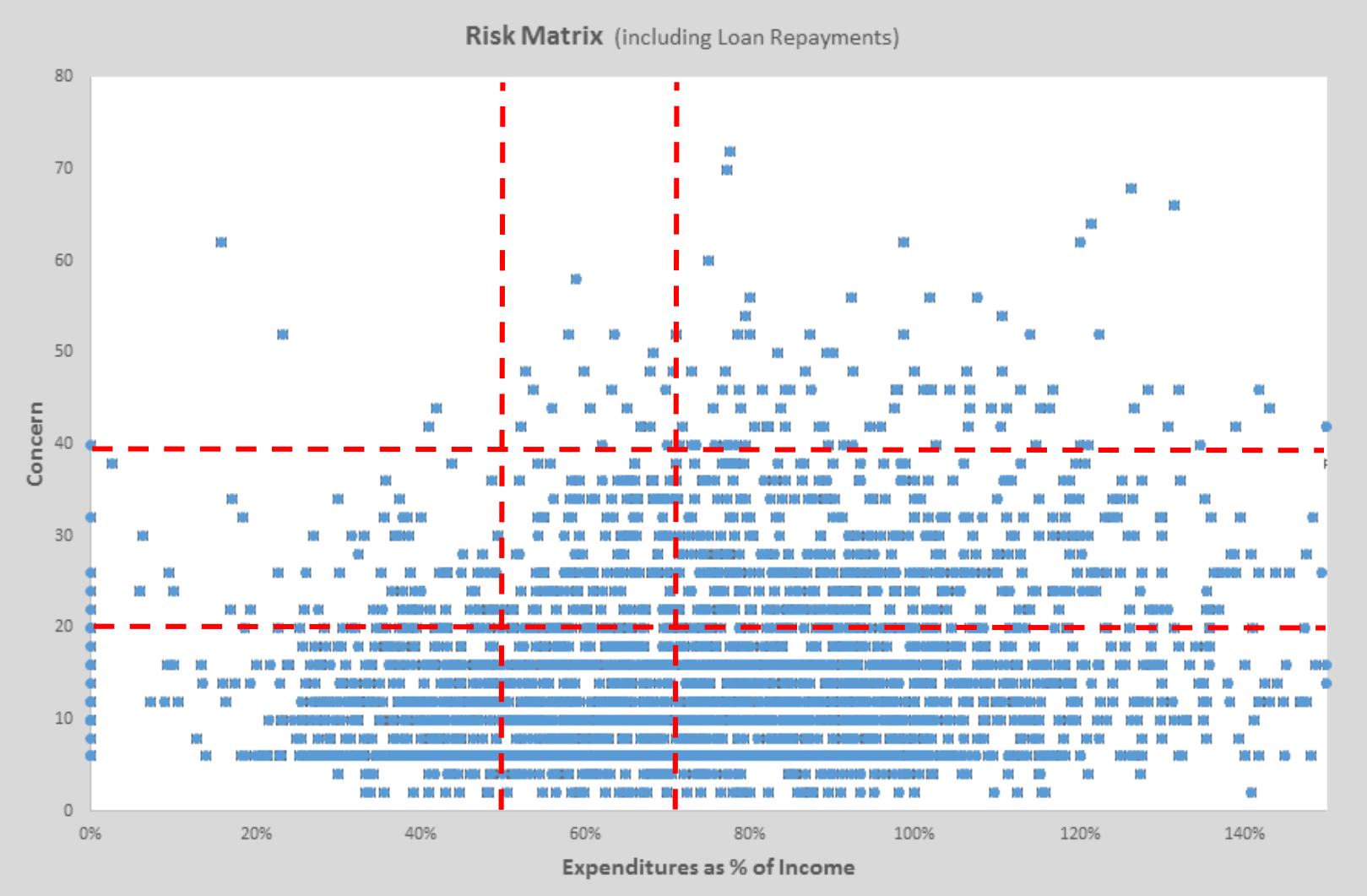
Risk Segmentation … affordability and risk recognition



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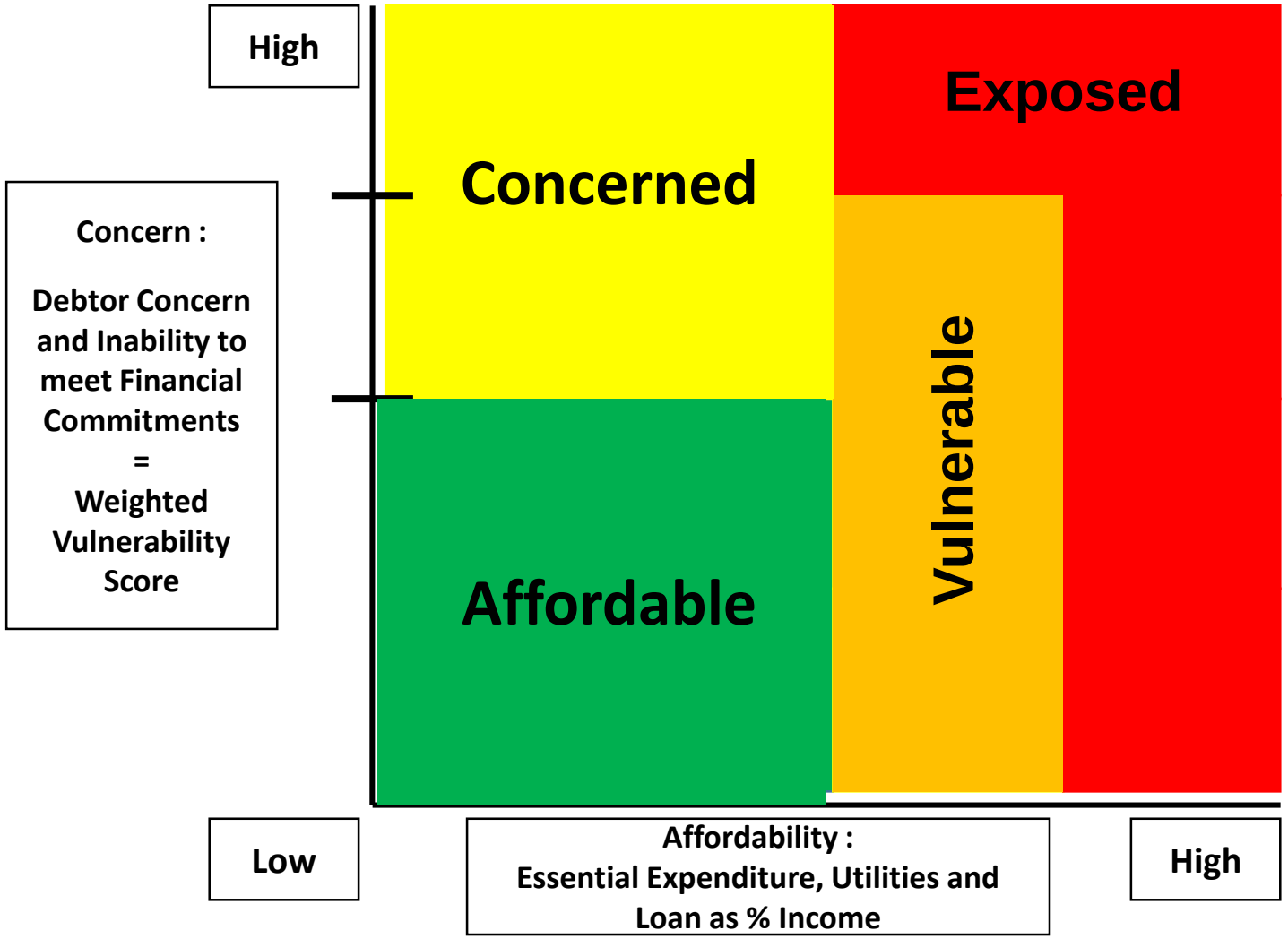
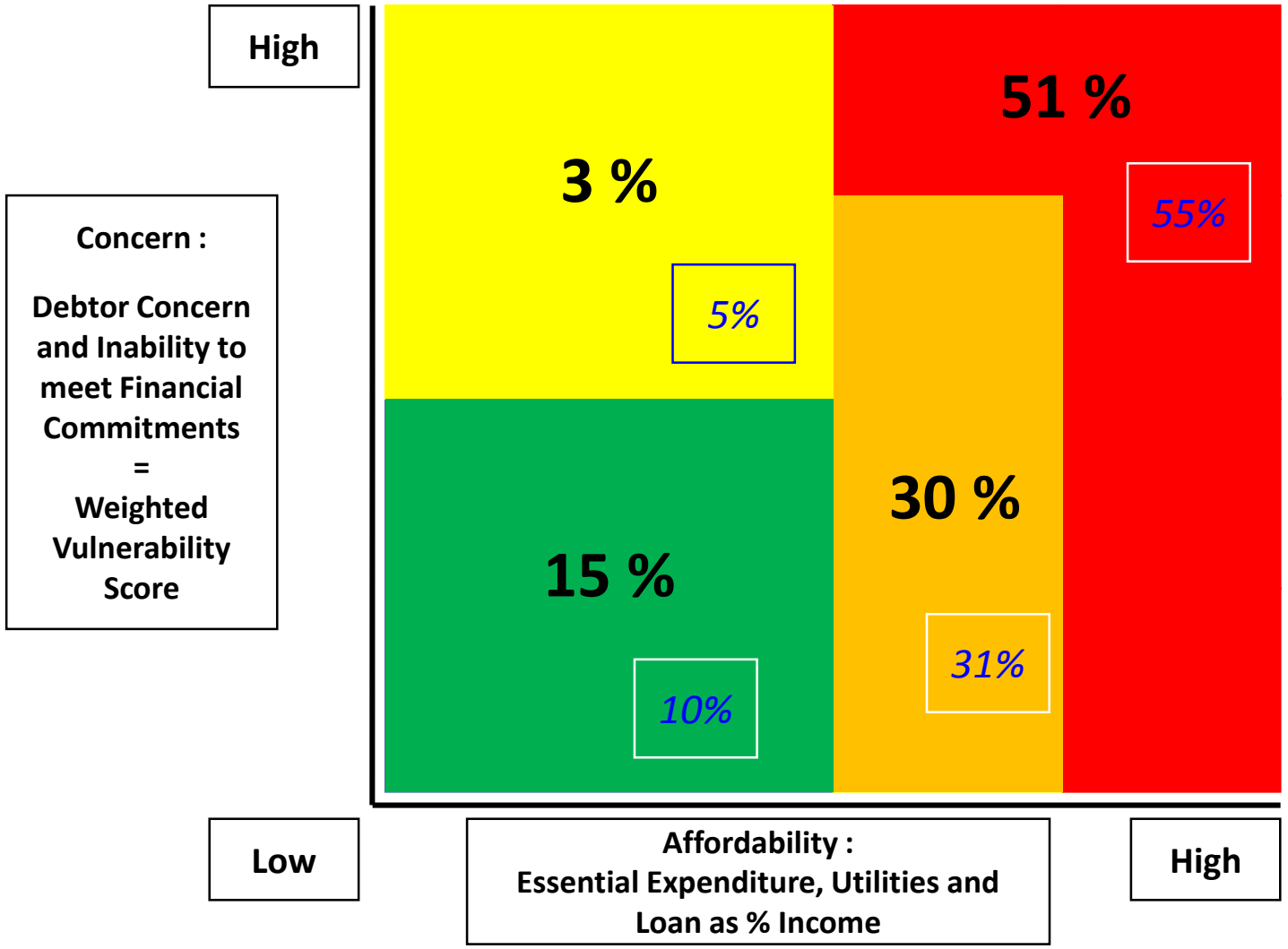
Different risk and service propositions – it is not a simple financial formula



Vulnerability : low capacity to absorb higher costs



Total Sample with Loan

Risk : Slight favourable trend in portfolio risk profile

Distribution of Risk Categories	Affordable		Concerned		Vulnerable		Exposed	
Expenditures (before loan payment)	MFI	Bank	MFI	Bank	MFI	Bank	MFI	Bank
Kyrgyzstan : 2014	44 %	47 %	16 %	17 %	29 %	28 %	11 %	8 %
Kyrgyzstan : 2013	33 %	33 %	21 %	24 %	35 %	32 %	11 %	11 %
Tajikistan : 2014	29 %	34 %	15 %	14 %	38 %	37 %	19 %	16 %
Expenditures (after loan payment)								
Kyrgyzstan : 2014	15 %	15 %	4 %	3 %	33 %	27 %	48 %	55 %
Kyrgyzstan : 2013	10 %	9 %	5 %	5 %	34 %	27 %	51 %	59 %
Tajikistan : 2014	9 %	9 %	4 %	3 %	27 %	28 %	59 %	60 %

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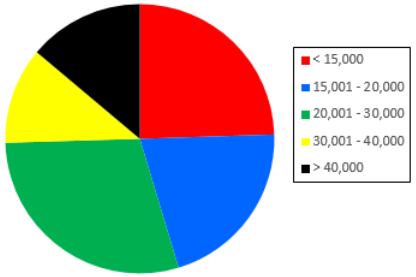
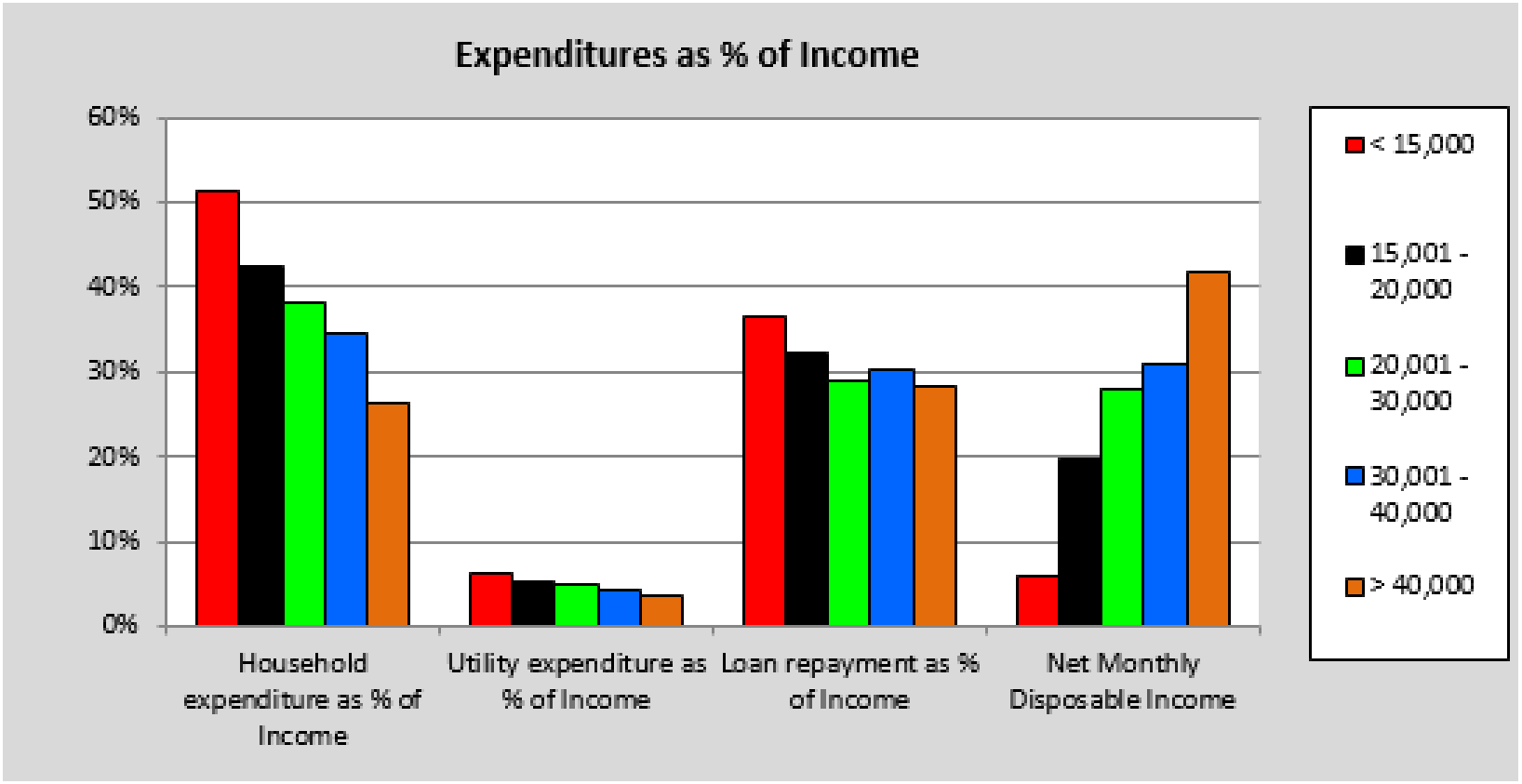
All Borrowers : Client Distribution : 2014



How is Income Spent ?



Average Net Income
700
3,700
7,500
11,500
28,200

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Loan Repayment Capacity : a balance of food and loan payments

	Household & Utility as % of Income		Loan Repayment as % of Household Income		Net Income as % of Household Income	
	2013	2014	2013	2014	2013	2014
< 15,000	56 %	58 %	39 %	37 %	5 %	6 %
15,001 – 20,000	51 %	48 %	32 %	32 %	17 %	20 %
20,001 – 30,000	45 %	43 %	26 %	29 %	29 %	28 %
30,001 – 40,000	44 %	39 %	26 %	30 %	29 %	31 %
> 40,000	33 %	30 %	28 %	28 %	39 %	42 %

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Different lending strategies and market positions

For reference – additional data to complement previous slide

Income Segment KGS	Distribution of Clients		Distribution of Loan Value		Household & Utility as % of Income		Loan Repayment as % of Household Income		Loan Repayment as % of Net Income	
	MFI	Bank	MFI	Bank	MFI	Bank	MFI	Bank	MFI	Bank
< 15,000	27 %	21 %	16 %	7 %	57 %	58 %	35 %	40 %	82 %	93 %
15,001 – 20,000	23 %	17 %	18 %	7 %	48 %	48 %	29 %	38 %	56 %	73 %
20,001 – 30,000	29 %	29 %	30 %	17 %	43 %	43 %	26 %	33 %	44 %	59 %
30,001 – 40,000	11 %	13 %	15 %	14 %	39 %	39 %	25 %	37 %	41 %	60 %
< 40,000	9 %	21 %	20 %	55 %	32 %	29 %	20 %	33 %	29 %	47 %

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Different lending strategies and market positions : a balance of food and loan payments

	Household & Utility as % of Income		Loan Repayment as % of Household Income		Net Income as % of Household Income	
	Kyrgyzstan	Tajikistan	Kyrgyzstan	Tajikistan	Kyrgyzstan	Tajikistan
< 15,000	57 % →	64 %	37 % ←	51 %	6 % →	-15 %
15,001 – 20,000	48 % →	57 %	32 % ←	38 %	20 % →	5 %
20,001 – 30,000	43 % →	56 %	29 % =	31 %	28 % →	12 %
30,001 – 40,000	39 % →	49 %	30 % →	25 %	31 % →	25 %
> 40,000	30 % →	36 %	28 % =	28 %	42 % →	37 %

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The Lending Experience : Good for the Majority, but … not for 25-30 % … and across all incomes

	< 15,000	15,001 – 20,000	20,001 – 30,000	30,001 – 40,000	> 40,000
Loans Improve the Quality of Life	72 %	73 %	78 %	77 %	76 %
Repayments More than I Can Afford	39 %	31 %	24 % 33	21 % 30	18 % 37
Repayments Cause Family Problems	44 %	37 %	27 % 36	24 % 42	24 % 41
Need to Continue to Borrow for Family	43 % 33	42 % 30	37 % 29	39 % 27	34 %
Difficult to Resolve Problems with Lender	43 % 50	34 % 41	28 % 42	25 % 34	24 % 40

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Boxed figures show major changes from 2013

The Lending Experience : Good for the Majority, but … not for 25-30 % … and across different loans

	Group Loan		Business Loan		Individual Loan	
	MFI	Bank	MFI	Bank	MFI	Bank
Loans Improve the Quality of Life	74 %	79 % 61	72 %	69 % 73	77 %	76 %
Repayments More than I Can Afford	24 % 30	32 % 39	14 % 39	23 % 37	31 %	29 %
Repayments Cause Family Problems	29 % 42	39 %	25 % 37	28 % 45	32 % 38	35 % 40
Need to Continue to Borrow for Family	42 % 32	42 % 36	29 % 33	28 % 33	46 % 31	34 % 28
Difficult to Resolve Problems with Lender	28 % 43	39 % 50	24 % 44	29 % 46	31 % 40	35 % 43

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Loan Product … what is the market proposition ?

	Distribution : Clients				Distribution : Loan Value			
	Group	Business	Individual	Agriculture	Group	Business	Individual	Agriculture
MFI	43 %	10 %	41 %	6 %	36 %	11 %	48 %	4 %
Bank	7 %	17 %	69 %	7 %	3 %	26 %	65 %	5 %

	Average Outstanding Loan Balance : KGS				Average Residual Repayment Term : Months			
	Group	Business	Individual	Agriculture	Group	Business	Individual	Agriculture
MFI	44,800	62,200	62,000	42,400	7	8	9	8
Bank	57,600	223,700	137,600	110,000	7	13	13	13

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Loan products : what alignment to loan usage and cash flow ?

	Microfinance Institutions				Commercial Banks			
	Group	Business	Individual	Agriculture	Group	Business	Individual	Agriculture
Distribution : Clients	43 %	10 %	41 %	6 %	7 %	17 %	69 %	7 %
Purpose of Loan								
Business : Asset	17 %	58 %	21 %	9 %	26 %	45 %	22 %	14 %
Business : Other	18 %	26 %	15 %	9 %	9 %	37 %	15 %	16 %
Domestic : Asset	18 %	3 %	18 %	21 %	21 %	4 %	15 %	8 %
Domestic : Other	37 %	8 %	36 %	44 %	34 %	11 %	34 %	49 %
Property	8 %	4 %	10 %	11 %	6 %	3 %	14 %	13 %
Other	2 %	1 %	0	0	4 %	0	0	0

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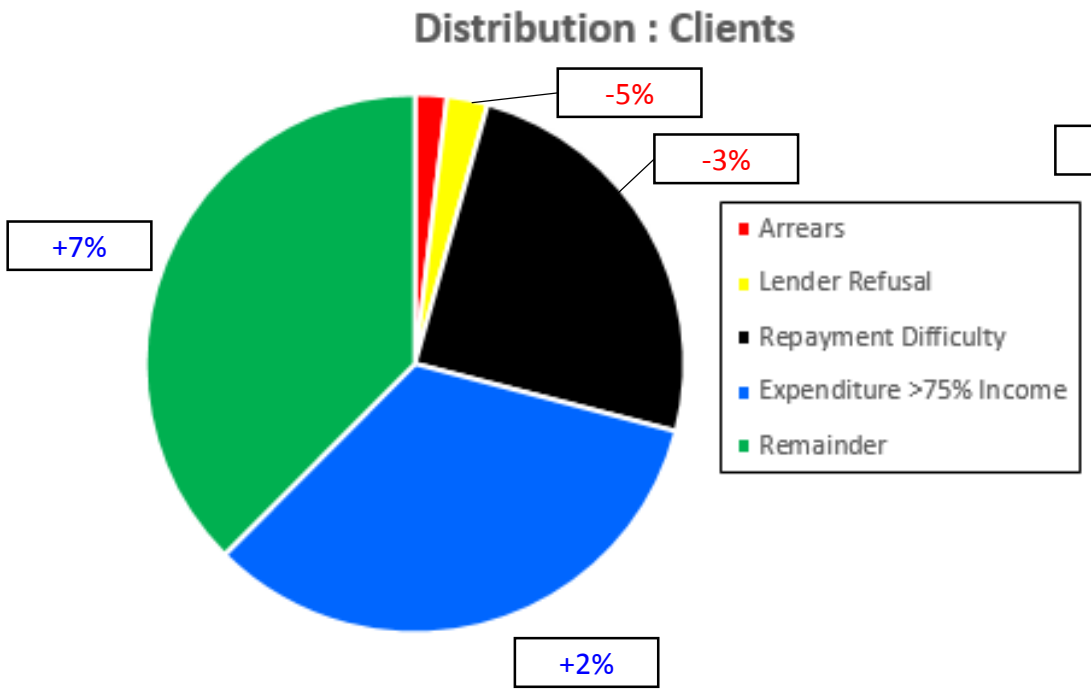
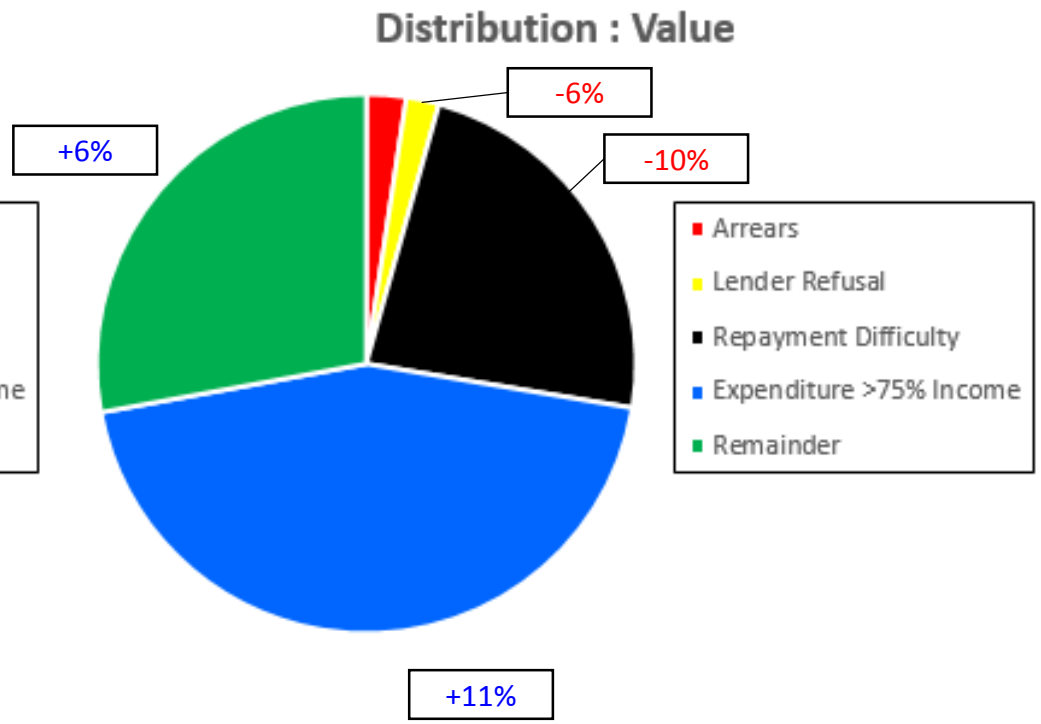
What is 'Over-Indebtedness' ?





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Boxed figure shows change from 2013

Lending outlook for current borrowers … a mixed opportunity

For reference – additional data to complement previous slide

MFI			Bank	
Clients	Value		Clients	Value
2 %	2 %	Loan Arrears	3 %	2 %
3 %	2 %	Lender Refusal	2 %	2 %
24 %	22 %	Repayment Difficulty	23 %	25 %
31 %	39 %	Expenditure > 75% Income	48 %	37 %
40 %	35 %	Remainder	25 %	34 %

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Committed expenditure and capacity for higher payments

For reference – data to support previous summary slide re risk vulnerability assessment : level of expenditure % income is the core driver of the assessment. This table reflects increased domestic spending and reversal of some lending in 2014

Committed Expenditure as % of Income	< 50 %	51 – 75%	76 – 100 %	> 100 %	Overall Average Expenditure as % of Income
MFI : 2013	16 %	35 %	34 %	15 %	71 %
MFI : 2014	19 %	34 %	31 %	16 %	68 %
Tajikistan : 2014	13 %	29 %	33 %	25 %	75 %
Bank : 2013	14 %	29 %	38 %	20 %	77 %
Bank : 2014	18 %	27 %	35 %	19 %	73 %
Tajikistan : 2014	12 %	29 %	34 %	25 %	79 %

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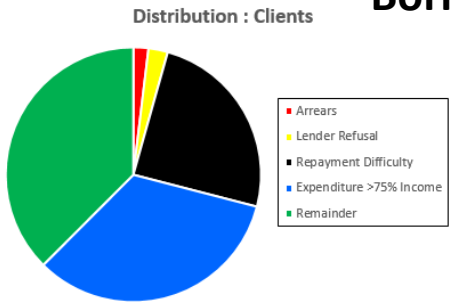
Borrowing Capacity – different segments - different capacities – different needs



	Arrears	Lender Refusal	Repayment Difficulty	Expenditure > 75% Income	Remainder
Loan Repayment as % of Net Income	68 %	49 %	58 %	91%	27 %
Net Disposable Income (after loan)	5,600	7,400	5,800	1,100	16,900
Average Outstanding Loan KGS	115,900	71,700	86,900	123,200	67,800
Food Expenditure Reduced to Pay Loan	39 %	30 %	29 %	14 %	8 %
Additional Work to Pay Loan	42 %	29 %	38 %	12 %	9 %
Loan from Family or Friends	27 %	14 %	11 %	11 %	8 %

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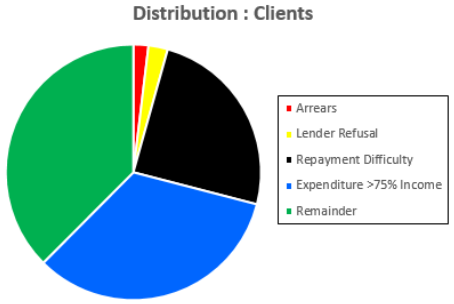
Outlook : strongest affordability = most uncertain of future loan needs



	Arrears	Lender Refusal	Repayment Difficulty	Expenditure > 75% Income	Remainder
Loan Improved Quality of Life	59 %	70 %	66 %	80 %	78 %
Loan Used for Domestic Consumption	32 %	41 %	35 %	34 %	39 %
I need to continue to borrow for family	53 %	51 %	57 %	33 %	32 %
Do you intend to renew your loan : Yes … No	29% … 45%	45% … 23%	35% … 28%	42% … 19%	23% … 22%
If “Yes”, will it be “More”	39%	30%	18%	25%	30%

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The Business Development challenge of Segmentation

For reference – data to support previous summary slide re borrower intention for future borrowing

All Borrowers	Loan Renewal at Maturity			If "Yes", how much ?			
	Yes	No	Undecided	More	Same	Less	Undecided
Loan Arrears	29 %	45 %	26 %	39 %	22 %	28 %	11 %
Lender Refusal	45 %	23 %	33 %	30 %	27 %	19 %	24 %
Repayment Difficulty	35 %	28 %	37 %	18 %	45 %	20 %	17 %
Expenditure > 75% Income	42 %	19 %	39 %	25 %	40 %	11 %	24 %
Remainder	32 %	22 %	46 %	30 %	39 %	10 %	21 %

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Risk Segmentation : Usage of Loan Funds

For reference – data to support previous summary slide re risk vulnerability assessment. This table shows that the MFIs appear to have a greater proportion of loan difficulties with domestic situations than the banks

MFI			Bank	
Business	Domestic		Business	Domestic
44 %	44 %	Loan Arrears	42 %	42 %
26 %	66 %	Lender Refusal	35 %	53 %
34 %	64 %	Repayment Difficulty	45 %	53 %
42 %	53 %	Expenditure > 75% Income	48 %	43 %
45 %	58 %	Remainder	42 %	50 %

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The scale of Collateral in the Lending Portfolios

	Household Income : KGS	Net Disposable Income : KGS	Average Outstanding Loan : KGS	Distribution : Clients	Distribution : Loan Value
MFI : Collateral	26,400	8,400	58,400	64 %	70 %
MFI : Non-Collateral	23,800	7,400	44,500	36 %	30 %
Bank : Collateral	34,800	9,100	173,900	79 %	90 %
Bank : Non-Collateral	26,700	8,600	63,600	21 %	10 %

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Collateral : Type of Assets held

	Property	Domestic Assets	Other Assets	Guarantee	No Pledged Assets
MFI	16 %	19 %	9 %	25 %	36 %
Bank	40 %	15 %	12 %	18 %	24 %

Loan Amount : KGS	Property		Domestic Assets	
	MFI	Bank	MFI	Bank
< 15,000	12 %	21 %	9 %	15 %
15,001 – 30,000	12 %	28 %	17 %	17 %
30,001 – 50,000	15 %	26 %	27 %	15 %
50,001 – 100,000	17 %	37 %	28 %	16 %
> 100,000	39 %	73 %	17 %	11 %

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Collateral : Product usage of Collateral

For reference – data to support previous summary slide re types of collateral.

MFI	Property	Domestic Assets	Other Assets	Guarantee	No Pledged Assets	Distribution : Clients
Group	11 %	17 %	8 %	29 %	39 %	43 %
Business	23 %	27 %	5 %	25 %	31 %	10 %
Individual	21 %	24 %	10 %	21 %	32 %	41 %
Agricultural	7 %	25 %	8 %	23 %	41 %	6 %
Bank						
Group	29 %	5 %	15 %	27 %	25 %	7 %
Business	50 %	14 %	13 %	14 %	21 %	17 %
Individual	39 %	17 %	12 %	18 %	24 %	69 %
Agricultural	25 %	20 %	11 %	17 %	33 %	7 %

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Collateral Pledged Assets – Greater financial pressure and less benefit

Type of Loan	MFI : Collateral	Bank : Collateral	MFI : Non-Collateral	Bank : Non-Collateral
Loans Improve the Quality of Life	77 %	77 %	71 %	69 %
Household Expenses Risen Faster than Income - Six Months	63 %	54 %	61 %	62 %
Repayments Are More than I Can Afford	27 %	27 %	28 %	31 %
Need to Continue to Borrow for Family	46 %	33 %	36 %	39 %
Reduced Food Expenditure to make Loan Repayment	18 %	18 %	13 %	12 %

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Summary : Low loan arrears mask the depth of repayment pressures

- 45% incomes < KGS 20,000 = 21% of loan balances
- 14% incomes > KGS 40,000 = 43% of loan balances
- Little scope for further domestic cost reductions

Financial

Behaviour

- Strong debt responsibility
- Reduced domestic spending
- Increasing loan usage for consumption

Different Borrowers

Segmentation

Different Portfolios

- Loan portfolio redistribution
- Risk vulnerability of majority
- High collateral cover
- Loan structure and cash flow
- Contrasting repayment cycles
- Lending outlook

Lending

Attitude

- Lower recognition of problems resulting from loans
- Increased recognition of debt dependency
- Mixed outlook on future borrowing

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Issues for Consideration

Redistribution of loan portfolios	• Lending strategies • Income • Collateral of pledged assets
Financial inclusion	• Role and responsibility of financial institutions • Business case of lower income clients • Product / service proposition, other than loans
Lending outlook	• Client attitude in contrast to financial capacity • Debt dependency – discretionary borrowing • Redistribution of client profile – market scale
Borrower / Lender Relations	• Relationship or transactional • Consolidation of improving situation • Contingency for economic downturn

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