

MICROFINANCE

Creating Opportunities in Emerging Markets



AT A GLANCE

- Microfinance is an important tool for improving livelihoods at the base of the pyramid by increasing access to finance to underserved households and microentrepreneurs, especially women. Yet the sector still reaches less than 20 percent of its potential market among the world's 3 billion poor people.
- IFC is the World Bank Group's lead investor in microfinance, and it is one of the leading multilateral investors in terms of outreach to microfinance institutions, working with 150 institutions in more than 60 countries. As of December 2010, IFC's investee clients had an outstanding portfolio of nearly 8 million microloans, worth nearly \$12.6 billion.
- IFC's goal for microfinance is to scale up access to a range of high-quality financial services for underserved populations, maximizing development impact and ensuring institutional sustainability. IFC achieves this goal by effectively combining investment and advisory services to a range of financial intermediaries.
- The World Bank Group works with private microfinance institutions and stakeholders to incorporate responsible finance practices into all aspects of business operations. When done responsibly, private microfinance can have significant development impact and improve people's lives.
- IFC takes an active role in advising microfinance institutions and developing credit bureaus, which are critical to avoid over-indebtedness and support responsible lending practices. Through its Global Credit Bureau Program, IFC has created or improved credit bureaus in more than 14 countries and advocated for relevant laws in 31 countries.

WHAT IFC IS DOING

- Nearly 3 billion people in developing countries have little or no access to formal financial services.
- Financial services for poor people are a powerful instrument for reducing poverty, enabling them to build assets, increase incomes, and reduce their vulnerability to economic stress. Formal financial services such as savings, loans, and money transfers enable poor families to invest in enterprises and improve their nutrition, living conditions, and the health and education of their children. Microfinance is also a powerful catalyst for empowering women.
- The industry has evolved from specialized nongovernmental organizations to an increasing number of regulated and licensed microfinance institutions (MFIs) that stress that sustainability and impact go hand in hand.
- This transition to regulated and licensed MFIs has allowed providers to expand their product offering to include noncredit products such as savings, remittances, and insurance. Furthermore, the use of technology and innovation to develop alternative distribution channels has allowed MFIs to increase customer convenience, reduce costs, and facilitate greater outreach.
- IFC is leading global investors in terms of volume. In fiscal 2011, IFC committed \$382 million in 42 projects with financial institutions. Also, as of December 31, 2011, IFC had a committed microfinance portfolio worth \$2 billion, and IFC's advisory services comprised \$51.1 million in grant funding, representing 65 projects.
- IFC's focus is on creating and supporting commercially viable microfinance institutions that can attract the private capital needed to scale up and respond to unmet demand. IFC is playing an important role by demonstrating the business case for commercial microfinance and promoting it as an asset class to private institutional investors. Since pioneering commercial microfinance in the early 1990s, IFC has continued to lead innovation in microfinance, using developments in technology, financial products, and policy to help financial institutions reach a greater number of people in a more cost-effective way.

Project Examples

Bandhan

IFC has invested equity of up to \$35 million in Bandhan, the fourth-largest microfinance institution in India. Bandhan operates in 18 Indian states in the northern and eastern parts of the country, including some of the poorest states, where population density is high and microfinance penetration is low, such as Chhattisgarh, Jharkhand and Tripura.

This project will help promote a more balanced growth of microfinance in India as most of the MFIs are concentrated in southern India. Bandhan focuses primarily on providing microloans to women microentrepreneurs in rural and urban areas through its network of 1,553 branches, and the project is expected to have a significant impact on poverty reduction and job creation in these underserved areas.

Bandhan currently has 3 million borrowers, all of whom are women, and this is expected to grow to 12 million by 2016. IFC also is working with Bandhan to strengthen its management capacity and operations in a sustainable and efficient manner and introduce international best practices in environment and social policies, corporate governance, and risk management.

EB-ACCION Microfinance

EB-ACCION Microfinance is a unique microfinance partnership between ACCION International, Ecobank Group (ETI), and IFC providing financial services to excluded segments of society. IFC made equity investments of \$1.89 million in ACCION Microfinance Bank in Nigeria, \$1.2 million in EB-ACCION Ghana, and \$1.1 million in EB-ACCION Cameroon. IFC has provided technical-assistance grants amounting to \$800,000 to EB-ACCION Ghana and \$1 million to EB-ACCION Cameroon. As of June 30, 2011, the three institutions had more than 20,000 borrowers with a total of \$16.04 million in outstanding loans.

EB-ACCION Microfinance has achieved great success in mobilizing deposits valued at \$9.82 million for 105,000 depositors. The financial institutions offer several account options, some interest bearing to match deposit and savings needs. EB-ACCION Ghana was also awarded, "Microfinance Institution/Project of the Year" at the 2011 African Banker Awards, held in September 2011 in Washington, D.C.

Portfolio Snapshot

As at Dec 31 2010, microfinance institutions supported by IFC had a portfolio of 5 million loans with a volume of \$5.24 billion.

World – 13 clients, 25 projects, \$358 million portfolio

Middle East and North Africa – 9 clients, 16 projects, \$54 million portfolio

Latin America and Caribbean – 23 clients, 48 projects, \$327 million portfolio

Eastern Europe and Central Asia – 11 clients, 10 projects, \$80 million portfolio

Sub Saharan Africa – 23 clients, 48 projects, \$96 million portfolio

South Asia – 14 clients, 17 projects, \$71 million portfolio

East Asia and Pacific – 14 clients, 36 projects, \$142 million portfolio

*Above figures as of December 31, 2011



Contact

Martin Holtmann | Head, Microfinance | mholtmann@ifc.org | (202) 458-5348

Makanda Kioko | Advisory Program Manager | MKioko@ifc.org | (Kenya) + 254-572-511-400

Media Contact

John McNally | Communications Officer | jmcnally@ifc.org | (202) 458-0723