



IFC Financing to Micro, Small, and Medium Enterprises in the Poorest Countries

Key Highlights

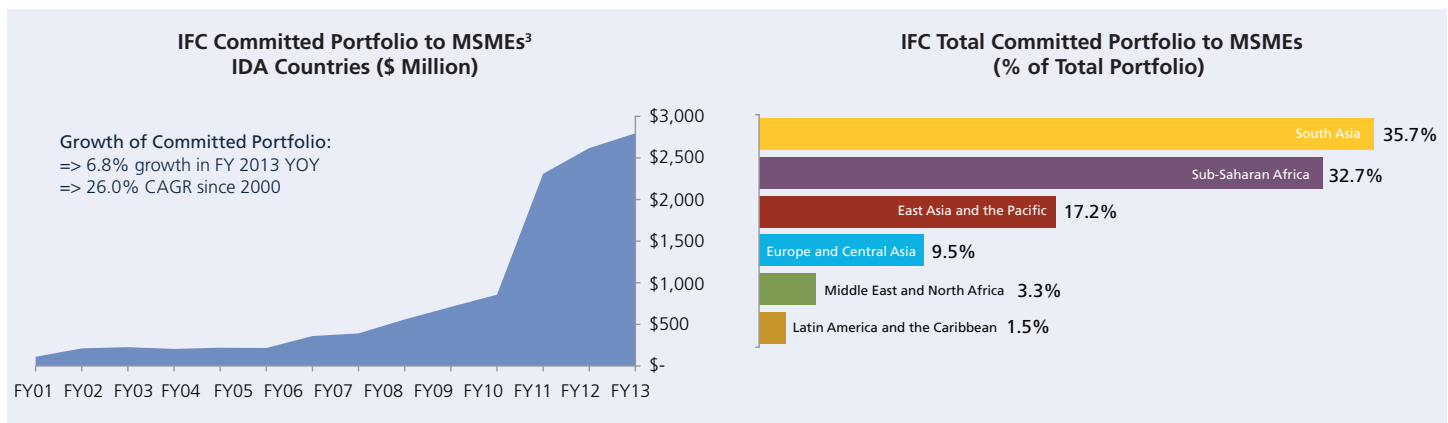
IFC is working to develop solutions to close the micro, small, and medium enterprise (MSME¹) financing gap, collaborating with 129 financial institutions (FIs) across 39 International Development Association (IDA) countries².

As of June 2013, IFC committed a total of \$3.97 billion to MSME finance in IDA countries, \$3.18 billion for long term finance (including \$381 million for funds supporting MSMEs), and \$792 million for trade finance. In fiscal year (FY) 2013 alone, IFC MSME commitments in IDA countries were \$2.53 billion

(down 3 percent from \$2.6 billion), \$596 million of which was attributed to long-term financing.

By the end of calendar year (CY) 2012 IFC's MSME clients had 4.54 million micro loans outstanding in IDA Countries (down from 8.23 million in CY2011), totaling \$6.96 billion (up 22 percent from \$5.72 billion in CY2011). Similarly, IFC's MSME clients had 953 thousand small and medium loans outstanding by the end of CY2012 (up 4 percent from 913 thousand in CY2011), totaling \$34.67 billion in IDA countries (up 5 percent from \$33.09 billion in CY2011).

MSME Financial Intermediary Portfolio, FY2013 (as of June 2013)



MSME Loans by Type of IFC Clients in IDA Countries, CY2012

MSME Loans by Microfinance Institutions

IFC was able to survey or extrapolate outreach data from 57 clients - Microfinance Institutions (MFIs) in 28 IDA countries, 49 percent of these clients received advisory services from IFC.

	Number of Loans Outstanding	Outstanding Loan Portfolio in '000 \$	Average Loan Size	NPL % ⁴
Micro Loans	2,854,518	3,451,074	1209	4%
Small Loans	401,831	6,270,348	15,604	3%
Medium Loans	28,285	6614,102	233,841	2%

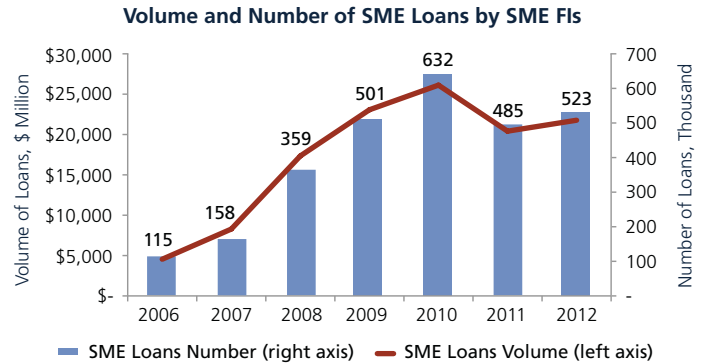
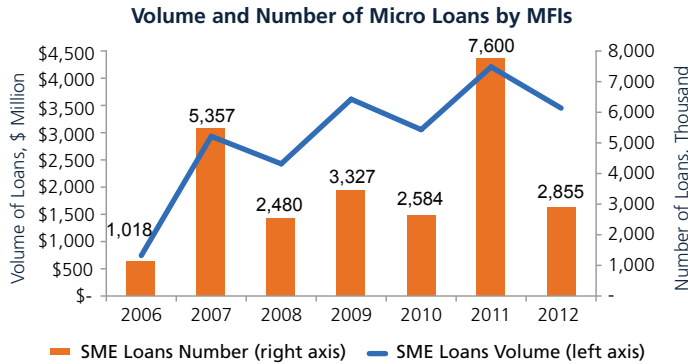
MSME Loans by SME Financial Institutions

IFC was able to survey or extrapolate outreach data from 72 clients - small and medium enterprises (SME) FIs in 30 IDA countries, 61 percent of these clients received advisory services from IFC.

	Number of Loans Outstanding	Outstanding Loan Portfolio in '000 \$	Average Loan Size	NPL % ⁴
Micro Loans	1,689,430	3,504,762	2,075	11%
Small Loans	398,724	8,047,736	20,184	9%
Medium Loans	123,861	13,723,220	110,795	7%

1. MSME firm size definitions: IFC's Financial Institutions Group categorizes its clients' sub-borrowers according to the following definitions: (1) microfinance institution if loan < \$10,000 at origination; (2) small enterprise if loan < \$100,000 at origination; (3) medium enterprise if loan < \$1 million at origination (\$2 million for more advanced countries).
 2. The International Development Association (IDA) is the World Bank's Fund for the Poorest. Further information may be found at <http://www.worldbank.org/ida/>
 3. The committed portfolio in MSME FIs below does not include commitments for commercial banking trade finance and collective investment vehicles.
 4. Nonperforming Loan (NPL) = > 90 days past due loans.

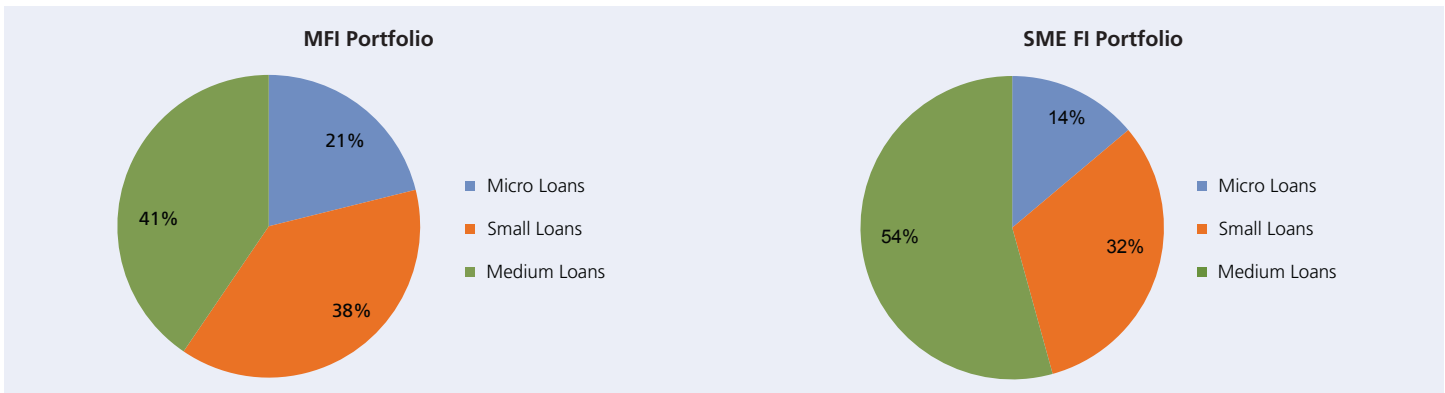
Growth Trends of Loan Volume by Type of Institution in IDA Countries, CY2006-CY2012⁴



The trend of micro loans provided by microfinance institutions was not even over time. Recent economic growth observed in IDA countries boosted IFC clients' portfolio in CY2011 by 38 percent versus CY2010. This increase resulted from the addition of 15 new clients, the 3 largest of which contributed 55 percent to the total MFI portfolio in IDA countries. In CY2012, portfolio contraction by 20 percent can be mainly explained by the squeezing of the portfolio of an Indian client by \$600 million.

The portfolio of SME loans provided by SME FIs experienced smooth growth since 2006 until the drop in CY2011 by 22 percent. This was a result of the termination of business with 13 clients, the three largest of which (in India, Sri Lanka and Indonesia) accounted for 42 percent of total SME portfolio in IDA countries in CY2010. This contraction was partially compensated by adding 16 new clients, which contributed \$1.5 billion in CY2012.

MSME Portfolio Composition by Loan Category in IDA Countries, CY2012



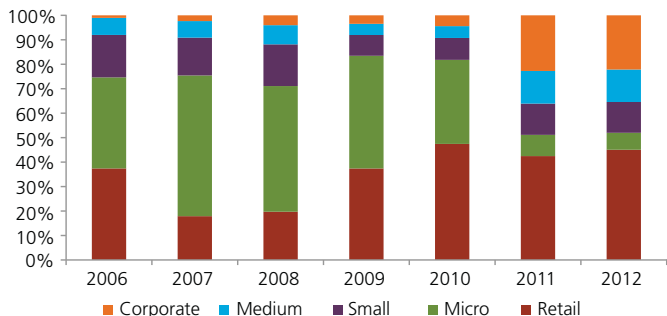
MFI	Micro Loans	Small Loans	Medium Loans
2006	60.5%	28.2%	11.3%
2007	72.1%	19.4%	8.5%
2008	67.4%	22.4%	10.3%
2009	77.9%	14.4%	7.7%
2010	71.4%	18.6%	10.0%
2011	24.9%	36.7%	38.3%
2012	21.1%	38.4%	40.5%

SME	Micro Loans	Small Loans	Medium Loans
2006	13.4%	37.6%	49.0%
2007	8.3%	32.2%	59.5%
2008	7.2%	31.7%	61.1%
2009	7.7%	34.6%	57.8%
2010	7.6%	30.1%	62.3%
2011	6.9%	30.9%	62.2%
2012	13.9%	31.8%	54.3%

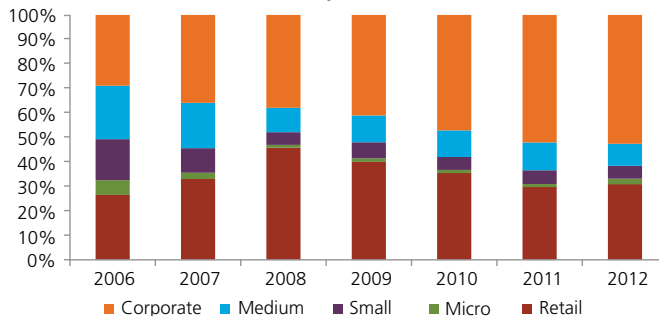


Total Portfolio Composition by Loan Category in IDA Countries, CY2012

MFI Portfolio Composition: Volume of Loans



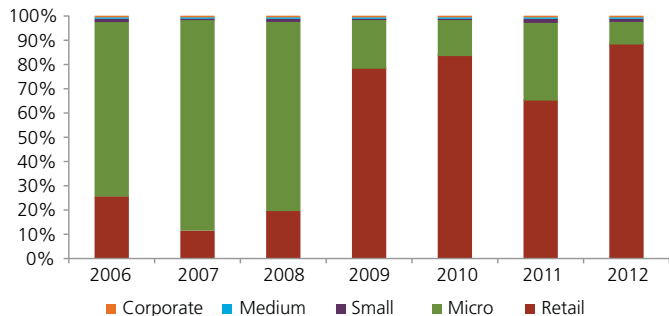
SME FI Portfolio Composition: Volume of Loans



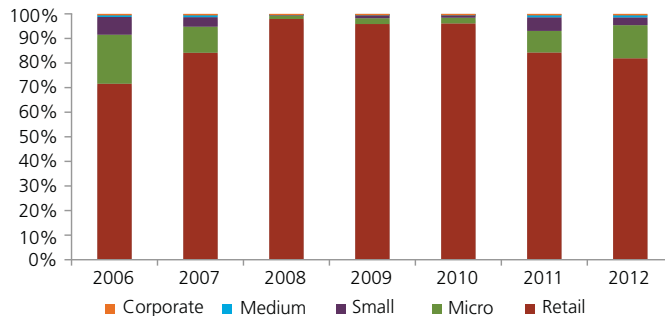
The portfolio composition among the MFI clients in IDA countries demonstrates the historical bias towards retail loans, the share of which increased from 18 percent in CY2007 to 45 percent in CY2012. The share of retail loans by SMEs were stable around

30 percent over the last three years, while the share of corporate loans volume increased from 29 percent in CY2006 to 52 percent in CY2012.

MFI Portfolio Composition: Number of Loans



SME FI Portfolio Composition: Number of Loans

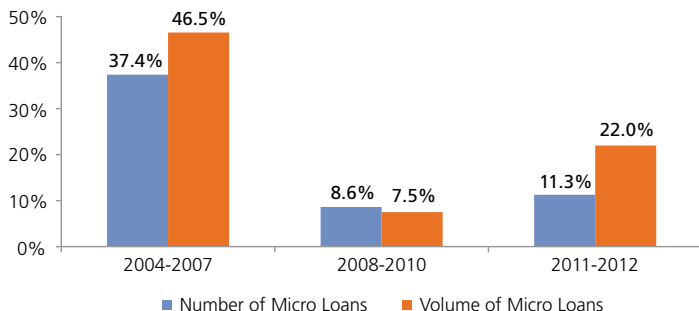


Analyzing the portfolio composition based on the number of loans, one might notice that the lion share of the portfolio is attributed to the retail and micro loans. Loan portfolio by MFIs is consistent in both volume and number of loans: microfinance institutions are relying largely on the retail loans while decreasing micro portfolio over time. Since CY2011 MFIs in IDA countries started diversifying their portfolio, adding SME and corporate loans, although not on

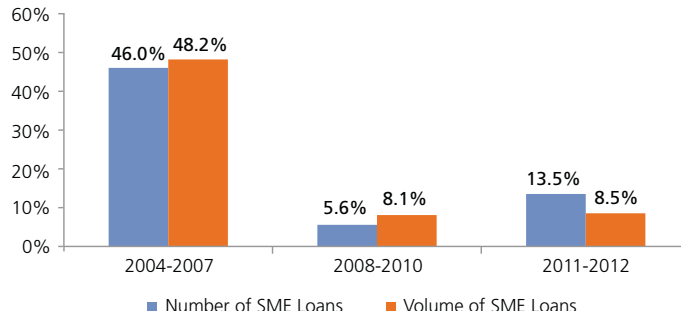
a large scale yet. SME FIs' portfolio is mainly concentrated in retail and corporate loans. It is worth mentioning that retail loans account for 76 percent of number of loans, while only 31 percent in volume terms. Although the corporate loans account for only less than one percent of the number of loans, due to the scale of transactions, they account for 52 percent of the share in the volume of loans.

Trend Analysis of Compounded Annual Growth Rate (CAGR)⁵

CAGR Trend – Micro Loans by MFIs in IDA Countries



CAGR Trend – SME Loans by SME FIs in IDA Countries

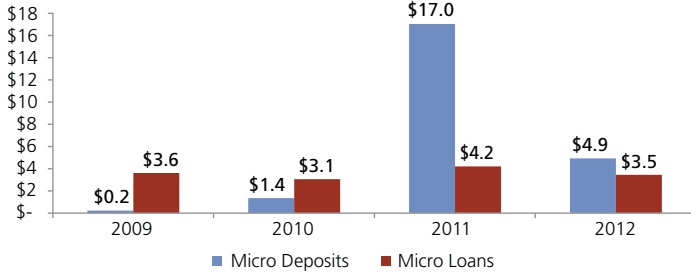


5. Compounded annual growth rate (CAGR) from 18 reporting and repeated clients in the CY2004-CY2007 period, 37 reporting and repeated clients in the CY2008-CY2010 period, 46 reporting and repeated clients in the CY2011-CY2012 period, excluding greenfield institutions and FIs that are closing their operations.

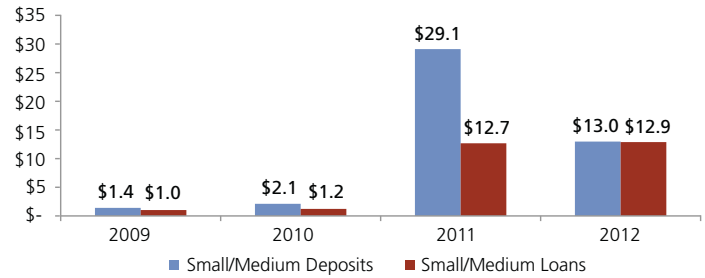


Change in Deposits Volume CY2009-CY2012⁶

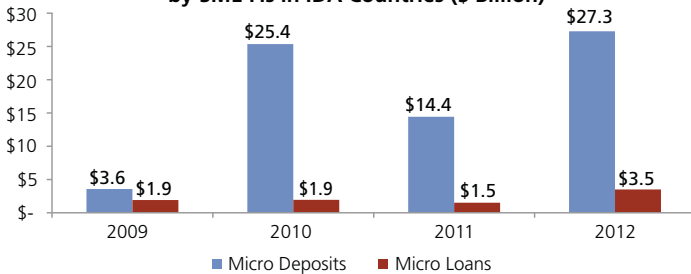
Volume of Micro Loans and Deposits by MFIs in IDA Countries (\$ Billion)



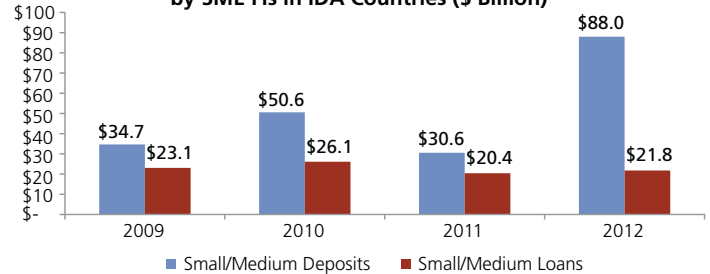
Volume of Small/Medium Loans and Deposits by MFIs in IDA Countries (\$ Billion)



Volume of Micro Loans and Deposits by SME FIs in IDA Countries (\$ Billion)



Volume of Small/Medium Loans and Deposits by SME FIs in IDA Countries (\$ Billion)



The volatility of the deposits volumes in IDA countries was mainly driven by IFC portfolio reconfiguration. Thus in CY2011 one of the large SME FIs in India, with portfolio of \$25 billion of micro and \$39 billion in small and medium deposits, was reclassified to MFI type institution. Since this client had a fairly large portfolio (accounted for 93 percent of entire deposits portfolio held by MFIs in CY2011), this reclassification was the major reason for the drop in deposits

volume held by SMEs in CY2011. Moreover, next year this client was reclassified from MFI to non-MSME, thus MFI portfolio shrank significantly in CY2012. The major drivers of deposits portfolio by SME FIs growth were: a) scaling up of four clients in Sub-Saharan Africa by \$7.6 billion; b) scaling up of three clients in East Asia and the Pacific region by \$5 billion; and c) adding three new clients with joint portfolio of \$5.4 billion.

6. The deposits data includes retail, MSME and other commercial portfolio deposits. Micro and Small/Medium deposits classifications were done in accordance with definition of relevant loan size noted in footnote 1.