Webinar on the Key Results from the EMN-MFC Survey Report 2016-2017

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• **Introduction**

➤ Nicola Benaglio | Senior Research Officer | EMN  
  n.benaglio@european-microfinance.org  

➤ Ewa Bańkowska | Responsible Finance Expert | MFC  
  ewa@mfc.org.pl

• **Key Results from the EMN-MFC Survey Report 2016-2017**

➤ Paolo Landoni | Associate Professor | Politecnico di Torino University  
  paolo.landoni@polito.it  

➤ Damla Diriker | Research Assistant | Vrije Universiteit Amsterdam  
  diriker.damla@gmail.com

• **Q&A session**
Microfinance in Europe: EMN-MFC Survey Report

➢ Periodical market assessment

➢ Published by the EMN since 2004. As of 2016 joint EMN-MFC initiative

➢ Report is available on EMN and MFC websites along with:
  - Infographic
  - Executive Summary (8 languages)
Microfinance in Europe: EMN-MFC Survey Report

- Methodology - online survey and interviews with key experts
- Coverage - members of EMN, MFC and National Networks, other institutions engaged in microlending activities

<table>
<thead>
<tr>
<th></th>
<th>Institutions contacted</th>
<th>Respondents</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMN or MFC members</td>
<td>80</td>
<td>64</td>
<td>80%</td>
</tr>
<tr>
<td>National Networks members</td>
<td>137</td>
<td>67</td>
<td>49%</td>
</tr>
<tr>
<td>Institutions not affiliated with EMN/ MFC/NNs</td>
<td>240</td>
<td>25</td>
<td>11%</td>
</tr>
<tr>
<td>Total</td>
<td>457</td>
<td>156</td>
<td>34%</td>
</tr>
</tbody>
</table>
MICROFINANCE IN EUROPE: Survey Report 2016-2017

Damla Diriker
Paolo Landoni
Key Results

• Key institutional characteristics
• Range of products and services
  • Financial products and services
  • Non-financial products and services
• Social performance and outreach
• Portfolio quality and financial performance indicators
• Current Challenges and Future Opportunities
Key Results

• Key institutional characteristics
  • Range of products and services
    • Financial products and services
    • Non-financial products and services
  • Social performance and outreach
  • Portfolio quality and financial performance indicators
• Current Challenges and Future Opportunities
Key institutional characteristics

Variety of institutional models

- NGO: 40%
- NBFI: 29%
- Credit union/Financial cooperative: 19%
- Private bank: 6%
- Government body: 5%
- State-owned bank: 1%

Submission to a regulatory authority:

- NGO:
  - Yes: 52%
  - No: 48%
- NBFI:
  - Yes: 89%
  - No: 11%
- Credit union/Financial cooperative:
  - Yes: 87%
  - No: 13%
- Government body:
  - Yes: 38%
  - No: 63%
Key institutional characteristics
Focus on Microlending Activities
Key institutional characteristics

Age

---|---|---|---|---|---|---
Private Bank | 1% | 5% | 2% | 3% | 1% | 1% | 1%
State-owned bank | 1% | 2% | 6% | 7% | 4% | 4% | 3%
NBFI | 9% | 10% | 6% | 12% | 8% | 4% | 3%
Credit Union / Financial Cooperative | 1% | 4% | 3% | 2% | 1% | 1% | 1%
NGO | 1% | 2% | 1% | 1% | 1% | 1% | 1%
Government body | 1% | 1% | 1% | 1% | 1% | 1% | 1%
Key institutional characteristics

Size of MFIs

Size
(by number of full time staff)

- Large MFIs (More than 250 employees): 12 (8%)
- Medium MFIs (Between 51 and 250 employees): 21 (14%)
- Small MFIs (Between 11 and 50 employees): 52 (34%)
- Micro MFIs (Between 0 and 10 employees): 69 (45%)

14,743 paid staff in 2017

60% women
Key Results

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Range of products and services

Financial products – Types of financial products offered

- Business microloans: 81%
- Personal microloans: 50%
- SME loans: 37%
- Savings products: 24%
- Mortgages: 7%
- Insurance: 6%
- Current/Checking accounts: 6%
- Money transfer services: 4%
- Mobile banking services: 4%
- Leasing: 3%
- Factoring: 2%
- Other: 7%

37% the MFIs offer additional products than loans
Range of products and services

Financial products – Microloans

Outreach (2017)

€ 3.2 bn
Gross microloan portfolio outstanding

+ 16%
Growth from 2016

988,457
Number of active borrowers

+ 8%
Growth from 2016

35% Women

Value of microloans disbursed during the year

<table>
<thead>
<tr>
<th>Year</th>
<th>Value in billion €</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1.859</td>
</tr>
<tr>
<td>2017</td>
<td>2.070</td>
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</table>

+ 11%

Number of microloans disbursed during the year

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>629,330</td>
</tr>
<tr>
<td>2017</td>
<td>660,330</td>
</tr>
</tbody>
</table>

+ 5%
Range of products and services
Financial products – Microloans

<table>
<thead>
<tr>
<th></th>
<th>Business microloans</th>
<th>Personal microloans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>€ 8,912</td>
<td>€ 3,098</td>
</tr>
<tr>
<td>Duration</td>
<td>45 months</td>
<td>31 months</td>
</tr>
<tr>
<td>Percentage</td>
<td>11%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Number of microloans disbursed during the year

<table>
<thead>
<tr>
<th>Year</th>
<th>Business microloans</th>
<th>Personal microloans</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>39%</td>
<td>61%</td>
</tr>
<tr>
<td>2017</td>
<td>43%</td>
<td>57%</td>
</tr>
</tbody>
</table>

Value of microloans disbursed during the year

<table>
<thead>
<tr>
<th>Year</th>
<th>Business microloans</th>
<th>Personal microloans</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>2017</td>
<td>52%</td>
<td>48%</td>
</tr>
</tbody>
</table>
Range of products and services
Non-financial products and services

Client development services (56%)
Entrepreneurship development services (57%)
Business development services (57%)

443,825 clients were reached by MFIs in 2017.
48% are active borrowers.

80% the MFIs offer non-financial products and services free-of-charge
Range of products and services
Non-financial products and services - Digitalisation

- Online loan application: 40%
- Uploading documents accompanying loan application: 24%
- Monitoring loan status through e-client area on MFI’s website: 10%
- Digital contract: 9%
- Loan repayment through the website: 9%
- Other: 5%

Dedicated e-client area on the website (33%)
Use of less advanced tools (11%)
Email, social media (49%)
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Social Performance and Outreach

Mission

- Increased access to financial services... 60%
- Job creation 14%
- Growth of existing businesses 10%
- Poverty reduction 7%
- Development of start-up enterprises 7%
- Gender equality and women empowerment 1%

Selected by 76% of MFIs from Eastern countries and 39% from Western countries.

Selected by 32% Western MFIs while only by 1% of Eastern MFIs.

More focus on “poverty reduction” and “development of start-ups” from Western MFIs.
Social Performance and Outreach

Target Groups

Microfinance institutions focus on serving the smallest of enterprises → Solo-entrepreneurs as dominant type of clients

Majority of MFIs support businesses that have been already established but are still young (e.g. up to five-years-old)
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Portfolio quality and financial performance indicators

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAR30</td>
<td>15.2%</td>
<td>13.9%</td>
</tr>
<tr>
<td>Provision expense</td>
<td>6.4%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Write-off ratio</td>
<td>4.6%</td>
<td>4.7%</td>
</tr>
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![Bar chart for PAR30, Provision Expense Ratio, and Write-off Ratio]

- **PAR30**: 41% <=5% 36% 5-10% 12% 10-30% 1% 30-50% 55% >=50%
- **Provision Expense Ratio**: 18% <2% 18% 2-5% 19% 5% 5-10% 5% 10-15% 3% >=15% 6%
- **Write-off Ratio**: 70% <5% 6% 5-10% 6% 10-15% 6% 20%
Increase in ROE from 2.7% in 2016 to 4.9% in 2017 while ROA remained more stable (2.5% in 2016 and 1.8% in 2016)
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• Current Challenges and Future Opportunities
# Current Challenges and Future Opportunities

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Challenges</th>
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<tbody>
<tr>
<td>• Digitalisation</td>
<td>• Digitalisation</td>
</tr>
<tr>
<td>• Different target groups that can be served</td>
<td>• Financial sustainability and efficiency</td>
</tr>
<tr>
<td>• New partnerships</td>
<td>• Alternative financing solutions</td>
</tr>
<tr>
<td>• Possibility to offer more products and services</td>
<td>• Governance</td>
</tr>
<tr>
<td></td>
<td>• Regulations</td>
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Thank you for your attention!