Financial Access in MENA

20-21 October Beirut

6th Meeting of the International Network on Financial Education

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Content

• Access to Finance in MENA

• Who are the providers of Access to Finance in MENA?

• The Microfinance Sector in MENA

• Recommendations
Financial inclusion is gaining ground in the policy arena

Number of countries with a strategy document - worldwide

Source: Financial Access 2010
Financial Inclusion is critical for the competitiveness of the Middle East and North Africa (MENA) region, for employment creation, and for raising incomes and reducing poverty.

Access to loan accounts in MENA still low…

Europe & Central Asia: 361 per 1000 adults

Latin America & Caribbean: 166 per 1000 adults

South Asia: 166 per 1000 adults

Middle East & North Africa: 166 per 1000 adults

Sub-Saharan Africa: 166 per 1000 adults

Source: Financial Access 2009
…access to deposit accounts more positive outlook

![Graph showing bank deposit accounts per 1000 adults]

- Europe & Central Asia: 1298 per 1000 adults
- Latin America & Caribbean: 853 per 1000 adults
- Middle East & North Africa: 853 per 1000 adults
- South Asia: 853 per 1000 adults
- Sub-Saharan Africa: 853 per 1000 adults

Source: Financial Access 2009
...but there are wide regional differences in deposit accounts per 1000 adults

- **High Income**
- **Developing Countries**
- **MENA**
- **United Arab Emirates**
- **Lebanon**
- **Tunisia**
- **Oman**
- **Jordan**
- **Algeria**
- **Morocco**
- **Syrian Arab Republic**
- **Yemen, Rep.**

Source: Financial Access 2010
Similar intra-regional variation for loan accounts per 1000 adults

Source: Financial Access 2010
Branches per 100,000 adults

Commercial Bank branches per 100,000 adults

- Iran
- Lebanon
- Oman
- United Arab Emirates
- Jordan
- Kuwait
- Tunisia
- Morocco
- Algeria
- Syria
- Yemen
ATMs per 100,000 adults

- United Arab Emirates: 99.27
- Oman: 45.91
- Lebanon: 39.32
- Iran: 29.79
- Jordan: 26.27
- Morocco: 18.63
- Tunisia: 17.26
- Algeria: 5.75
- Yemen: 2.84
- Syria: 2.67
POSs per 100,000 adults

- Iran
- Lebanon
- Tunisia
- Morocco
- Yemen
- Syria
POS to branches ratio for commercial banks

<table>
<thead>
<tr>
<th>Region</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Income</td>
<td>89.91</td>
</tr>
<tr>
<td>Developing..</td>
<td>22.56</td>
</tr>
<tr>
<td>MENA</td>
<td>9.45</td>
</tr>
<tr>
<td>Yemen, Rep.</td>
<td>9.45</td>
</tr>
<tr>
<td>Tunisia</td>
<td>8.45</td>
</tr>
<tr>
<td>Syrian Arab.</td>
<td>0.92</td>
</tr>
<tr>
<td>Morocco</td>
<td>9.07</td>
</tr>
<tr>
<td>Lebanon</td>
<td>47.96</td>
</tr>
<tr>
<td>Kuwait</td>
<td>63.17</td>
</tr>
<tr>
<td>Iran, Islamic..</td>
<td>69.91</td>
</tr>
</tbody>
</table>

ATM to Branches Ratio for commercial banks

- High Income: 2.54
- Developing Countries: 1.88
- MENA: 1.48
- Yemen, Rep.: 1.58
- Tunisia: 1.20
- Syrian Arab Republic: 1.10
- Oman: 2.03
- Morocco: 1.88
- Lebanon: 1.36
- Kuwait: 3.24
- Jordan: 1.48
- Iran, Islamic Rep.: 1.02
- Algeria: 1.08

Financial inclusion in the MENA region is characterized by…

- State Banks
- Postal Networks
- NGO-dominated microcredit

Characteristics of the microfinance sector

- **Young** institutions (10 yrs, on average)
- Preponderance of **NGO & government** programs
- **Few** MFIs (MIX:56, total < 100 + 400 very small in Egypt)
- Most are **credit-only** & product diversification is very recent
- **High concentration**: most clients served by few MFIs and in Morocco and Egypt
- **Low market penetration** (15-20%) and countries where MF is non-existent
There are few MFIs compared to other regions

<table>
<thead>
<tr>
<th>Region</th>
<th># of MFIs reporting to MBB</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
</tr>
<tr>
<td>Africa</td>
<td>159</td>
</tr>
<tr>
<td>Asia</td>
<td>244</td>
</tr>
<tr>
<td>ECA</td>
<td>158</td>
</tr>
<tr>
<td>LAC</td>
<td>283</td>
</tr>
<tr>
<td>MENA</td>
<td>46</td>
</tr>
</tbody>
</table>

Source: MixMarket MicroBulleting
…and outreach is concentrated in few MFIs

<table>
<thead>
<tr>
<th>Largest MFIs (2009)</th>
<th>% Active Borrowers</th>
<th>%GLP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Al Amana</td>
<td>14%</td>
<td>22%</td>
</tr>
<tr>
<td>5 MFIs</td>
<td>38%</td>
<td>41%</td>
</tr>
<tr>
<td>10 MFIs</td>
<td>57%</td>
<td>53%</td>
</tr>
<tr>
<td>15 MFIs</td>
<td>69%</td>
<td>60%</td>
</tr>
<tr>
<td>20 MFIs</td>
<td>75%</td>
<td>65%</td>
</tr>
</tbody>
</table>

Source: Based on SANABEL 2009 data: 502 MFPs (411 from Egypt, 394 from SFD)
...and in two countries

Active Borrowers

- Egypt: 43%
- Morocco: 32%
- Others: 25%

Gross Loan Portfolio US$

- Egypt: 23%
- Morocco: 38%
- Others: 39%

Source: MixMarket. 2009 Data
Sector Trends

• Growth is slowing down
• Focus on the poor
• Low Portfolio at Risk compared to other regions (exception Morocco)
• Interest rates have been declining
• Few equity investors in the sector
Recommendations: Financial inclusion is an increasing priority

- Stimulate private sector investment
- Encourage product diversification
- Remove policy, infrastructure and legal barriers

Specific Policy Recommendations for MENA governments

1. Set out a **Financial Inclusion Strategy** backed by resources and commitment
2. Agree **Charters and Targets** with the Private Sector
3. Provide a **Regulatory and Supervisory Framework** that allows microfinance institutions to grow prudently
4. Extend access to a broader range of financial services **through existing branch networks**
5. Enable **Branchless Banking Innovations** and the **Use of Agents**
6. Use **Government Payments** as a Stimulus for Financial Inclusion
7. Strengthen **Financial Infrastructure** for Financial Inclusion
8. Strengthen **Consumer Protection and Financial Capability**
9. Ensure a level playing field for **Islamic Microfinance**

## Governments taking action in financial capability

<table>
<thead>
<tr>
<th>Country</th>
<th>Financial Capability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Agency is responsible</td>
</tr>
<tr>
<td>Algeria</td>
<td>✗</td>
</tr>
<tr>
<td>Jordan</td>
<td>✗</td>
</tr>
<tr>
<td>Lebanon</td>
<td>✗</td>
</tr>
<tr>
<td>Mauritania</td>
<td>✓</td>
</tr>
<tr>
<td>Morocco</td>
<td>✓</td>
</tr>
<tr>
<td>Sudan</td>
<td>✗</td>
</tr>
<tr>
<td>Syria</td>
<td>✓</td>
</tr>
<tr>
<td>Tunisia</td>
<td>✓</td>
</tr>
<tr>
<td>Yemen</td>
<td>✗</td>
</tr>
</tbody>
</table>

Financial regulators responsible for financial inclusion topics

- Jordan
- Tunisia*
- Kuwait
- Algeria
- Iran, Islamic Rep.*
- Morocco*
- Syrian Arab Republic*
- Oman

* main financial regulator has a financial inclusion strategy document

Source: Financial Access 2010
Other resources

About Microfinance

Microfinance offers poor people access to basic financial services such as loans, savings, money transfer services and microinsurance. People living in poverty, like everyone else, need a diverse array of services to run their businesses, build assets, smooth cash flows, and manage risks.

Do you have additional microfinance industry questions? Learn more: Skills for MF Managers Courses

Financial Access 2010

The State of Financial Inclusion Through the Crisis