Financial Access: An Essential Condition

Dr. Mayada Baydas

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Challenges to Financial Access in MENA Countries

- What is Development Finance?
- Who are the clients?
- Why is it important that clients have financial literacy?
- How do financial services help the working poor, microenterprises & SMEs?
- What are the financial services they demand?
- Who are the providers? What is an MFI?
- Profitability and reaching the poor
Why is Development Finance relevant?

- Provision of Financial Services to the micro and small scale enterprises, working poor
- Enhancing Efficiency and Competition
- Deepened Financial Markets
Evolution of Development Finance

- NGO contribution
- Establishment and growth of MFIs
- Legislations in Microfinance
- Private sector investment
- Importance of good governance
Who are the Providers?

NGO Contribution

- Financial technologies
- Good repayments
- Increasing levels of sustainability
- Issues of outreach & sustainability

Evolution of Microfinance Institutions

- Non-bank financial institutions
- Specialized MF banks
Challenges to Financial Access

- Commitment
- Organizational design
- Financial Technology
- Human Resources
- Cost-effectiveness
- Balancing financial objectives with social mission
What are the required Innovations?

- Organizational Innovations
- Product Innovations
- Delivery Methods
What are the required Innovations? (continued)

- Financial Technologies
  - Individual savings & loan services
    - Small short-term, monthly repayment
    - Character based
    - Quick cash flow analysis
    - Simple procedures and disbursement
    - Sequential loans
    - Non-compulsory savings
  - Operation
    - MIS: Banks
    - Staffing: Local; incentive scheme
What are the required Innovations? (continued)

- Saving Methodologies
  - Low minimum balances
  - Proximate location, secure deposits
  - Incentives for savings
  - Real positive interest rates
What are the required Innovations? (continued)

- Strategies for Delivering Financial Products
  - Technical assistance / Capacity building
  - Local staff
  - Training
  - Incentive schemes
How conducive is the Enabling Environment?

- Special MF law
- Reserve Requirements
- Reporting Requirements
- Loan Classification and Provision
Who is the Clientele?

- Unbanked working poor:
  - Microentrepreneurs
  - Low income employees
- Financial services they use: effective demand
- Other financial services they demand: potential demand
Financial Structure of Microfinance Clientele

Formal Sector

- NGOs
- Banks
- Other Financial Institutions

Informal Sector

- Money Keepers
- Rotating Savings & Credit
- Suppliers & Customers
- Family & Friends
- Informal Lenders

NGOs
Banks
Other Financial Institutions

Individual Loan Potential Demand

Group Loan Potential Demand

Working Poor
(Slum Dwellers, Microenterprises & Low Income Employees)
Microfinance Market Assessment
Results from the Middle East

![Bar chart showing the use of financial services in Egypt, Jordan, and Lebanon from 1997 to 2001. The y-axis represents the percentage of use of financial services, ranging from 0 to 70%. The x-axis represents the types of financial services: Trade Ls, Informal Ls, Formal Ls, RoSCAs, Savings, Potential FL, Potential GL. The chart indicates a comparison between Egypt, Jordan, and Lebanon for the years 1997, 1998, 1999, and 2001.]
# Emkan Portfolio Indicators

## July 2009 – August 2010

<table>
<thead>
<tr>
<th>Portfolio Status</th>
<th>Since Inception</th>
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</thead>
<tbody>
<tr>
<td>Total no. of Disbursed Loans</td>
<td>5,231</td>
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<tr>
<td>Total value of Disbursed Loans</td>
<td>$7,996,667</td>
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<tr>
<td>Average Loan Size</td>
<td>$1,529</td>
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<tr>
<td>Average Loan Term (months)</td>
<td>12</td>
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<tr>
<td>Outstanding Portfolio</td>
<td>$4,139,742</td>
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<tr>
<td>No. of Active Clients</td>
<td>4,460</td>
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<tr>
<td>Portfolio at risk</td>
<td>1.5%</td>
</tr>
</tbody>
</table>
Distribution of Loans by Loan Use
August 2010

- Business: 88%
- Personal: 8%
- Home Improvement: 4%
Distribution of Loans by Client Age
August 2010

- 18-30: 29%
- 31-50: 58%
- > 50: 13%
Distribution of Loans by Gender August 2010

- Male: 83%
- Female: 17%
Distribution of Loans by Borrower’s Income ($) – August 2010

- 52% > 2000
- 18% 1001 - 1500
- 26% 501 - 1000
- 4% 0 - 500
How can we enhance the Financial Skills of the Microfinance Clientele

- Unbanked working poor are economically active
- Pecking order of use of financial services
- Broader outreach of financial services
- Access to various financial services
- Financial management and planning
- Better enabling environment and legislations