

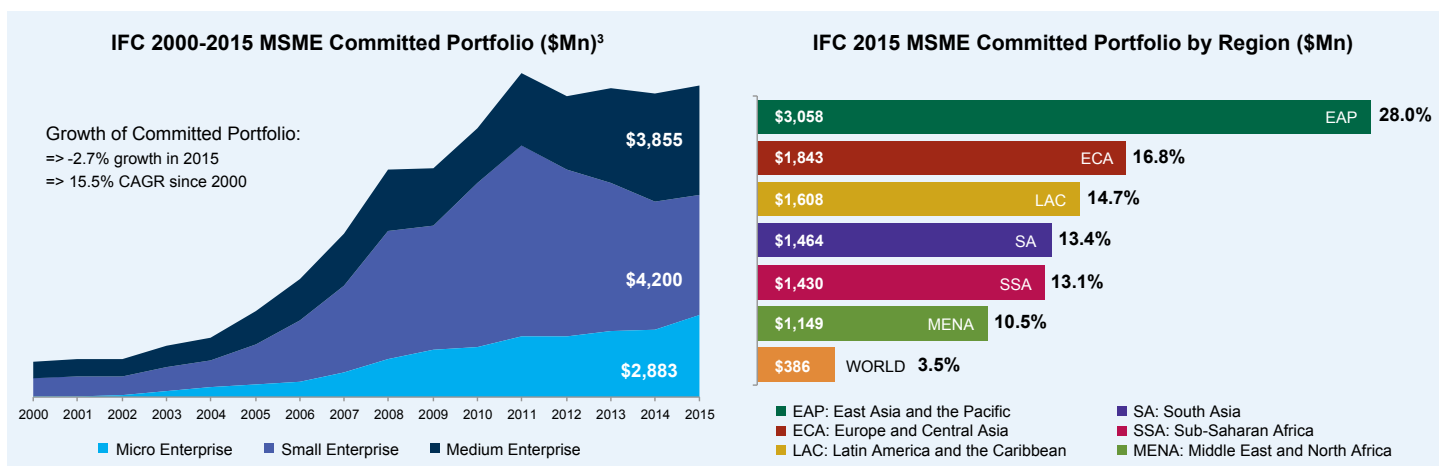
# GLOBAL OVERVIEW

## IFC Financing to Micro, Small and Medium Enterprises in 2014

Lack of access to financial services is one of the key barriers to the growth of MSMEs, which account for about 90 percent of the businesses and more than 50 percent of employment worldwide.<sup>1</sup> IFC, through its network of over 800 financial institutions (FI) across more than 100 developing countries, including microfinance institutions, commercial banks, leasing companies, and private equity funds, to reach many more MSMEs than it could ever do directly.

IFC offers a wide range of financial products and services to its client FIs that work with local MSMEs, including loans, equity, risk sharing facilities, trade finance, working capital loans and advisory services. It also helps to mobilize funding from other FIs and investors. In 2015,<sup>2</sup> IFC provided \$2.9 billion of long term finance to client FIs for MSME support. As of the end of 2015 IFC's committed long-term finance MSME portfolio was \$10.9 billion with 685 investment and 162 advisory projects.

Chart 1. IFC Committed Portfolio



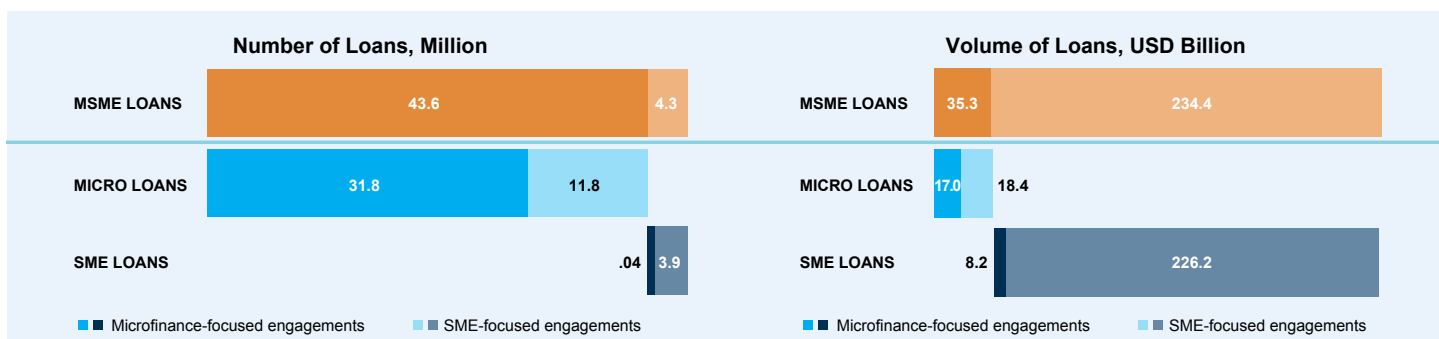
### ANALYSIS OF MSME REACH SURVEY DATA FROM IFC FINANCIAL INSTITUTION CLIENTS

Every year IFC FI clients are requested to provide IFC with information about their loan, deposit portfolio and other business related data. Through this Reach Survey IFC tracks and analyzes financing outreach to the final recipients, including MSMEs.

In 2014, IFC collected and extrapolated data from 364 clients in 92 countries, which had over 200 million loans outstanding worth over \$1.2 trillion<sup>4</sup> (includes retail, micro, SME and corporate loans).

IFC specifically monitors the MSME financial outreach of its FI clients that received microfinance and SME related financing or services from IFC. IFC aggregates the collected loan portfolio data using MSME loan size proxy.<sup>5</sup> In 2014, 331 such clients<sup>6</sup> globally had 44 million micro and 4 million SME loans totaling \$270 billion (see Chart 2).<sup>7</sup> Further analysis represents this group of clients.

Chart 2. IFC FI Clients' Micro and SME Loan Portfolio, 2014



1. Source: IFC Annual Report (2015).

2. The IFC commitments data are based on the IFC fiscal year, which ends on June 30th. IFC's fiscal year 2014 year ended on June 30th, 2015.

3. The portfolio includes long-term financing to financial institutions, with the exception of commitments for trade finance and funds.

4. Reach Survey data is based on the calendar year cycle, which ends on December 31st, with the exception of a few clients that provide data based on different fiscal calendar.

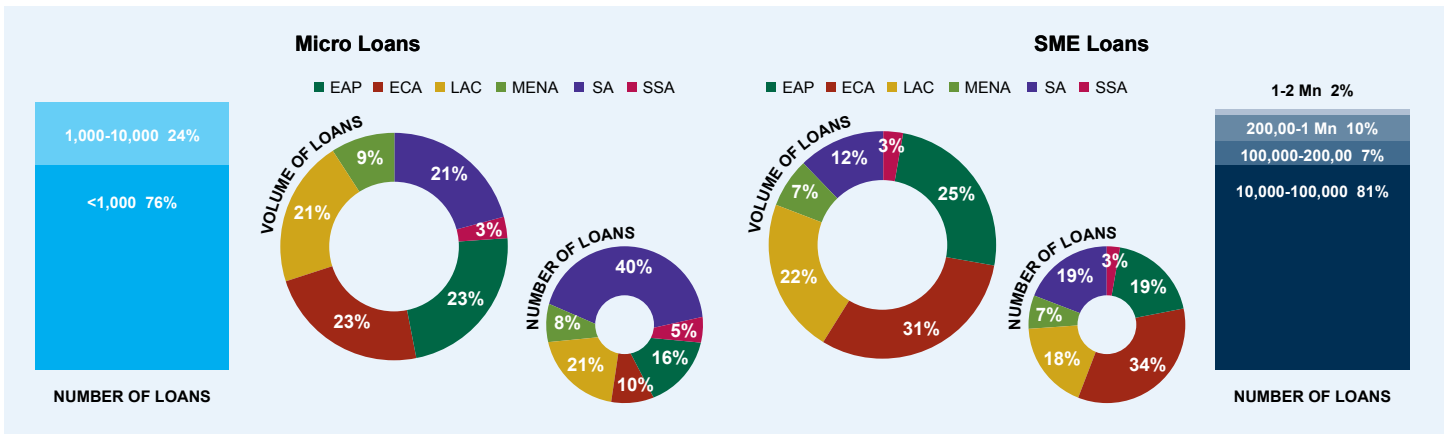
5. IFC categorized its clients' sub-borrowers according to the following definitions: (1) micro enterprise have loan < \$10,000 at origination; (2) small enterprise have loan < \$100,000 at origination; (3) medium enterprise have loan < \$1 million at origination (\$2 million for more advanced countries).

6. 93 percent of the 331 clients required to report in 2014 did so. The missing data were extrapolated.

7. While numerous controls are performed on the data provided by clients, they are sometimes based on estimates and the understanding of the indicator definitions may vary slightly between clients.



Chart 3. IFC FI Clients' Micro and SME Loan Portfolio by Region and Loan Size at Origination, 2014



### IFC CLIENTS' LOAN PORTFOLIO BY TYPE OF IFC ENGAGEMENT

Depending on the type of engagement, IFC places its clients in two categories: FIs supported by IFC in the area of microfinance, and FIs supported by IFC in the area of SME financing.

#### MICROFINANCE FOCUSED ENGAGEMENTS

In 2014, IFC was able to survey or extrapolate outreach data from 119 FI clients with microfinance-focused engagements in 54 countries, 44.5 percent of these clients received advisory services from IFC.

#### SME FOCUSED ENGAGEMENTS

In 2014, IFC was able to survey or extrapolate outreach data from 212 FI clients with SME-focused engagements in 76 countries, 34.0 percent of these clients received advisory services from IFC.

Chart 4. IFC Clients' Loan Portfolio Composition by Micro, Small and Medium Loans, 2014

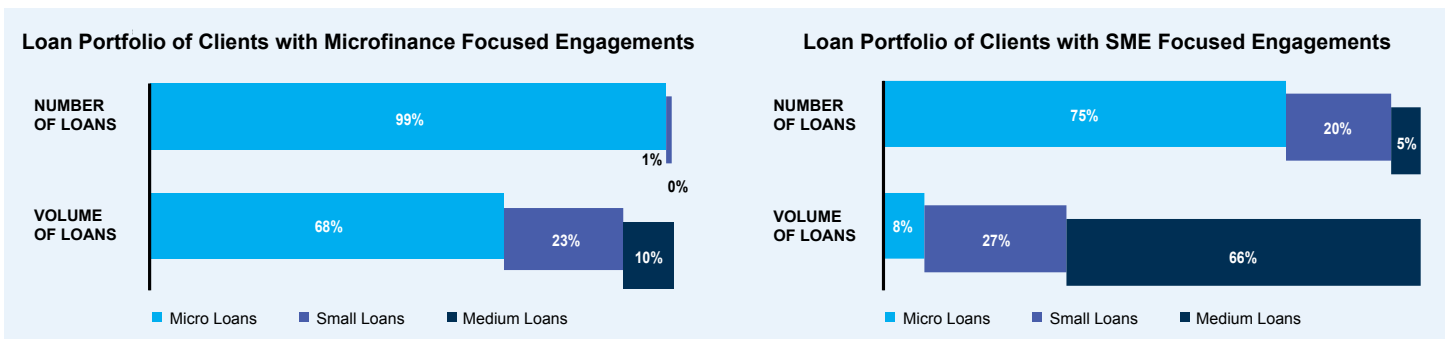


Table 1. Microfinance Focused Engagements: Detailed Loan Portfolio Breakdown, 2014

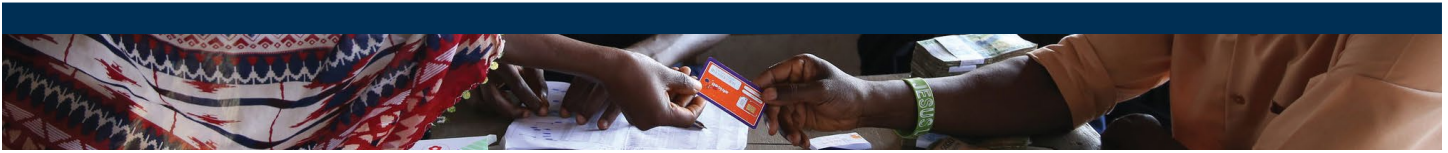
Loan	Outstanding Loan Portfolio		Average Loan Size	Number of Loans to women <sup>8</sup>	NPL percent <sup>9</sup>
	Number	'000 \$			
Micro	31,829,031	16,978,648	533	50.5%	1.7%
Small	385,637	5,714,342	14,818	28.3%	1.7%
Medium	20,117	2,443,896	121,485	21.5%	2.9%

Table 2. SME Focused Engagements: Detailed Loan Portfolio Breakdown, 2014

Loan	Outstanding Loan Portfolio		Average Loan Size	Number of Loans to women <sup>8</sup>	NPL percent <sup>9</sup>
	Number	'000 \$			
Micro	11,763,850	18,356,316	1,560	20.8%	9.2%
Small	3,054,284	64,894,391	21,247	17.0%	8.0%
Medium	841,495	161,331,518	191,720	13.3%	6.0%

8. Estimated percentage of outstanding loans to women in each loan size category. Data was reported by 77 clients with microfinance-focused engagements, and 48 clients with SME-focused engagements.

9. Nonperforming Loan (NPL) = > 90 days past due loans.



Notably, the portfolios of clients that had micro and SME-focused engagements with IFC were different in terms of loan performance and gender profile. The clients receiving microfinance focused financing and services, reported significant reach to women entrepreneurs (50 percent of micro loans) and very low NPL levels. Clients with SME-focused engagements reported that about 13-21 percent of loans were issued to women entrepreneurs, which is in line with SME Gender Baseline Study,<sup>10</sup> published by IFC in 2014. The NPL level was at 6-9 percent among these clients (see Table 1).

### MSME LOAN PORTFOLIO GROWTH AND DYNAMICS IN 2004-2014

Volume of micro and SME loans grew consistently over time. During 2004-2014, the MSME loan portfolio grew by 45.4 percent by number, and by 35.7 percent by volume of loans on a compounded basis.

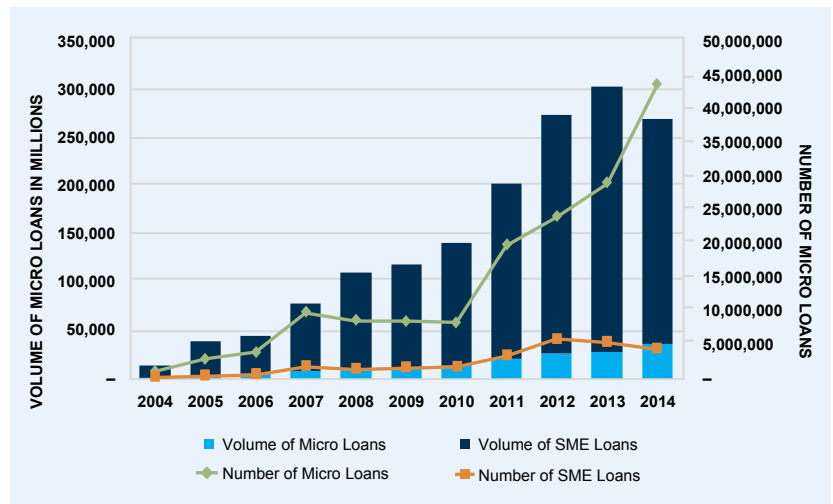
Three main factors influence MSME loan portfolio growth: changes in the MSME portfolio among existing IFC clients, entries of new clients, and exits of existing clients, when, for example, IFC loans get fully repaid. The dynamics of these factors determines the MSME Reach growth trends from year to year.

In 2014, MSME loan volume of 266 existing clients grew by 14.5 percent, while the number of such loans increased by 45.4 percent over the year.

In 2014, 58 new IFC clients contributed to the wider MSME outreach with 5.2 million loan portfolio totaling in \$27.7 billion. At the same time, 68 exited clients pushed the overall MSME portfolio volume down. Specifically, IFC's exit from its investments in two large clients in China and Brazil, which jointly held \$76 billion in MSME portfolio last year, significantly affected the overall portfolio. As a result of these factors, the volume of MSME loans decreased by 11.2 percent, while the number of loans increased by 39.4 percent in 2014 compared to 2013.

A total of 213 MSME focused clients reported in 2012, 2013, and 2014. During this period, the number of MSME loans they provided grew by 31.1 percent and volume increased by 15.7 percent on a compounded basis.

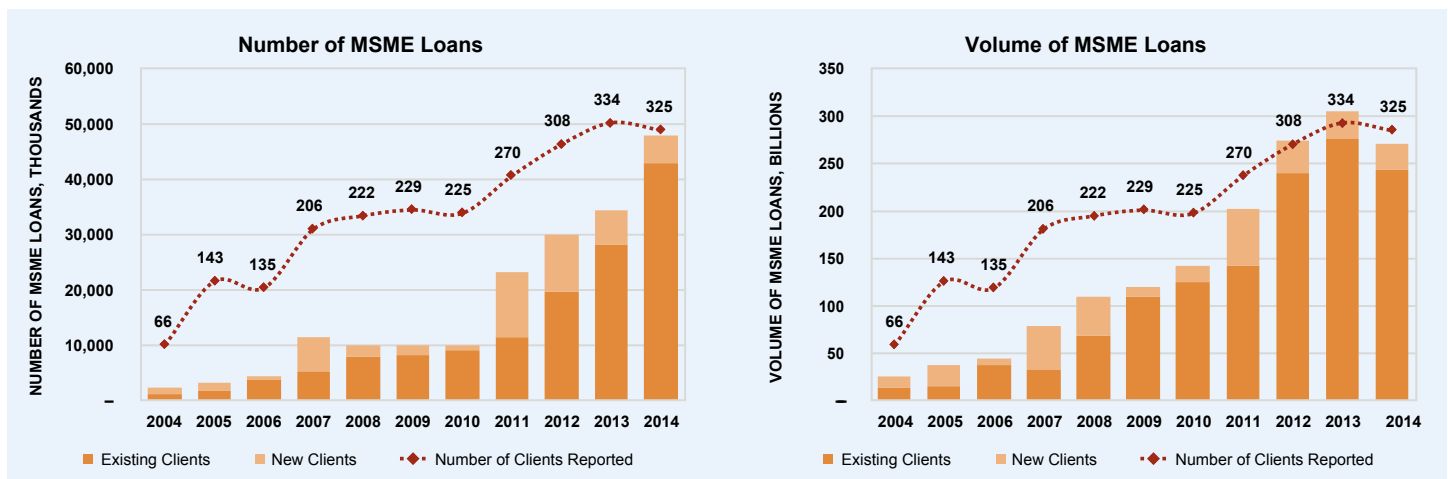
Chart 5. Historical Loan Portfolio of IFC Clients with MSME Focused Engagements, 2004-2014



Number of MSME Clients Reported											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
MFIs	26	46	46	82	59	66	71	79	102	120	119
SME FIs	40	97	89	124	163	163	154	191	216	225	212

MFIs: Microfinance Focused Engagements      SME FIs: SME Focused Engagements

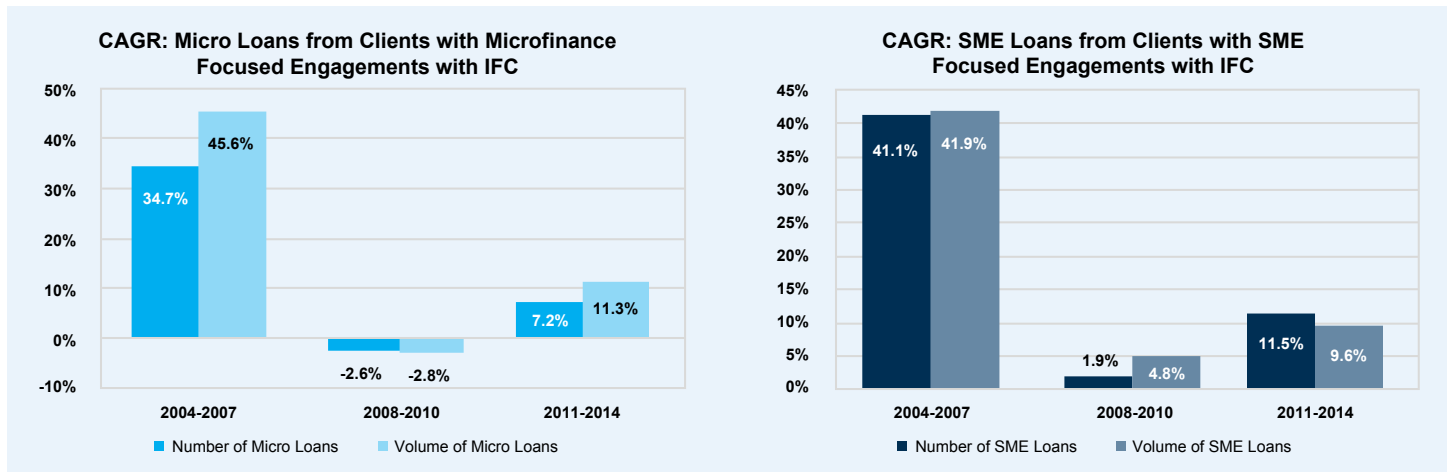
Chart 6. IFC Clients' MSME Loan Portfolio Dynamic: Contribution from Existing and New Clients 2004-2014



10. "Women-Owned SMEs: a Business Opportunity for Financial Institutions", IFC, 2014.



Chart 7. IFC Clients' Micro and SME Loan Portfolio Growth (CAGR), 2004-2014<sup>11</sup>

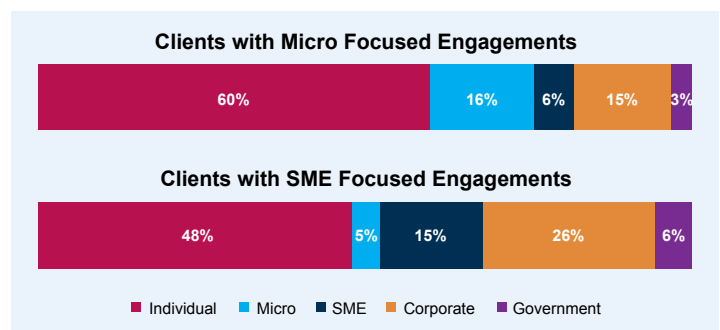


## DEPOSIT AND OTHER TRANSACTIONAL ACCOUNTS

Universal financial access, through financial products such as personal loans, loans to enterprises, alternative financial channels (i.e. mobile banking, internet banking), deposit/saving accounts, is one of the strategic development goals for the World Bank Group. IFC started to collect data about the liability accounts of the client financial institutions in 2014 to complement the analysis of increasing access to financial services for unserved and underserved segments. The importance of this data is reinforced by the fact that deposits provide major funding source for the deposit taking institutions.

The chart on the right demonstrates the distribution of the deposits and other transactional accounts by the type of the account owner: Individual, Microenterprise, SME, Corporate, and Government.

Chart 8. IFC Clients' Volume of Deposits and Other Transactional Accounts



## STRATEGIC PARTNERSHIP: SME FINANCE FORUM

The SME Finance Forum, an initiative created by the G20 and managed by IFC, works to expand access to finance for small and medium businesses. The Forum operates a global membership network that brings together private and public sector institutions to share knowledge, spur innovation, and promote the growth of SMEs. Around a hundred institutions primarily banks, technology companies, and development finance institutions have committed to join the Forum. Since its inception, the Forum has worked in three main areas:

- **Knowledge exchange and data:** The Forum helps others build on good practices in SME finance through its knowledge sharing platforms. This includes a community of over 5000+ members on LinkedIn and a website with 2,500+ documents, tools, and articles about SME finance. In addition, it has leveraged partnerships to make SME data “open,” that is, freely available and readily accessible to the public.
- **Networking and convening:** The SME Finance Forum supports regional and global conferences, fintech expos and webinars on SME finance. Over the past year, the Forum has organized and co-hosted events in Turkey, UK, Colombia and the US and reached out to over 1,000 private and public sector leaders in SME finance.
- **Advocacy and policy change:** The Forum uses its linkages with the G20, APEC Business Advisory Council, World Economic Forum, Alliance for Financial Inclusion as well as donors and policy makers to inform SME policy.

11. Compounded annual growth rate (CAGR) from 30 reporting and repeated clients in the 2004-2007 period, 93 reporting and repeated clients in the 2008-2010 period, 137 reporting and repeated clients in the 2011-2014 period, excluding greenfield institutions and FIs that are closing their operations.