

# IFC Financing to Micro, Small, and Medium Enterprises Globally

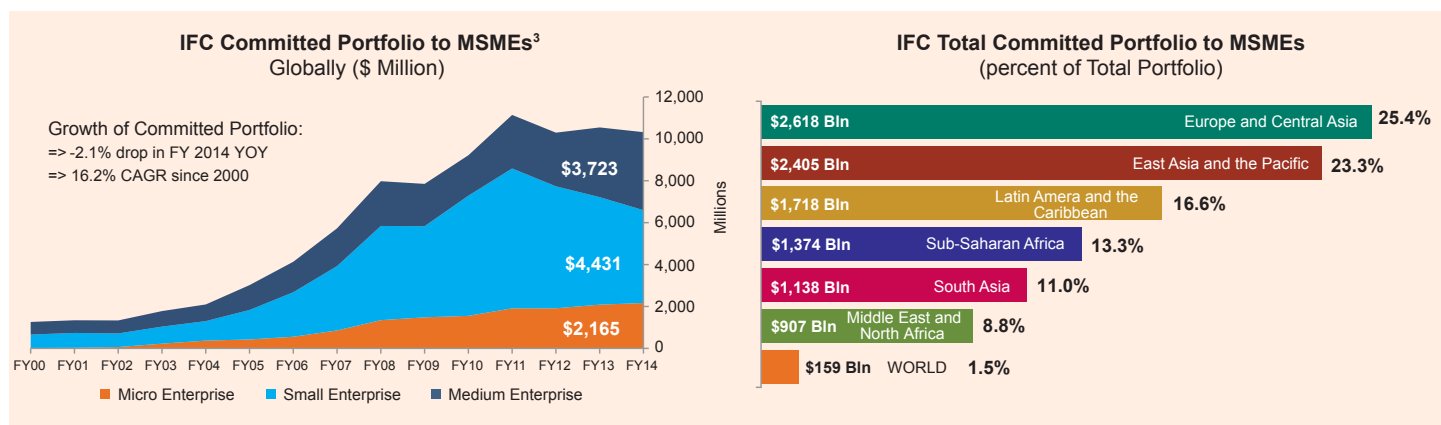
Lack of access to financial services is a key barrier to the growth of micro, small, and medium enterprises (MSMEs<sup>1</sup>). IFC is working to develop solutions to close the MSME financing gap, collaborating with 343 financial institutions (FIs) across 91 countries globally. By partnering with many types of financial intermediaries, including microfinance institutions (MFIs), commercial banks, leasing companies, and private equity funds, IFC reaches many more small and medium enterprises (SMEs) than it could directly.

IFC offers a wide range of financial products, including loans, equity and risk management solutions, to help FIs scale up and enter the MSME market. As of June 2014, IFC committed a total of \$14.5 billion to MSME finance globally<sup>2</sup>, \$10.3 billion for

long-term finance, \$2.4 billion for funds supporting MSMEs and \$1.8 billion for trade finance. In fiscal year (FY) 2014 alone, IFC MSME commitments globally were \$5.8 billion (decrease 3.2 percent from \$6.0 billion in FY2013), \$2.1 billion of which was attributed to long-term financing.

By the end of calendar year (CY) 2013, IFC's MSME clients had 29.1 million micro loans outstanding globally (up 27.1 percent from 22.9 million in CY2012), totaling \$28.0 billion (up 11.6 percent from \$25.1 billion in CY2012). Similarly, IFC's MSME clients had over 5.4 million small and medium loans outstanding by the end of CY2013 (8.3 percent down from 5.8 million in CY2012), totaling \$273.6 billion globally (up 12.2 percent from \$243.8 billion in CY2012).

## MSME Financial Intermediary Portfolio, FY 2014 (as of June 2014)



## MSME Loans by Type of IFC Clients Globally, CY2013

### MSME Loans by Microfinance Institutions

IFC was able to survey or extrapolate outreach data from 129 MFIs in 57 countries, 44.2 percent of these clients received advisory services from IFC.

	Outstanding Loan Portfolio	Average Loan Size	Number of Loans to women <sup>4</sup>	NPL percent <sup>5</sup>
	Number <sup>1</sup>	'000 \$		
Micro Loans	19,942,756	16,406,325	823	63.3%
Small Loans	936,050	14,971,058	15,994	32.5%
Medium Loans	66,373	17,872,249	269,270	6.6%

### MSME Loans by SME Financial Institutions

IFC was able to survey or extrapolate outreach data from 214 SME FIs in 80 countries, 41.6 percent of these clients received advisory services from IFC.

	Outstanding Loan Portfolio	Average Loan Size	Number of Loans to women <sup>4</sup>	NPL percent <sup>5</sup>
	Number	'000 \$		
Micro Loans	9,154,381	11,599,339	1,267	9.1 %
Small Loans	3,038,964	65,149,037	21,438	15.3 %
Medium Loans	1,320,347	175,605,457	133,000	12.7%

1. MSME firm size definitions: IFC's Global Financial Markets categorized 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 share of committed long term loans to microfinance institutions in MSME committed portfolio increased from 19.9 percent in FY2013 to 20.9 percent in FY2014; small enterprises accounted for 43.0 percent in FY2014 (48.6 percent in FY2013); medium enterprises accounted for 36.1 percent in FY2014 (31.5 percent in FY2013).

3. The committed portfolio in MSME FIs does not include commitments for commercial banking trade finance and collective investment vehicles (funds).

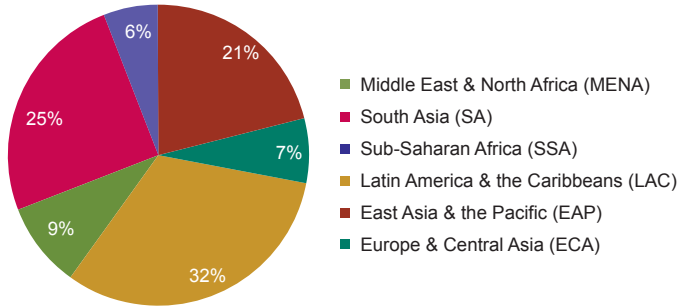
4. Estimated percentage of outstanding loans to women in each loan size category. Data was reported by 54 MFIs and 35 SME FIs.

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

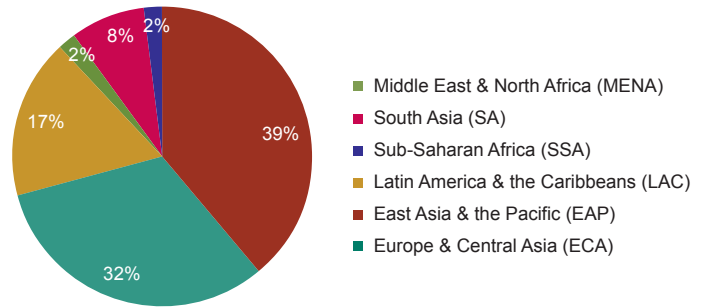


## MSME Loans by Region, CY2013

### Number of Micro Loans by MFIs

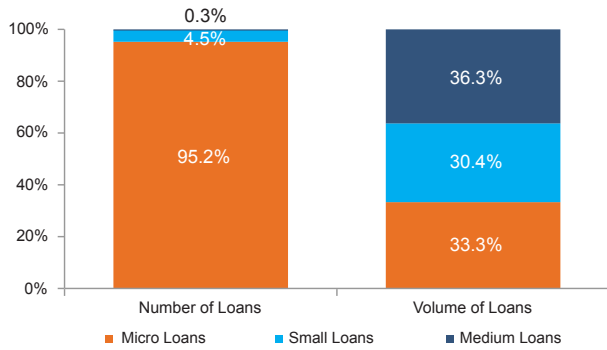


### Number of SME Loans by SME FIs

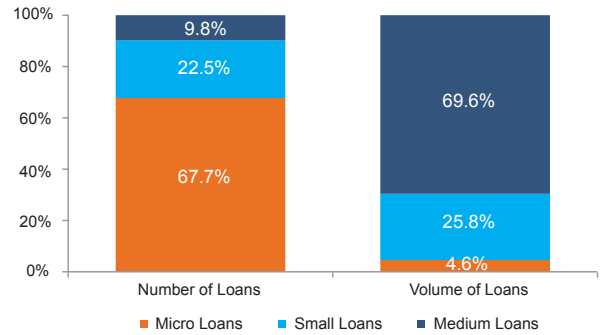


## MSME Portfolio Composition by Loan Category Globally, CY2013

### Loan Portfolio of MFIs

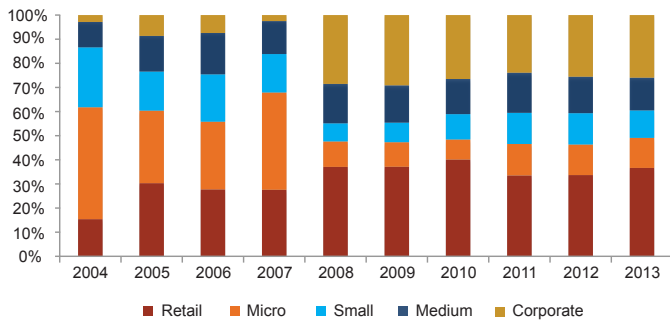


### Loan Portfolio of SME FIs

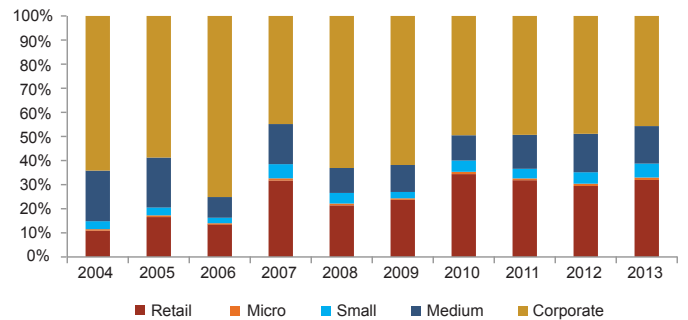


## Historical Portfolio Composition by Loan Category Globally, CY2004-CY2013

### MFI Portfolio Composition: Volume of Loans



### SME FIs Portfolio Composition: Volume of Loans



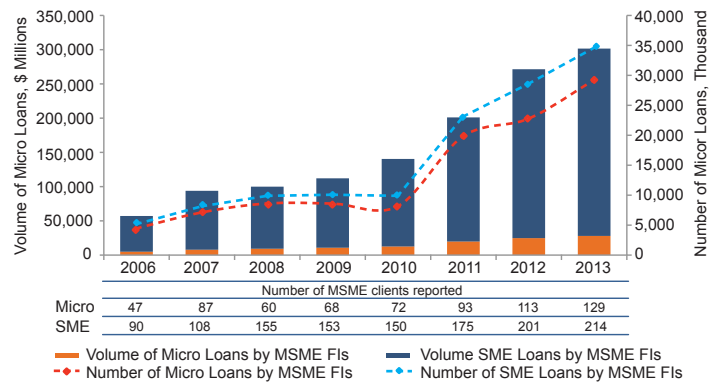


## Growth Trends

- Volume of the loans grew consistently over time following the growth in number of IFC clients. Number of MFI clients increased by 14.2 percent in CY2013 which added \$1.2 billion to the micro loans portfolio since CY2012. The growth of the Micro loan portfolio was mainly driven by the overall increase in the existing portfolio and adding 39 new MFI clients. While number of SME FI clients increased by 6.5 percent, extending SME loan portfolio by \$28.1 billion in dollar terms. Overall SME loan portfolio by MSME clients grew by 12.2% in volume terms, which was mainly attributed to the significant increase in the portfolio of two clients in China with joint SME portfolio of \$77 billion and adding 47 new SME clients. Although SME portfolio dropped by 8.3% over year mainly due to the exiting of one of the large clients in Colombia.
- The product structure remains consistent: Micro Loans (69 percent of which are generated by MFIs) represent 9.3 percent of dollar portfolio in CY2013 and grew 13 percent since CY2012; SME Loans (81 percent of which were generated by SMEs) represent 90.7 percent of the entire MSME dollar portfolio and demonstrated improvement by 10.9 percent in dollar terms.
- A total of 215 clients reported in CY2011, CY2012, and CY2013. During this period, the number of MSME loans they provided grew on average by 25 percent and volume increased by 32 percent.

- The growth in both Micro and SME loan portfolio is significantly attributed to the growth of the portfolio of existing clients: existing MFI clients increased their micro loan portfolios by 16.3% and existing SME focused clients increased their SME loan portfolios by 27.7%. The new MFI clients that just entered the portfolio and stayed in the following year increased the Micro loan volume by 68.5% in CY2013 comparing to CY2012, while the new SME focused clients increased SME loan portfolio by 58.4% in CY2013 comparing to CY2012.<sup>6</sup>
- SME FIs tend to exit the IFC client portfolio more frequently than MFIs.

Volume and Number of Loans by MSME Focused FIs



Volume of Micro Loans by MFIs

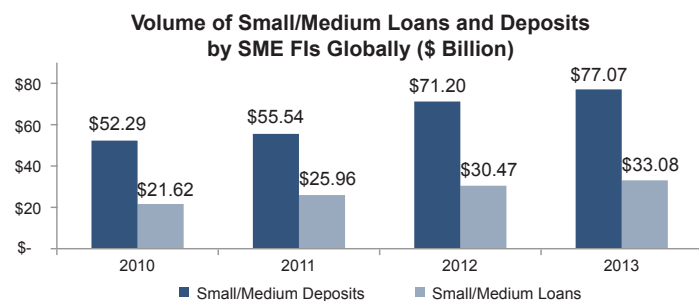
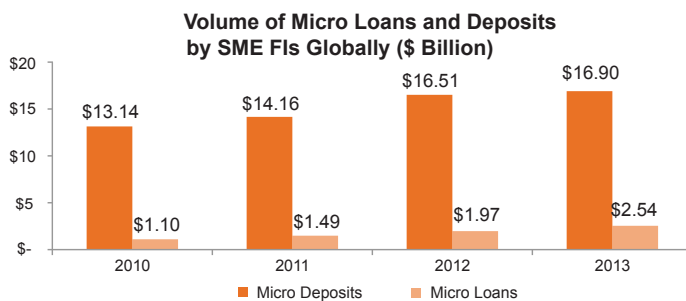
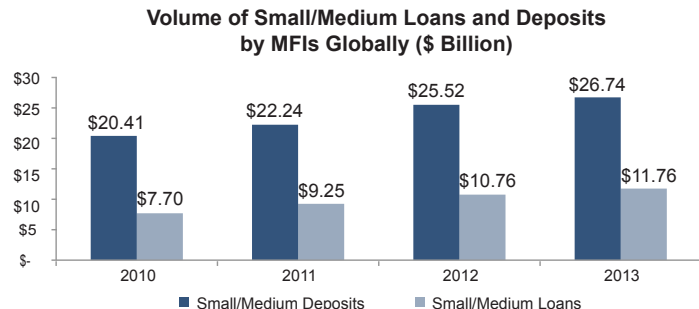
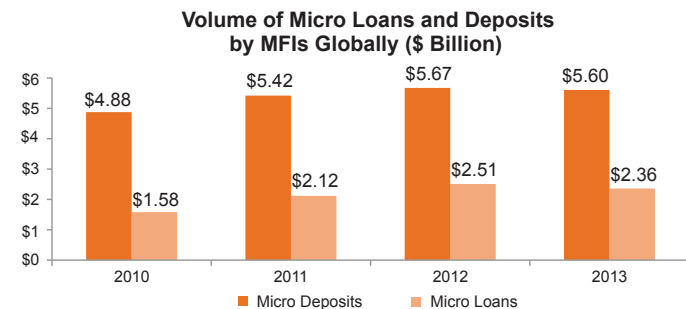


Volume of SME Loans by SME FIs

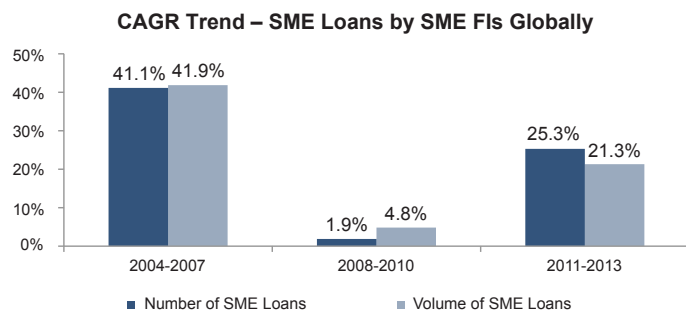
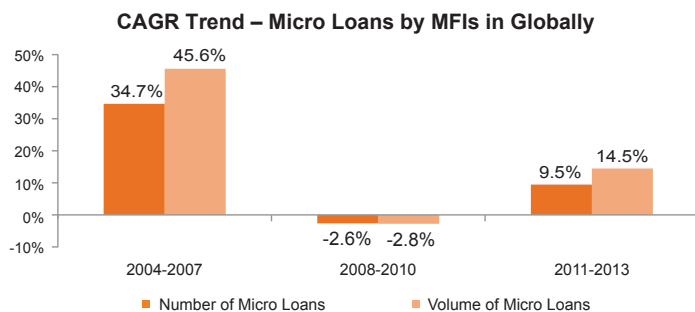


6. The graphs below demonstrate the growth composition of IFC MSME client portfolio. The categories are defined as follows: Existed clients (in the portfolio in current year, the year before and the year after), New and stayed companies (enters the portfolio first time in current year and stays for at least one more year), New and exited companies (entered the portfolio first time and only one time in current year), Exited companies (in the portfolio the year before and current year, but not the year after).

### Change in Deposits Volume CY2010-CY2013<sup>7</sup>



### Trend Analysis of Compounded Annual Growth Rate (CAGR)<sup>8</sup>



### Highlight: IFC and Goldman Sachs Launch Women Entrepreneurs Opportunity Facility (March 2014)

In March 2014, IFC and Goldman Sachs Foundation (“GSF”) launched the Women Entrepreneur Opportunity Facility/Fund (“WEOF” or “Facility”) that aims to reach through a joint investment and advisory platform as many as 100,000 women-owned SMEs globally. IFC’s Banking on Women Program and Goldman Sachs’ 10,000 Women Initiative combined expertise and resources to create the \$600mn Women Entrepreneurs Opportunity Facility, exclusively dedicated to financing women-owned small and medium businesses in developing countries. IFC has committed an initial investment of \$100mn, along with \$32mn of concessional funding from Goldman Sachs Foundation. An additional \$468mn will be raised from public and private investors. GSF has allocated an additional \$11mn for advisory services. This is an important milestone as part of IFC’s effort to develop women SMEs as an asset class and signal the importance of the women entrepreneur market segment globally.

The Facility is catalytic and first of its kind. It will make investments in financial institutions in emerging markets globally, with a special focus on investment opportunities for financial institutions that develop and promote financial products targeting the women’s market, especially women-owned SMEs. The financing will be in the form of bank credit lines or risk share facilities, and where necessary complemented by performance incentives. The Facility will also provide advisory services to financial institutions enabling them to target and serve women’s markets including women SMEs. The Facility is actively exploring an innovative fund structure with AMC and Goldman Sachs Asset Management department to mobilize greater investment and participation from private sector commercial and impact investors.

7. 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.

Loan-Deposit analysis are done on the basis of repeated clients, which means that the data used for comparison of Micro/SME loans and deposits are comprised only of those clients that reported each of the last 4 years all 4 data series (Micro deposits, SME deposits, Micro Loans, SME Loans). Globally IFC had 72 such clients, 31 of which are in IDA countries.

8. 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, 181 reporting and repeated clients in the 2011-2013 period, excluding greenfield institutions and FIs that are closing their operations