

Serving Informal and Very Small Enterprises: IFC's Experience

SME Finance Forum

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Creating Markets, Creating Opportunities

Micro vs VSE vs SME

IFC MSME Definition				MSME Loan Size Proxy
INDICATOR	EMPLOYEES	TOTAL ASSETS US\$	ANNUAL SALES US\$	LOAN SIZE AT ORIGINATION
Micro enterprise	< 10	<\$100,000	<\$100,000	<\$10,000
Small enterprise	10-49	\$100,000 - < \$3 million	\$100,000 - < \$3 million	<\$100,000
Medium enterprise	50-300	\$3 million - \$15 million	\$3 million - \$15 million	<\$1 or \$2 million[1]

What do VSEs need?

VSEs need many services – insurance, saving, etc. However, lending for short- and long-term is top priority

Credit

1. Fast decision-making on credit
2. Solutions for working capital financing and/or investments
3. Higher loan limit
4. Lower requirements in terms of collateral and cash based analysis

Non-Credit

1. Simple solutions for deposits and cash management
2. Insurance
3. Non-financial services to increase their access to market opportunities

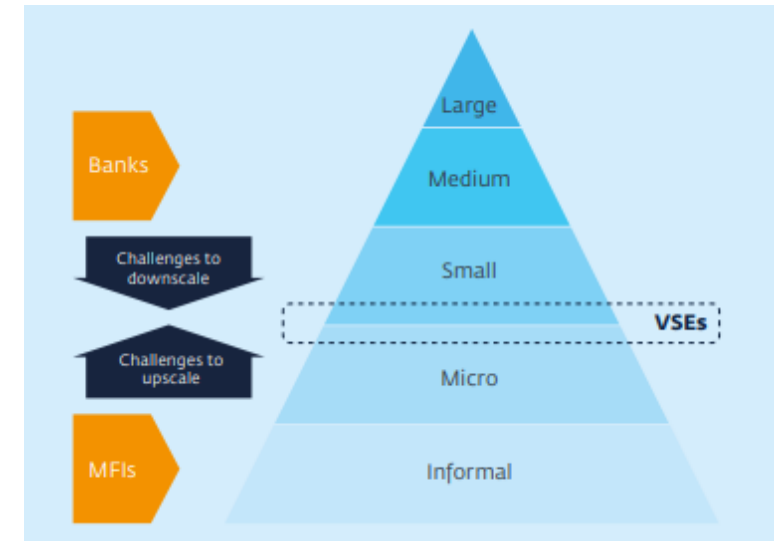
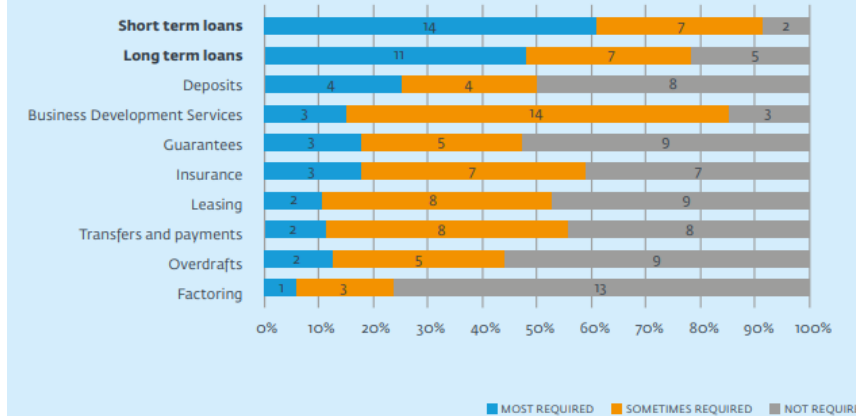
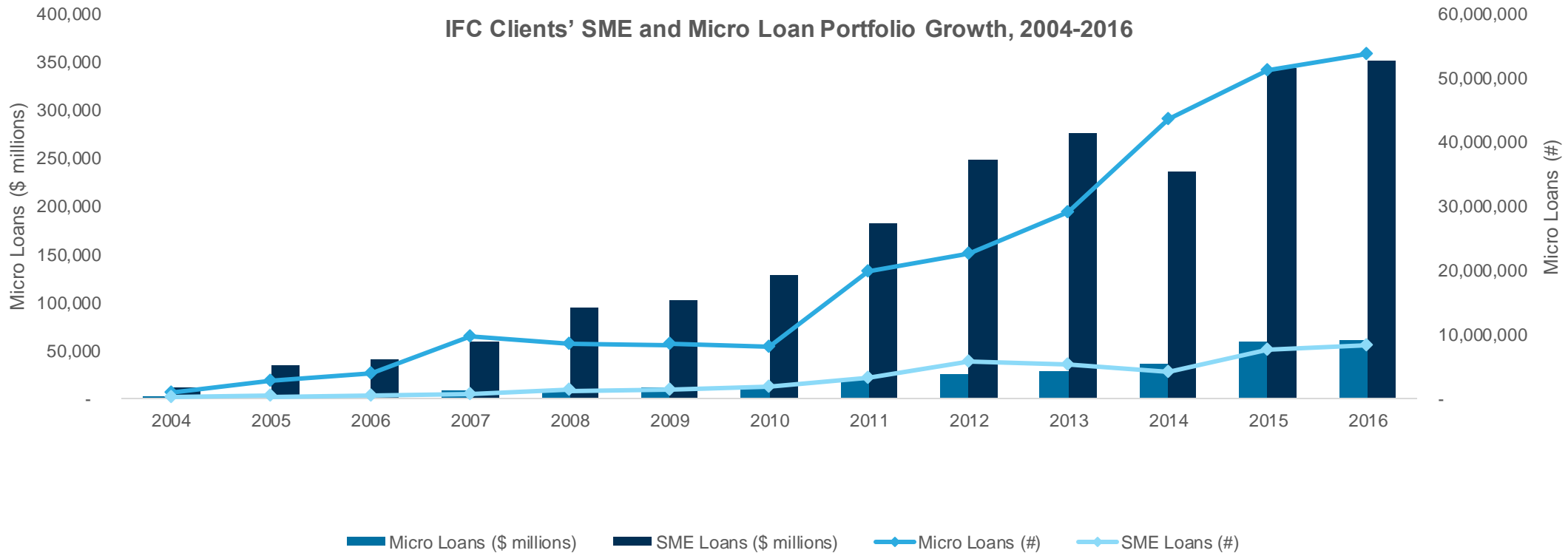


Figure 8: Services that are mostly required by VSEs

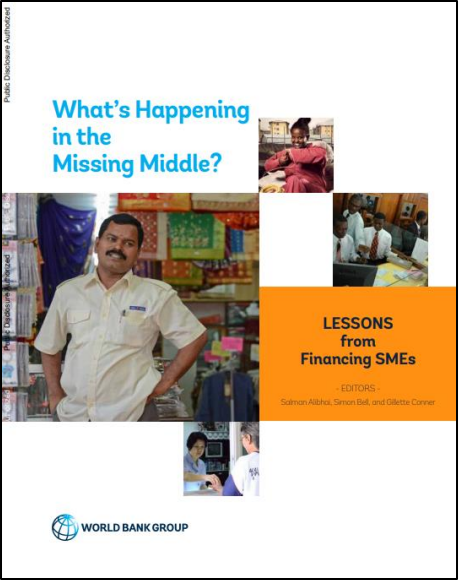
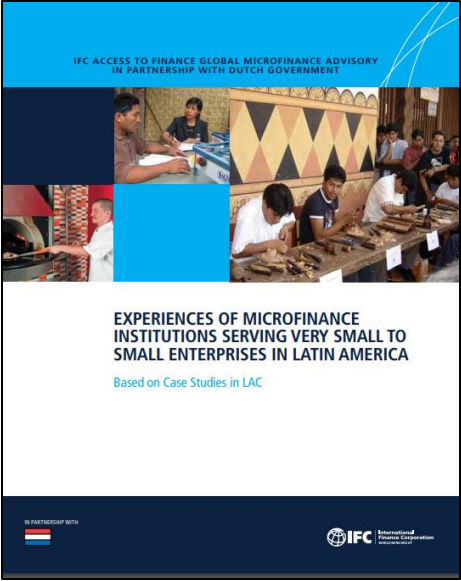
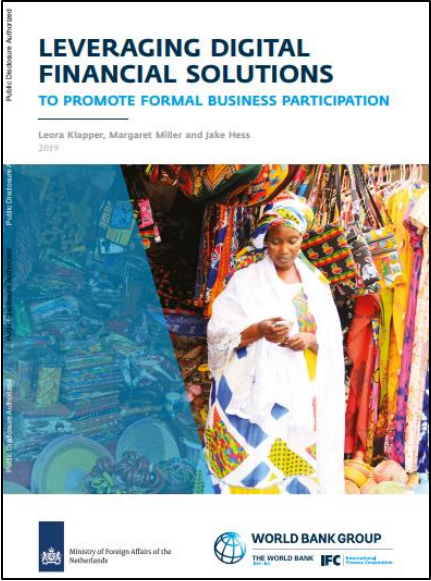


IFC's MSME Experience

- IFC's Reach Survey indicated that 304 of IFC's financial institution clients globally received financing for MSME-related activities.
- **Microfinance reach in 2018:** 51 million micro loans totaling US\$75 billion
- **SME reach in 2018:** 8 million SME loans totaling US\$360 billion
- Among the 157 clients that provided data for micro loans to women-owned enterprises, **68%** of their micro loans were directed to women.



IFC and World Bank Resources on MSMEs



Appendix

Ant Financial provides inclusive digital financial services



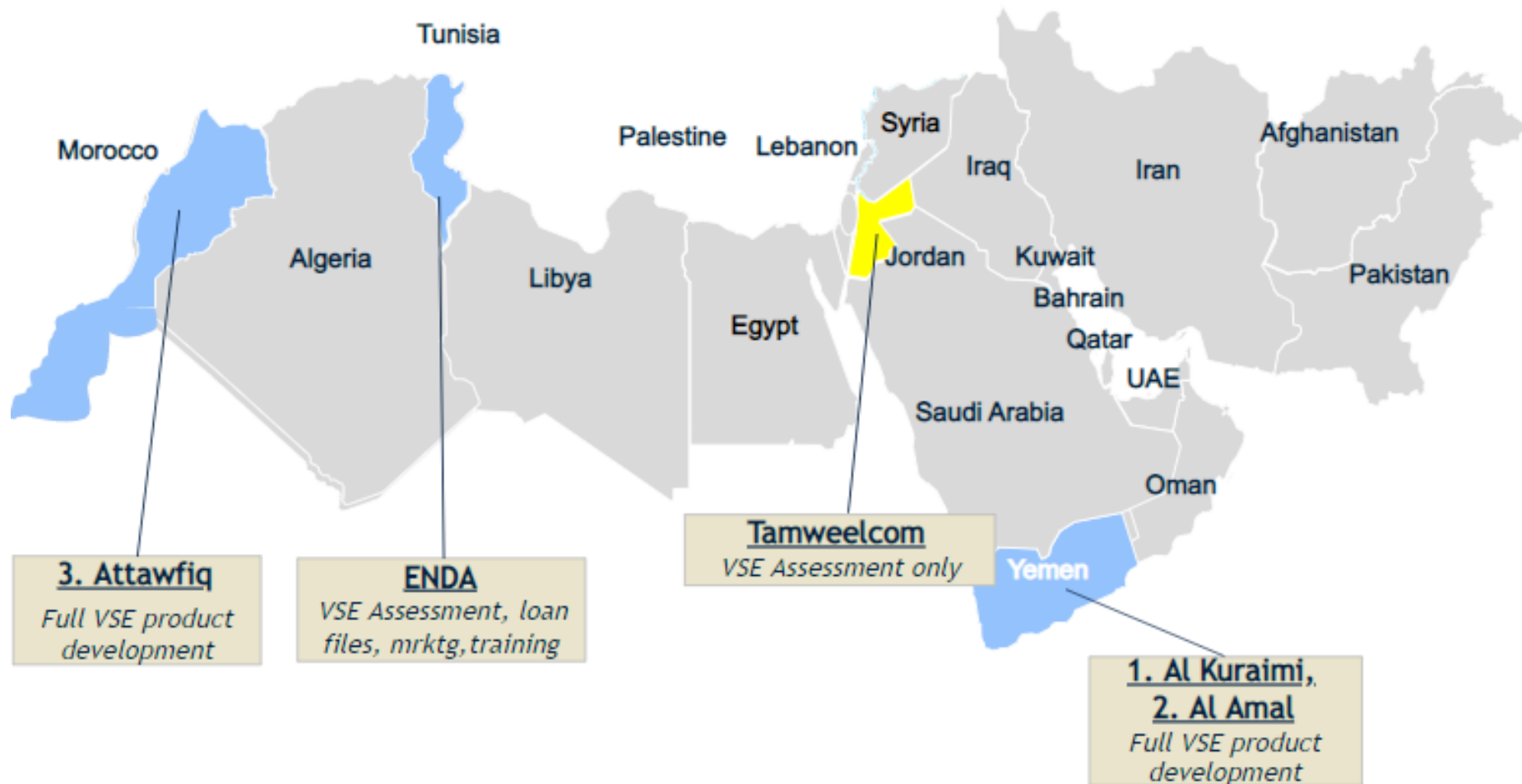
Digital Financial Services

- Founded in 2014, Ant Financial is the **largest fintech**
- Powered by **mobile internet, big data, and cloud computing** technology, Ant Financial is dedicated to using technology to provide inclusive financial services
- Access to finance is a major challenge for MSMEs in China; 70% of MSMEs and 70% percent of women entrepreneurs have difficulty accessing finance
- **3-1-0** - Reduced transaction costs and speed of loan processing for MSMEs.
- Big Data can provide reliable information based on actual payment history, thereby providing lenders with new opportunities to expand their customer base
- While collateral provides comfort to lenders, relying on it for lending decisions excludes millions of small businesses with high potential



IFC's RECENT WORK ON VSE IN THE MENA REGION

3 full-scale engagements (VSE product development) and 2 VSE assessments



IFC Partnerships with Global Fintechs

Serving Micro-, Very Small-, Small Enterprises

New financial regulations allow fintechs in the US, Europe, (and China) to provide financial services directly to customers' mobile wallets



Germany-based fintech received NBFC license for digital lending in India



US-based fintech partners with FIs to provide alternative data for digital lending



Silicon Valley fintech uses a smart phone app to provide loans in African and Asian markets

