

# MIX and CGAP Analysis of Key Trends

# 2011 Sub-Saharan Africa Regional Snapshot

February 2012

# Data Sources

## Macroeconomic Data

- [World Development Indicators](#)

## Landscape Data of Microfinance Providers

- [MIX: Mapping Africa Financial Inclusion](#)

## Cross-Border Funding

- [CGAP Cross-Border Funder Survey](#)

## Performance of Microfinance Providers

- [MIX Market](#)

## Policy Environment

- [CGAP Financial Inclusion Regulation Center and Central Banks' websites](#)

## Funding Structure of Microfinance Providers

- [MIX Market Funding Structure Data](#)

# Table of Contents

**Overview of the Microfinance Sector  
in SSA**

**Diverse Ecosystem of Financial Service  
Providers**

**Regulatory Environment**

**Funding Flows**

**Provider Performance in Global  
Context**

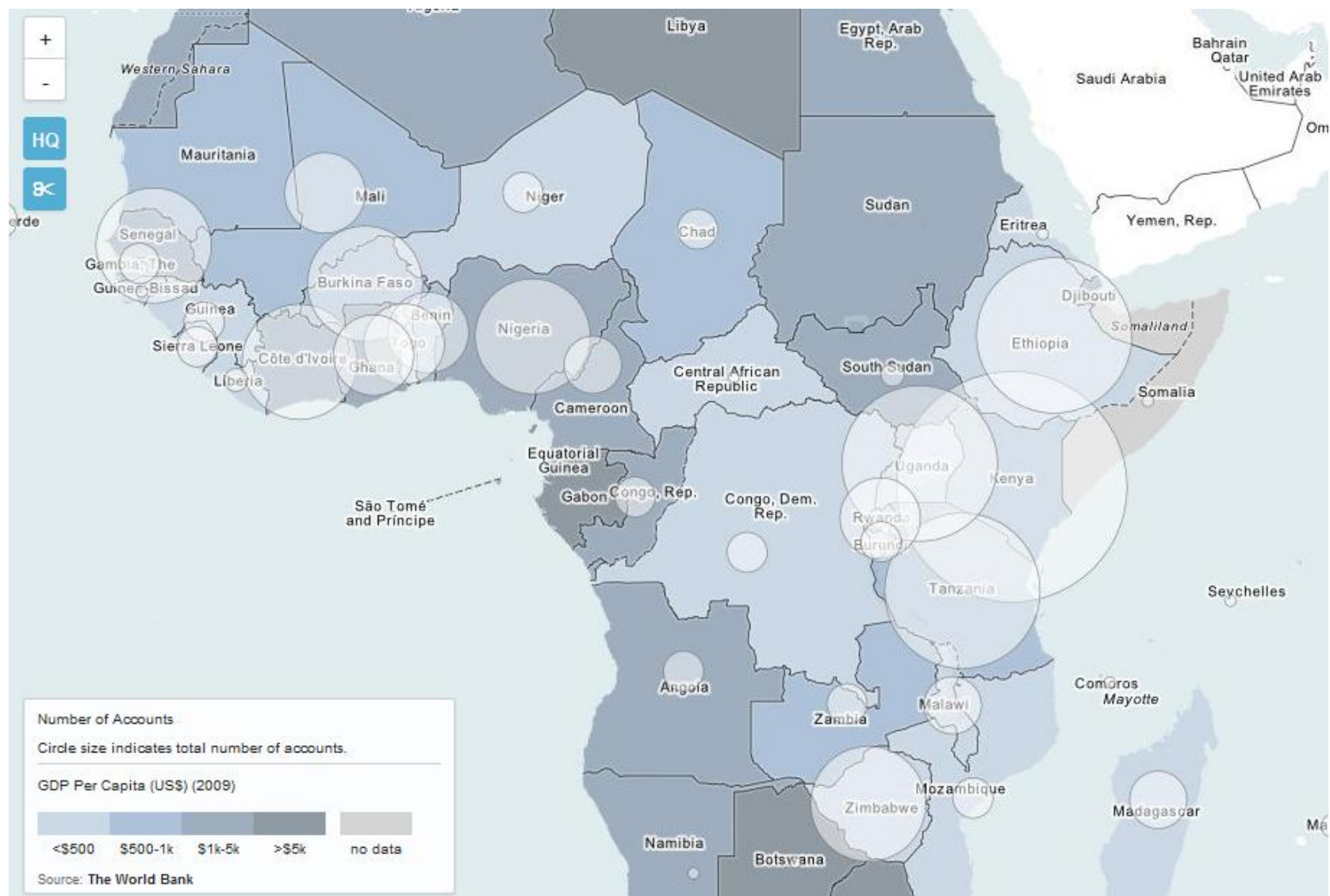
# The Big Picture

Indicator as of end of 2010 *	Value
Number of countries with microfinance providers	45
Population	863 mln
Population living below the national poverty line %	48.4%
GNI per capita, Atlas method	1183 USD
Number of microfinance providers	22,900
Number of loans outstanding	20.5 mln
Number of deposit accounts	44.4 mln
Loan portfolio, gross, USD	14.9 mln
Deposits, USD	13.8 mln

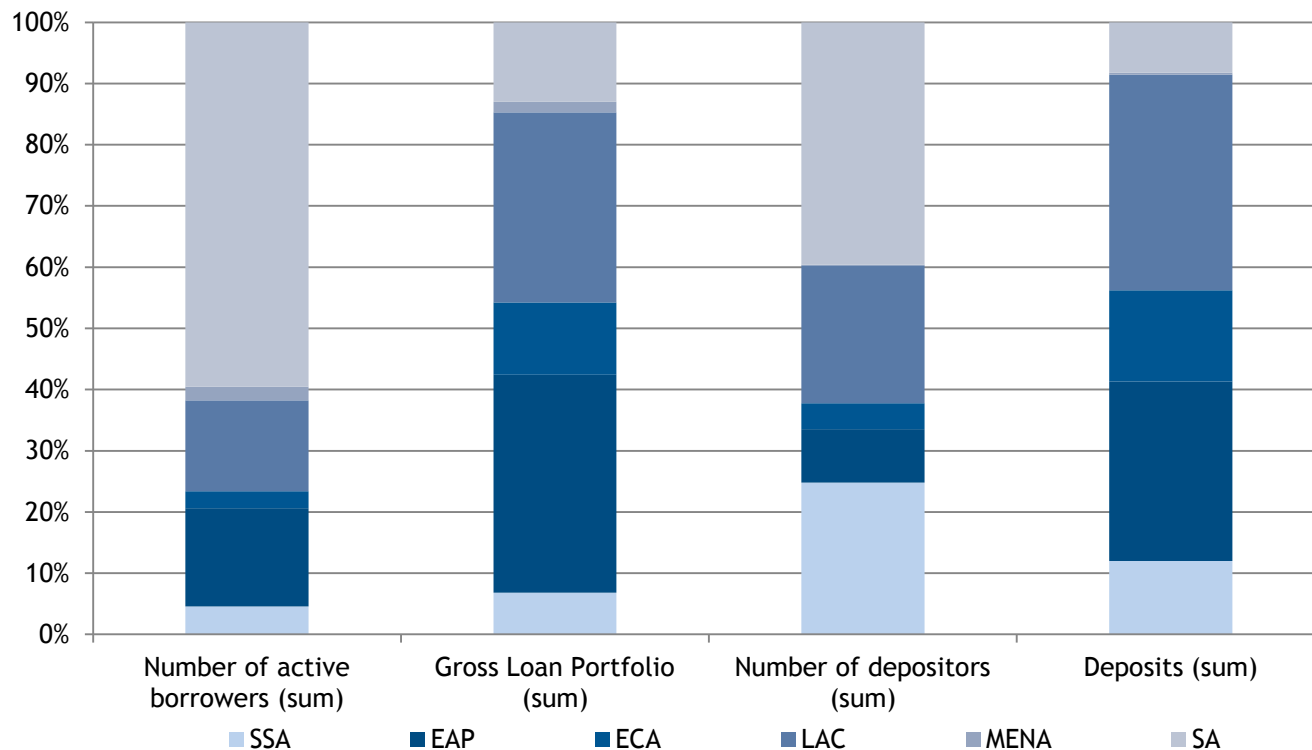
\* When 2010 data is not available, data from the most recent prior period is used.

Source: [World Development Indicators](#). GNI per capita and poverty headcounts for the region are weighted by each country's total population.

# Financial Inclusion in SSA

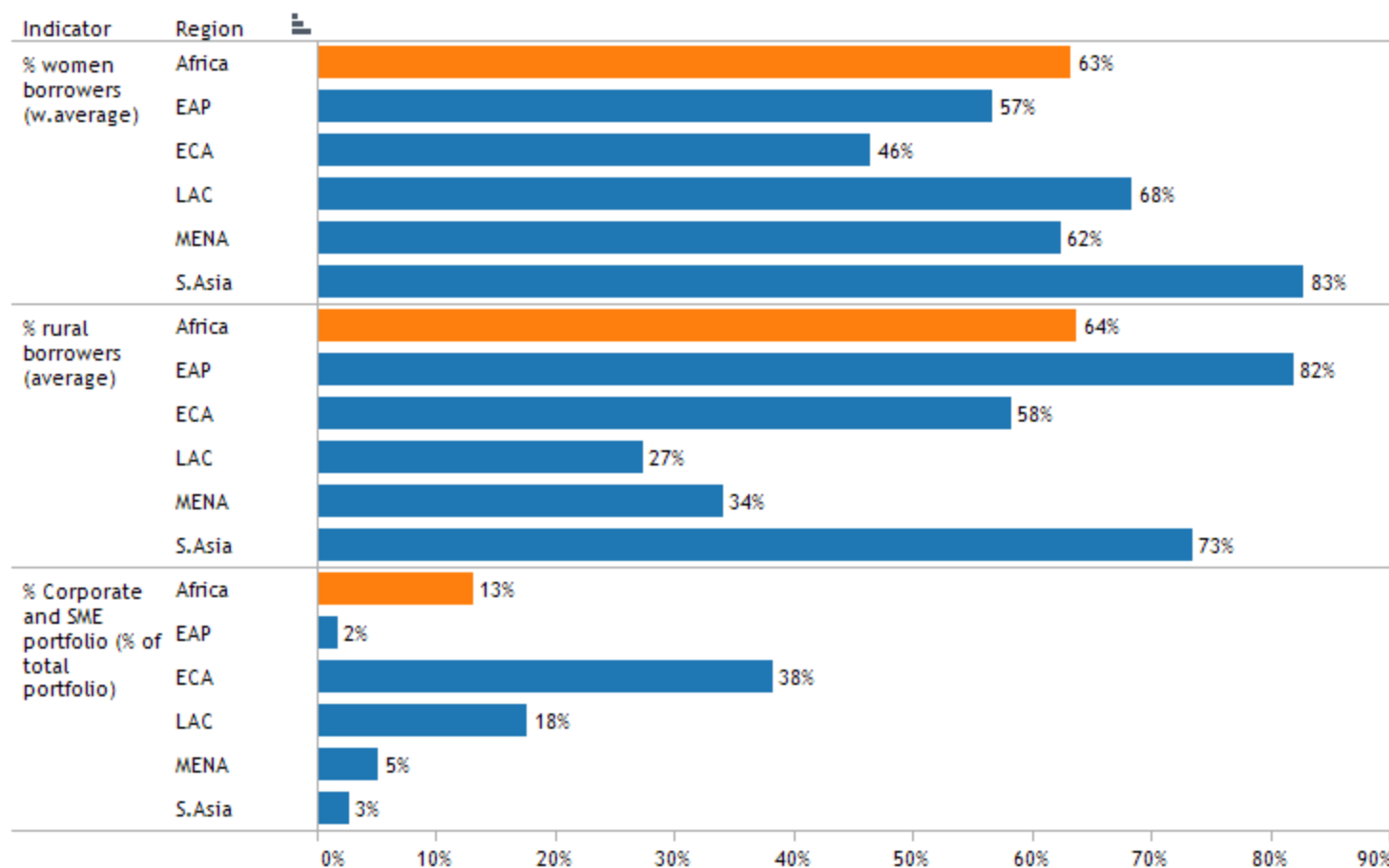


# SSA Microfinance in a Global Context



Microfinance providers reporting to MIX in SSA reach nearly one quarter of all depositors globally, while accounting for less than five percent of borrowers. South Asia has the smallest average deposit size, SSA is a near second, emphasizing accessibility to savings accounts for the poor.

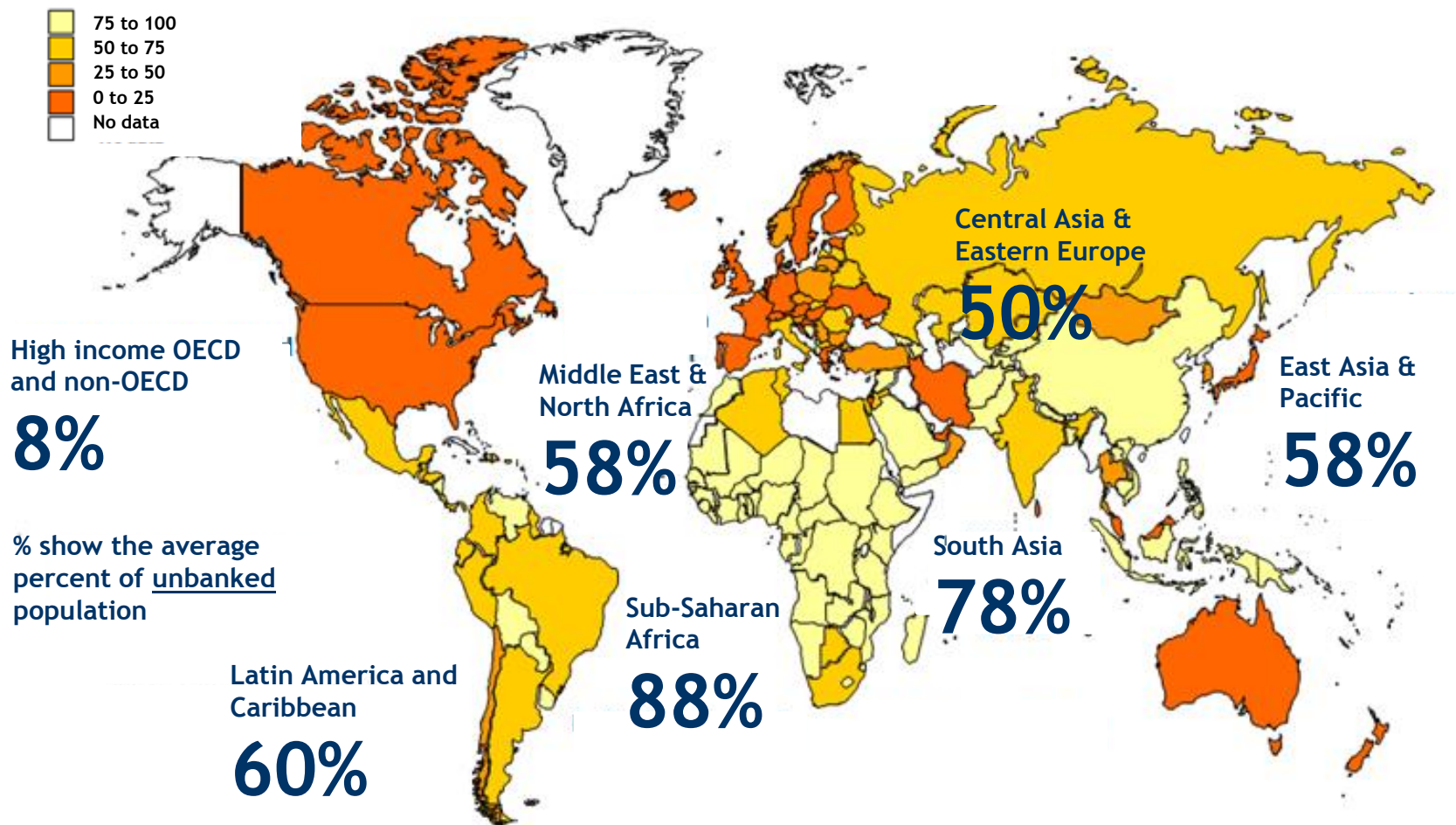
# SSA Microfinance Clients in a Global Context



Africa falls right in the middle of all regions globally in terms of percent of women borrowers, rural borrowers, and corporate and SME portfolio.

# Access to Formal Financial Services Lowest in SSA

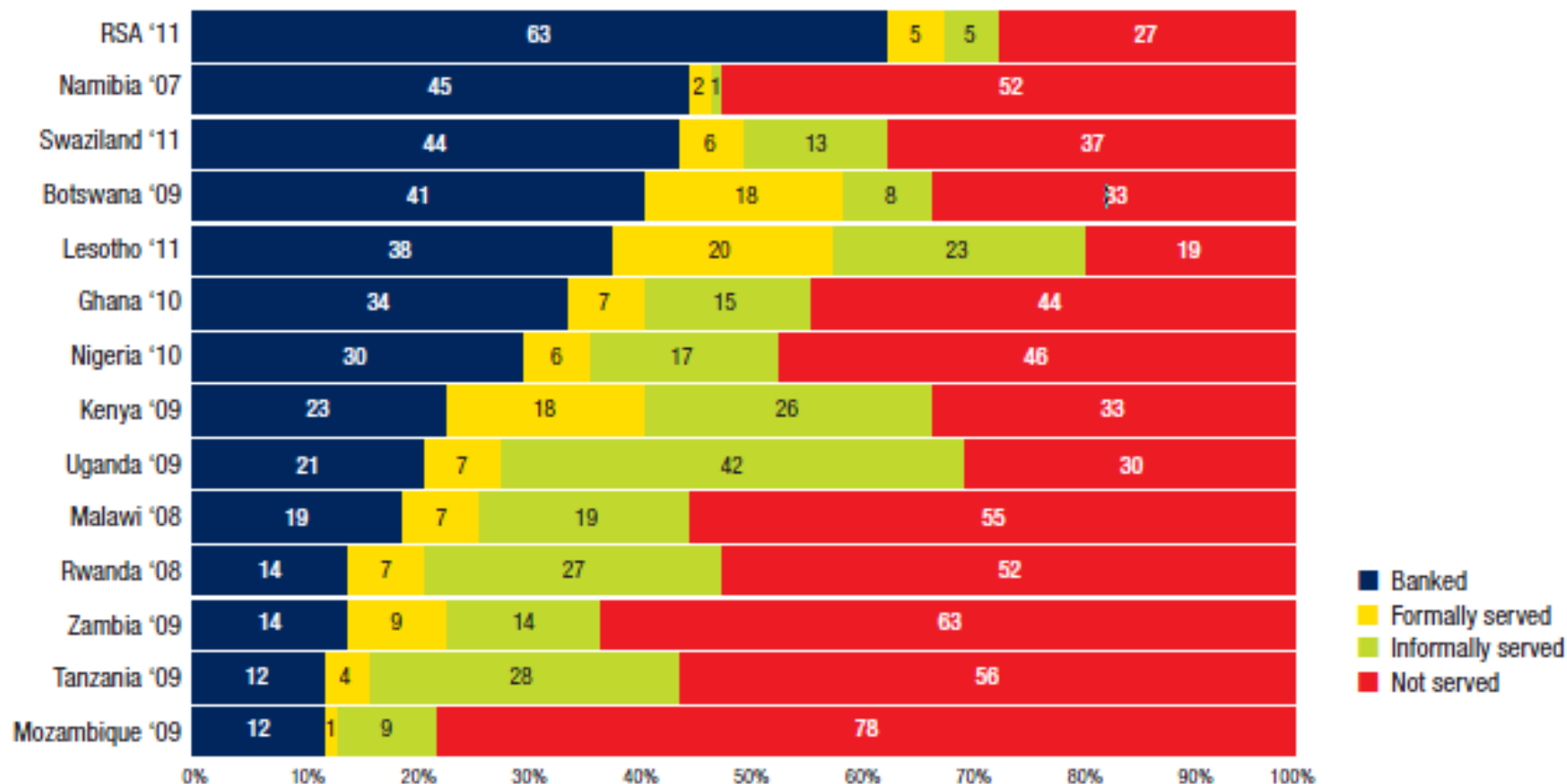
## Adults without an account (%)



Source: CGAP and World Bank Group. 2010. Financial Access 2010. Washington, D.C.: World Bank Group. Map shows percent of households without a deposit or loan account in an institution (Banks, Savings Banks, MFIs)



# High Levels of Financial Exclusion



The majority of people surveyed in 14 [Finscope studies](#) across East and Southern Africa are largely excluded from formal finance or use informal financial services.

# Table of Contents

**Overview of the Microfinance Sector  
in SSA**

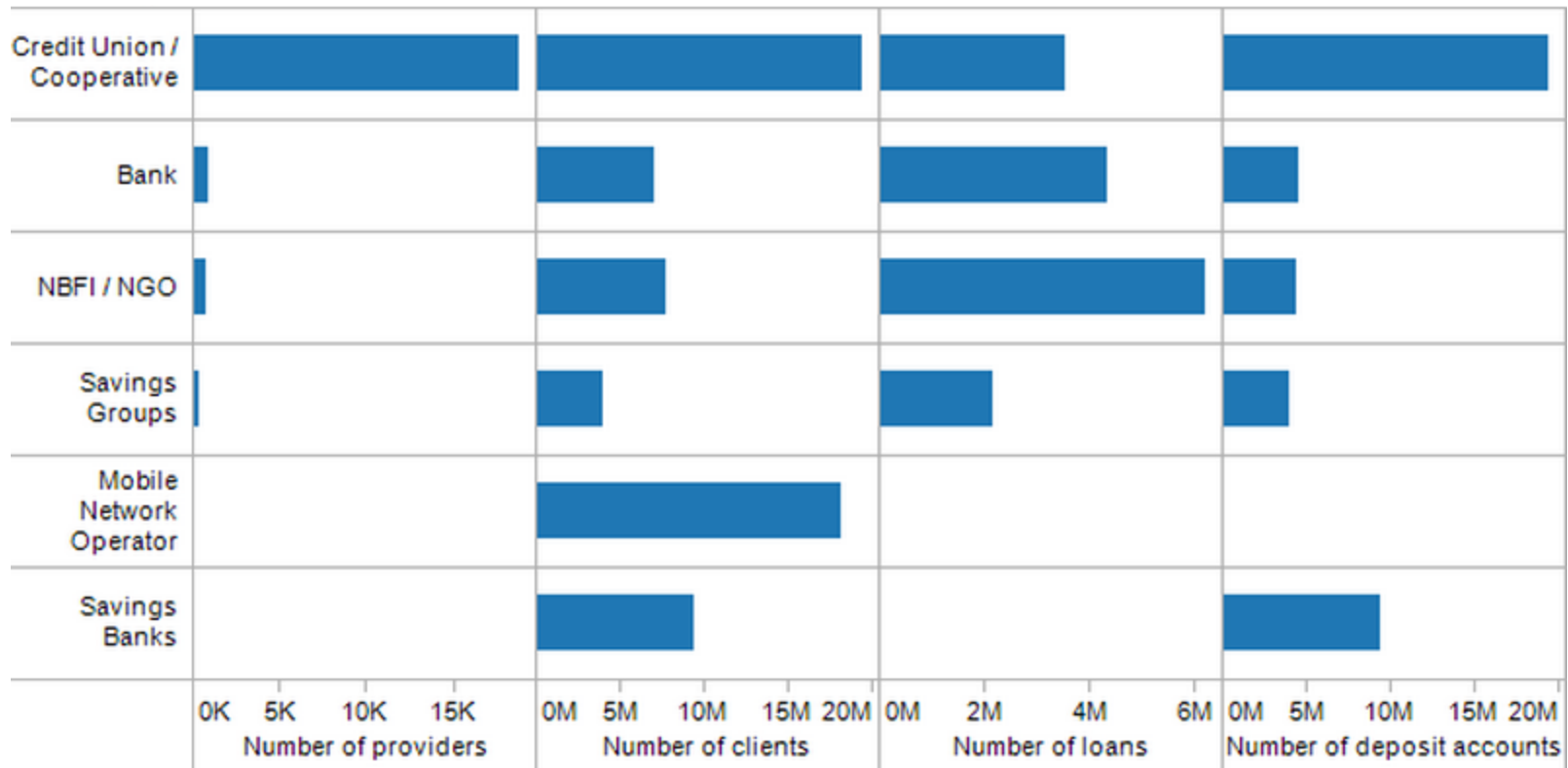
**Diverse Ecosystem of Financial Service  
Providers**

**Regulatory Environment**

**Funding Flows**

**Provider Performance in Global  
Context**

# A Diverse Ecosystem of Providers

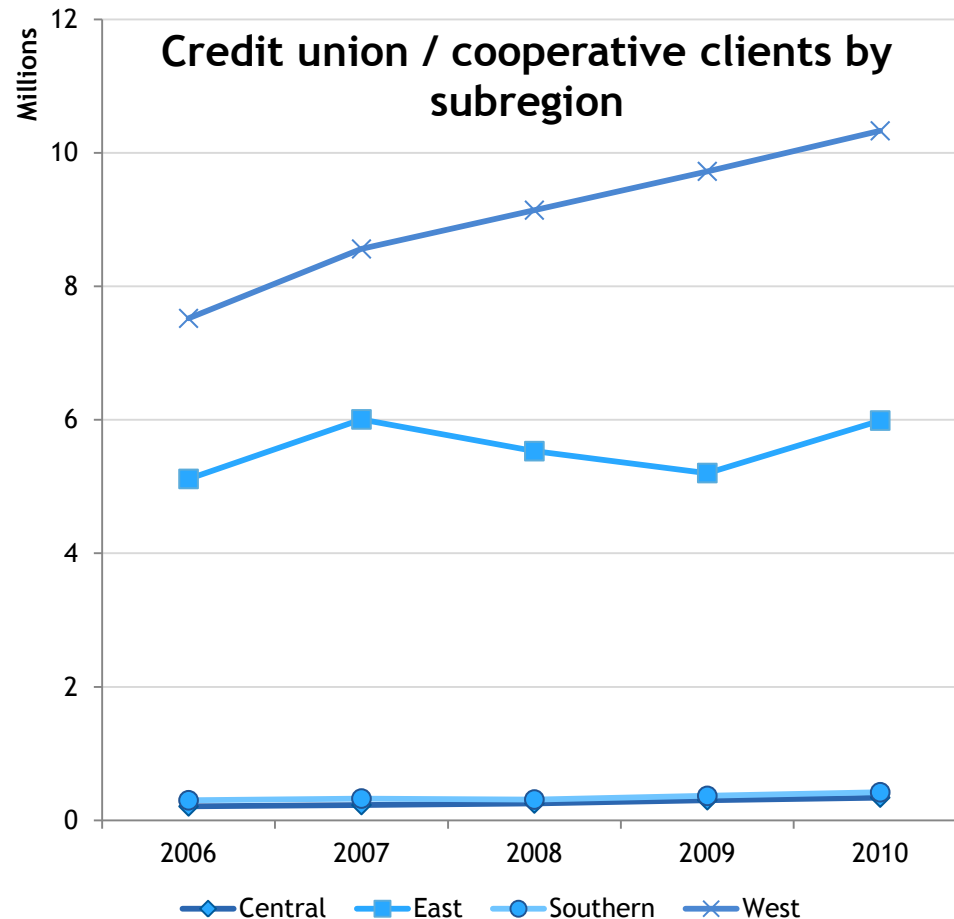


A diverse set of 22,900 providers without one dominant model.

- There are more clients with savings-led organizations than credit-only providers.
- Credit unions reach the largest number of clients, but many of them are small.

# Credit Unions

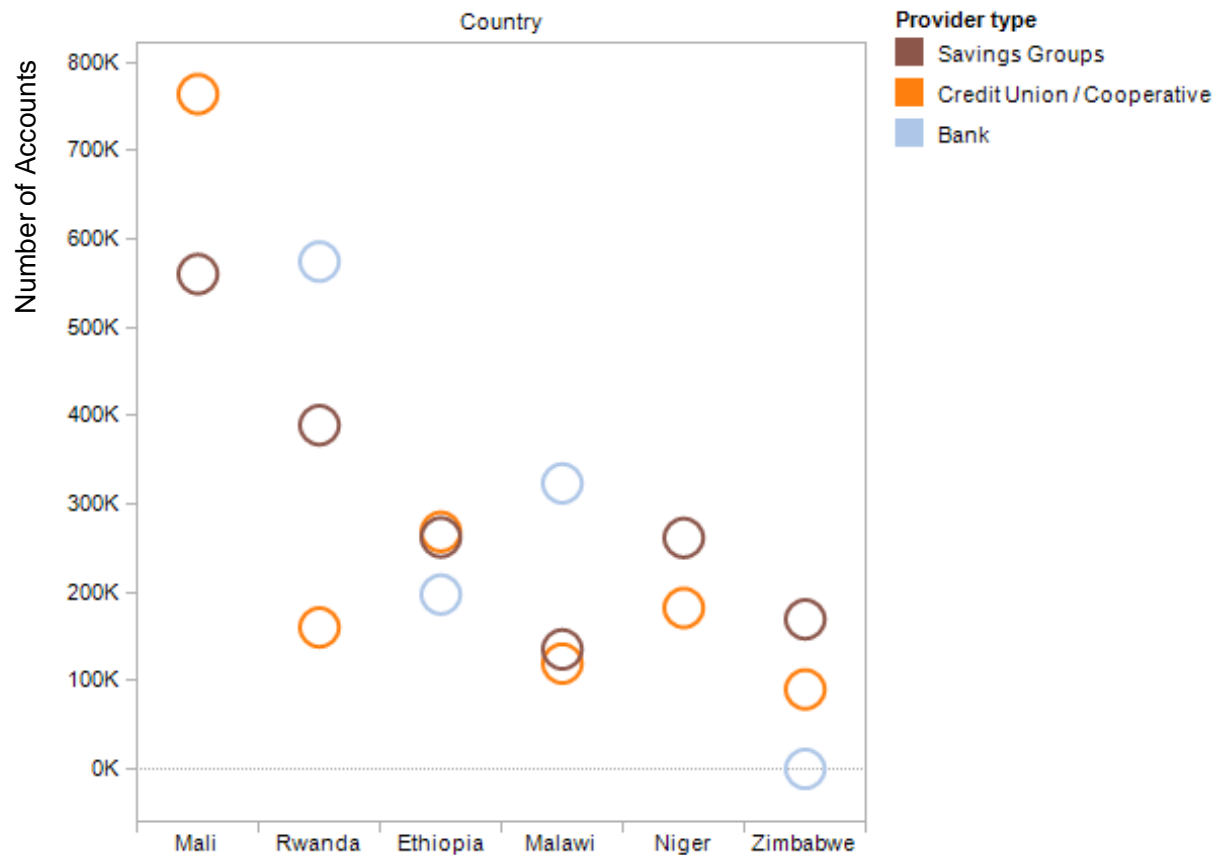
Credit unions: stable growth with deepest outreach in East and West Africa



Source: [WOCCU](#); 2008 data for WAEMU estimated

# Savings Groups

Savings groups: primarily active in East and West Africa, reaching scale comparable to formal providers in some markets.

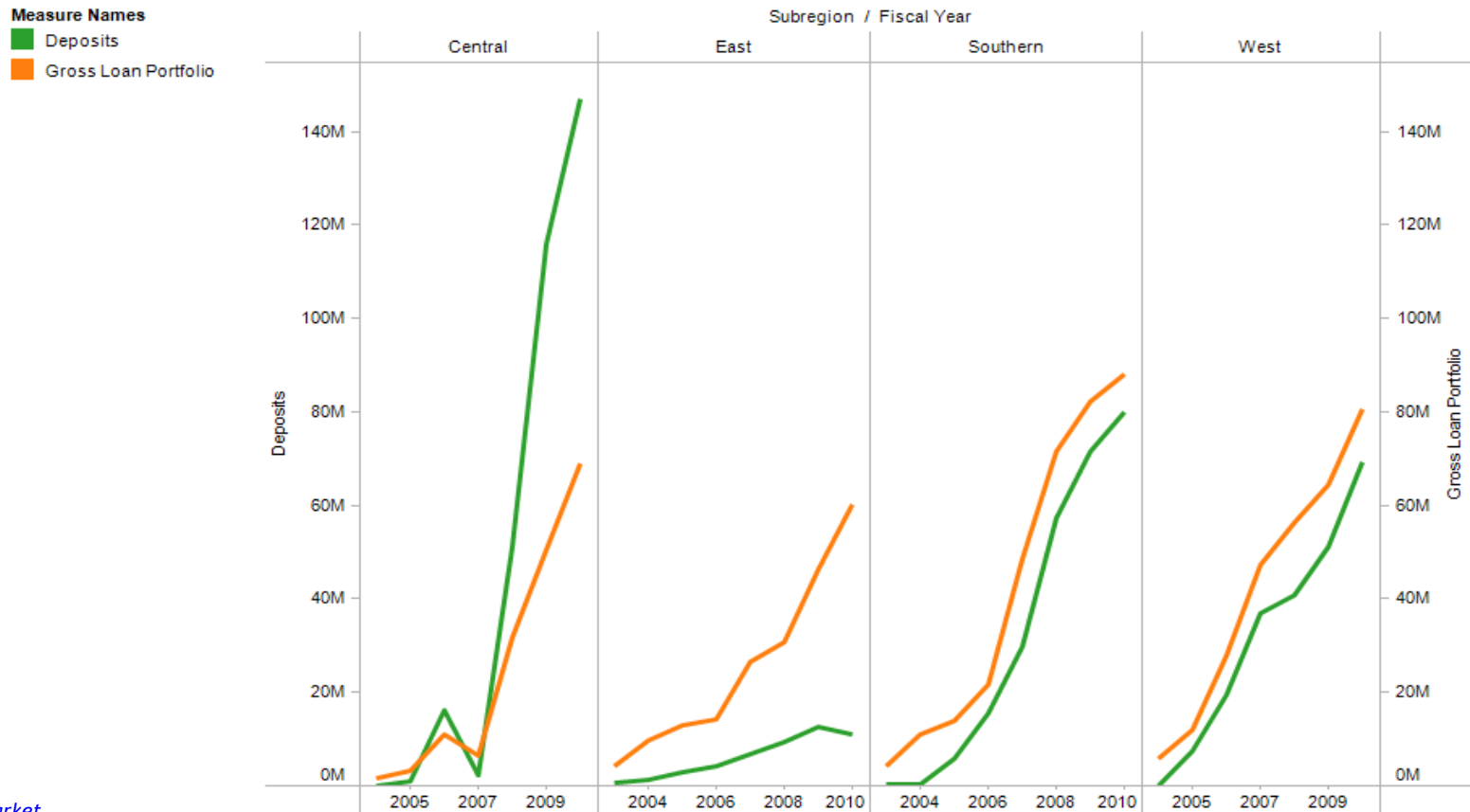


Source: [MIX Africa landscape](#), [SAVIX site](#)

# Greenfield Institutions

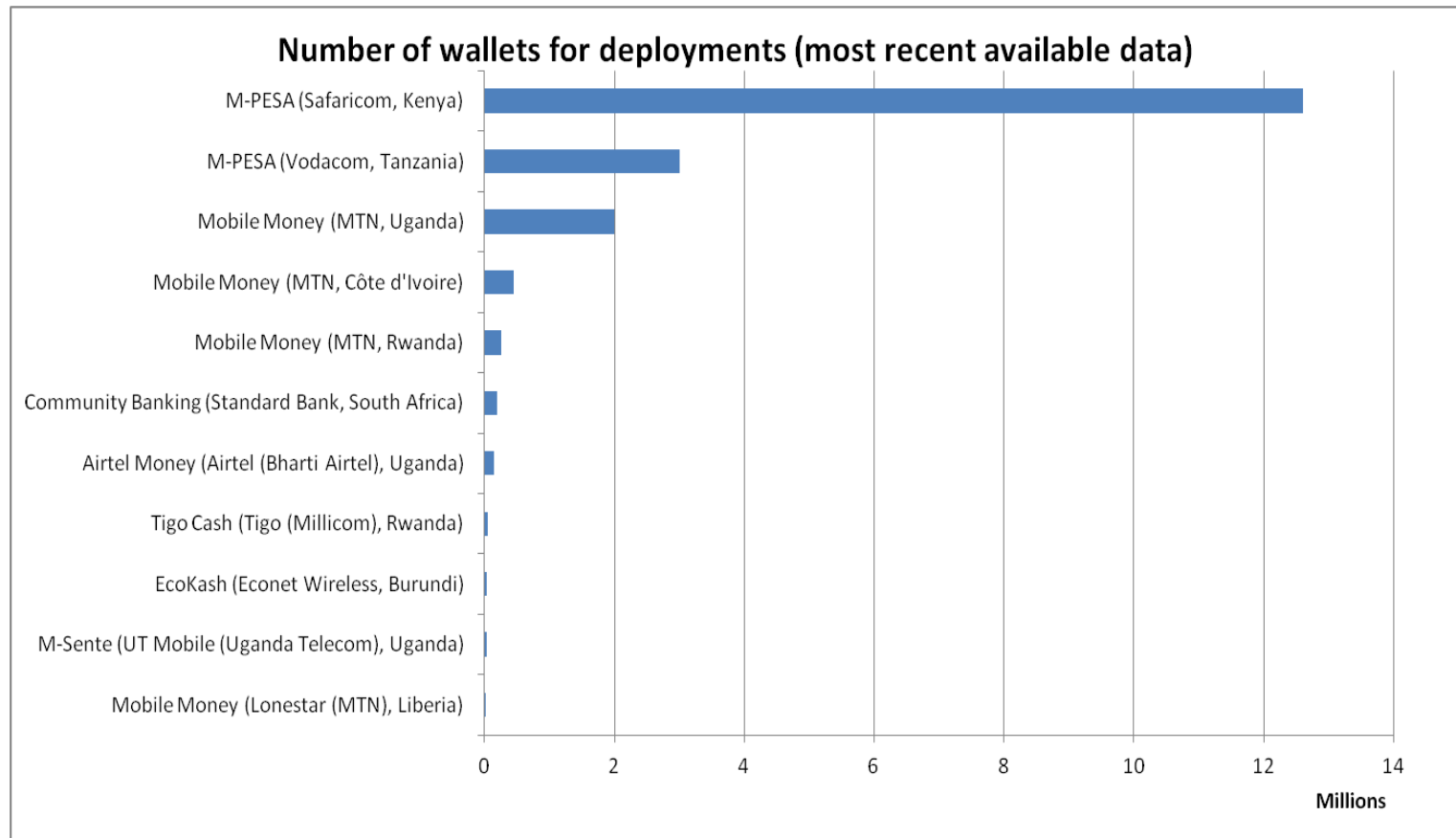
Greenfield institutions demonstrate rapid credit and savings growth in some markets.

40+ institutions started since mid-1990s, now with over 1.4 million accounts. Congo DRC, Ghana, and Nigeria have the greatest number of greenfields.



# M-Banking

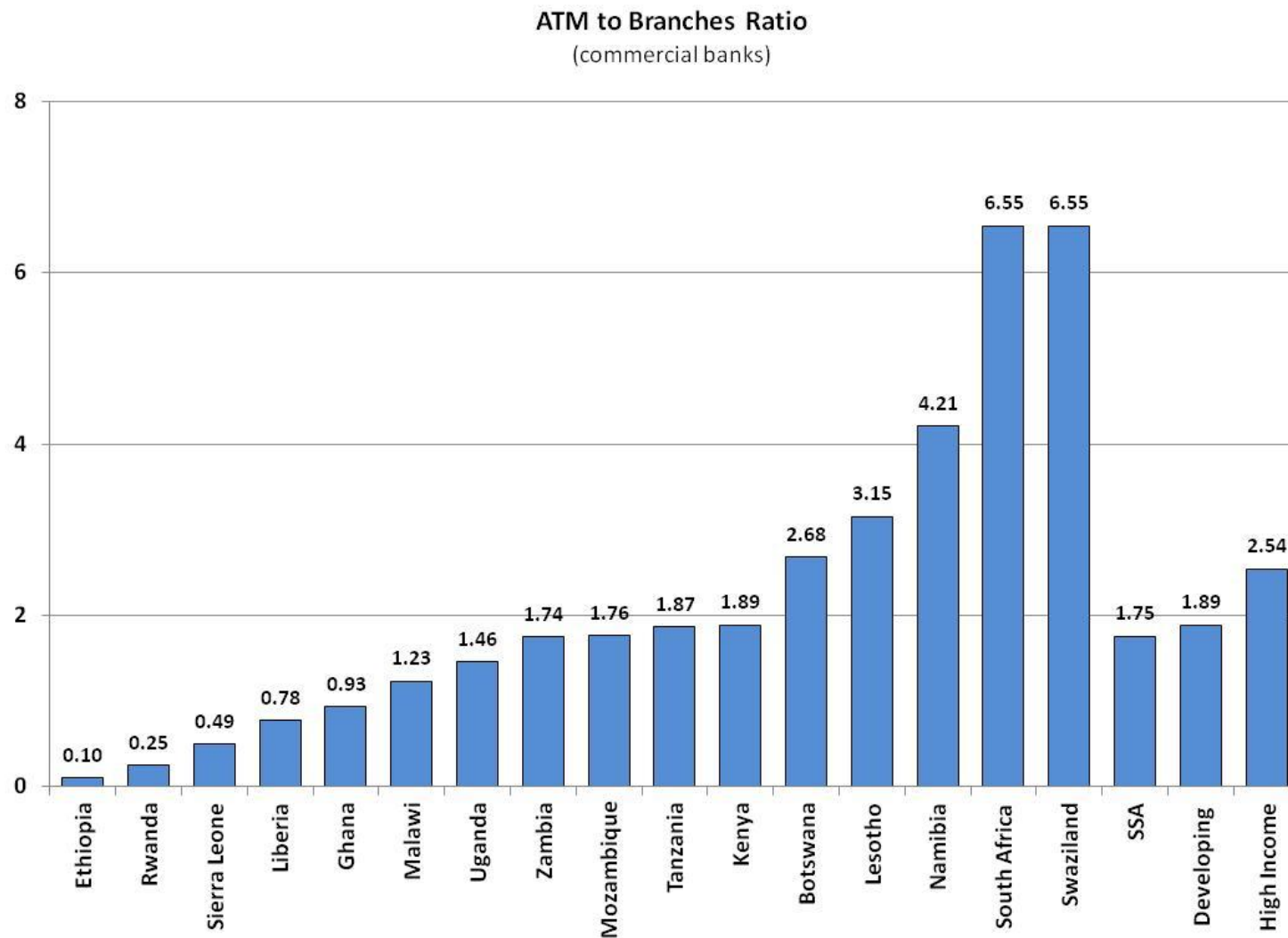
M-Banking is spreading to many markets, but M-Pesa and MTN dominate growth in Kenya, Tanzania, and Uganda.



Source: [GSMA / Wireless Intelligence Mobile Deployment Tracker](#). Data is number of wallets for more recent period (2009 - present)

# ATM Retail Networks

The most developed networks are in Southern Africa.



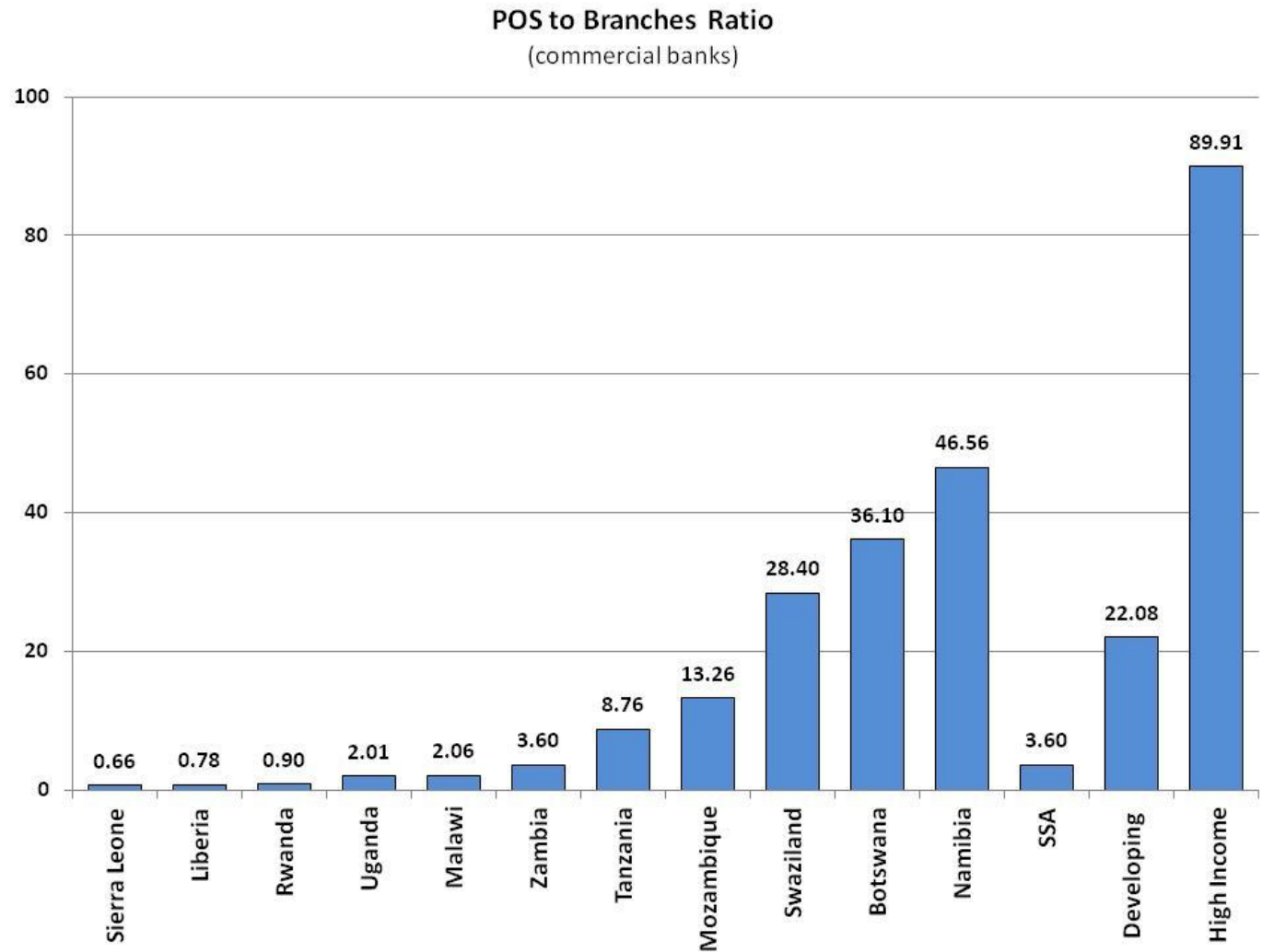
Note: Medians are reported for "High Income", "Developing", and "SSA" categories.

Source: Financial Access database.



# POS Retail Networks

On average POS retail networks are far less developed than in other developing countries.



Note: Medians are reported for "High Income", "Developing", and "SSA" categories.  
Source: Financial Access database.

# Table of Content

**Overview of the Microfinance Sector  
in SSA**

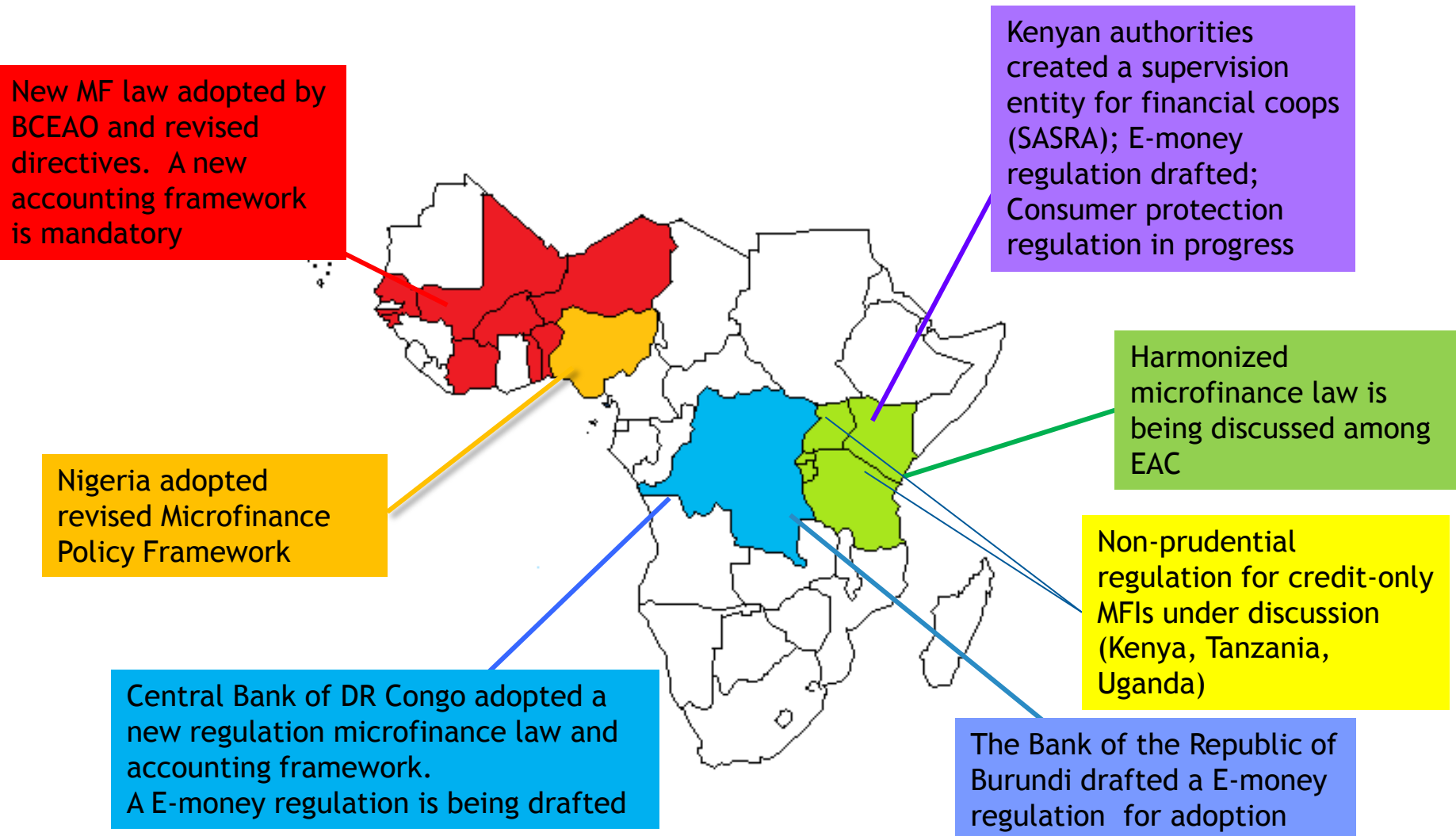
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Providers**

**Regulatory Environment**

**Funding Flows**

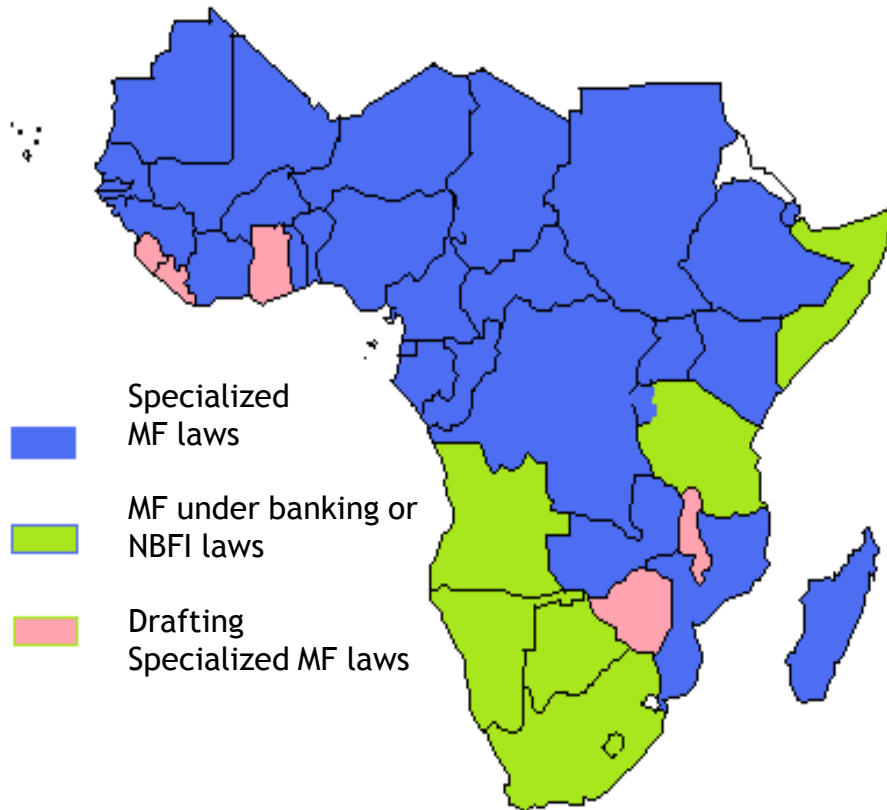
**Provider Performance in Global  
Context**

# Regulatory Frameworks in Evolution



Source: CGAP Financial Inclusion Regulation Center - Central Banks' websites

# Microfinance Regulation

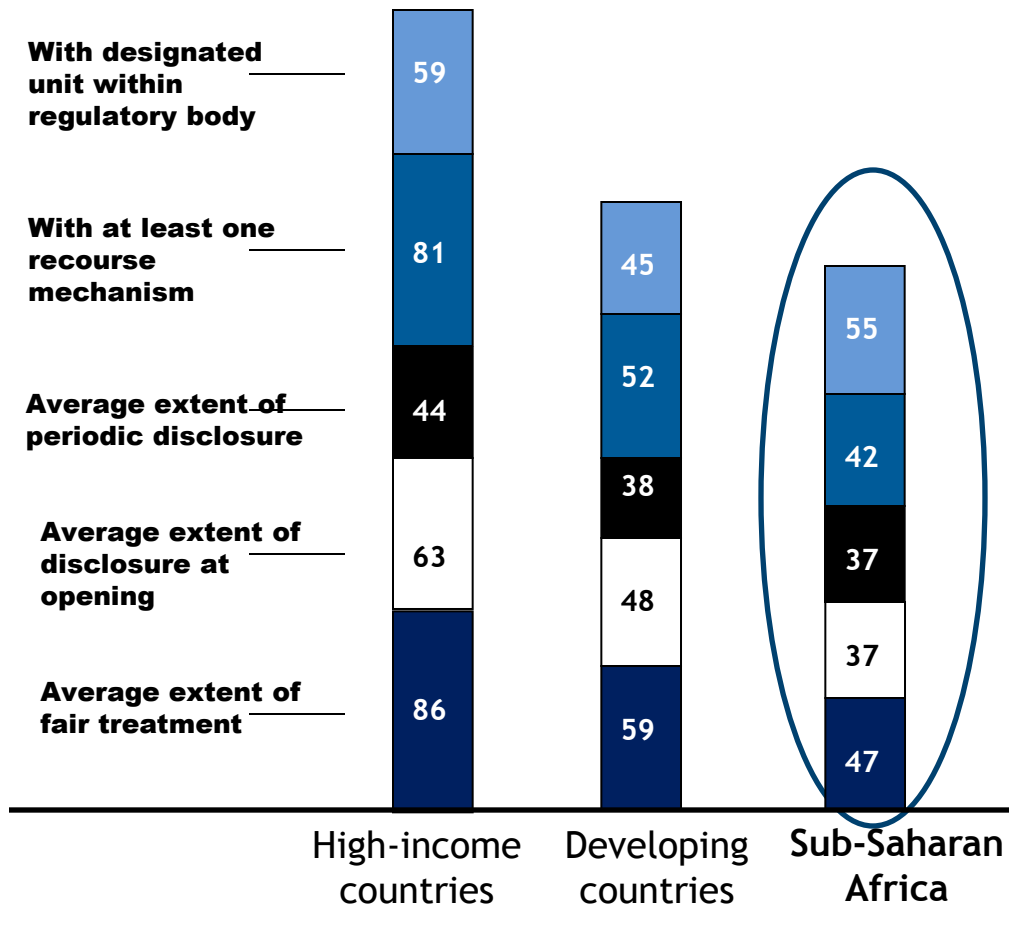


- In several countries (e.g. WAEMU, CEMAC, Madagascar, Burundi, Rwanda etc.), specialized microfinance laws cover both microfinance institutions and financial cooperatives
- In 2010, revision of microfinance law in process in Nigeria, Ghana, Burundi

# Protecting Clients through Regulation

## Consumer protection legislation and implementation

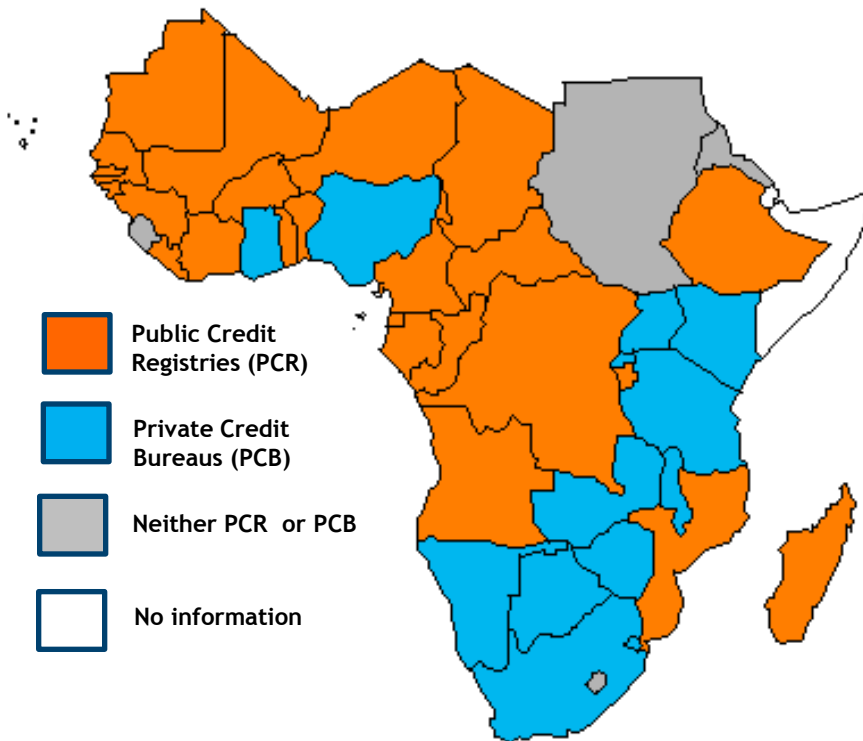
% of economies:



- ❑ 27 out of 32 SSA countries have laws and regulations addressing at least some aspects of financial consumer protection (e.g. fair treatment).
- ❑ 16 SSA countries require financial institutions to implement procedures for resolving customer complaints.
- ❑ Enforcement mechanisms are the weakest despite the strong interest shown by regulators.

Source: Financial Access 2010

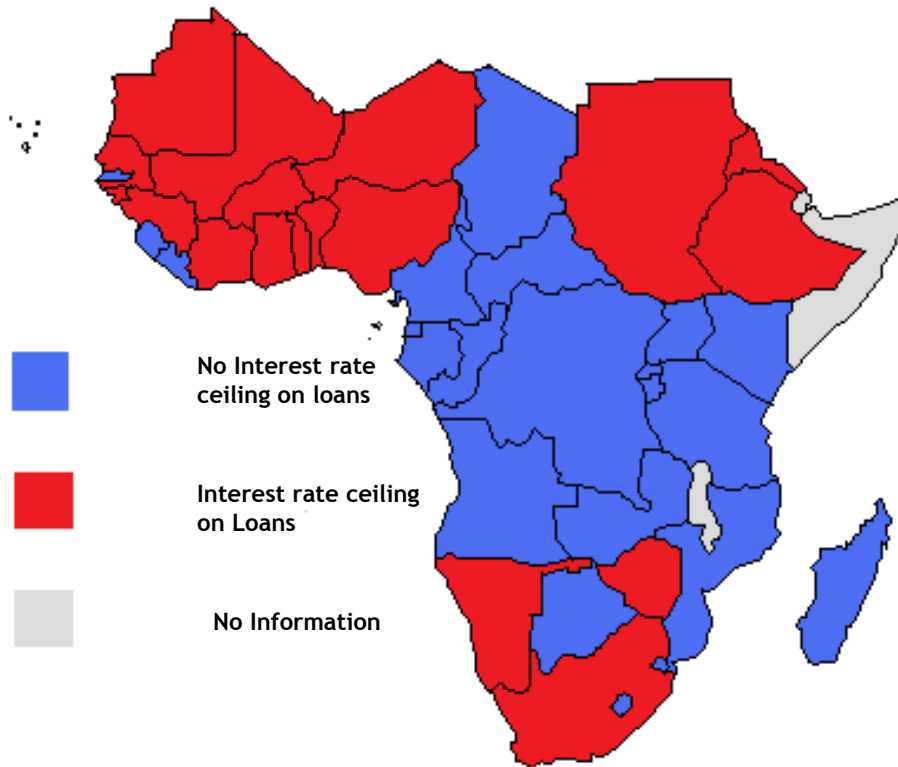
# Private Credit Bureaus and Public Credit Registries



- ❑ Penetration level measured by percentage of adults registered in private credit bureaus is 5%
- ❑ This is low compared to other regions (18% East Asia, 34% in LAC and 64% in OECD countries)

Source: Doing business 2011

# Interest Rate Regulation



- 17 countries with interest rate ceiling on loans
- 7 countries (CEMAC and Ethiopia) with minimum rates on deposits
- Interest rate ceilings by type of institution, e.g. WAEMU : 27% for MFIs and 18% for banks
- Restrictions tied to certain types of loans , e.g. agricultural loans in Nigeria or type of population, e.g. in Uganda and Benin
- Growing call for regulation of interest rate as a result of the second-wave of the global financial crisis

# Table of Contents

**Overview of the Microfinance Sector  
in SSA**

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Providers**

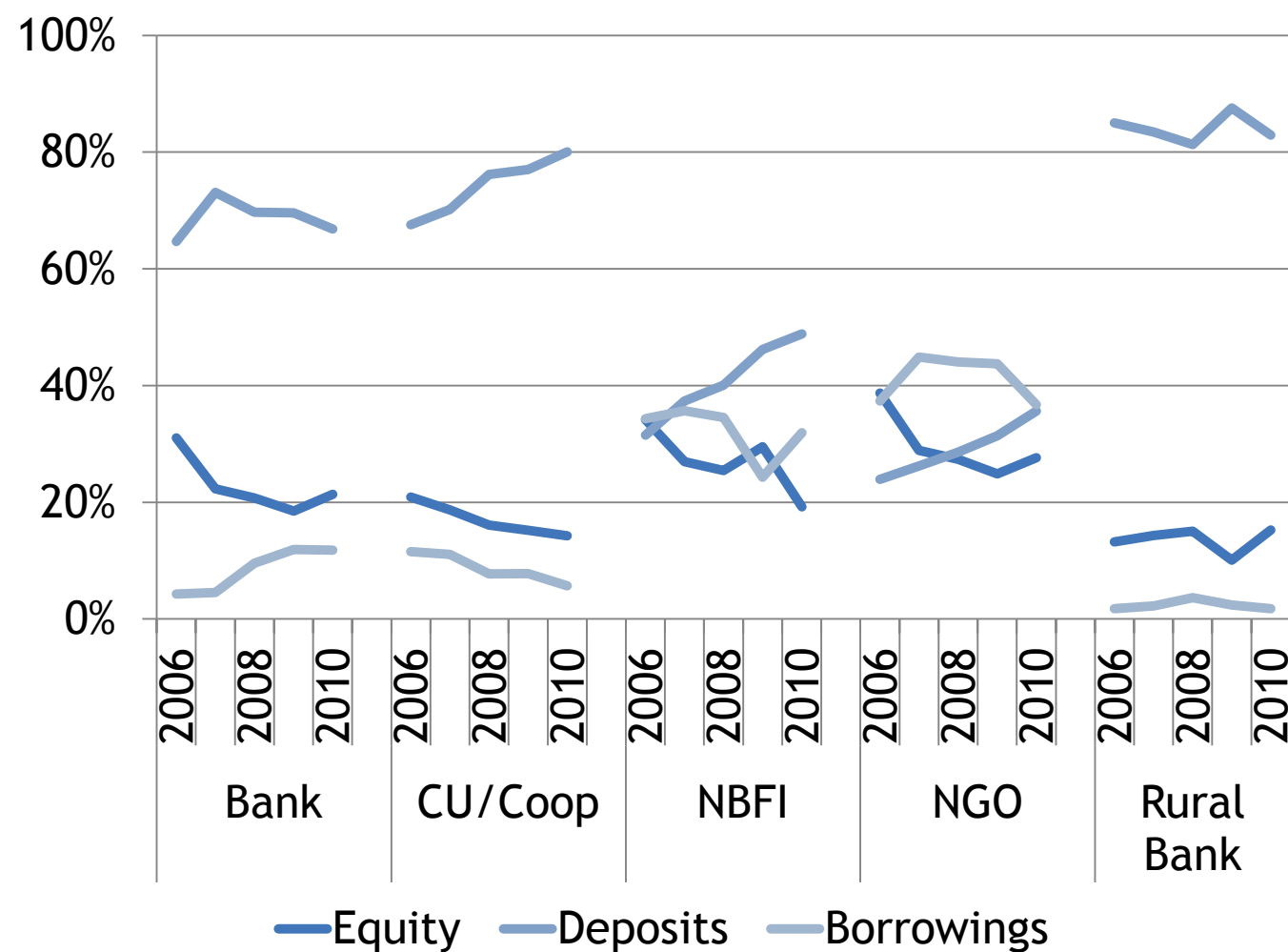
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**Funding Flows**

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Context**



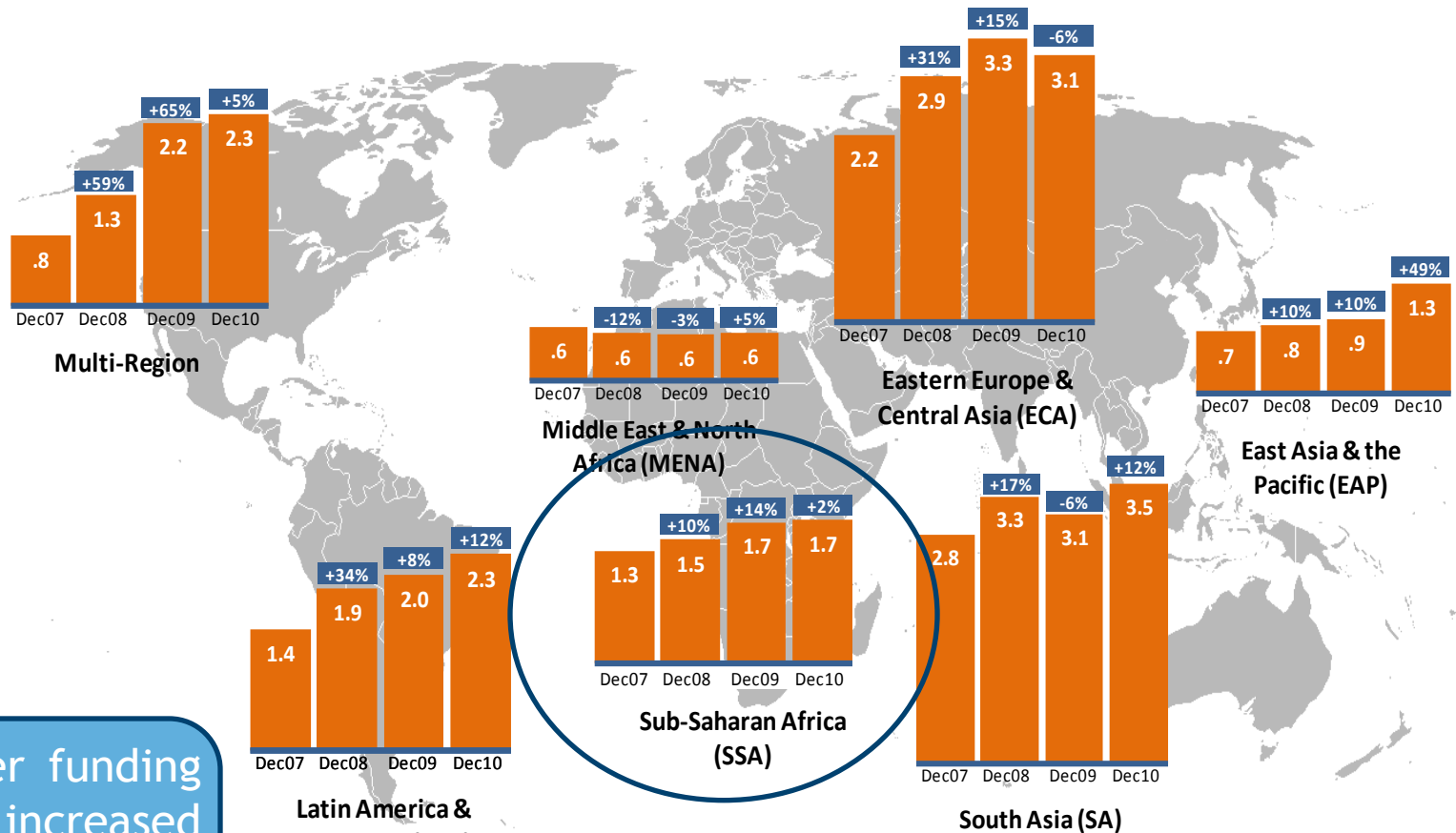
# Funding Structure Trends: Deposits Continue to Play Key Role



Deposits remain the largest source of funding for all but NGOs - many of which are not allowed to mobilize deposits.

Equity is dropping especially at NBFs, which are increasingly focused on deposits. There was, however, an uptake of equity at banks, rural banks, and NGOs in 2010.

# Cross-Border Funding

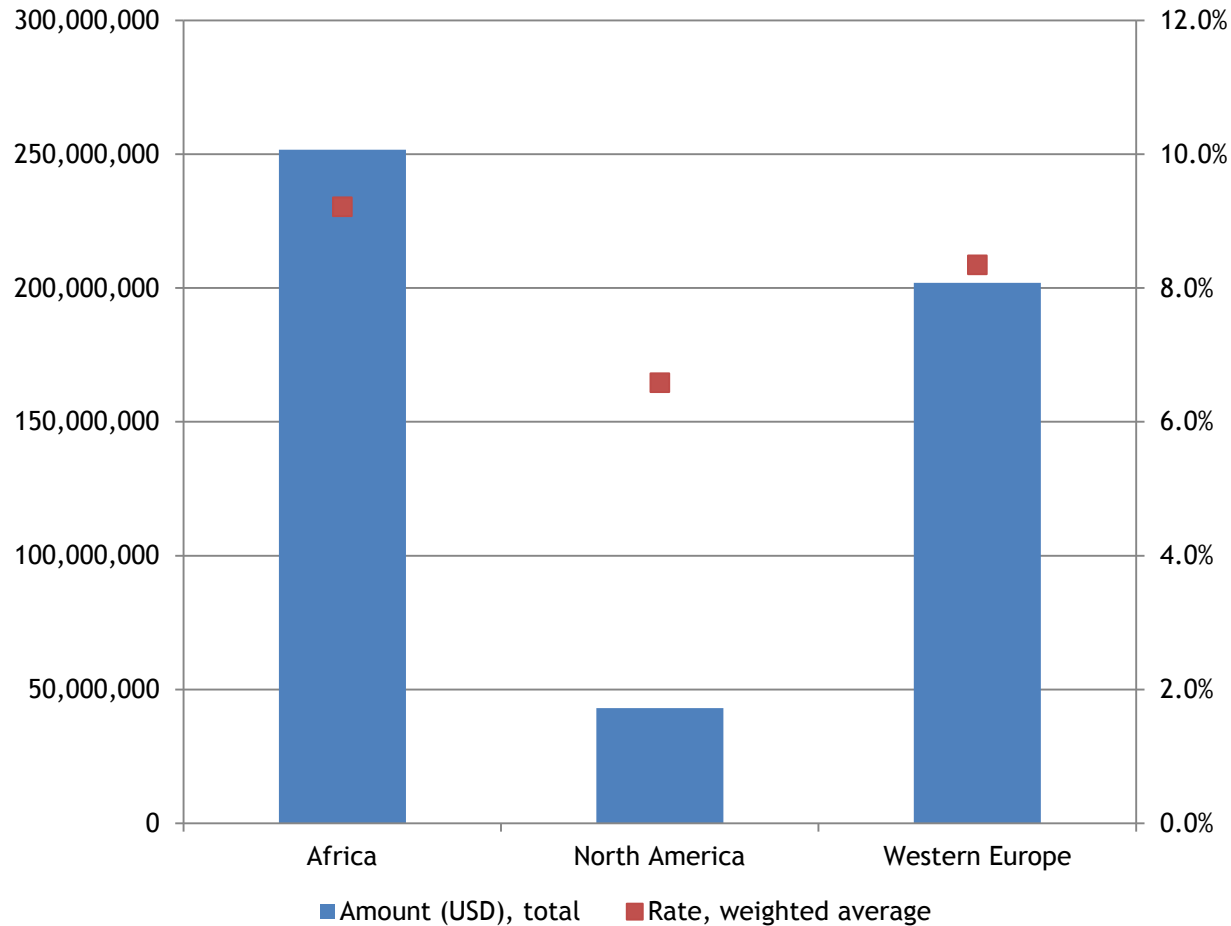


Cross-border funding to SSA increased steadily but at lower rates than global growth in funding.

Data for the 20 funders in our sample

- Cross-border commitments to microfinance – US\$ billion
- Annual growth rates

# Local vs. Foreign Debt

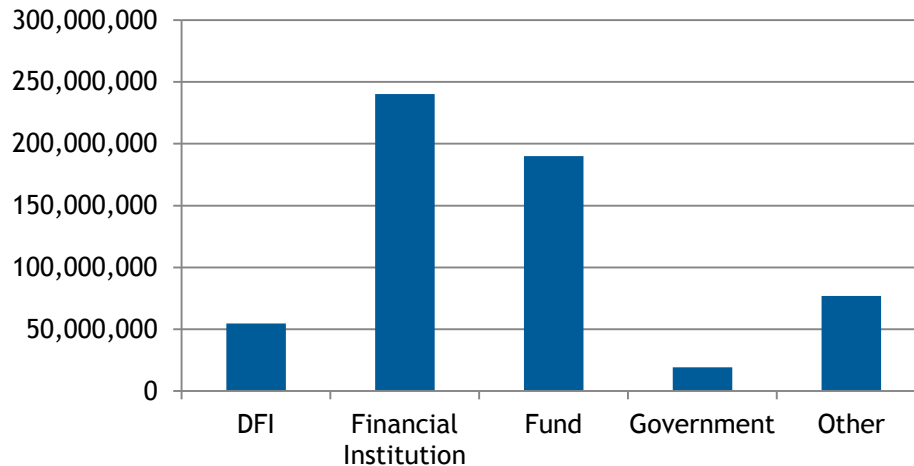


There is a relatively equal split between local and foreign borrowings, even as local funds are more expensive than foreign, approaching ten percent interest rate on loans to MFIs.

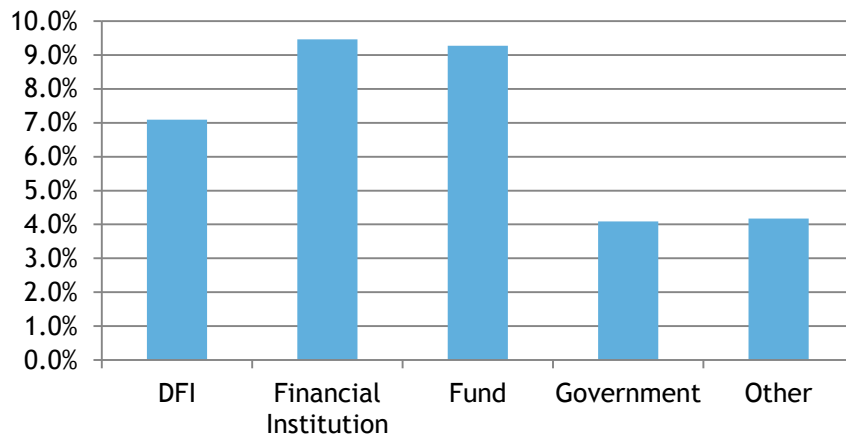
Source: Mix Market: [Funding Structure](#)

# Sources of Debt Financing

Amount (USD), total



Rate, weighted average



Nearly three quarters of borrowings come from financial institutions and funds, which are also the lenders charging the highest interest rates to MFIs.

# Table of Contents

**Overview of the Microfinance Sector  
in SSA**

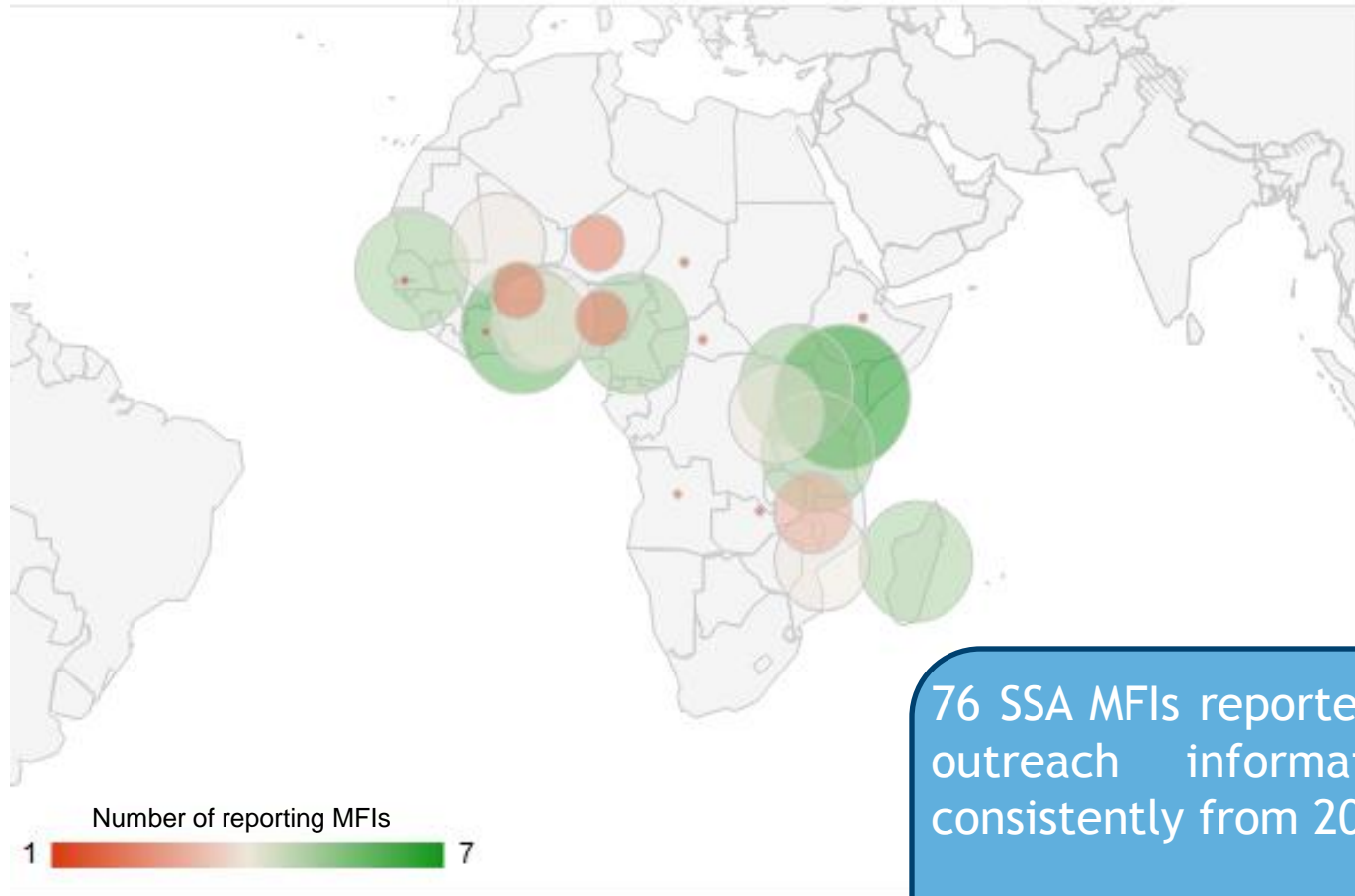
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Providers**

**Regulatory Environment**

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Context**

# Five Year Trend Analysis

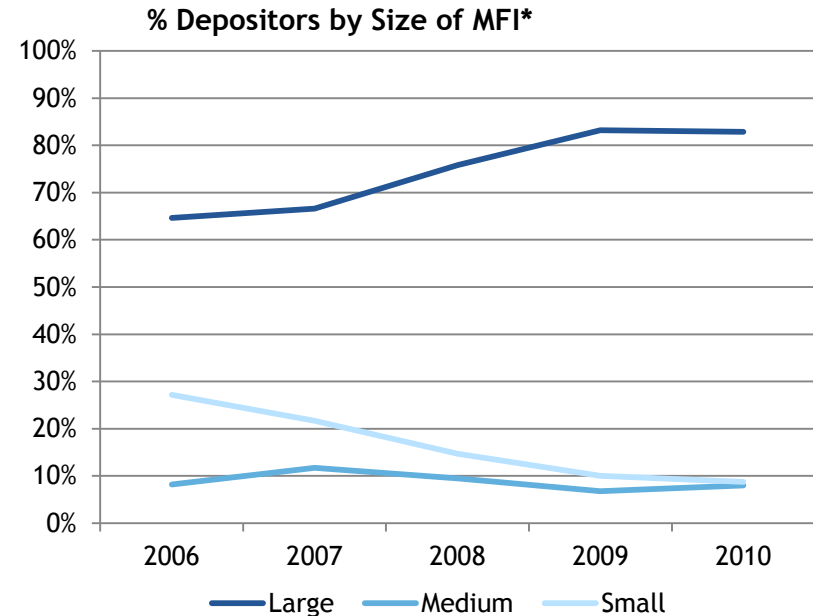
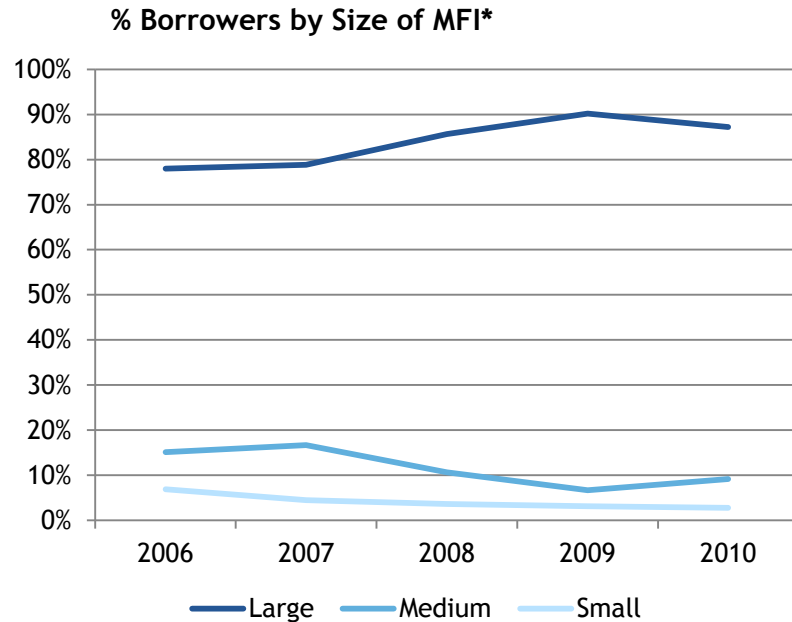


76 SSA MFIs reported financial and outreach information to MIX consistently from 2005-2010.

The following slides will be based on these MFIs.

Source: Mix Market: Cross Market Analysis data download

# Market Coverage by Size of MFI

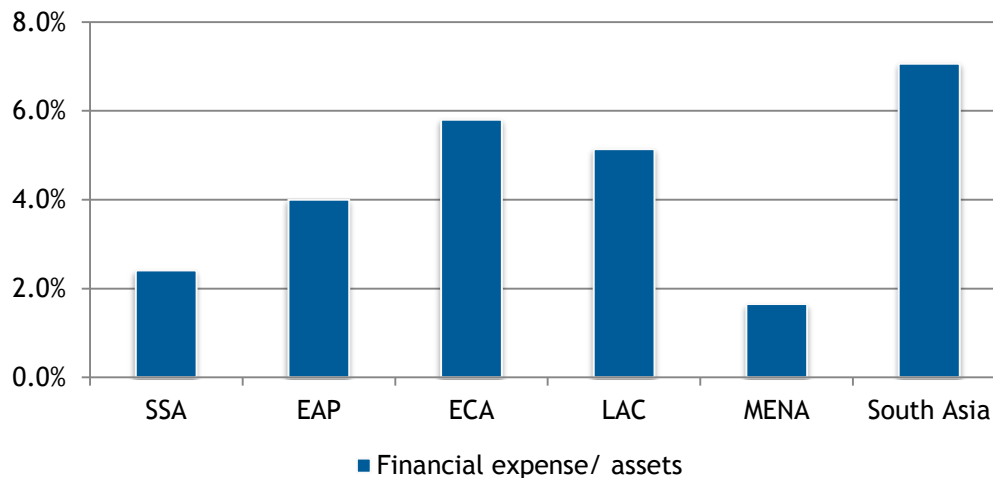


Large MFIs have the lion's share of client outreach across SSA but are experiencing slowed growth rates in both borrowers and depositors.

\* Size based on number of borrowers: small: <10,000, medium:  $\geq 10,000 \leq 30,000$ , large: >30,000

# Low Financial Expenses Due to Deposit Focus

**Financial expense ratio**



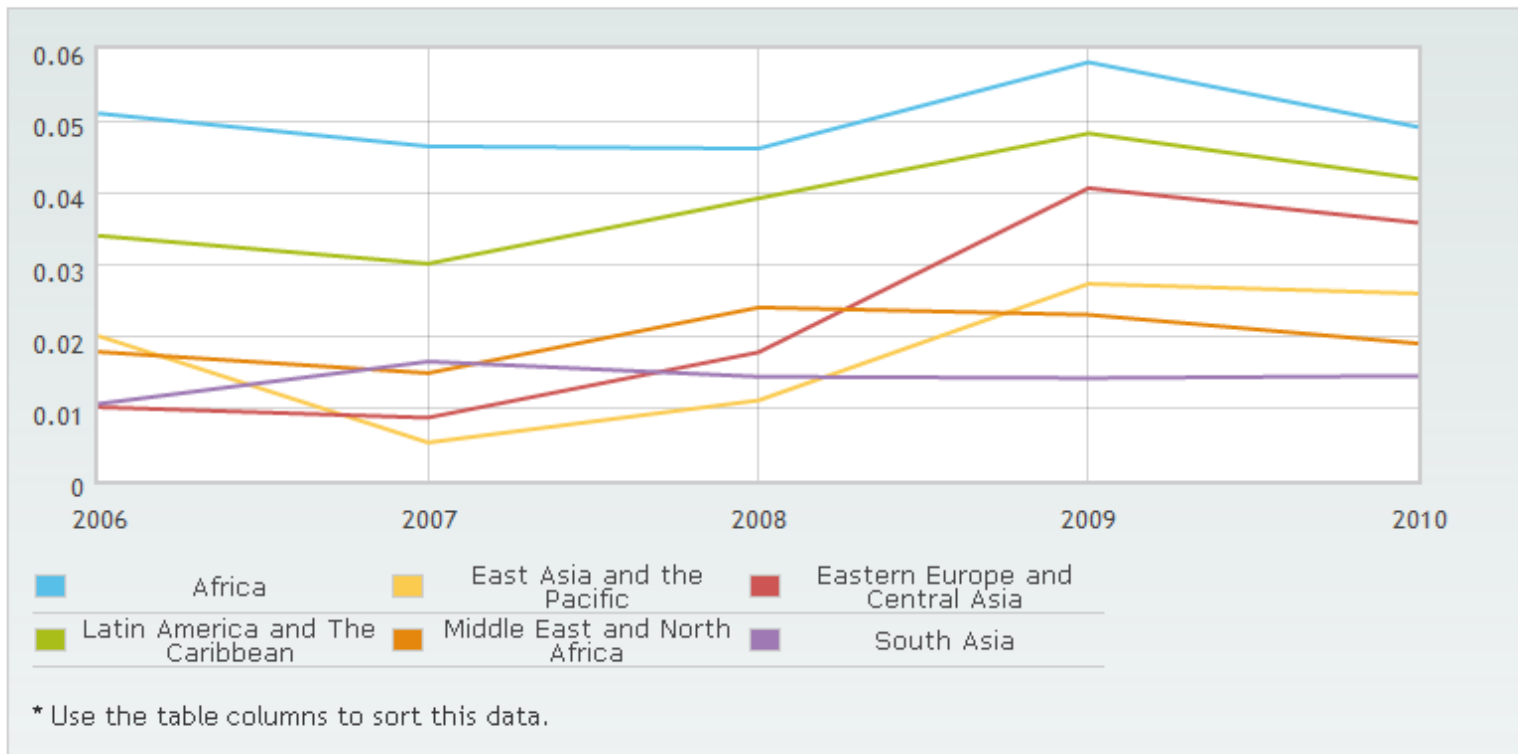
Africa maintains the second lowest financial expense ratio (second only to MENA, where there is little debt-financing with a greater focus on equity).

With such a large focus on deposit mobilization, MFIs in SSA overall require a smaller percentage of external debt, leading to a low financial expense ratio.



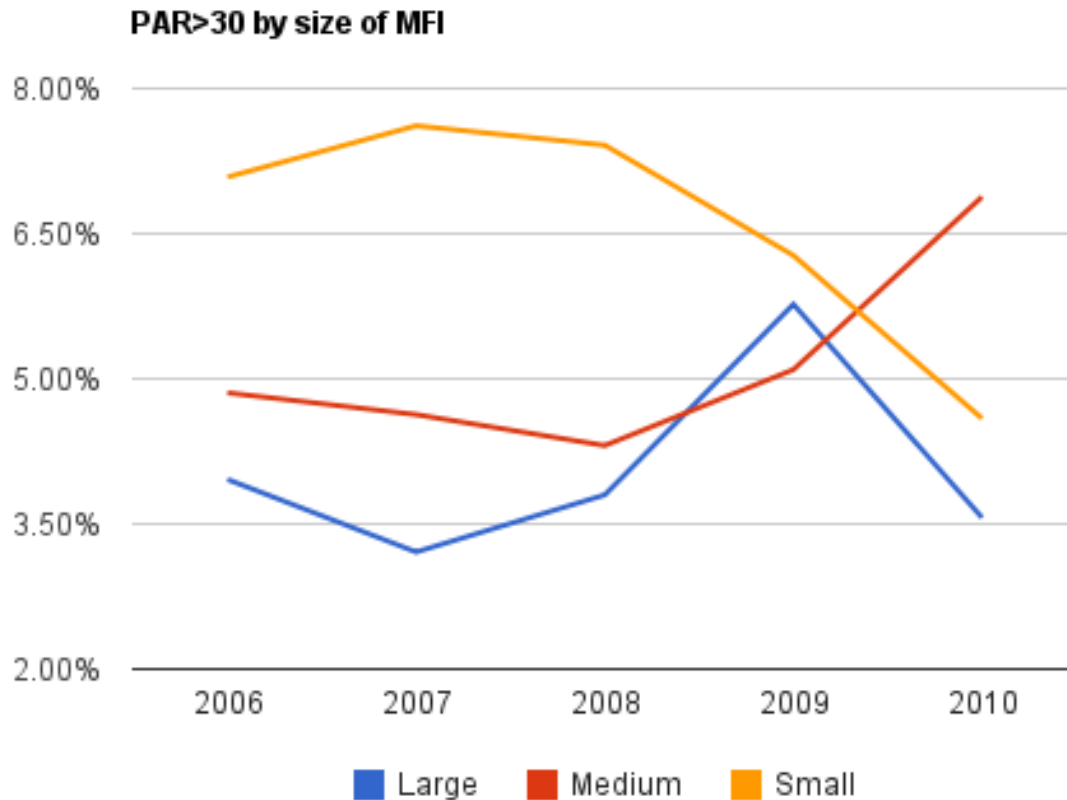
# Risk: SSA in a Global Context

Portfolio at risk > 30 days (median)



SSA has had the highest risk of all regions in the past five years, though PAR>30 decreased slightly in 2010.

# Medium-sized MFIs Face Greatest Challenges with Risk



Source: Mix Market: Cross Market Analysis data download

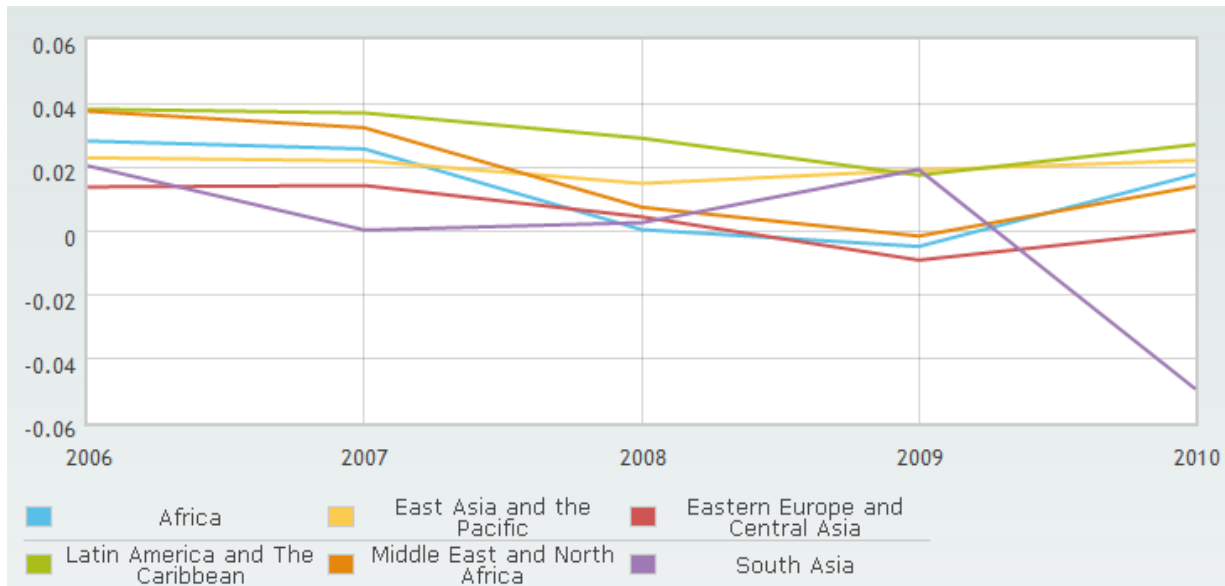
Large and small MFIs saw a drop in PAR>30, though medium MFIs did not.

The contraction in borrowers among large and small MFIs may have allowed them to better focus on the repayment from existing clients.

In contrast, medium MFIs may have struggled with the growing pains of increasing numbers of borrowers and depositors in 2010.

# Returns: SSA in a Global Context

ROA (Weighted Avg)



Source: Mix Market: [Cross Market Analysis](#)

SSA returns on assets are on par with all regions other than South Asia, which saw a large drop due to the microfinance crisis in India

However, median returns are lower, indicating that smaller MFIs are less profitable than other regions

# About MIX and CGAP

## About MIX

MIX is the premier source for objective, qualified and relevant microfinance performance data and analysis. Committed to strengthening financial inclusion and the microfinance sector by promoting transparency, MIX provides performance information on microfinance institutions (MFIs), funders, networks and service providers dedicated to serving the financial sector needs for low-income clients.

MIX fulfills its mission through a variety of platforms. On MIX Market ([www.mixmarket.org](http://www.mixmarket.org)), we provide instant access to financial and social performance information covering approximately 2,000 MFIs around the world. Our publications, *MicroBanking Bulletin* and *MIX Microfinance World*, feature thorough and timely analysis based on qualified data and research.

## About CGAP

CGAP is an independent policy and research center dedicated to advancing financial access for the world's poor. It is supported by over 30 development agencies and private foundations who share a common mission to alleviate poverty. Housed at the World Bank, CGAP provides market intelligence, promotes standards, develops innovative solutions and offers advisory services to governments, microfinance providers, donors, and investors. For more information, visit <http://www.cgap.org>.