• Origins and major models of microfinance
• Overview of industry’s growth
• Key players in the market
• Potential demand for microfinance
• Target clientele of microfinance
• What the future holds: Three scenarios for 2015.
Origins and main microfinance models

- Rotating Savings and Credit Associations (ROSCAs), savings clubs, moneylenders
- European credit co-operatives
- Group-based model: Grameen Bank, ACCION International
- Individual model
- Social and financial objectives
Overview of the microfinance industry’s growth

The chart illustrates the growth of microfinance institutions (MFIs) from 1997 to 2004. The number of clients has significantly increased over the years, with a notable growth in 2000 and 2001. The number of MFIs also shows a steady increase, with a particularly significant rise from 2000 to 2001. The graph is color-coded to distinguish between the poorest clients, total clients, and the number of MFIs.
Regional distribution, 2004 (percentage of total clients)

- Asia: 87%
- Middle East and others: 1%
- Africa: 8%
- Latin America: 4%
Key players in the microfinance market

- 70% Unprofitable MFIs
- 20% Mostly NGOs
- 8% Successful smaller MFIs
- 2% Mature MFIs
Potential demand for microfinance

• Exact size of the microfinance market is difficult to assess
• Estimates of supply range from US$8bn to US$30bn
• World Bank estimates a potential demand of US$300bn.
Current sources of microfinance (total of US$30 billion)

- Foreign debt: 17%
- Foreign equity: 5%
- Foreign guarantee: 2%
- Domestic debt: 16%
- Domestic equity: 12%
- Domestic guarantee: 1%
- Deposits: 47%
Targets of the microfinance industry

• Depends on objectives of the microfinance provider and the perceived demand
• Natural clientele: the financially excluded from formal markets or “unbankable”
• The target group ranges from ultra-poor to small but growing businesses
• Clientele selection driven by two long-term aims: Outreach & Financial Sustainability
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Future of microfinance

Three scenarios for the future of microfinance in 2015:

• Commercial Pullback
• Unequal Development
• Systematic Integration
Commercial Pullback

- Loan portfolio grows to US$ 15 bn
- Involvement of commercial players evaporates
- Donor-supported industry stagnates
- Very few commercially sustainable MFIs
- Very limited product innovation
- Polarised MFIs: big & tiny
Unequal Development

Loan portfolio predicted to grow to US$ 60bn due to assumptions:

• BRIC countries’ economic growth
• Mobile-phone technology widely used by MF industry

BUT

• MF not yet an asset class product
• Weakness in MF market remain
Systematic Integration

Loan portfolio predicted to grow to US$ 130 bn

Pre-conditions:
- Enhanced MFI information
- Enabling regulatory frameworks
- Advanced used of technology
- Strong Management Info Systems
- Greater stakeholder collaboration