

# **TRENDS & FUTURE OF MICROFINANCE INVESTMENT**

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***CGAP/MIX 2006: GLOBAL MEDIANS  
FOR MFI SHARES OF THE  
MARKET (BORROWERS)***

**In a global study of 2,300 MFIs:**

- **Median share of the largest MFI in a country = 1/3 of the country's market**
- **Median share of top 5 MFIs = 81%**
- **Median share of top 10 MFIs = 95%**

**Source: Adrian Gonzalez & Richard Rosenberg, CGAP, MIX 2006**

***MBB GLOBAL MEDIANS FOR LFIS  
& OTHER MFIS, 2006 (N=467)***

***85 LFIs (18%); 382 Others (82%)***

<b>Assets US\$M</b>	<b>No. of loans (000)</b>	<b>GLP US\$M</b>	<b>No.vol. savings acc'ts (000)</b>	<b>Value savings acc'ts US\$M</b>	<b>ROE (%)</b>
<b><i>LFIs</i></b>	<b><i>LFIs</i></b>	<b><i>LFIs</i></b>	<b><i>LFIs</i></b>	<b><i>LFIs</i></b>	<b><i>LFIs</i></b>
<b><i>81</i></b>	<b><i>67</i></b>	<b><i>55</i></b>	<b><i>83</i></b>	<b><i>27,710</i></b>	<b><i>11.5</i></b>
<b><i>Others</i></b>	<b><i>Others</i></b>	<b><i>Others</i></b>	<b><i>Others</i></b>	<b><i>Others</i></b>	<b><i>Others</i></b>
<b><i>7</i></b>	<b><i>12</i></b>	<b><i>5</i></b>	<b><i>0</i></b>	<b><i>0</i></b>	<b><i>6.4</i></b>

# ***NEW KINDS OF COMPETITION***

- **Multinational banks (wholesale & retail CMF)**
- **Downscaling banks & upscaling NGOs**
- **Retailers creating banks low end of market:  
Banco Azteca & Banco Wal-Mart (Mexico) – or  
partnering with banks -- Nakumatt  
Supermarkets & Equity Bank (Kenya)**
- **Cemex Cement Company & others**
- **Mobile phone companies: Clients use cell  
phones to open accounts, check balances, pay  
bills, transfer money, and more.**

# **IMPACT OF INCREASED COMPETITION**

- **Increased efficiency**
- **Lower interest rates**
- **Increased MFI knowledge of the CMF market & better service to clients**
- **Failures, acquisitions, mergers (domestic & international) + innovative startups**
- **Wider outreach**
- **More attention to market position**

# **INNOVATIONS: PRODUCTS & METHODOLOGIES**

- **Demand-driven products designed for large scale outreach**
- **Emphasis on product delivery – a more difficult problem than product design**
- **Increasing emphasis on MIS & technology to improve efficiency & achieve profitable outreach to remote & sparsely populated areas**

# **MICROFINANCE RISKS IN A RAPIDLY GROWING INDUSTRY**

- **Some basic characteristics of microfinance are substantially different from banking -- including risks, costs, pricing, & management.**
- **Risks for new entrants not yet well understood**
- **Over-investment a risk at this stage of industry development**

## ***WHY IS CMF IRREVERSIBLE?***

- **Now known that CMF can be provided profitably on a large scale**
- **Still vast unmet demand**
- **Industry leaders access financial markets**
- **Advancing technology promotes efficiency, lowering costs**
- **CMF merging into financial sector**