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IDRC CRDI

National Impact Study of Microfinance in Egypt

Presentation of Survey Objectives and Preliminary Findings

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Magdy Moussa, Director – Middle East
PlaNet Finance www.planetfinance.org

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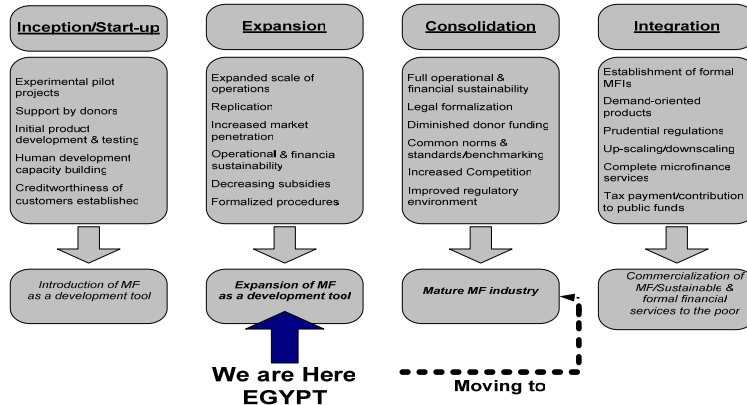
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I.1 Context of the Study

The sector in Egypt has developed with around 900 000 active clients

However, current outreach and microfinance service mix does not necessarily cover all of the financial services' needs of clients.



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I.2 Objectives of the Study

OVERALL OBJECTIVE

Help Microfinance stakeholders in Egypt ensure a sustainable and effective expansion of the microfinance sector, and that microfinance is fulfilling its social mission in terms of poverty alleviation, economic development and empowerment,

Specific objectives

- **quantifiably assess to what extent participation** in a microfinance program has **had a positive impact** on micro-business development and poverty alleviation.
- **serve as a basis for new product and service development as well as market stratification**, providing MFIs with valuable information on how to better serve their current clients and develop a competitive strategy for expansion.
- **provide policy makers and regulatory bodies with useful information related to the state of a microfinance sector and its needs** in terms of legal framework and industry-building.

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I.2 Objectives of the Study

GENERAL OUTCOMES

- 1 – How are the characteristics of the financial services related to better impact ?
- 2 – How are the non financial services related to a better impact?
- 3 – Is there a greater impact when women borrow?

SPECIFIC OUTCOMES

- Reveal socio-economic characteristics
- Assess investment practices
- Measure impact on the household, women's empowerment, and accumulation of wealth
- Evaluate the demand
- Produce an index for the sample based on asset accumulation
- Assess clients' satisfaction, as well as reasons for **drop-out**

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I.3 Organization of the Study

SEPTEMBER 2007- NOVEMBER 2007

- **PlaNNet Finance:** defining the methodology - coordinating the population sample and manage data collection - analyzing results using the IKM methodology and - producing recommendations for sector's growth and development.
 - **Microfinance Institutions:** involved as strategic partners in the data collection phase, in line with the geographical distribution of the sample.
- The **diversity of microfinance service providers**, as well **diversity of donors**, have been represented: the sample includes specialized NGOs, as well as Development oriented NGOs with Microfinance Component, as well as one bank.
- **Egyptian Research Team:** recruited by PlaNNet Finance, trained and managed the work of the data collection team, in order to carry out 2500 interviews, coding, cleaning, data entry and produced the SPSS database of results.
 - **IDRC/SMEPoI, GTZ, SFD/UNDP, FME:** Financial sponsors of study and members of the Steering Committee.

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Methodology

- 2.1 Quantitative and Qualitative Approaches
- 2.2 Comparison of Clients by Duration of Participation
- 2.3 Sampling
- 2.4 Indicators

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2.1 Quantitative and Qualitative Approaches

Quantitative Approach:

Questionnaires for comparing results

Ask all the following questions to each client type (new, mid, old & drop outs)

1. Demographic and Household Information							
A. General Information							
1.1	Age						<input type="checkbox"/>
1.2	Gender	Female			Male		<input type="checkbox"/>
		1			2		
1.3	Marital Status	Married	Single	Divorced	Widow	Separated	Khale'
		1	2	3	4	5	
1.4	Education Grade Completed	No Education		Less than High School	High School	Diploma	University
		1	2	3	4	5	
1.5	If you receive a letter, would you be able to read it?				Yes	No	<input type="checkbox"/>
					1	2	<input type="checkbox"/>

Qualitative Approach:

Focus Group discussions



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2.2 Comparison of Clients by Duration of Participation

DURATION OF PARTICIPATION IN A MICROFINANCE PROGRAM

- Old Clients: More than 36 months of participation
- Medium Clients: 6 – 36 months of participation
- New Clients: Less than 6 months participation
- Drop-Out Clients: Have left a program at least 6 months ago

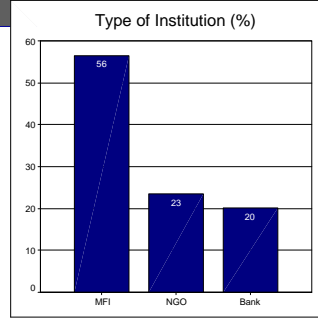
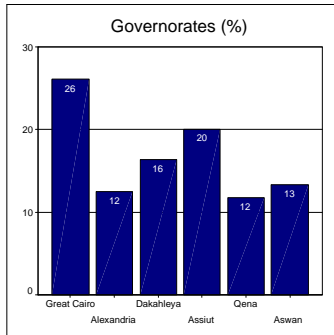
New	29 %
Medium	31%
Old	26 %
Drop-Out	14 %
TOTAL	100%

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2.3 Sample

Proportional distribution of clients based on market penetration per MFI's type



National geographic coverage representing microfinance all across Egypt



2.4 Indicators

ECONOMIC INDICATORS

- Sales
- Profits
- **Investments**
- Number of employees
- Access to inputs



HOUSEHOLD INDICATORS

- Income
- Consumption
- **Accumulation of assets**
- Education of children



INDIVIDUAL INDICATORS

- Contribution to budget
- Empowerment
- Feeling of serenity
- Time/Attention to Home
- Health
- Nutrition



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Socio-Economic Characteristics

- 3.1 Profile of the Average Egyptian Microentrepreneur
- 3.2 Asset Ownership Index (quintiles)
- 3.3 Economic Activities

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3.1 Profile of the Average Egyptian Microentrepreneur

- Married man
- 39 years old
- No Formal education
- Working in Trade sector
- Selling in a shop that is not registered
- In activity for more than 6 years
- Has less than 500 EGP monthly Profit

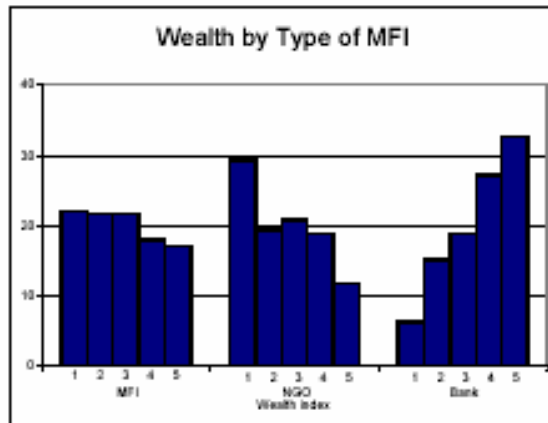


A client from Bank Misr, during the interview in Deshna (Qena Governorate)

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3.2 Asset Ownership Groups (quintiles)



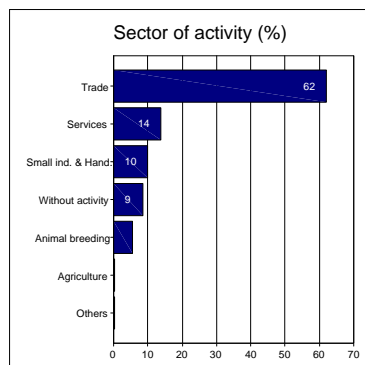
- MFIs cover homogenously all wealth groups, while the majority of the NGOs clients fall in the poorest wealth group.
- Banks are the only institution that target primarily richer clients, with the majority of its clients falling into the richest wealth group.

Chart 9 : Wealth by type of MFI



3.3 Economic Activities

TRADE THE MOST IMPORTANT SECTOR OF ACTIVITY



MFIs are the MOST IMPORTANT FORM OF BUSINESS FINANCE after Self Financing

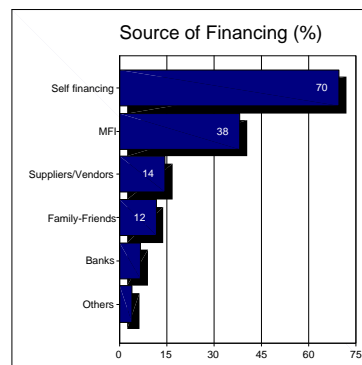




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Impact Evaluation

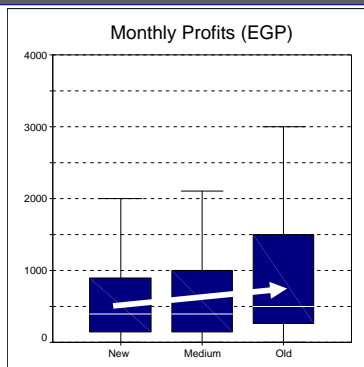
4.1 Impact on Economic Activity and Household

4.2 Perception of Impact

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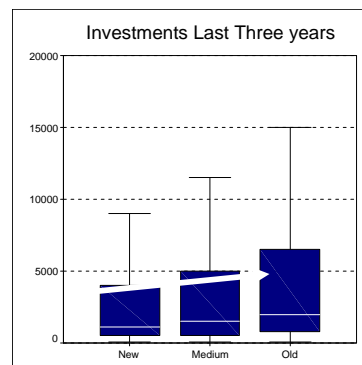


4.1 Impact of Economic Activity and Household



25 % more in monthly profits

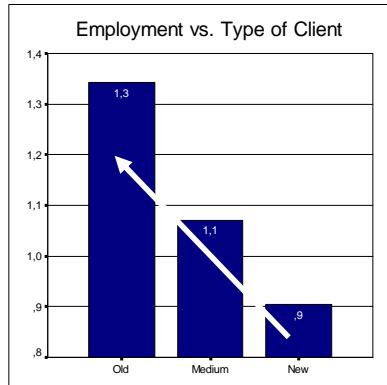
Twice as much in business investment



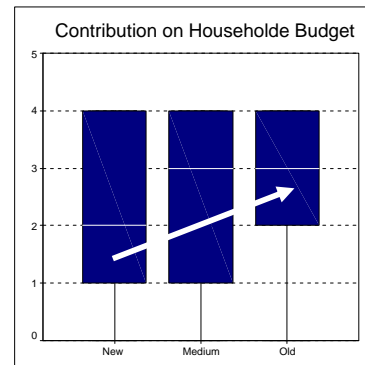
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4.1 Impact on Economic Activity and Household



More employees



Greater contribution to household budget

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4.2 Perception of Impact

POSITIVE perception of impact on AUTONOMY AND SELF-ESTEEM

- 76 % declare positive impact on their **sense of autonomy**
- 46% declare that microfinance contributes to **improve respect of their spouse.**

POSITIVE IMPACT ON FOOD, EDUCATION, AND HEALTH

- 50 % positive change in their **quality or quantity of food**
- 40 % positive change in their **level of education**
- 40 % **improved health**

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- 7.2 Credit Demand
- 7.3 Demand for Other Products and Services

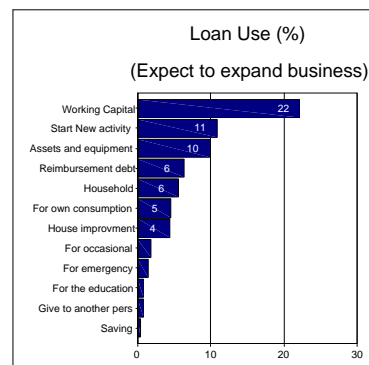
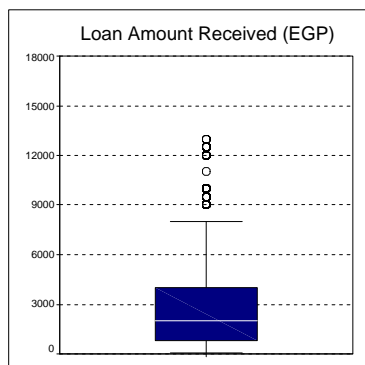
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5.1 Loan Amounts and Use

MEDIAN LOAN AMOUNT: 2000 EGP

72% USE LOAN PRIMARILY TO EXPAND THEIR BUSINESS

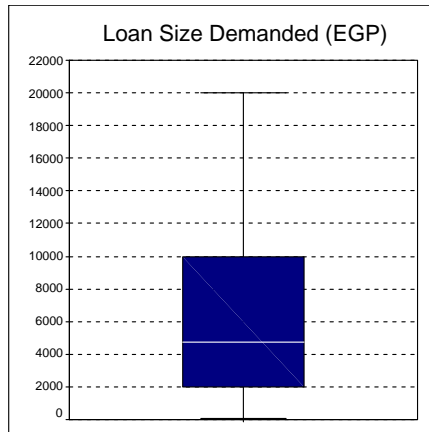


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5.2 Credit Demand

- The median loan size is **4,750 EGP**
- Interest rate of **13% effective**
- Women desire **smaller** loan amounts than men
- Registered business desire **larger** loan amounts than informal activities
- 13% interested in **Islamic loan products**, even if more expensive than conventional loans

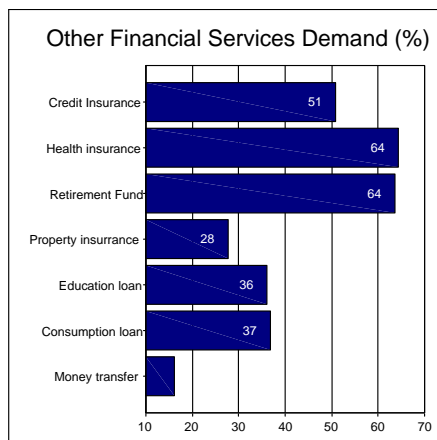


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5.3 Demand for Other Products and Services

- 64% interested in **health insurance**
- 64% desire a **retirement/pension fund**
- 51% desire **credit insurance**
- 34% interested in MFI-offered **savings accounts**



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Perspectives and Conclusions

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6. Perspectives and Conclusions

MICROFINANCE IN EGYPT SUCCEEDS IN ITS ROLE

- MFIs represent nearly the **only external source of finance available** for the economically active poor
- Microfinance has lead to **increased revenues, business investments and job creation** for clients
- Microfinance has lead to **improving nutrition, access to health and education services** for clients
- Microfinance has contributed to an **overall feeling of well-being and positive self-esteem** for microentrepreneurs

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6. Perspectives and Conclusions

HOW CAN MICROFINANCE INCREASE ITS IMPACT ON POVERTY ALLEVIATION?

- MFIs can increase their impact on poverty alleviation by developing new products and services that fit the needs of every type of client, extending to a wider range of services
- By focusing on better services to clients on the upper end of the “asset accumulation” spectrum, MFIs will optimize impact on job creation and the stimulation of the small enterprise sector.
- Likewise, by concentrating efforts on graduating clients into higher wealth groups and better businesses, the impact of microfinance on key poverty indicators will be improved.

..... **To be continued after completion of the study**

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**We thank you for
your kind attention
and swift action**

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