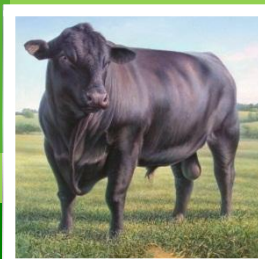




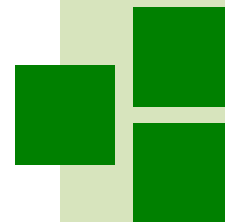
“Fund for Financial Support of Agriculture” JSC



The Role of Microfinance in Financial Inclusion: Kazakhstan

www.fad.kz

CEO of “Fund for financial support of agriculture” JSC – Narmukhan Sarybayev





Financial inclusion. What do we mean?

Deposits



Leasing

Loans



Insurance

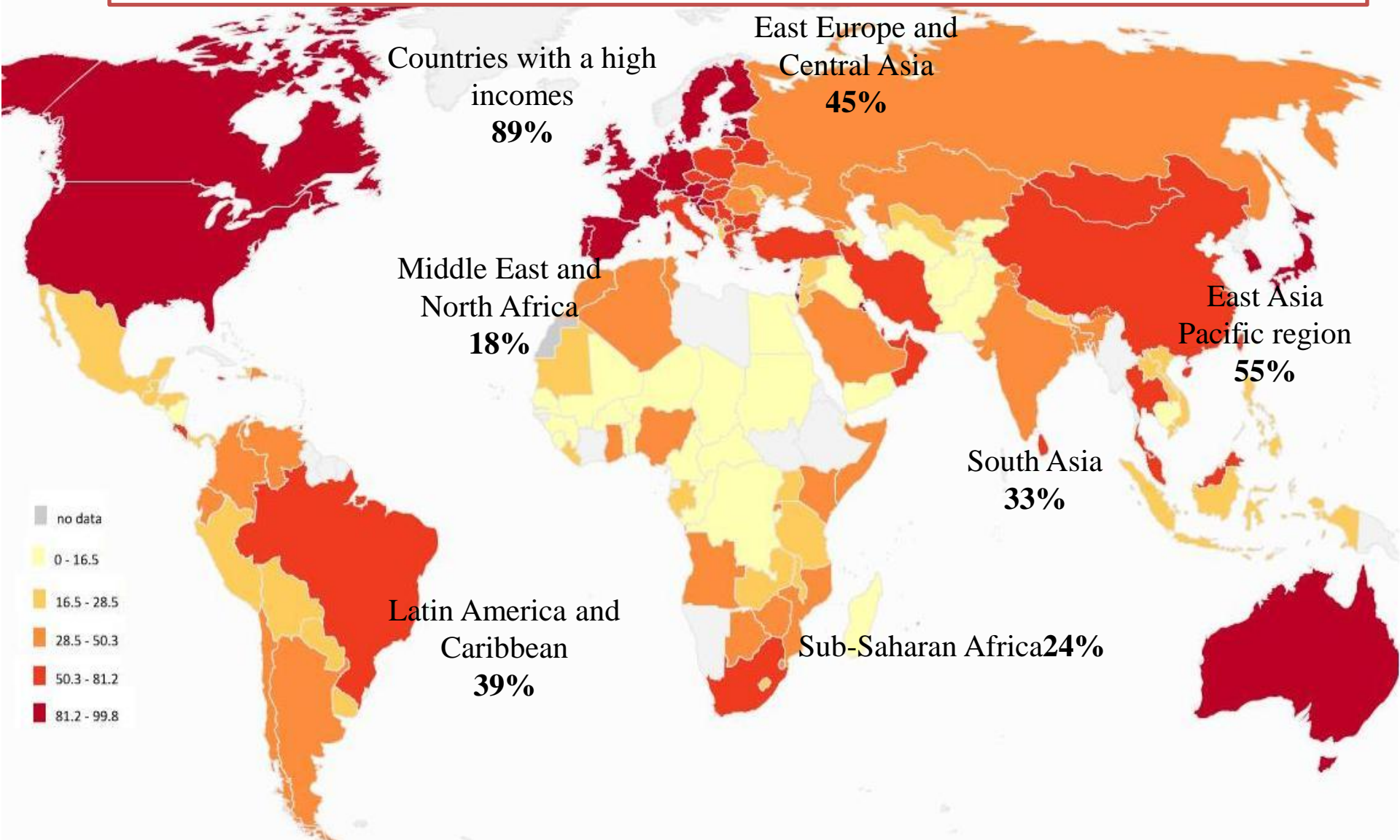
Microloans

Payment
and Cash
services



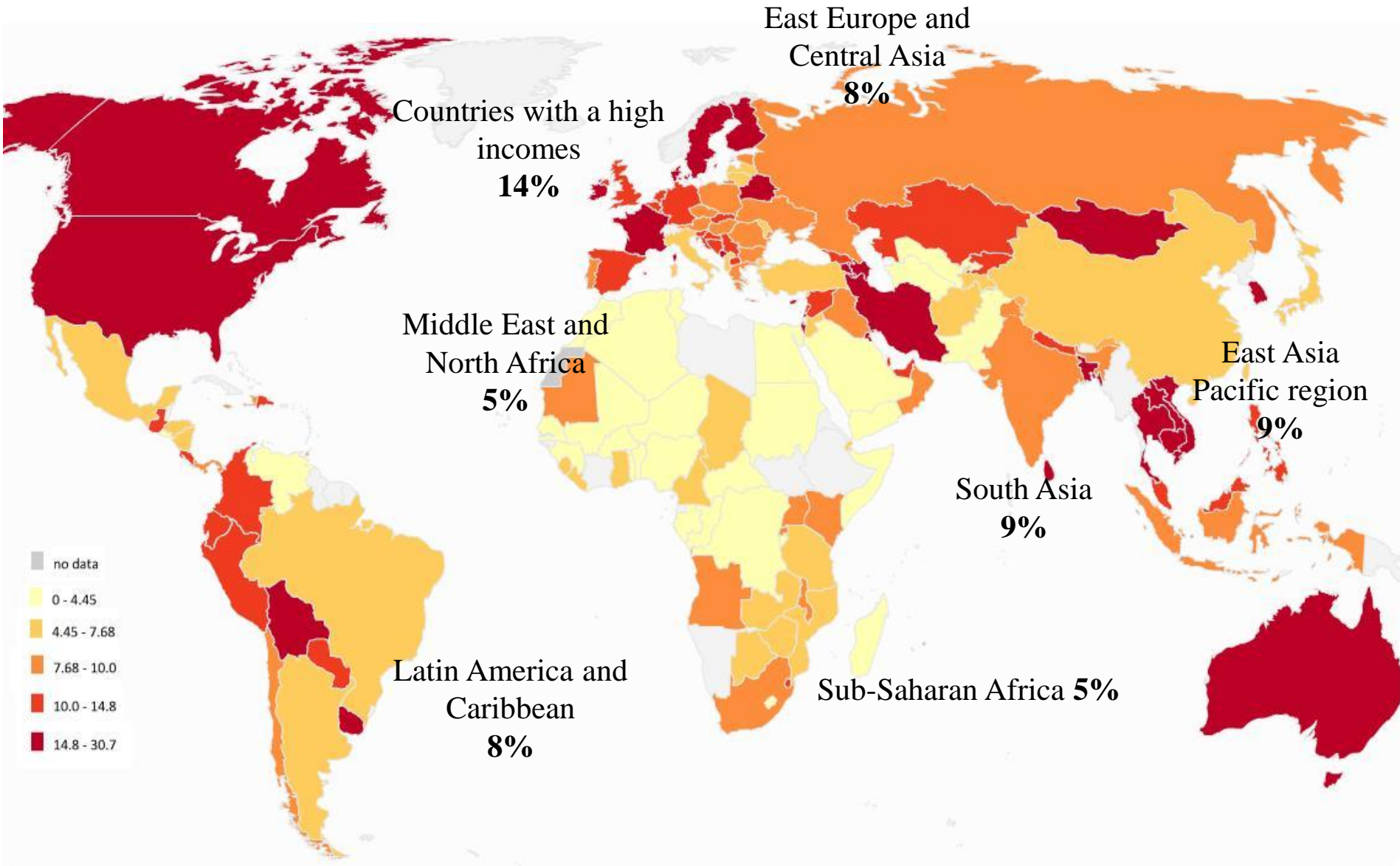
Adults above 15 age with an account at a formal financial institution

Worldwide, approximately 2.5 billion people do not have a formal account at a financial institution.





Adults obtaining a new loans from a formal financial institution





The main barriers to access

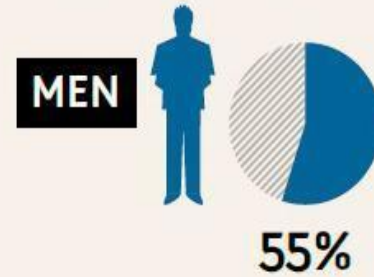


WHO ARE THE UNBANKED?

The Global Findex shows gaps in financial inclusion across demographics, with women, the poor, youth, and rural residents at the greatest disadvantage.

GENDER:

Have an account at a formal financial institution, worldwide:



AGE

WORLDWIDE

THOSE AGED 15-24 ARE

33%

LESS LIKELY

to have an account, and

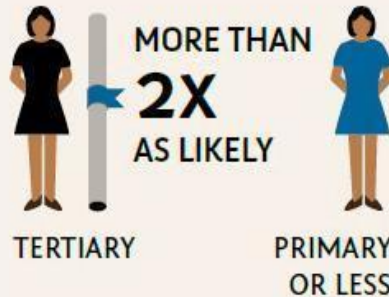
40%

LESS LIKELY

to have saved formally

(compared to those aged 25-64).

EDUCATION



In developing economies, adults with a tertiary education are more than twice as likely to have a formal account as those with a primary education or less.

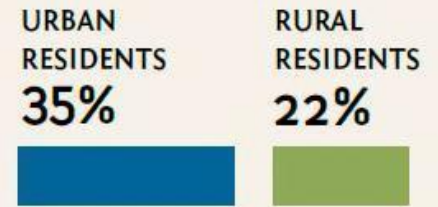
INCOME



In developing economies, the richest 20 percent of adults in a country are more than three times as likely to save in a formal financial institution as the poorest 20 percent of adults.

RESIDENCE

Have a formal account, in low-income economies:





Why it is not the banks?

Socially vulnerable population



Irregular incomes

Lack of the credit history

Lack of collateral

Illiteracy (including financial illiteracy)

High costs due to the small size of the loans and remoteness from cities



The role of MFI

MFI is an effective instrument of reducing barriers



BUT!!!

High cost of services

Risk of further clients
economic situation
deterioration and over
indebtedness of the
borrowers



Possible solutions of the problems

High cost of services



- Innovation to the business processes
- Mobile banking

Risk of further clients economic situation deterioration and over indebtedness of the borrowers



- Microfinancing in accordance with Islamic principles, in which the risk of default is shared between the lender and the borrower
- Development of Credit Bureau
- Monitoring of MFI activities



Infrastructure development

- Financial institutions support with the aim to improve accessibility of financial services to socially vulnerable population
- Credit bureaus development
- Providing opportunities to expand financial services

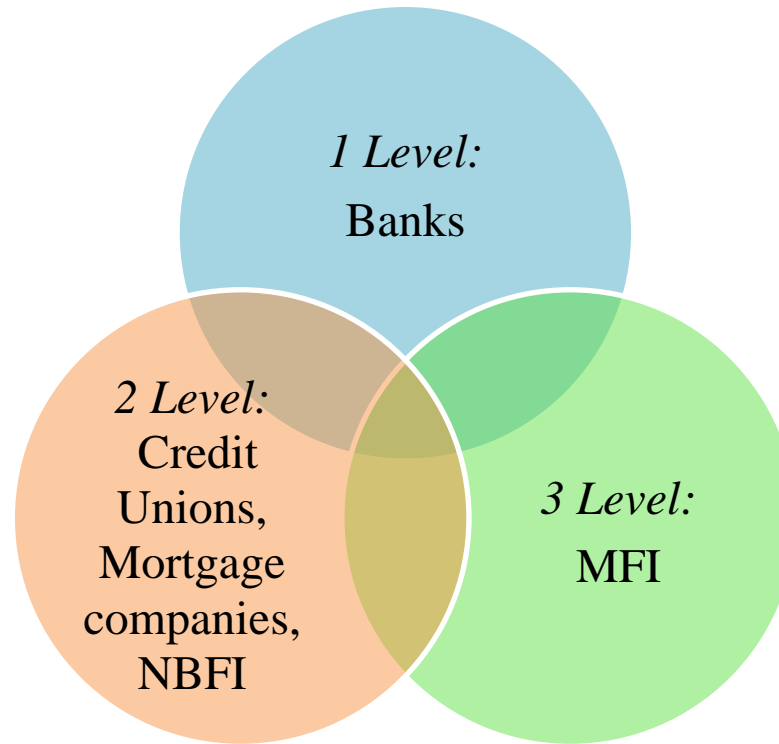
Regulation of financial sector

- Monitoring of financial institutions with the delineation of the provided services
- Consumer protection
- Competition protection



Three-tier credit system in Kazakhstan

- Credit Unions – loans, deposits, leasing to Credit Unions members; cover medium and upper level farmers
- NBFIs – services and coverage depend on the companies aims

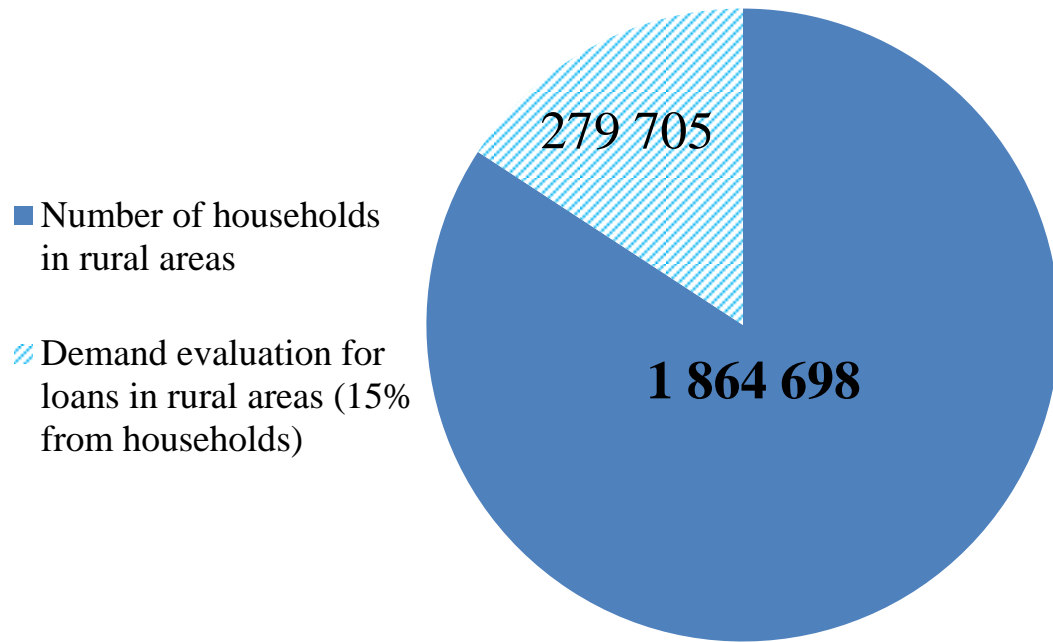


- Services: Payment and Cash services, deposits, loans, leasing, safe deposit services, payment and credit cards, mobile and internet banking;
- Coverage: urban population, population with middle and high level income

- Services: Microloans, leasing;
- Coverage: urban population, population with middle and low level income, self-employed population, insignificant coverage of rural population

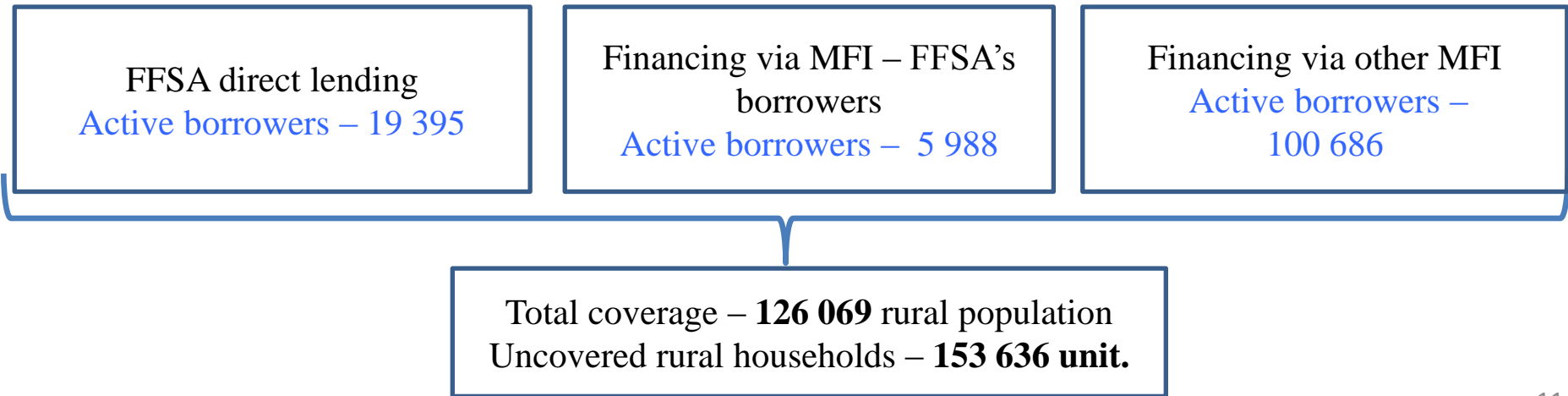


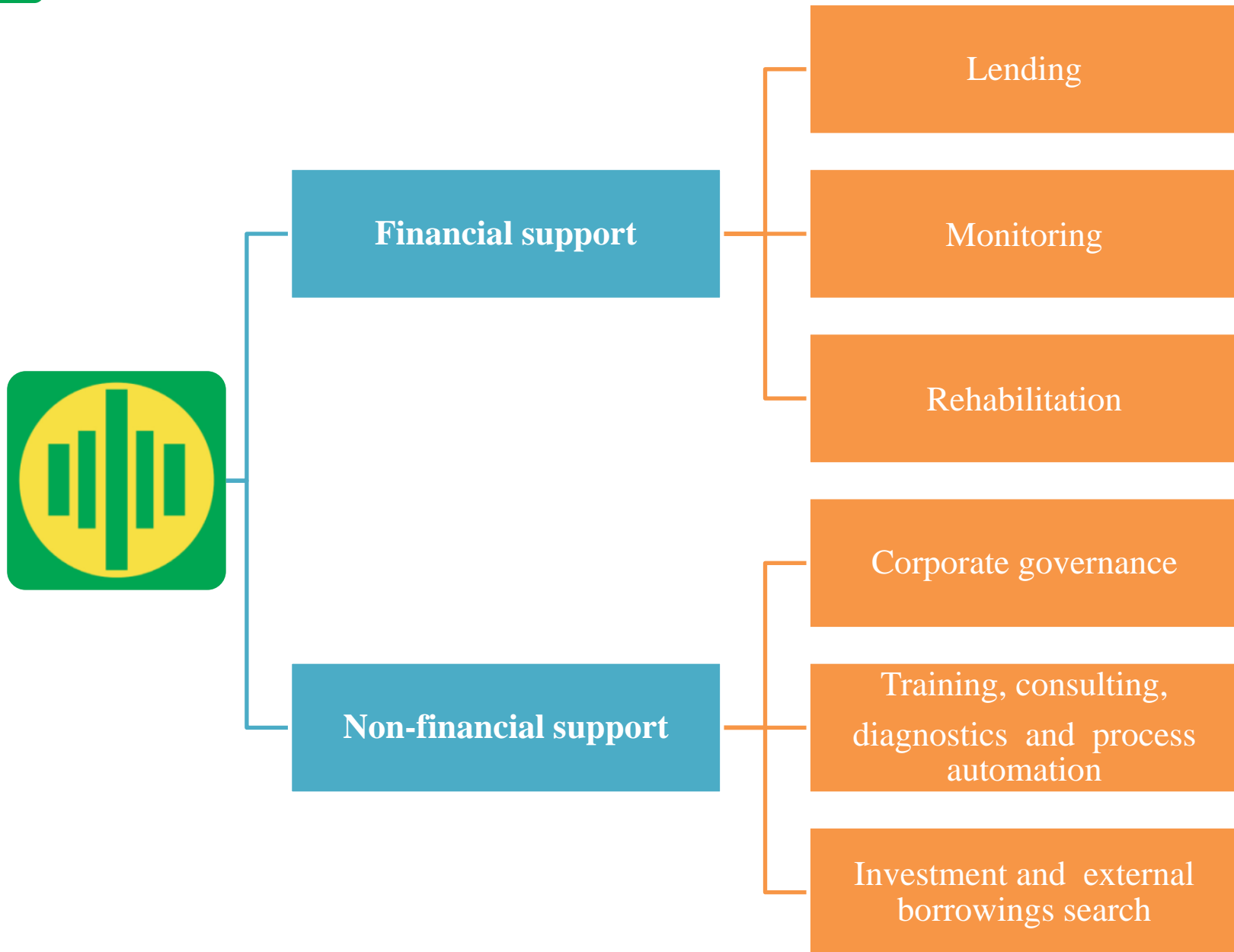
Evaluation of the rural population coverage level



DEMAND – 279 705 households

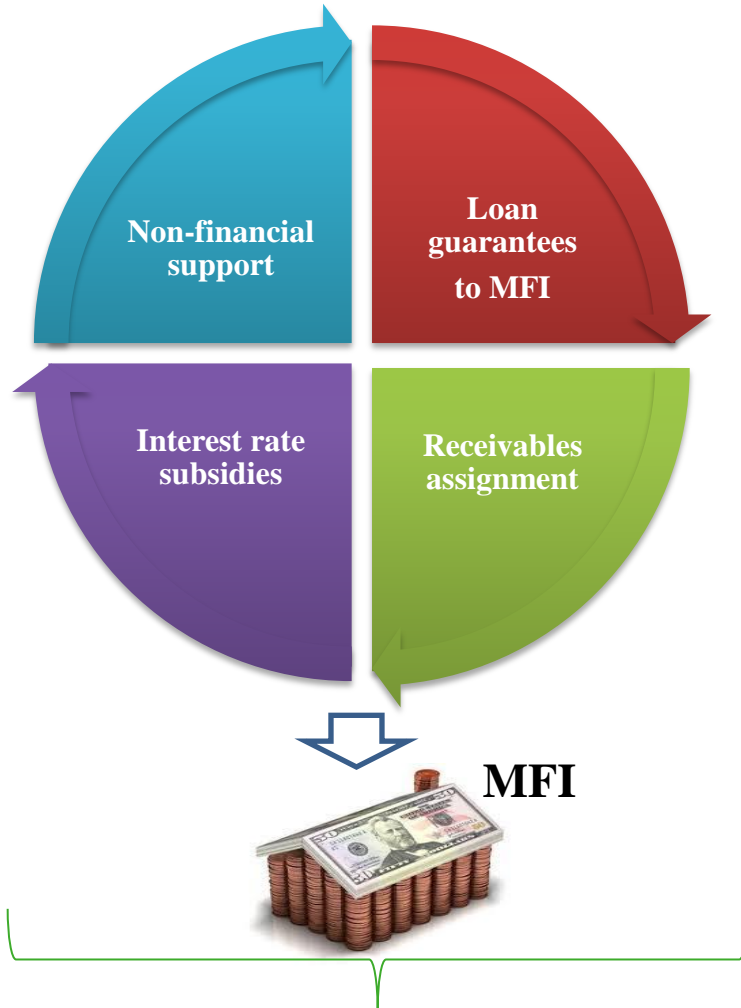
Coverage of rural population







New measures of rural MFI support



Financial support measures:	Non-financial support measures:
<ul style="list-style-type: none">• MFI lending without collateral under the existing loan portfolio of MFIs;• Loan guarantees to MFI at other organizations and second-tier banks;• Subsidizing interest rates for MFIs	<ul style="list-style-type: none">• Introduction of project managers in the regions to oversee MFI activities;• Range of consulting services, technical diagnostics and monitoring of MFI;• Strengthening MFI human capacity;• Creating communication and information area for MFI themselves, investors, customers and etc., which includes:<ul style="list-style-type: none">- Creation of a single automated system.- Creation of a single microfinance portal

INCREASING COVERAGE LEVEL OF RURAL POPULATION



**Thank you for your
attention!**