Microfinance: Misconceptions

- Not profitable, a social welfare measure
- Not for mainstream financial institutions
- Limited scope
Not profitable?

Return on assets (%), MFIs vs. Commercial Banks (Mean), 2005

Not profitable?

PaR-30 (Portfolio-at-risk for more than 30 days), Average for Bolivia, Colombia, El Salvador, Mexico, Nicaragua and Peru
Are financial institutions interested?

Limited scope?

BancoSol (Bolivia): From Mono to Multi-product

<table>
<thead>
<tr>
<th>Year</th>
<th>Credit</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>Solidarity Group, Individual</td>
<td>Savings accounts</td>
</tr>
<tr>
<td>2000</td>
<td>Solidarity Group, Individual, Housing, Consumer</td>
<td>Fixed deposits, Utility bills</td>
</tr>
<tr>
<td>2003</td>
<td>Solidarity Group, Individual, Housing, Small business, Vehicle</td>
<td>Utility bills, Gold loans</td>
</tr>
</tbody>
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Behind the transformation
- Technology
- Innovation
- Transformation of MFIs
- Policy reforms

Why is microfinance important?

Percent of adult population without bank account, 2006
What needs to be done

- Promote a favorable legal, policy and regulatory environment for commercially sustainable microfinance

What APEC needs to do

- APEC Finance Ministers: adopt a financial inclusion agenda, with microfinance as a tool of choice
- Undertake policy initiatives
- Engage the private sector through ABAC and Advisory Group
Next steps for ABAC/Adv Grp

- Propose to APEC finance ministers
- Lobby individual finance ministries
- Disseminate report
  - Publication
  - Policy forum