Financial Inclusion Of Microfinance in Egypt

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An Overview on financial inclusion in MENA

• The level of financial inclusion in the Middle East and North Africa (MENA) region is one of the lowest worldwide.

• Only 18% of the population have access to financial services. (The percentage is 13% for enterprises)

• Meanwhile, access to financial services for enterprises is among the lowest worldwide. The challenges facing financial inclusion in the region manifest themselves on both the demand and the supply side of the financial sector.
Financial Inclusion in Egypt

- Financial inclusion has played a critical role in the economic empowerment of the poor in many countries.

  - At the end of March, there were a total of 2,732 branches belonging to the 38 banks working in the Egyptian market, whilst the number of ATMs reached 7,500. The number of debit cards reached 14.622m, compared to only 2.5m credit cards.

- The CBE needs to encourage greater financial inclusion, in addition to its role in achieving financial stability and pushing economic growth.
Financial Inclusion in Egypt

The CBE has launched three initiatives to support development and achievement of financial inclusion.

- They include an initiative to support financing small- and medium-sized enterprises (SMEs),
- To support the tourism sector,
- To support a real estate financing initiative for medium- and low-income individuals.
Overview on MSMEs in Egypt

• In Egypt, there are around 2.5 Million SMEs representing 75% of the total employed workforce and 99% of non-agricultural private sector establishments. Despite their importance, they are still facing several problems, in particular access to finance which a typical challenge in developing countries.

• In fact, 70% of non-OECD countries report SME financing gap compared to 30% in OECD ones.
Egypt's National Microfinance Strategy

“Building a National Strategy for Microfinance in Egypt: A Sector Development Approach”

• Is a project that aims to develop a strategic framework for increasing the efficiency and effectiveness of concerted governmental, non-governmental, and donor efforts to promote the development of microfinance in Egypt. Implemented by the Central Bank of Egypt (CBE) (represented by the Egyptian Banking Institute),
In Egypt, a microfinance law was issued as a presidential decree in 2014. The law regulating microfinance activities undertaken by companies and non-governmental organisations places them under the supervision of the Egyptian Financial Supervisory Authority, while banks will continue to be regulated by the Central Bank of Egypt.
CBE Initiative to MSMEs

- The Central Bank of Egypt (CBE) took an initiative in January 2016 to increase funds directed to the micro, small and medium enterprises (MSMEs) to EGP 200bn over the next four years at interest rates not exceeding 5%.
- In return, participating banks will be permitted to reduce their level of required reserves held at the central bank.
- The CBE obligated banks to direct 20% or more of their loan portfolios to MSMEs, many banks have achieved this share and more.
- The CBE aims to diversify the loans portfolio at banks operating in the Egyptian market, to prevent the concentration of funding to a single sector at the expense of others.
CBE Initiative to MSMEs

- The CBE required the banks to start preparing the infrastructure needed for MSMEs this include the establishment of a department specialized in financing MSME projects, in addition to departments for risk calculation, marketing and debt collection from the owners of these projects.

- In order to be able to extend the financial services provided to this segment and increase the benefits of the banking reform, The CBE is establishing a database for SMEs to serve bankers as well as policy makers, which is considered an important priority.
Thank You