



Demand for Microfinance in Laos

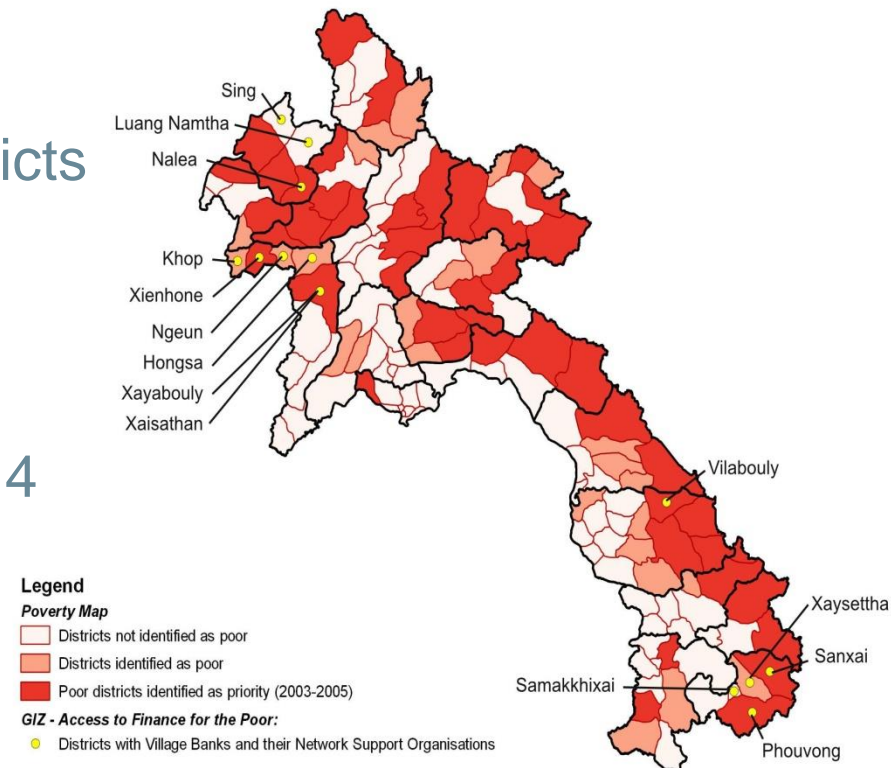
An Assessment of the Current Clients and the Future Potential of Microfinance in Rural Areas



	Slides
1. GIZ-Project: Access to Finance for the Poor	3
2. Basics of the Demand Assessment	5
3. Who are our Clients?	6
4. Financial Assets of our Clients	9
5. Financial Liabilities of our Clients	12
6. How much Credit Demand is still uncovered?	15

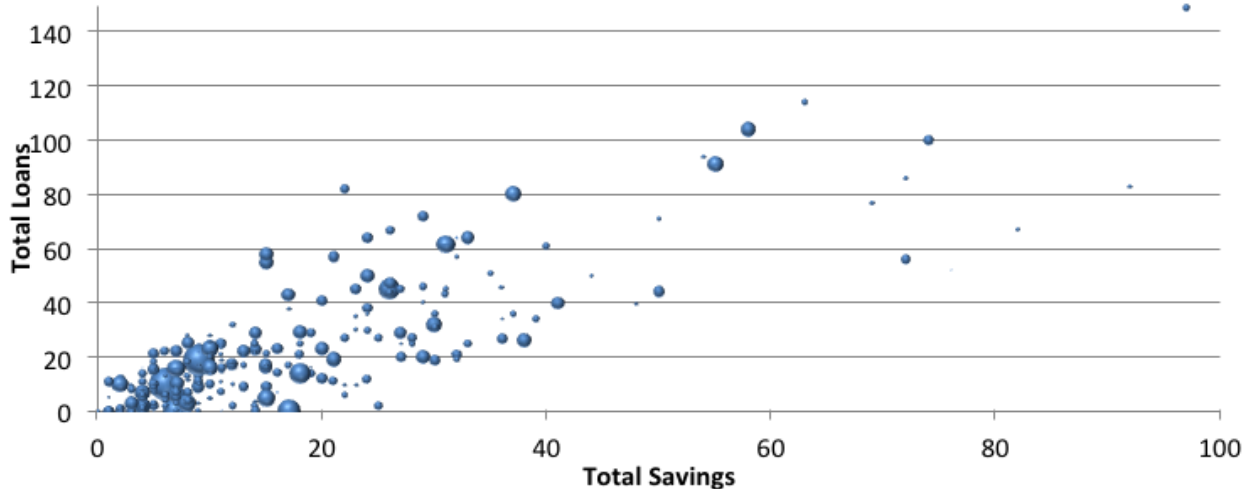
Key Facts:

- Operates on three Levels: Village Banks, Network Support Organizations and advice to Bank of Lao PDR
- Supports more than 260 Village Banks in remote and rural Laos
- Operates in 4 provinces / 14 districts
- Offers financial services to more 30.000 households in rural Laos
- Budget of 3.75 m EUR for 2011-14
- Started in 2009



Village Bank Characteristics (average values):

- Opens once a month
- Run by 4-5 committee members
- 60 members per VB (range 20 to 400)
- 28 m Kip accumulated savings
- 33 m Kip loan portfolio (ø loan size 1.7 m Kip)
- Interest rates for loans: 1% to 4% p. M.



Selected Sample for the Demand Assessment:

- Interviews in 52 villages with low (13), medium (20) and high (19) economic potential
- Altogether 224 households were interviewed (5 per village)
- Focus on Village Bank members, but also 38 potential future clients
- Interviews were conducted orally
- Questionnaire consisted of questions to income, savings and loans of the villagers (up to 150 questions)

➔ **Survey yielded a total of 39,000 data points**

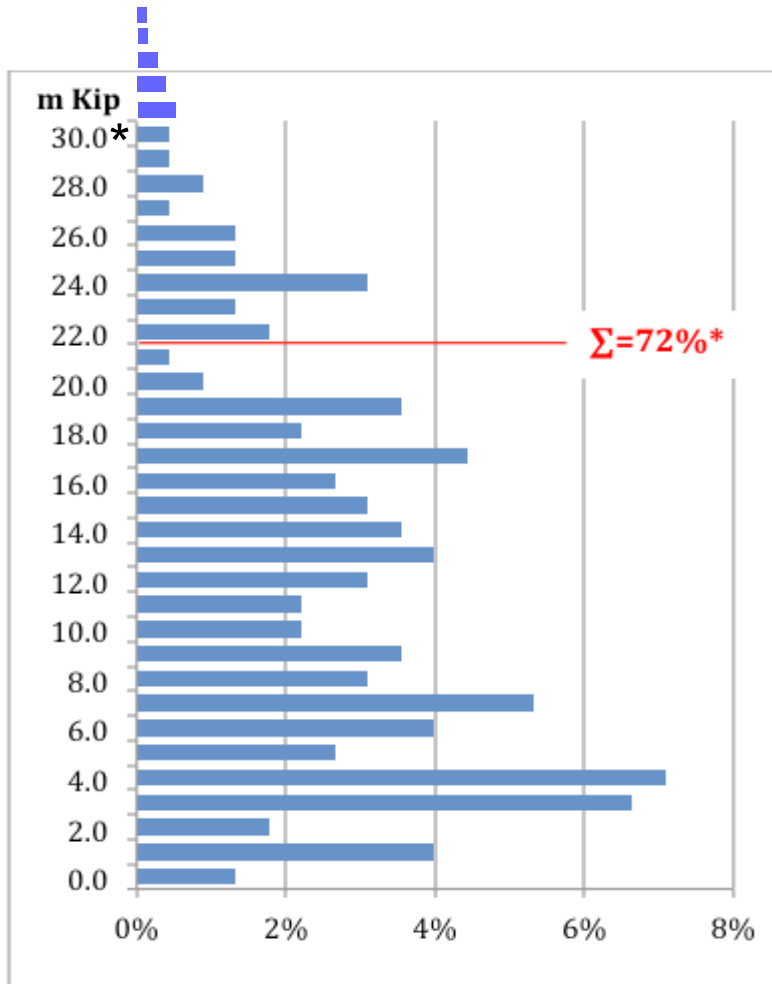
score is $\hat{y} = b_0 + b_1 x$

$$b_1 = t_{\alpha/2} \cdot s_e \cdot \sqrt{1 + \frac{1}{n} + \frac{n(x_0 - \bar{x})^2}{n \sum x_i^2 - (\sum x_i)^2}}$$
$$= 3.169 \cdot 3.22 \cdot \sqrt{1 + \frac{1}{12} + \frac{12 \cdot (4 - 2.25)^2}{12 \cdot 25 - (12 \cdot 2.25)^2}}$$

3. Who are our Clients?



Annual Household Income of the Villagers

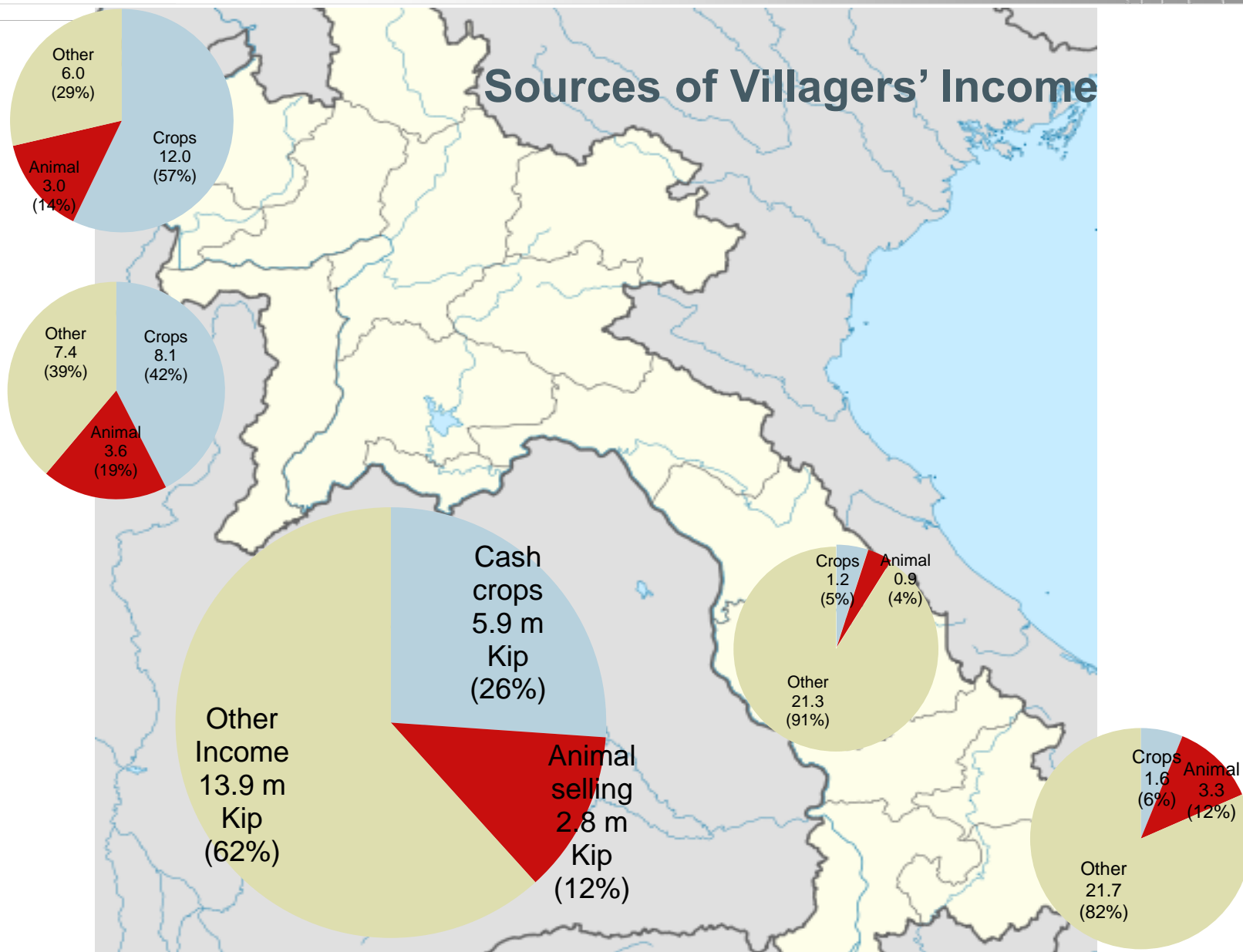


Average Household Income
= 22.5 m Kip p.a.

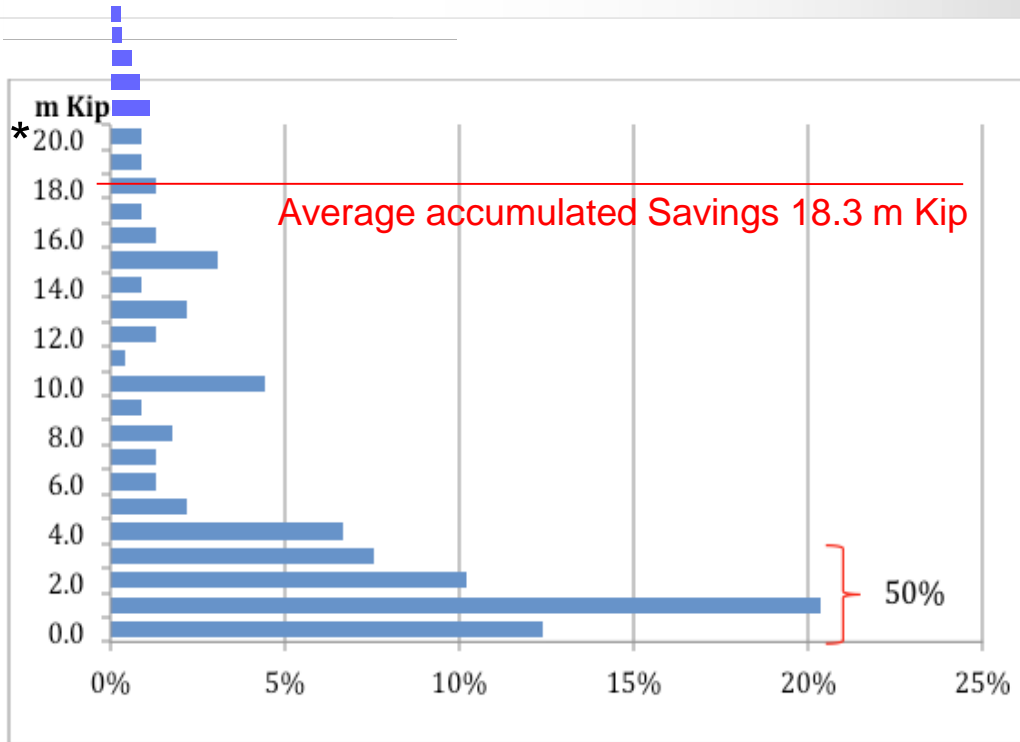


3.75 m Kip p. person p.a.
= 10.000 Kip per day
= 1.25 USD
= Poverty Line

3. Who are our Clients?

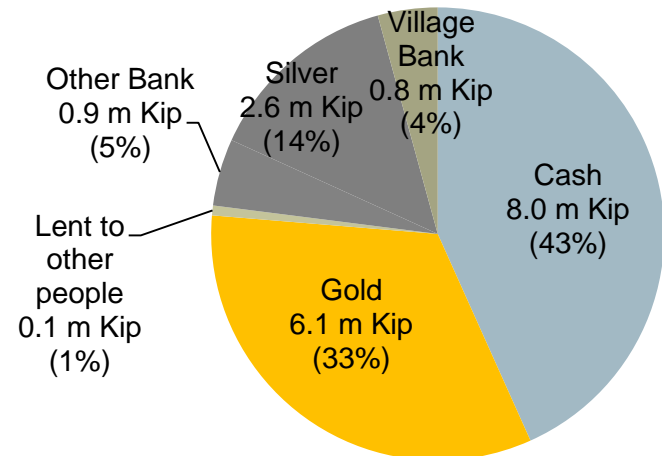


4. Financial Assets of our Clients



Strong concentration at the lower savings end!

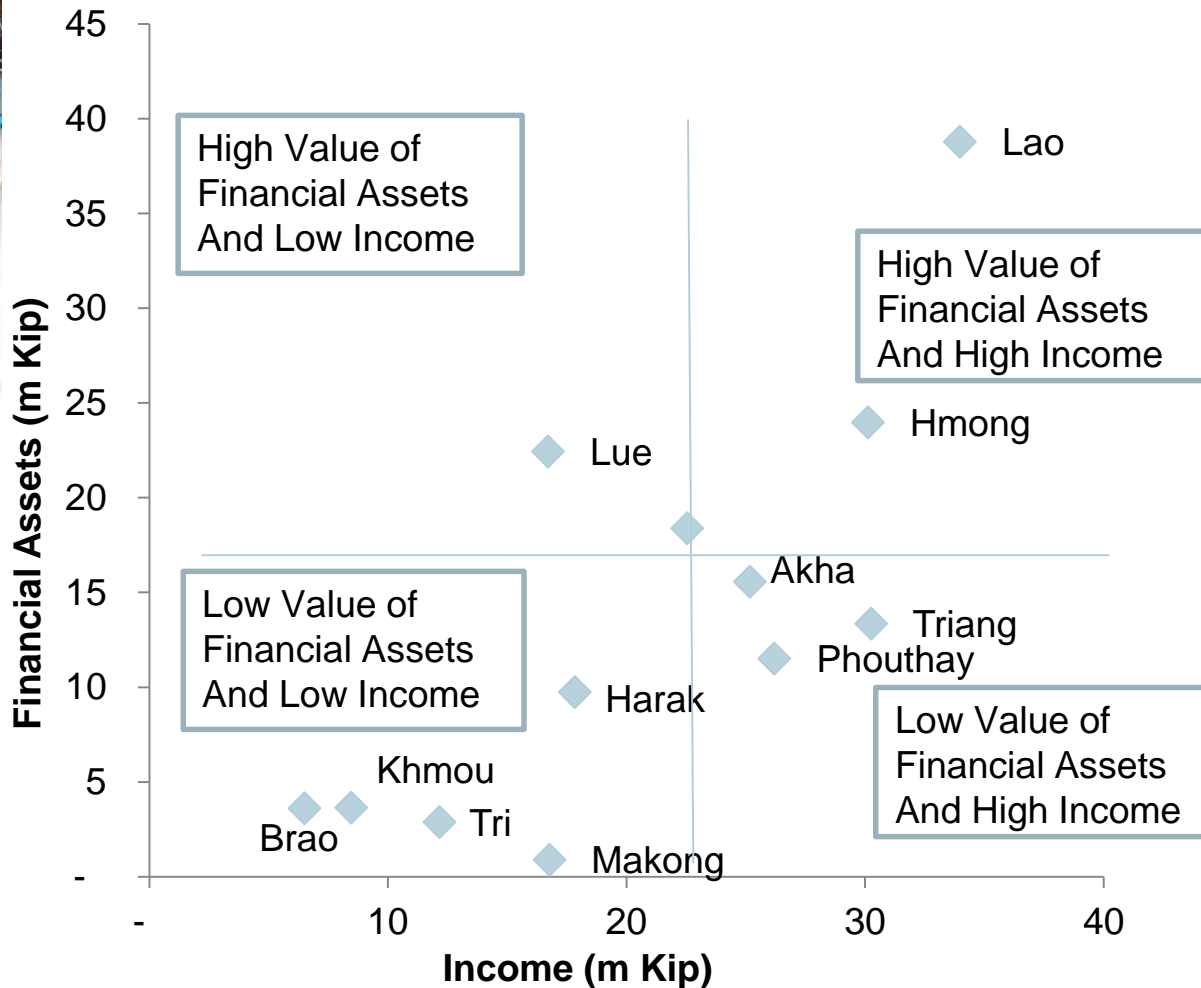
Large Cash and Gold amounts and still potential for Village Bank savings acquisition



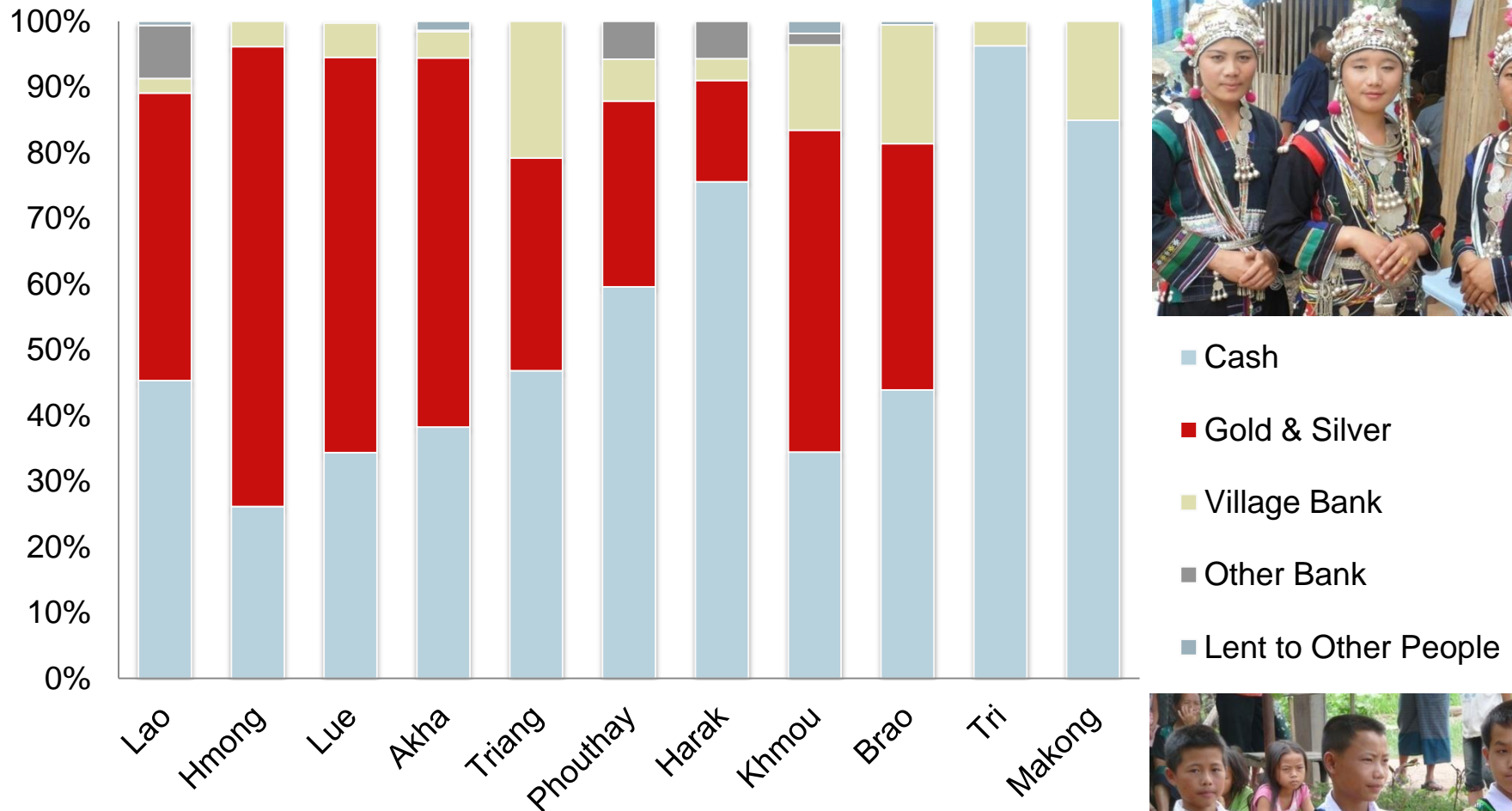
4. Financial Assets of our Clients



Distribution of Financial Assets and Income



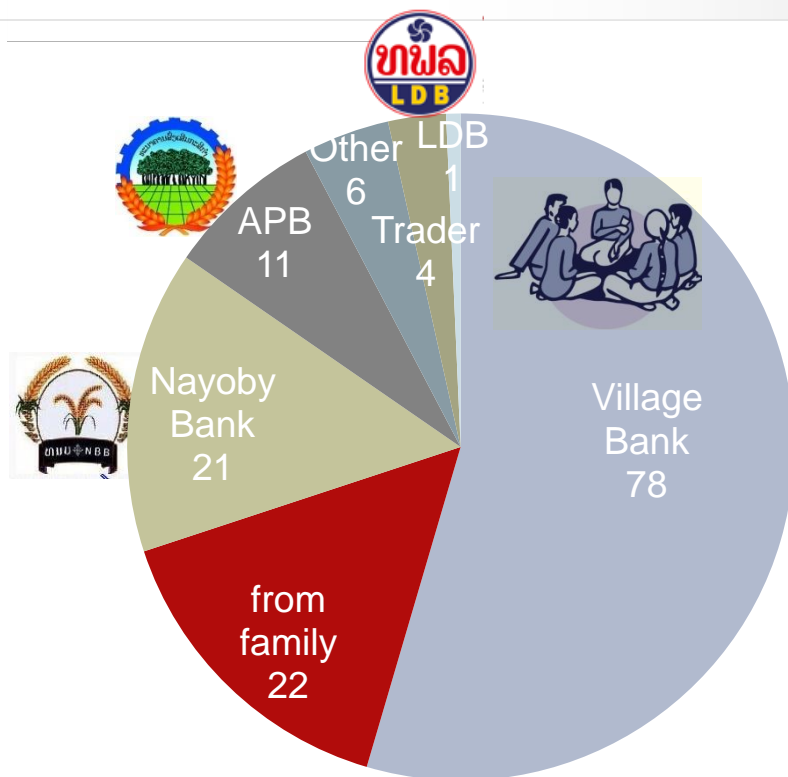
4. Financial Assets of our Clients



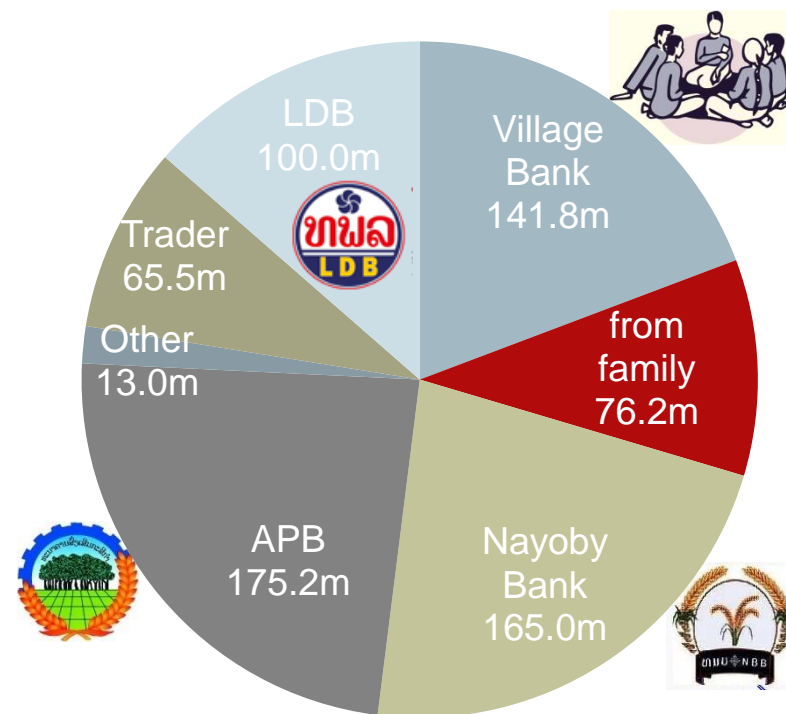
Depending on the ethnic background of the villagers, saving patterns differ!



5. Financial Liabilities of our Clients



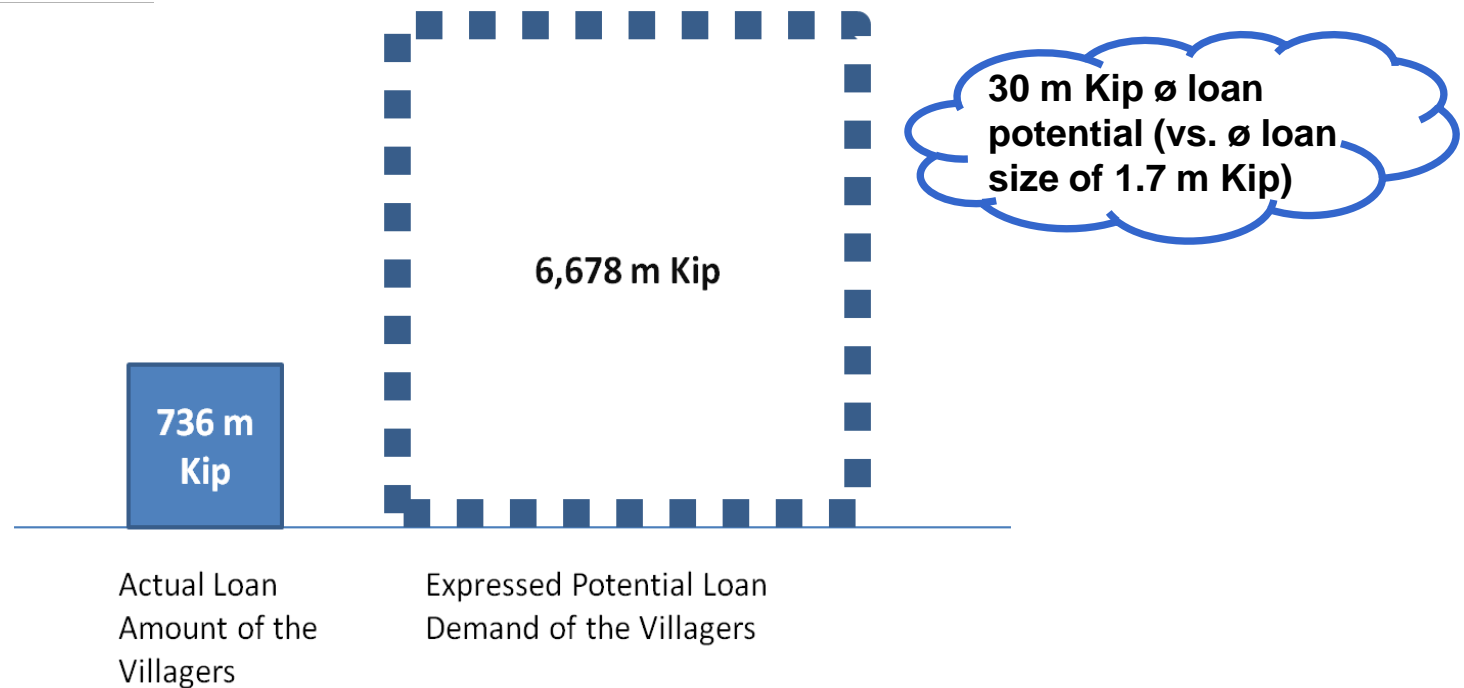
**Number of Respondents'
Credit Sources**



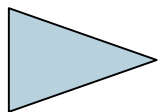
**Total Loan Amounts by
Credit Source (m Kip)**

Average Loan Amount of the Village Banks is comparably small, but it reaches a lot of costumers.

6. Further Microfinance Demand?



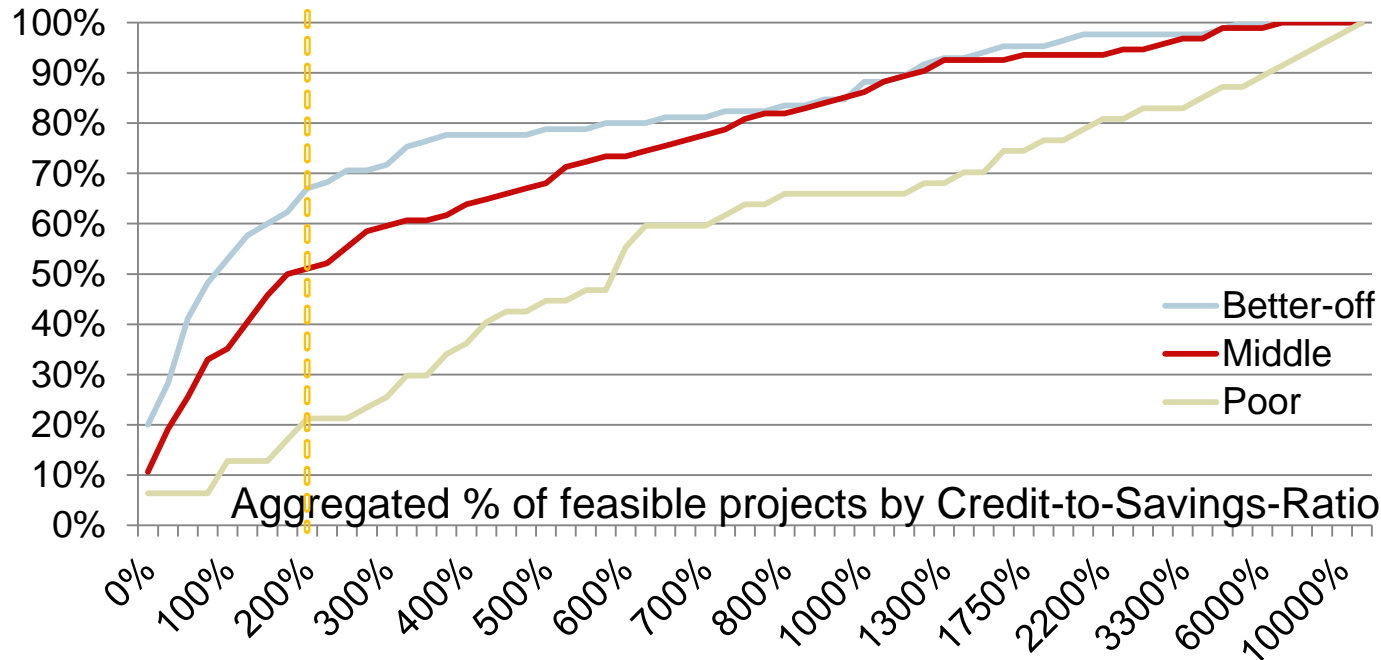
The potential credit demand is nine times the amount of currently outstanding credit amount and also 1.6 times the amount of total savings of the villagers. Desired individual loan amounts in some cases exceeds the defined microfinance limitations.



Anyhow, the expressed potential Microfinance Amount is very high and seems exaggerated!

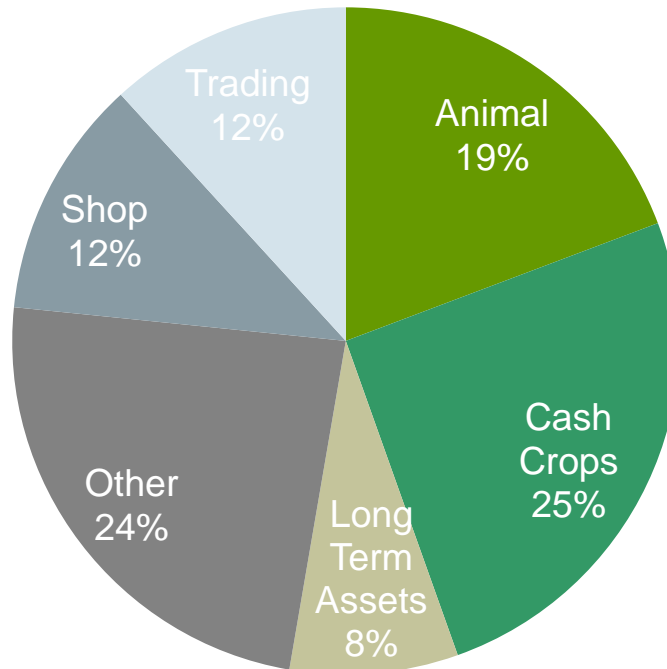
6. Further Microfinance Demand?

In order to get an idea of the financing capacity of different rural villagers we calculated a credit-to-savings ratio for each investment idea based on the respondents' hypothetical loan request and total financial assets owned.



Approximately half of the investment ideas are at or below a 200% credit-to-savings ratio.

6. Further Microfinance Demand?



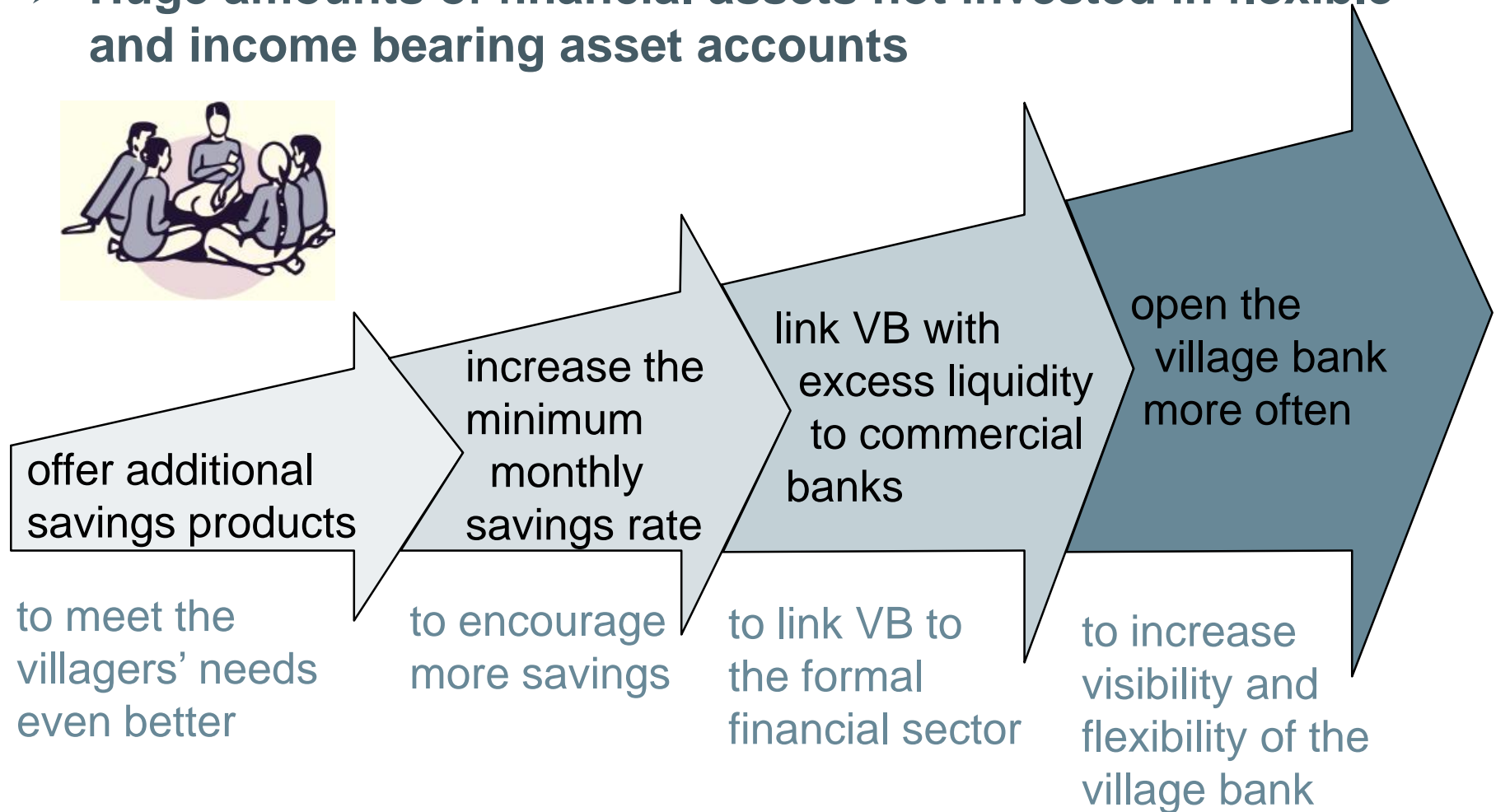
Depending on the specifics of the region the potential rural loan demand is:

- nearly 50% for agriculture investments
- another quarter for trading activities or to build up shops
- rest for long term assets like houses and rice mills or other



Conclusions for Access to Finance for the Poor

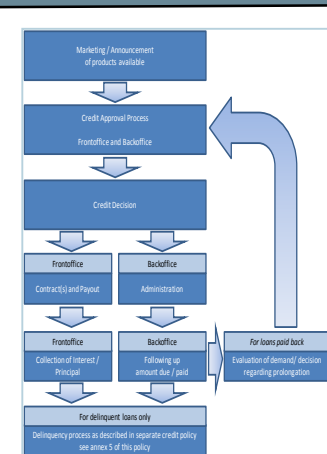
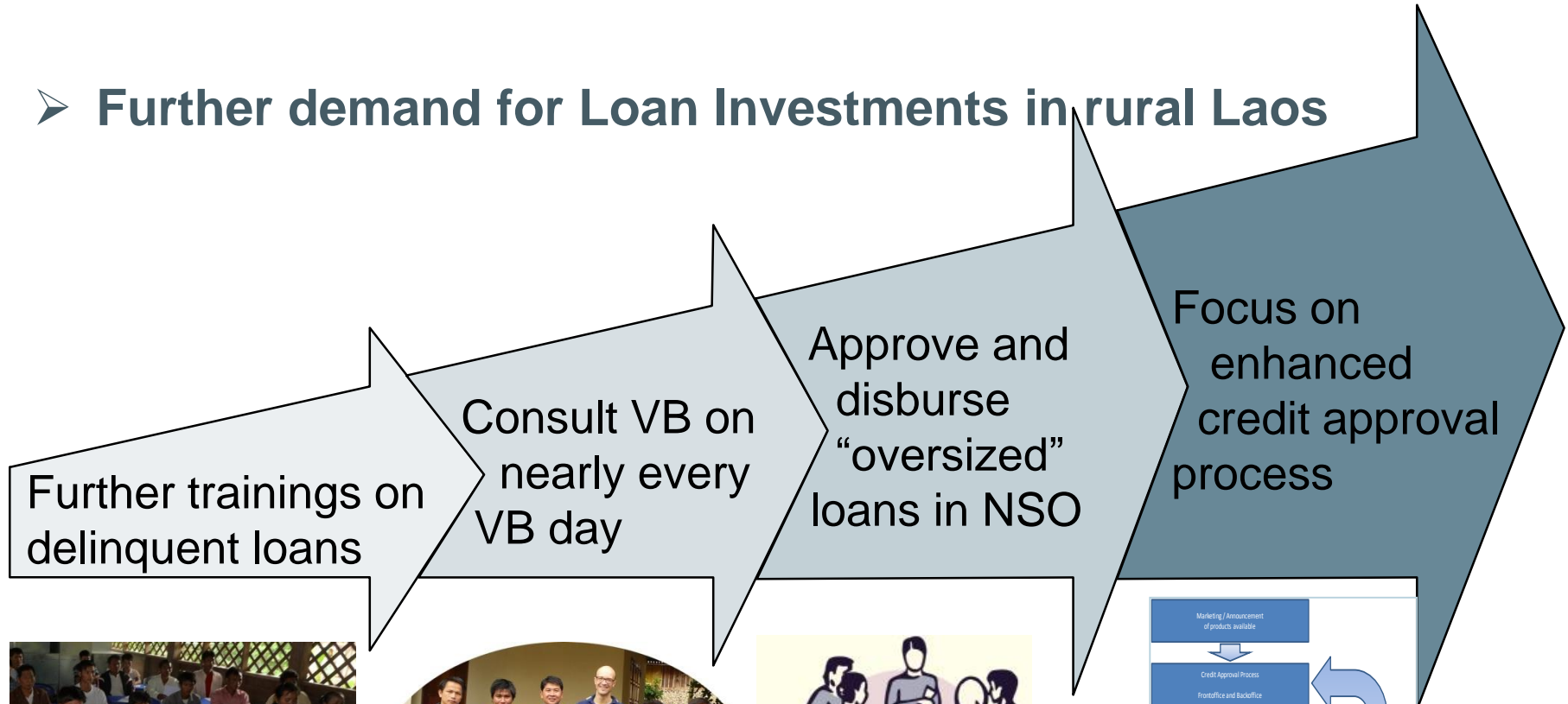
- **Huge amounts of financial assets not invested in flexible and income bearing asset accounts**



7. Conclusions

Conclusions for Access to Finance for the Poor

➤ Further demand for Loan Investments in rural Laos





Thank you very much for your attention!





Published by:

Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH

Registered office
Bonn and Eschborn, Germany

Micro Finance in Rural Areas – Access to Finance for the Poor

PO Box: 2455, Vientiane, Lao PDR

T +856 21 217 880

F +856 21 212 487

E philipp.hauger@giz

I www.giz.de

Author: Philipp Hauger