



Thembani

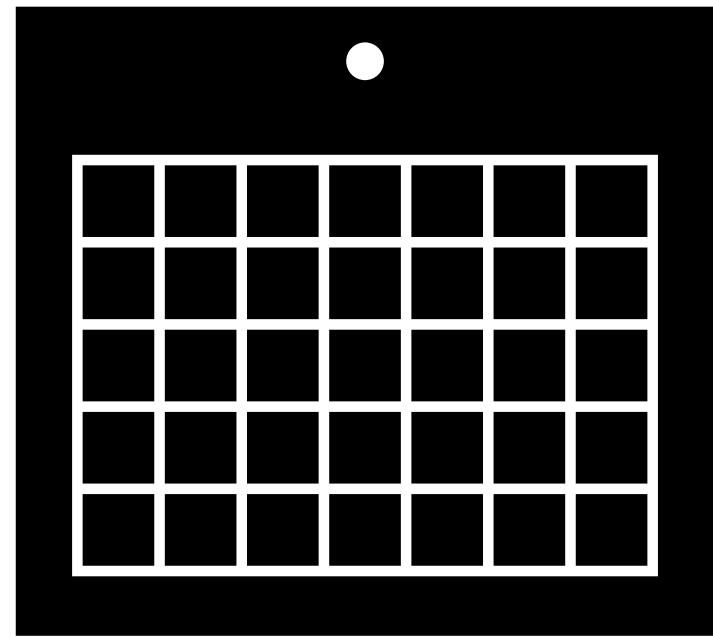
the role of private sector in supporting development microfinance

September 18,2020



Growing Africa's SME's

Them bani



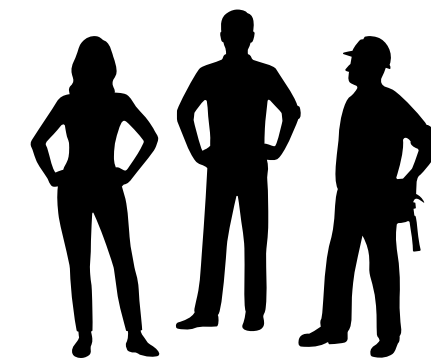
Est. 1996
(24 years Track record)



Credit Guarantee



Individual



Portfolio



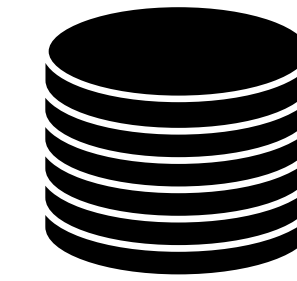
Capacity Building Interventions

Them bani has successfully bridged this gap through its credit guarantee product which successfully provided confidence to the banking sector to lend to microfinance institutions in South Africa and has allowed many businesses to build a credit record, build an asset base, contribute to the country's economy and have the pride and dignity of running their own businesses having crossed the bridge to financial inclusion built by Them bani

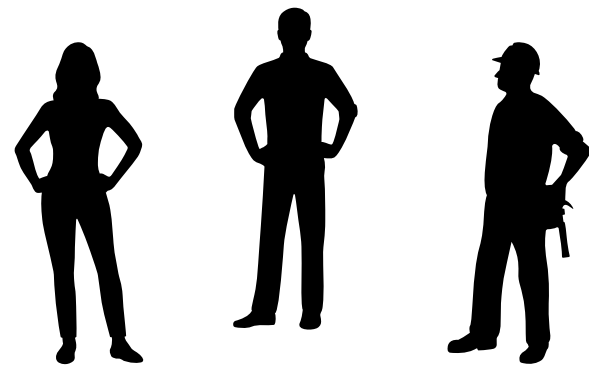
Impact



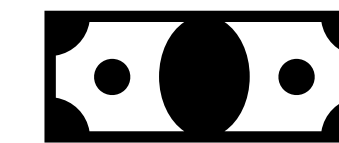
Guarantees to date US\$28.5 million



Facilitated US\$121.5 million Loans



2.2 million people impacted



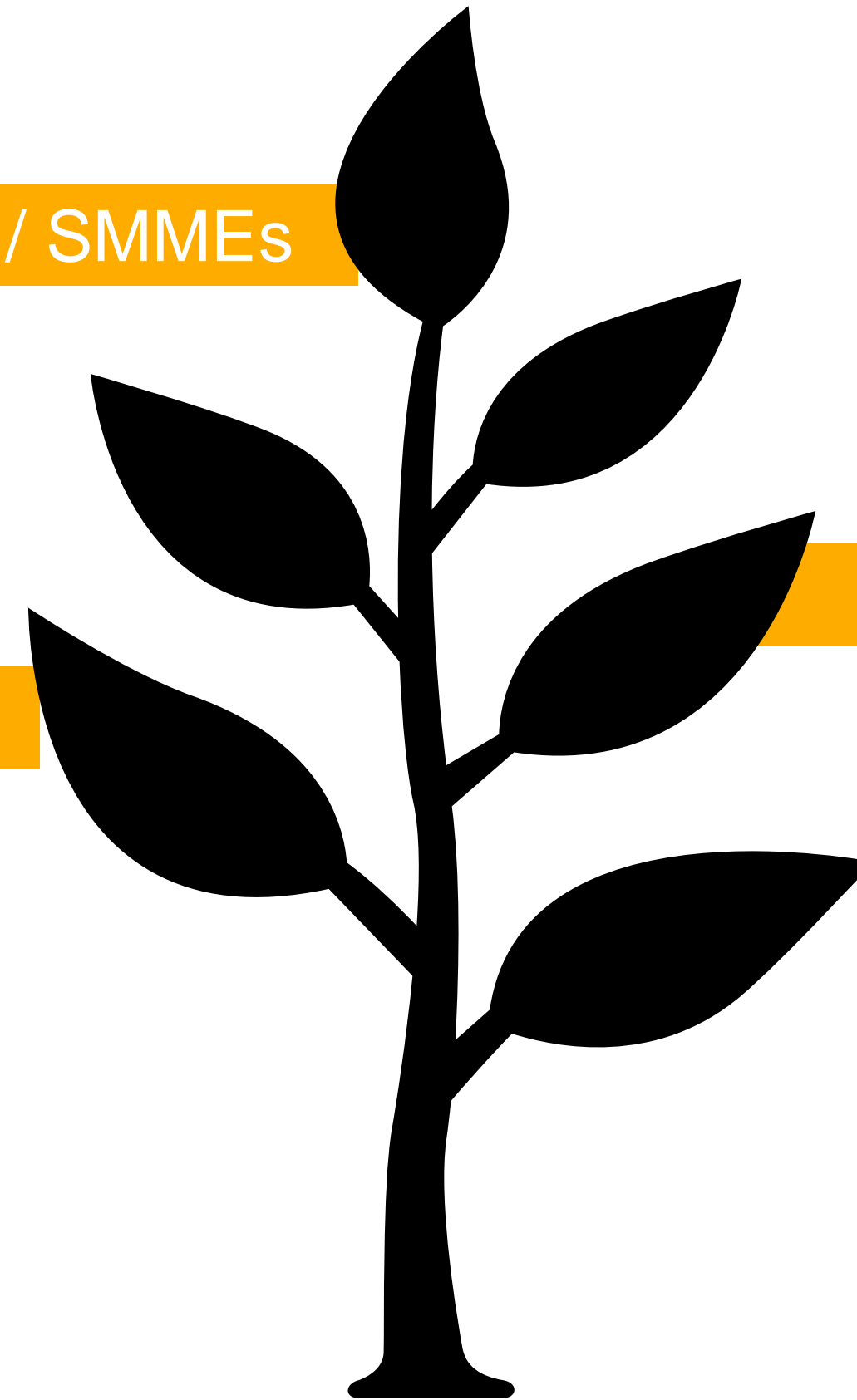
One of the lowest call rates in the industry

What we do

Capacitate and support emerging entrepreneurs / SMMEs

Assist business/entrepreneur to build their asset base

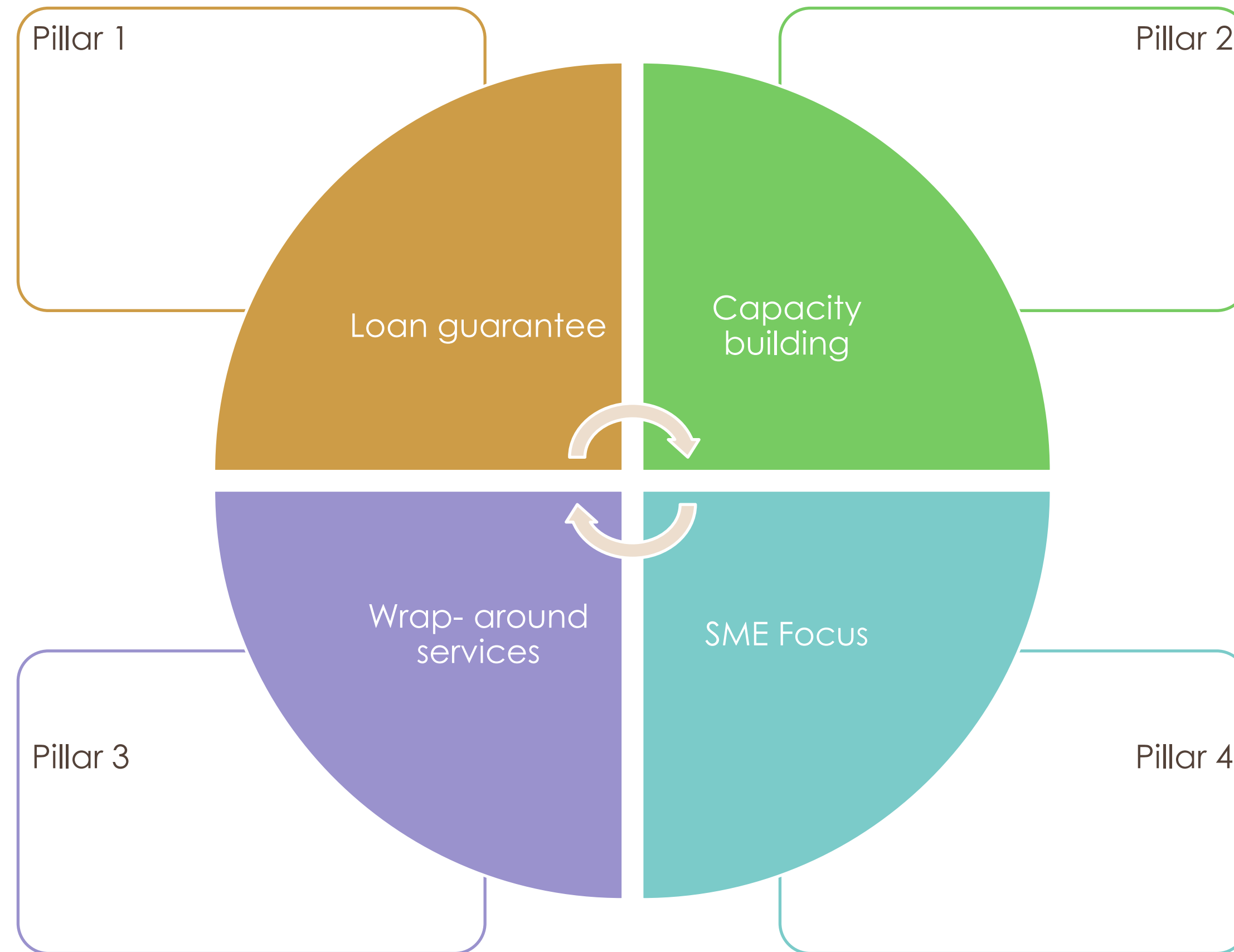
To facilitate access to finance



The Vision

To create success and sustainability in business enterprises and communities in Southern Africa through access to financial products and services

How we do business



We help build economically self-sufficient and healthy communities in Southern Africa, through the provision of loan guarantees, capacity building and related services to local businesses

Them bani & the microfinance sector

What we have done

- Since 1998, Them bani has issued credit guarantees to secure credit facilities to development micro finance institutions.
- The sectors funded by the MFI's included housing, agriculture, rural micro businesses and innovation.
- The first credit lines to some of the well known MFI's in South Africa were secured with a Them bani credit guarantee.
- Examples of beneficiaries include: emerging contractors, incremental housing, self-build, rural women in agriculture, prepaid airtime distribution and micro-enterprises.

Lessons from providing security for MFI's

- The total guaranteed values to date in the sector is R144 million and of this, R7 million was paid for defaults/ called guarantees
- The high failure rate of MFIs is a deterrent to lenders as they consider the sector high risk
- Banks will only lend funds to start-up MFI's when the risk is shared
- Credit tends to flow to the same MFI's that are successful/ profitable

Default rate of 5% YTD

Role of Private Sector in supporting Development Microfinance

- Traditionally MFIs received funding from government through grants, non-profit subsidised loans
- From 2000 we saw an increase in the number of private sector investing money in microfinance
- Money invested reached US\$6000 in 2006
- This was welcomed because MFIs have been able to meet a fraction of the demand for microfinance.
- The World Bank estimates this financing gap to be c.\$360bn in Africa

What can the Private Sector do to support Investing in MFI

- Private sector can increase investment in MFIs by spreading it across new and not so prominent MFI's as most funding is currently concentrated on the top MFI's. Key criteria should be that the organisations are properly licenced and regulated.
- Provide Credit Guarantees and enhancements. Guarantees effectively stimulate domestic markets to investment in microfinance and also help channel external funds into microfinance.
- Directly invest by making private equity investment. Private equity investment can be especially useful for start-up MFIs that, according to their business plans, typically operate at a loss for their first few years and thus are unlikely candidates for debt investment

Capital remains the highest need for MFI's

Benefit of investing in Microfinance

- They will have opportunity of investing in impactful businesses that drive local change in SA
- They will help in funding micro enterprises owned by previously disenfranchised people/communities
- They will contribute in meeting some of the 17 UN Sustainable Development Goals (UNSDGs).

UN Sustainable Development Goals (UNSDGs)



Innovative funding mechanisms that are suitable for microfinance funding

- Credit Guarantees
- Private equity investment
- Bond issues in MFIs
- Securitizations
- Diaspora Funding
- Tax incentive based for local investments e.g. 12j structure funding.

Advocacy and awareness on the impact of MFI funding must be increased

Thank You