



BEAC - IMF Regional Conference



Finance for all: Promoting financial inclusion in Central Africa

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Session 3: The role of Microfinance Institutions (MFIs) and other financial innovations



"Developing microcredit activities"

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Developing microcredit activities

Plan:

- 1. Why develop microcredit?**
- 2. Obstacles to the development of microcredit**
- 3. Credit: the future of microcredit**

Why develop microcredit?

Microcredit: definition

Microcredit consists in granting small loans to entrepreneurs, artisans, and individuals who do not have access to traditional bank lending.

Why develop microcredit?

- **Easy access to credit for all markets**
- **Favorable terms**
- **A very wide range reflecting governance choices**
- **Savings, a necessary requirement**
- **Infrastructure and the digital divide**
- **Education of customers and non-customers**

Why develop microcredit?

- **Easy access to credit for all markets**
- **Facilitate access to microcredit for all in keeping with their needs and specificity, so as to circumvent the loan sharks;**
- **The proximity of MFIs, limited costs, an appropriate range of products and services**

Why develop microcredit?

➤ **Favorable terms**

- **Tailored to all socio-professional groups and income brackets**
- **Microloans of small amounts (starting from CFAF 15,000)**
- **Repayment duration based on the financial capacity of the borrower**
- **Flexible guarantees**
- **Simple rate**
- **Borrower life insurance policy**

Why develop microcredit?

➤ **A very wide range reflecting governance choices**

Microloans:

- **Individuals: payday advance, revolving, consumer, housing;**
- **Professionals and associations: Cashflow, working capital requirement, crop season, investments.**

Subsidized rates for emergency microloans, for back-to-school or education, agriculture, social welfare association.



Why develop microcredit?

➤ Savings, a necessary requirement

For 1st and 2nd tier MFIs

- Build trust and confidence
- Develop a savings culture (before, during, and after microcredit)
- Foster micro savings (deposits of small amounts)
- A means of gauging the beneficiary's capacity

Why develop microcredit?

➤ Infrastructure and the digital divide

The case of MUCODEC:

- A Federation "apex umbrella entity"
- 53 local savings and loan funds and points of sale
- 58 ATMs
- A planned park of 50 VSEs
- 550 employees
- 350 elected volunteers
- A radio station broadcasting on 100.3 FM

A difficult and costly telecommunications



Présentation
Microsoft PowerPoint

Why develop microcredit?

- **Education of customers and non-customers**
 - **Customer information and education meetings**
 - **Use of the media to broadcast educational information and messages**
 - **Marketing promotional events**



Obstacles to the development of microcredit

- **Isolation**
- **Trade (barter) or the need for fiduciary money**
- **Access to banking services: a more difficult prospect**

Obstacles to the development of microcredit

➤ Isolation:

- **Inadequate means of communication**
- **Cultural difficulty**
- **Lack of information**
- **Reluctance to make commitments**
- **Preference for relying on one's own resources**

Obstacles to the development of microcredit

➤ Trade (barter) or the need for fiduciary money

- **Impression of being dispossessed**
- **Preference for relying on cash in hand**

Obstacles to the development of microcredit

- **Access to banking services: a more difficult prospect**
 - **Banks do not lend small amounts**
 - **Bank services are not geared towards low-income customers**
 - **Low bank penetration**

Credit: the future of microcredit

- **Beneficiaries**
- **MFIs**
- **Institutions and Donors**

Credit: the future of microcredit

➤ The Beneficiaries

- **Building savings**
- **Staying away from loan sharks**
- **Avoiding the accumulation of loans**
- **Understanding their commitments,**
- **Meeting their payments**
- **Safeguarding their reputation**
- **Increase their wealth to change status and obtain credit**

Credit: the future of microcredit

➤ MFIs

- **Support and foster personal effort and individual initiative**
- **Encourage flexible response to demand**
- **Provide the right response at the right time**
- **Develop financial education for individuals**
- **Implement harmonious development**

Credit: the future of microcredit

➤ Institutions and Donors

- **Help MFIs take more risk**
- **Benefit from appropriate refinancing rates**
- **Develop education**
- **Assess and update regulations**
- **Strengthen supervision**
- **Improve basic infrastructure**
- **Encourage more flexible and attractive tax provisions**

Developing microcredit activities

Thank you for your attention...

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