



BANKING & FINANCE

INDUSTRY AND LEGAL UPDATE

KALIKOVA &
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Industry Update

In 2012 micro-credits to agriculture were provided to 300 thousand citizens of the Kyrgyz Republic

In Kyrgyzstan, about 95,000 households, mostly small ones, are the clients of microfinance organizations (MFOs). Among 472,500 people are the borrowers of the MFOs; 300,000 of them are engaged in agricultural activities.

According to the Association of Microfinance Organizations (AMFO), almost 45% of the total loan portfolio of MFOs is concentrated in agriculture. The AMFO underlines that MFOs, unlike banks, provide easy loans, including without collateral. This ensures access to credit for many Kyrgyz citizens who do not have their own property or equivalent collateral.

In addition, MFOs cover the category of people who cannot apply to the bank, because they need microcredits.

31% of loans issued in Kyrgyzstan are issued by microfinance companies

As of the 3rd quarter of 2012, the credit portfolio of the microfinance market totaled to more than 18 billion soms. The number of borrowers exceeded 472,500 people, representing about 8.5% of the population of Kyrgyzstan. These data are provided by the AMFO.

The AMFO reported that credit unions serve more than 28,000 Kyrgyz citizens. The total loan portfolio of alliances in 2012 amounted to 1.3 billion soms. As commented by the AMFO, the local offices of MFOs provide significantly

Legal Update

The joint statement of the Government of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic on economic policy for 2013 (approved by the Government of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic on January 31, 2013 N 42/52/1 (hereinafter - the Joint Statement))

This Joint Statement defines the main directions and priorities of the Kyrgyz economy and provides a basis for developing appropriate measures, including a set of economic, institutional and legal arrangements for a phased development.

The Joint Statement sets the basic goals of the macroeconomic, monetary, fiscal, and monetary and investment policy of Kyrgyzstan. The Joint Statement promises that the main directions of economic policy in 2013 in Kyrgyzstan will be:

- restoration of macroeconomic stability and sustainable economic growth at the planned level;
 - the fulfillment of social obligations;
 - further development of regional policy;
 - the continuation of the integration processes in the framework of the Common Economic Space;
 - modernization of the public administration.
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greater access to credit than commercial banks.

MFOs have 850 offices across the country, including those in remote areas, while commercial banks have 260. This extensive network enables MFOs not only to provide credit services and free advice to the regional population on agriculture and livestock. In addition, they provide training to improve financial literacy at their own expense.

The payback of microcredit in Kyrgyzstan is 97-98% - AMFO

Percentage of recoveries on loans of MFOs and credit unions is 97-98%. In other words, the number of customers with overdue payments is approximately 3% of the total number of borrowers in the sector. This was reported by the AFMO.

As reported by the AMFO, most MFOs carry out a targeted work with borrowers with overdue payments. In some cases, they are assisted by MFOs through restructuring, extension or cancellation of debt.

During the period from January to October 2012, 12 member companies of the AMFO restructured 804 loans for a total amount of 54.7 million soms. They also prolonged 157 loans totaling about 12 million soms and written off more than 5,700 loans totaling about 65 million soms. This amount of written off loans only applies to the principal amount of debt.

The AMFO emphasized that in contrast to the pawnshops and moneylenders, MFOs work to assist vulnerable groups.

In two years, MFOs have attracted \$240 million investment into the Kyrgyz economy

Loan portfolio of MFOs is ensured by raising funds from the international and local financial institutions. Thus, during 2011-2012, the MFO attracted to the Kyrgyz Republic for development of business more than 11 billion soms (about 240 million U.S. dollars) from the international financial institutions without government support and any government guarantees. These data are reported by the AFMO.

While credit facilities issued by commercial banks, concentrated mainly in trade (43%), the MFOs are lending to focus on agriculture sector. According to the AMFO, almost 45% of

Resolution of the Board of the National Bank of the Kyrgyz Republic dated December 12, 2012 N48/9 "On the minimum capital (equity) of specialized financial institution "Financial company of the credit unions" OJSC.

In order to ensure effective and sustainable development of specialized financial institution "Financial company of the credit unions" OJSC, to strengthen the reliability and security of the system of the credit unions, the Board of the National Bank of the Kyrgyz Republic agreed to establish economic statutory standard of minimum capital (equity) for "Financial company of the credit unions" OJSC, from May 1, 2013 in the amount of not less than 95 million soms and from May 1, 2017 in the amount of not less than 150 million soms.

Procedure for calculating the minimum capital (equity) is determined in accordance with the Regulations on setting standards of capital adequacy of commercial banks of the Kyrgyz Republic, approved by the Board of the National Bank of the Kyrgyz Republic N 18/2 dated July 21, 2004.

the loan portfolio of MFOs is concentrated in agriculture. The figure of the commercial banks is 12.7%.



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www.akipress.kg, www.24.kg, www.parus.kg, www.kyrgyz-el.kg

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