

Credit and the emerging consumer: The developing world of African lending. A round-table discussion with Dave van Niekerk (Blue Financial Services), Mark Napier and Malcolm Harper. To be held on Monday, October 5, 2009, from 12:30–2:15pm.

Citi/DfID Development Fellowship

For the inaugural meeting of our Citi/DfID Fellowship, we are going to take a look at the enormous growth of short-term lending in the developing world – and, specifically in Southern Africa.

There is a common misperception of emerging economies (especially Africa) as “cash-only”. In fact, credit card penetration has been growing 20-40% a year in many low and middle-income countries, and is now making inroads into territory previously dominated by informal moneylenders. It is not just credit cards: payroll lending (where loan repayments are deducted directly from wage packets) has also turned out to be a fast-growing and profitable business. Clearly, it is not without its detractors, but – in Africa, in particular – payroll lending is a significant step towards a full-service financial sector. It also makes it far easier for a lender to offer loans across a wider employee base.

One of the more significant players in this emerging market is Blue Financial Services – which has 45,000 customers in 14 African countries. Blue was set up in 2001 by Dave van Niekerk. It is now listed on the Johannesburg and Gaborone exchanges and has a market cap approaching US\$200 million. Van Niekerk has been described as “Africa’s Richard Branson” (he probably took that as a compliment) – and he certainly thinks big. Blue currently offers payroll lending, life insurance, home loans and SMME lending, and it has clearly identified a niche that is growing very fast – the formally employed, but underserved and underbanked.

Among Blue’s shareholders are IFC, Standard Chartered and AIG. Among its new markets is Nigeria.

We are delighted that Dave has agreed to come and talk about Blue’s experience – and, more broadly, about the potential for short-term credit in Africa. We are also delighted to have very knowledgeable respondents to kick off the discussion:

- Mark Napier is the Citi/DfID Fellow at the CSFI. He is also a former chief executive of FinMark Trust – a DfID supported initiative to improve financial access in Southern Africa.
- Malcolm Harper is a former chairman of BASIX, an Indian micro-lender, and is currently chairman of M-CRIL, a microcredit rating agency. He is the co-editor of *What’s wrong with microfinance* (2007).

If you or a colleague can join us for what I am sure will be a fascinating discussion, please please let us know by emailing Sophie@csfi.org.uk or by telephoning 020 7493 0173. As usual, wine and sandwiches will be provided.

Sincerely yours,

Andrew Hilton
Director, CSFI