

PRODUCT UP-SCALING SUPPORT – FACTSHEET

Product Up-scaling Support	2018-08: Building capacity to strengthen access to housing microfinance in Sri Lanka
Country / Region	Sri Lanka
Partner Financial Institution/s	LOMC, Sri Lanka
Grantee	Nadacia Habitat for Humanity International (NHFHI)
Overall Budget	CHF 114,335 (44% self-contribution)
SCBF Contribution	CHF 63,875 (56% co-funding)
Date of Approval	15.11.2017
Duration	3.2018 – 9.2019, extended to 4.2020
Context	<p>According to the World Bank data (2016), Sri Lanka is a lower-middle income country of 21.2 million people and GDP per capita at USD 3,835. Although Sri Lanka enjoys relatively solid access to basic financial services, there are wide gaps in financial inclusion parameters notably credit penetration, life insurance penetration, pension coverage and credit access for small businesses and farm-based activities. Almost 14,000 financial institutions in the country offer microcredit products (directly or indirectly), however a majority of these financial institutions are either NGOs, not-for-profits or organisations that follow a local cooperative framework. There are few for-profit formal sector microfinance institutions, and the market is dominated by the five to seven institutions that serve the majority of the low-income customer segments.</p> <p>Sri Lanka did not have a regulation framework for the microfinance sector until very recently. Additionally, although the national parliament has passed the bill, the implementation guidelines and the framework details are still not finalized. Housing microfinance is one of the essential product offerings for financial institutions, who wants to serve the low-income segment of the population and is aligned with the overall financial inclusion goal. By now most of the major financial institutions have realized the significant market opportunity of housing microfinance and have started offering these solutions to low-income customers, however the lack of capital and MFI's capacity to offer such new products are the main challenges in realizing the full potential of the market and full scaling up the market segment.</p>
Current Status of the MFI	<p>LOMC Micro Credit Limited (LOMC) is one of the largest and reputable Sri Lankan MFIs. It provides diverse financial products and services to low income and self-employed entrepreneurs. As of October 2017, the institution serves 440,690 borrowers with a portfolio of USD 362 million through 129 branches covering all of the nine regions of Sri Lanka. With the help of this technical assistance, the MFI would be able to institutionalize the product management function and streamline its housing product leading to scale up of the portfolio and improved access to housing finance for low-income people.</p>
Objective and Main Activities	<p>This project aims, through Habitat for Humanity's Terwilliger Center for Innovation in Shelter (TCIS) in cooperation with Credit Suisse and SCBF, to provide technical assistance to LOMC – Sri Lanka to help expand their housing portfolio by reaching out to new customer segments and build the capacity of product management within the institution and also ensuring appropriate capital investment.</p> <p>Upon the project completion, the LOMC Sri Lanka will be able to institutionalize the product management function and streamline its housing product, which will lead to scale up of the portfolio and improved access to affordable housing finance for low income people. It is expected that by end of the project, 7,200 clients / families will have access to improved financial products and services for home improvement and approximately USD 14,000,000 will be invested in home improvements.</p>