



# **Features of lending to individuals in Kyrgyzstan**

Report on the results of a telephone survey of  
Kyrgyz citizens

**July 2019**

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## INTRODUCTION

Coalition for Democracy and Civil Society Public Association, within its activities, conducted an opinion survey of Kyrgyz citizens on the specifics of the lending process in the country. A nationwide telephone opinion survey was conducted from July 16 to July 25, 2019.

The lending market is actively developing around the world, including Kyrgyzstan. Today, banks provide loans not only for acquisition of expensive property, but also in ordinary everyday life: for the purchase of real estate, cars, education, consumer needs. Financial experts note a high level of debt overburden of the population.

The number of micro-loan companies is growing, whose main activity is aimed at issuing consumer loans. What is the reason for this, how do the citizens of Kyrgyzstan view it, and what impact does this have on them?

Most financial institutions involved in issuing loans state that lending to the population helps improve their financial standing, contributes to the socio-economic development of the country. Is that true?

Answers to these questions have been obtained with the help of this public opinion survey. The purpose of the survey was to study the specifics of the lending market in the country.

To achieve this goal, the following tasks have been implemented: determined the share of loan consumers; identified the main types and goals of consumed loans; determined lists of problems faced by borrowers; determined ratings of financial organizations involved in the loan issuance; revealed the extent and nature of the impact of loan consumption on the social status of borrowers; determined socio-demographic profile of the loan consumer.

During the survey, two target groups were interviewed: loan consumers and non-loan consumers permanently residing in Kyrgyzstan.

## MAIN FINDINGS

- The share of loan consumers, among the total number of respondents, amounted to 35%. These included individuals who took a loan in person (32.9%), as well as those who indicated that their spouse took a loan (2.1%).
- The largest share of loan consumers falls on citizens aged 40 to 64 years old (49%); married (39%); living in villages (38%); those who are in the civil service (52%), engaged in agriculture (48%), entrepreneurship (47%), as well as among employees of private enterprises (41%); whose income level is average or slightly above average (39%).
- The smallest number of loan consumers among young people aged 18 to 24 (11%); among students (1%), unemployed (19%) and housewives (25%); low income (33%)
- Most loans are issued without collateral to one person (75%), i.e. one person makes loan repayments. The share of group loans amounted to 10.7%. Among those who take a group loan, the share of uncollateral forms of loan is significantly higher than among those who take a single loan (85% versus 61.7%, respectively).
- The main forms of collateral for a loan are real estate (31.3%) and cars (3.6%). The share of securities is insignificant, less than 0.2%. A small part (0.9%) provides cattle as collateral.
- The frequency of loan services consumption is high. 41% of respondents took a loan 2-3 times, 36% of respondents took a loan more than 4 times.
- The main creditors in Kyrgyzstan are banks - 63.8%, followed by micro-loan companies - 18.9%. In the first place, in terms of the number of loans issued, is MKK Mol Bulak (23%), in second place, Ayil Bank (19%), in the third place, Finca Bank (18%), in the fourth place, Companion Bank (13%), in the fifth place, Bank Bai Tushum (6%).
- The vast majority take short-term loans for up to 1 year (75.4%). The share of long-term loans, more than 1 year, is 22.5%. The bulk of loans are granted in Kyrgyz soms (97.5%).
- Among the total number of loans consumed, the lion's share is by consumer loans, which are mainly taken to address the following needs: repair and construction - 40%, purchase of durable goods (furniture, household appliances, etc.) - 23%, celebration events - 5%, for health reasons - 2%.

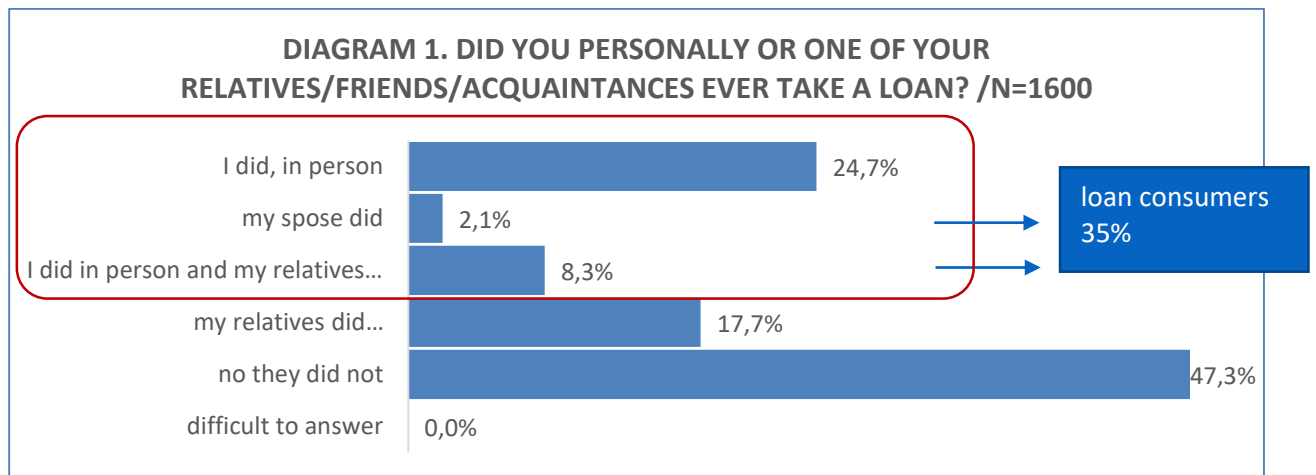
- Next are agricultural loans, which respondents take for agricultural needs -22%; loans for cattle - 16%, for business development - 14%. The share of cars and mortgages is low, it is 6% for each type.
- The consumption of loan services has a positive and negative impact on the socio-economic life of citizens. Among the advantages from obtaining loans, the respondents have identified the following factors: ability to purchase the desired things, without the need to save - 50.2%; successful implementation of agricultural needs - 21.8%; successful business promotion - 8.8%.
- The negative aspects when consuming loan services are mainly related to loan repayments. The main difficulties identified are: the need to drastically reduce costs due to high loan repayments - 39.1%, the lack of own funds to repay the loan, which led to the need to borrow - 15.7%. About half of the surveyed loan service consumers (44.5%) indicated that they had no difficulty repaying a loan.
- In most cases, respondents noted the positive impact of loans on their social status. 49.3% indicated that their social situation improved slightly, 11.8% indicated that their social situation improved significantly. The share of those whose consumption of loan services negatively affected their social status is much lower and amounted to 8%.
- The main barriers to the loan services consumption are such reasons as: lack of need, sufficient level of own income - 59.6%; high interest on the loan - 20.7%; distrust of credit companies - 20.4%; religious principles - 4.6%, which are explained by the growing level of Islamization in the country, condemning lending as one of the forms of usury.
- According to the survey results, the following 5 companies headed the loan companies rating of Kyrgyzstan: 1st place - MCC Mol Bulak Finance, named by 22% of respondents, the loyalty level was 9% (this is the proportion of those who are ready to recommend it as a creditor); 2nd place - Finca Bank, named by 21%, ready to recommend 8%; 3rd place - Companion Bank, named by 16%, ready to recommend 5%; 4th place - Bai Tushum Bank, named by 14%, ready to recommend 4%; 5th place - Aiyl Bank, named by 14%, ready to recommend 8%.
- The potential consumption of loan services, according to citizens, is low, the proportion of those who plan to take a loan in the next 2 years was 16%. The vast majority, 74%, do not plan to take a loan in the near future.
- The share of consumption of goods by installments at present is low. Only 17% of respondents indicated that they took goods by installments

over the past 5 years. The main goods that Kyrgyz residents take in installments are: digital equipment - 71%, durable goods - 39%, car - 1%.

## GENERAL RESULTS OF THE SOCIOLOGICAL SURVEY

### Share of loan consumers in Kyrgyzstan

The share of citizens taking a loan in Kyrgyzstan once or more amounted to 35% of the total number of respondents. Of these, 32.9% indicated that they took a loan personally, and 2.1% indicated that their spouse took a loan (See Diagram1).



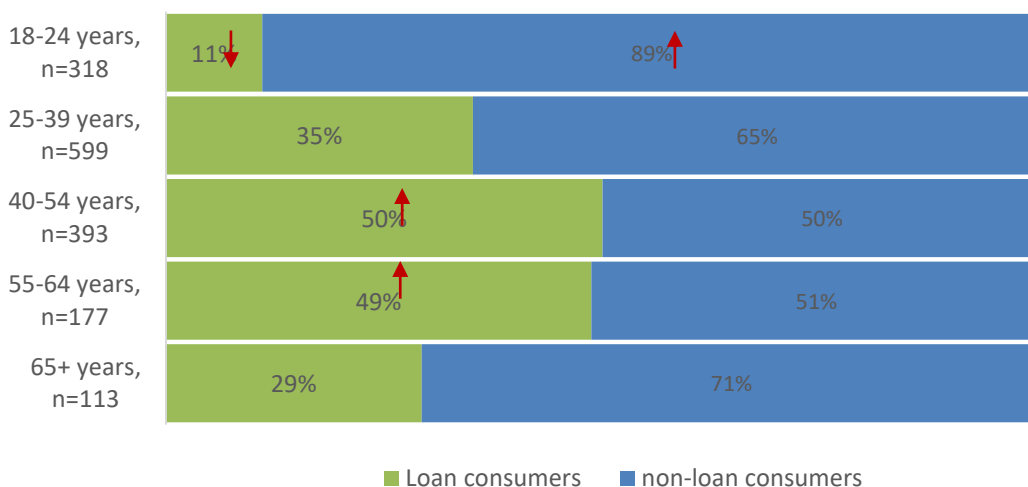
*\*N(n)- the number of observations in absolute value, from which the percentage ratio was calculated*

### Socio-demographic profile of consumers/non-consumers of loans

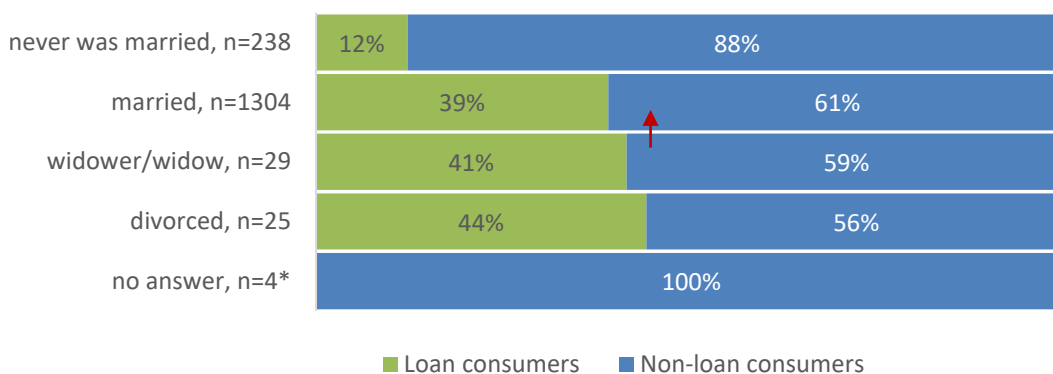
The largest share of loan consumers is among citizens aged 40 to 64 (average 49%); married (39%); living in villages (38%); those who are in the civil service (52%), engaged in agriculture (48%), entrepreneurship (47%), as well as among employees of private enterprises (41%); with an average and slightly above average income (39%).

The smallest number of loan consumers among young people aged 18 to 24 (11%); among students (1%), unemployed (19%) and housewives (25%); low-income (33%) (See Diagrams 2-7).

**DIAGRAM 2. LOAN CONSUMPTION BY AGE**

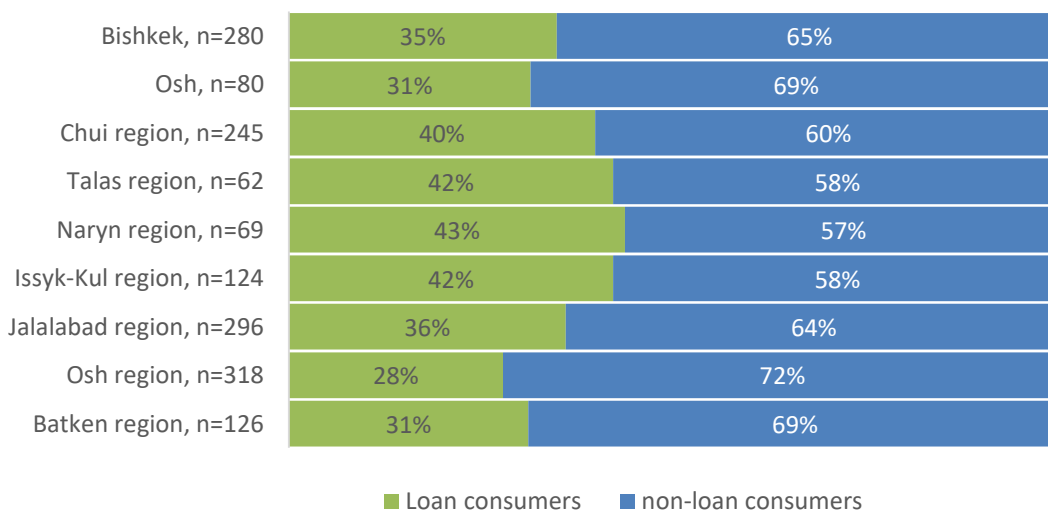


**DIAGRAM 3. LOAN CONSUMPTION BY FAMILY STATUS**



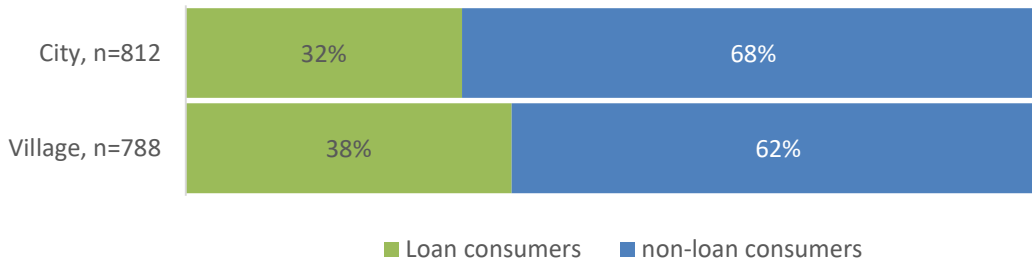
*\*the specified% is not indicative, because the number of observations in the group is insufficient for analysis*

**DIAGRAM 4. LOAN CONSUMPTION BY REGIONS**

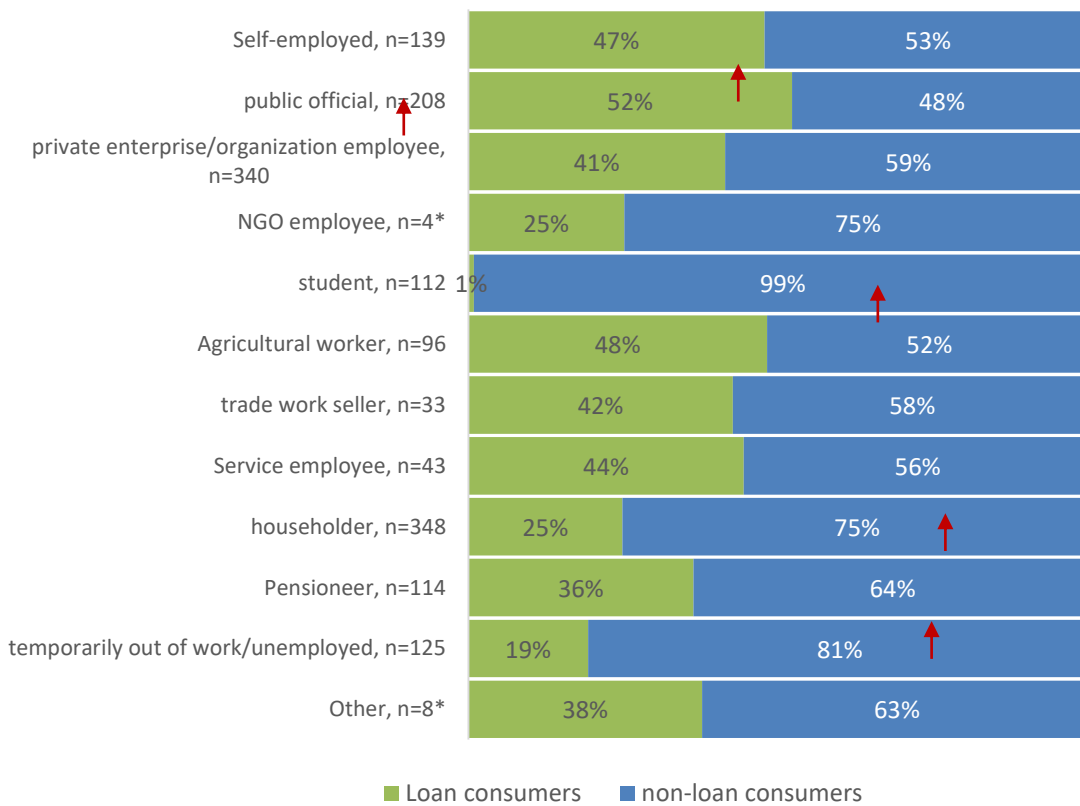




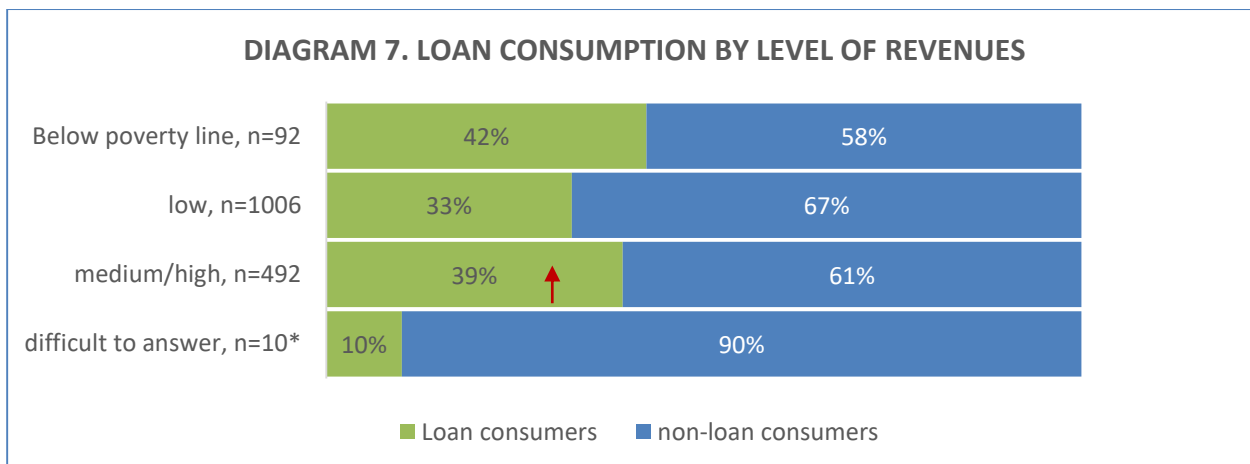
**DIAGRAM 5. LOAN CONSUMPTION BY TYPE OF SETTLEMENT**



**DIAGRAM 6. LOAN CONSUMPTION BY OCCUPATION**



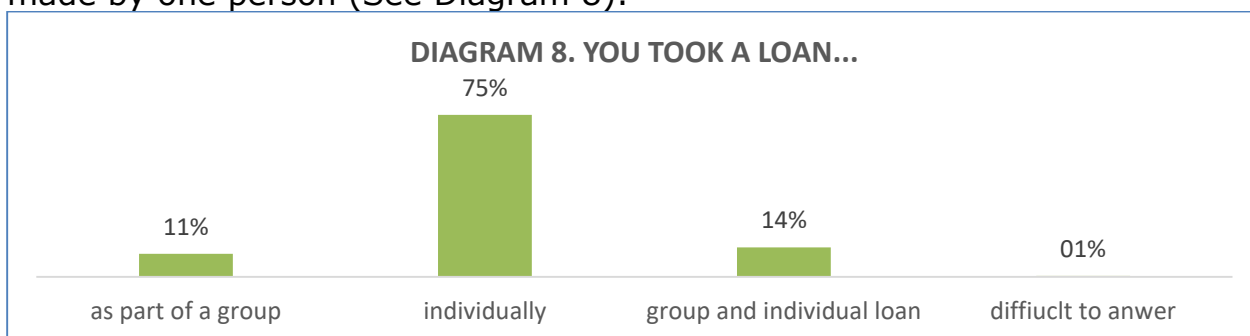
*\*the specified% is not indicative, because the number of observations in the group is insufficient for analysis.*



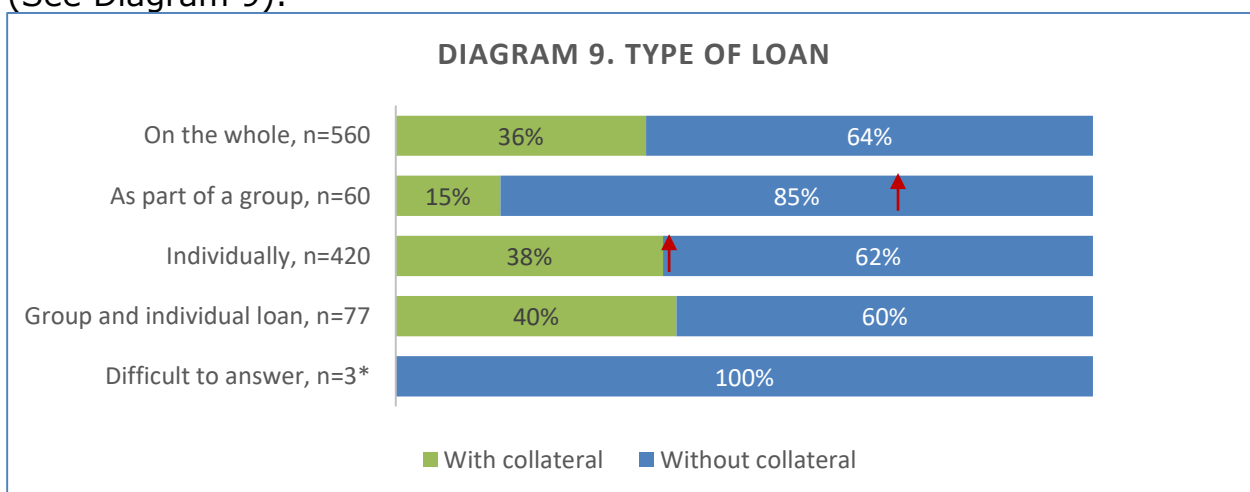
*\*the specified% is not indicative, because the number of observations in the group is insufficient for analysis.*

### The specifics of loan consumption in Kyrgyzstan

Most credit consumers (75%) take a loan individually, i.e. loan payments are made by one person (See Diagram 8).

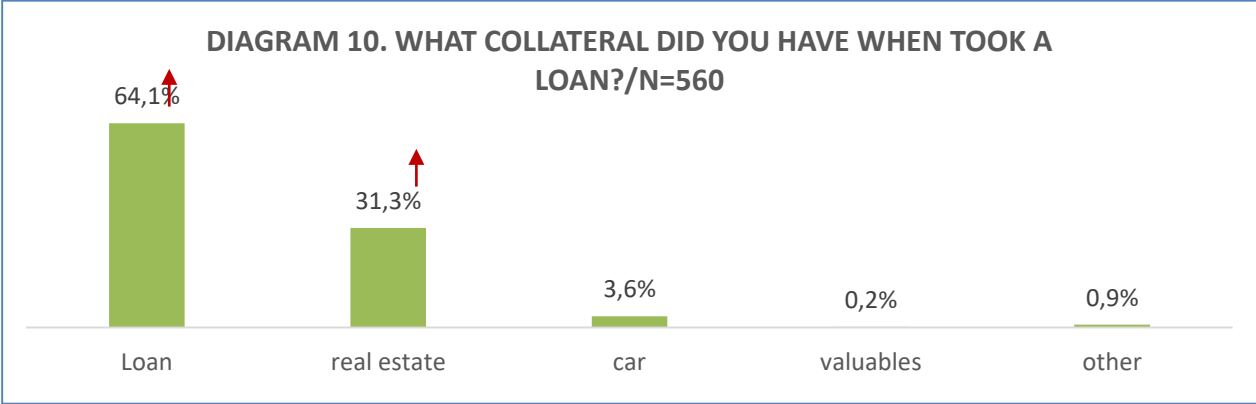


More than half of them indicated that they take uncollateral form of loan (64.1%). One should note that among those who take a group loan when a group of people repay the loan, the share of the uncollateral form of loan (85%) is significantly higher than among those who take a single loan (61.7%) (See Diagram 9).

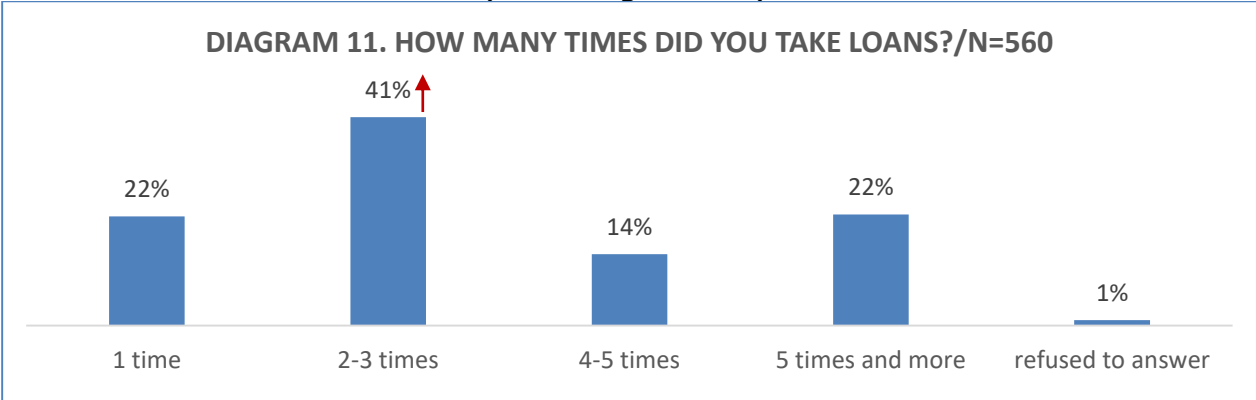


*\*the specified% is not indicative, because the number of observations in the group is insufficient for analysis.*

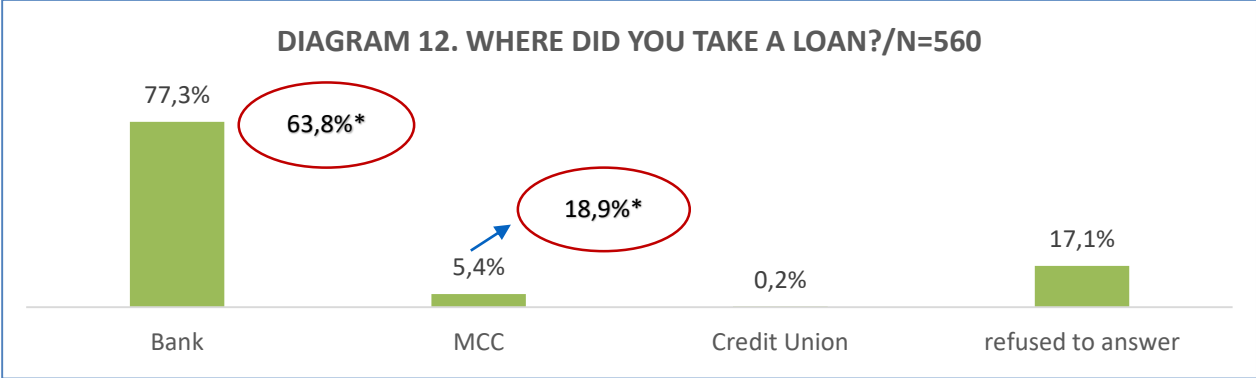
In the overwhelming majority of cases, real estate (31.3%) acts as collateral for a loan, cars are in second place (3.6%), share of securities is insignificant, its share is less than 0.2%. The category "Other" (0.9%) mainly included such forms of collateral as cattle (See Diagram 10).



The frequency of loan services consumption is high. In most cases, respondents take loans 2-3 times, this number was indicated by 41% of respondents. 36% of respondents took a loan more than 4 times and only 22% of citizens took a loan 1 time (See Diagram 11).



77.3% of respondents indicated that they took a loan from banks. In second place are micro-credit companies (MCCs), they were indicated by 5.4%, and only a small part is occupied by credit unions (0.2%). A significant part of the respondents (17.1%) refused to answer the question of where they got the loan (See Diagram 12).



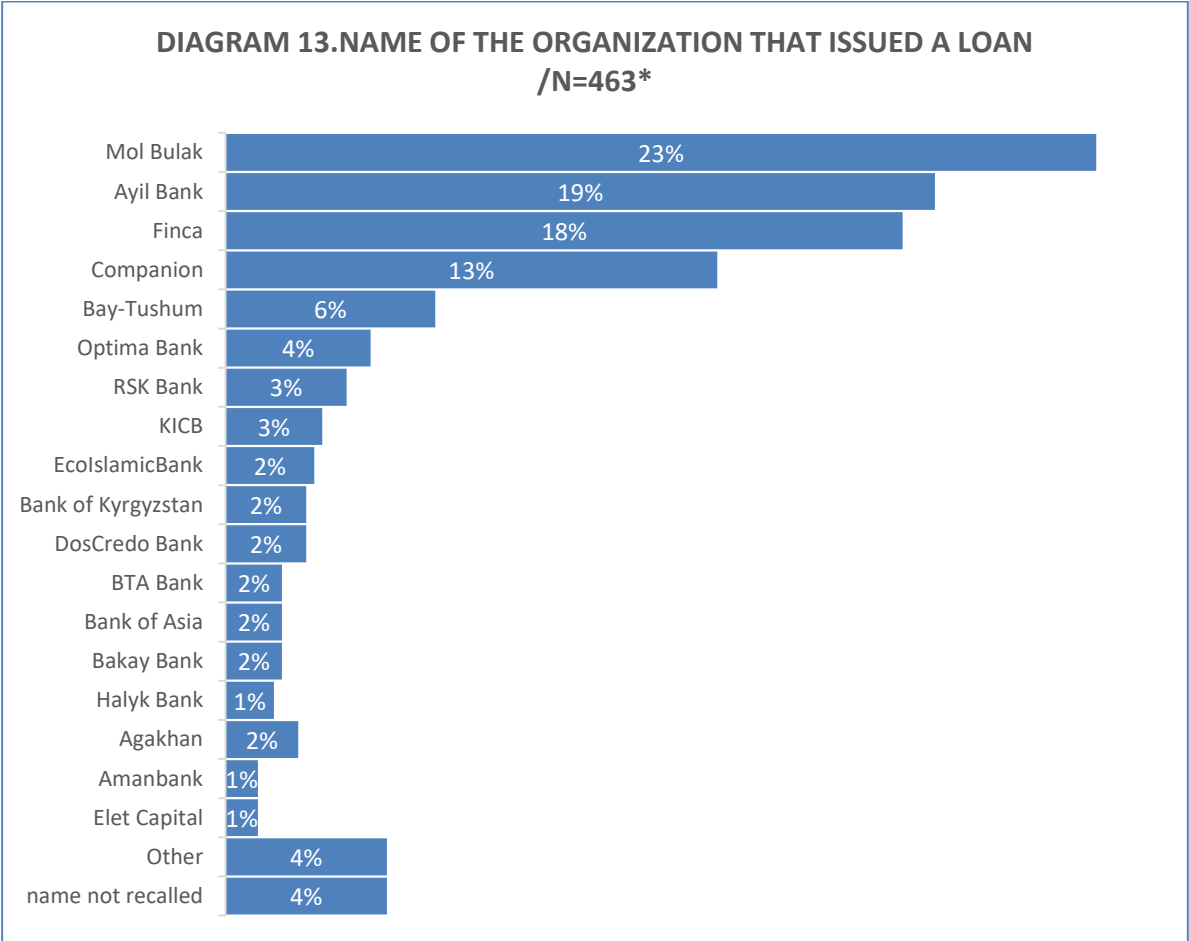
\*скорректированный процент

However, when a clarifying question was asked specifying the name of the credit company, it turned out that the respondents confused the ownership of their credit organization and many of them took loans from MCC.

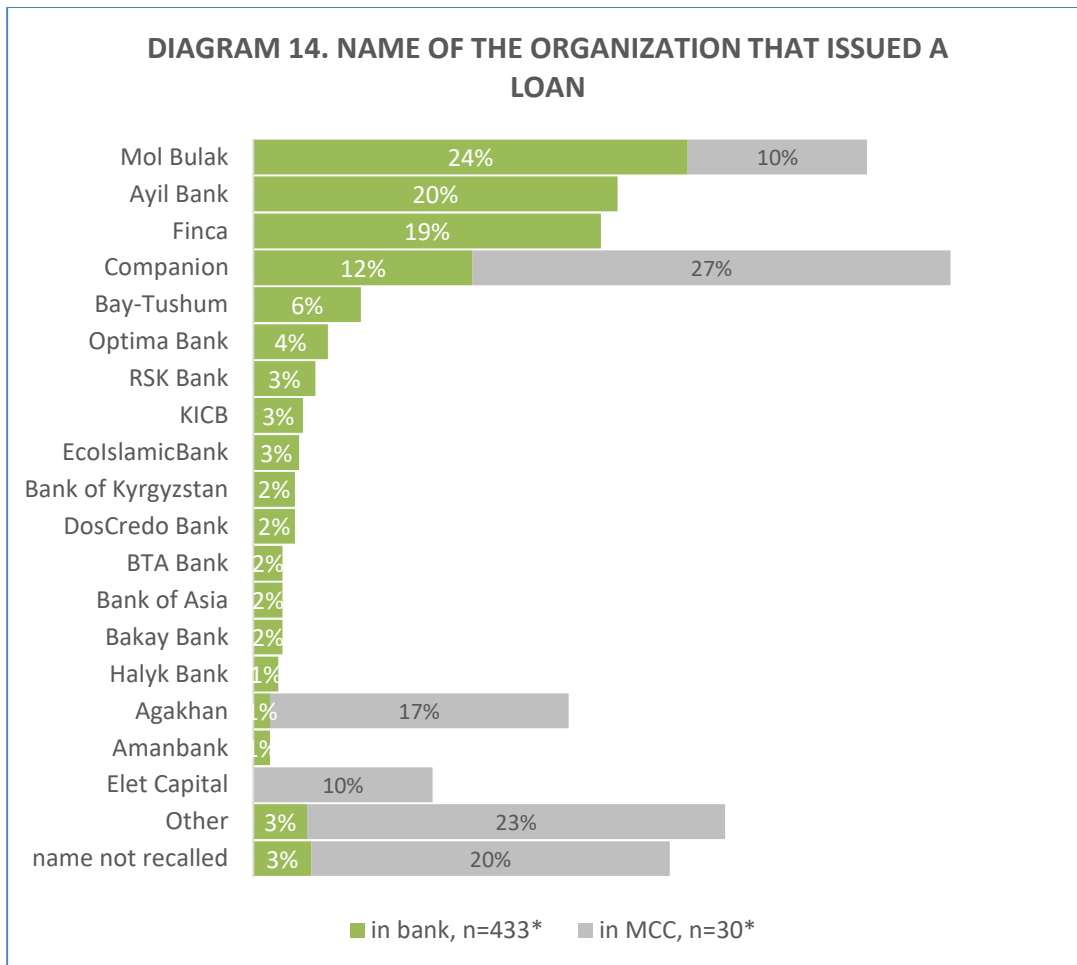
In the first place, in terms of the number of loans issued, is MCC Mol Bulak ( named by 23%), in second place, Ayil Bank (19%), in third, Finca Bank (18%), in fourth, Companion Bank (13%), in fifth place, Bank Bai Tushum (6%) (See Diagram 13).

But when observing by context of the type of organization named, many of those who indicated that they took a loan from the bank named Mol Bulak as the company that issued the loan (24%). And those who indicated that they are taking a loan from MCC, indicated the Companion Bank (27%) (See Diagram 14).

Based on these data, the adjusted percentage on the share of lending for banks and MCC is as follows: banks - 63.8%, MCC - 18.9% (See Diagram 12).

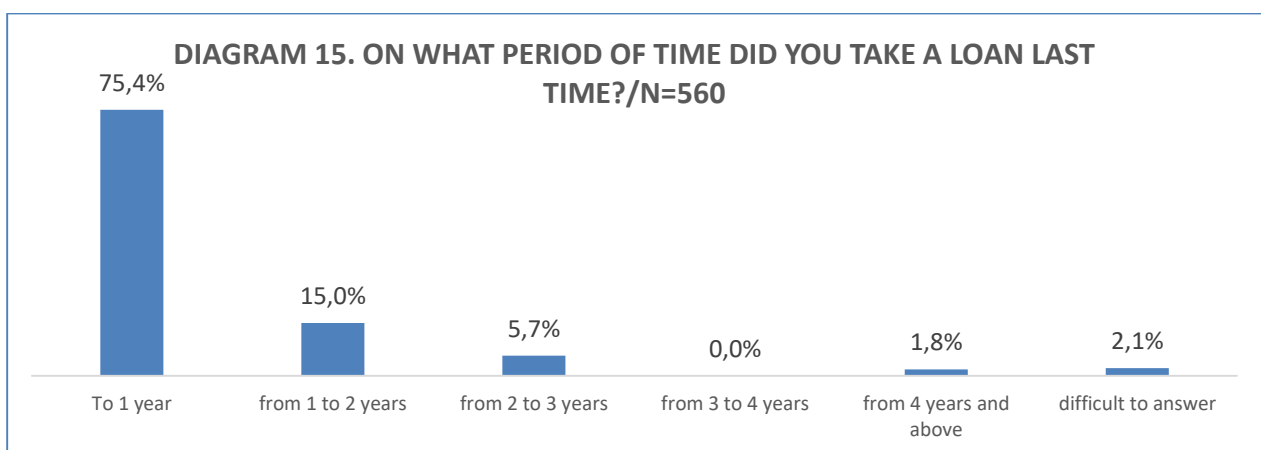


*\*the amount of answers exceeds 100%, because the question suggested the possibility of choosing several answer options.*

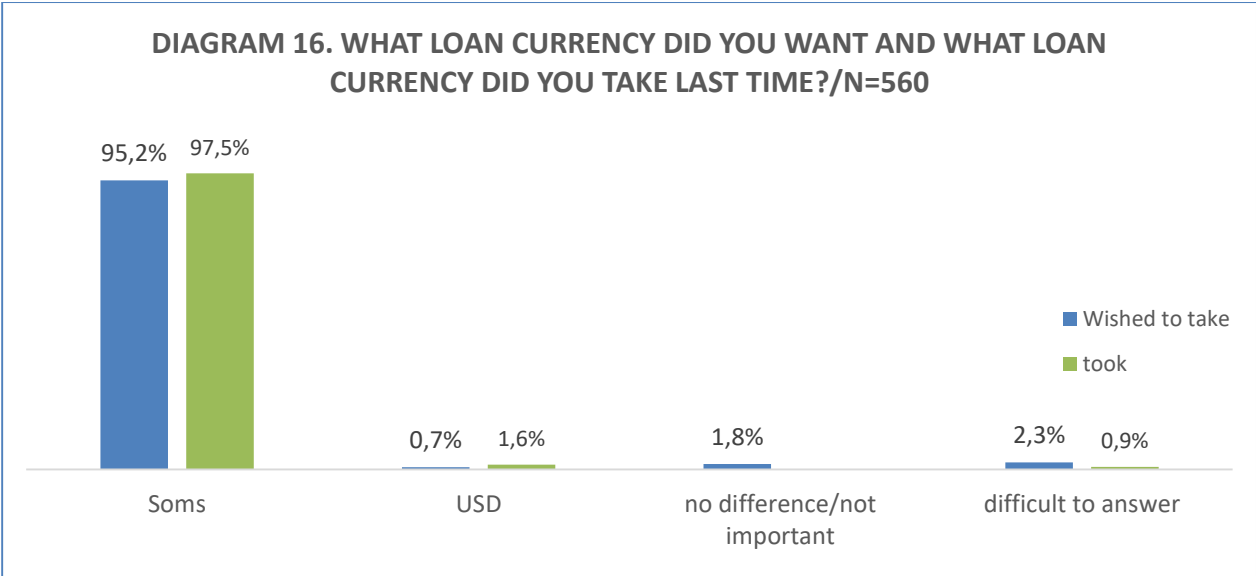


*\*the amount of answers exceeds 100%, because the question suggested the possibility of choosing several answer options.*

The vast majority of loan consumers take short-term loans for up to 1 year (75.4%). The share of long-term loans, more than 1 year, is 22.5% (See Diagram 15).

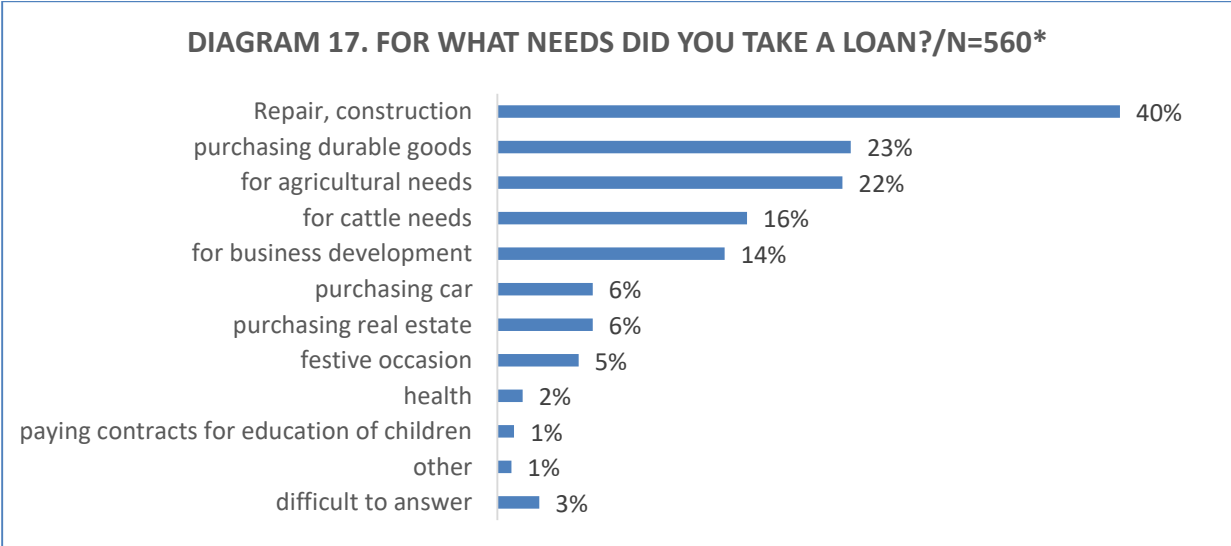


The bulk of loans are granted in soms (97.5%), this coincides with the desire of the consumers themselves (95.2%).



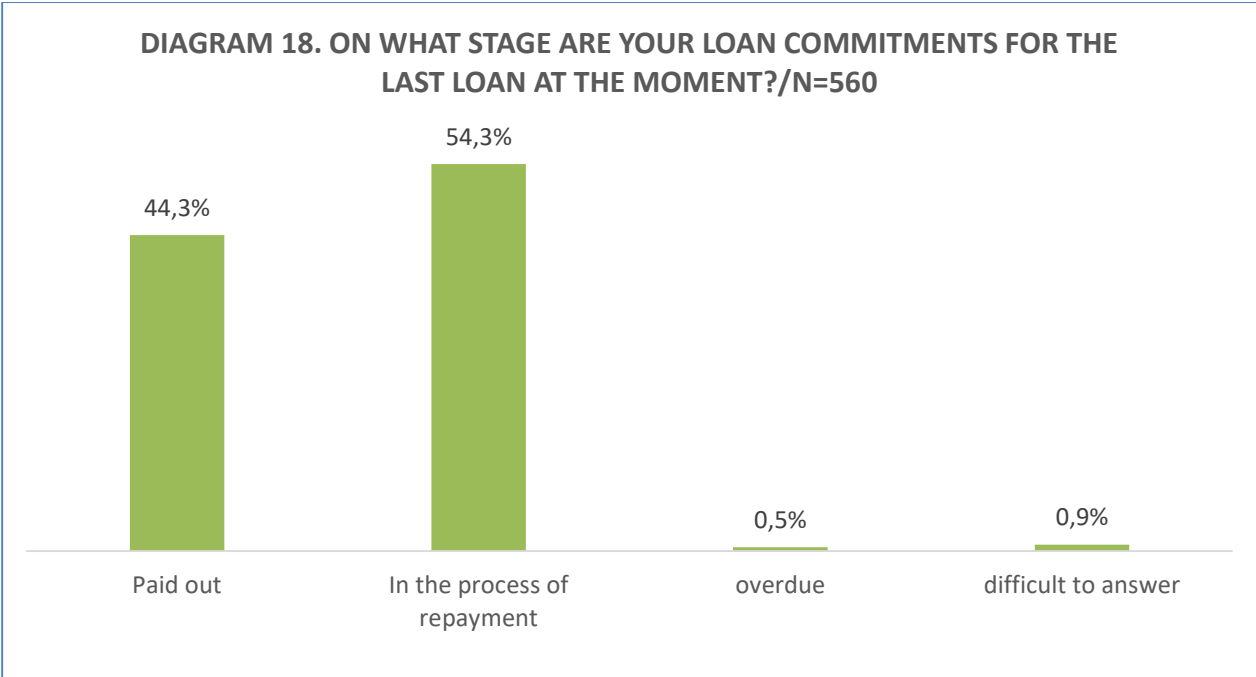
Among the total number of loans issued, the lion's share is for consumer loans, which are mainly taken to address the following needs: repair and construction - 40%, purchase of durable goods (furniture, household appliances, etc.) - 23%, celebration events - 5%, for health reasons - 2%.

Then the agricultural loans, which the respondents take for agricultural needs -22%; loans for cattle - 16%, for business development - 14%. The share of cars and mortgages is low, it is 6% for each type (See Diagram 17).



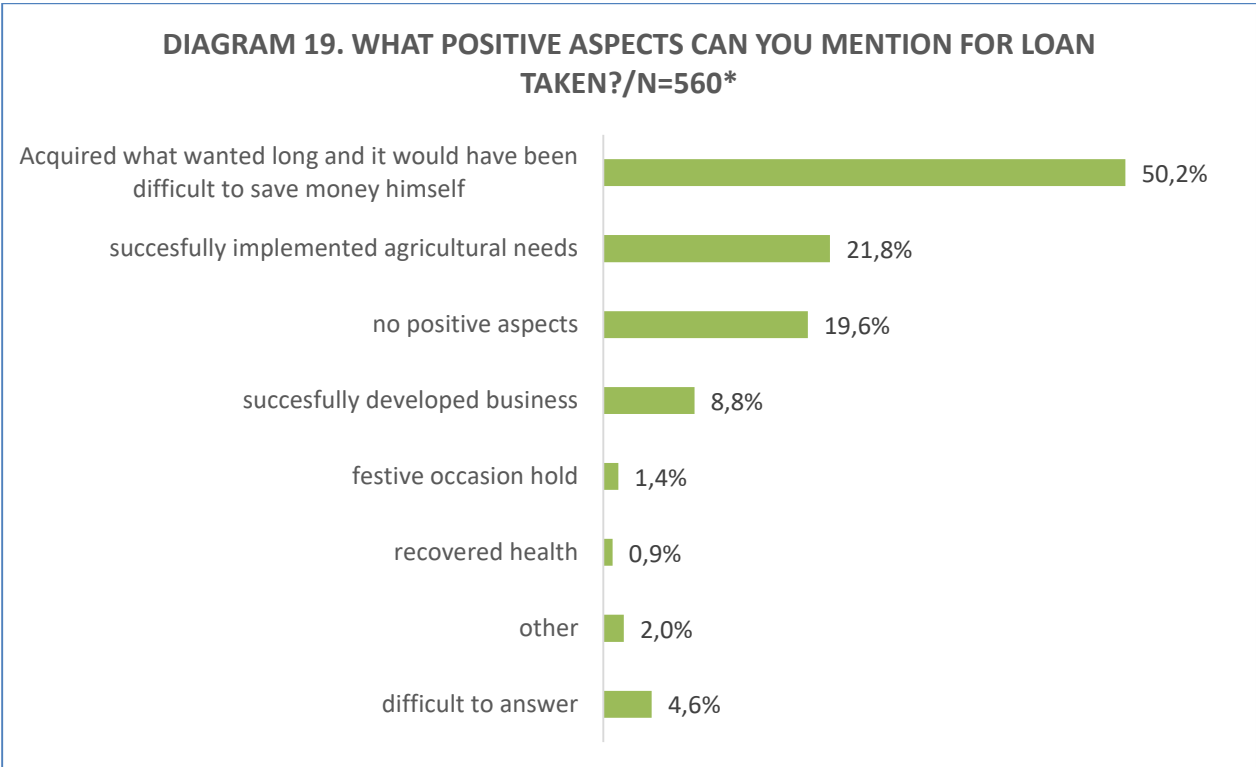
*\*the amount of answers exceeds 100%, because the question suggested the possibility of choosing several answer options.*

Just over half of the respondents (54.3%) who took out a loan are at the stage of loan repayment. 44.3% indicated that they paid the loan in full. 0.5% admitted that they overdue loan payments.



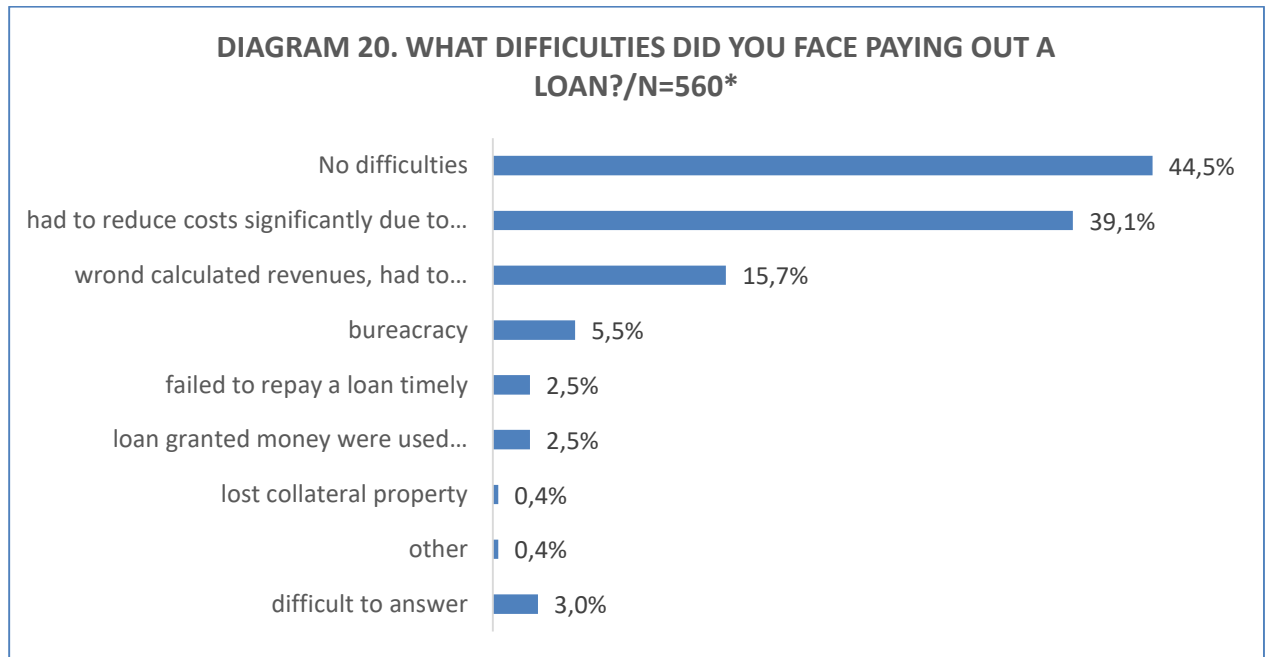
**The impact of loans on the social status of citizens**

There are certain pros and cons to the consumption of loan services. Among the main positive aspects from obtaining loans, the following factors were mentioned by respondents: ability to purchase the desired things without the need to save - 50.2%; successful implementation of agricultural needs - 21.8%; successful business promotion - 8.8%. 19.6% believe that there are no positive aspects from loan consumption (See Diagram 19).



*\*the amount of answers exceeds 100%, because the question suggested the possibility of choosing several answer options.*

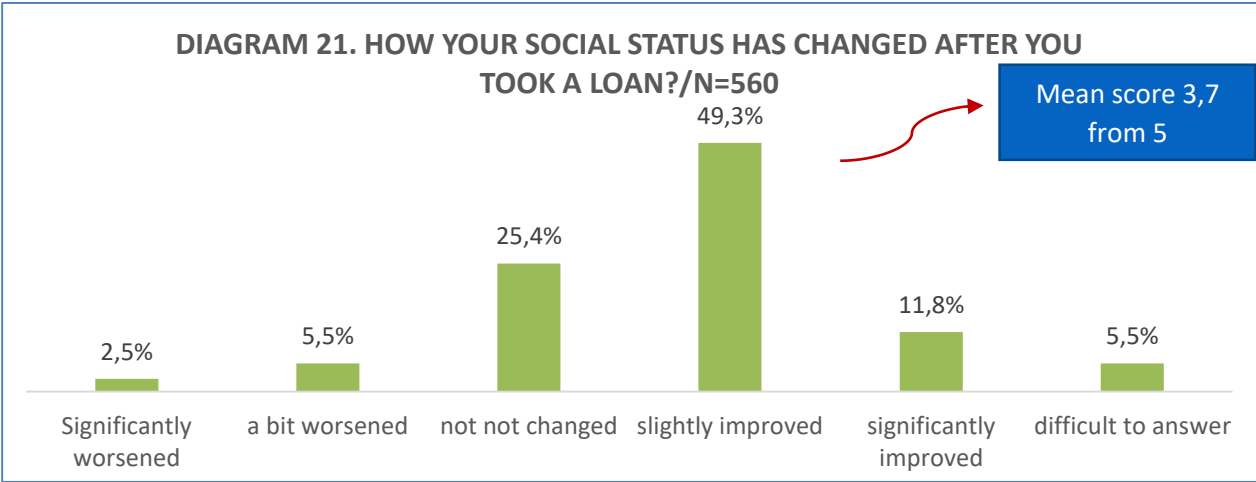
The negative aspects when consuming loan services are mainly related to loan repayments. The main difficulties mentioned: the need for a strong cost reduction due to high loan repayments - 39.1%, the lack of own funds for loan repayment which led to the need to borrow - 15.7%, bureaucracy 5.5%. 44.5% of respondents indicated that they had no difficulty repaying a loan (See Diagram 20).



*\*the amount of answers exceeds 100%, because the question suggested the possibility of choosing several answer options.*

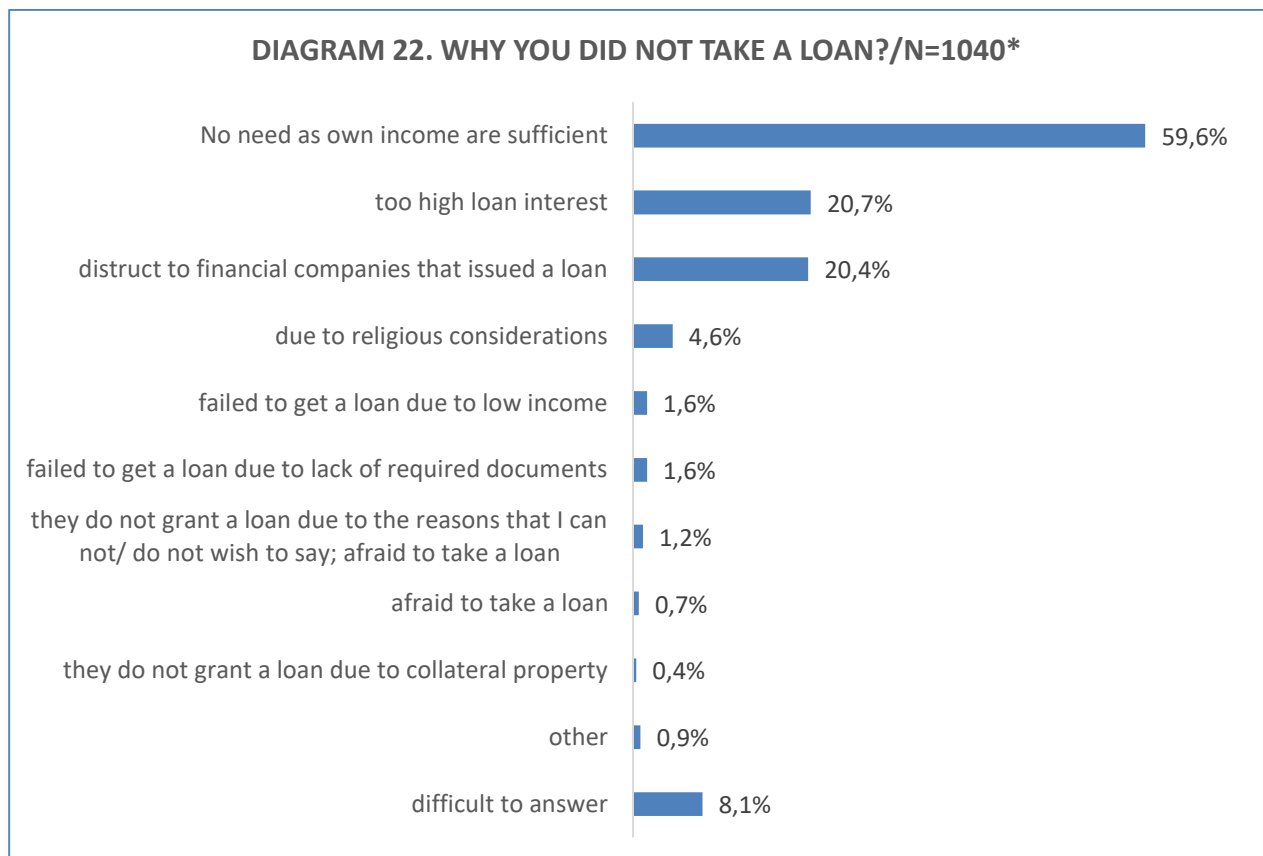
In general, in most cases, respondents note the positive impact of loans on their social status. 49.3% indicated that their social status improved slightly, 11.8% indicated that their social status improved significantly. The proportion of those whose consumption of loan services negatively affected their social status is much lower, and amounted to 8% (See Diagram 21).





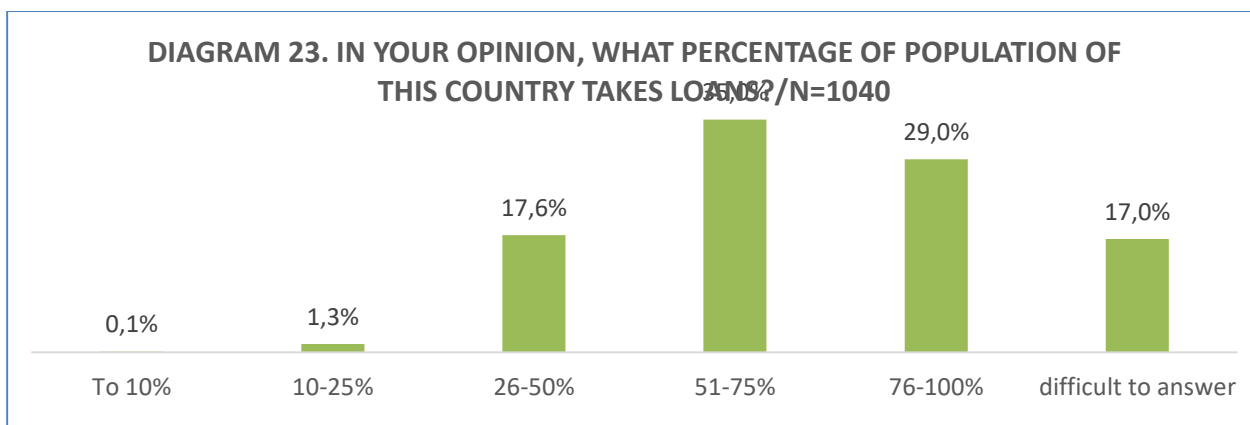
## Barriers to loan services consumption

The main barriers to the consumption of loan services are reasons such as: lack of need, sufficient level of own income - 59.6%; high interest on the loan - 20.7%; distrust of loan companies - 20.4%; 4.6% noted they did not take a loan for religious reasons. This is explained by the growing level of Islamization in the country, which condemns lending as a form of usury (See Diagram 22).



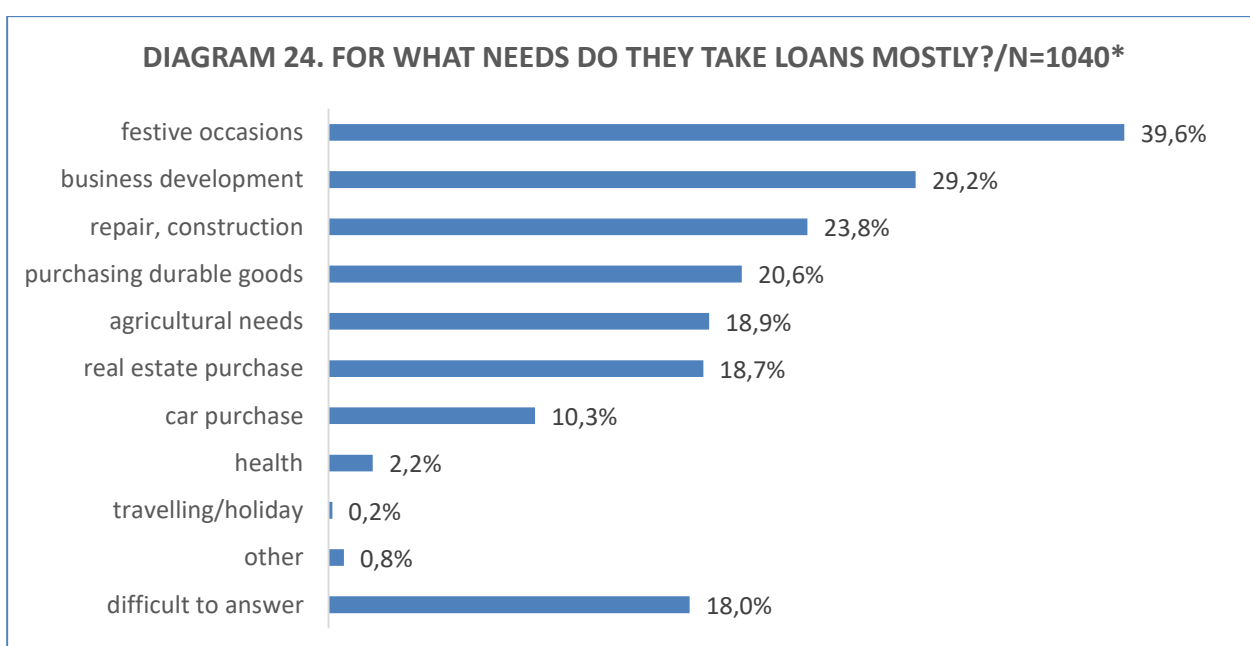
*\*the amount of answers exceeds 100%, because the question suggested the possibility of choosing several answer options.*

The perception of citizens about the share of loan services consumers is significantly overstated. According to the majority of respondents (35%), the percentage of the population that takes loans is in the range from 50 to 70%, while according to the survey, the share of loan consumers was only 35%. 29% of respondents believe that the share of loan consumers makes up from 76 to 100% of the country's population (See Diagram 23).



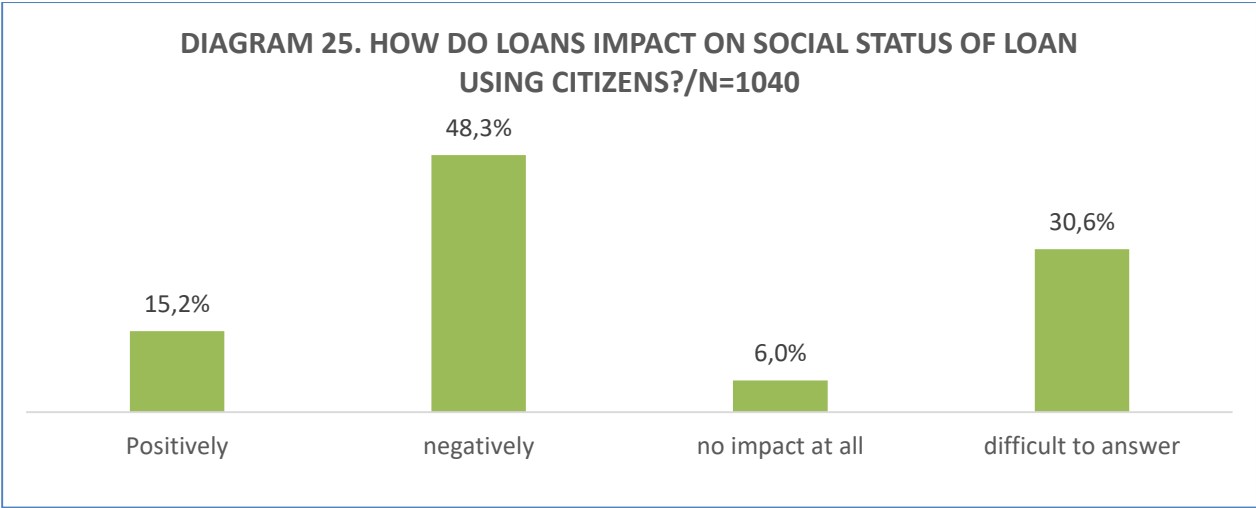
39.6% believe that they take loans mainly for festive occasions. 29.2% suggest that they take loans for business development; 23.8% - for repairs and construction; 20.6% - for purchasing durable goods (See Diagram 24).

According to the survey, in the first place by type of loan consumed, is the consumer loan, which is taken in most cases for repair, construction and purchase of durable goods. Holding festive occasions as a reason for loan consumption is only in 8th place (See Diagram 17).



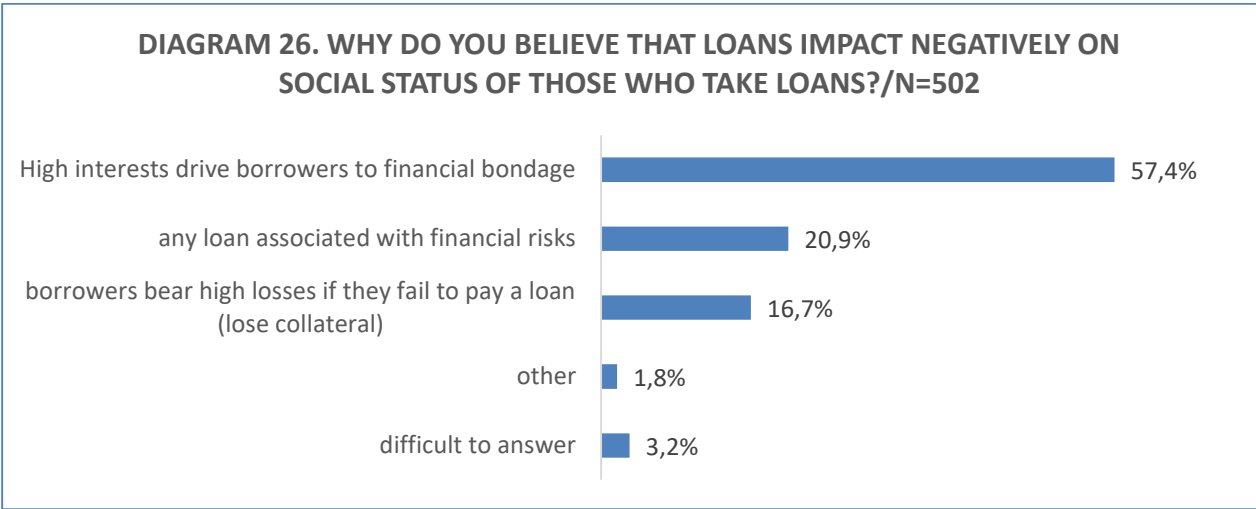
*\*the amount of answers exceeds 100%, because the question suggested the possibility of choosing several answer options*

According to respondents who do not use loan services, loans negatively affect the social status of citizens, 48.3% think so. This belief, along with the other factors mentioned above, is a barrier to the consumption of loan services (See Diagram 25).



Positively; negatively; no impact at all; difficult to answer

Negative impact of loans on the social status of citizens, according to respondents, is mainly due to the following reasons: high interest rates drive borrowers into financial liability, as 57.4% believe; any loan is associated with high financial risks - 20.9%; borrowers suffer heavy losses in case of non-payment of loans - 16.7% (See Diagram 26).



Thus, high loan rates, risks and fears associated, in the minds of potential consumers, are becoming key barriers to the consumption of loan services in Kyrgyzstan.

## Loan companies rating

To determine the rating of credit companies, two main parameters were evaluated: level of awareness of citizens about a credit company (knowledge without a hint) and level of loyalty to it.

To this end, the respondents were asked two questions:

- 1) "What financial loan issuing companies do you know?";
- 2) "If you were asked to recommend a company or a bank to get a loan, who would you advise in the first place?"

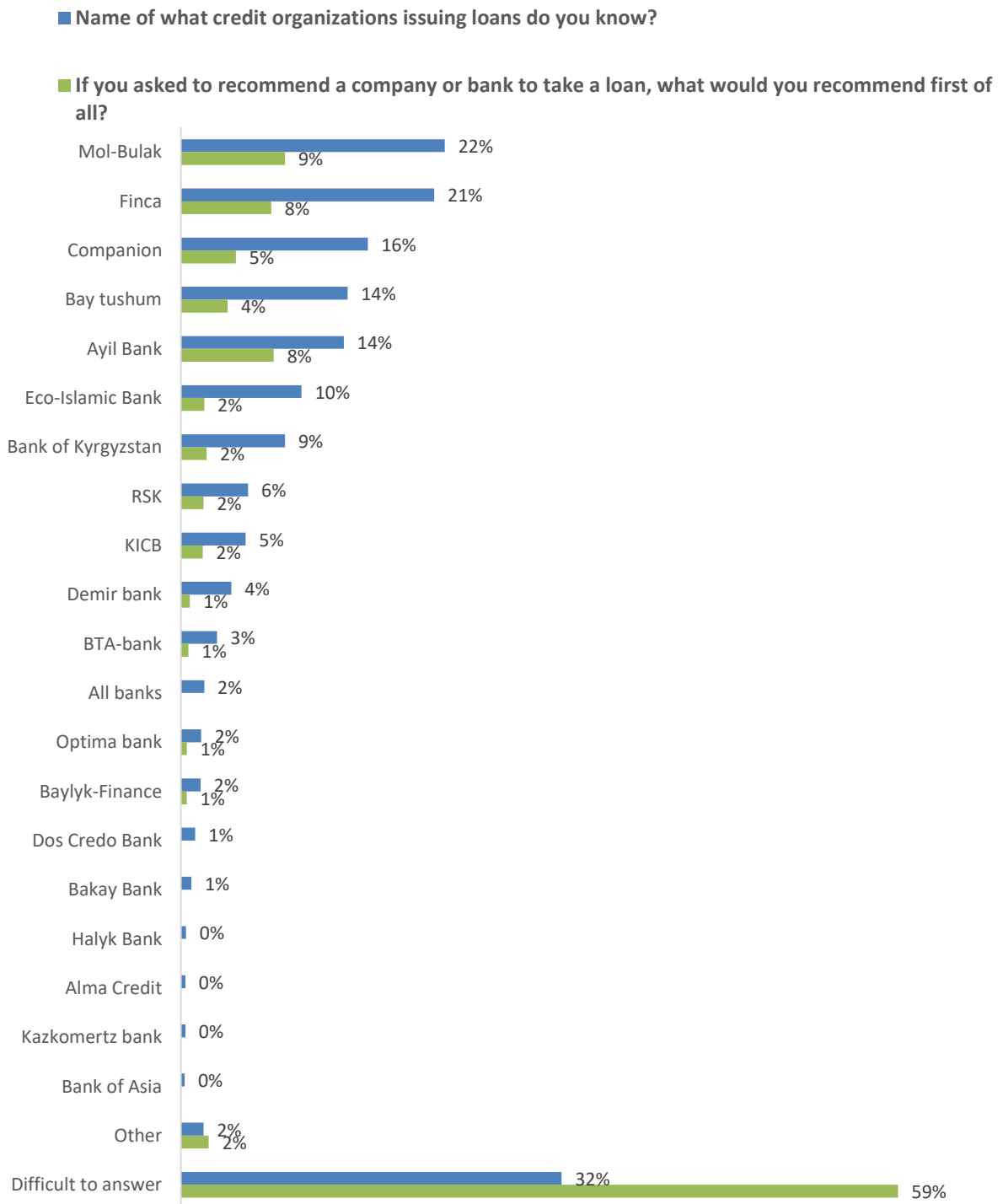
The respondents were not limited in the number of companies named; there were no hints for them. Thus, the data obtained reflect the spontaneous responses of respondents.

Top of Mind list of credit companies in Kyrgyzstan was made by the following financial organizations:

- 1 place. MCC Mol Bulak Finance, it was named by 22% of respondents, the level of loyalty was 9%, this is the proportion of those who are ready to recommend it as a creditor;
- 2 place. Finca Bank, named by 21%, 8% ready to recommend;
- 3 place. Companion Bank, named by 16%, 5% ready to recommend;
- 4 place. Bay Tushum bank, named by 14%, 4% ready to recommend;
- 5 place. Ayil Bank, named by 14%, 8% ready to recommend.

A significant proportion of respondents, 59%, found it difficult to recommend a company as a creditor (See Diagram 27).

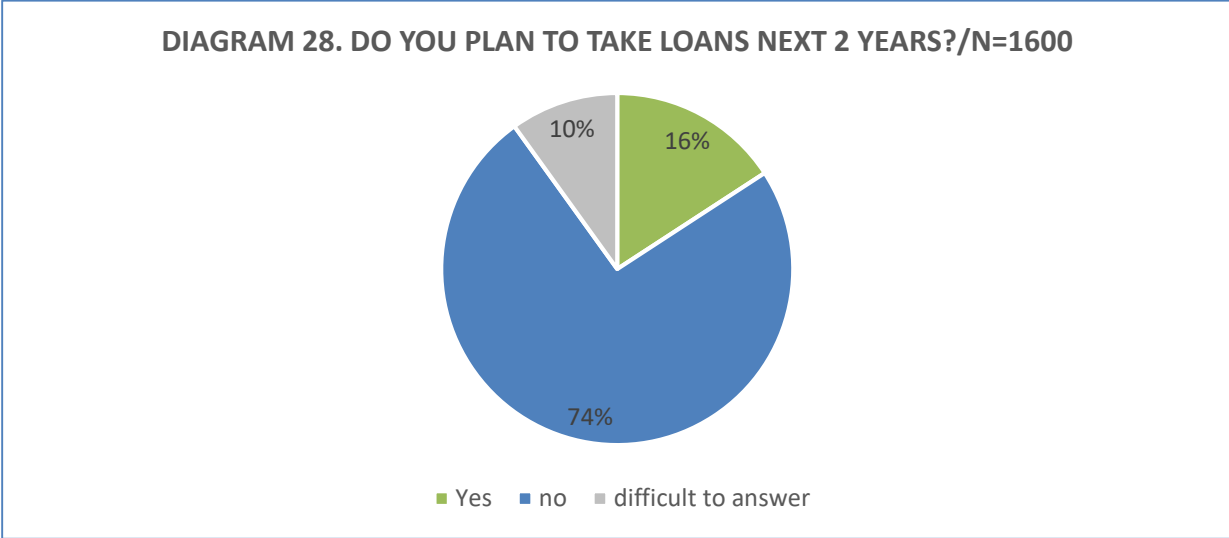
**DIAGRAM 27. THE LEVEL OF AWARENESS AND LOYALTY OF CITIZENS TO CREDIT COMPANIES?/N=1600\***



*\*the amount of answers exceeds 100%, because the question suggested the possibility of choosing several answer options.*

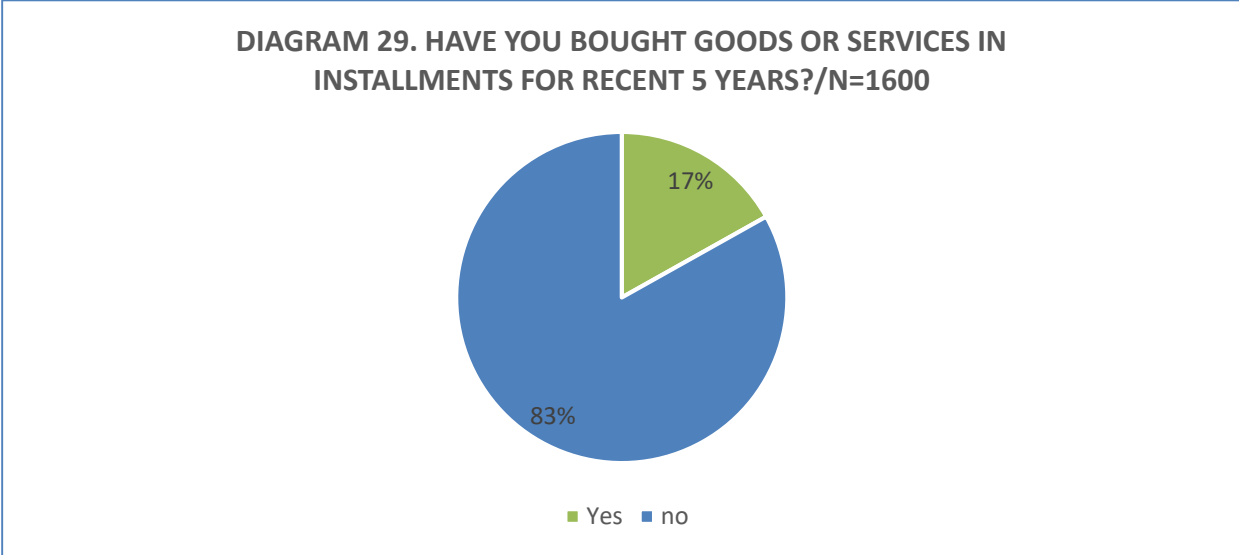
### The potential consumption of loan goods and services

The potential consumption of loan services, according to citizens, is low, the proportion of those who plan to take a loan in the next 2 years was 16%. The vast majority, 74%, do not plan to take a loan in the near future (See Diagram 28).

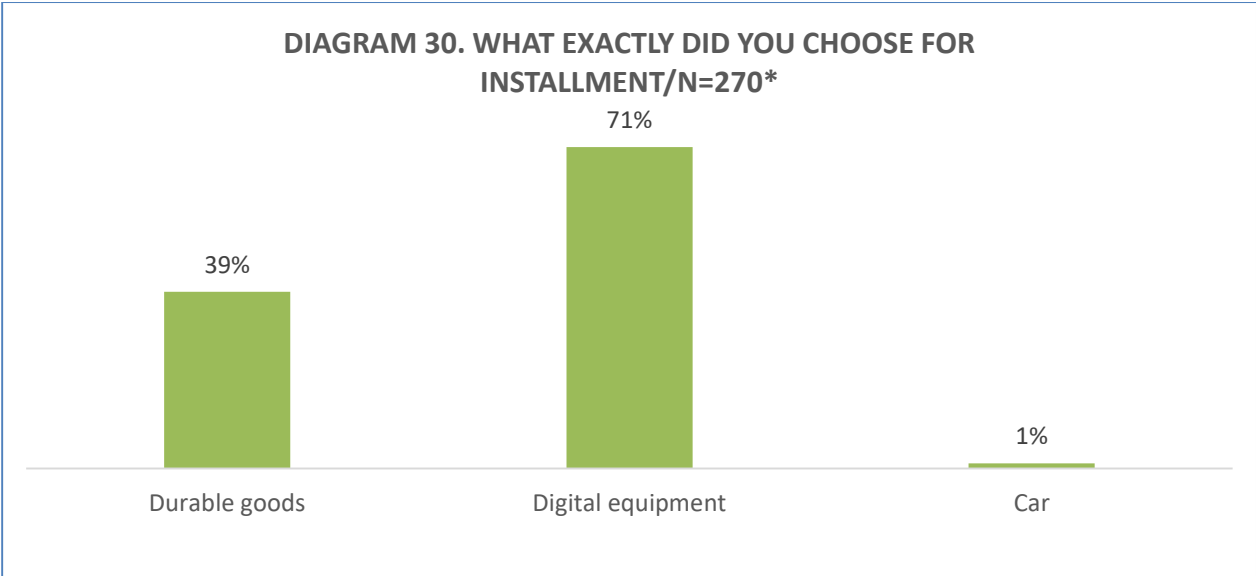


Yes; no; difficult to answer

Currently, a low share of consumption of goods in installments. Only 17% of respondents indicated that they bought goods by installments over the past 5 years (See Diagram 29).



The main goods that Kyrgyz residents take on installments are: digital equipment - 71%, durable goods, which include furniture, household appliances, etc. - 39%, car - 1% (See Diagram 30).



*\*the amount of answers exceeds 100%, because the question suggested the possibility of choosing several answer options.*



## RESEARCH METHODOLOGY

The survey was conducted using the specialized computer assisted telephone interviewing system (CATI). This method allows to quickly and accurately collect data on socially significant issues. An important advantage of telephone surveys is that information can be obtained and processed quickly. Another advantage is reliability, since the organization has the ability to control the survey progress through direct presence in the operator room. In addition, the interviewers are supervised by a supervisor who can listen to any ongoing conversation and oversees the work of the interviewers.

For the survey, mobile phone numbers were randomly generated by a specially designed computer program. In addition, a database of fixed phone numbers for each oblast was used to dial fixed lines.

### Study population

The study population was urban and rural population of Kyrgyzstan aged 18 and older, permanently residing in 9 regions of the country: Bishkek, Osh, Chui oblast, Issyk-Kul oblast, Talas oblast, Naryn oblast, Jalal-Abad oblast, Osh and Batken oblasts.

<b>Characteristics</b>	<b>Country distribution in% according to NationalStatCom in 2018<sup>1</sup></b>	<b>Sample distribution</b>
<b>Sex</b>		
Male	49,6%	46,6%
Female	50,4%	53,4%
<b>Age</b>		
18-24	19,1%	19,9%
25-39	37,9%	37,4%
40-54	24,2%	24,6%
55-64	11,5%	11,1%
65+	7,3%	7,1%
<b>Oblast</b>		
Bishkek	16%	17,5%
Osh	4,6%	5,0%
Batken oblast	8,2%	7,9%
Jalalabad oblast	19%	18,5%
Issyk-Kul oblast	7,7%	7,8%
Naryn oblast	4,5%	4,3%
Osh oblast	21%	19,9%
Talas oblast	4,1%	3,9%
Chui oblast	14,7%	15,3%

*Table 1. Comparison of sample and general populations by three demographic characteristics*

<sup>1</sup> NSC Electronic Database: <http://www.stat.kg/ru/statistics/naselenie/>

## Sample design

The sample was equally distributed between the seven oblasts and cities of Bishkek and Osh. Such an equal distribution of the sample allowed us to reduce the statistical error. The error for a given sample size was calculated by the formula:

$$\text{Moe} = \frac{1}{\sqrt{n}}$$

Where n – sample size.

In total, 1,600 people have been interviewed. For such a sample size, the maximum statistical sampling error at a confidence level of 95% is 2.5%.

The general selection of respondents was carried out with the control of age and gender quotas, regional quotas (oblast/city/village), as well as quotas for the use of only mobile, only fixed numbers and quotas for respondents using both mobile and fixed lines.

When dialing fixed phone numbers, the person who picked up the phone was interviewed. Randomness was ensured by the fact that fixed numbers were selected from a common database by a random method. When dialing mobile numbers, the respondent who picked up the phone was interviewed. Mobile phone numbers were randomly generated using special software.

The respondents were citizens who use the services of the following mobile and fixed line operators:

- Beeline
- Megacom
- O!
- Kyrgyztelecom

## Data processing

Processing of the survey results was carried out using the specialized software package of SPSS statistical and econometric modeling.

## Instrument

The questionnaire for the telephone survey consisted of 9 demographic and 23 questions aimed at examining the characteristics of lending to individuals in Kyrgyzstan.

The questionnaire consisted of closed and semi-closed questions. The instrument was prepared in Russian and translated into Kyrgyz. Both options were used in the survey, depending on the language of the respondent.