



# Financial Crisis & MFI Transformation

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# Understanding the Crisis

## *Trader*

This is worse than a divorce. I've lost half my money and I still have a wife

## *Samuelson (Nobel Prize in Economics)*

Economics has never been a science - and it is even less now than a few years ago.

## *Charles Dickens*

Credit is a system whereby a person who can't pay gets another person who can't pay to guarantee that he can pay



## Crisis effect on MFI's

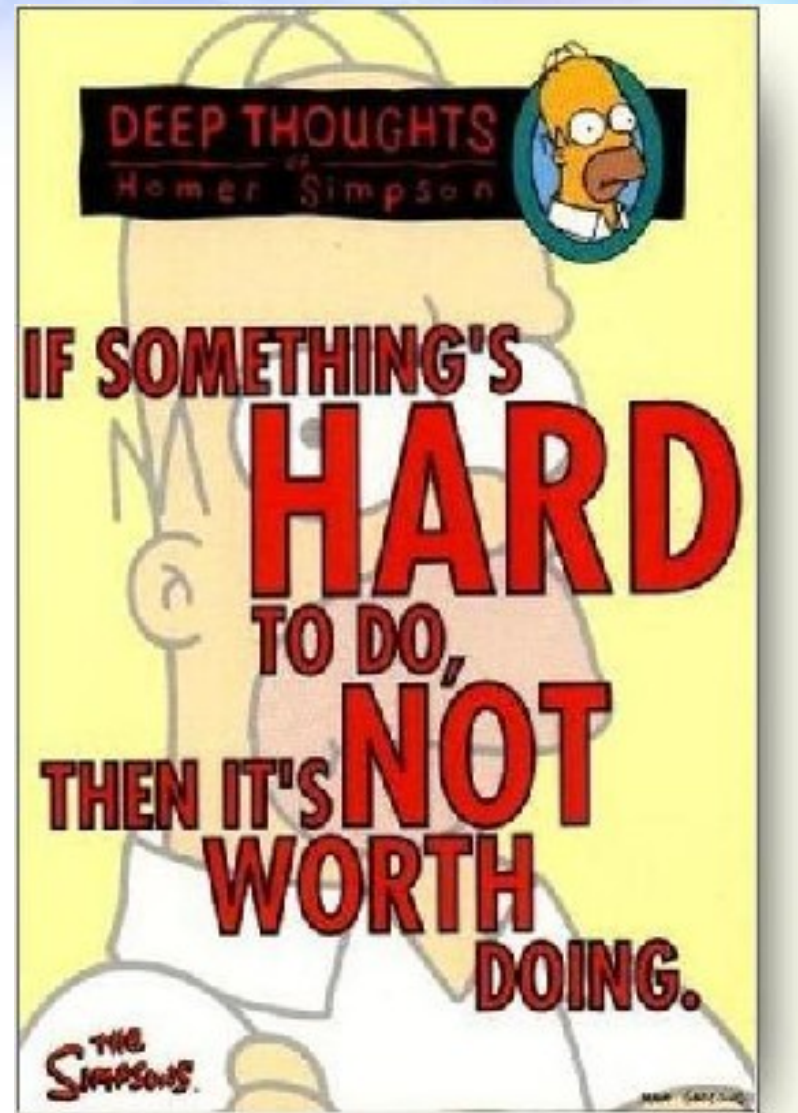
- Increased credit risk and lowered collection rate
- Lowered access to funding (deposits and borrowings)
- More expensive funding (interest, covenants, FX)

## Typical Response

- Slow growth
- Focus on Collection
- Careful RM
  
- Slow growth
- "Go outside the box"
- Increase deposit rates
  
- Increase lending rates
- Slow down/eliminate costs
- Make them compete
- Careful RM

# Transformation + Crisis = ?

*When in doubt some  
will do as Homer  
Simpson!*





# One step back Why Transform

## *Cheaper and More funds*

Tap on funds from public and lower cost of funding

## *Inclusive Finance*

More financial services and products to the same target groups

## *Institutional development*

Development opportunity for governance/staff/resources/controls

## *No Other Choice!*

... to be able to compete in the market. Pressure from competitors and investors.



# Transformation What does it take

*License/Legal:* Licensing and changes in legal form.

*Cultural:* Organizational culture needs to change – careful not to just import culture.

*Structures/Processes:* Organizational structure needs to be revised and most or all work processes too.

*Resources:* Additional managers and staff, new/revised MIS system, branch infrastructure, (re)branding, training etc.

*Working with Investors:* Support will be needed from investors through financing, TA, equity participation.



## Transformation

- LICENSE/Legal

- Structures/Processes

- Resources

- Working with investors

## Crisis Threats

- ✓ CB/Gov focus on Crisis
- ✓ Market uncertainties may put application on hold
- ✓ Process/Structure change secondary to collection & RM
- ✓ Cost management will slow down resource acquisition
- ✓ Resources split with crisis
- ✓ Impatience on licensing
- ✓ Can't commit to equity or more funds due to crisis risk

## The easy answer is “Depends”

	Slow Down if	Continue if
Effect of crisis on portfolio	- Significant	- Negligible
Licensing process has slowed down	- Yes	- No
Stage of transformation you are in	- Just starting	- Advanced
Current and potential investor support	- No	- Yes
Strategic importance of transformation	- Low	- High



**Thank You for the  
attention!**