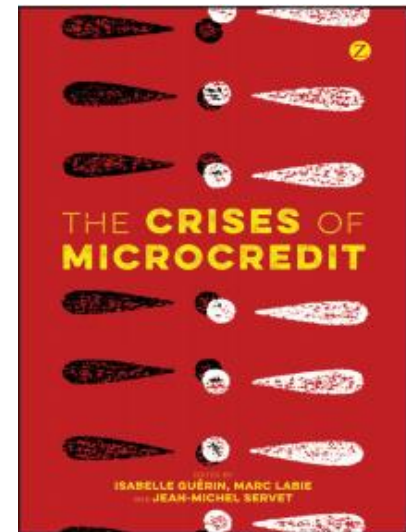


Have we really learnt something from microcredit crises ?

Isabelle Guérin
November 2015



Microcredit crises prevention dashboard

	Demand	Supply		Environment
		Organisational aspects	Financial aspects	
From the client's perspective	<p>Total debt/repayment capacity</p> <p>Total capacity of borrowing saturated by a single lender</p> <p>Willingness to pay</p>	<p>Inadequacy of products and lending procedures</p> <p>Nature of enforcement procedures</p>	<p>Effective interest rate (including transaction costs)</p>	<p>Cultural relationship to money</p> <p>Cultural and historical image of debt</p> <p>Clients vulnerability level</p>
From the MFI's perspective	<p><u>Clients</u></p> <ul style="list-style-type: none"> • Multiple credits (and crossed portfolio) • Turnover variation • Drop-out variation • Over-indebtedness <p><u>Lack of social and cultural embeddedness and/or legitimacy</u></p>	<p><u>Institution growth</u></p> <ul style="list-style-type: none"> • Employees: new/total number • Agencies: new/total number • Staff turnover • Procedure for launching new products/services • Inadequate MIS adaptation <p><u>Staff management</u></p> <ul style="list-style-type: none"> • Incentives • Control <p><u>Quality of governance</u></p> <ul style="list-style-type: none"> • Leadership behaviours • Mission fulfilment • Multiple mechanisms • Balance of power relationships 	<p><u>Portfolio quality</u></p> <ul style="list-style-type: none"> • PAR30 & PAR90 • Write-offs <p><u>Cost covering</u></p> <ul style="list-style-type: none"> • Funding costs • Operational costs (including staff) • Loan loss costs <p><u>Lack or excess of liquidity (of the institution)</u></p>	<p><u>Macroeconomic risks</u></p> <ul style="list-style-type: none"> • Foreign exchange (FX) risk (if exposed to foreign funding) • Inflation <p><u>Judicial procedures efficiency</u></p> <p><u>Interaction with informal lenders</u></p> <p>Segmentation? Coordination? Competition?</p>
From the country's perspective	<ul style="list-style-type: none"> • Consumer credit stimulation and practices • Unexpected changes in money transfers (remittances) • Overconcentration of clients economic activities • Microfinance reputation 	<p><u>Market growth</u></p> <ul style="list-style-type: none"> • Market growth rate <p><u>Nature of the market</u></p> <ul style="list-style-type: none"> • Concentration of supply (clients) • Concentration of supply (products) • Geographical concentration 	<p><u>Available financing</u></p> <ul style="list-style-type: none"> • Importance • Nature 	<p><u>Competition</u></p> <ul style="list-style-type: none"> • Importance • Nature <p><u>Macroeconomic framework</u></p> <ul style="list-style-type: none"> • Regulation framework • Quality of supervision • Credit bureau • Political risk • Country risks (natural disaster, economic crises, ...)

Different levels of crises



COUNTRY
CRISIS

MFI
CRISIS

CLIENTS
CRISIS

Different levels of crises



COUNTRY
CRISIS

MFI
CRISIS

CLIENTS
CRISIS

Different levels of crises

COUNTRY
CRISIS

MFI
CRISIS

CLIENTS
CRISIS

Most salient features

COUNTRY
CRISIS

Excessive
concentration

Political
interference

MFI
CRISIS

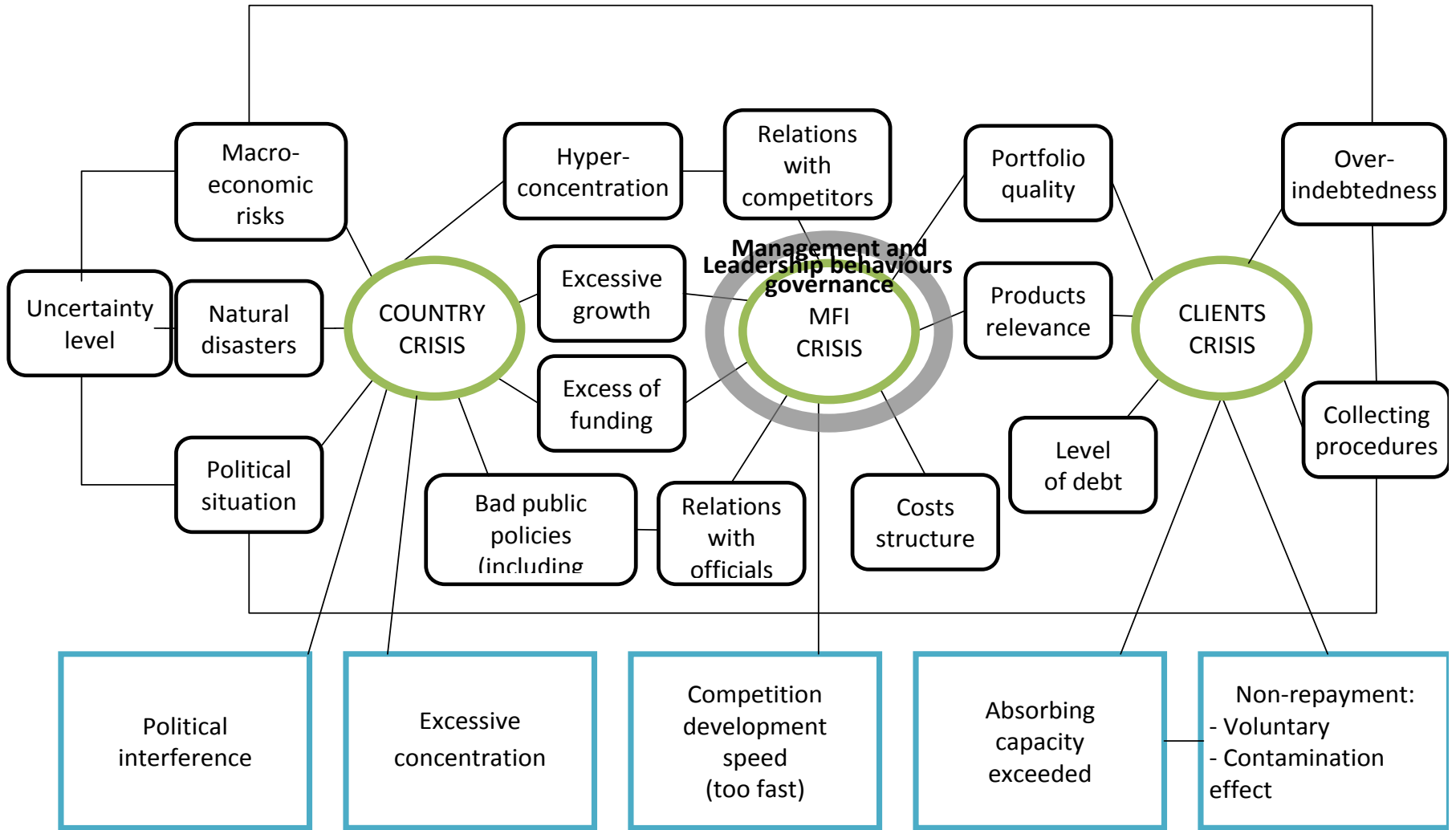
Competition
development
speed
(too fast)

CLIENT
CRISIS

Absorbing
capacity
exceeded

Non-repayment
- Voluntary
- Contamination
effect

Microcredit crises graph

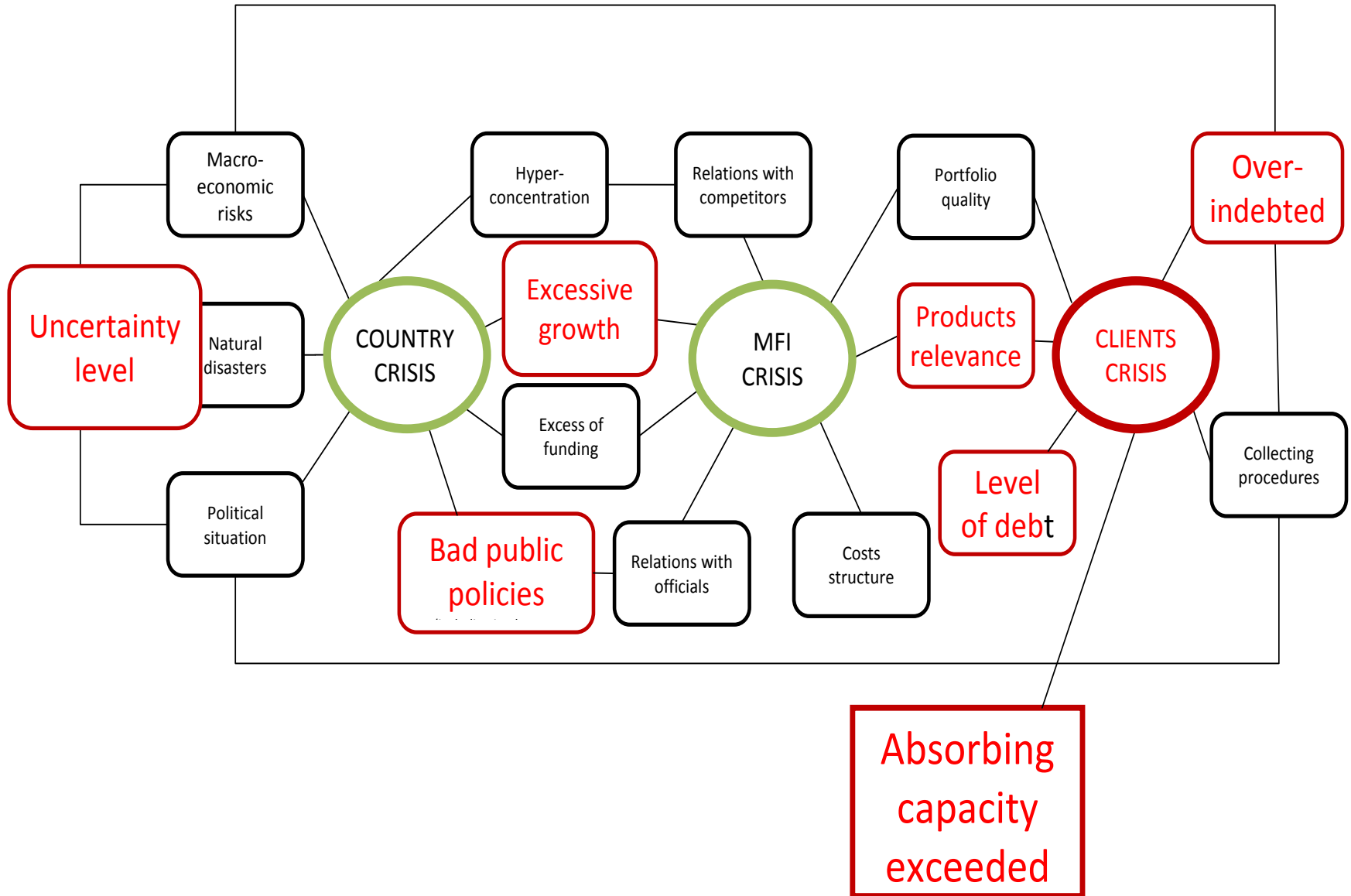


Legen ○ To be coloured red in case of crises

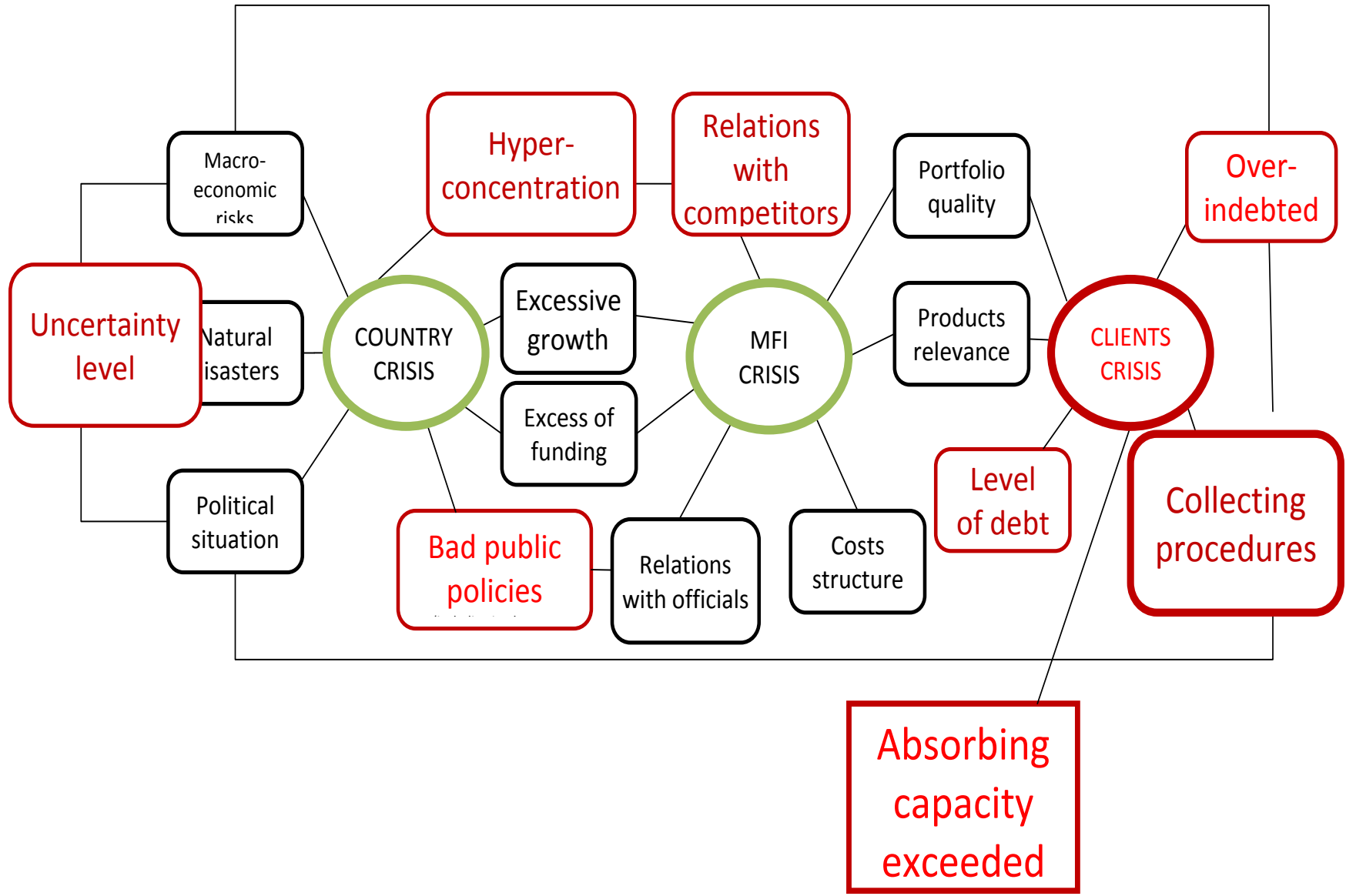
▭ Explaining items

▭ Sparkling items

Tamil Nadu

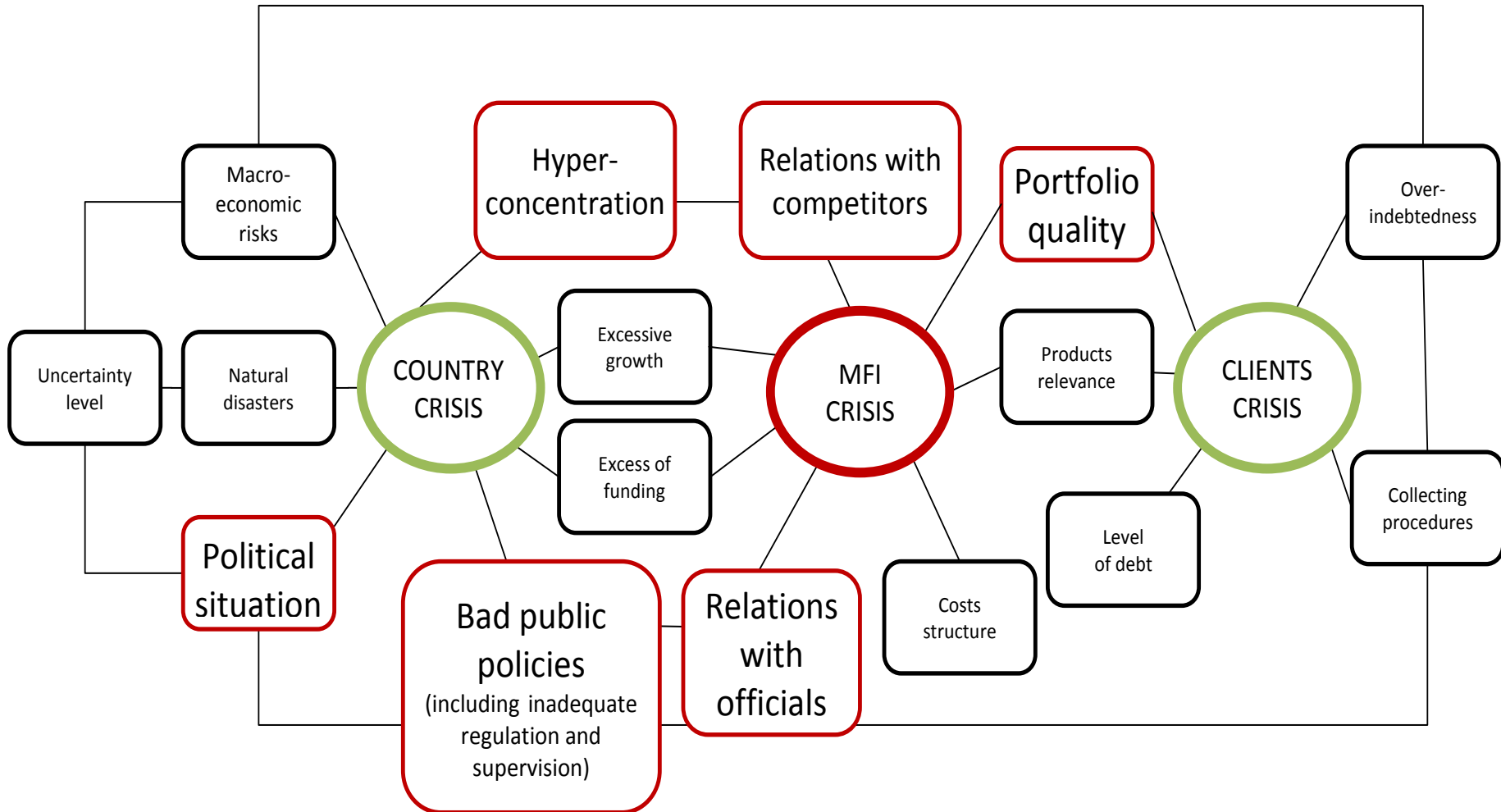


Dominican Republic



WWW.MICROFINANCE-IN-CRISIS.ORG

Senegal



Morocco

