



Responsible Exits





Remember Where You Began

- Why did an organization enter the market?
- What market failure was the organization trying to address?

Microfinance = one tool to address common market failure: lack of access to finance for low-income populations

Why Do Organizations Exit?

- Organizational strategy has changed
- Changes in enabling environment
- Financial limitations
- **Market failure has been solved**

How do you know market failure solved?

- More commercial competitors (e.g. banks) crowding you out
- Over leveraged clients

If this is the case, social-investment organization **SHOULD** consider exiting.



- Not a purely financial decision
- Ideal case: plan for exit when entering a market
- Part of constant strategic review: consider various scenarios and causes for exits

What to address during exit (whether planned ahead or not)?

- Financial/reputational implications
- Clients: timeline for clients to adjust/find options
- Stakeholders (staff, co-investors, etc.)

Responsible Exits

DFI

- Planned ahead
- Delivered exit strategy

International NGO

- Market failure solved
- Seized good, commercial interest offer

Local NGO

- Ensured continuity for clients and stakeholders
- Ample timeline for adjustment

Less Responsible Exits

NGO Shareholder

- Sold to wrong buyer, indirect state intervention
- Economically motivated

Municipal Government

- Mission drift
- Market failure solved, remain

NGO

- Stakeholder pride