
SME FINANCE IMPACT ON MFIS CORE BUSINESS

Group Presentations

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Strategic value: SME finance impact on MFIs core business

High touch service design

Product and delivery channels development for SMEs

Extended risk management framework

Staff capable of sophisticated credit analysis

Any other capability you can think of ...

Please prepare 5-7 minute group presentation answering following questions (with brief justification):

1. What value brings each capability from the left side to MFI core business? (positive, distractive, neutral)
2. Do you personally believe that SME finance is a true opportunity for MFIs?
3. What are the most critical factors MFI should consider before entering SME market?

Group #1

1. MFI might have relations with clients-clients.

A big help for client evolution.

Specialized staff.

2. Yes!

3. Analyse bank competition.

Strong risk department

Liquidity of MFI

Market study

MFI software and procedures

Group #2

Overall Aim:

Grow clients to become SMEs

Social Mission: job creation, prosperity

Value Proposition (compared to banks)

(leverage our flexibility and other advantages as MFIs)

Market segmentation

INSTITUTIONAL CAPACITY BUILDING

- Loan processes + others
- Risk management department (create, improve, reorganise)
- Sufficient resources (HR, IT, staff training, financial resources)

Add-ons

crossing, non-financial services

Group #3 – 1/4

What value brings capacity to MFI

➤ High Touch Service

- Requires more service than traditional
 - ✓ Enhance existing MFI business
 - ✓ Expand reach to other SMEs
- More formal, more paperwork
- Services
 - ✓ Basic accounting
 - ✓ Scorecard

Group #3 – 2/4

- Very different business
 - Diversity
 - Opportunities
 - Risks

- Risk Management
 - More extensive
 - More data
 - Need different skills
 - Need historical data (hard to get)
 - Need different people

Group #3 – 3/4

1. Is there Value

- Distraction – Loss of Focus on Core Business
 - Different Competitors (Banks)
- Potential Growth Area – Defensive Business
- Social Goals – SME
 - Negative – lose target (poverty alleviation)
 - Positive – employment
 - Hiring practices
 - Child labor
 - Women
 - Equal pay
 - Positive – environment

Group #3 – 4/4

2. Is there Business Opportunity

- Higher Returns, Safer, Productivity
- More opportunities for employees
- Keep clients longer
- Cross selling
- Negative – more concentration in one business

3. Critical Factors

- Size of MFI
- Risk Factors
- Regulatory (Banking Licence?)

Group #4 – 1/2

Answer – Yes!

- **If internal policy of MFI is to become a Bank:**
 - Accompany the client – SME (find the ways to serve the clients longer)
 - Keep the client instead of giving it to commercial banks
 - Funding/ donors that agree the MFI to do SME Finance
 - Training support/ technical assistance to the MFI/ employees
 - Expertise –accounting, risk management, legal
 - Standardize procedures/ contracts
 - Development of new products offered to clients

Group #4 – 2/2

➤ **BUT:**

- If shareholders want fast returns, it might be a problem
- Offering of the funds by MFIs may be different from the Bank (conditions)
- Problems might come from legal obstacles/ regulation. May need to change the charter/ registration of the MFI
- A lot depends on the competition market (notably, the banks)