



Addressing Impact of Financial Crisis to the Bottom Line Pyramid – Food Security & Poverty

"The global financial crisis and its impact on microfinance"

Only threats or also opportunities?

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Content

- Financial crisis and world economy
- Economic outlook
- Impact on the microfinance sector
- Actions taken
- Crisis as an opportunity for the cooperative sector

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Financial crisis and the world economy

How the financial crisis grabs the economy

Four channels of contagion



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Financial crisis and the world economy

Financial crisis spreading across the world
Started in the US,



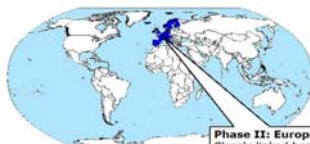
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Financial crisis and the world economy

Financial crisis spreading across the world
....than spread to Europe.



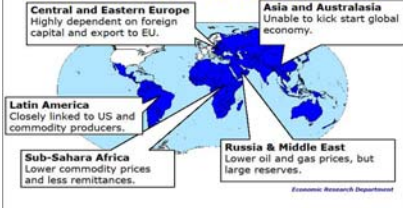
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Financial crisis and the world economy

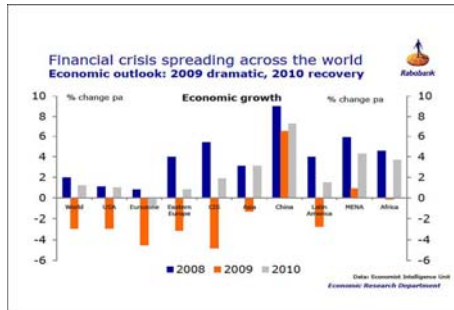
Financial crisis spreading across the world
And moved on the Emerging Markets.



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Economic outlook



Impact on the microfinance sector

Impact on microfinance institutions depends on:

- the institution's liabilities
- it's financial state
- economic health of its clients

Impact on the microfinance sector

Impact on microfinance institutions (MFIs)

1. increased funding costs and difficulty in attracting external finance
2. deteriorating quality of loan portfolio due to reduced repayment capacity of clients
3. misalignment foreign currency borrowing and local currency repayment

Impact on the microfinance sector

1. Increased funding costs and availability
 - MFIs with a broad base of deposits are less exposed to increased rates and lower availability of external finance
 - Reduced growth, stick to current clients and smaller loan amounts → impact on repayment incentive

Impact on the microfinance sector

2. Repayment capacity of clients
 - economic downturn
 - increased food prices
 - reduction in remittance flows (show graph predicted growth of remittance flows)

Impact on the microfinance sector

3. Misalignment foreign currency borrowing
 - 70% of MFIs borrowing is denominated in hard currency
 - local currency exchange rates against the dollar deteriorated

Actions taken



- Increase reserves and equity
- Adjust growth plans
- Focus on portfolio quality and strengthening of the loan approval process

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Actions taken



- Sustain confidence of clients – access to follow up loans
- To improve asset-liability management
- Introduce deposits
- BDS products

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Opportunities for cooperatives



- Member based – first purpose is not making profit but to best serve your members
- Deposit based – relatively independent funding structure
- Increased confidence from the public

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Thank you for your
attention

Any questions?

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