



One central theme:

“Microfinance and banks: are we the right partners?”

Background

Collaboration between MFIs and banks has been a key driver for growth for many microfinance actors. This collaboration has often been established due to regulatory restraints that impede MFIs to provide services directly (“necessity”), but the majority of collaboration cases have been to identify mutually beneficial arrangements for both parties (“opportunity”).

However, in today’s financial climate, banks are becoming increasingly attracted to markets they did not previously serve. While most banks prefer to reach these new markets through support to MFIs, some banks are starting to offer microfinance products themselves (downscaling). As the microfinance sector becomes increasingly visible and mature, relationships between the banking and microfinance sectors should evolve to a more fruitful and diversified collaboration.



**Microfinance
and banks:
Are we the right
partners?**

Dublin, Ireland

18 and 19
June 2015

Objective

The general objective of the conference will be to discuss the cooperation potential between traditional financial institutions and the microfinance sector so that greater collaboration and cohesion is enhanced between both sectors in reaching out to the underserved.

Although Europe is characterized by a dense network of banks (counting over 8,300 institutions), the financial crisis has demonstrated important weaknesses of the system.

Microfinance provided by non-banking financial institutions has emerged and grown over the last twenty years as a genuine alternative for thousands of micro-entrepreneurs who have been refused access to credit by mainstream banks.

Stable partnerships within the mainstream financial sector will be fundamental for the continued development of the microfinance sector. To date, these partnerships have existed mainly with banks, and the question is whether alliances with alternative financial institutions could also be positive for the sector in order to improve and diversify our range of services (deposits, money transfer, microinsurance, etc.). Also, new technologies offer a wide range of possibilities that the microfinance sector should attempt to capitalize upon (crowdfunding, peer-to-peer lending, mobile banking, etc.).

Topics for discussion

New initiatives (particularly from the EU) will provide further funding for the sector, but it is not clear if this funding will be channeled through the banks, non-financial institutions or a combination of both actors.

Some national governments are putting pressure on the banks to downscale their activities in this area. Considering microcredit as an additional market segment could be important for banks in order to increase activities in terms of outreach and business sectors. At the same time, funding instruments (e.g. equity and loans) and guarantees (direct and/or counter-guarantees) are needed to finance MFIs' operational activities.

The discussions should draw contributions from various institutions aiming to share experiences across the continent on collaboration between microfinance and the mainstream financial sector and identify opportunities that will arise in the future:

- What role should banks play within the European microfinance sector?
- Should banks provide microcredit directly? Through partnerships with non-banking financial institutions?
- What potential opportunities on alternative services to microcredit may come up in the near future?
- Which are the threats and challenges that lie ahead?