



22<sup>ND</sup> MFC  
ANNUAL CONFERENCE  
**DEMYSTIFYING DIGITAL  
IN MICROFINANCE**  
ISTANBUL 2019

**MAY 30-31, 2019**  
**ISTANBUL, TURKEY**  
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# Banking Models for Micro- and Small Businesses

Expanding Regulatory Options for MFI  
Transformation  
Piotr Korynski, MFC

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# Microfinance Banks

- A microfinance bank as a form of a specialized bank with core but limited banking functions that caters to financial needs of MSMEs
- Originates from a microfinance organization and is a natural form of growth for MFIs through transformation
- Context: Albania based on views and experience of MFI transformations that have taken place in Europe and elsewhere
- Of interest also for other countries in the Balkans and Europe

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# Current limitations

- No regulatory options for a microfinance banks in Europe however other institutional and regulatory forms exists such as cooperative banks, ethical banks, social banks, that perform such a role but do not have the origins in microfinance
- A potential steppingstone in the growth of microfinance institutions on their way to performing banking services while retaining their microfinance origins
- What happens when an MFI grows? How different is it from other businesses?

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# Transformation Paths

- One-step process:
  - Directly into commercial banks – ex. IPC / Pro Credit
- Multiple-step process:
  - First a microfinance or specialized bank followed by a commercial bank – ex. ACLEDA Bank
  - NGO – Credit-only MFI – Deposit-taking MFI – Commercial bank
- Parallel / Split process:
  - Commercial bank while retaining the microfinance – ex. Fundusz Mikro Poland

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# Benefits from an intermediary form

- Growth option for MFIs
- Efficiency / scale
- Cost of doing business in microfinance /pricing
- Demand for financial services by MSMEs
- Financial inclusion gap
- Social equity
- Financial stability

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# Roles of MF Banks

- Granting of loans and other financial services
- Poverty alleviation
- Creation of employment opportunities
- Increasing small and micro enterprises (SMEs)
- Promoting agricultural production
- Financial inclusion

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# Albania

- The first to introduce microfinance in Europe as a policy
  - Microfinance regulation starting with non-profit form following Bosnia and Herzegovina
  - Regulation evolved with the market: non-banking financial institution regulation followed
- Albania's regulation is well aligned with the EU, it is an excellent testing place for a microfinance bank regulation setting an example for other countries in the EU
  - Search for new forms of finance that is more flexible, adapted to the needs of the new forms of employment and self-employment

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# Design thinking approach

- Empathy — Understanding the needs of those you're designing for (MFIs)
- Ideation — Generating a lot of ideas using experience of other organizations that have gone through the process.
- Experimentation — Testing those ideas with prototyping and pilot regulation

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# Speakers

- Bogdan Merfea
  - Former CEO, Patria, Romania
- Frieder Woehrmann
  - Former CEO of Pro Credit banks in the Balkan region

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