



**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 from providing 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 by supporting 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 into more fruitful and diversified collaboration.



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

Dublin, Ireland

18 and 19  
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**Objective**

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

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

Microfinance provided by non-banking financial institutions has emerged and grown over the last twenty years as a real 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 the range of services (deposits, money transfer, microinsurance, etc.). Additionally, new technologies offer a wide range of possibilities that the microfinance sector should capitalise 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 channelled 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. Regarding microcredit as an additional market segment could be important for banks in order to increase activities in terms of outreach and in business sectors. At the same time, funding instruments (e.g. equity and loans) and guarantees (direct and/or counter-guarantees) are needed to finance the operational activities of MFIs.

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

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