

# Access to Finance Innovations

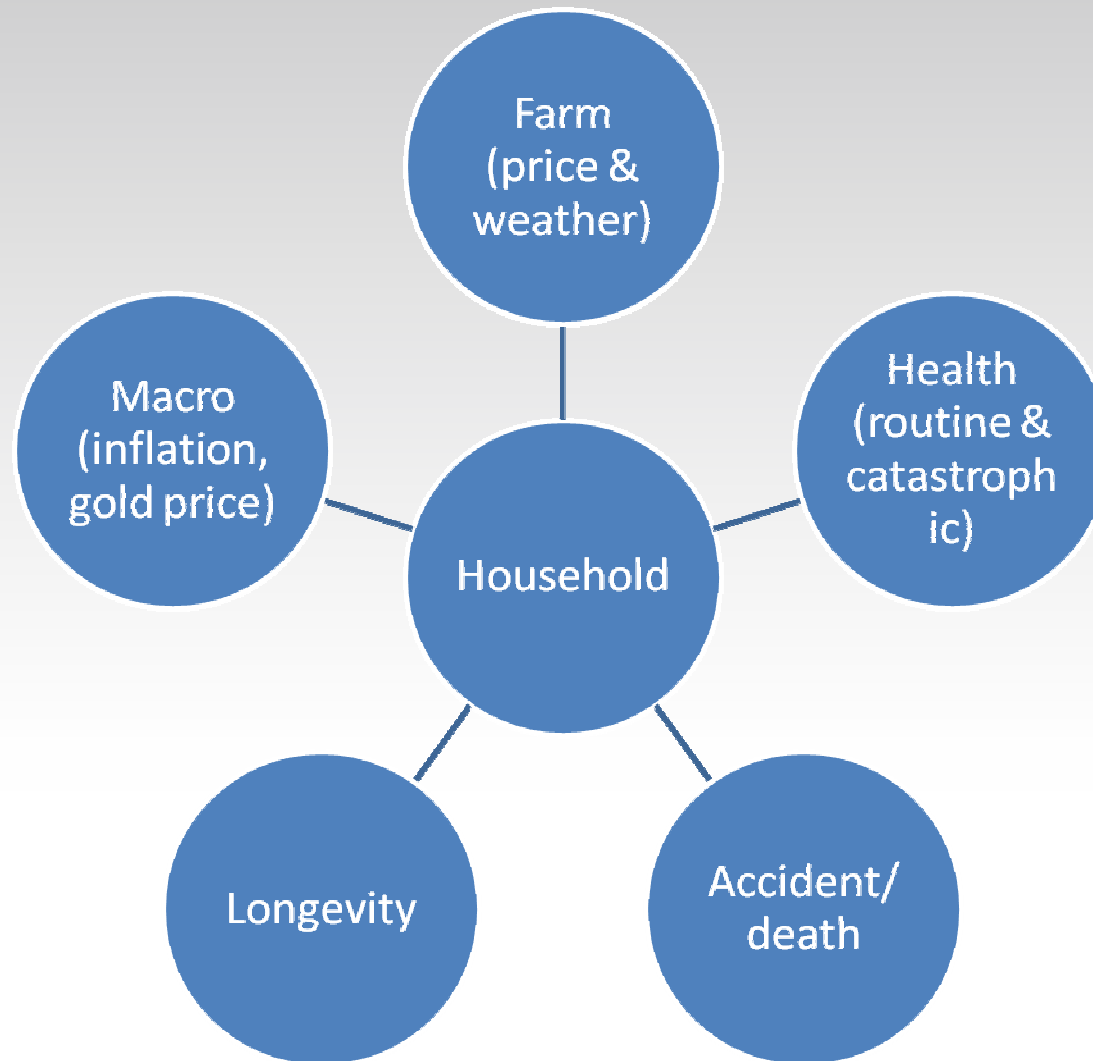
March 5, 2010

Financial Innovations Marketplace

- Issues in access to finance from a household/demand perspective
- Provider sustainability and risk management

1. Smooth consumption over time
2. Smooth consumption across uncertain states of the world

# Household Risk Management (demand side)



# Feizal, Uttar Pradesh, India (Portfolios of the Poor, Morduch et al)

Household monthly income: \$36

Broke his leg, no insurance

Delayed treatment

Lost 8 months of wages

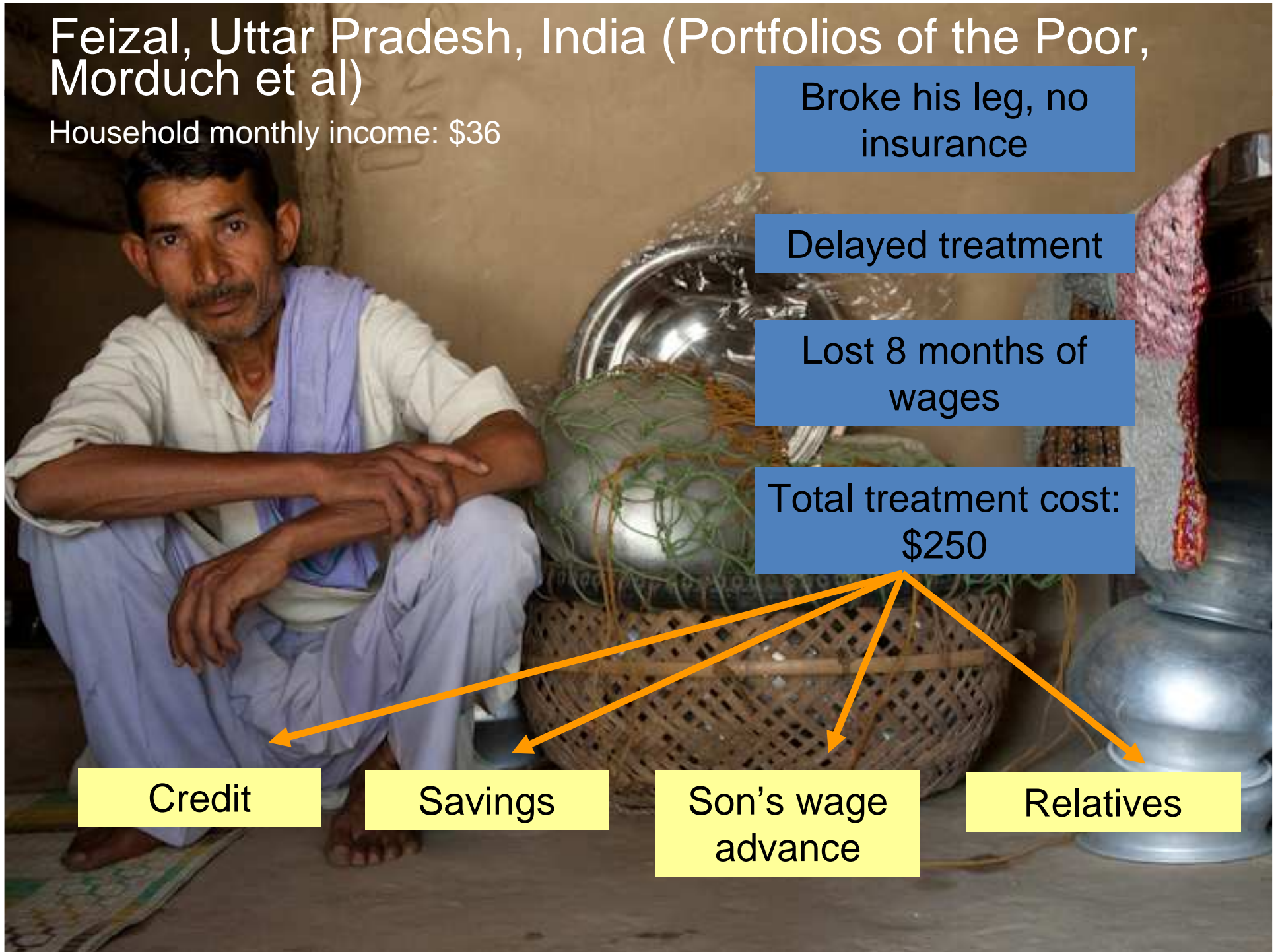
Total treatment cost: \$250

Credit

Savings

Son's wage advance

Relatives



# Product Design - a Priority

- Cashflow matched loans
- Loans with bundled risk management
- Savings with commitment features
- Insurance combined with annuities

- Last mile between large Financial Institutions/markets and customers
  - MFIs, credit unions, cooperative banks, Local Area Banks
- Tend to have low levels of capitalisation
- Risk management crucial for sustainability

## Idiosyncratic risks

- Product design
- Diversification
- Pricing/capital

## Systematic risks

- Securitisation
- Reinsurance
- Derivatives



- Moral hazard on the part of the RFI
- Appropriate pricing of risk
- Finding relevant buyers for this risk

# Thank you