

1.0 COURSE OVERVIEW

Awareness of the risks that exist in the microfinance industry is an important first step towards planning for and mitigating them. There are three main risks that face the microfinance sector in a country: entrepreneur risk, microfinance institution risk, and the country risk. In general, the default rate in microfinance has historically been low, but past performance is not a reliable predictor of future trends. The microfinance institutions (MFIs) are exposed to many different risks, some of which could affect their ability to pay their liabilities to funders. These include, for example, bankruptcy (caused by poor operational control, poor risk management, or external issues such as changes to the political or environmental context, or fluctuations in the financial markets); fraud (as with all businesses involving large amounts of money, fraud is a constant risk); and portfolio risk (if a large number of borrowers default, for example as a result of a drought, the MFIs may find itself unable to pay its debt obligations). As a dynamic industry, microfinance has interconnections to many other industries, as well as environmental and political exposures. Such interconnections mean country risks of various kinds, such as political risk (e.g. the government may change laws or regulations related to microfinance); economic risk (e.g. high inflation or the devaluation of the local currency may cause the MFI difficulty in meeting their financial obligations); and natural disasters (e.g. events such as cyclones or floods can have enormous effects on the microfinance industry, as they often affect the poorest people the toughest way).

Although at the individual transaction level the environmental and social risks associated with microfinance are low, given the smaller size and shorter tenure of transactions, there are credit or liability risks for MFIs in cases where environmental and social issues, such as an accident, affect a micro-entrepreneur's ability to repay a loan. MFIs often consider the environmental and social impacts associated with their transactions in the context of the developmental role they play in their communities and are therefore concerned with reputational risks. In addition, many see the promotion of good environmental and social practices as part of their role in the community. Microfinance sector is growing exponentially in low income countries in terms of loan disbursement, loan outstanding, savings mobilisation, offering diversified products and services etc. which necessitate prudent risk management initiatives and efficiency of microfinance field operations.

Risk is made up of two parts: probability of something going wrong and the negative consequence of if it does. It is important therefore for the microfinance institutions (MFIs) to take steps to mitigate the risk and to reduce their further exposure.

This five-day course is designed to help MFIs to develop and improve the quality of their own risk management processes. The focus is on problem prevention, early detection, and control. The participants get the opportunity to develop the knowledge, skills, and tools they require not only to support their respective areas or functions in implementing effective operational risk management but also for integrating risk management with disciplines including audit, monitoring and compliance. It also positions them to become vital agents in improving risk-based thinking, supporting a positive risk culture and enabling their organisations to view risk as an opportunity.

The course does this by combining practical knowledge and application of risk management tools with a variety of techniques to identify its vulnerabilities, design and implement controls and monitor the effectiveness of controls with special focus on operational risks to avert financial risks as well.

The course uses a combination of case studies, practical exercises and current affairs to bring material to life. This course covers the fundamentals of advanced risk management in a dynamic and interactive learning environment. It further uses the theory and practice of risk management in-line with the industry best practices. On completion of this course, the participants should have a solid understanding of how advanced risk management can benefit the MFIs to ensure sustainable growth in the years to come.

2.0 BENEFITS OF ATTENDING

- Identify and prepare for threats vis-à-vis learn how to make contingency plans, explore strategies for developing and maintaining robust alternative plan for plausible risk management.
- Design practical risk management tool kit for immediate use in the microfinance organisations.
- An opportunity to learn the means of benchmarking the trainees' organisation in line with the KPI (Key Performance Indicators).
- Models of digital financial inclusion practices.
- Best practice sharing and networking with largest microfinance development organisations like BRAC, PKSF, and Grameen Bank.

3.0 POTENTIAL GAINS

After completion of the course, participants will be able to:

- **EXPLAIN** Risk Management Framework and Major Risks of MFIs;
- **IDENTIFY**, Assess and Prioritise Risks Applying Different Risk Management Tools;
- **UNDERSTAND** Financial Statements for Setting Financial Indicators and Detect Early Signals to Avert the Losses Due to Delinquency;
- **CALCULATE** Profitability & Sustainability, Liquidity & Solvency in Microfinance Programmes applying Different KPIs (Key Performance Indicators);
- **DESCRIBE** Best Composition of Asset Liability Management;
- **DEVELOP** Risk Register, Internal Control System and Policies for Effective Management of Risk;
- **EXPLAIN** Best Practices of Risk Management for Microfinance Institutions;
- **USE** Cutting Edge, Best Practice Tools and Techniques to Identify Risk in terms of both Threat and Opportunity, Assess Risk Effectively and Select Appropriate Risk Treatment Measures;
- **CREATE** Risk Communication Strategies and Initiatives to influence Stakeholders and set the Tone for Interactive Risk Management.

4.0 WHO SHOULD ATTEND THIS COURSE

This programme is mainly targeted to Senior Microfinance Practitioners, Directors, Senior Managers, Programme/Branch Managers, Banks dealing with Microfinance, Supervisory & Regulatory bodies, and Academicians involved in microfinance.

5.0 SALIENT FEATURES

MFIs have grown rapidly, serving more customers and larger geographic areas, and offering a wider range of financial services and products than any time before. As such, Risk Management has become an integral part of an organisation. Further, dependency on market-driven sources has increased sharply like, specialised micro-lending organisations, private banks, public shares etc. So, as a means of survival and long-term sustainability, risk management is indispensable for the MFIs, but many microfinance stakeholders are unaware of the various techniques of comprehensive risk management procedures.

This training presents a structure for internal risk management systems, early signalling measures and methods for the microfinance institutions. The course contents are tailored for senior stakeholders of MFIs who play the most active role in the MFIs operations and growth.

In this course, the risk management framework is designed in such a way that an interactive and dynamic flow of information from field to headquarters could be developed to prioritise improvement actions in mitigating risk. All these steps made a continuous feedback loop that consistently gives an early warning whether the identified risks are endurable, or whether it could be re-examined. It mainly includes identifying, assessing, and prioritising risks; developing strategies to manage risks; developing tactics to mitigate risk; implementing and assigning responsibilities; testing effectiveness and evaluating results; sometimes view risk as an opportunity for innovation; right implementation of regulators policies and procedures. Many risks are common to all financial institutions. From banks to MFIs, these include credit risk, liquidity risk, market or pricing risk, operational risk, compliance and legal risk, and strategic risk. Further, critical analyses of financial statements also give a pen picture of upcoming risks.

One of the core issues of the training is how to determine the Key Performance Indicators (KPI) that helps the managers in tracking the progress. It also highlights the most commonly used KPIs in microfinance operations along with their calculation and illustration on how they are used in practical situations. The real life exercises give explanation and analysis of the indicators towards understanding their application vis-à-vis industry benchmarks. The course principally emphasises on identifying the inter-relation among the KPIs to better assess the performance towards solvency and future sustainability of MFIs.

The new introduction of advanced risk measurement matrix and risk register will show a pathway to the organisation on identifying and prioritising various risks by estimating the probability of occurrence and consequences. MFIs use the risk assessment matrix to measure the size of risk and determine whether they have appropriate controls or strategies to minimise the risk. Nevertheless, the course especially highlights the most used Delinquency Reduction Techniques practiced in Bangladesh and developing countries.

As microfinance institutions (MFIs) grow in size and diversity, the need for strong internal control systems to manage operating risks are inevitable. So the trainees will also learn how internal control helps the entities/organisations to achieve objectives relating to operations, reporting and compliance. Different real cases (hands-on experiences) will be analysed to provide the participants with the modern tools and techniques of Internal Control.

All these are relevant to the institutions that have already expanded their portfolio or on the verge of horizontal/vertical expansion at field and headquarters level for sustained growth in the years to come.

6.0 MAJOR COURSE CONTENT

Module 1: Introduction to risk and risk management framework

- Modern view on risk
- Why risk management
- Risk management framework for microfinance operations
- Identifying, assessing and prioritising risk
- Developing strategies to manage risk

Module 2: Core areas of risk in microfinance operations

- Operational risk.
- Financial risks.
- Institutional risks.
- External risks.
- Interrelationships between risks.

Module 3: Risk detection and early signaling techniques

- Risk detection through analysing financial statements vis-à-vis receiving early signals.
- Application and analysis of KPI (Key Performance Indicators) for effective risk assessment.

Module 4: Developing risk register

- Risk measurement matrix.
- Developing risk register for effective risk management.
- Developing controlling mechanism and prioritising the risks through risk rating

Module 5: Advanced risk mitigation tools

- Internal control system as risk management tools.
- Framework of internal control for MFIs.
- Best practices of internal control techniques.
- Developing internal control system and risk management policies.
- Designing MIS and automation structure for risk management.
- Test effectiveness & evaluate results through monitoring.

Module 6: Models of digital financial inclusion

- What and why digital financial inclusion
- Mobile financial services.
- Role of digital finance platform towards risk mitigation in microfinance operations.

*Note: **Field trips** will be arranged at **BRAC**, the largest international development organisation; **PKSF**, an apex development organisation and lending agency of Bangladesh for Microfinance, **Grameen Bank**, bank for the poor; and **Sojag**, a national NGO-MFI where the delegates will learn onhand field and institutional experiences with special focus on advanced financial and operational risk management of MFIs.*

7.0 COURSE FEE

- **USD 1,500 per delegate**
- **Travel and Health Insurance:** Air ticket cost and health insurance should be borne by the delegates/participants.
- **Free Facilities:** The host organisation will provide free accommodation and food at their well furnished international training centre, pick and drop from and/to airport, and city tours in historical places.

8.0 ABOUT THE TRAINER

Distinguished professionals of international repute from **Grameen Bank, BRAC, PKSF** and the host organisation, **InM**, will conduct the sessions.

Host: Institute for Inclusive Finance and Development (InM), Dhaka, Bangladesh

Duration: 5 Days (21 April 2019 to 25 April 2019)

Type: Residential

Venue: Dhaka, Bangladesh

Medium of Instruction: The language of instruction will be English. No translation could be provided.

Registration Deadline:

All registration forms (as per enclosed format) should be submitted by 11 April 2019, late applications will be considered subject to availability of the seat. The registration form should reach by email.

Interested organisations/ individuals may contact InM to get further information.



Institute for Inclusive Finance and Development (InM)

- Training Centre, House 30, Road 03, Block C, Monsurabad R/A, Adabor, Dhaka- 1207
- PKSF Bhaban, E- 4/B, Agargaon, Sher-e-Bangla Nagar, Dhaka- 1207, Bangladesh

Tel: +88-02-8181066; Fax: +88-02-58155526.

E-mail: dirtraining@inm.org.bd musadeque@yahoo.com

(Please use both the email)

Web: www.inm.org.bd

REGISTRATION FORM

INTERNATIONAL TRAINING ON “ADVANCED RISK MANAGEMENT FOR SUSTAINABLE GROWTH OF MICROFINANCE INSTITUTIONS”

PERSONAL INFORMATION

Name (in capital letter)

Date of birth (dd/mm/yyyy)..... Male Female Nationality

Passport no..... Place of issue

Date of issue (dd/mm/yyyy) Expiry date (dd/mm/yyyy)

Address

.....Country

Cell Number Email

Education (last achieved degree only)

Institution name	Major Subjects Studied	Degree received	Year

CURRENT EMPLOYMENT

Job title or position Division / unit

Total working experience..... Experience in Microfinance.....

Name of the organization

Address

.....Country

Office Phone Fax Email

Main Job Responsibilities at work.....

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.....
.....
Name of the Emergency Contact Person
Phone Email
Address
.....Country

OTHER INFORMATION

Training received in last three years (Please list name of the courses)

- 1. 2.
- 3. 4.

What is your expectation from this training programme?.....
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PAYMENT INFORMATION (payment should be made through bank transfer)

Account Name: Institute for Inclusive Finance and Development
Account No.: 0020 13100000103
Account Type: SND
Bank Name: Southeast Bank Ltd.
Branch Name: Agargaon
SWIFT: SEBDBDDHAGA

Signature of the participant..... Date (dd/mm/yyyy).....