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Country risk management of microfinance investment vehicles

Master's Thesis in Microfinance
Spring Term 2010



25th March 2010

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Executive summary

Microfinance investment vehicles (MIVs) emerged recently to grow at an impressive pace. MIVs receive their revenues from emerging markets and developing economies, whose development standards are not comparable with industrialized countries. A recurring concern amongst microfinance practitioners is that political interference occurs in an “interest rate ceilings” form. This study aims at investigating the impact of country-specific factors on MFI portfolio quality underlying particular MIVs. Concentration risk of MIVs is researched. Moreover, the effect of an interest rate ceiling policy adversely impact portfolio quality is addressed. The scope of study is solely limited on country-specific aspects. While the purpose of the research is not to assess a domestic “banking crisis”, the study will enlighten country risk factors impacting microfinance from an investor’s viewpoint, specifically considering a MIV portfolio investing in Latin America.