Financial Market Development in developing countries


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Financial Market development

What comes first?

Savings

Lending
Financial Market development

What comes first?

Savings?  
*No – first comes work/income*
  - Consumption today or
  - Consumption tomorrow = savings

Lending?  
*No – someone who want to borrow*
  - Investor
  - Interesting investments Profit/Risk
Two big problem areas to look at

- The financial perspective
- The investors perspective

The financial perspective

Private Sector Banking Experience

Funding
- Equity
- Domestic savings
- International lending (Savings)

Lending
- Customer
- Market
- Time frame in housing lending

Financial Risk
Financial Risk

Funding
- Access to capital
- Equity (BASEL II)
- Balance between funding and lending (Expiration time)
- Exchange risk

Lending portfolio
- Customer
- Market
- Long term

Risk for bankruptcy

Risk at bankruptcy
- Collaterals
Transaction cost
- Administration cost is the same for a small loan as for a big loan.
- Must effect the price or be subsidize

Cooperation
- Cooperation is essential for success
- One of the most important working methods for ERSO

Investors perspective

Interesting investments
- Profitable in relation to risk
- Alternative investments

Risk factors
- Customers ability to buy or rent
- Customers needs
- Political stability
- Economic stability
Investors perspective continue

Risk factors are normally too high in the first step to build housing for the poor.

Willingness and interest from central/local government are essential.

This is not only important for housing for the poor – it is essential for the whole country.

Construction and real Estate market as an engine for Economic development – next presentation.