



<http://www.cermi.eu>

RESEARCH SEMINAR

organized by the

Centre for European Research in Microfinance

## Capital Adjustment Over the Cycle: Evidence from International Sample of Microfinance Institutions



By **Hubert Tchakoute Tchuigoua**

(KEDGE Business School, FR)

*Paper co-authored with Hélyoth T.S. Hessou (Laval University, CA), and Issouf Soumaré (Laval University, CA).*

### Abstract:

Using a sample of 5357 firm-year observations from 1341 MFIs worldwide over the period 2001-2014, we uncover a negative relationship between MFIs capital-to assets ratio and the business and credit cycle indicators. The negative relation documented is mostly driven by regulated MFIs, which are mostly composed of banks-MFIs. Therefore, these results confirm the “the procyclical behavior of capital documented in the banking literature”. Results documented are robust to various tests. As MFIs being less involved in the mainstream finance and less sophisticated in their risk management practice, they are at risk to not foresee upcoming macroeconomic shocks and therefore might severely shrink their valuable loans to unbanked people in recessions. This finding underscores the necessity to apply countercyclical buffer requirements for regulated MFIs.

Thursday, June 21, 2018

At 3.00 PM

Location: Seminar Room R42.2.110 of the  
Université libre de Bruxelles (ULB), Solvay  
Brussels School of Economics and Management  
Av. F.D. Roosevelt, 42- 1050 Brussels

Please confirm your attendance to [cermi@ulb.ac.be](mailto:cermi@ulb.ac.be) at the earliest.

