MicroFinance
Aim to make a Difference

Introduction to Microfinance

Traditionally banks and Lending Institutions do not lend money to low-income individuals. The reasons being

- Lack of Information about Individuals.
- Collateral.
- High Transaction cost of processing

Microfinance provides a solution for the above problem.

MICROFINANCE

Definition: The means by which poor people convert small sums of money into large lump sums (Rutherford 1999)

The goals are

- Eradicate Extreme Poverty & Hunger.
- Achieve Universal Education.
- Promote Gender Equality & Women's Empowerment.
- Reduce Child Mortality
- Combat Diseases
- Developing Entrepreneurial Spirit
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Products Offered

LOANS
loans: which allow a lump sum to be enjoyed now in exchange for a series of savings to be made in the future in the form of repayment installments.

- More details...

SAVINGS
savings: which allow a lump sum to be enjoyed in future in exchange for a series of savings made now.

- More details...

INSURANCE
insurance: which allows a lump sum to be received at some unspecified future time if needed in exchange for a series of savings made both now and in the future. Insurance also involves income pooling in order to spread risk between individuals on the assumption that not all those who contribute will necessarily receive the equivalent of their contribution.

- More details...

PENSIONS
pensions: which allow a lump sum to be enjoyed as a specified and generally distant date in future in exchange for a series of savings made now.

- More details...
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Key Facilitators

Microfinance Institutions
- Association for Sarva Seva Farms (ASSEFA)
- Mitrabharati - The Indian microfinance Information Hub
- Mysore Resettlement and Development Agency (MYRADA)
- SADHAN - The Association of Community Development Finance Institutions
- SEWA: Self-help Women's Association
- SKS India - Swayam Krishi Sangam
- Streedhan - Banking with Rural Women
- Working Women's Forum, Madras, India

Microfinance Support Institutions in the Formal Sector
- National Bank for Agriculture and Rural Development
- Rashtriya Mahila Kosh
- SIDBI - Small Industries Development Bank of India
- Tamil Nadu Women's Development Corporation

Other Institutions
- Commercial Banks:
  - State Bank of India
  - ABN-AMRO
  - Andhra Bank
  - ICICI-Citigroup
  - ING-Vysya
  - HDFC
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Contact Details

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Models

- GRAMEEN BANK
- SPANDANA
- GRAMEEN KOOTA
- SWAYAM KRISHI SANGAM
- DANDA CREDIT SOCIETY
Grameen Bank

About Grameen

Grameen Bank (GB) has reversed conventional banking practice by removing the need for collateral and created a banking system based on mutual trust, accountability, participation and creativity. GB provides credit to the poorest of the poor in rural Bangladesh, without any collateral. At GB, credit is a cost effective weapon to fight poverty and it serves as a catalyst in the overall development of socio-economic conditions of the poor who have been kept outside the banking orbit on the ground that they are poor and hence not bankable. Professor Muhammad Yunus, the founder of “Grameen Bank” and its Managing Director, reasoned that if financial resources can be made available to the poor people on terms and conditions that are appropriate and reasonable, “these millions of small people with their millions of small pursuits can add up to create the biggest development wonder.”

As of July, 2004, it has 3.7 million borrowers, 96 percent of whom are women. With 1267 branches, GB provides services in 46,000 villages, covering more than 68 percent of the total villages in Bangladesh.

Grameen Bank’s positive impact on its poor and formerly poor borrowers has been documented in many independent studies carried out by external agencies including the World Bank, the International Food Research Policy Institute (IFPRI) and the Bangladesh Institute of Development Studies (BIDS).
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Spandana

Name of MFI: Spandana
Region: India
Established in (year): 1998
Current legal status: Non-Profit (NGO)
Regulated: Yes

Institution’s Mission: Spandana envisions itself as a financially self sustainable Micro Finance Institution with a diversified ownership. It is committed to strengthening significantly the socio-economic status of poor women in Rural and Urban areas by providing technical and financial services on a continued basis for establishing their identity and self-image. It constantly endeavors to deliver efficient services to its clients and remunerative returns to its investors by adopting cost-effective methods by creating a culture of competence and excellence.

Background and Main Challenges: There are two important challenges ahead. Spandana at present is a non profit making society and has initiated the process of transformation into a regulated Company. Spandana has outperformed the most performing organisations by setting up trends with high level of efficiency, productivity and thereby profitability levels. Thus the biggest challenge lies in retaining these levels in the pace of increasing competition.

Products:
- Loans
- Voluntary Savings
- Insurance

Percentage of operations comprised by microfinance: 91-100%

Main Funding Sources:
Grants
Loans
Savings

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Other services provided:

Largest funder: ICICI Bank, SIDBI, Indian Overseas Bank, HDFC Bank, IDBI Bank, ABN AMRO Bank, ING Vysys Bank, HDFC, FWWB, UTI Bank

Related Links:
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NGO’s
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Grameen Koota
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Danda Credit Society