

Credit Delivery Methodologies used by Micro finance institutions

MFIs use two basic methods in delivering financial services —

- 1) Group Method.
- 2) Individual Method.

1) Group Method — This is one of the most common methodologies for providing microfinance. The group method primarily involves a group of individuals, which becomes the basic unit of operation for the MFIs. A group becomes a basic unit with which MFIs deal. The advantage of group methodology is that —

⇒ Group also helps in controlling defaults and pay on behalf of defaulters.

⇒ Group also helps in controlling defaults and pay on behalf of defaulters.

Self-Help Group — A self help group of up to 20 members, from the same background. In this group members meet together for discussing common problems either through mutual help.

Joint Liability Group
Grameen model is

A Grameen model is based on joint liability. The group meeting

Delivery Methodologies used by MFIs

Two basic methods in delivering services —

Method.

Method.

— This is one of the most popular methodologies for providing microfinance.

It primarily involves a group

which becomes the basic unit of the MFIs. A group becomes

the unit with which MFIs deal. The

methodology is that —

March	2018			
Mon	5	12	19	26
Tue	6	13	20	27
Wed	7	14	21	28
Thu	8	15	22	29

2018
March

2018
March

→ Group may have to jointly own the responsibility of defaults and pay on behalf of defaulting clients.

→ Group also helps in controlling cost.

Self-Help Group — A self help group is a group of up to 20 members, from the same socio-economic background. In this group members come together for discussing and solving their common problems either financial or social through mutual help.

Joint Liability Group — Grameen Model

Grameen model is a joint liability group model.

A Grameen model is focused on financial transactions. The group meeting takes place every week. Interest rate is charged on a flat basis.

April	2018				
Mon	30	2	9	16	23
Tue	3	10	17	24	
Wed	4	11	18	25	
Thu	5	12	19	26	

23

24

089-282 / Wk 12
SATURDAY

2018

March

2. Individual Method - MFIs are also provides loans to individuals based on his/her own personal creditworthiness. MFIs generally base their decision on personal knowledge of the client his/her reputation among peers, society, client's income sources, business position. If the loan is significantly larger, the MFIs may also take some collateral security.

2018

March