



Understanding and Accessing Micro Financing

Presented By: Sezvin Hamilton
General Manager, Self Start Fund



DEFINITION OF MICRO FINANCING

- The provision of funding primarily to micro enterprises usually through a **Micro Finance Institution(MFI)**.



MICRO FINANCE INSTITUTIONS(MFIs)

- The concept of MFIs in existence since the 1700s.
- Providers of banking service to groups/individuals unable to access traditional banking services namely:
 - micro enterprises(defined as entity with < 5 employees and turnover =< \$10 million)
 - Underemployed
 - Low-income groups
- Important in a developing economy to engage and facilitate growth of small and marginalized players





MFI – RANGE OF SERVICES

- Credit/Loans to finance working capital
- Credit/Loans to purchase machinery/ tools
- Savings accounts
- Mobile money services
- Training in business management skills
- All other purposes

Interest rate on loans vary between MFIs from 23% per annum to 52%(1% per week) per annum

Range of services constrained by inadequate Regulations





MFI (Cont'd)

- Number of MFI has increased significantly since 1980s – now approximately 140 entities
- Categorised based on the following product offering and may or may not include a **saving or deposit** service:
 - Loans to small and medium enterprises in all sectors,
 - Loans to specialised industries e.g. agriculture
 - Commercial loans to small and micro enterprises as well as consumer loans to individuals



ADVANTAGES OF MICRO FINANCING

- Provides banking services not traditionally available
- Allows clients to take advantage of economic opportunities
- Provides a basis for planning and business expansion
- Makes its target group more resilient and better able to cope with everyday crises





MFIs CODE OF CONDUCT

- Transparency
- Fair and respectful treatment of its clientele
- Privacy of client's information





EXPECTATIONS OF MFIs

- Flexible
- Quick in decision-making
- Simple in their procedures
- Take adequate steps to avoid delinquency of clients
- Convenient in its geographic reach





KEY FACTORS TO ACCESSING CREDIT

- Loan size
- Purpose of Loan/Type
- Availability of Funds
- Interest Rate
- Character of Client
- Business Plan
- Available Collateral

