



# MICRO-FINANCE & CREDIT DELIVERY SYSTEM



**Project on Capacity Building of NGO Trainers  
for the promotion of local sustainable energy  
solutions for Poverty reduction**

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**Zareen Myles**

**Executive Director, WAFD**

# WHAT IS MICRO FINANCING (MF)?

A simple and easy to understand the meaning of "micro finance" is easy access to small credit ranging from Rs.1000/- to Rs.5000/-, which is repayable in small and equal weekly or monthly installments over a period of 1 year.

## NEED FELT FOR MF IN WAFD PROGRAMS

- WAFD works with the poor, who do not have access to credit on easy terms.
- The local money lenders charge exorbitant rates of up to 3% per month, while at the same time keeping their land or house as collateral.
- In times of distress the poor take the loan and then spend an entire life repaying just the interest while the principal remains intact.
- When we talked about socio economic development of the people in our project areas, it was essential that we study how to help the people overcome this need for credit.
- And so began WAFD's involvement with micro finance program.

# HOW IT IS DONE IN WAFD PROGRAMS?

- WAFD has adopted the Grameen Bank methodology and the working unit is the group of 5 women in the following manner:
- A general meeting is held in the project village where everyone is invited and explained about the program, specially the criteria for the women who can be part of the programme. The village community is also requested to identify the real poor who they think will benefit the most from the programme.
- The interested women are confirmed to see that they really fit the criteria of the poor, and then given 7 day training of 1 hour each day.
- In the training they learn how to access loan, the repayment and service tax on the loan, importance of weekly group meetings and savings, and group responsibility.
- After the training these group of 5 women decide the day and time for their weekly meetings and the members are given loans of Rs.3000/- each in a staggered manner of 2 in the 2nd week, another 2 in the 3rd week and last person in the 4th week.
- Repayments are made in equal weekly installments during the meetings and emphasis is put on group discipline and responsibility.

# ELIGIBLE CLIENTENE

- The asset less rural or urban poor
- Rural : should own less than 1 acre of irrigated land
- Income less than US\$ 2 per day
- Household assets less than US\$ 500

# GROUP FORMATION

- Five members from same village or urban locality
- Like minded , similar socio economic status
- No relatives in same group

# DUTIES & RESPONSIBILITIES OF MEMBERS

- All members have to be present on time for meetings
- Leader and members recommend loan proposal of individual members
- Members must bring their weekly saving and loan repayment installment to meeting
- Members must maintain discipline at meetings
- Leaders will collect saving, passbooks, loan repayment and give to Center Manager for getting pass books signed and updated



# LOAN DISBURSEMENT & REPAYMENT PROCEDURE

- Members are eligible to access loan after regular saving, and attending meetings for at least 6 months
- All loans are recommended by the group, and group also takes responsibility for repayment
- Loans have to be repaid in equal weekly installments at the meeting
- All loans are for 1 year
- All loans carry a flat interest rate of 15%

# LOAN SIZE

- 1<sup>ST</sup> loan not more than Re.6,000
- 2<sup>nd</sup> loan not more than Rs.10,000
- 3<sup>rd</sup> loan not more than Rs.15,000
- 4<sup>th</sup> loan and above will depend on need

All loans can be sanctioned only by the management.

The Group recommends the loans after satisfying themselves that the need is genuine.

# WEEKLY MEETINGS

- Day and time of meeting fixed mutually
- Center Manager must reach meeting on time
- Groups sit in rows with leaders all one behind the other
- Center leader maintains discipline, and starts meeting with taking attendance
- Each leader comes by turn with the group saving, repayment and passbooks
- Signed and updated passbooks are then taken and returned to members

# KEEPING RECORDS AND ACCOUNTS

- At member level : pass books
- Field staff level: daily collection sheets
- Office level : member and group ledgers
- Bank receipts: Daily bank deposit receipts, pass book entries and daily collection sheets have to tally.

# MANAGING THE MICRO CREDIT PROGRAM

- Staff requirement: 1 Branch Manager for overall coordination and monitoring
- Field staff : 1 to every 500 members, so 6 staff if outreach is 3000 members
- Funds requirement : a) Operations b) on lending

# BASIC PROCEDURES

- Field Staff: identify potential members, get these approved by Branch Manager, train members for seven days in how to access credit and group procedures, open accounts
- Make 8 -10 groups in same village or locality to form a center of 40 – 50 members
- Meetings of these centers will be taken at one time

# BASIC PROCEDURES

- Branch Manager: check if members fit criteria, visit homes to verify, take test to see that they have understood how to access loans and repayment schedules
- Visit center meetings, scheduled and unscheduled, to see these are conducted correctly, spot check if passbooks are completed
- Visit homes randomly to check if loan has been utilized as per approval

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- In the office check the collection to see if all dues have come in
- In case of defaulted payments visit member with field staff to ensure repayment
- Deposit all collections same day in Bank
- Tally all accounts with field Staff same day



# WAFD LEARNING

- POOR ARE CREDIT WORTHY AND THEY ALWAYS REPAY
- DEFAULTS ARE CAUSED BY STAFF
- REGULAR MONITORING MUST
- PERIODICAL TRAINING OS STAFF MUST

THANK YOU