





Microfinance Masterclass

Learn the business solution to solving poverty

www.microfinancemasterclass.com.au





Agenda

- **Poverty – painting the picture**
- Microfinance
 - global sector
 - products and services
 - regulations and structures
- Current issues
 - interest rates
 - current trends
 - client protection
 - measuring impact and outreach

What is poverty?

790 million



Chronically undernourished

2.6 billion



No access to basic sanitation

1.1 billion



No access to clean drinking water

Every 3.6 seconds



Someone dies from starvation

Sources: www.un.org, www.globalissues.org, www.unmillenniumproject.org



What does poverty mean?

- Vulnerable to catastrophe
- Lacking in business and financial skills
- Lacking essential services: health, education, sanitation and finance

What does poverty mean?

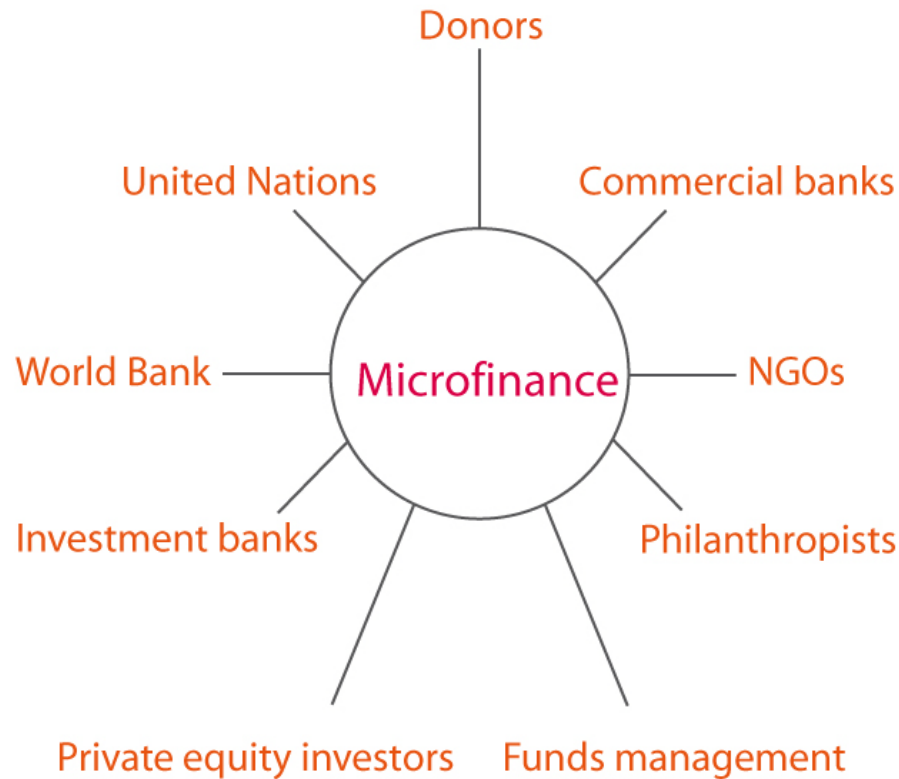
- Creative
- Hardworking
- Family-oriented
- Looking for a better future

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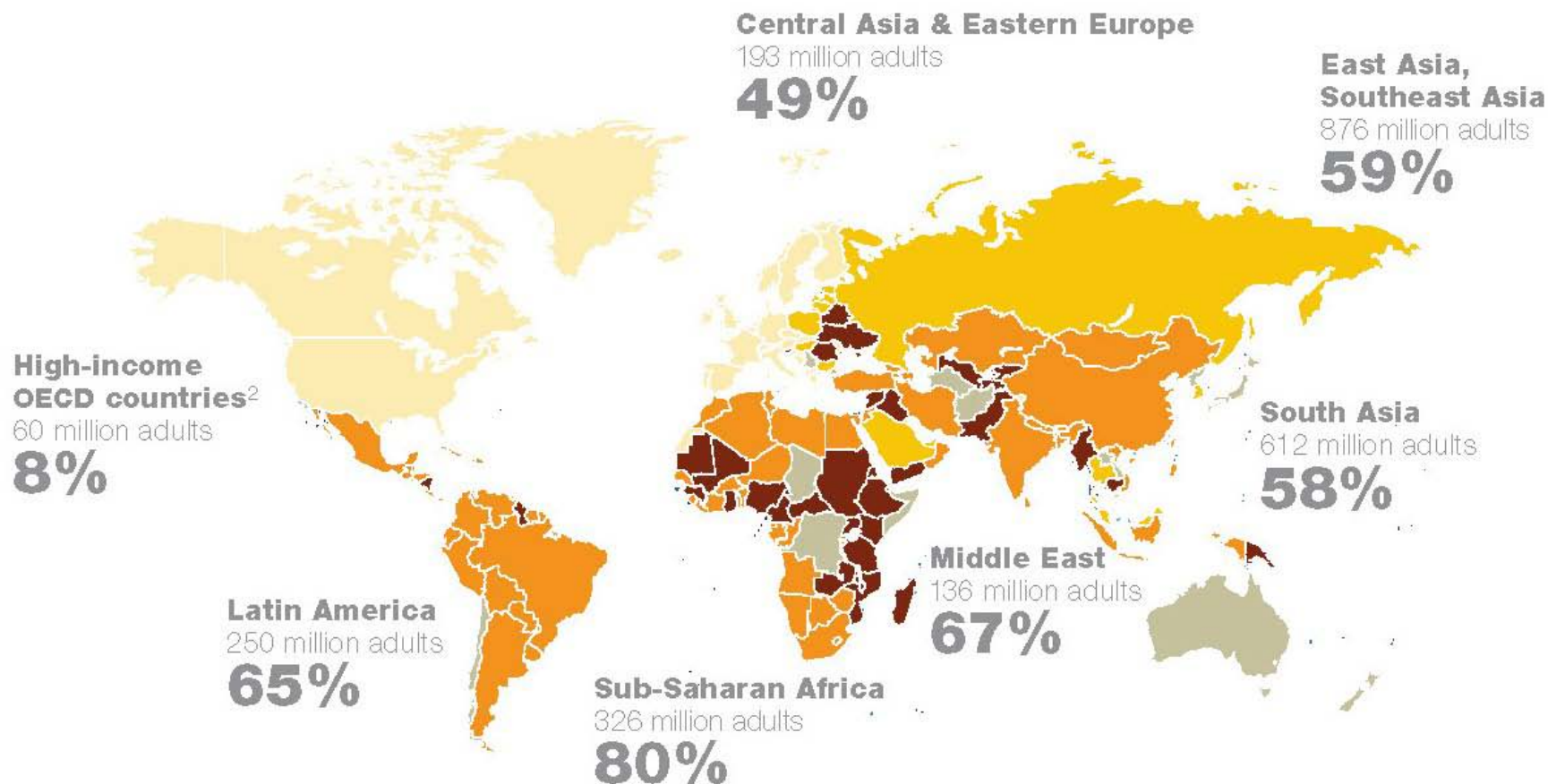
Entities involved in microfinance

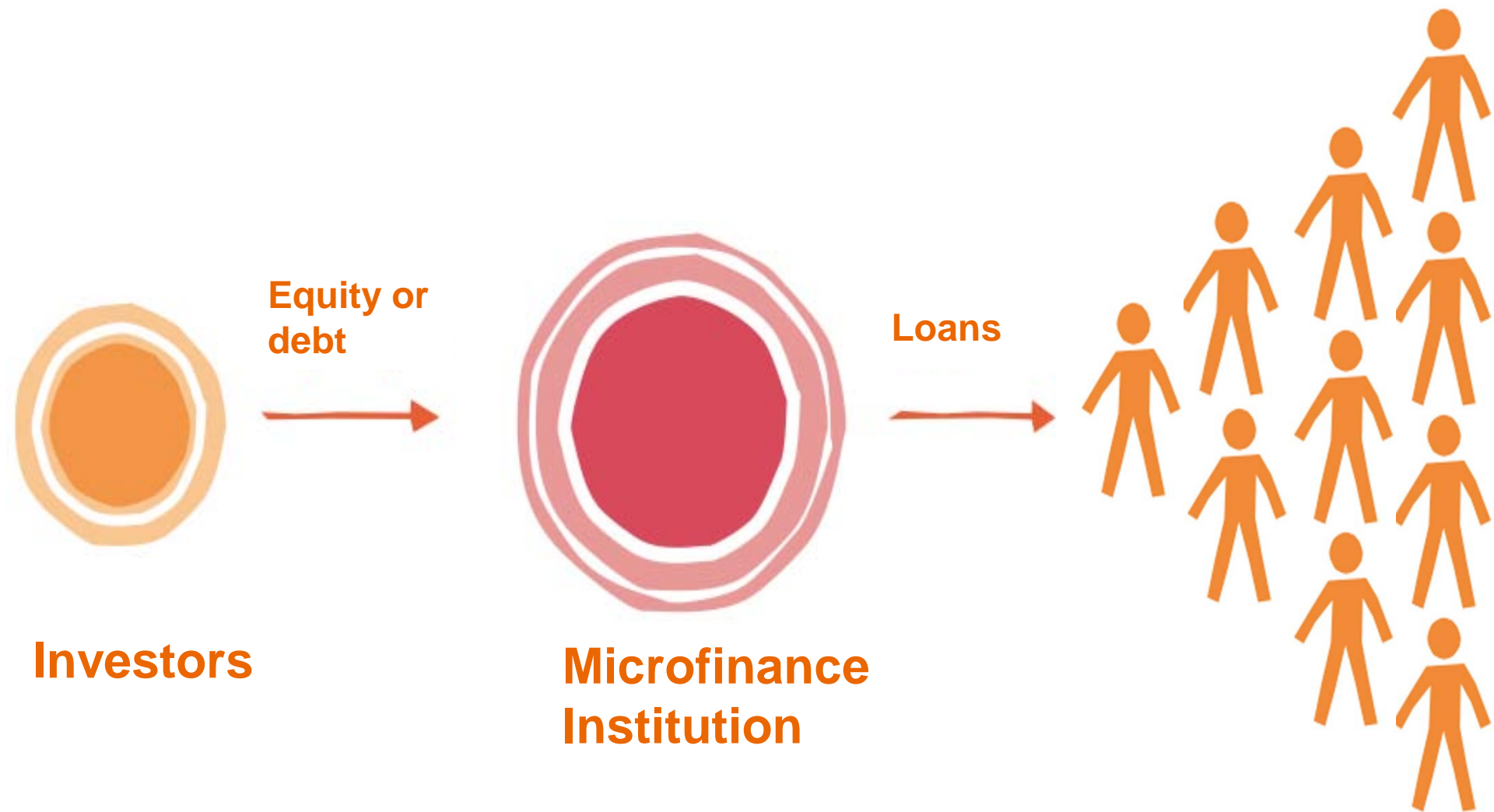


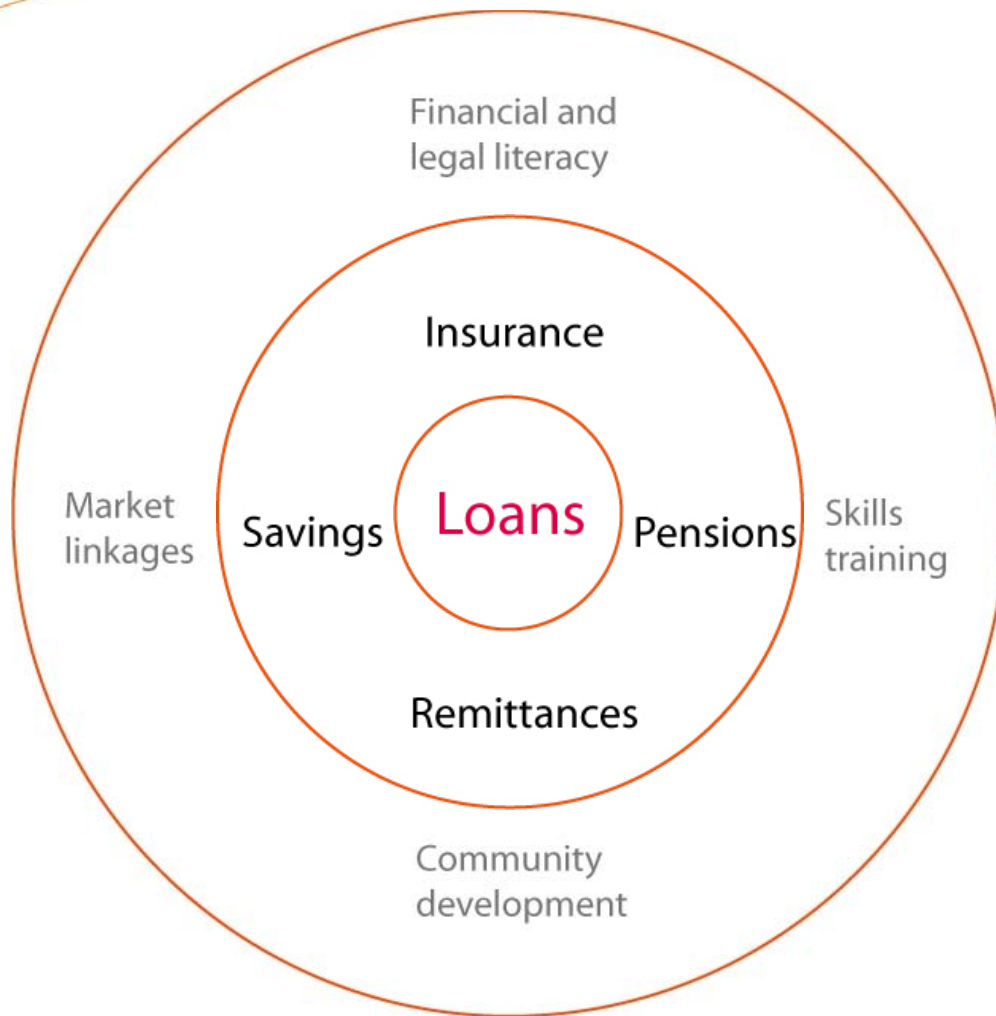
More than half the world's adults do not use formal or semiformal financial services.

% of total adult population that does not use formal or semiformal financial services¹

0–25% 26–50% 51–75% 76–100% Estimates (used to calculate regional averages)









**Profit-maximising
shareholders**

Government-owned

**Member-owned
(co-operative)**

**Socially-minded
shareholders**

Social MFIs recycle funds


Invest in
complementary
services

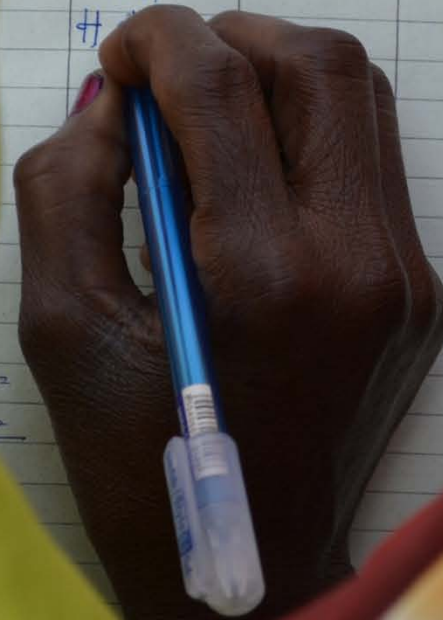
Expand services
into underserved
communities

Reduce interest
rates

Opportunity **only** supports socially focused MFIs.

मिनिमना
 कमली
 कपला
 कालवती
 मजु
 बिजु
 लक्ष्मी
 मंविता
 देवी
 कुसुमलता
 चन्द्रवती
 पुनम
 गिरुजा
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कैशपॉर माइक्रो क्रेडिट
 शाखा
 क्र० सं० दिनांक
 केन्द्र का नाम/संख्या
 कलेक्शन क्र. सं. (3) रु० 578071
 प्राप्त रकम (शब्दों में)
 मीटिंग का दिन / दिनांक
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Why charge an interest rate?

Offer a hand up, not a hand-out

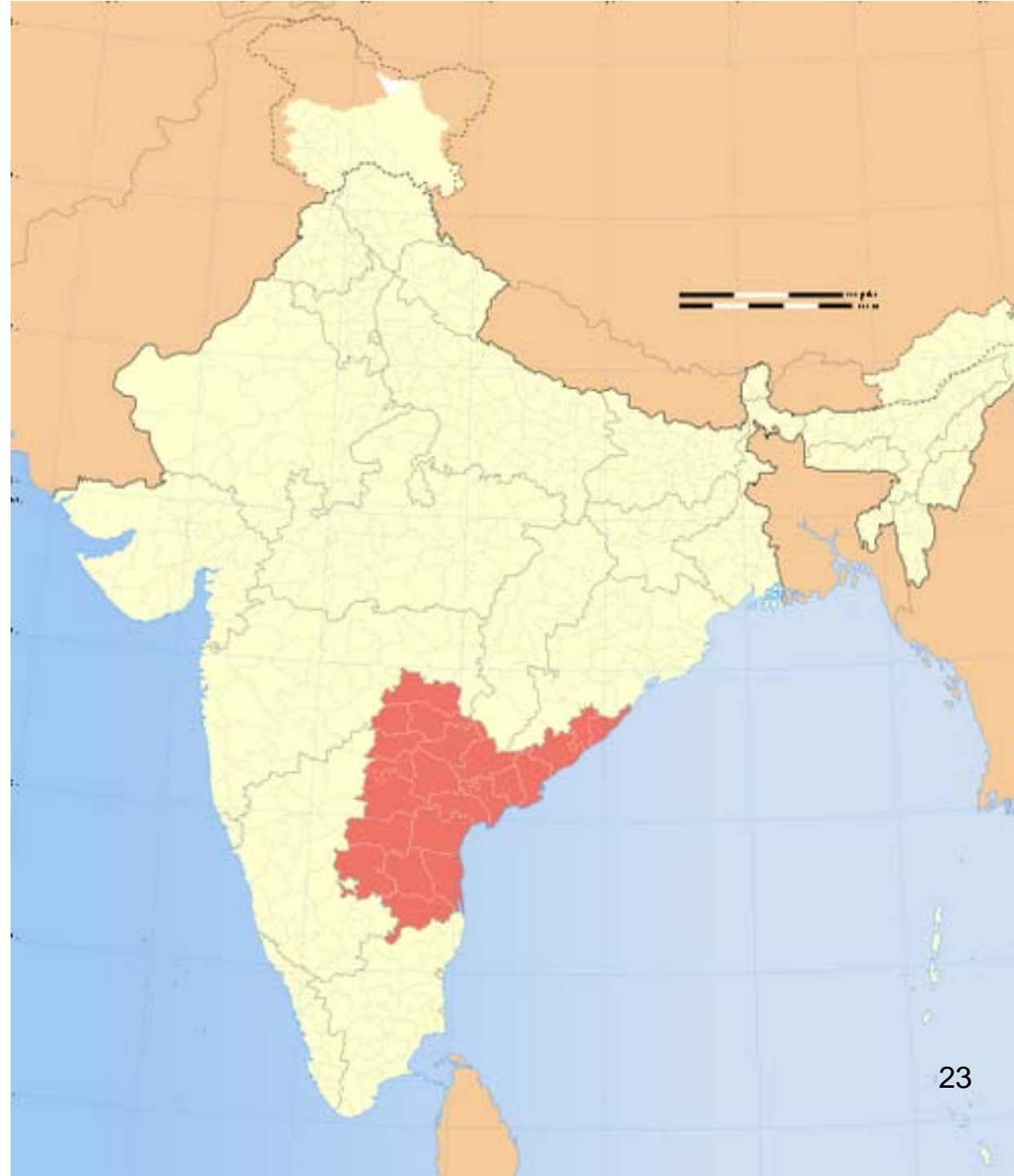
Access alternative sources of credit

Improve operational costs and sustainability

Build a credit history

Give dignity

SKS IPO & Andhra Pradesh



Reserve Bank of India (RBI) recommended regulations

Only lend to low income households

Cap on loan amounts – Rs.50k (\$1,000)

Total indebtedness cap – Rs.50k (\$1,000)

Loan term at least 24months for loans of Rs.15k+ (\$300)

No collateral

75%+ of loans for income generation

Client can choose repayment period (weekly, fortnightly, monthly)

Margin cap 12%; interest rate cap 26%

Individual loans allowed

Client protection principles

- Appropriate product design and delivery
- Prevention of over-indebtedness
- Transparency
- Responsible pricing
- Fair and respectful treatment of clients
- Privacy of client data
- Mechanisms for complaint resolution



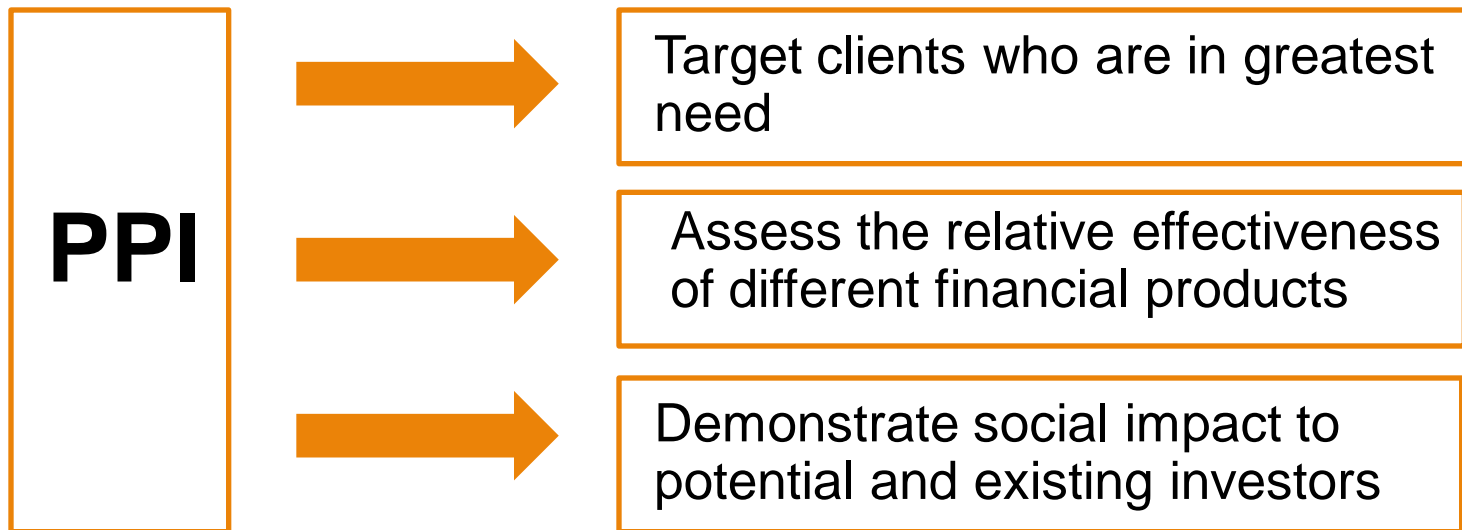
What does it take for a client to benefit from a loan?

Business
potential

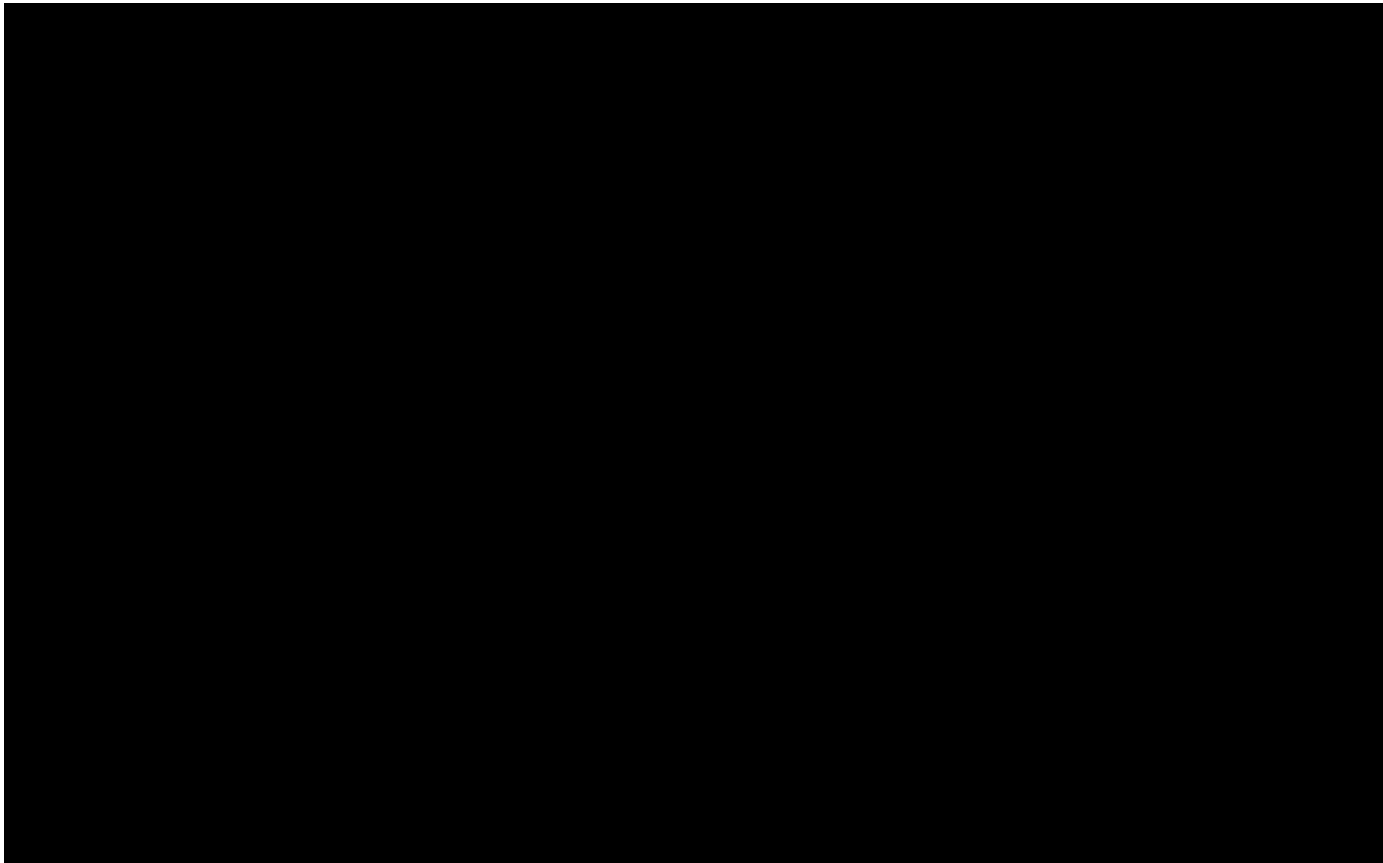
Market
access

Productive
use of
income

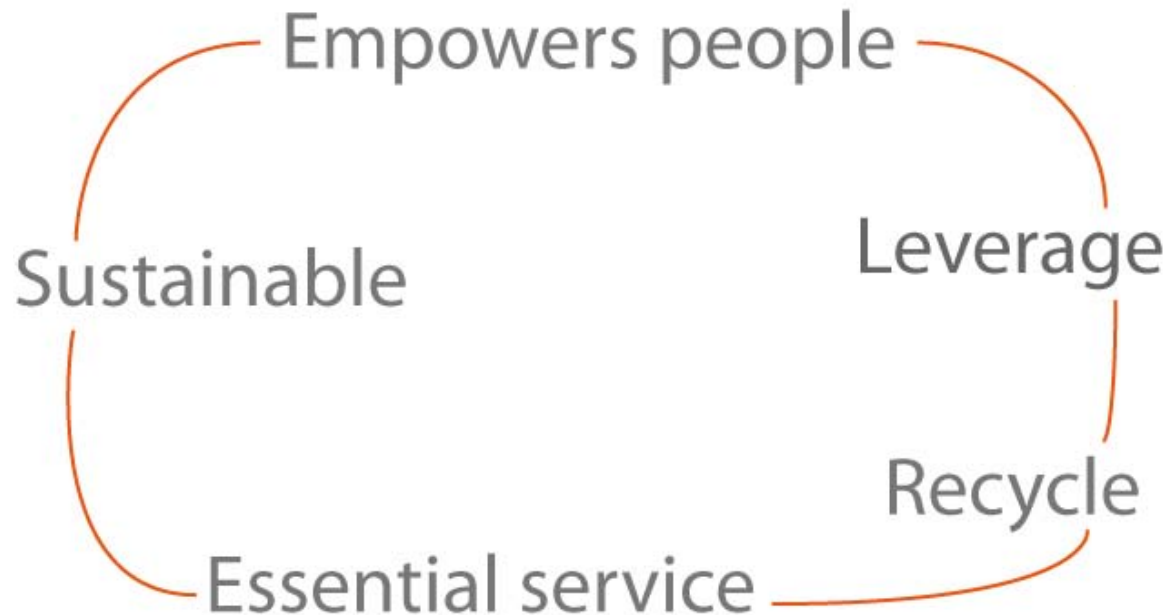
Purposes of the Progress Out of Poverty Index (PPI)







A sustainable poverty alleviation tool





Learn purposefully



Shout loudly



Give generously

