

Microfinance

Challenges

Microfinance has attracted great international attention in recent years as an effective instrument in reducing poverty and improving the welfare of low-income households. Still, large parts of the population in developing countries and emerging economies do not have adequate access to financial services such as credit, savings and insurance.



Formal financial intermediaries, such as commercial banks, generally refuse to serve poor households and microenterprises because of the high cost of small transactions, a lack of traditional collateral or basic requirements for financing, and geographic isolation. By doing so, these institutions ignore the enormous entrepreneurial potential of this part of society. Providing access to financial services not only improves poor people's economic condition, it provides them a way to maintain or improve their quality of life. Moreover, gaining access to financial services is a critical step in connecting the poor to broader economic activity and facilitating their role in the larger community.

GFA Concept and Services

GFA's approach to microfinance focuses on a broad range of measures to ensure that microfinance services become an integrated part of the financial system. Our aim is to contribute to the capacity building of various stakeholders at the macro, meso and micro levels, with a view to supporting the development of sustainable financial services that are accessible to the poorer parts of the population, both in rural and urban areas. Our services comprise:

Enabling environments A supportive infrastructure for microfinance is critical to the growth of a sustainable microfinance industry. GFA supports the creation of enabling environments by supporting the regulatory and supervisory framework for microfinance institutions (MFIs).

MFI transformation GFA supports emerging and growing MFIs in their transformation into regulated institutions in order to broaden their outreach, access more funds, and continue to serve more poor people.

Capacity building to MFIs GFA provides technical assistance and training to help MFIs integrate best practices in the creation and delivery of financial services for microenterprises and low-income households. Our research and testing of innovative microfinance products and processes is based on the latest techniques for making financial services for the poor effective and efficient.

Branchless banking In microfinance, branchless banking further fosters financial inclusion. GFA supports the availability of diversified and viable financial products and services through the creation of new distribution channels such as mobile technology and the establishment of non-bank networks of local agents and merchants.

Consumer education GFA attaches great importance to promoting and adhering to the principles of responsible finance. These include client protection, truth in lending and policies preventing clients from becoming over-indebted. We put particular emphasis on improving financial capabilities among savers and borrowers.

