

Operational Issues faced by the MFI's

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Abstract

Microfinance refers to the provision of easily accessible finance and financial products for people not being served by the mainstream financial service industry. Microfinance Institutions (MFIs) are involved in providing micro credit, micro-savings and micro-insurance. NGOs, credit unions, cooperatives, private commercial banks and non-bank financial institutions and parts of state-owned banks come under this category of MFIs. There are different factors that have to be considered by various MFIs that relate to the feasibility of offering these micro financial services. This paper has conducted a primary survey of four NGOs offering microfinance services in Mumbai. The paper has analyzed the characteristics of these NGOs, and the various factors that influences the implementation process such as the cross cultural factors, the legal issues pertinent to regulation aspects, organizational issues with respect to finance, marketing of products and human resource problems. The paper suggests that, based on the understanding of these non-governmental organizations studied, with a proper regulatory framework, planned channeling of the funds accompanied by a tested business model that suits the lifestyle of the segment being dealt with i.e. poor people would enhance the present implementation status. By providing the clients with the products which they can avail with flexible operations would enable to tap this huge market. At the same time the paper throws light on few of the other operational issues faced by these NGOs which is of concern to achieve targeted results.

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