Minimalist & Integrated Approaches to MF

By

Dr. Muawia Balla Al Magboul
Differences

• The minimalist approach considers the access by low-income individuals to credit as the only piece missing for income generation and, therefore, sees the providing of microcredit loans as a development strategy *per se*.

• On the other hand, the integrated approach emphasizes the importance of providing not only credit but a range of development-oriented services to the poor in order to attack the structural causes of poverty.
Differences

• Typically, these non-financial services should include educational programs, community-based development programs, business and capability-enhancing training, and so on.

• In terms of economic sustainability, operating costs incurred in the minimalist approach are obviously much lower than those of integrated microcredit programs.
Minimalist programs often adopt specific risk-managing and credit analysis methods that demand some degree of social intermediation through the use of loan officers, but avoid the costs of additional development-oriented services or policies (Figure 1).
Minimalist approach

• This approach is based on the premise that there is a single “missing piece” for economic growth among the poor, i.e. affordable, accessible short-term credit (Ledgerwood 1999).

• Minimalist programmes are implemented by microfinance institutions such as agriculture/farming banks or credit unions.
• Minimalist approaches normally offer only financial intermediation, i.e. savings, credit, insurance, credit cards, and payment systems.

• Minimalist programmes will acknowledge that the poor may need other development and social services, but they have to assume that other agencies will provide these, because provision of such services is not their corporate business.
• This approach offers the great advantage of having a single focus, which becomes more cost effective with time, so that subsidies that might have been necessary to establish the programme, can gradually be eliminated (Ledgerwood 1999).
Minimalist Approach
Assumption: Credit Policy Per se

Integrated Approach
Assumption: Financial, Non-financial Services

Financial Intermediation
(Credit)

Social Intermediation
(Group Formation, Social collaterals)

Enterprise development services
(marketing, business & production training)

Social services
(education, health & nutrition, literacy training)

Minimalist & Integrated Approaches Of Microfinance
Integrated Approach

• This strategy, which lies somewhere near the centre of the microfinance spectrum, takes a rather more wholistic view of the poor in its design of poverty reduction programmes (Ledgerwood 1999).
It offers not only a range of financial and social intermediations, but adds to these enterprise development services, such as marketing, marketing analysis, business and production training, and social services, like health and nutrition, education, adult literacy training, awareness raising on civil and human rights matters, and so forth.
Poor apply for loans

Disburse micro-loans

Loan recipient coached

Lives are changed

Your gift can start a new cycle

Businesses thrive

Loans are repaid

Families gain self-sufficiency

Loan is recycled

Fig. 1 World Vision: International promotion of Microfinance Activities
• World Vision explains how this model fits into its wholistic, integrated development programmes, in which the poor are engaged in activities addressing multiple inter-related needs, such as potable water supply, health care, basic education, food security and economic growth.
The programme offers community banking as the solution for the poorest, using a group-based, joint liability model that includes compulsory savings, member training in loan management and business training skills.