



**Sa-Dhan**

The Association of  
Community Development  
Finance Institutions

# The Bharat Microfinance Report 2016

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### **Mission of Sa-Dhan**

"To build the field of community development finance in India, to help its members and associate institutions to better serve low income households, particularly women, in both rural and urban India, in their quest for establishing stable livelihoods and improving their quality of life".




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Finance Institutions

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The Indian Microfinance Sector has witnessed a phenomenal growth over the past 17 years. The number of Institutions providing microfinance services has gone up from a few to several hundreds. The quantum of credit made available to the poor and financially excluded clients has gone past ₹60,000 crore and number of clients benefitted is close to 40 million as of March 2016. The SHG bank linkage programme has equally grown to touch the lives of individuals through SHGs with an outstanding loan portfolio of ₹57,119 crores.

The Government of India and the Reserve Bank of India have created conducive policy and regulatory framework for Microfinance Institutions (MFIs) to operate in the country. This has provided necessary legitimacy and impetus to the sector. MFIs in general comply to the regulations, take care of client protection issues, adhere to the Industry Code of Conduct. These factors go a long way in infusing confidence among all the stakeholders.

In this context, there are three areas which continue to deserve special attention. One is the need for articulating the fact that microfinance is a strategic part of the financial inclusion agenda of the government and that of the central bank. The second is the criticality of re-demonstrating our collective intention to help the poor and the unbanked populace by way of having the right mission, social performance measures and client protection process. The third area is in projecting the fact that microfinance institutions are sustainable financial institutions and they continue to be the investible destination for bankers and investors.

In order to reemphasise these positions, the sector needs empirical data. This Bharat Microfinance Report has been designed to provide comprehensive information and newer perspectives on the above three areas. Primary data received from 166 MFIs who represent around 95 percent of the microfinance sector in India and analysis thereon form the basis for this report.

Sa-Dhan, as the leading association of community development finance institutions in India, has been publishing The Bharat Microfinance Report for the past thirteen years. This year 166 MFIs reported data, including 61 non-members of Sa-Dhan. We thank them for reposing confidence in us and valuing transparency through data reporting.

This year the substantial part of the work relating to the report has been shouldered by Mr. Ardhendu Nandi, right from data collection, consolidation, analysis to report writing in which he was ably supported by Ms. Shyamasree Nandan and Mr. P.M Kamalesh. Mr. Somesh Dayal provided a broad support to the report, especially in sourcing useful inputs.

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We are grateful to overall patronage from NABARD for generously sponsoring the publication and dissemination of the report widely among all stakeholders. We are also thankful to SIDBI, World Bank Group (IFC), DFID, RBI and Government agencies for their support to the activities and initiatives of Sa-Dhan.

We hope this report would be extremely useful to you as a reference and data source. We welcome suggestions for further enhancing its coverage and utility.

P. Satish  
Executive Director  
14 September, 2016

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1	ABCO	Active Borrowers per Credit Officer
2	APY	Atal Pension Yojana
3	ATM	Automated Teller Machine
4	AUM	Assets Under Management
5	BC	Business Correspondent
6	BCNM	Business Correspondent Network Manager
7	BF	Business Facilitator
8	BPL	Below Poverty Line
9	BSBDA	Basic Savings Bank Deposit Account
10	CAB	College of Agricultural Banking
11	CAR	Capital Adequacy Ratio
12	CBEO	Community Based Economic Organization
13	CBS	Core Banking Solution
14	CDR	Corporate Debt Restructuring
15	CEO	Chief Executive Officer
16	CGT	Compulsory Group Training
17	CIB	Credit Information Bureau
18	CIF	Community Investment Fund
19	CmF	Centre for Micro Finance
20	CO	Credit Officer
21	CoC	Code of Conduct
22	COCA	Code of Conduct Assessment
23	CPPs	Client Protection Principles
24	CRM	Customer Relationship Management
25	CRR	Cash Reserve Ratio
26	CSO	Customer Service Officer
27	CSP	Customer Service Point
28	DFS	Department of Financial Services
29	DNBS	Department of Non-Banking Supervision
30	DPD	Days Past Due
31	DRDA	District Rural Development Agency
32	DWCD	Department of Women and Child Development
33	ECB	External Commercial Borrowing
34	FCR	Finance Cost Ratio
35	FDI	Foreign Direct Investment
36	FER	Finance Expense Ratio
37	FI	Financial Institution
38	FIAC	Financial Inclusion Advisory Committee
39	FIIIs	Foreign Institutional Investors
40	FIP	Financial Inclusion Plan
41	FLCs	Financial Literacy Centre
42	GCC	General Credit Card
43	GIC	General Insurance Corporation of India

44	GLP	Gross Loan Portfolio
45	GoI	Government of India
46	GPRS	General Packet Radio Service
47	GRT	Group Recognition Test
48	HTTP	Hyper Text Transfer Protocol
49	ICIB	Inclusive Credit Information Bureau
50	ICT	Information and Communication Technology
51	IMPS	Immediate Payment Service
52	IPOs	Initial Public Offerings
53	IRDA	Insurance Regulatory Development Authority
54	IVR	Interactive Voice Response
55	JLG	Joint Liability Group
56	KCC	Kisan Credit Card
57	KYC	Know Your Customer
58	LAB	Local Area Bank
59	MFDRC	Micro Finance and Development Regulatory Council
60	MFI	Microfinance Institutions
61	MHL	Mobile High-Definition Link
62	MIS	Management Information System
63	MoA	Memorandum of Association
64	MoF	Ministry of Finance
65	MoRD	Ministry of Rural Development
66	MoU	Memorandum of Understanding
67	MSME	Ministry of Micro Small & Medium Enterprises
68	MUDRA	Micro Units Development & Refinance Agency
69	NABARD	National Bank for Agriculture and Rural Development
70	NAMCABs	National Mission for Capacity Building of Bankers
71	NBFC	Non-Banking Finance Company
72	NBFC -SI -ND	Systemically Important Non-Deposit taking NBFCs
73	NBFC-ND	Non Deposit taking NBFCs
74	NCD	Non-Convertible Debenture
75	NGO	Non-Governmental Organization
76	NIM	Net Interest Margin
77	NoF	Net Owned Fund
78	NPA	Non Performing Asset
79	NPCI	National Payment Corporation of India
80	NPS	National Pension System
81	NRLM	National Rural Livelihood Mission
82	NULM	National Urban Livelihood Mission
83	OD	Overdraft
84	OER	Operating Expense Ratio
85	OSS	Operational Self Sufficiency
86	P2P	Peer-to-Peer
87	PAR	Portfolio at Risk

88	PFRDA	Pension Fund Regulatory and Development Authority
89	PLF	Primary Level Federation
90	PMDJY	Pardhan Mantri Jan Dhan Yojana
91	PMMY	Pradhan Mantri MUDRA Yojana
92	POS	Point of Sale
93	PSIG	Poorest State Inclusive Growth
94	PSL	Priority Sector Lending
95	PSLCs	Priority Sector Lending Certificates
96	PSU	Public Sector Unit
97	RBI	Reserve Bank of India
98	RF	Revolving Fund
99	RFF	Responsible Finance Forum
100	RFIP	Rural Financial Institutions Programme
101	RIDF	Rural Infrastructure Development Fund
102	RMK	Rashtriya Mahila Kosh
103	RoA	Return on Asset
104	RoE	Return on Equity
105	RRBs	Regional Rural Banks
106	RSETIs	Rural Self Employment Training Institutes
107	SBLP	Self-Help Group Bank Linkage Programme
108	SC/ST	Scheduled Caste/Scheduled Tribe
109	SERP	Society for Elimination of Rural Poverty
110	SFB	Small Finance Bank
111	SHGs	Self-Help Groups
112	SHPI	Self Help Promoting Institute
113	SIDBI	Small Industries Development Bank of India
114	SLBCs	State Level Bankers' Committees
115	SLR	Statutory Liquidity Ratio
116	SMS	Short Message Service
117	SPM	Social Performance Management
118	SPOC	Single Point Of Contact
119	SRO	Self-Regulatory Organisation
120	TAT	Turn Around Time
121	UCBs	Urban Cooperative Banks
122	UT	Union Territory
123	Y-O-Y	Year On Year

## **ABCO**

ABCO is an acronym for Average Borrower per Credit Officer, a measure of client-staff ratio. It is also known as Case Load

## **Average Loan Size**

Average Loan size represents the client-per capita loan amount. It is calculated as: The Loan portfolio divided by the number of clients of an MFI.

## **Borrowing Cost**

The total charge for taking on a debt obligation that can involve interest payments and other financing fees.

## **Capital Adequacy**

Capital Adequacy is the means of measuring the solvency level of MFIs which is an important indicator of risk bearing ability of the entities. It is the proportion of the capital/own fund held by an MFI against its total asset

## **Capital to Total Assets**

Ratio of net worth to total assets

## **Debt-Equity Ratio**

Debt-Equity Ratio is the proportion of total debt borrowed to the total equity held at a given point of time.

## **Debt Funding**

Debt Funding refers to the percentage of loan portfolio funded by outside borrowings

## **External Cost**

External Cost here refers to Finance cost which is determined by the lending rate of banks and hence is beyond the control of MFIs

## **Finance Cost**

Finance Cost here refers to the interest and other expenses incurred on average bank loan outstanding in the books of MFIs. This does not include notional cost of utilizing the equity fund.

## **Financial Inclusion**

Financial Inclusion is the delivery of financial services at affordable costs to sections of disadvantaged and low income segments of society.

## **Margin**

Margin refers to the difference between the finance cost on portfolio and the total yield on portfolio. This term is analogous to the concept of Net Interest Margin (NIM) widely used in banking parlance. Margin Cap refers to the ceiling of Margin of 12 percent fixed by RBI.

## **Managed Loan Portfolio**

Managed Loan Portfolio is the loan asset originated by MFIs and later sold to banks for getting liquidity. The MFIs continue to manage it i.e. collection of repayment on behalf of the banks which purchased the portfolio.

### **Non Performing Assets (NPA)**

A debt obligation where the borrower has not paid any previously agreed upon interest and principal repayments to the designated lender for an extended period of time. The NPA is therefore not yielding any income to the lender in the form of principal and interest payments.

### **Operating Expense Ratio (OER)**

Ratio of staff, travel, administration costs, other overheads and depreciation charges of the MFIs (non-financial costs) to the average loan portfolio during a year

### **Operating Self Sufficiency (OSS)**

Operating Self Sufficiency (OSS) shows the sufficiency of income (operating income and investment income) earned by MFIs to cover the cost like operating cost, loan loss provision and finance cost, incurred for conducting the operations.

### **Portfolio Quality**

Amount of risk of default in the loan portfolio. A high quality portfolio contains a lower amount of risk. Portfolio quality changes continually as loans are disbursed, payments are made, and payments become due.

### **Portfolio at Risk (PAR)**

PAR indicates the proportion of outstanding amounts of all loan accounts having past due/arrears to the total outstanding loan. In general, PAR 60, i.e., the portfolio / part of the portfolio remaining unpaid 60 days and beyond crossing the due date, would be used as a measure to assess the portfolio quality.

### **Qualifying Assets**

Qualifying Assets are loan portfolios created by MFIs adhering to certain conditions to make the MFIs eligible to be called as MFIs and to raise loans from banks under Priority Sector Advances Scheme ( as per recent RBI norms).

### **Return on Asset (RoA)**

Return on Asset (RoA) is the universally accepted profitability measure which, in essence, is the percentage net income earned out of total average asset deployed by MFIs during a given period, say a year.

### **Return on Equity (RoE)**

Return on Equity (RoE) is the net income earned out of average equity of MFIs held by MFIs during the given period.

### **Self Help Groups (SHGs)**

SHGs refer to groups of 10-20 women coming together to form a semi formal community based institution to meet their common financial and social needs.

### **SHG Bank Linkage Programme (SBLP)**

SHGs are linked to mainstream banks for depositing surplus savings of the SHGs and to obtain loans. It is considered to be an effective strategy to ensure financial inclusion.

### **Surplus**

Surplus is Yield minus Total cost

### **Yield on Portfolio**

Yield represents total income from microcredit operation-Interest income, processing fee/ service charge – earned out of average loan portfolio outstanding. It does not, include investment income. It is a good proxy / surrogate for loan interest rate.



## Context

For the microfinance sector in India the year 2015 -16 was one of steady growth and stability, though some islands of heavy growth should be a matter of concern. RBI's continuing interest in the sector is reflected in its engagement with both the SROs of the Microfinance sector-Sa-Dhan and MFIN, and coming out with modifications and improvements in guidelines whenever required.

At the policy level, MUDRA's progress reflects the depth of financing by the MFIs. The Pradhan Mantri Bima Yojana (PMBY) and the Atal Pension Yojana provide additional financial instruments for MFIs to offer to their clientele. Bandhan Bank which rose from the microfinance sector completed one year of its service, Capital Small Finance Bank was the first SFB to start off its operations and other Small Finance Banks and Payment Banks will be in place by the close of the financial year. Further, RBI is coming up with guidelines for Peer To Peer lending. These are game changers for the banking and financial sector landscape of the country in general and for financial inclusion scenario in particular.

## Objective

This report is an attempt to collect primary data on MFI client outreach, their loan portfolio and other financials of MFIs in India that includes both members as well as non-members of Sa-Dhan.

The report purports to provide primary data based analytical information to a wide range of stakeholders such as the Government, policymakers, regulators, banks, investors, researchers, media, MFIs and others, helping them to understand the current status and the underlying trends in the sector in order to take appropriate decisions/actions that are critical for the development of the industry.

## Methodology

The contributing MFIs have voluntarily provided their data and detailed information as sought through a data acquisition sheet consisting of their financial outreach, geographic spread, credit plus and developmental activities etc. For this report we have compiled data from MFIs representing all legal forms (Societies, Trusts, Sec-8 Companies, NBFC-MFIs, Cooperatives) the data has been collated, validated, and analysed for peer groups.

The project team rigorously scrutinized the self reported data, validated it from the MFI's financial statements, and reconciled from other secondary sources. The validity of the findings however, is subject to the accuracy of the self-reported data, though reconciliation techniques used would have minimized such errors.

The analysis of the report was undertaken on the basis of a predesigned framework and the findings have been improved to the extent possible though advisory inputs from microfinance experts and practitioners. The chapters pertaining to SHGs and the BC model, while culled out from secondary sources, have been further enhanced by inputs from the experts in the field.

## The Report Coverage

The report is divided into two parts. Part one covers the MFI sector and is based on primary data, whereas Part two covers the SHG sector and the BC model and is mainly culled out from secondary sources of information.

Part 1 is further divided into four chapters. Chapter 1 represents an overview of the microfinance sector within the larger ambit of financial inclusion, Chapter 2 deals with growth and outreach of MFIs, Chapter 3 deals with operational and financial aspects of credit services, while Chapter 4 deals with credit plus activities. Chapter 3 is further subdivided into 4 sections. Section 1 dwells upon the workforce, productivity and portfolio quality. Section 2 represents the cost and revenue aspects of the MFIs. Section-3 represents surplus, sufficiency and profitability of the MFIs, while Section 4 deals with capital structure and balance sheet distribution.

In the Part 2 of the report, Chapter 5 deals with the SHG section of microfinance and Chapter 6 presents an overview of the BC model and other technology led approaches of financial inclusion.

## Highlights of the Report

### Growth and Outreach

MFIs currently operate in 29 States, 4 Union Territories and 588 districts in India. The reported 166 MFIs with a branch network of 12,221 employees have reached out to an all time high of 39 million clients with an outstanding loan portfolio of ₹63,853 crore. This includes a managed portfolio of ₹16,914 crore. Out of managed portfolio, BC portfolio accounts for ₹7,984 crore. The average loan outstanding per borrower stood at ₹11,425 and 94% of loans were used for income generation purposes.

Outreach grew by 8% and loan outstanding grew by 31% over the previous year. The Southern region continues to have the highest share of both outreach and loans outstanding, followed by East. However growth rates are higher in the Northeastern and Central regions. Outreach proportion of urban clientele has decreased marginally as against the rural population. The proportion of urban clientele which was 67% in 2014-15 decreased to 62% in 2015-16. Women borrowers constitute 97% of the total clientele of MFIs, SC/ST borrowers constitute 30% and minorities 27%.

Of the total, NBFC-MFIs contribute to 85% of clients outreach and 88% of outstanding portfolio, while NGO MFIs contribute to the remaining. MFIs with portfolio size of more than ₹500 crore contribute significantly to the total outreach (85%) and loan outstanding (88%) of the sector.

### Operational and Financial Aspects

MFI sector employs 1,03,415 personnel, out of which 15% are women, and 62% are field staff. An active borrower per credit officer (ABCO) is 440, which is higher than the previous year indicating higher focus on client services without much of staff growth.

Financial expense is the major expense (53%) incurred by MFIs. Personnel expense and other administrative expenses contribute 24% and 23% respectively. Median OER (Operating Expense Ratio) and FCR (Finance Cost Ratio) remained at 10.2% and 13.83% respectively. It is seen that the OER comes down with scale of operation. MFIs, with portfolio of more than ₹500 crore have a median OER of 7.5% and FCR of 13.9%.

The Yield of the sector for the year was 21%, which is the highest for the Section 8 Companies and Cooperatives (24%) and lowest for the Society/Trust (20%). The Margin for different types of institutions was in the range of 9 -12%. NBFC-MFIs maintained a median margin of 10%. Median OSS (Operational Self Sufficiency) is 113%. Approximately 16% of MFIs have OSS less than 100%. This includes 4% of the NBFC-MFIs on account of AP portfolio and 12% not for profit MFIs. Generally, the OSS improves with the average loan size and yield of the institution.

Median ROA and ROE for the sector remained at 2.2% and 11.6% respectively. The returns are generally higher for not for profit MFIs and very large sized MFIs.

The CAR (Capital Adequacy Ratio) for all types of MFIs remained above the desirable level of 15%. NBFC-MFIs have CAR of 20.1%. Leveraging of the sector was 3.2. The sector received a sum of ₹39,331 crore, which includes a portfolio sale of ₹8,834 crore. Total outstanding borrowing of MFIs stood at ₹44,822 crore, with a substantial share of this derived by NBFC-MFIs (97%) especially from the very large MFIs (87%).

### **Self-Help Groups and the BC model**

Number of SHGs linked to credit and bank loan amount to SHGs has witnessed an increasing trend after 2010-11. The number of saving linked SHGs has also increased during the year; till date, 103 million families have been covered under the SBLP program with a total number of 79.03 lakh SHGs with a saving amount of ₹13,691 crores. A total of 46 lakh SHGs have a gross loan outstanding of ₹57,119 crores.

The amount of savings and the average per SHG savings (₹14,662) held in the banking system are both increasing since 2011-12. Average loan disbursed per SHG for 2015-16 is reported at ₹203,526, whereas average loan outstanding per SHG stood at ₹122,258

The aggregate NPA of SHG loans remain a concern though it has declined marginally by 0.59% from 7.4% in 2014-15 to 6.4% in 2015-16. Quality of SHGs, their performance has emerged as one of the major issues affecting the movement.

Also the fact that NRLM will push for improvement in the SHG bank linkage with better monitoring, lower rates of interest and a sharper focus on livelihood generation, would give a greater fillip to the growth of SHG programme.

MFIs are finding the BC model increasingly attractive to carry out their activities on the credit side and to spread it to deposit taking activities 51MFIs had an exposure to a BC loan portfolio of ₹7,191 crores through linkage to 25 banks. Apart from this 13 MFIs were undertaking deposit related activities for 13 banks. The deposit portfolio of BCs amounted to ₹871 crores.

## Performance Highlights: A Snapshot

Indicators: MFI Model	2016	2015	Change
Client Outreach	399 lakh	371 lakh	↑
Women Clients	97%	97%	No Change
SC/ST Clients	30%	28%	↑
Other Minorities	27%	18%	↑
Rural Clients	38%	33%	↑
Gross Outstanding Portfolio	₹63853 Cr.	₹48882 Cr	↑
Own Portfolio	₹46939 Cr.	₹39028 Cr	↑
Managed Portfolio	₹16914 Cr.	₹9854 Cr	↑
Avg. Loan per Borrower	₹11425	₹13162	↓
Income Generation Loan	94%	80%	↑
Female Staff in MFIs	15%	16%	↓
ABCO	440	419	↑
OER	10.22%	11.45%	↓
FCR	13.3%	12.42%	↑
Yield	21%	24%	↓
Margin	10.00%	10.20%	↓
OSS	113%	113%	No Change
ROA	2.2%	1.73%	↑
ROE	11.6%	8.19%	↑
CAR	19.39%	19.10%	↑
Leverage	3.2	2.9	↑
Fund Flow (Outstanding)	₹44822 Cr.	₹40802 Cr	↑
Equity Outstanding	₹4509 Cr.	₹4195 Cr	↑
NPA	0.15%	0.21%	↓
<b>SHG Model</b>			
Total No of SHGs Linked	79.03 lakh	77.12 lakh	↑
No. of Families Reached	103 million	101 million	↑
Total Savings of SHGs	₹13691 Cr	₹11307 Cr	↑
Total No. of SHGs Credit Linkage	18.32 lakh	16.26 lakh	↑
Gross Loan Outstanding	₹57119 Cr	₹51721 Cr	↑
Total Loan Disbursed	₹37286 Cr	₹30334 Cr	↑
Avg. Loan Disbursed per SHG	₹203526	₹186556	↑
Avg. Loan Outstanding per SHG	₹122258	₹115759	↑
NPA	6.45%	7.40%	↓

## 1.1 Introduction

Developments in the year give us the confidence to claim that we are progressing well on the path to achieving universal financial inclusion. The government, regulators and financial markets have shown immense faith in the model of financial inclusion which we have been pursuing. Provisional licenses provided to the Small Finance Banks and successful Initial Public Offerings (IPOs) of Ujjivan and Equitas are a testimony to that. The MFIs which had obtained provisional licenses are well on their course to establish Small Finance Banks and are expected to overcome their limitations of currently being able to offer only a limited set of products to their clients. Bandhan Bank which just celebrated the first anniversary of its establishment is already providing a gamut of services and experience to its customers, majority of whom are microfinance clients.

MFIs are beginning to enjoy benefits of scale and there is evidence that they are passing on this benefit to clients in terms of reduction in interest rates. In fact, the top 10 NBFC-MFIs contributing 80% of the sector's Gross Loan Portfolio or over ₹40,000 crores have a **weighted average interest rate of 23.13%**, far below the 26% max cap under PSL guidelines. Sa-Dhan data shows that over **36 NBFC-MFI members have reduced rates** significantly in the last financial year itself.

There are also efforts to reduce cash transactions to reduce risks and increase efficiency. Advances in the adoption of technology coupled with the banks accounts opened under the Prime Minister Jan Dhan Yojana (PMJDY) have certainly helped in doing this.

### 1.1.1 Credit History of Clients

Building a credit history for the microfinance clients goes a long way in achieving universal financial inclusion. Directions from the RBI and industry's code of conduct require all the MFIs to share their data to the credit bureaus. Enhanced penetration of Aadhaar is helping increase accuracy of data obtained from Credit Bureaus and improving credit appraisal. Recent directions from the Reserve Bank of India (RBI) to share details of individuals borrowings from the SHGs to the Credit Bureaus is expected to further enhance their utility and effectiveness.

### 1.1.2 Revised Code of Conduct

This year the revised Code Conduct for sector which is forward looking was adopted despite some voices in favour of dilution of some of the provisions. MFIs have taken steps to implement this revised code of conduct in letter and spirit. Reports from our field visits suggest that MFIs are disclosing interest rates and other terms and conditions to the borrowers in clear terms. They have also set up effective grievance redressal mechanisms.

### 1.1.3 Risk Management Issues

Reports from Sa-Dhan's field visits also point out to several risks which the MFIs and their clients may be facing. There is evidence of pockets with concentration of several MFIs in a limited geographical area which has the potential to lead to over-indebtedness and other undesirable practices. There is also evidence of some unauthorized agents acting on behalf of the MFIs and unscrupulous organisations posing as MFIs. In a rush to grow, the MFIs should not overlook the importance of having good internal controls and training their field staff.

### 1.1.4 Product Development

Product development is another area in which the MFIs need to invest more. Much of the portfolio growth so far has come from the standard income generation loans. MFIs need to be cognizant of the fact that clients need credit for various purposes including water and sanitation, housing and education. Limited experience of various MFIs in these needs to be documented and shared. There is also a greater need for MFIs to expand their portfolio to credit plus products like microinsurance and micropensions.

A large numbers of MFIs have been providing micro insurance products and micropensions. As per the self-reported data, 15 MFIs have reached to 3.66 lakh clients for health products, 39 MFIs have reached to 55.38 lakh clients for non-health products and 11 MFIs have been providing micropensions services to 18.59 lakhs clients.

## 1.2 Priority Sector Lending Certificates (PSLCs)

In the meanwhile RBI has taken several steps to ease the process of financial inclusion. One of these is the introduction of Priority Sector Lending Certificates (PSLCs). This scheme of PSLCs was introduced in April 2016. The Reserve Bank provided a platform to enable trading in the certificates through its core banking solution (CBS) portal (e-Kuber). All scheduled commercial banks (including RRBs), urban co-operative banks, small finance banks (when they become operational) and local area banks are eligible to participate in trading. Some of the main features of the scheme are:

- Four kinds of PSLCs: Agriculture, Small and Marginal farmers (SF/MF), Micro enterprises and General can be bought and sold via the platform.
- The certificates will have a standard lot size of ₹2.5 million and its multiples.
- There will be no transfer of credit risk on underlying assets as there is no transfer of tangible assets or related cash flows.
- Banks will be permitted to issue PSLCs up to 50 per cent of the previous year's priority sector lending achievement without having the underlying in their books. Banks should meet priority sector targets through direct lending and net PSLCs.
- Banks may be required to invest in the Rural Infrastructure Development Fund (RIDF)/other funds to the extent of the shortfall.
- A bank with a shortfall in achieving any sub-target (for example, SF/MF, micro enterprises) will have to buy specific PSLCs to achieve the target. However, if a bank has a shortfall only with respect to the overall target, it could buy any PSLC.
- PSLCs will not be valid beyond the reporting date (March 31), irrespective of the date of first sale.
- A bank's priority sector lending achievement will be computed as the sum of outstanding priority sector loans and the net nominal value of the PSLCs issued and purchased. Such computation will be done separately where sub-targets are prescribed as on the reporting date

Further in a move to boost entrepreneurial sensitivity among banks' field-level functionaries, the Reserve Bank in collaboration with the College of Agricultural Banking (CAB), Pune, launched the National Mission for Capacity Building of Bankers for financing the MSME sector (NAMCABS). Since its inception, NAMCABS has imparted training to about 3,000 bankers.

### 1.3 Financial Inclusion Plan (FIP)

Financial Inclusion Plan (FIP) initiated by RBI saw a steady progress during the year. This plan (FIP) provides a structured and planned approach to financial inclusion with a commitment at the highest echelons within banks in terms of Board approval of the plans. Out of 2,259 rural bank branches opened during April 2015-March 2016, 1,670 branches were opened in unbanked rural centres under FIP. Around 71 million basic savings bank deposit accounts were added taking the total to 469 million by March 2016. The total number of small farm sector credits (Kisan Credit Cards) and small non-farm sector credits (General Credit Cards) stood at 47 million and 11 million, respectively. With the conclusion of FIP's Phase II (2013-16) on March 31, 2016, all domestic scheduled commercial banks (including RRBs) were advised to set new Board approved FIP targets for the next three years (April 2016 to March 2019).

### 1.4 Committee on Medium-Term Path on Financial Inclusion

The Committee on Medium-Term Path on Financial Inclusion, Chaired by Mr Deepak Mohanty, ED, RBI, which was constituted to work out a medium-term (five year) measurable action plan for financial inclusion, submitted its report in December 2015. The Committee recognised that substantial progress had been made in terms of access to financial products and services especially after the launch of the Pradhan Mantri Jan Dhan Yojana (PMJDY). The Committee identified significant gaps in terms of usage, inadequate 'last mile' service delivery, exclusion of women and small and marginal farmers and a very low formal link for micro and small enterprises. Against this background, the committee set a much wider vision of financial inclusion as 'convenient' access to a basket of basic formal financial products and services that should include savings, remittances, credit, government-supported insurance and pension products to small and marginal farmers and low-income households at reasonable costs with adequate protection progressively supplemented by social cash transfers. The Committee also suggested increasing micro and small enterprises' access to formal finance with a greater reliance on technology to cut costs and improve service delivery, such that by 2021 over 90 per cent of the hitherto underserved sections of society become active stakeholders in economic progress empowered by formal finance.

*Some of the recommendations of the committee are:*

1. Welfare scheme "Sukanya Shiksha" for the girl child with a view to linking education with banking habits.
2. A low-cost solution based on mobile technology for enhancing the effectiveness of last mile delivery as also to facilitate usage.
3. Phasing out of the interest subvention scheme and ploughing the amount into universal crop insurance.
4. An open specialised interest-free window with simple products like demand deposits, agency and participation securities, offering products based on cost-plus financing, deferred payment and deferred delivery contracts.
5. Exploring a system of professional credit intermediaries / advisors for MSMEs to help bridge the information gap and thereby help banks take better credit decisions.
6. Creating a registry for BCs, encouraging BC certification / training programmes.
7. Inter-operability for pre-paid instruments and mobile transactions.
8. Strengthening the financial literacy centre (FLC) network and grievance redressal mechanism and devising a scheme based on transparent criteria that incentivises banks to expeditiously address customer grievances.

## 1.5 Roadmap for Banking Facilities

In its Roadmap for Banking Facilities in Unbanked Villages, RBI initially advised the banks to complete Phase II of the roadmap for covering all 490,298 unbanked villages with population less than 2,000 by March 31, 2016. The timeline was advanced to August 14, 2015 in view of the on-going implementation of the Pradhan Mantri Jan Dhan Yojana (PMJDY). At end-March 2016, as reported by the State Level Bankers' Committees (SLBCs), 450,686 villages (91.9 per cent of the target) had been covered by 14,901 branches, 415,207 villages through BCs and 20,578 villages through other modes such as ATMs and mobile vans. Keeping in view the necessity of brick and mortar branches for promoting banking penetration and financial inclusion, a roadmap for establishing such branches in villages with population above 5,000 but without a bank branch of a scheduled commercial bank was rolled out in December 2015. SLBC convenor banks have been advised to ensure opening of bank branches under this roadmap by March 2017.

## 1.6 Financial Inclusion Advisory Committee (FIAC)

The Reserve Bank set up an advisory body, the FIAC, in 2012 to review financial inclusion policies on an on-going basis and to provide expert advice to the Reserve Bank in this matter. Given the renewed focus on financial inclusion by the Government of India, the on-going implementation of the PMJDY and the need for convergence of the efforts of various stakeholders, FIAC was re-constituted in June 2015. Its revised terms of reference include: (i) preparing a national strategy for financial inclusion which aims at converging financial inclusion efforts of various stakeholders and PMJDY, apart from monitoring the progress; (ii) monitoring progress on FIP; and (iii) monitoring progress on financial literacy. Sa-Dhan is a member of this Committee.

## 1.7 MUDRA

Micro Units Development & Refinance Agency Limited (MUDRA) and Pradhan Mantri MUDRA Yojana (PMMY) were launched on 08 April 2015 by the Hon'ble Prime Minister, Shri Narendra Modi. The guidelines of PMMY issued by Department of Financial Services (DFS), GOI indicated that all banks are required to lend to microenterprises engaged in manufacturing, processing, trading and service sector activities for a loan upto ₹10 lakh. Further, it was also advised that the loan may be given in three categories, i.e. Loan upto ₹50,000 under Shishu; ₹50,000 to ₹5 lakh under Kishor; and ₹5 lakh to ₹10 lakh under Tarun. Also, it was envisaged that more focus will have to be given for the Shishu category. A target of ₹1,22,188 crore was set for F.Y. 2015-16.

As against the target of ₹122188 crore, the Banks and MFIs together have disbursed ₹132954.73 crore, thereby achieving 109%. The achievements by Public Sector Banks indicate a substantial credit growth in this segment. Based on the data collected from the PSBs, it was seen that the disbursement by these banks in this segment was around ₹33,000 crore during the 2014-15 which has recorded a growth of 70% during 2015-16.

The Union Cabinet has given its approval for the creation of a credit guarantee fund for Micro Units Development Refinance Agency (MUDRA) loans. The fund is expected to guarantee more than ₹1 lakh crore worth of loans to micro and small units.

## 1.8 Self Help Groups

Self Help Group Bank Linkage Programme (SBLP) is a step to bring the "unbanked" poor into the formal banking system and to inculcate thrift and credit habits. A natural corollary is for the group members to graduate into seeking better livelihood opportunities through access to credit from financial institutions.



The year witnessed steady progress in the Programme with total number of SHGs saving-linked with banks reaching 79.03 lakh, with a total saving amount of ₹13691 crore. Likewise the total number of SHGs with loan outstanding stood at 46.72 lakh with a total loan amount outstanding of ₹57119 crore. During 2015-16 the total No. of SHGs credit linked stood at 18.32 lakh with a total amount disbursed being ₹37286 crore. Significantly the NPA level declined by 0.59% over previous year.

## **1.9 Peer-to-Peer (P2P) Lending**

Another far sighted step taken by RBI is with regard to Peer-to-peer (P2P) lending. This is an innovative form of crowd-funding with financial returns. It involves the use of an online platform to bring lenders and borrowers together and help in mobilising unsecured finance. The borrower can either be an individual or a business requiring a loan. The platform enables a preliminary assessment of the borrower's creditworthiness and collection of loan repayments. Accordingly, a fee is paid to the platform by both borrowers and lenders. Interest rates range from a flat interest rate fixed by the platform to dynamic interest rates as agreed upon by borrowers and lenders using a cost-plus model (operational costs plus margin for the platform and returns for lenders).

One of the main advantages of P2P lending for borrowers is that the rates are lower than those offered by money lenders/unorganised sector, while the lenders benefit from higher returns than those obtained from a savings account or from any other investment. In India, there are currently many online P2P lending platforms and the sector has been growing at a rapid pace. The Reserve Bank released a consultation paper on P2P lending in April 2016. The paper deliberated the advantages and disadvantages of regulating P2P platforms and underscored the need to develop a balanced regulatory approach that would protect lenders and borrowers without curbing the underlying innovations. Accordingly, P2P platforms are proposed to be regulated as a separate category of NBFCs. The feedback received on the paper from various stakeholders is being examined by RBI to finalise the regulatory framework.

## **1.10 MFIs as Channels for Govt. Programmes**

Reserve Bank granted NBFC-MFIs general permission to act as channelising agents for distribution of loans under special schemes of central/state government agencies exempting such loans from the qualifying assets criteria. This would be a big boost to MFIs to take a rightful place in the implementation of credit-linked poverty alleviation programmes of central and state governments. At the same time it would give a fillip to the spread of implementation of these programmes to the difficult and remoter areas still unreached by banks.

### Box 1.1 Core Values of Microfinance

#### The Core Values of Microfinance which Guide the Microfinance Institutions are as Follows:

##### A. INTEGRITY

- To provide low-income clients women, men, and their families, with access to financial services that are client focused, designed to enhance their wellbeing, and delivered in a manner that is ethical, dignified, transparent, equitable and cost effective.

##### B. QUALITY OF SERVICE

- To ensure quality services to clients, appropriate to their needs, and delivered efficiently in a convenient and timely manner.
- To maintain high standards of professionalism based on honesty, non-discrimination and customer centricity.

##### C. TRANSPARENCY

- To provide complete and accurate information to clients regarding all products and services offered.
- To create awareness and enable clients and all other stakeholders to understand the information provided with respect to financial services offered and availed.

##### D. FAIR PRACTICES

- To ensure that clients are protected against fraud and misrepresentation, deception or unethical practices.
- To ensure that all practices related to lending and recovery of loans are fair and maintain respect for client's dignity and with an understanding of client's vulnerable situation.

##### E. PRIVACY OF CLIENT INFORMATION

- To safeguard personal information of clients, allowing disclosures and exchange of relevant information with authorized personnel only, and with the knowledge and informed consent of clients.

##### F. INTEGRATING SOCIAL VALUES INTO OPERATIONS

- To ensure high standards of governance and management focused on not only financial performance but also social impact of business.
- To monitor and report social as well as financial data.
- To assess the social performance and social relevance of the institution from time to time.

##### G. FEEDBACK & GRIEVANCE REDRESSAL MECHANISM

- To provide clients formal and informal channels for feedback and suggestions.
- To consistently assess the impact of services in order to enhance competencies and serve clients better.
- To provide a formal and easy to access grievance redress mechanism for clients.



Source: Revised Code of Conduct

Client outreach and loan portfolio are two key indicators of an MFI's contribution to financial inclusion as well as the depth and breadth of financial deepening achieved by it. This chapter aims to provide an overview of MFIs' outreach in terms of client coverage and loan portfolio, based on the data received from 166 MFIs. This chapter is divided into two parts; the first part explains geographic distribution of microfinance institutions and their client outreach. The second discusses the issues of portfolio outstanding, loan disbursement, and purpose of loan.

### 2.1 Geographical Spread of Microfinance

MFIs currently operate in 29 States, 4 Union Territories and 588 districts in India. Table 2.2 shows the distribution of MFIs by state. In particular, it shows the number of MFIs operating in each state, their total number of branches in the state and the number of districts with microfinance operations. Annexure 1 indicates the state wise presence of different MFIs.

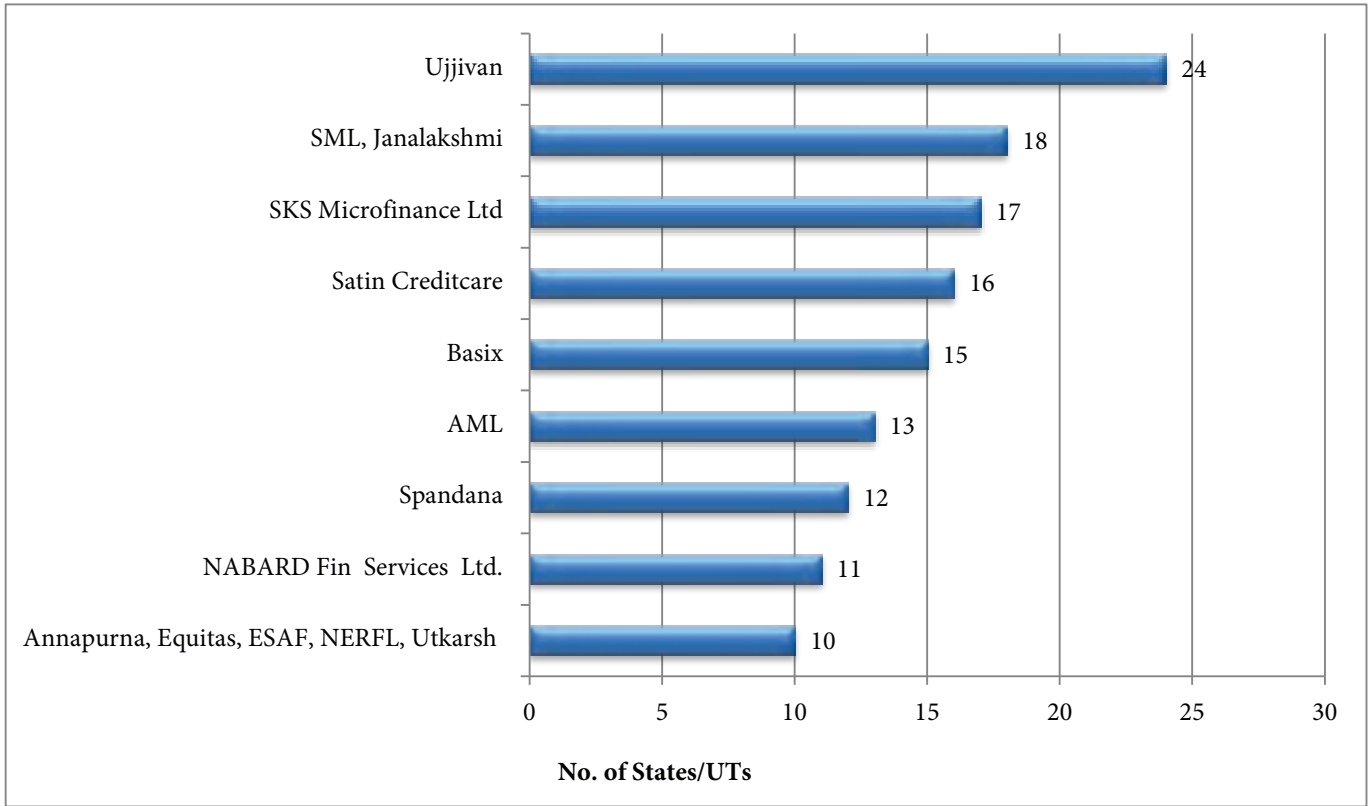
Twenty five MFIs with a large outreach and portfolio have operations in more than five states, out of which five leading MFIs are operating in more than fifteen states. A total of 62 MFIs (38%) are operating in two to five states, while 79 MFIs (48%) have confined their operations to only one state. The details of States/ Union Territories wise operation of 165 MFIs are given in Table 2.1.

**Table 2.1: No. of MFIs in Indian States/UTs**

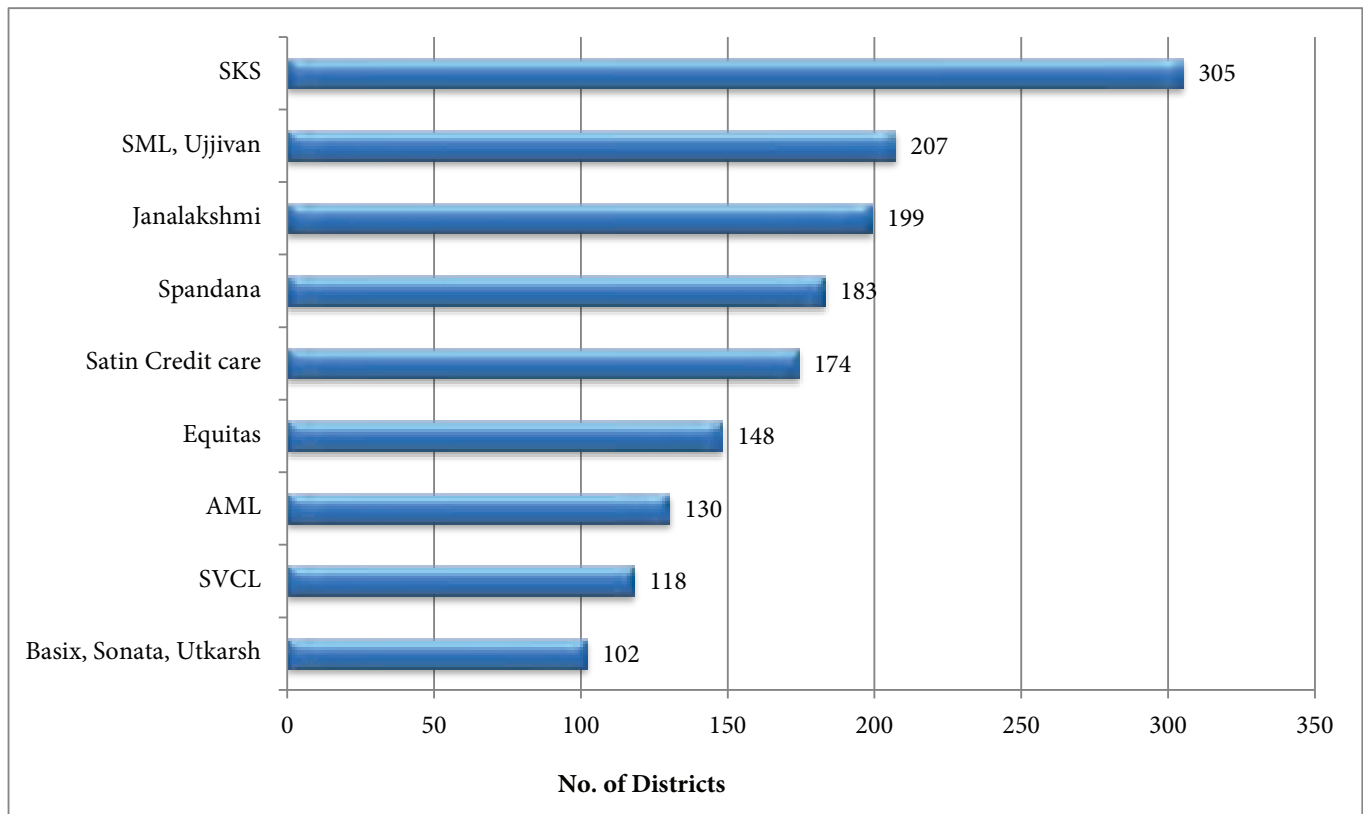
No. of States/UTs	No. of MFI
1	79
2 to 5	62
6 to 10	16
11 to 15	4
> 15	5
<b>Total</b>	<b>166</b>

MFIs with a smaller scale or regional focus have concentrated their operations in 1-2 states only whereas other MFIs have spread across a higher number of states in order to increase their size, scale and simultaneously mitigate concentration risk. MFIs operating in multiple states, in general, are typically larger in size and follow the legal form of an NBFC-MFI. The geographical expansion of bigger MFIs is illustrated by the fact that while in 2013 -14 only 15 MFIs had operations in more than 5 states, that number increased to 25 in 2015 -16. List of top 10 MFIs operating in more number of states and more number of districts are presented in Figure 2.1 and 2.2 respectively.

**Figure 2.1: Top 10 MFIs Operating in Number of Indian States/Union Territories**



**Figure 2.2: Top 10 MFIs Operating in Number of Indian Districts**



**Table 2.2: No. of MFIs in Indian States/UTs and No. of Districts with MFI Operation**

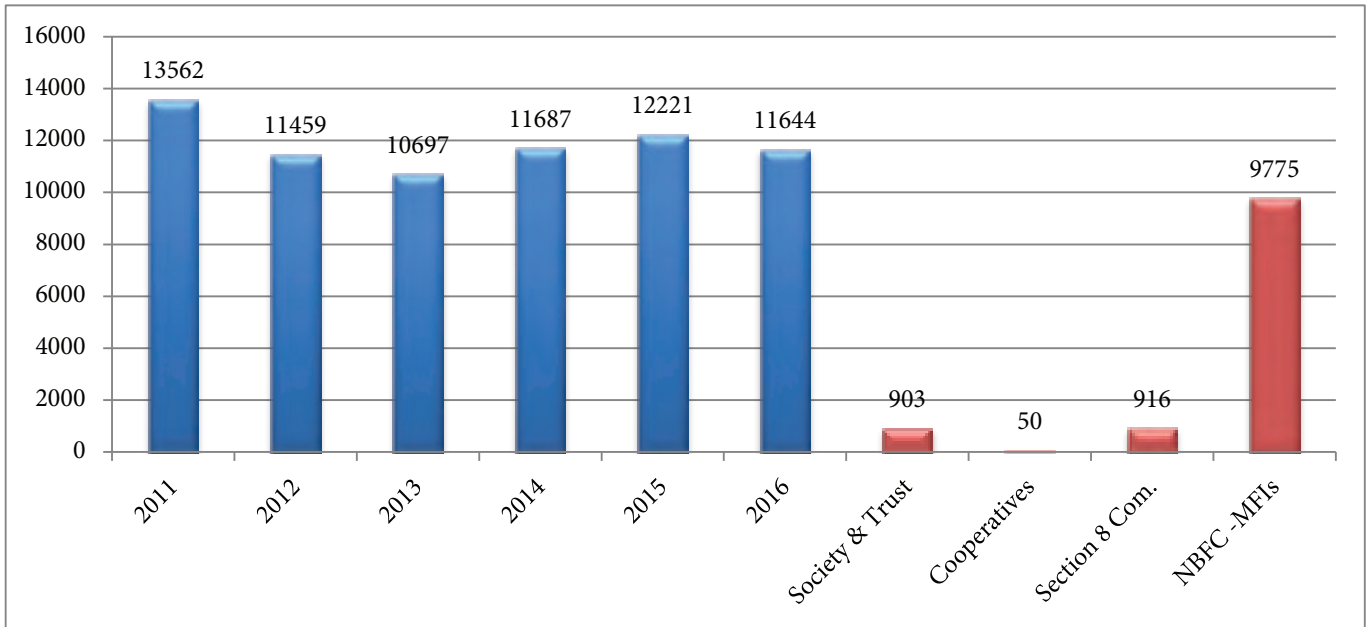
Name of the States/UTs	No. of MFIs operating in the state (including those having Head Quarters outside)	No. of districts of the state where MFIs operate	No. of Branches
Andhra Pradesh	9	13	213
Arunachal Pradesh	3	5	12
Assam	21	25	320
Andaman & Nicobar	2	1	2
Bihar	34	38	856
Chandigarh	2	1	6
Chhattisgarh	22	23	312
Delhi	12	7	49
Goa	3	1	7
Gujarat	22	33	458
Haryana	16	20	165
Himachal Pradesh	5	4	7
Jammu & Kashmir	1	1	1
Jharkhand	24	24	276
Karnataka	32	30	1373
Kerala	16	13	301
Madhya Pradesh	37	48	948
Maharashtra	42	36	1029
Manipur	6	9	38
Meghalaya	7	6	20
Mizoram	5	8	31
Nagaland	3	2	3
Odisha	26	31	692
Puducherry	12	4	20
Punjab	9	21	132
Rajasthan	21	31	279
Sikkim	3	2	8
Tamil Nadu	33	34	1519
Telangana	6	9	155
Tripura	9	8	28
Uttarakhand	16	9	92
Uttar Pradesh	25	71	1291
West Bengal	45	20	1001
<b>Total</b>		<b>588</b>	<b>11644</b>

## 2.2 Branch Network

The MFIs in India had been consolidating their operations to cope with the effects of transition taking place in the sector. While 2012 and 2013 witnessed a decline in the branch network, the trend was arrested in 2014. In 2014 -15, MFIs have expanded their branches, posting a marginal growth of 4.57 %. In 2015 -16, total branch network of the MFIs excluding Bandhan was 11644. In 2014 -15, Bandhan alone had 2022 branches out of total branch network of 12221. Number wise branch network in 2015-16 has declined to 11644 from 12221 but actually there is a growth of 14% (factoring in Bandhan's exit as an MFI).

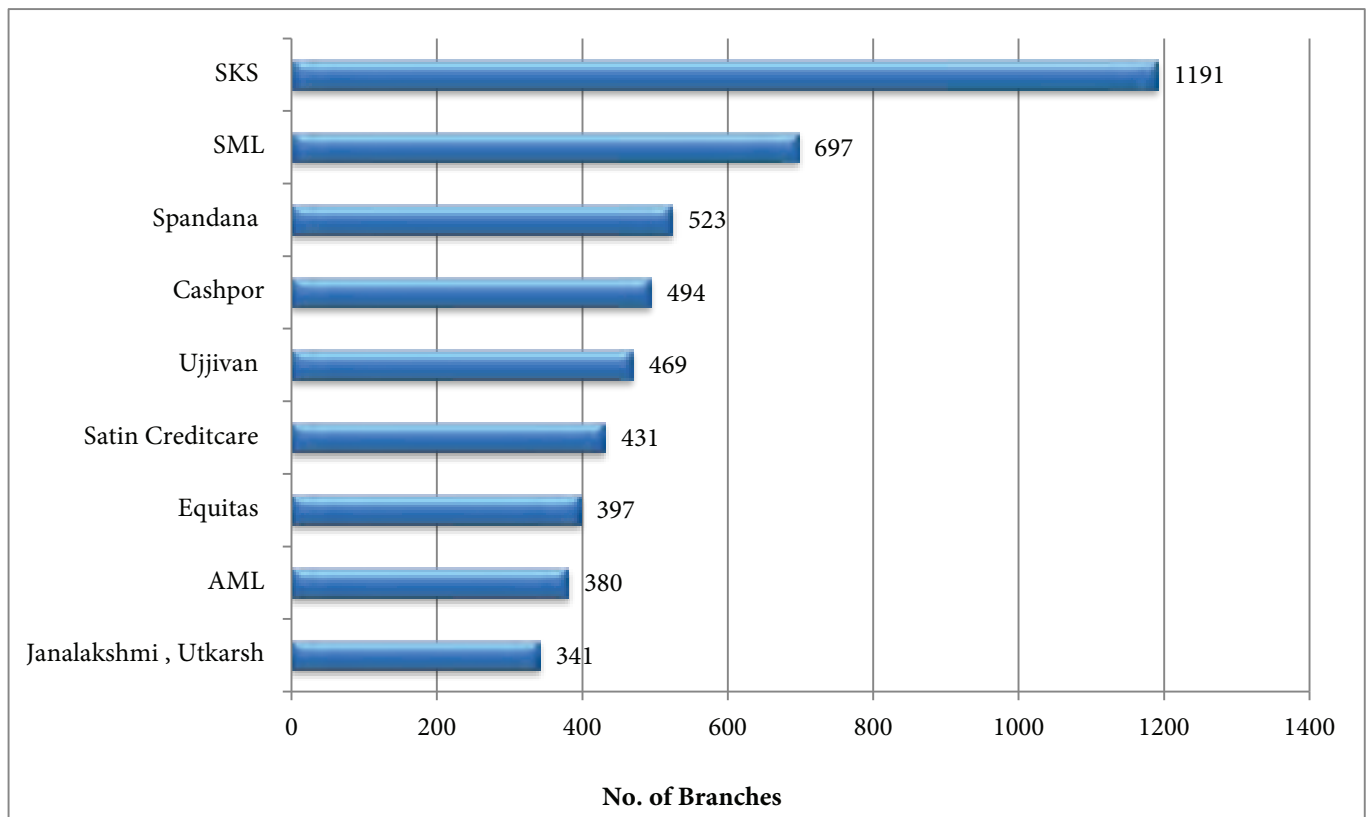
The distribution of branches among different categories of MFIs as of March 2016 showed that NBFC-MFIs had the lion's share of 9775 branches.

**Figure 2.3: MFI Branch Network – Yearly Trend and Category – wise Breakup**



SKS is the MFI with largest number of branches at 1191. Names of Top 10 MFIs in terms of Branch Network are given in Figure 2.4.

**Figure 2.4: Top 10 MFIs in Terms of Branch Network**



## **Box 2.1: Responsible Finance - An Essential Component of Microfinance Industry**

The idea of Responsible Finance pivots around transparency, inclusion and customer-centricity. Though, these principles should make their way to the charter of every financial service they are altogether more important in Microfinance industry given that the client base is the underserved population. Prevailing higher interest rates for the Joint Liability Group (JLG) Loans which are offered to perhaps the most needy and vulnerable (read financially-less-aware) borrowers tend to raise eyebrows more often than rates in other loan categories. Concern of profit earning targets of private capital overwhelming the social objectives primarily revolves around areas like over-indebtedness, lack of customer interest, underserved geographies and customer education, among others.

### **Indebtedness**

The gross loan portfolio of the Microfinance JLG industry increased more than five folds to nearly ₹81000 crores in 2016 from about ₹15000 crores in 2011. The gross loan portfolio of top 100 districts grew by 54% between March 2015 and March 2016, a good 20 percent points higher than the national number. Few leading players have grown their gross loan portfolios by over 80% in the 12 months of 2015-16. Such steep growth in loan portfolios without proportionate growth in borrower base indicate towards potential case of over-indebtedness and subsequent lack of client protection. Although the portfolio at risk (30-day) has been under 0.3%, a close monitoring of the situation is needed in 16 districts of the top 200 districts where 7% of borrowers have loans with more than 2 lenders.

To promote Responsible Finance amongst microfinance lenders, the Reserve Bank of India and the Self-Regulatory Organizations (Sa-Dhan & MFIN) had intervened by setting up a code of conduct - capping interest rates, defining practices to control over-lending to an individual, and laying out other best practices. RBI and SROs have been keeping a close watch on the happenings within the industry to make sure code of conduct guidelines are adhered to.

Credit Bureaus such as CRIF High Mark have helped lenders to comply with these guidelines, especially with the ones related to over indebtedness. However, the distribution of loan portfolios is changing from NBFC-MFIs to other type of institutions. Bandhan which started as a microfinance company in 2001 has become a private bank – Bandhan Bank, and other 8 erstwhile NBFC-MFIs are transforming themselves into Small Finance Banks (SFBs). Other private players including banks and NBFCs, and public sector banks are also building up significant JLG portfolios, directly as well as through business correspondent channels. However, the guidelines still refer to NBFC-MFIs, whereas currently 40% of portfolio is not with NBFC-MFIs. Once these 8 players become SFBs, the gross loan portfolio with NBFC-MFIs will reduce further to just about 35-40%.

The assessment of indebtedness for a microfinance borrower is incomplete without the evaluation of borrower's exposure to individual and SHG loans. The Reserve Bank of India has advised all banks to capture and share borrower level data for SHG loans, this data has just started flowing into the credit bureau database. CRIF High Mark already provides information to lenders about indebtedness of borrower on JLG loans and Individual loans. CRIF High Mark is working with many smaller cooperative banks and NBFCs also to include their entire data into the bureau database; this will help in getting a more accurate picture of the borrower's indebtedness.

The code of conduct guidelines which now are required to be followed only by NBFC-MFIs, should be reviewed with the changing legal structures of leading microfinance lenders to at least include all lenders practicing JLG loans irrespective of their legal organization. Should the exposure limit of Rs 1 lakh also consider individual loans and SHG loans instead of just JLG loans? A revised guideline can support lenders to avoid over burdening of the end-borrower.

### **Customer-Centricity**

Microfinance lenders are significantly investing in improving process efficiencies, mostly through technology-enabled solutions. Tablet based loan origination solutions have not only helped improve productivity for the lender, but also improved service quality for the customer by lowering turnaround time. The field executive is now able to check credit history of a customer real-time and take a lending decision. Decision of whether to lend and how much to lend are being automated using high end technology thus enforcing consistency in policies for the lender and minimizing reviewer's subjectivity for the consumer.

The personal identity of an individual may be misused by an intermediary for personal benefits if the individual is not aware or present for the transaction with the lender. The consumer's interest can be protected against such misuse by improving upon authentication and avoidance of cash transactions between end-beneficiary and the lender.

Aadhaar which is slated to address the authentication problems especially for such segment of customers, is now the most available identifier in the country with coverage across nearly 79 crore adults (as of August 2016). Barring few states such as Assam and Meghalaya, other states have 90%+ adult population is covered under Aadhaar. 55% of newly disbursed loans by MFIN members in last 15 months are seeded with Aadhaar (UID). Other lenders are also increasingly preferring Aadhaar as the proof of identity. Lenders are now testing and exploring use of Aadhaar biometric-based eKYC service, which once implemented across the system will help address the matter of "presence" in addition to that of "identity".

Under the Prime Minister's Jan Dhan Yojana (PMJDY), 24 crore banking accounts have been opened in last 2 years ensuring almost all households in India with banking access. This unforeseeable penetration of banking accounts and growing availability of banking avenues even in rural areas can enable electronic disbursements of microfinance loans only to banking account of the consumer, thereby reducing dealing in cash through the intermediaries and thus, the possible misappropriation of funds. The repayments of the loans could also be encouraged through digital means, to begin with in urban areas.

MFIs (especially larger ones) have lowered interest rates over past few years. Well-performing MFIs have been able to raise funds at lower cost. These MFIs have also been able to become more cost-efficient over the years. These benefits seem to have been passed to the customer.



### **Inclusion of Deeper Geographies**

It wouldn't be totally incorrect to say that substantial part of country is now serviced by the Microfinance industry. There are 200+ districts which have 20 or more lenders operating, 500+ districts which have 5 or more lenders operating and 40 more districts which now have more than two lenders active. Despite such widening of coverage, 60% of JLG lending is concentrated in urban areas and 53 districts (excluding districts of Andhra Pradesh and Telangana) are still not covered by microfinance lenders. CRIF High Mark provides Pin Point reports generally at pin code level and occasionally at village level to lenders to help them identify business opportunities in newer geographies, thus creating possibilities for them to explore deeper geographies. Development Financial Institutions such as SIDBI also use such reports to influence financing of the MFIs operating in under-penetrated areas.

### **Education and Support**

The borrowers need to be educated on how to manage debt better. MFIs as part of their initial training module help borrowers understand importance of better debt management. The World Bank has also taken initiatives to create educational material for more awareness amongst borrowers. MFIs also support customers in taking their concerns to credit bureaus in case of any potential dispute on the credit report. We at CRIF High Mark have been investing resources to provide adequate support to address such queries.

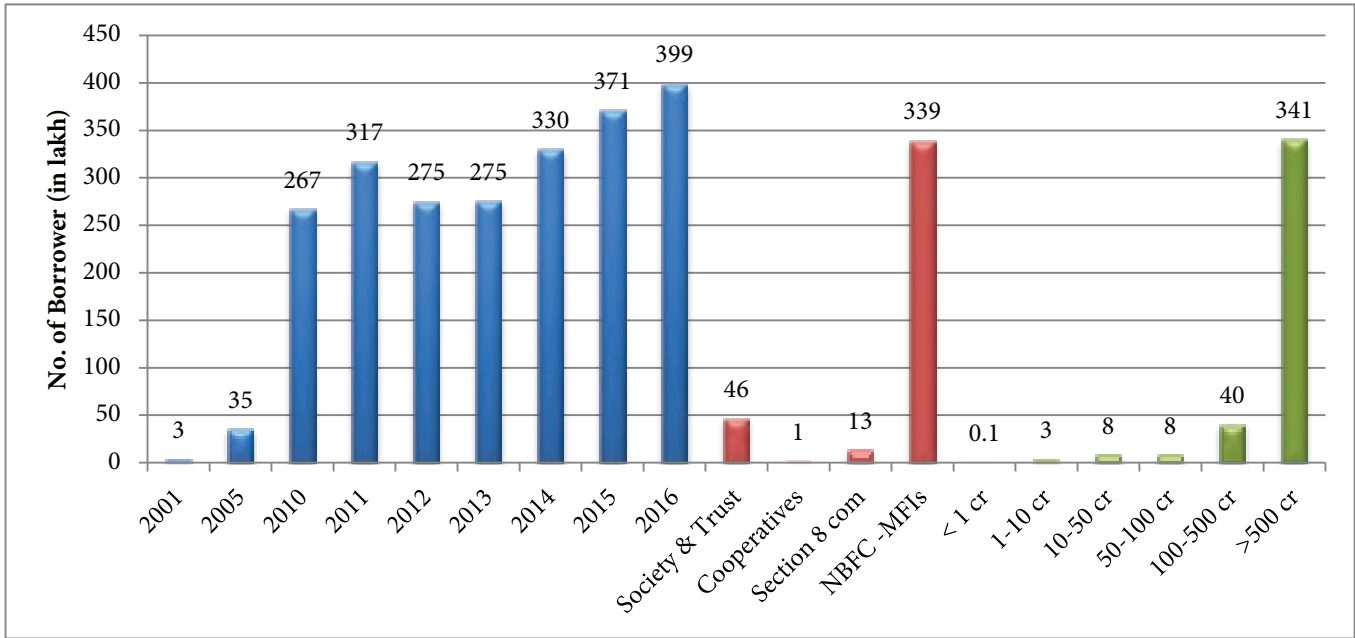
Collectively, MFIs, other lenders, developmental institutions, industry associations and regulators can help make micro-lending more responsible by continuing initiatives on more inclusion, customer-centric solutions and customer education. We as CRIF High Mark Credit Bureau are geared up to provide the required support to keep the underserved customer at the centre and include them in the mainstream.

*Courtesy: CRIF High Mark*

## 2.3 Client<sup>1</sup> Outreach

The total number of clients served by MFIs stood at 399 lakh as on 31 March, 2016. Client outreach of MFIs had grown substantially from 2005 to 2011, reaching a level of 317 lakh. This trend slowed down during 2012 and 2013 and the number of clients slumped to 275 lakh. The trend reversed in 2014 with a growth and reached a level of 330 lakhs. This trend continues in 2016 with a huge rise in clients/borrowers to an all time high of 399 lakh. Majority of these clients are being served by NBFC-MFIs (84.94%), primarily the larger ones. MFIs with outstanding portfolio above ₹500 crore are responsible for reaching out to 85.41% of the clients in the industry.

**Figure 2.5: Outreach to Borrowers: Yearly Trend and Category-wise Breakup for 2016**

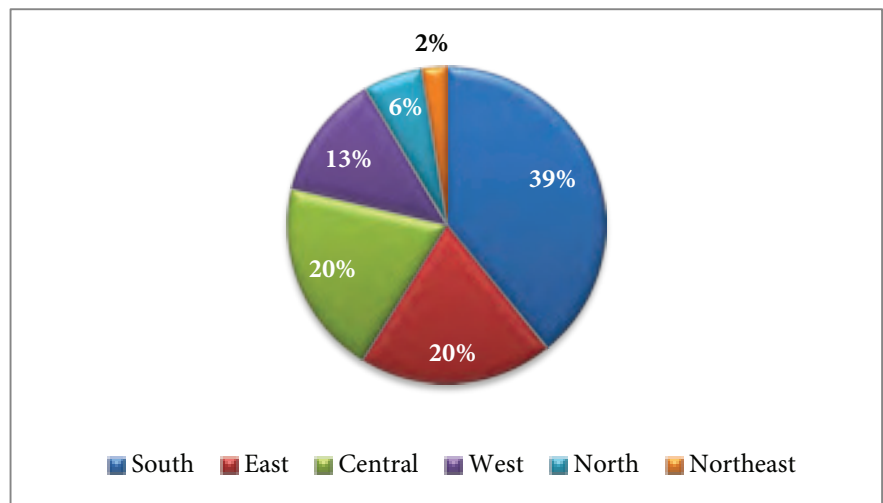


Client Outreach grew by 8% 2016 relative to 2015 without Bandhan which indicates a sound growth of MFIs in 2015-16. This rise in the number of borrowers is positively correlated with an increase in fund flow from banks, MUDRA and financial institutions to MFIs.

### 2.3.1 Regional Outreach of MFIs

Out of the total client base of 399 lakh, Southern region alone contributes to 39% followed by 20% each in East and Central region whereas West and North have 13% and 6% of total outreach respectively. Northeast has the least client outreach numbers with 3%. Share in outreach has expanded only in case of Central, West and North regions from 15 to 20 %, 11 to 13% and 4 to 6 % respectively.

**Figure 2.6: Regional break up of Client Outreach**



<sup>1</sup> Clients of MFIs are essentially Loan Borrowers. 'Clients' and 'Borrowers' have been interchangeably used in this report.

This year, a positive growth trend in client outreach is observed across all regions except East and Northeast. North region has grown at 62%, followed by Central and West regions at 42% and 25% respectively. The South region has maintained a moderate growth rate of 8% whereas Northeast and Eastern regions have declined by 55% and 15% respectively.

### 2.3.2 State-wise Client Outreach

Client outreach in various states is mapped in Table 2.3. It is observed that all States/UTs have grown, except for West Bengal, Assam, Tripura, Meghalaya and Arunachal Pradesh (as also AP & Telengana). Exclusion of Bandhan is the reason for the fall in client outreach in some states of East and Northeast. The other reason is a deliberate scaling down of operations in both these regions by leading MFIs.

**Table 2.3: Outreach (in lakh) of MFIs across States/UTs – 2015 & 2016 (decreasing order)**

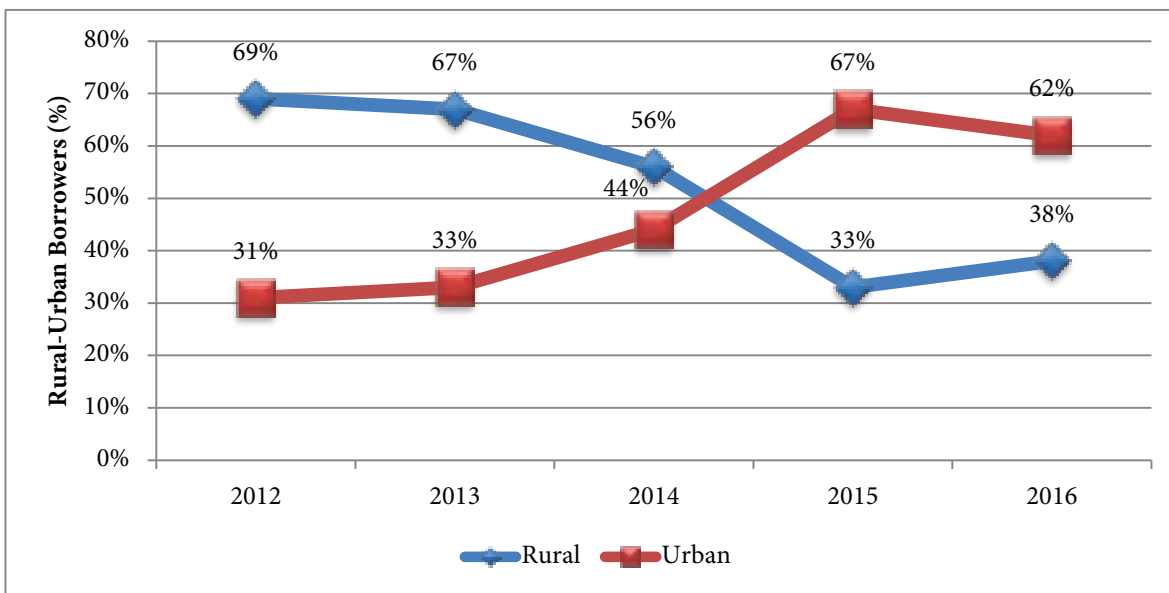
State	2016	2015	Growth (%)
Karnataka	75	62	21%
Tamil Nadu	57	46	24%
Uttar Pradesh	39	29	36%
Maharashtra	39	30	29%
Madhya Pradesh	28	21	34%
West Bengal	25	45	-45%
Bihar	24	24	0%
Odisha	24	17	38%
Gujarat	13	11	15%
Kerala	12	7	75%
Chhattisgarh	8	4	109%
Rajasthan	8	7	17%
Andhra Pradesh	7		-65%*
Assam	7	15	-54%
Jharkhand	7	5	35%
Punjab	6	3	109%
Haryana	6	3	99%
Uttarakhand	3	3	7%
Telangana	3		-65%*
Delhi	3	2	26%
Pondicherry	1	0.83	52%
Tripura	1	3	-66%
Manipur	0.88	0.74	19%
Mizoram	0.65	0.63	3%
Himachal Pradesh	0.49	0.06	717%
Sikkim	0.28	0.20	41%
Meghalaya	0.19	0.37	-49%
Arunachal Pradesh	0.17	0.18	-5%
Goa	0.13	0.10	33%
Chandigarh	0.13	0.06	111%
Nagaland	0.04	0.03	36%
Jammu & Kashmir	0.02	0.01	124%
Andaman	0.01	0.01	10%
<b>Total</b>	<b>399</b>	<b>371</b>	

\* Combined growth of Andhra Pradesh and Telangana on the basis of combined data for 2015-16.

### 2.3.3 Rural – Urban Share of MFIs Borrowers

2014-15 can be described as a watershed year as far as the rural-urban divide in Indian microfinance is concerned. Hitherto Indian microfinance was touted as basically a rural phenomenon as compared to microfinance in Latin America as also in large parts of Africa and Asia. But that statement is no longer valid. A very interesting trend is seen in the rural-urban focus of MFIs. The share of rural clientele which was 69 % in 2012 decreased to 56 % in 2014 and has drastically come down to 33 %. The proportion of rural to urban clients for the year 2014-15 is 33% to 67%. In the year 2015-16, there is a slight improvement in the share of rural clientele which increased to 38% because of exclusion of Bandhan. One of the key findings from our research shows that the business models of MFIs are becoming urban centric in order to minimize operational expenses and maximize their operational efficiency so that regulation on margin cap is complied and a reasonable profitability is maintained.

**Figure 2.7: Trends in Rural - Urban Share of MFI Borrowers**



### 2.3.4 Outreach to Special Segment of Borrowers (Women, SC/ST, and Minorities)

Worldover the focus of microfinance has always been on serving women. In India as an alternate vehicle of credit, microfinance serves a large segment of people from Scheduled Castes, Scheduled Tribes and Minorities. Women clients constitute 97% of the total clients of MFIs. Similarly, SC/ST borrowers also constitute a substantial chunk (27%) of the clients. A trend analysis of women borrowers, SC/ST borrowers and minority borrowers is shown in numbers using a table. From the Table 2.4 below, it is observed that women borrowers, SC/ST borrowers and Minority borrowers have been consistently increasing for last four years.

For the first time, in 2014 -15, data for differently abled borrowers and borrowers having Aadhaar Cards has been collected. Coverage of MFIs in these two parameters is not satisfactory. Differently abled borrowers and borrowers with Aadhaar constitute only 0.05% and 10% of the total respectively. The reason for a low coverage under these heads is the non-collection of such data at MFI level.

In addition to differently abled borrowers and borrowers having Aadhaar Card, data on Clients' Complaints received and resolved by the MFIs was also collected in 2014-15 with moderate response. The analysis reveals that 97% of the complaints are resolved by the MFIs.

Focusing on microfinance services towards women, SC/ST and minorities, MFIs are contributing significantly to the wellbeing of the underprivileged, leading to a rise in their welfare and assisting with the financial inclusion agenda.

**Table 2.4: Composition of Borrowers – Category wise**

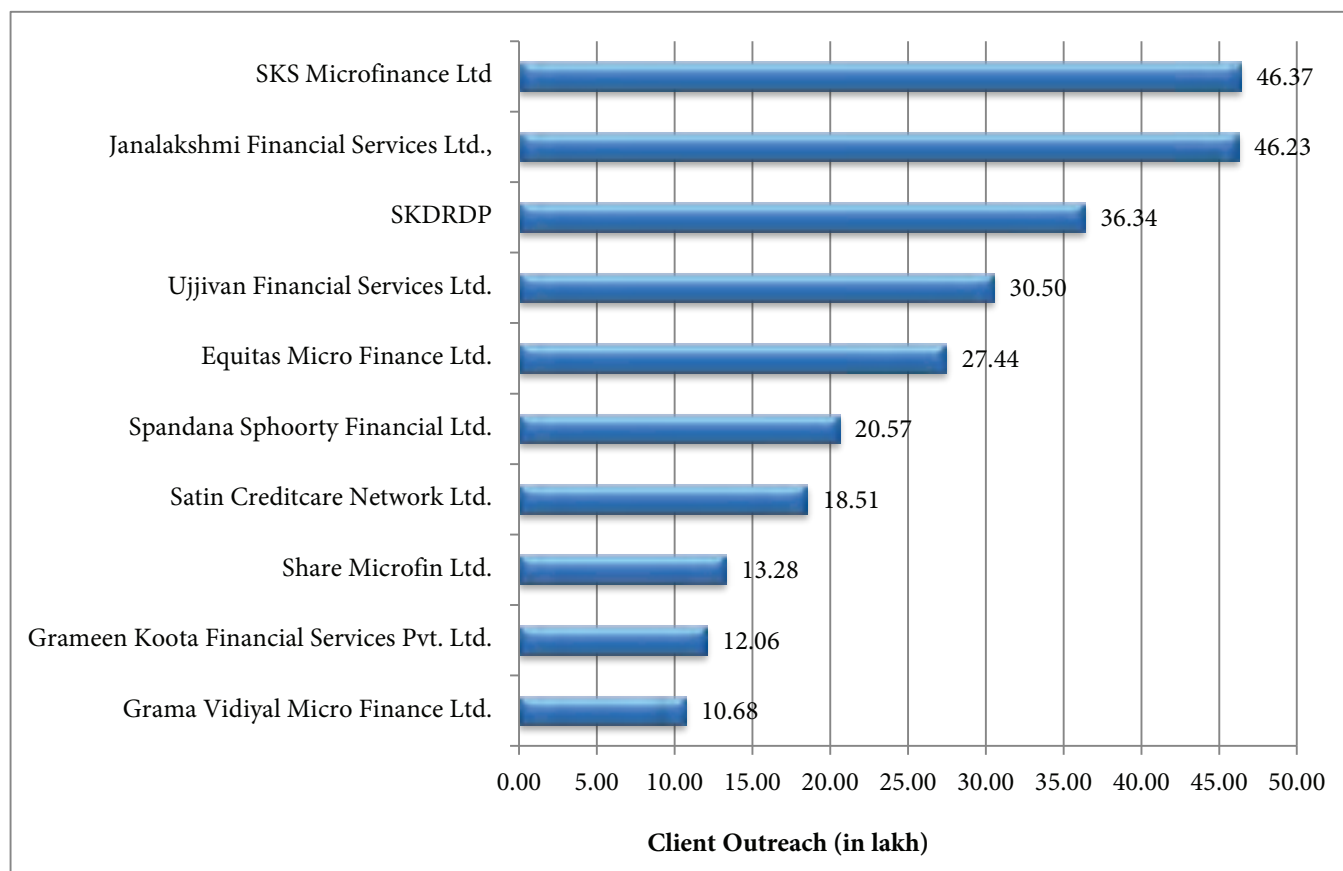
% to Total Borrowers							
Year	Women Borrowers	SC/ST Borrowers	Minority Borrowers	Differently abled Borrowers	Borrowers having Aadhaar Card	BC Borrowers	Individual Borrowers
2011	94%						
2012	95%	20%	23%				
2013	96%	21%	23%				
2014	97%	19%	14%				
2015	97%	28%	18%	0.05%	10%		
2016	97%	30%	27%	4%	18%	15%	3%

Note: Data for SC/ST and Minorities is being collected from 2012; data for Differently abled borrowers and Borrowers having Aadhaar Card is being collected from 2015, whereas data for BC Borrowers and Individual Borrowers started from 2016.

### 2.3.5 Leading MFIs in Client Outreach

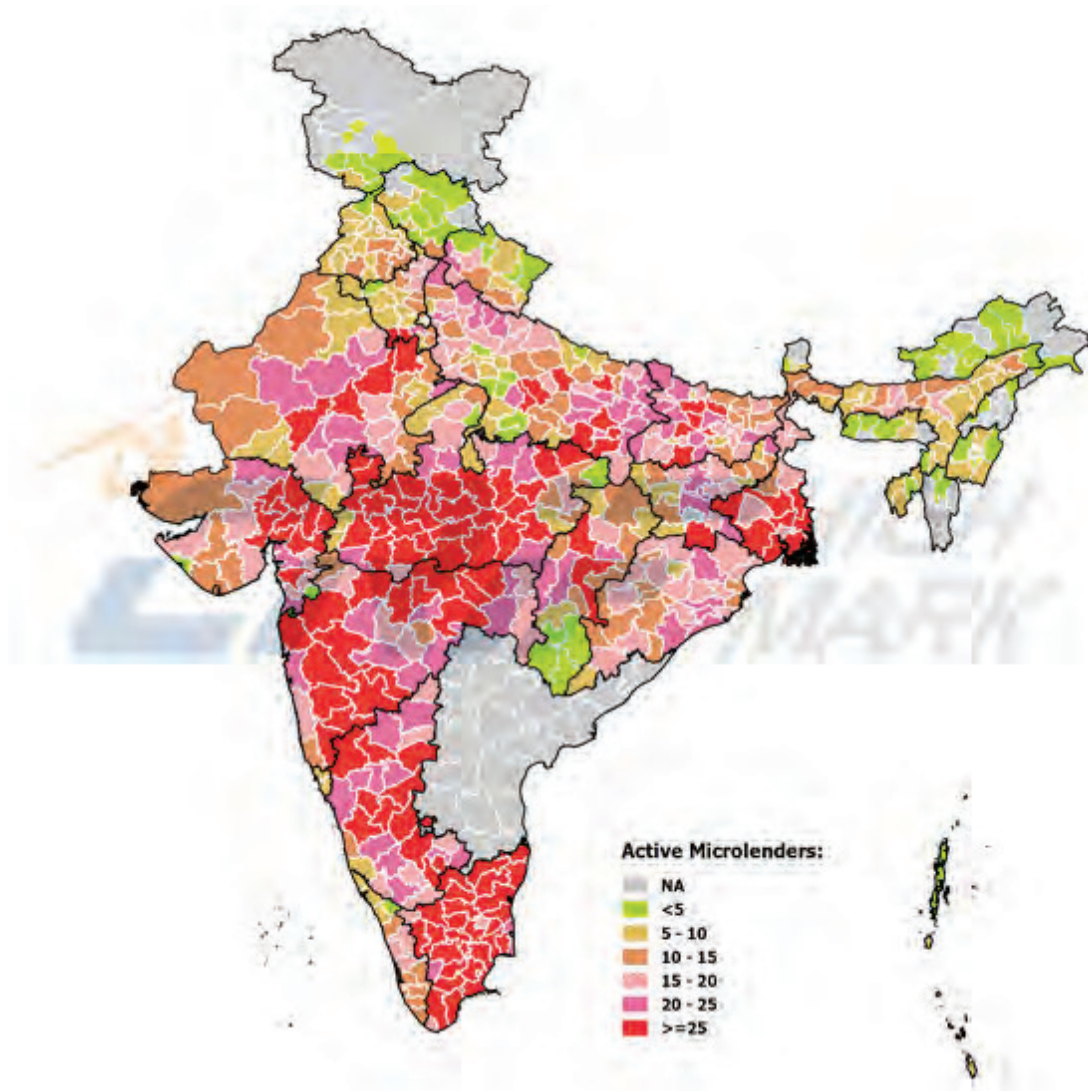
It is evident that large NBFC-MFIs have a larger client outreach in contrast to other legal forms of MFIs. Among these, SKS Microfinance Ltd has the largest client outreach i.e. approximately 12% of the total client outreach of the sector. Janalakshmi, SKDRDP, Ujjivan are the other major players in this area.

**Figure 2.8: List of Top 10 MFIs with Client Outreach as of March 2016**



Over the years, the entries in the Top 10 MFIs in terms of outreach have remained more or less unchanged. This year the only new entrant to top ten is Grama Vidiyal Microfinance Ltd which came in place of Bandhan. Interestingly, SKDRDP and CASHPOR remain the only non-NBFC MFIs with a large client outreach. Other than legal form, factors like availability of funds, business plan, regulatory environment etc also determine the scale of operation and client outreach. Among the top ten, it is observed that three MFIs have grown between 54% to 190%. The growth rates of some of these institutions have raised concerns among sector experts.

## Active Micro-lenders<sup>2</sup>



## 2.4 Loan Portfolio of MFIs

As per the NSS data of various years, including the latest one of 2013, majority of the population is still dependent largely on informal and expensive sources, including money lenders to meet their credit needs. Credit needs for such a population range from emergency loans, consumption loans, business loans, working capital loans, housing etc. Credit is the flagship service offered by MFIs to clients outside the net of formal financial services. For MFIs, loan portfolio is the primary revenue generating asset. It also gives details about the health of MFIs through financial performance, as the financial performance is a function of revenue and

<sup>2</sup> Source: CRIF Highmark

cost. Loan portfolio of the MFIs and its trends are analyzed below to understand the performance of the institutions and their contribution to the goal of financial inclusion.

As of March 2016, the total loan portfolio of MFIs has reached an all time high of over ₹63,853 which is a 31% growth over last year that also includes a managed portfolio of nearly ₹16914 crore. Total managed portfolio also includes a BC portfolio of ₹7984 crore which is 13% of total loan portfolio. The net loan portfolio or owned portfolio on the books of the MFIs stood at ₹46939 crore, which is an increase of 20% over the last year.

The share of NBFC-MFIs stood over 88%, followed by Societies and Trusts at 9%. Nearly 88% of the portfolio is held by MFIs with a portfolio size above ₹500 crore.

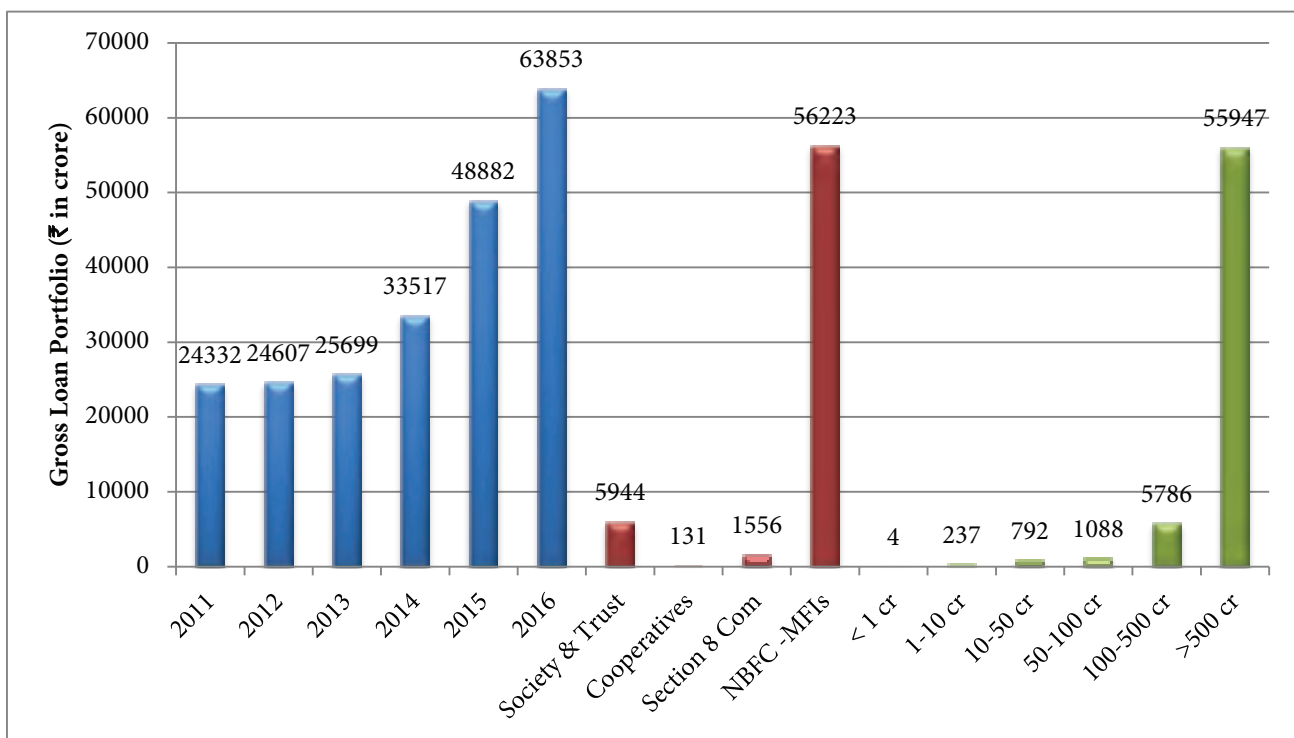
List of top 10 MFIs in terms of loan portfolio is indicated in Table 2.5. In this list ESAF Microfinance is the new entrant in place of Bandhan. Among the top 10, six MFIs have posted a growth between 53% to 191 % in loan portfolio. These growth rates have given rise to some concerns among the well-wishers of the sector.

Top ten contribute to ₹43887 crores of loan portfolio which is 69% of the sector's total.

**Table 2.5: List of Top MFIs with Loan Portfolio as of March 2016**

S. No	Name of MFI	Gross Loan Portfolio (₹ in crore)
1	Janalakshmi Financial Services Ltd.	10983
2	SKS Microfinance Ltd.	7682
3	Ujjivan Financial Services Ltd.	5389
4	SKDRDP	4994
5	Equitas Micro Finance Ltd.	3283
6	Satin Creditcare Network Ltd.	3271
7	Grameen Koota Financial Services Pvt. Ltd.	2539
8	Spandana Sphoorty Financial Ltd.	2282
9	ESAF Microfinance & Investments Pvt. Ltd.	1925
10	Share Microfin Ltd.	1540

**Figure 2.9: Gross Loan Portfolio – Yearly Trend and Category-wise Breakup of 2016**



### 2.4.1 Rural – Urban Share of Gross Loan Portfolio

**Figure 2.10: Percentage of Rural - Urban Share of Gross Loan Portfolio**

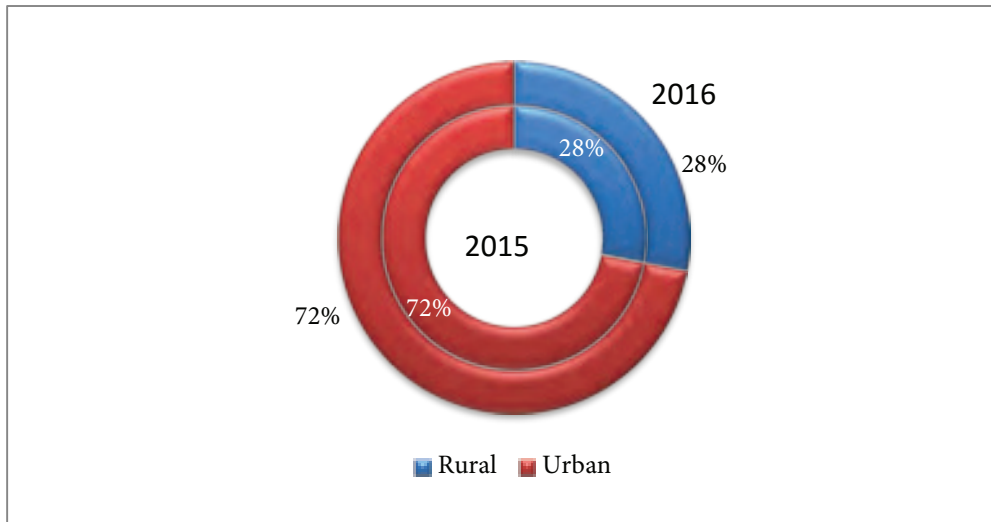
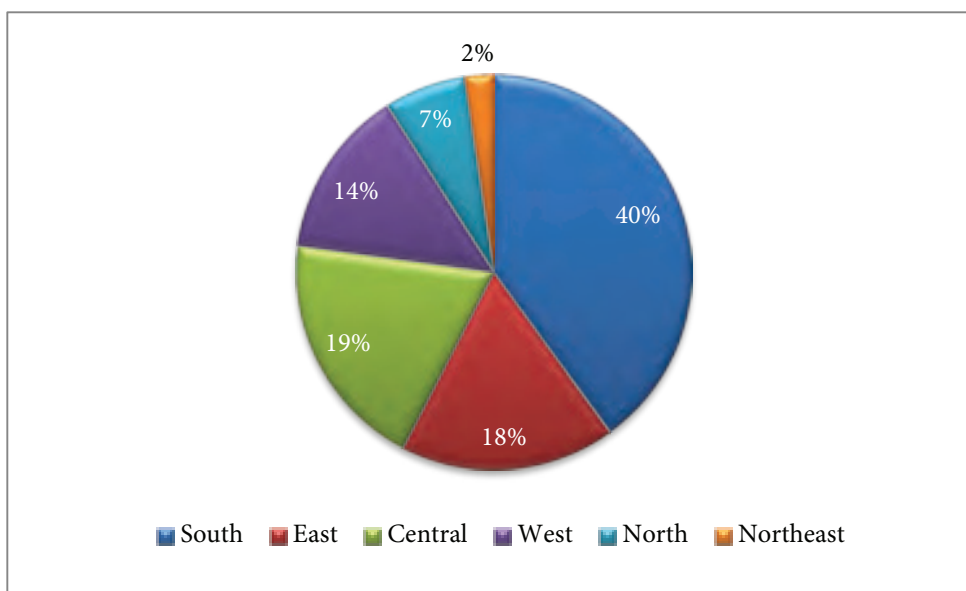


Figure 2.10 indicates that the Gross Loan Portfolio in Urban areas is ₹45685 crore which constitute 72% whereas the share of Rural areas is ₹18167 crore which constitutes 28%. Even in 2015, share of Urban and Rural portfolio was the same.

### 2.4.2 Regional Spread of Loan Portfolio

Among the regions, South still dominates the overall loan portfolio outstanding of MFIs with 40% followed by Central with 19%. East and West have a share of 18% and 14% respectively. While North and Northeast have least portfolio share of 7% and 2% respectively.

**Figure 2.11: Region wise Loan Portfolio**



All regions have experienced an upward trend in loan portfolio outstanding except East and Northeast. Exclusion of Bandhan influenced East and Northeast regions towards downward trend. Highest growth is visible in North with 75% followed by Central and West with 70% and 64% respectively while South has grown at 34%.



### 2.4.3 Loan Portfolio Across States

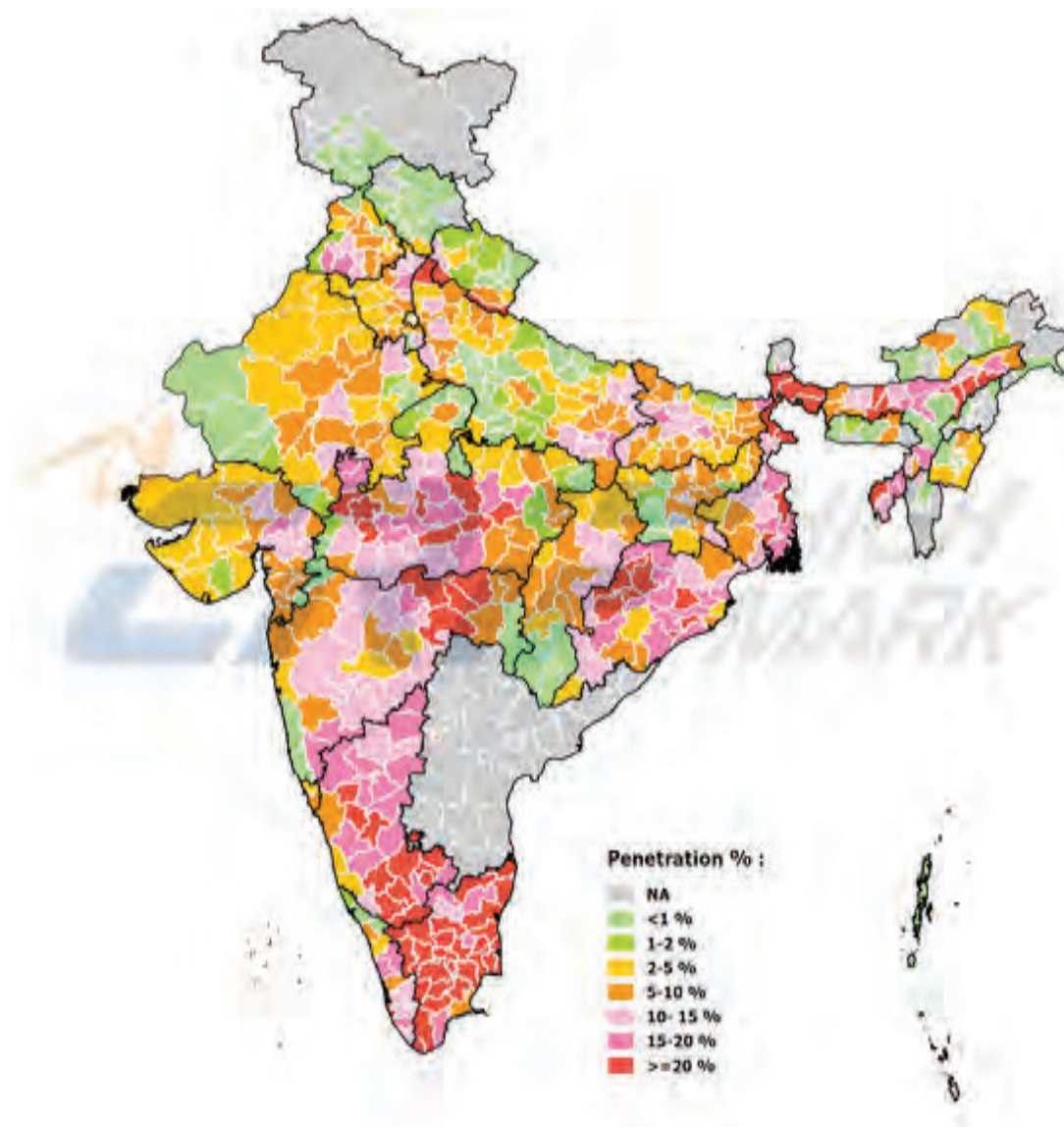
State-wise loan portfolio outstanding as shown in Table 2.6, indicates that States like, Himachal Pradesh, Pondicherry, Punjab, Chhattisgarh, Chandigarh and Haryana have substantially increased their portfolio size during 2015 -16 compared to the previous year. In West Bengal, Assam, Manipur, Tripura Meghalaya and Arunachal Pradesh the portfolio have shrunk as Bandhan became bank and not part of MF sector.

**Table 2.6: Loan Portfolio Outstanding Across States/UTs – 2015 & 2016 (Deceasing Order)**

States/UTs	2016	2015	Growth (%)
Karnataka	12645	8127	56%
Tamil Nadu	9039	6091	48%
Uttar Pradesh	6671	3977	68%
Maharashtra	6589	3855	71%
Madhya Pradesh	4088	2603	57%
Bihar	3526	3076	15%
West Bengal	3406	6087	-44%
Odisha	3339	1985	68%
Kerala	2372	1222	94%
Gujarat	2193	1355	62%
Rajasthan	1368	958	43%
Haryana	1186	446	166%
Chhattisgarh	1136	507	124%
Punjab	1116	471	137%
Assam	1013	2285	-56%
Jharkhand	977	643	52%
Andhra Pradesh	893		-61%*
Uttarakhand	577	381	51%
Delhi	559	422	33%
Telangana	393		-61%*
Puducherry	201	97	108%
Mizoram	170	169	1%
Manipur	134	158	-15%
Tripura	70	505	-86%
Arunachal Pradesh	49	51	-3%
Sikkim	34	26	31%
Meghalaya	29	57	-49%
Chandigarh	25	8	211%
Goa	23	16	45%
Himachal Pradesh	23	8	186%
Jammu & Kashmir	4	3	21%
Nagaland	4	3	19%
Andaman	1	0.59	0.06%
<b>Total</b>	<b>63853</b>	<b>48882</b>	

\* Combined growth of Andhra Pradesh and Telangana on the basis of combined data for 2015-16.

## District wise Penetration of Portfolio Outstanding of MFIs<sup>3</sup>



### 2.4.4 Managed Portfolio

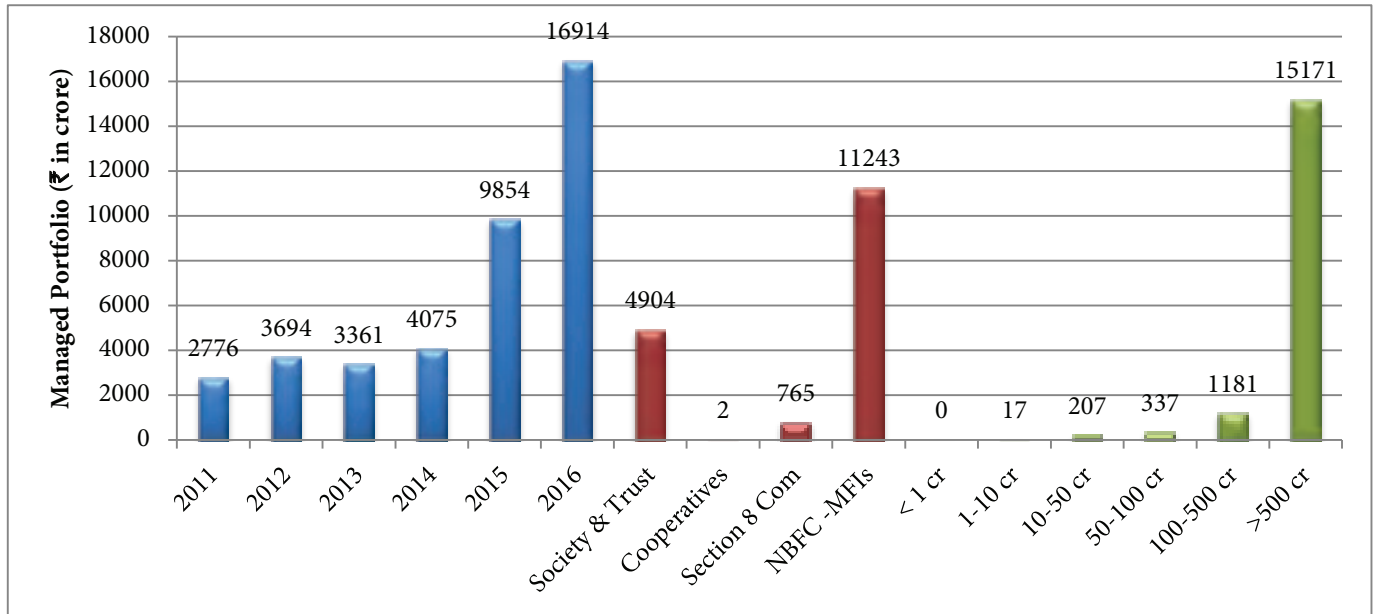
MFIs have become increasingly prudent in using financial innovations to enhance their income and reduce risk. Securitization model was devised for the purpose of overcoming capital constraints. Under the guidelines of RBI, MFIs are required to maintain capital to the extent of at least 15% of their risk-weighted assets. In order to avoid further capital requirements on the mounting loan assets, they tend to sell a part of the portfolio to Banks/FIs. They, however, continue to manage them, on behalf of the purchasing bank/FI and get fee income from these banks. On the other hand, the model of securitization has helped banks to meet Priority Sector lending targets as these loans on the books of the banks would qualify under 18 % requirement of agriculture credit. Many MFIs have been taking recourse to the BC route to increase their outreach without straining their balance sheets.

Indian MFIs have collectively managed a portfolio worth of nearly ₹16914 crore as of March 2016. This represents a growth of nearly 72 % over previous year, indicating an increasing preference of MFIs for

<sup>3</sup> Source: CRIF Highmark

this route. Total managed portfolio also includes a BC portfolio of ₹7984 crore which is 13% of total loan portfolio. The distribution of the portfolio among different categories of MFIs is also displayed in the Figure 2.12.

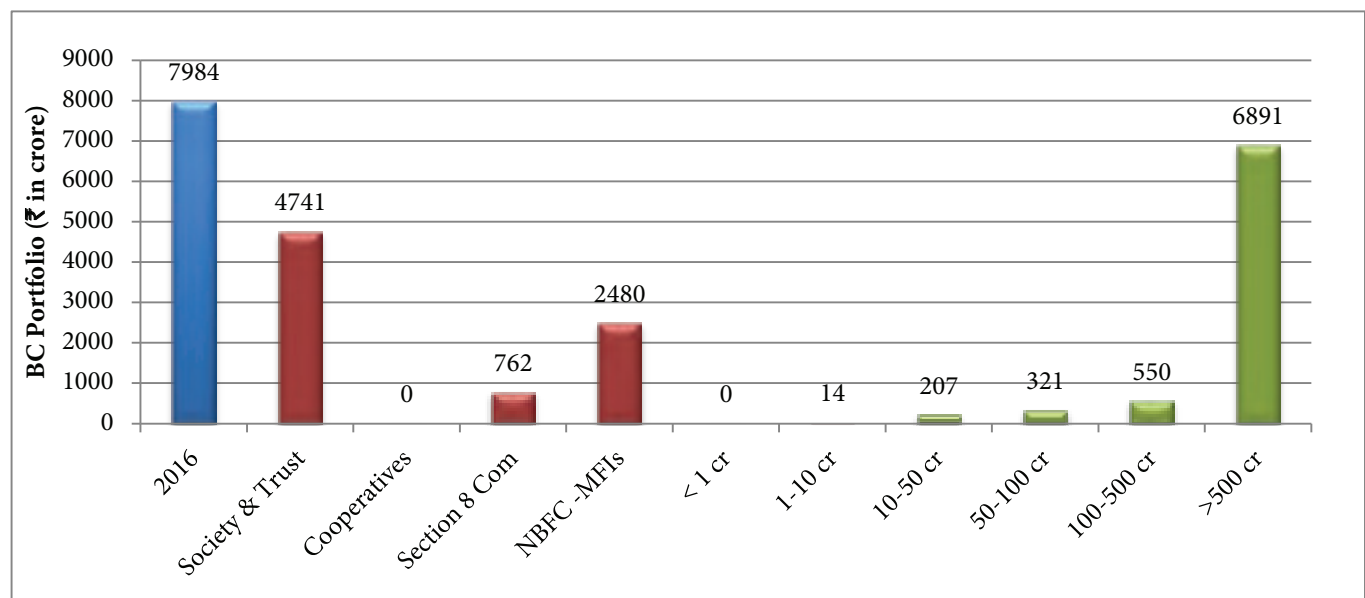
**Figure 2.12: Managed Loan Portfolio – Yearly Trend and Category-wise Breakup for 2015-16**



#### 2.4.5 Business Correspondent (BC) Portfolio

Business Correspondents (BC) manage and service the loan portfolio on behalf of banks. Earlier only NGO-MFIs were allowed to be BCs but now NBFC-MFIs are also allowed by RBI to act as BCs. As a result more and more MFIs are coming forward to be BCs of banks. So Sa-Dhan felt the necessity of capturing BC portfolio separately and started data collection from the financial year 2015-16 onwards. BC Portfolio constitutes 13% of total portfolio and 47% of managed portfolio. The distribution of the BC portfolio among different categories of MFIs is displayed in the Figure 2.13.

**Figure 2.13: BC Loan Portfolio and Category-wise Breakup for 2015-16**

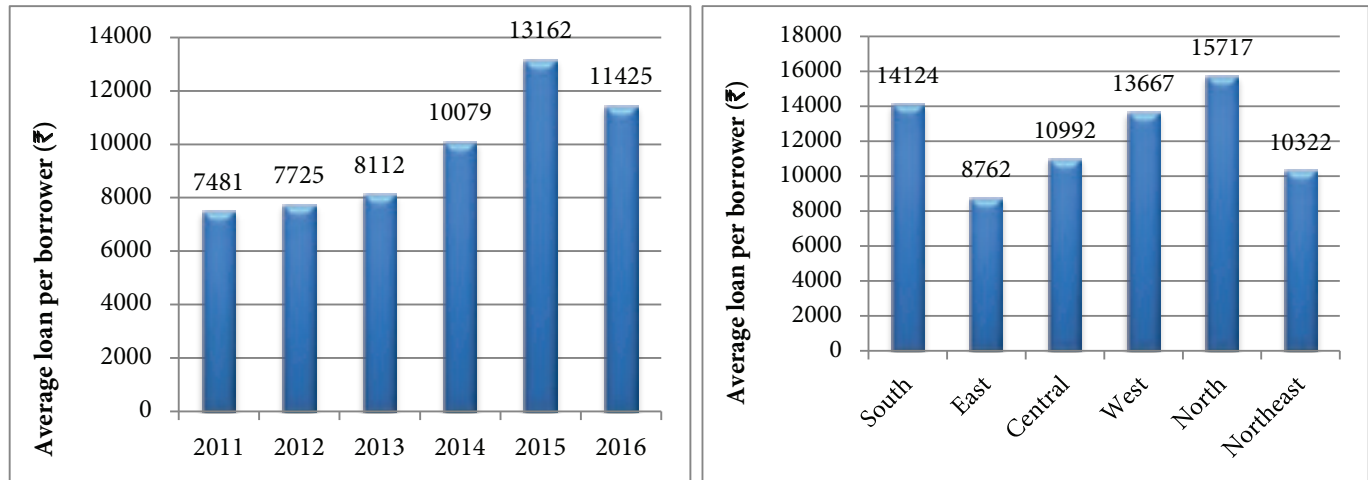


### 2.4.6 Loan Outstanding per Borrower

Average loan outstanding per borrower has been an important criterion to understand the general profile of clients borrowing from MFIs (a surrogate indicator for depth of outreach). It has implications on operating cost as well as the adequacy of loan amount for the purpose it was borrowed.

Average loan for the year stood at nearly ₹11425 which is a big fall of 13% over the previous year. Average loan size in North is reported close to ₹15717 followed by South at ₹14124. It appears that loan size is marginally larger in North as the economic activities in this region require higher outlays due to higher cost of living.

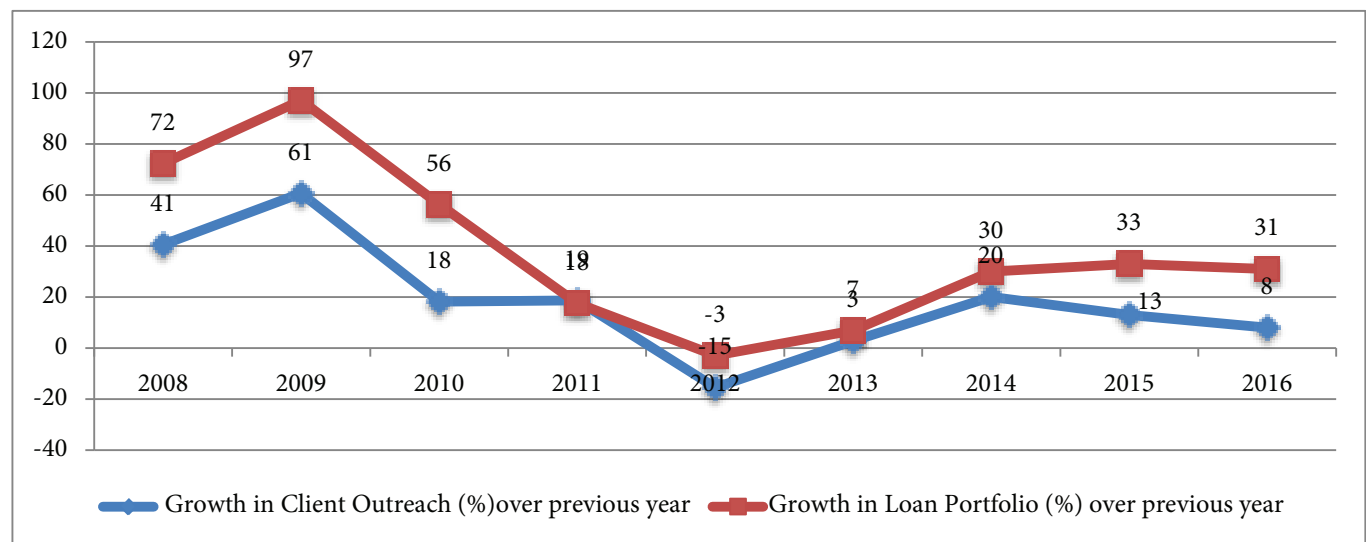
**Figure 2.14: Loan Outstanding per Borrower yearly trend and across regions for the FY 2015-16**



### 2.4.7 Trends in Outreach and Outstanding Portfolio

Growth in outreach and loan portfolio has fluctuated year on year and reached its lowest level in 2012, owing to AP crisis and consequent drop in commercial funding to MFIs. In 2013, however, the reverse trend started and continued in 2015 thanks to resumption of bank funding to MFIs. This upward growth is broken again in 2015 because of Bandhan becoming a bank and exiting the MFI sector.

**Figure 2.15: Growth Fluctuations in outreach and Loan Outstanding over the Years**

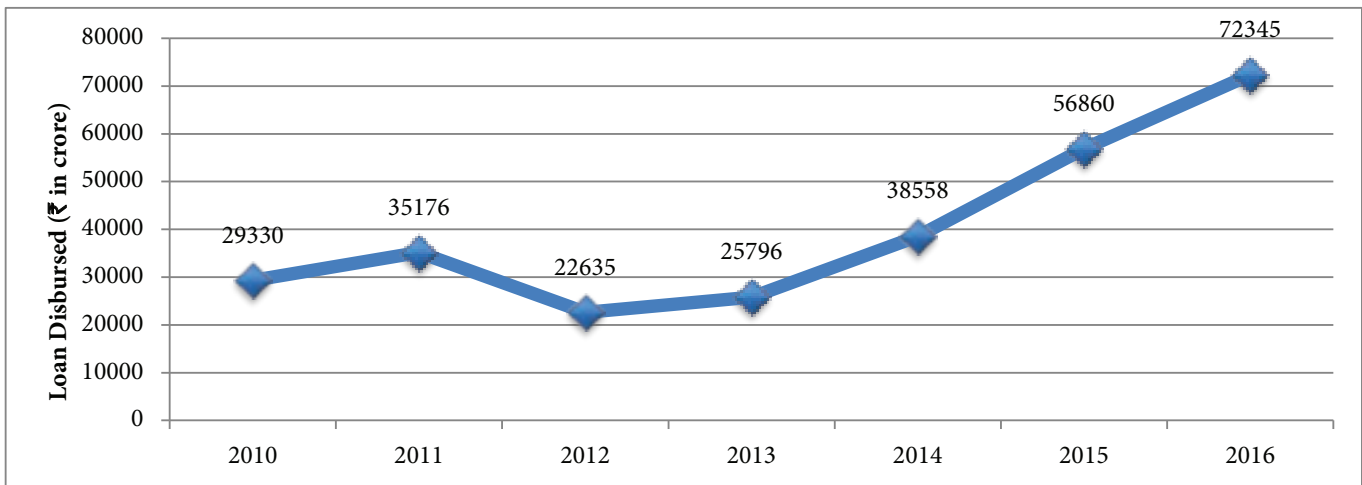


## 2.5 Loan Disbursement

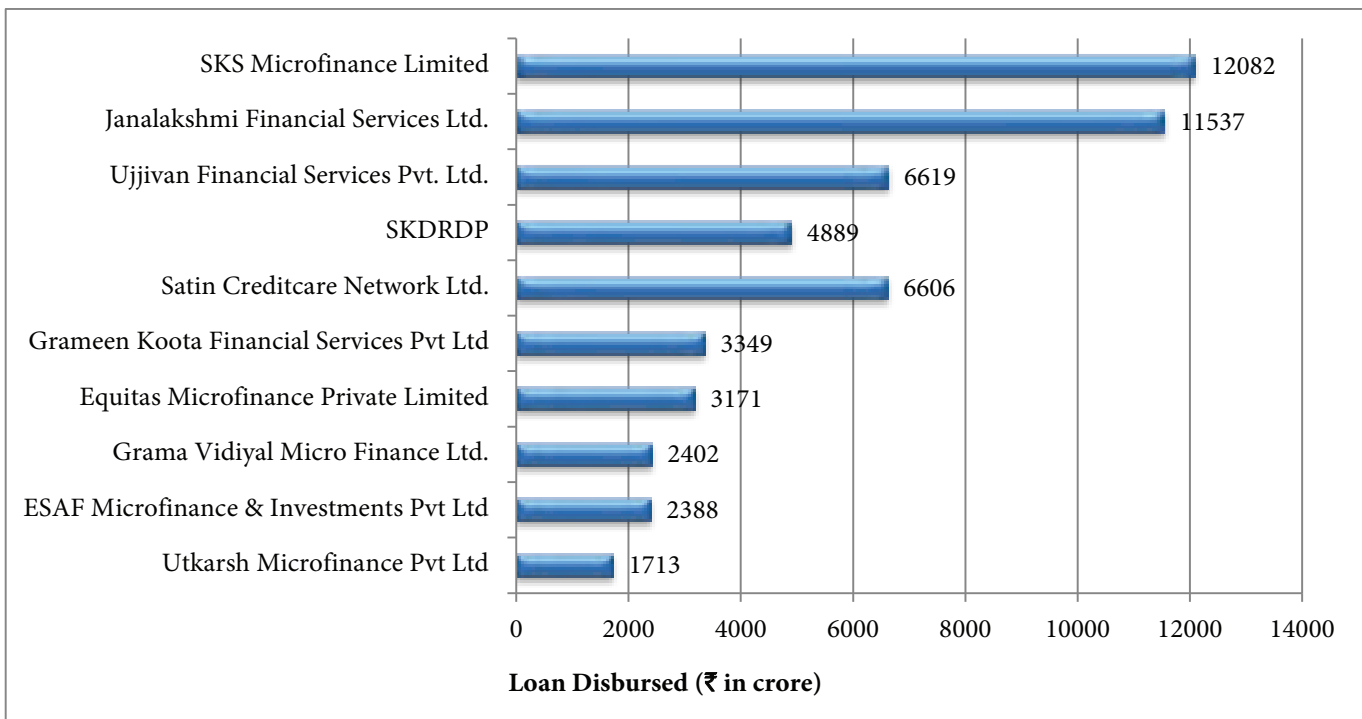
Loan disbursement is a factor of funds received by the MFIs from lenders, primarily the commercial banks. Loan disbursement in during 2010-11 was higher<sup>4</sup> on account of large size sanctions made by the banks to the MFIs before the crisis hit in Andhra Pradesh. Subsequent years witnessed a sharp fall in disbursement as fund flow to the sector was severely constrained. Disbursement by MFIs in recent years indicates a positive trend since 2012-13. Loan disbursement increased by ₹15485 crore to ₹72345 crore during 2015-16 over the previous year accounting for a 27% increase.

List of Top 10 MFIs disbursing loan during 2015-16 is given in Figure 2.17

**Figure 2.16: Loan Disbursement over the years**



**Figure 2.17: Top 10 MFIs disbursing Loan during 2015-16**



<sup>4</sup>No of MFIs reported in 2010 - 11 was much higher than other years (184 MFIs)

## 2.5.1 Loan Disbursement- States/UTs and Regional Pattern

State-wise Disbursement as shown in Table 2.7, indicates that States like, Himachal Pradesh, Pondicherry, Punjab, Haryana and Kerala have substantially increased their disbursement during 2015-16 compared to the previous year. In West Bengal, Assam, Bihar, Tripura, Manipur, Meghalaya, Arunachal Pradesh, Mizoram, Goa and Andaman the disbursement have shrunk as Bandhan became bank and not part of MF sector.

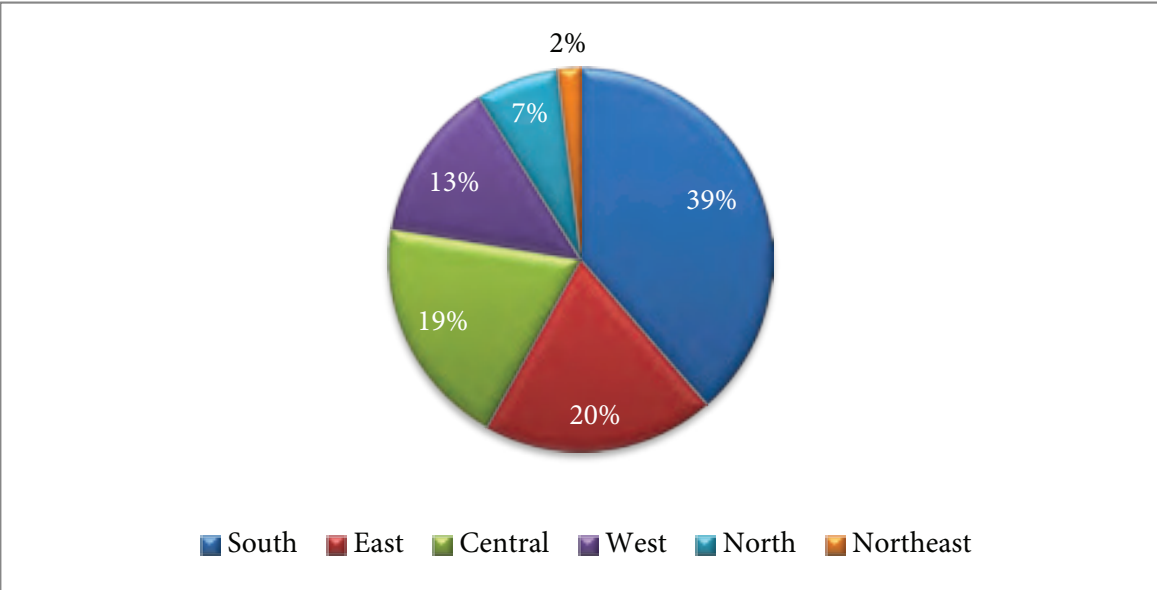
**Table 2.7: Loan Disbursement across States/UTs – 2015 & 2016 (decreasing order)**

State	2016	2015	Growth (%)
Karnataka	13857	9284	49%
Tamil Nadu	10522	6943	52%
Uttar Pradesh	7791	5140	52%
Maharashtra	7435	4985	49%
West Bengal	4623	9449	-51%
Madhya Pradesh	4530	3530	28%
Bihar	4496	4675	-4%
Odisha	3834	2869	34%
Kerala	3010	1467	105%
Gujarat	2334	1620	44%
Rajasthan	1574	1299	21%
Punjab	1372	625	120%
Haryana	1355	592	129%
Jharkhand	1182	941	26%
Assam	1129	3044	-63%
Chhattisgarh	1066	736	45%
Uttarakhand	667	511	31%
Delhi	600	541	11%
Puducherry	273	127	115%
Andhra Pradesh	190		-20%*
Himachal Pradesh	117	10	1075%
Tripura	91	757	-88%
Manipur	79	122	-35%
Telangana	64		-20%*
Sikkim	60	36	68%
Meghalaya	30	73	-59%
Mizoram	18	97	-82%
Chandigarh	16	10	60%
Goa	12	18	-32%
Arunachal Pradesh	8	27	-70%
Nagaland	4	4	1%
Jammu & Kashmir	4	3	33%
Andaman	1	1	-43%
<b>Total</b>	<b>72345</b>		

\* Combined growth of Andhra Pradesh and Telangana on the basis of combined data for 2015-16.

Table 2.7 depicts that Karnataka disbursed ₹13857 crore during FY 2015-16, holding top position in terms of loan amount disbursed. Tamil Nadu occupied second position with ₹10522 crore disbursement, followed by Uttar Pradesh with ₹7791 crore and Maharashtra with ₹7435. Year 2015-16 has experienced a remarkable growth in MFI loan disbursement in South, Central, West and North regions.

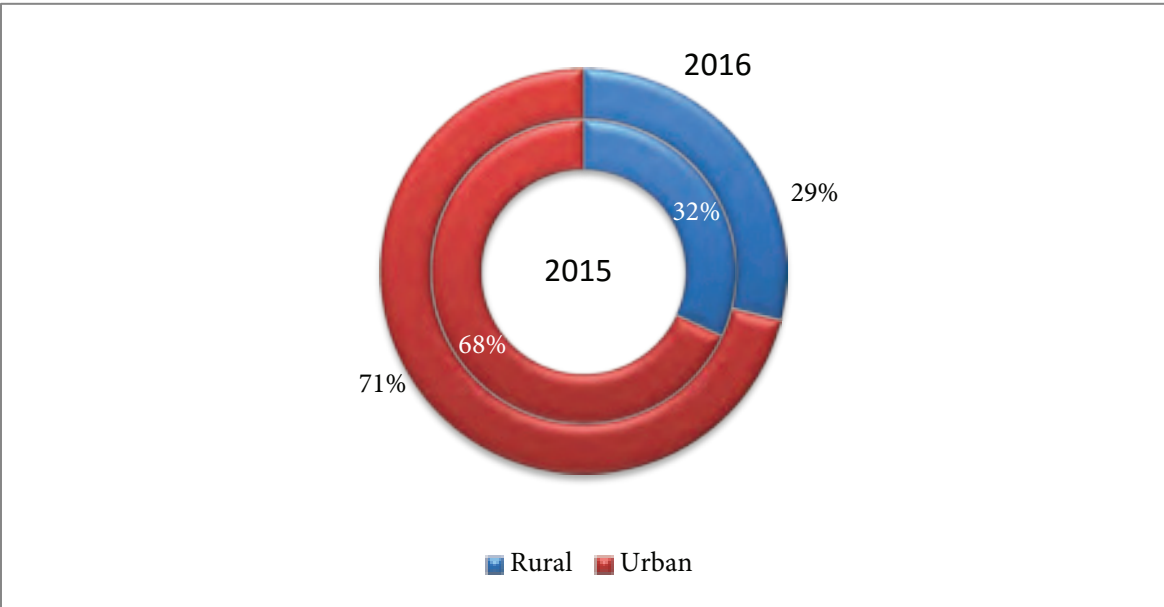
**Figure 2.18: Regional Pattern of Loan Disbursement**



**2.5.2 Rural – Urban Share of No. of Loans Disbursed**

In 2015-16, 1957 lakh loans had been disbursed in Rural areas which constitute 26% of total, whereas 5668 lakh loans had been disbursed in Urban areas which constitutes 74%. Figure 2.19 depicts that number of loans in Urban areas had increased and number of loans in Rural areas had decreased over 2015 to 2016.

**Figure 2.19: Percentage of Rural - Urban Share of No. of Loan Disbursed**



### 2.5.3 Loan Amount Disbursed

In 2016, total loan amount disbursed increased by ₹13433 crore over 2015, there is a growth of 27% where amount increased in rural areas by 14% and in urban areas by 27%.

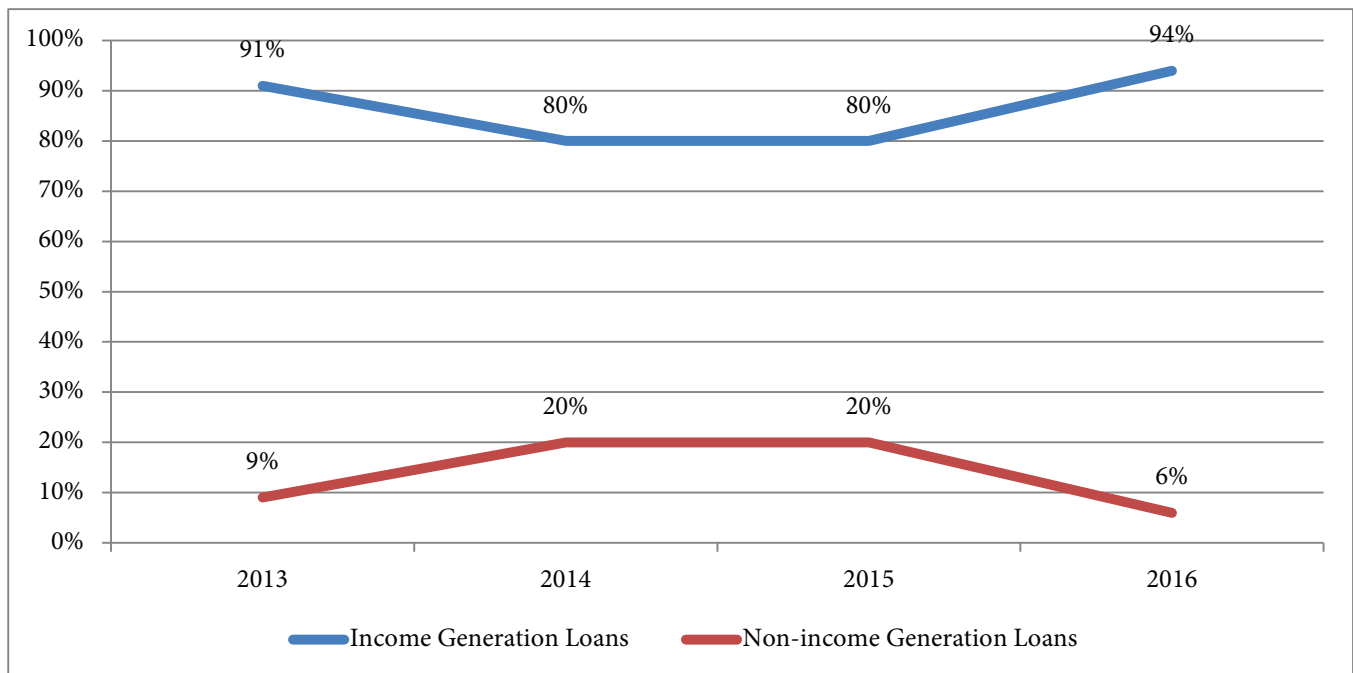
**Table 2.8: Amount disbursed during the year 2015 and 2016**

	Loan disbursed in 2016 (₹ in crore)	Loan disbursed in 2015 (₹ in crore)	Amount of disbursement increase in 2016 over 2015	Growth (%)
Rural	20893	18291	2602	14%
Urban	51452	40621	10831	27%
<b>Total</b>	<b>72345</b>	<b>58912</b>	<b>13433</b>	<b>23%</b>

### 2.5.4 Purpose of Loan

Traditionally, MFIs have been lending for both consumption and productive purposes. It is believed that poor people use their loans for their emergency and consumption needs more than for livelihoods. In 2011, RBI regulation stipulated that a minimum of 70% of the MFI loans are to be deployed for income generating activities. Analysis of the loan portfolio held by reporting MFIs for 2014-15 and 2015-16 shows that the proportion of income generation loan to non income generation loan is 94:06. Loan usage under different sub sectors is presented in Figure 2.20 for both income generation and non income generation loans. Agriculture, animal husbandry and trading are major sub-sectors where income generation loans are deployed. Non income generation loans are used for consumption, housing, education, water & sanitation, health etc.

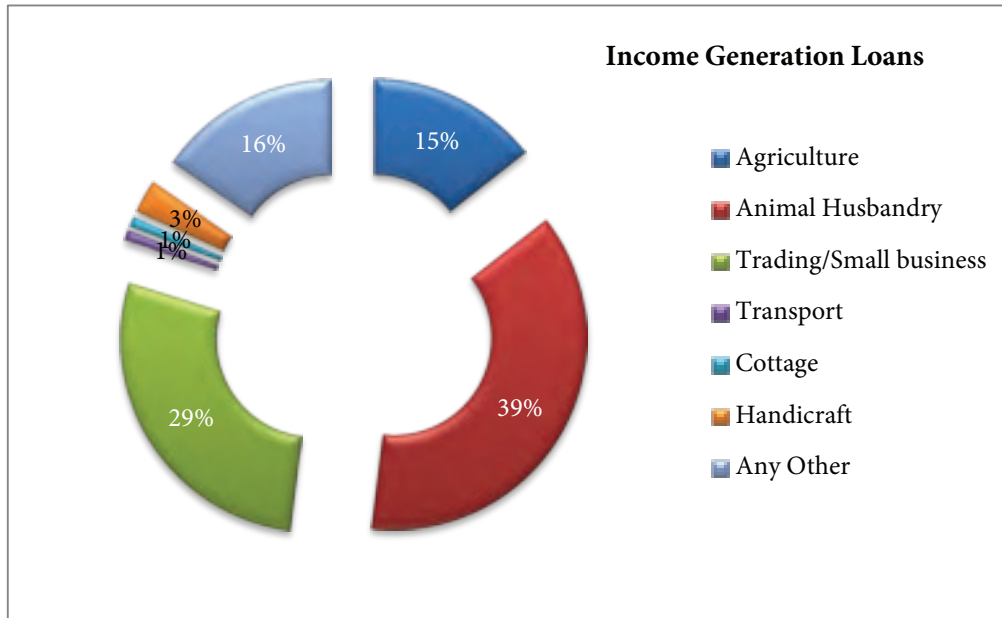
**Figure 2.20: Share of Income Generation Loans and non Income Generation Loans**





### 2.5.4.1 Income Generation Loans

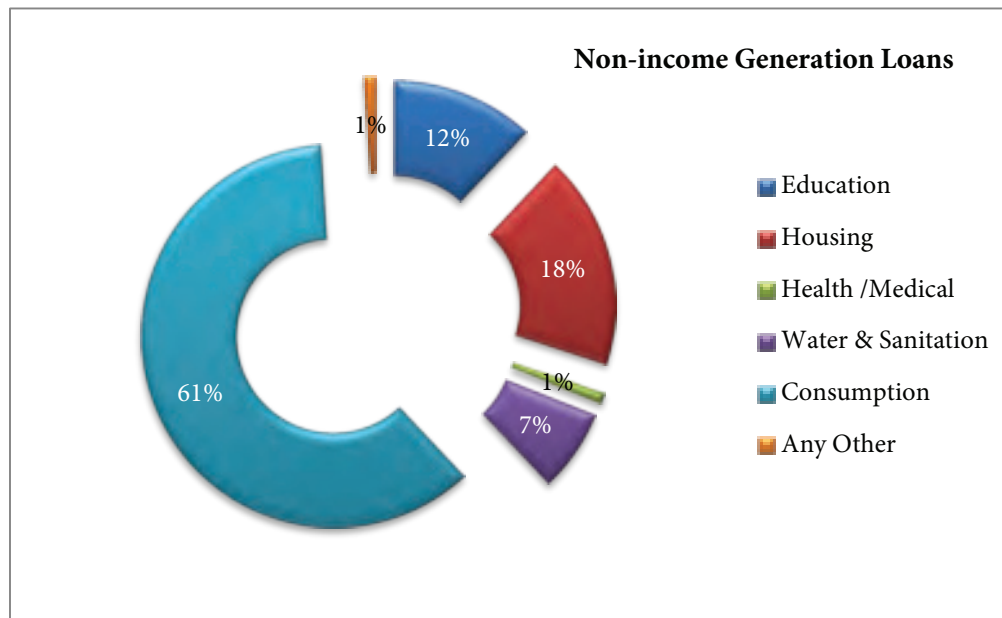
Figure 2.21: Share of MFIs Income Generation Loans under Different Sub-sectors as of March 2016



Purpose of MFIs' loans has assumed significant importance after the RBI regulation which stipulates that aggregate amount of loans, given for income generation, should not be less than 50 per cent of the total loans given by the MFIs. An analysis of the loan portfolio held by reporting MFIs under different sub-sectors is portrayed in Figure 2.21.

### 2.5.4.2 Non-Income Generation Loans

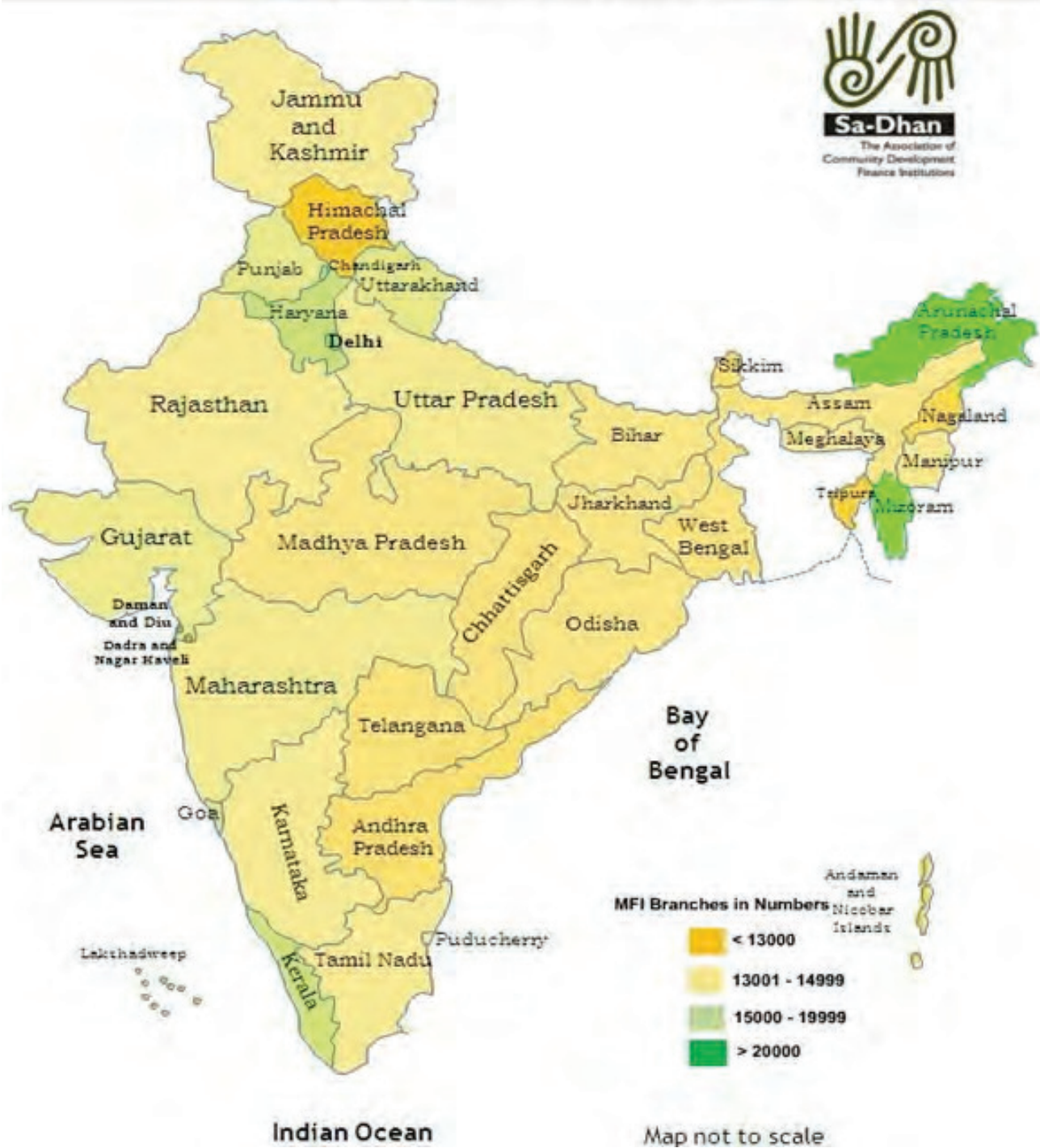
Figure 2.22: Share of MFIs Non-Income Generation Loans under Different Sub-sectors as of March 2016



The Figure 2.22 confirms that among the non-income generation loans, consumption loans are predominant with 61%. Housing stands second which is very encouraging.

## State wise Average Loan Portfolio per Client

### Heat Map Based on Avg Loan per Client

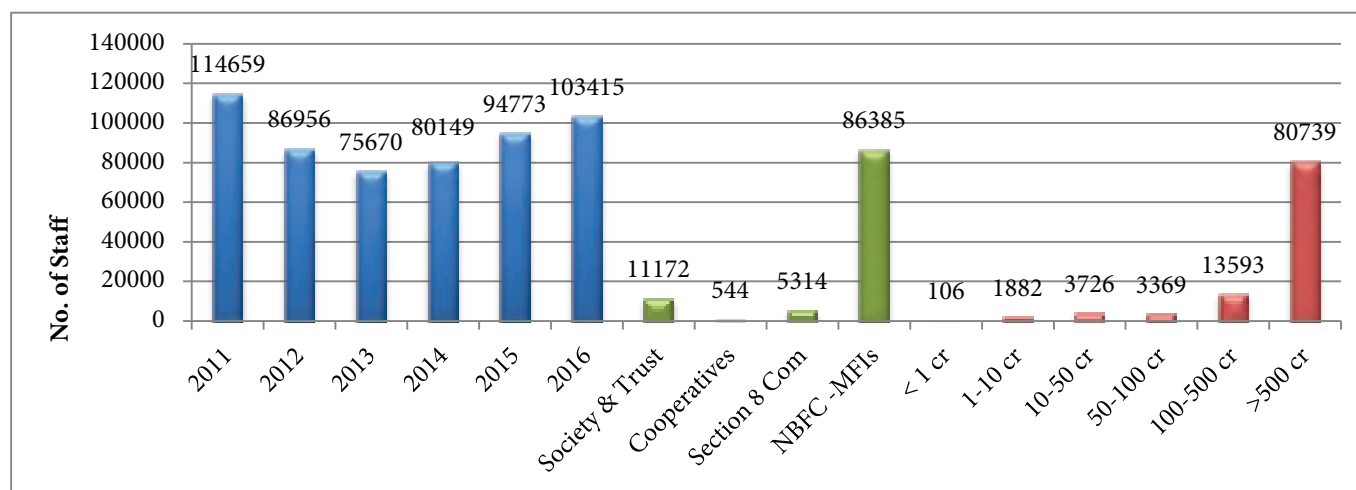


### 3.1.1 Workforce in MFIs

Microfinance services, by nature, have a close human touch with clients on the ground. Even with the advent of technology, these services still predominantly depend on human resources for ensuing effective delivery. Considering the fact that personnel costs contribute substantially to the total expenses of MFIs (i.e.24% as given in section 3.2 of this report), staff productivity plays a major role in determining their cost efficiency. Staff productivity is measured through some key indicators such as active borrowers per credit officer (ABCO), active borrowers per MFI staff, amount of loan outstanding per credit officer etc.

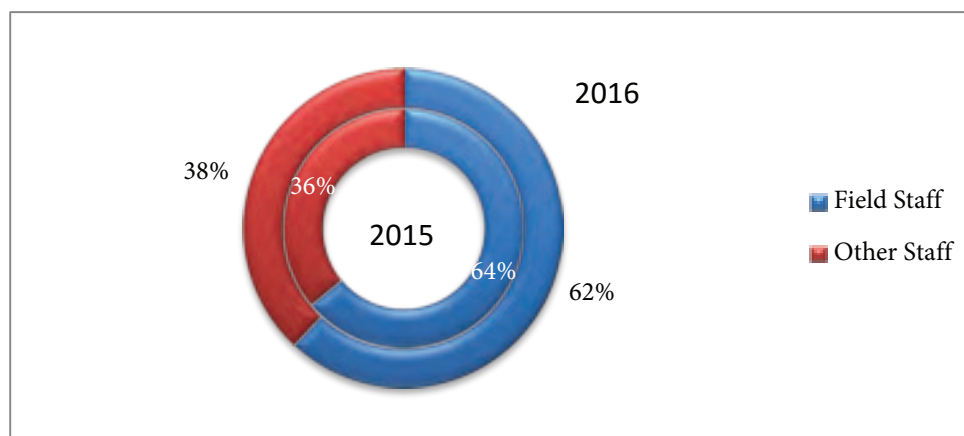
The MFI sector had brought down its workforce significantly from over one lakh in 2011 to just over 75000 in 2013. Thanks to an increased fund flow to the sector, MFIs increased their workforce to 103415 in 2016 in order to support their enhanced activity. The following figure illustrates the trend and furthermore shows that NBFC–MFIs and large MFIs have major share of employees (Figure 3.1.1).

Figure 3.1.1: No. of MFI Staff - Yearly Trend and MFI-Category-wise Break-up



Sixty two per cent (62%) of total staff is field staff, working in the branches of MFIs. This is obviously because of the labour- intensive nature of the MFI- operation, which involves human interaction with clients, cash handling etc. Female staff comprises of approximately 15% of the total workforce of MFIs. In FY 2015-16, female staff reduced to 15% from 16% in 2015 otherwise this proportion has been increasing over the years till 2014.

Figure 3.1.2: MFI Field Staff vs Other Staff Distribution – 2015 & 2016

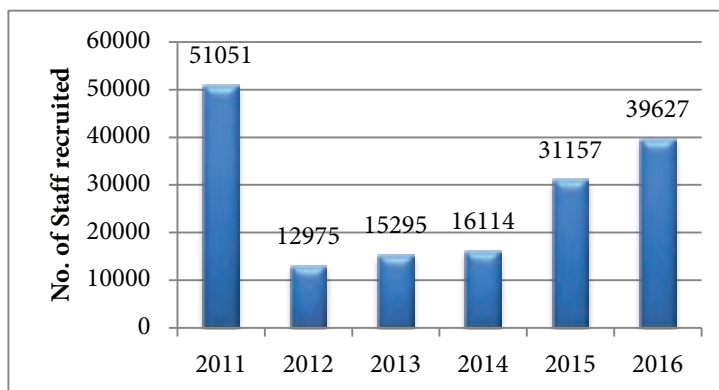


In 2015 -16, ratio of Field Staff to Other Staff reduced over previous year. In 2014-15, share of Field staff to Total staff was 64% which reduced to 62% in 2015-16 indicating that either efficiency of the field staff has improved to handle more clients or more workload/ targets are being set for the field staff.

**Table 3.1.1: Yearly trend of Total Staff vs Women Staff**

Year	Total Staff	Women Staff	% of Women staff to Total Staff
2011	114659	9265	8%
2012	86956	10435	12%
2013	75670	12283	16%
2014	80149	15279	19%
2015	94773	15027	16%
<b>2016</b>	<b>103415</b>	<b>15724</b>	<b>15%</b>

**Figure 3.1.3: New Staff Recruited by the MFIs over the years**



The number of new staff recruited came down heavily in 2012 after that again it is increasing steadily. Break-up of figures of new staff further indicate that major part of new staff were hired by for-profit MFIs. The disturbing trend is the level of staff turn-over (Table 3.1.2). Exit of staff from the sector and induction of new staff escalate the operating costs for training and orienting new staff frequently.

**Table 3.1.2: Staff Turn-over among MFIs during 2015-16**

No. of new Staff Recruited	39627
No. of Staff Left MFIs	23098
Net Gain	16529
Of the Total recruited, % recruited by NBFC-MFIs	88%
Of the Total recruited, % recruited by NGO-MFIs	12%
Of the Total staff left, % left from NBFC-MFIs	88%
Of the Total staff left, % left from NGO-MFIs	12%

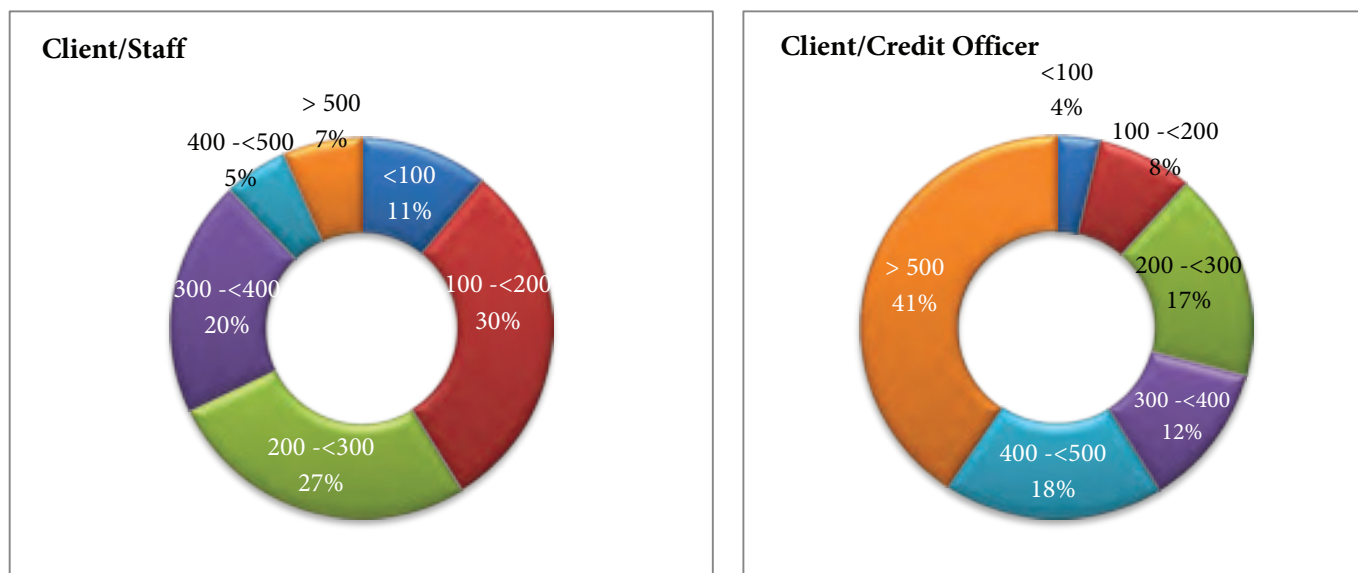
### 3.1.2 Staff Productivity

#### Active Borrowers per Credit Officer (ABCO) and No of Borrowers per Staff

ABCO measures the number of active borrowers served by a Credit Officer (CO). The ratio is an effective way to measure the productivity. The number is significant as it determines the quantity and quality of time spent by the credit officer with a borrower, affecting his/her service quality. With very low ratio of ABCO, better service is possible, but it involves a higher cost to MFIs. Similarly, a very high ABCO ratio would affect the service quality.

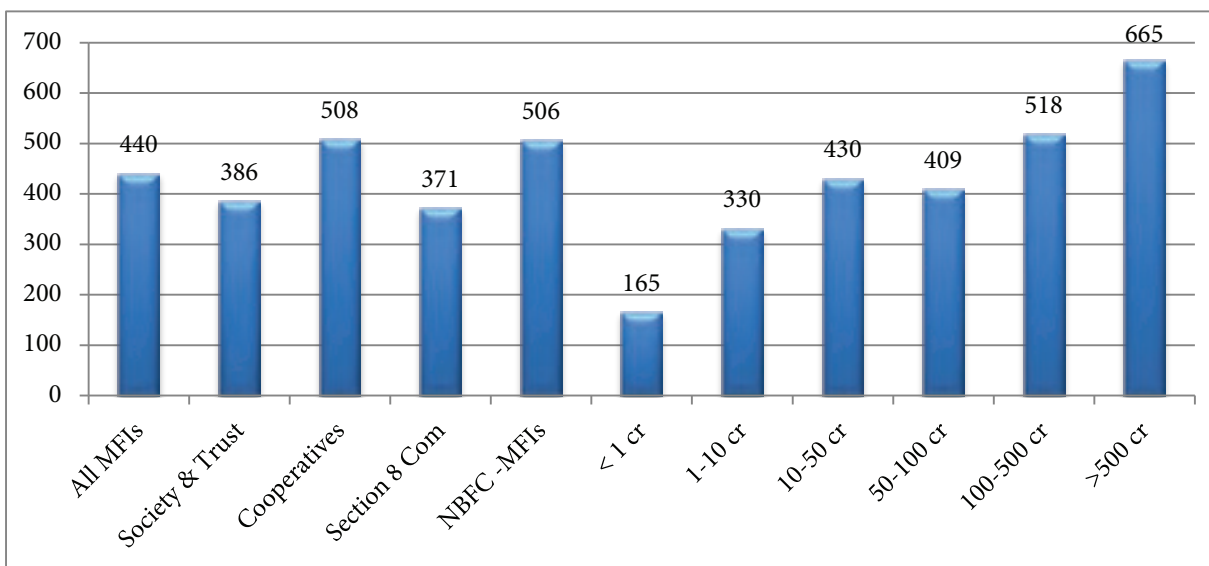
Diversity in the microfinance industry is also reflected in staff productivity levels among different MFIs. Figure 3.1.4 depicts the staff productivity ratios measured through active borrowers per staff member and ABCO. We can find that about 11% of MFIs have less than 100 borrowers per staff member, 30% have 100-200 borrowers per staff, 27% have 200-300 borrowers per staff and 32% have more than 300 borrowers per staff. Similarly for ABCO, 29 % of MFIs have ABCO less than 300 while 30% fall between 300 to 500 and 41% have ABCO above 500. Among the 165, 14 MFIs are having ABCO above 1000 which indicating unrealistic targets being set for credit staff.

**Figure 3.1.4: Distribution of MFIs based on Clients Served per Staff & Credit Officer**



The Median ABCO for 2016 stands at 440 as against 510 in 2012-13 ABCO has remained high for Cooperatives (508) followed by NBFC-MFIs (506). Section 8 Companies typically have lesser ABCO of 371, as most of these organisations follow the philosophy of providing financial services along with some development activities. ABCO seems to be increasing with the scale of operations. MFIs with larger scale of operations have systems and processes in place that require minimal time for credit officers to be spent at the client level.

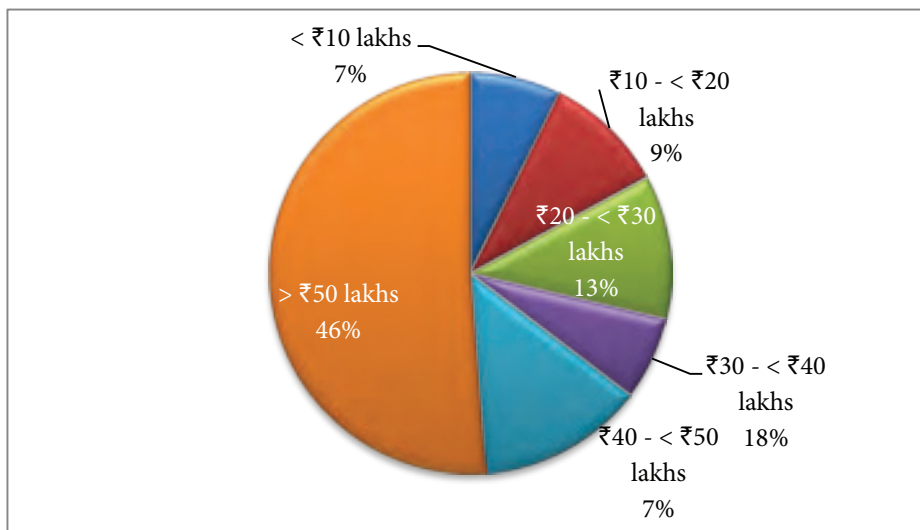
**Figure 3.1.5: ABCO Across MFIs**



**Distribution of MFIs Based on Loan Portfolio per Credit Officer**

In addition to the number of clients reached by credit officers, the amount of loan handled by them is also an important measure that contributes to staff productivity. Figure 3.1.6 presents the distribution of MFIs across various bands of loan portfolio handled by each credit officer. Approx. 16% of MFIs have credit officers handling a loan portfolio of less than ₹20 lakh, while 31% of MFIs have a range of ₹20-40 lakh loan portfolio per credit officer. About 46% of MFIs in our sample have loan officers handling a portfolio worth more than ₹50 lakh.

**Figure 3.1.6: Distribution of MFIs Based on Loan Portfolio per Credit Officer**

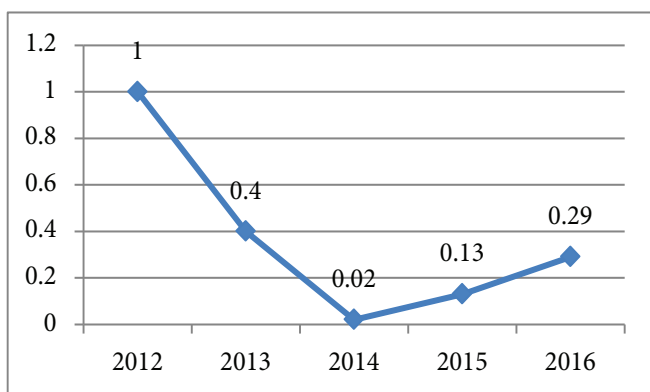


### 3. 1. 3 Portfolio Quality

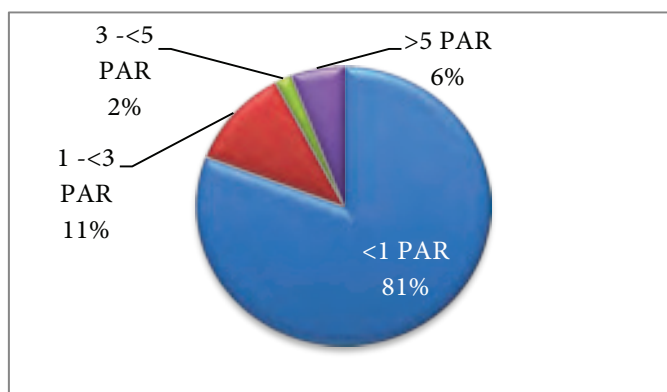
The loan portfolio is the primary income-generating asset in an MFI's balance sheet. Interest income typically constitutes over 90% of the total income of MFIs. Lending, obviously, is fraught with the inherent risk of repayment default. Therefore, maintaining a healthy loan portfolio with minimum loan default ensures the profitability and financial health of an MFI. This section presents the analysis of current performance of the loan portfolio quality as measured through Portfolio at Risk<sup>1</sup> (PAR 30 Days)

The portfolio quality of Indian MFIs is by and large healthy if we exclude the CDR (Corporate Debt Restructuring) MFIs' figures based in Andhra Pradesh. The overall PAR for the MFI sector has been coming down since 2012, but has shown an increase in 2014-15 and 2015-16, adding to the concerns of the sector observers.

**Figure 3.1.7: MFI Loan Portfolio at Risk (PAR)**



**Figure 3.1.8: Distribution of MFIs Based on PAR**



Distribution of MFIs as per various levels of PAR shows (Figure 3.1.8) that over 80% of MFIs have PAR < 1 for 30 days and only about 6% of MFIs have a PAR of more than 5%. Approx 13% of MFIs have PAR in the range of 1-3%.

Another important indicator of portfolio quality is overdue installments beyond 180 days. The pending installment amount is ₹1319 crore as of March 2016, which is lower compared to March 2015 (₹2860 crore). The significance of this amount is that the MFIs concerned ought to make 100 % provision in the balance sheet as per RBI prudential norms.

<sup>1</sup> PAR indicates the proportion of outstanding amount of all loan accounts having past due/arrears to the total loan portfolio. In general, PAR 30, that is, the portfolio / part of the portfolio remaining unpaid 30 days and beyond crossing the due date, would be used as a measure to assess the portfolio quality.

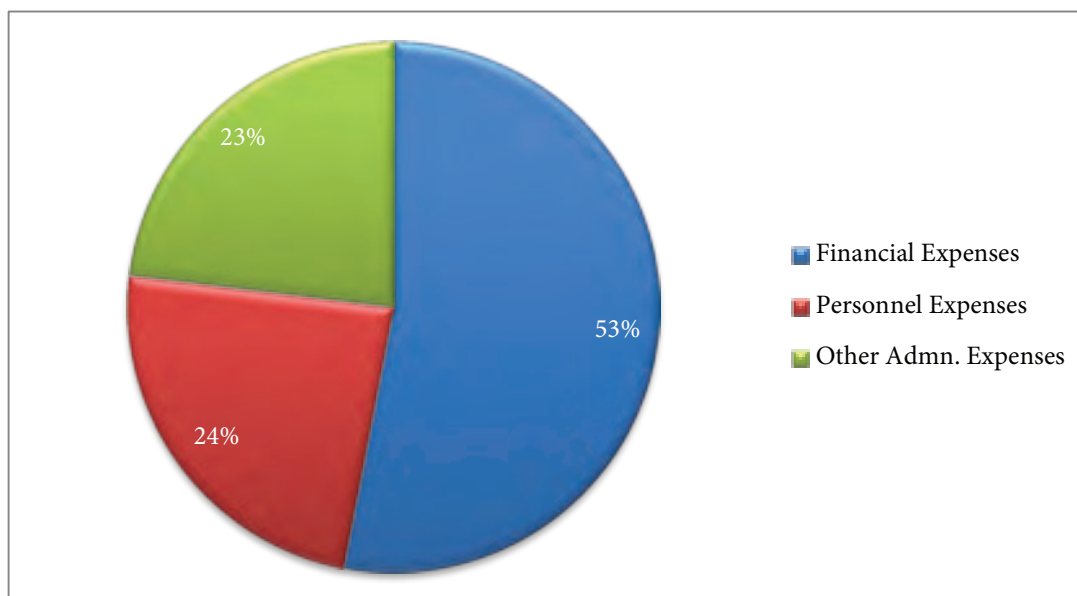
This section of the report covers the analysis of income and expenditure patterns of the microfinance sector and the sustainability of the sector through its profitability and self sufficiency. This section hence contains the analysis of operational and financial expenses, revenues/income, margin, surplus, operational self sufficiency and return on assets and return on equity.

### 3.2.1 Expenditure Analysis

During the year 2015-16, ₹8119 crores were reported as the total expenses on microfinance operations of the MFIs that provided data for the report. The above expenses comprise of operating expenses (personnel expenses + administrative expenses + loan loss provisions) and finance expenses (mainly interest on borrowings). This year's total expenses were approximately ₹1175 crores higher than last year on account of increase in microfinance operations. Loan Loss Provision (LLP) expenses have increased significantly from the previous years. In 2016, LLP to Operating Expenses is 9% whereas it was only 3% in 2015. This marks a deterioration in the overall quality of the outstanding portfolio of the sector.

As seen in Figure 3.2.1, the total expenses incurred are distributed at 53% in finance expenses and 47% in operating expenses. The operating expenses of 47% comprised of 24% personnel expenses and 23% other administrative expenses. Loan Loss Provisions for the year are 9% of operating expenses and 4% of total expenses have been incurred as a part of other administrative expenses.

Figure 3.2.1: Break up of Expenses by Indian MFIs



Since MFIs with an outstanding portfolio over ₹50 crores account for 98% of the total portfolio of the sector, it is understandable that they incur a major chunk of the expenditure too i.e. 98% of total financial expenses and 98% of total personnel expenses. This leaves the MFIs with portfolio less than ₹50 crores with financial expenses less than 2% and personnel expenses less than 2% of the overall expenses of the sector. This proportion of expenses is consistent with the outstanding portfolio of the MFIs.

**Figure 3.2.2: Break up of Expenses by Indian MFIs based on Portfolio size**

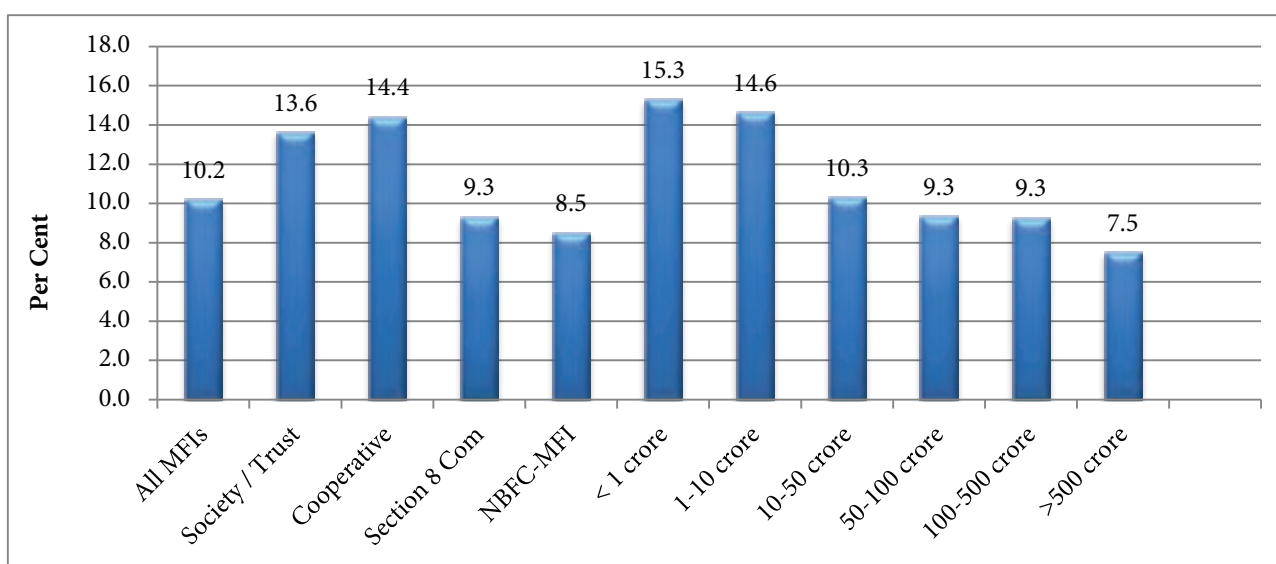


### Operating Expense Ratio<sup>1</sup> (OER)

As seen above, operating expenses of MFIs form 47% of its total expenses. As can be seen from Figure 3.2.2 above, personnel costs make a significant contribution to the high operating costs of an MFI with about a quarter to one-third of their total expenses, except for MFIs with outstanding portfolio over ₹500 crores, where personnel expenses come down marginally to 24% of their total expenses.

The median operating expenses of the microfinance sector in 2016 is 10.2%. As can be seen in Figure 3.2.3, OER is lowest for NBFC-MFIs at 8.5%, followed by Section 8 Companies at 9.3 significantly lower than the OER of Society/Trust MFIs at 13.6%. Median OER for cooperatives stands even higher at 14.4%. In addition to the legal form, Figure 3.2.3 also shows that there is a direct correlation between OER and portfolio size. While the median OER is only 7.5% for MFIs with portfolio size of over ₹500 crores, it is at a high of 15.3% for MFIs with portfolio size of less than ₹1 crore.

**Figure 3.2.3: Operating Expenditure Ratio Across MFIs**



<sup>1</sup> Denotes ratio of all administrative and salary expenses to average loan portfolio.

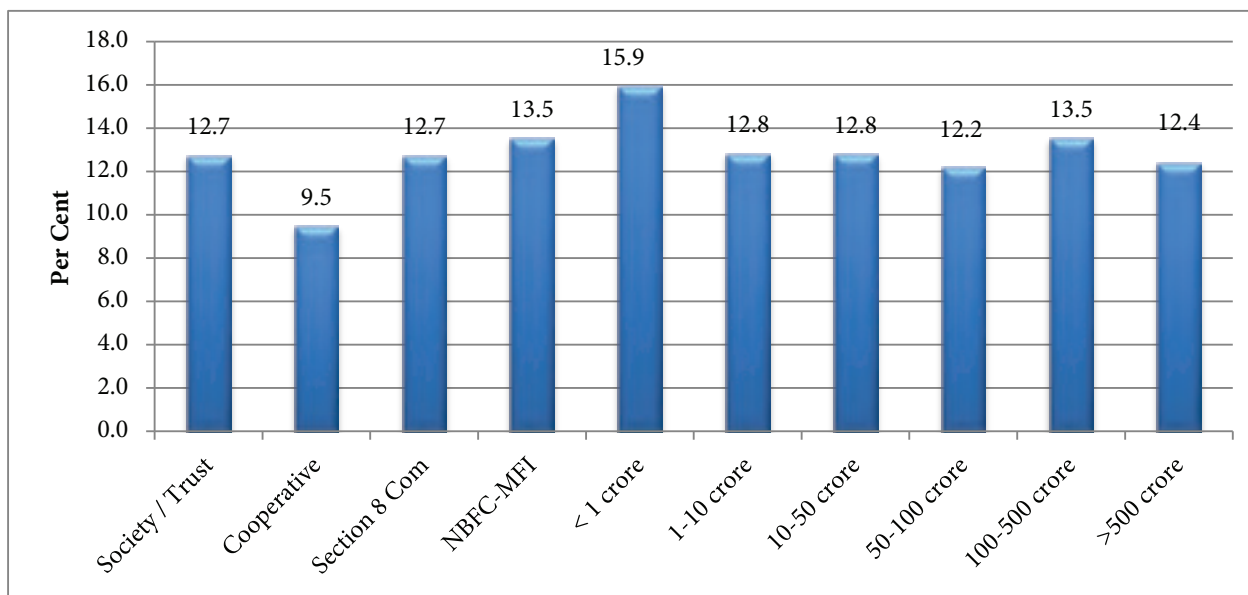


## Finance Cost Ratio<sup>2</sup> (FCR)

As can be seen from Figure 3.2.4, NBFC-MFIs have the highest FCR among all legal forms of MFIs. Since bank loans are the major source of funds for MFIs and the rates are largely similar or within a range, FCR for most legal forms, especially those dependent mainly on bank loans, are almost similar with FCR for not for profit MFIs marginally lower than that of NBFC-MFIs. This is primarily because not for profit MFIs may have access to grants, revolving funds and subsidised loans from government sources. In case of cooperatives that mobilise deposits from its members at much lower rates, their FCR is significantly lower among all legal forms at 9.5%.

In the case of FCR and portfolio size, except for MFIs with outstanding portfolio of less than ₹1 crore, there is a more or less same FCR for all sizes of MFIs. This is due to the fact that smaller MFIs but with portfolio size higher than ₹1 crore have more access to low cost funds from NABARD, SIDBI, MUDRA, Ananya etc. compared to larger MFIs. However, this trend does not hold true for MFIs with portfolio size of less than ₹1 crore which have a median FCR of a significantly high 15.9%. The primary reason for this maybe that this segment of MFIs find it the most difficult to raise funds from banks and FIs due to the higher risk perception and hence end up mobilising funds at higher rates.

**Figure 3.2.4: Finance Cost Ratio across MFI Categories**



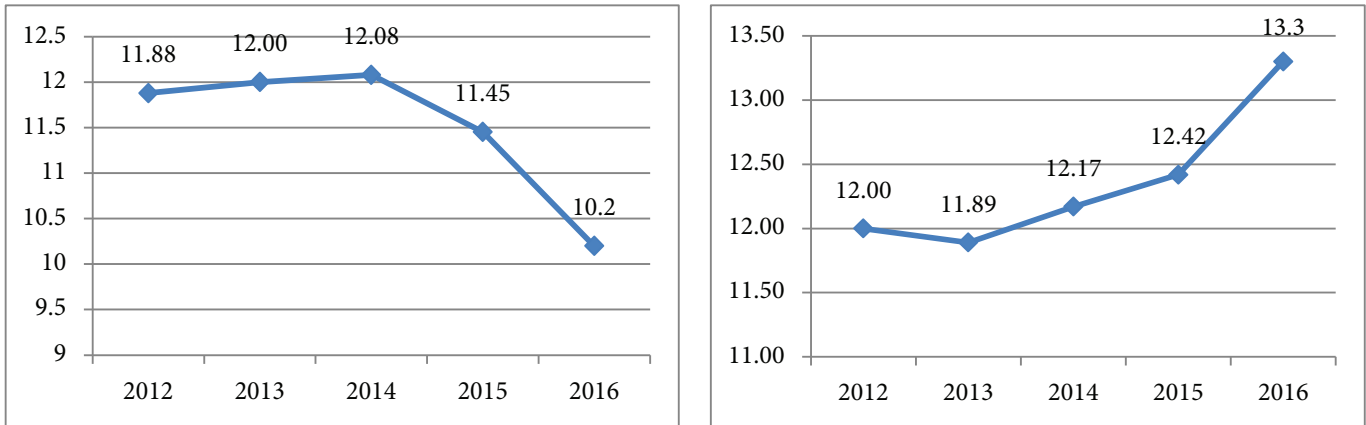
## Trends of OER and FCR

OER of MFIs in 2015-16 has shown a sharp fall over the last year. In fact, while the OER had been consistently increasing for the last 3 years from 11.88% in 2011-12, to 12% in 2012-13 and 12.08% in 2013-14, OER has not only come down to 10.2% in 2015-16, it is also the lowest in the last 5 years.

FCR has been however growing consistently for the last 4 years from 11.89% in 2012-13, 12.17% in 2013-14 to 12.42% in 2014-15 and to 13.30% in 2015-16.

<sup>2</sup> Denotes ratio of financial expenses paid to banks/FIs on average borrowing outstanding.

**Figure 3.2.5: Trends of OER and FCR**

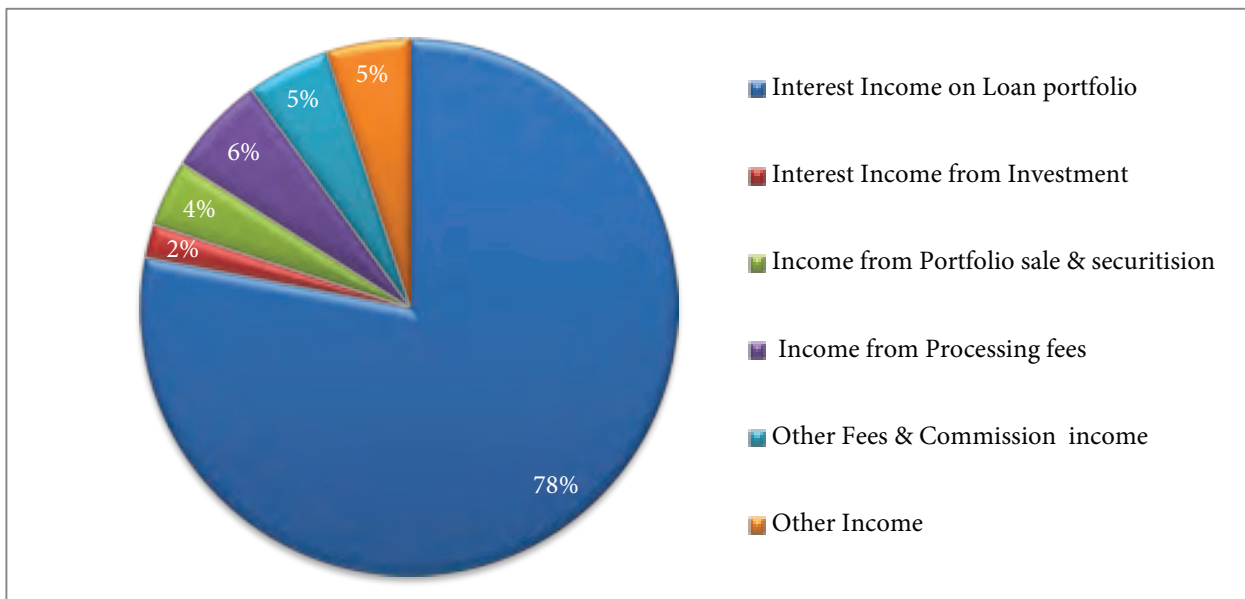


### 3.2.2 Income Analysis:

The total income earned by MFIs for the year 2015-16 is approximately ₹10329 crores, up from ₹8499 crores in 2014-15, a rise of nearly 22%. The median income of all legal forms of MFIs has shown an increase over the last year.

Figure 3.2.6 shows the break-up of income sources of MFIs, with 78% coming from interest on loan portfolio. The rest of the income comes from processing fees, investment income and income from sale of portfolio, other fees and commission income and other income.

**Figure 3.2.6: Break-up of Income**



### Yield on Loan Portfolio (Financial Revenue Ratio)

While an analysis of yield on loan portfolio tells us about the pattern of income of MFIs, it is also very useful to study the yield as one of the results of portfolio quality and to understand the margin by comparing it to the costs.

Since the AP microfinance crisis, the portfolio quality of MFIs has been improving, reflecting in an increasing trend in yield on portfolio, however the yield came down in 2015-16 (Figure 3.2.7).

**Figure 3.2.7: Yield Trend of MFIs**

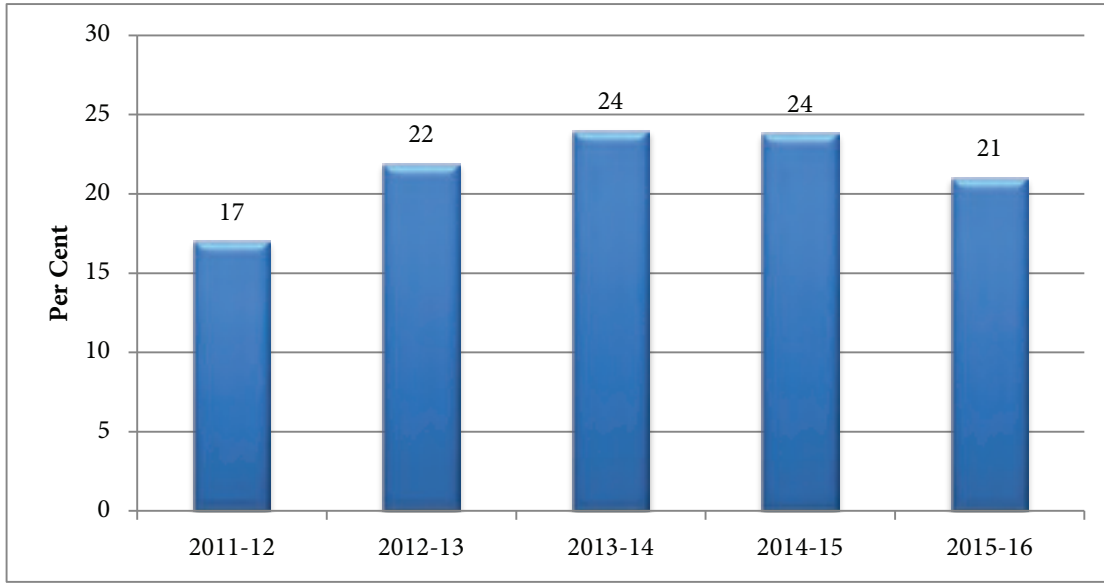
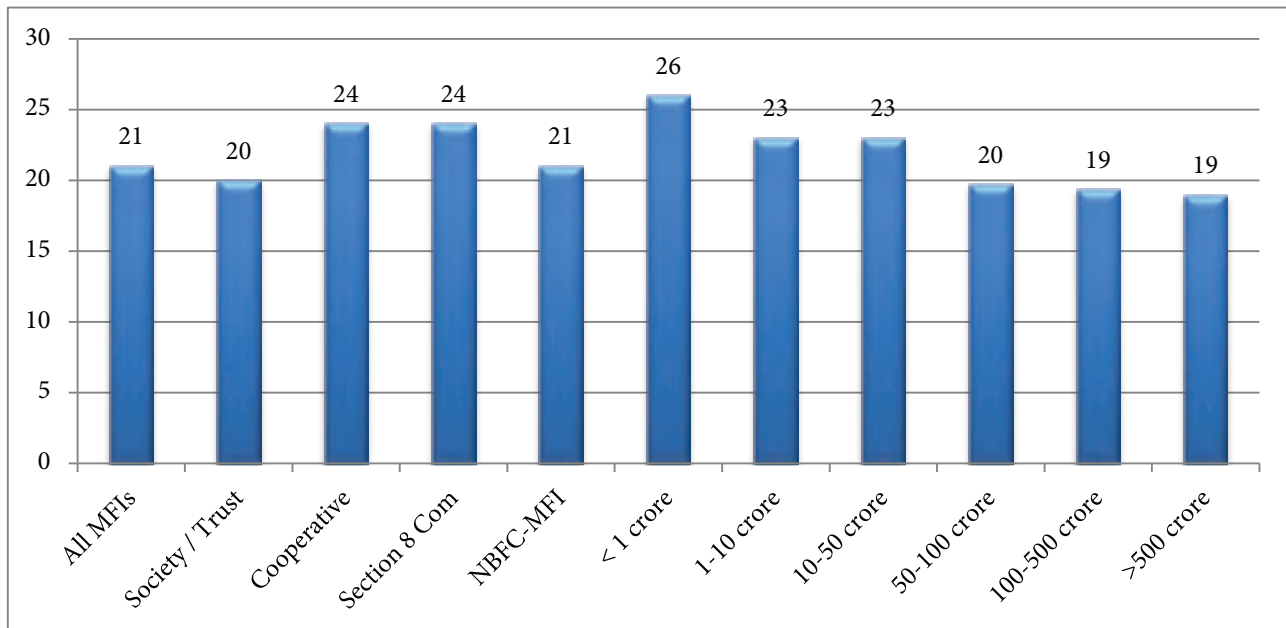


Figure 3.2.8 shows that MFIs in all legal forms have a yield within the range of 20% to 24%. Among them Society/Trust have least yield at 20%, followed by NBFC-MFIs at 21% whereas both Cooperatives and Section 8 Companies have yield of 24%. But portfolio size has a very major bearing on the yield on portfolio. Yield is decreasing with the increase of portfolio size. Yield is lower at 19% for the bigger MFIs with the portfolio of above ₹500 crore whereas yield is marginally higher at 26% for the smallest MFIs with the portfolio of less than ₹1 crore.

**Figure 3.2.8: Yield on Portfolio Across MFIs**



### 3.2.3 Margin<sup>3</sup>

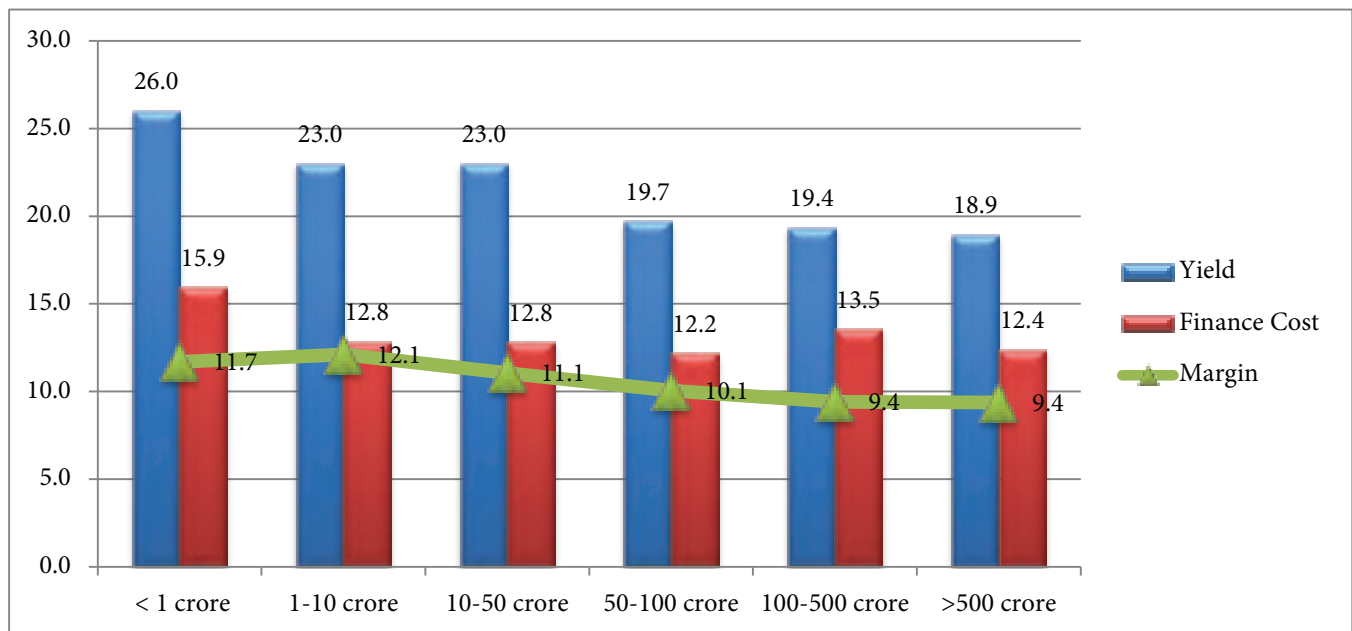
MFIs, NBFC-MFIs in particular, need to comply with RBI norms on revenue margins for MFIs, which need to be maintained under 12% and 10%. As per the data reported by the MFIs for the study, MFIs have been compliant to this regulation with margins for all the legal forms of MFIs within 9-10% with NBFC-MFIs having a median margin of 10.07%, comfortably below the limit prescribed by RBI.

### 3.2.4 Yield, Cost and Margin: Performance Across MFI size

Taking the yield, cost and margin together and analysing them based on portfolio size of MFIs, it may be observed that largely, margins in MFIs with smaller portfolio sizes are higher than the MFIs with higher portfolio sizes.

As can be seen from Figure 3.2.9, MFIs with portfolio between ₹50-100 crores have the lowest financial cost and the second lowest yield on portfolio, but the highest margin while the MFIs with portfolio less than ₹1 crore have the highest financial cost and the second highest yield, as well as a high margin. The lowest margin is for those MFIs that have a portfolio above ₹500 crores, as their financial costs are moderate and yield is relatively lower.

Figure 3.2.9: Yield, Cost and Margin of MFIs –size wise



<sup>3</sup> Margin is the difference between MFIs' financial revenue (excluding processing fee) % age on average loan portfolio and the financial cost % age on average outstanding borrowing from different sources.

Sustainability of an organisation is a key factor and in MFIs it is measured through profitability and self sufficiency. Operational Self Sufficiency (OSS), Return on Assets (ROA) and Return on Equity (ROE) etc. are some of the key ratios that are used to determine the profitability and self sufficiency of MFIs. In this report, operational profit is taken to be the net surplus after taxes.

### 3.3.1 Surplus

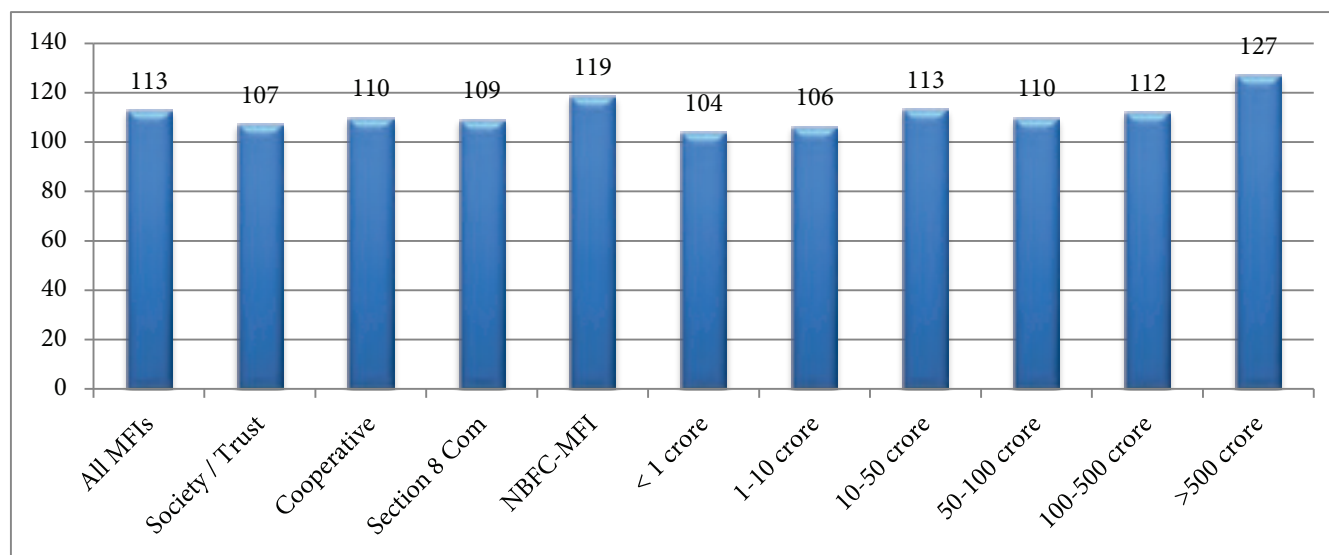
The total net surplus (after tax) generated by the sector is ₹1376 crore. This is despite the fact that some AP as well as non AP based MFIs having reported negative surplus. In line with the 88% outstanding portfolio that is owned by the giant MFIs, their contribution to the net surplus is also a similar 97% at ₹1337 crores. Almost the entire surplus (96%), at ₹1319 crores of the ₹1376 crores is from NBFC-MFIs.

### 3.3.2 Operational Self Sufficiency (OSS)

Overall, the median OSS of all the MFIs that provided data for the report stands at over 100% at 113% for the year 2015-16. This indicates that as a sector, the income from operations of the MFIs is sufficient to meet their expenses. The lowest median OSS has been reported from Society/Trust at 107% whereas understandably, the maximum median OSS was reported by NBFC-MFIs at 119%. Hence no types of MFIs as a group have an OSS less than 100%. However, 12% of the individual MFIs that were not for profit reported OSS of less than 100%, while 4% of NBFC-MFIs, mainly with an exposure of portfolio in AP, too reported an OSS of less than 100%.

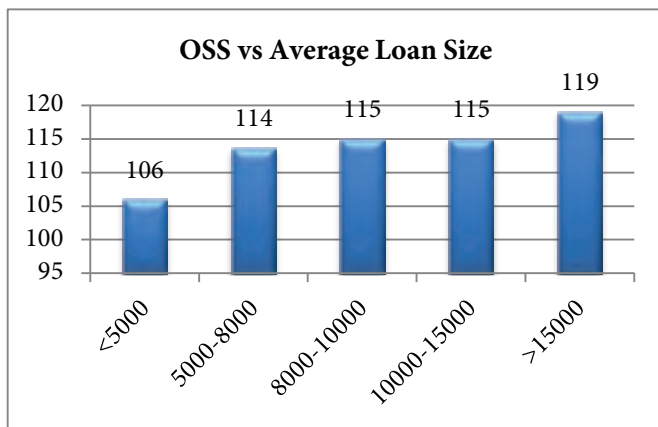
Figure 3.3.1 also shows a consistent relationship between OSS and scale of operations/portfolio size. The largest MFIs have the highest OSS and vice versa.

Figure 3.3.1: OSS Across MFIs

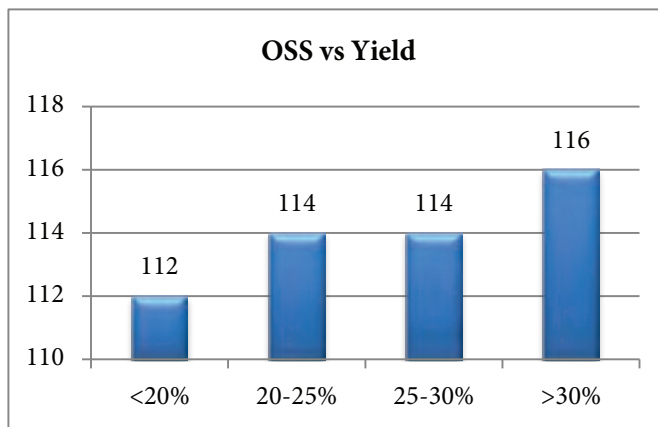


As can be seen from Figure 3.3.2, average loan size has a direct impact on the OSS of an MFI. While very small loan sizes result in lower OSS, higher loan sizes result in higher OSS. However, it may be also observed that while the OSS improves significantly (from 106% to 115%) when average loan size increases from less than ₹5000 to less than ₹15000 and increases marginally to 119% for loan sizes over ₹15000.

**Figure 3.3.2: OSS Based on Average Loan size**



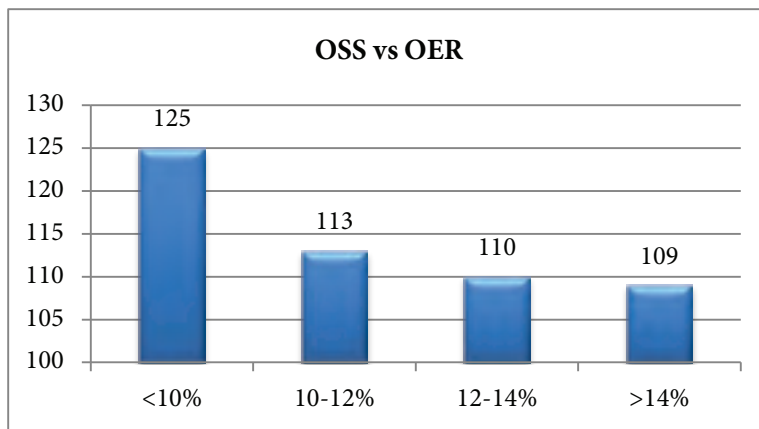
**Figure 3.3.3: OSS Based on Yield Category**



It is interesting to note the impact of yield on the OSS of MFIs. While it can be seen from Figure 3.3.3 that the median OSS increases steadily with yield till yield greater than 30%.

Impact of Operating Expense Ratio (OER) on Operational Self-Sufficiency (OSS): Figure 3.3.4 shows that MFIs with the lowest OER (<10%) have the best median OSS (125%) while MFIs with the highest OERs (>14%) have the lowest median OSS (109%). The figure also shows that any decrease in OER results in significant increase in OSS.

**Figure 3.3.4: OSS Based on OER of MFIs**



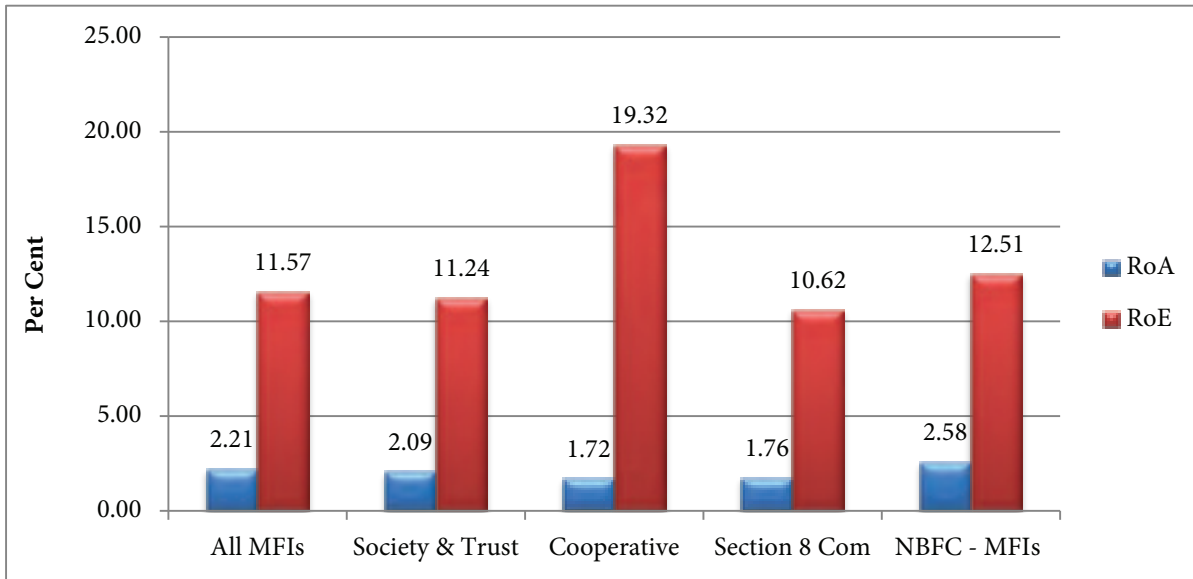
### 3.3.3 Profitability Ratios

Since the worst crisis of the microfinance sector in 2010, the sector has come back strongly and has been going from strength to strength for the last few years. This has again brought the sector in focus for the investors as it has shown immense potential in profitability, measured by the ROA and ROE of the last few years which has made the sector attractive to investment. While the ROA and ROE have increased marginally from 1.73% and 8.19% respectively of last year, they stand at a very healthy 2.21% and 11.57% for the year 2015-16.

Figure 3.3.5 shows the distribution of ROA and ROE across different legal forms of MFIs and it makes for interesting viewing. The chart shows clearly how the asset and equity base of the different types of MFIs differ and hence how it impacts the ROA and ROE of the MFIs. It has been established from 3.3.1 that NBFC-MFIs contribute to 96% of the surplus generated by the sector. In terms of ROA and ROE, NBFC-MFIs are at 2.58% and 12.51% respectively.

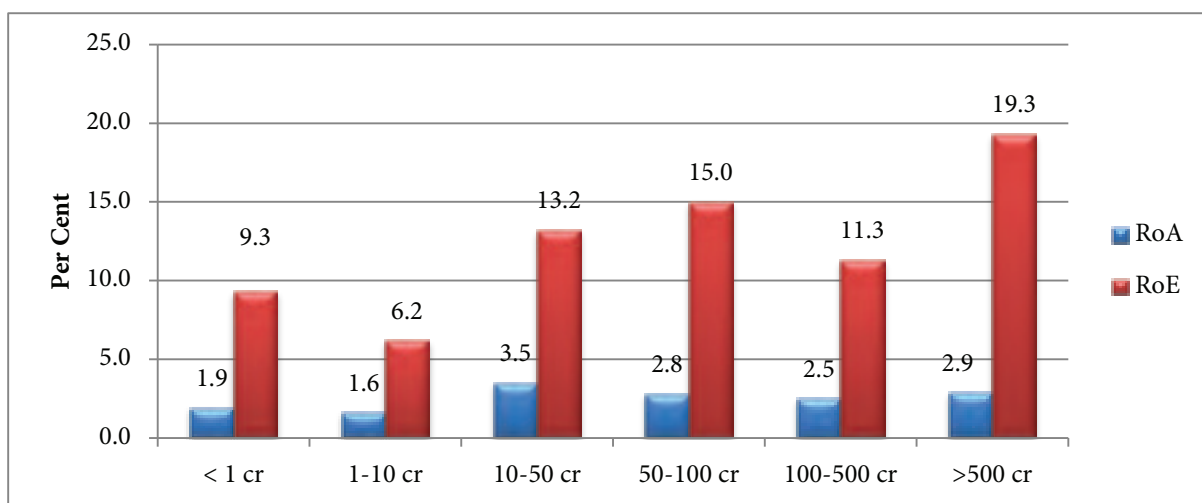
NBFC-MFIs have highest ROA at 2.58%, followed by Society/Trust with 2.09%. As for ROE, Cooperatives have the highest at 19.32%, followed by NBFC-MFIs with 12.51% and Society/Trust with 11.24%. Cooperatives have the highest ROE but the lowest ROA. This could be attributed to a very high asset base for many cooperatives but very small equity base for most of them.

**Figure 3.3.5: Return on Asset (ROA) and Return on Equity (ROE) Across MFI Types**



Impact of scale of operation on ROA and ROE: Figure 3.3.6 shows a clear trend of higher ROA and ROE for larger scale of operations. Hence the largest MFIs with outstanding portfolios over ₹500 crores have the second highest ROA and highest ROE of 2.9% and 19.3% respectively while the MFIs with outstanding portfolio under ₹1 crore have ROA and ROE of only 1.9% and 9.3%. While there are minor deviations in mid sized MFIs which could be due to various factors and stage of expansion, the overall trend is that scale of operations is directly proportional to ROA and ROE.

**Figure 3.3.6: Return on Asset (ROA) and Return on Equity (ROE) of MFI-Size wise**

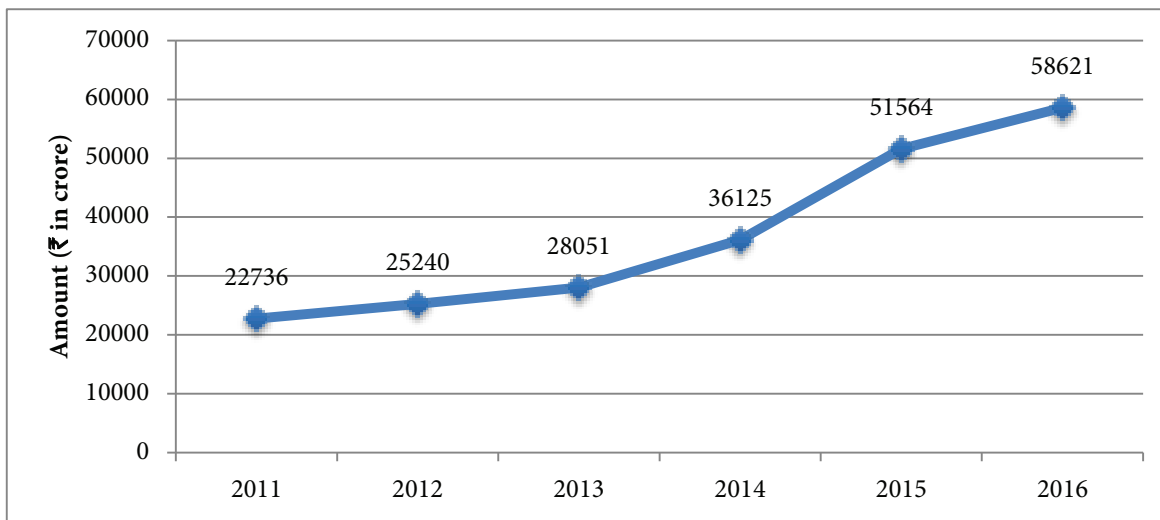


It is critical for MFIs to manage their balance sheet effectively in order to be able to generate better profitability, strengthen themselves and attract investors and funders. This chapter attempts to analyse the balance sheet structure of MFIs and studies the patterns of funding and leverage as well allocation of assets.

### 3.4.1 MFI Assets

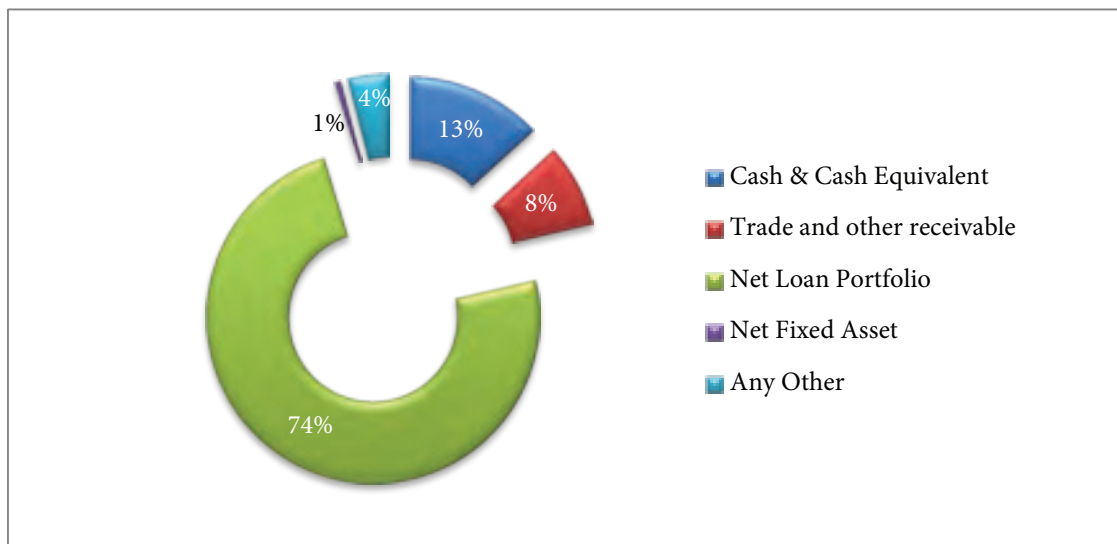
While the total assets of MFIs have seen a consistent growth trend over the last 6 years, it has seen a sharp increase of close to 14% in 2015-16 over the last year. This can be attributed to the sharp growth of 31% in the loan portfolio of MFIs this year.

Figure 3.4.1: MFI Total Assets - Yearly Trend



Distribution of Assets: The assets of an MFI comprise mostly of its net loan portfolio. At the end of the year 2015-16, the net loan portfolio of reporting MFIs was over 76% of the total assets. This was followed by cash and cash equivalents of 15%. Cash and cash equivalents are at this level mainly because most MFIs receive debt funding largely towards the very end of the year while it can be lent to the clients only at the beginning of next year. Trade and other receivables form the other major component of MFI assets at 6%.

Figure 3.4.2: Composition of Total Assets of MFIs





### 3.4.2 Pattern of Portfolio Financing

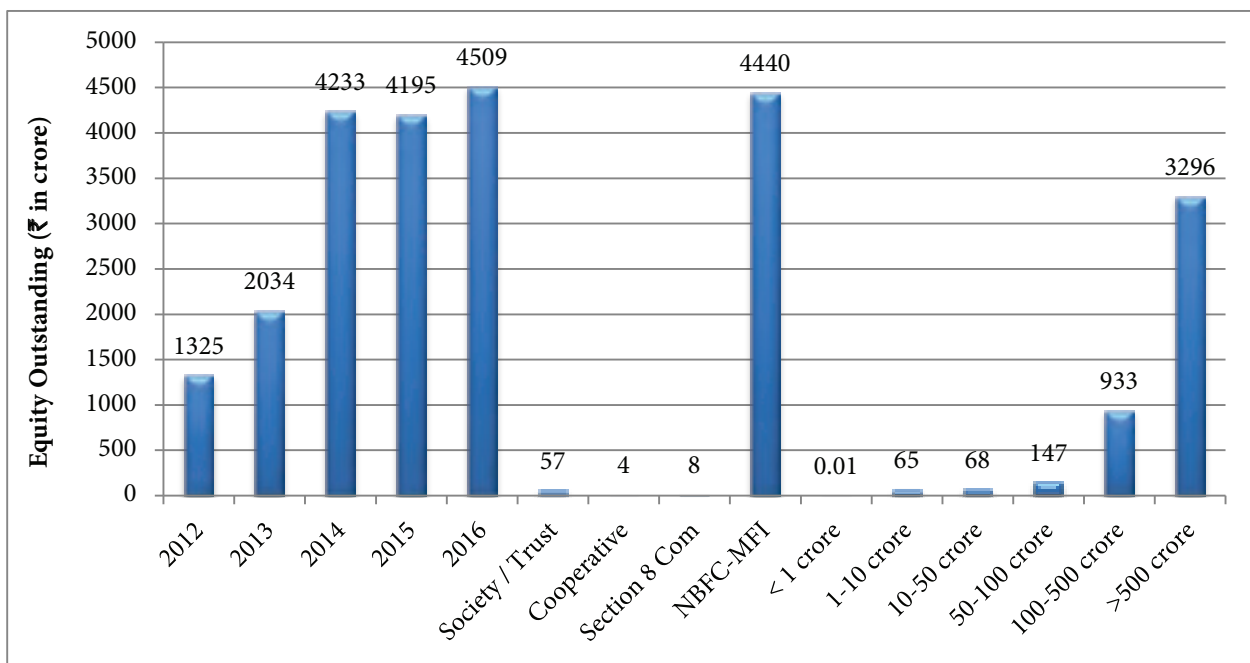
#### 3.4.2.i Net Owned Fund (NOF)

The MFIs reported a total Net Owned Funds (NOF) of close to ₹7361 crores for the year 2014-15. This NOF comprised of paid up equity, share premium, retained earnings and other reserves. NBFC-MFIs, as can be expected, hold the lion's share of the NOF, at over 94% of the total NOF of the sector. Societies and Trusts follow with under 3% of the total NOF of the sector at ₹204 crores.

#### Equity Outstanding

Of the total NOF of ₹7361 crores equity constitutes nearly ₹4509 crores. This is marginally higher than total equity of ₹4195 crores in 2014-2015. The total equity has remained steady this year after seeing significant growth of 53.5% in 2012-13 to over 108% in 2013-14 and 3% in 2015-16 without Bandhan. It is understandable that NBFC-MFIs hold 98% of the equity as their legal form is the most conducive to absorb equity. Again, there is a direct correlation between equity size and portfolio size, as close to two-thirds of the total equity is held by MFIs with portfolio over ₹500 crores and close to 94% of the equity is held by MFIs with portfolio over ₹100 crores.

**Figure 3.4.3: MFI Equity Outstanding - Yearly Trend and MFI-Category- wise Break-up of 2016 Figure**

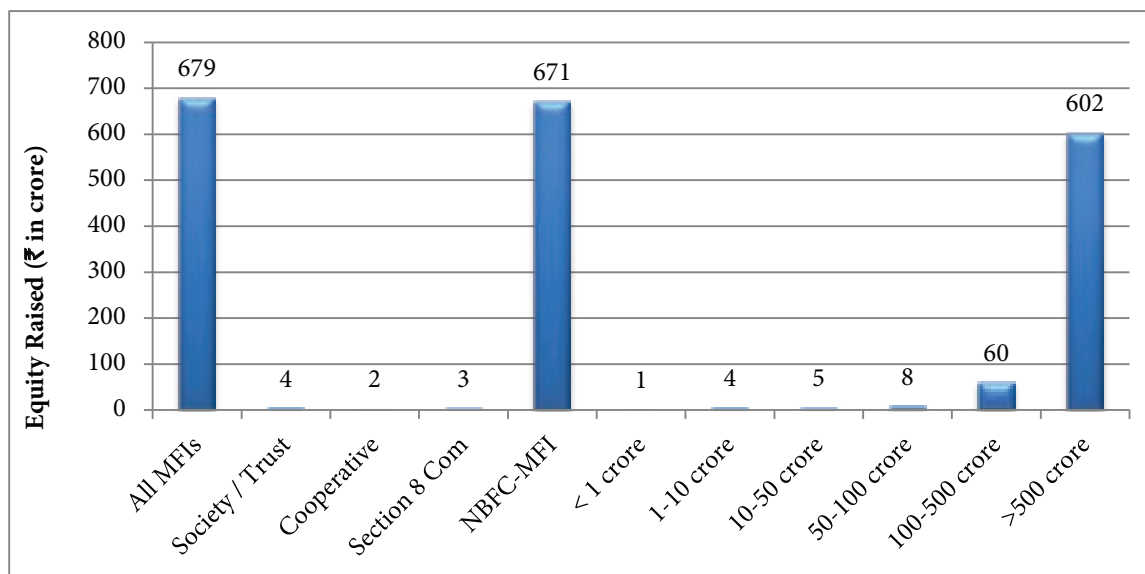


#### Fresh Equity Acquired

During the year 2015-16, the reporting MFIs collectively raised fresh equity to the tune of ₹679 crores. This is significantly lower than equity raised in the previous years. This is significant as this indicates that investors were awaiting the transformation of MFIs to SFBs.

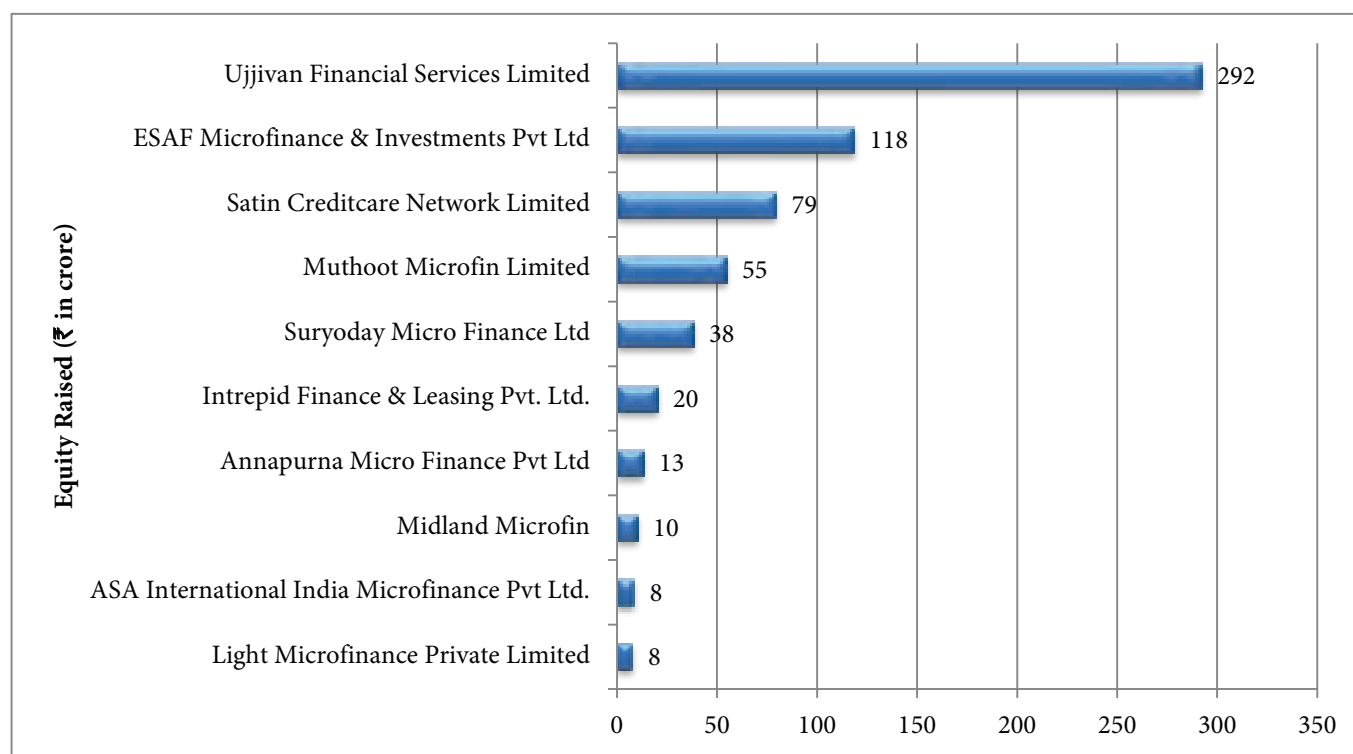
Again, of the total fresh equity raised, close to 99% is by NBFC-MFIs and close to 89% by MFIs with portfolio over ₹500 crores.

**Figure 3.4.4: Fresh Equity Raised by MFIs and MFI-Category-wise Break-up**



List of Top 10 MFIs in term of equity received is shown in Figure 3.4.5.

**Figure 3.4.5: Top 10 MFIs in Terms of Equity Raised**

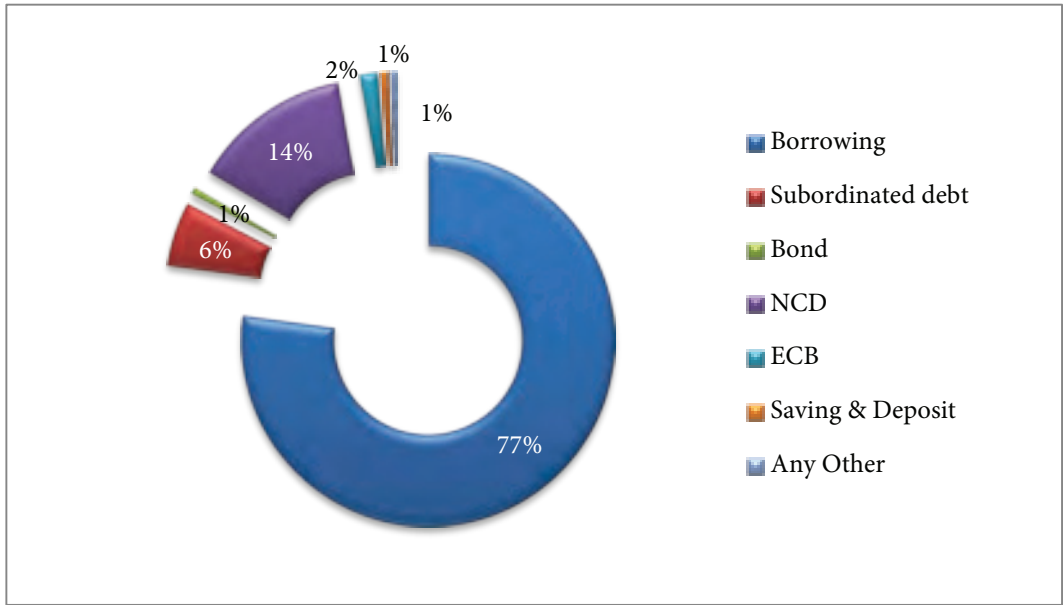


### 3.4.2.ii Debt Financing:

The confidence of lenders in the microfinance sector continues to grow post the AP microfinance crisis as MFIs show compliance to RBI guidelines and the strengthened regulatory framework takes effect. Strong performance of MFIs outside Andhra Pradesh, strengthening operational efficiency and the effective functioning of credit bureaus has again made banks start lending to MFIs in a major way.

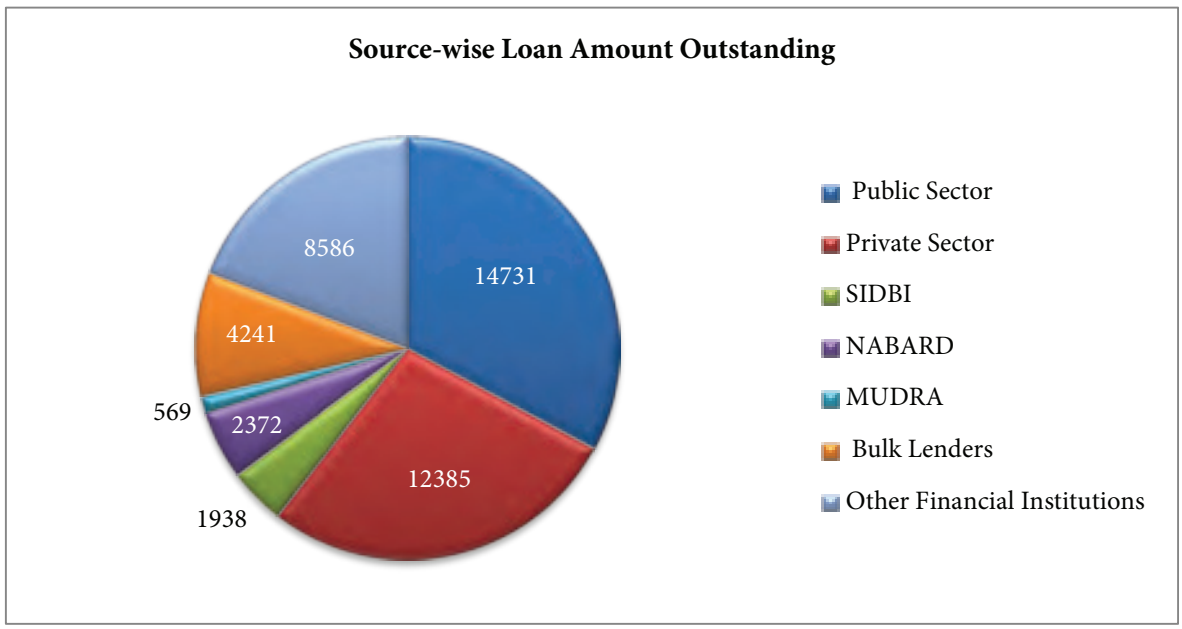
The total MFI debt funding for the sector has been reported at over ₹44822 crores during the year 2015-16. While most of this funding is through borrowing (77%) and Non-Convertible Debenture (14%), Figure 3.4.6 indicates that subordinated debt, overdraft, bonds, and savings and deposits also form some minor avenues for fundraising for MFIs. Cooperatives have the added option to raise funds through deposits and savings from borrowers/members. In addition to Debt funding, 31 MFIs have raised funds to the tune of ₹8834 crores through securitisation deals in 2015-16.

**Figure 3.4.6: Sources of Funding Based on Types of Instruments**



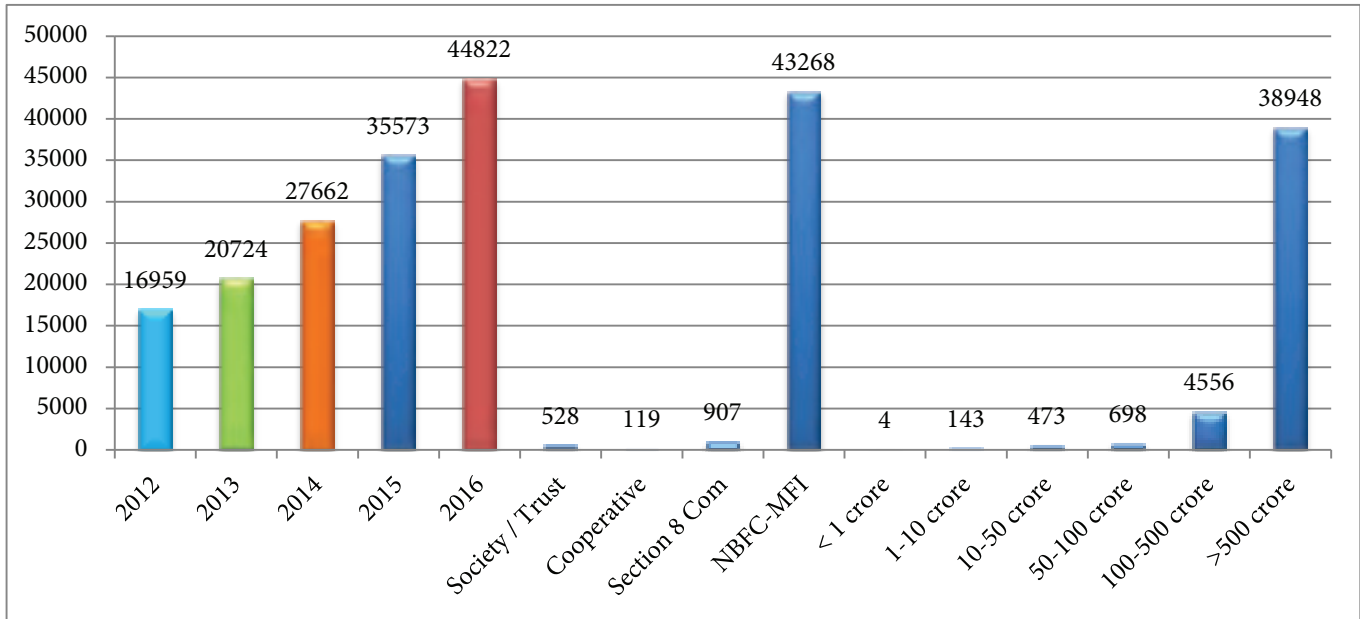
The total amount of outstanding borrowings as on 31st March, 2016 for all MFIs collectively was close to ₹44822 crores without data of Asmitha, Share Microfin and Bandhan, an increase of 10% over the last year. Of this the maximum outstanding borrowings were from public sector banks at 33 % followed by private sector banks at 28%, for a combined portfolio outstanding of over 60% (₹27116 crores) of the total borrowings.

**Figure 3.4.7: Sources of Funding Based on Institution Types**



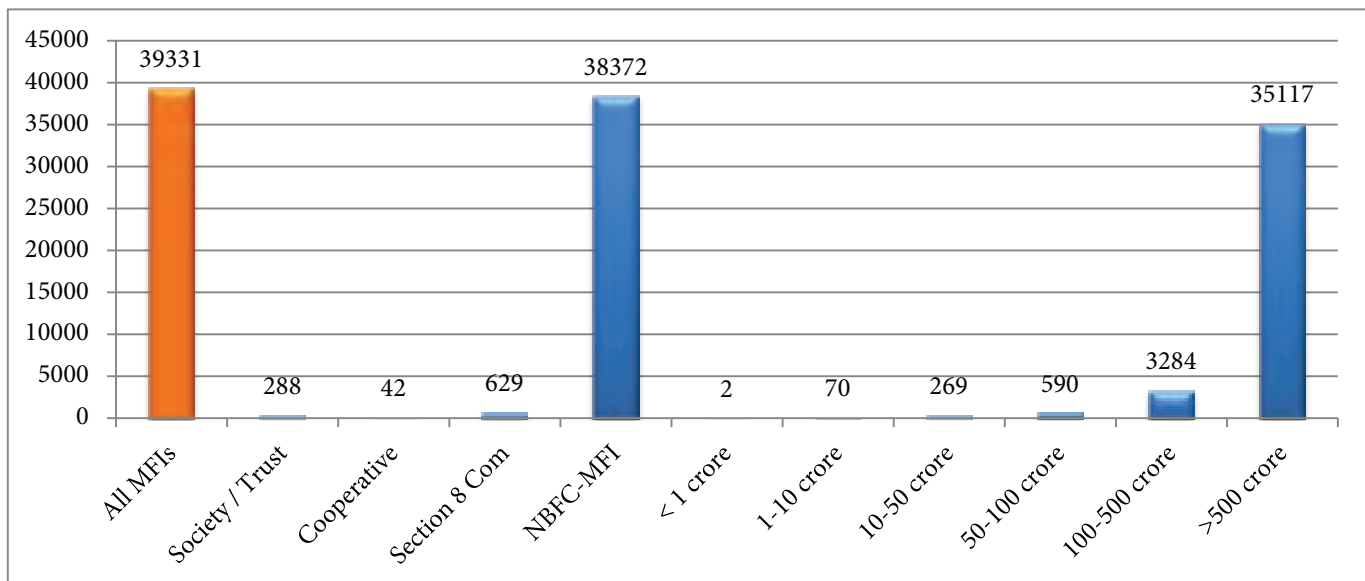
Out of total outstanding borrowing to lenders, the share of NBFC-MFIs alone constitutes ₹43268 crore (97%), whereas NGO-MFIs hold an outstanding borrowing close to 3%. Size-wise, MFIs with portfolio size above ₹500 crore hold 87% of the total outstanding amount and MFIs with portfolio size of ₹100-500 cr. hold another 10%. Smaller MFIs hold a miniscule amount of the outstanding borrowed portfolio.

**Figure 3.4.8: Outstanding Borrowing – Yearly Trend and MFI-Category wise Break-up of 2016 Figure**



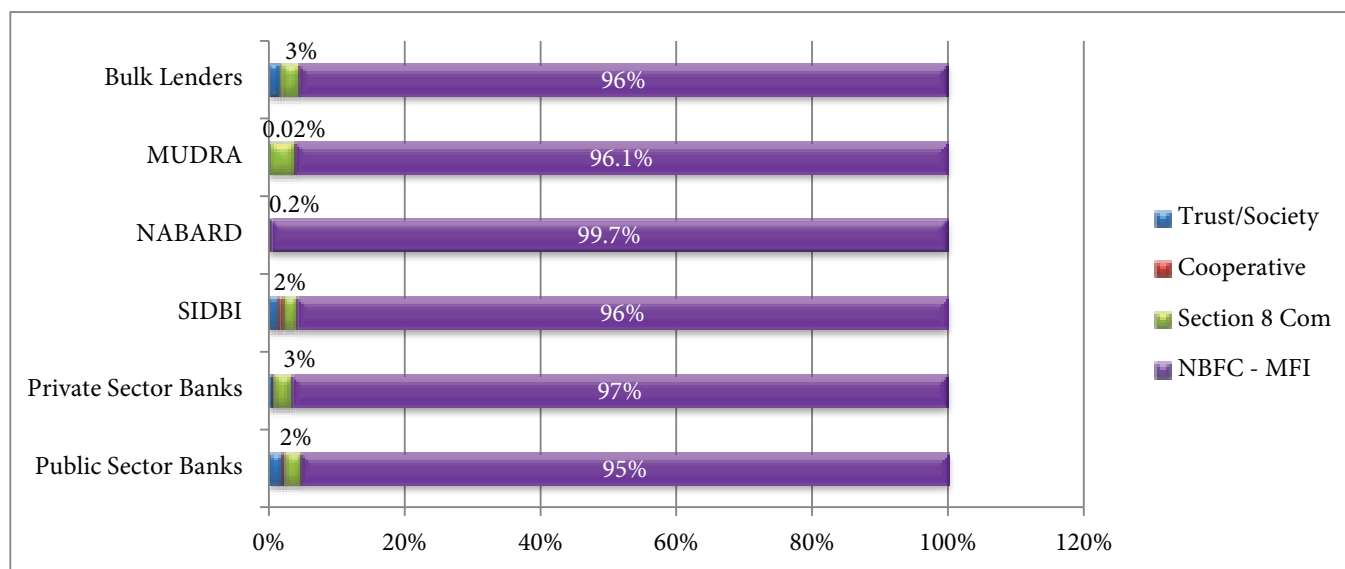
The total debt fund received during the year (April '15 – March '16) for all MFIs collectively was close to ₹39331 crores without data of Asmitha, Share Microfin and Bandhan. Out of total debt fund received, the share of NBFC-MFIs alone constitutes ₹38372 crore (98%), whereas NGO-MFIs hold only 2%. Size-wise, MFIs with portfolio size above ₹500 crore hold 89% of the total debt fund received and MFIs with portfolio size of 100-500 cr. hold another 8%. Smaller MFIs hold a miniscule amount of the outstanding borrowed portfolio.

**Figure 3.4.9: Fund Received during the year and MFI-Category wise Break-up of 2016 Figure**



It is not very difficult to understand the preference for legal form of MFIs of different lenders. It is evident that lenders of all kinds overwhelmingly prefer to lend to NBFC-MFIs over any other legal forms. This is understandable given the size of NBFC-MFIs and more importantly, the current regulatory framework.

**Figure 3.4.10: Source wise Share of Loans lent among Different Legal Forms of MFIs during 2015-16**



It was also found that MFIs with a portfolio of ₹100 crore or above hold approximately 98% of the loan outstanding amount from all lenders.

### Top Lenders to MFIs during 2015-16

The data of reporting MFIs has been further analysed to enumerate major banks and bulk lenders having outstanding balances with MFIs as of March 2016. The MFIs had been asked to list down lenders names who appear under Top 10 lenders as per their books as of March 2016.

Table 1 lists banks and bulk lenders respectively, which appear in the list of Top 10 lenders in the books of the MFIs. This list is obviously significant, though not exhaustive, as it contains the names of lenders who happened to be Top 10 among the reporting MFIs.

**Table 3.4.1: List of Lenders Reported Among Top 10 Lenders of the Individual Reporting MFIs (in terms of Outstanding as of March 2016)**

Name of the Banks	No. of MFIs	Name of the other Lenders	No. of MFIs
Allahabad Bank	3	AAV Sarl	2
Alwar Central Co-operative Bank	1	Ananya Finance	19
Andhra Bank	3	Assam Financial Corporation	3
Assam Cooperative Apex Bank Ltd.	2	Au Finance	3
Assam Gramin Vikash Bank	4	Blue Orchard	3
Axis Bank	16	BNP Paribas	1
Bangiya Gramin Bikash Bank	9	Capital First	9
Bank of Baroda	5	Caspian Impact Investment Pvt. Ltd.	3
Bank of India	4	CDC Emerging Markets Ltd.	1
Bank of Maharashtra	17	Cordaid	2

Baroda Kshetriya Gramin Bank, Rajasthan	1	Dia Vikas	5
Bharatiya Mahila Bank	4	Edelweise ARC	1
Canara Bank	20	Electronica	1
Catholic Syrian Bank	3	FWWB	7
Central Bank	7	Gojamjunde Finance Corp	1
Citibank	1	Gruh Finance Ltd	1
Corporation Bank	8	Habitat for Humanity India Trust, New Delhi	3
DCB Bank	9	Hinduja Leyland	1
Dena Bank	14	IFMR	15
Dhanalakshmi Bank	3	IGS	15
Federal Bank	5	Incofin	1
Grameen Bank of Aryawart	1	Intellegrow	1
Gujarat Mahila Sewa Energy Bank	1	Kashi Vishwanath Vigdhya Samithi	1
HDFC Bank	19	Kaushal Vintrade Pvt. Ltd.	1
HSBC Bank	5	KIVA	4
ICICI	13	Karnataka State Financial Corporation	1
IDBI	46	L&T	3
IDFC	7	Maanaveeya	18
Indian Bank	9	Manappuram	1
Indian Overseas Bank	14	MAS	32
IndusInd Bank	8	Michael & Susan Dell Foundation	1
Karnataka Bank	2	Micro Build	1
Karnataka Vikas Grameen Bank	1	Microfinance Initiative for Asia (MIFA)	1
Kashi Gomti Samyut Gramin Bank	1	Microfinance Solidaire	1
Kaveri Grameen Bank	2	MicroGraam Social Development Foundation	2
Kotak Mahindra Bank Ltd.	3	Microvest	1
Lakshmi Vilas Bank	6	MILAAP	3
NABARD	30	MUDRA	4
National Housing Bank	1	Muthoot Capital	4
Oriental Bank of Commerce	4	Nabkisan Finance Ltd	3
Primary Agri - Cultural Bank	1	National Scheduled Catse Finance & Development Corporation	1
Pallavan Grama Bank	3	National Skill Development Corporation	1
Punjab and Sind Bank	1	Navaratra Trade Link	1
Punjab National Bank	6	NEDFI	10
Rabobank	3	Northern India Consultants Pvt. Ltd.	1
Ratnakar Bank	8	OIKO Credit	2
RBL Bank	8	One Acre Venture Pvt. Ltd.	1
Royal Bank of Scotland (RBS)	1	Rang De	2
Repc Bank	1	Rashtriya Mahila Kosh	10
SIDBI	39	Relaince Capital Ltd.	30
South Indian Bank	5	Reliance Home Finance Limited	2
Standard Chartered Bank	6	Religare	12
State Bank of Bikaner and Jaipur	3	ResponAbility	3

State Bank of Hyderabad	3	Sampark Fin Services Ltd	1
State Bank of India	45	Symbiotic	5
State Bank of Mysore	1	Toyata Financial Services	2
State Bank of Patiala	2	Triple Jump	1
State Bank of Travancore	5	World Business Capital	1
Syndicate Bank	6		
Tamilnad Mercantile Bank Ltd.	2		
Tiruchi District Central Cooperative Bank	1		
The Assam Co-Op Bank Ltd.	1		
Triodo Bank	2		
UCO Bank	14		
Union Bank	17		
United Bank of India	6		
Vijaya Bank	12		
Yes Bank	8		

**Table 3.4.2: MFI wise Loan Outstanding (based on top 10 lenders data) to Lenders**

S.No.	Name of MFIs	Amount (₹ in crore) Outstanding
1	Adhikar	0.76
2	Adhikar Micro Finance Pvt. Ltd.	27.68
3	Agradut Polly Unnyan Samity	1.39
4	Ajagar Social Circle	9.48
5	Altura Financial Services Ltd.	17.18
6	Anik Financial Services Pvt. Ltd.	1.17
7	Annapurna Mahila Coop Credit Society Ltd.	47.79
8	Annapurna Micro Finance Pvt. Ltd.	463.05
9	Arohan Financial Services Pvt. Ltd.	301.60
10	Arth Microfinance Pvt. Ltd.	16.38
11	ASA International India Microfinance Pvt. Ltd.	81.33
12	Asomi Finance Pvt. Ltd.	15.37
13	B U R S	0.57
14	Bagaria Relief Welfare Ambulance Society	0.26
15	Balajee Sewa Sansthan	0.04
16	Bal Mahila Vikas Samiti-VAMA	3.65
17	Barasat Unnayan Prostuti	0.30
18	Belghoria Janakalyan Samity	20.12
19	Bengal Women Welfare Association	0.18
20	Bhartiya Micro Credit	70.94
21	Bhartiya Samruddhi Finance Ltd.	179.10
22	Blaze Trust	1.70

23	BSS Microfinance Pvt. Ltd.	300.69
24	BWDA Finance Ltd.	1.63
25	Cashpor Micro Credit	559.61
26	Centre for Development Orientation & Training	8.53
27	Chaitanya India Fin Credit Pvt. Ltd.	111.73
28	Chanura Microfin Manipur	5.19
29	Dakshin Budhakhali Improvement Society	4.54
30	Dhosa Chandaneswar Bratyajana Samity	5.63
31	Disha India Micro Credit	0.62
32	dMatrix Development Foundation	0.95
33	Duttapukur Institute for Social Advancement	0.38
34	Equitas Micro Finance Ltd.	0.02
35	ESAF Microfinance & Investments Pvt. Ltd.	626.55
36	Forum for Rural Environment and Economic Development	4.14
37	Future Financial Services Pvt. Ltd.	301.96
38	Futureage India Micro Credit Services	3.15
39	G B P Nobel Microfinances	0.01
40	Grama Vidiyal Micro Finance Ltd.	605.14
41	GUARDIAN	20.71
42	Grameen Development & Finance Pvt. Ltd.	19.95
43	Grameen Koota Financial Services Pvt. Ltd.	988.95
44	Gramin Mahila Swayamsiddha Sangh	8.24
45	Gramotthan Micro Finance Company	2.79
46	Gram Utthan	13.26
47	Growing Opportunity Finance (India) Pvt. Ltd.	85.66
48	Hand in Hand India	47.90
49	Hindusthan Microfinance Pvt. Ltd.	48.52
50	Humana People to People India	9.41
51	IDF Financial Services Pvt. Ltd.	59.72
52	IMPACT	18.18
53	Institute of Rural Credit and Entrepreneurship Development	7.59
54	Intrepid Finance & Leasing Pvt. Ltd.	194.78
55	Jagaran Microfin Pvt. Ltd.	116.89
56	Janalakshmi Financial Services Ltd.	3345.47
57	Jeevankiran	8.90
58	Kotalipara Development Society	31.86
59	Life Foundation	2.86
60	Light Microfinance Pvt. Ltd.	50.00
61	Madura Micro Finance Ltd.	333.49
62	Mahasemam Trust	59.10
63	Mahashakti Foundation	11.93
64	Margdarshak Financial Services Ltd.	104.58



65	Matashree Gomati Devi Jan Seva Nidhi	356.98
66	Midland Microfin Ltd.	71.52
67	Muthoot Microfin Ltd.	831.00
68	NABARD Financial Services Ltd.	830.42
69	Namra Finance Ltd.	79.41
70	Navachetana Microfin Services Pvt. Ltd.	51.82
71	Network of Entrepreneurship & Economic Development	7.31
72	Nightingale Finvest Pvt. Ltd.	33.61
73	North East Region Finservices Ltd.	283.93
74	Organisation for Development Integrated Social and Health Action	0.96
75	Pahal Financial Services Pvt. Ltd.	16.84
76	People's Action for Transformation	12.52
77	Peoples Forum	12.43
78	Planned Social Concern	4.00
79	Pragathi Seva Samithi	0.88
80	Prakruthi Foundation	2.40
81	PRAYAS - Organization for Sustainable Development	14.58
82	Prochesta Thrift & Credit Co-Operative Society Asom Ltd.	1.44
83	Purba Barasat Prerana	0.83
84	Rashtriya Seva Samithi	48.58
85	Repcro Micro Finance Ltd.	264.46
86	RGVN (NE) Microfinance Ltd.	343.46
87	RORS Finance Pvt. Ltd.	5.78
88	Rural Education Action and Development	1.77
89	S.M.I.L.E. Microfinance Ltd.	119.43
90	Sahara Utsarga Welfare Society	29.78
91	Saija Finance Pvt. Ltd.	56.71
92	Sakhi Samudaya Kosh	6.93
93	Samasta Micro Finance Ltd.	36.95
94	Sambandh Finservice Pvt. Ltd.	75.61
95	Samhita Community Development Services	22.81
96	Sampurna Training and Entrepreneurship Programme	1.41
97	Sanghamithra Rural Financial Services	109.98
98	Sarala Development and Microfinance Pvt. Ltd.	47.97
99	Sarvodaya Nano Finance Ltd.	20.99
100	Satin Creditcare Network Ltd.	1566.72
101	Seba - Rahara	9.13
102	Shikhar Microfinance Pvt. Ltd.	59.39
103	Social Action for Rural Community	0.22
104	Society for Model Gram Bikash Kendra	9.55
105	Sonata Finance Pvt. Ltd	384.58
106	Spandana Sphoorty Financial Ltd.	1095.22

107	Sreema Mahila Samity	20.74
108	Suryoday Micro Finance Ltd	482.17
109	SV Creditline Pvt. Ltd.	302.37
110	Swayamsampurna	0.20
111	Swayamshree Mahila Samabaya Samiti Ltd.	0.40
112	Swayamshree Micro Credit Services	24.00
113	The Eastern Multipurpose Coop Society ltd.	1.21
114	The Saath Saving And Credit Co Operative Society Ltd.	0.40
115	UACCO Financial Services Pvt. Ltd.	27.36
116	Ujjivan Financial Services Pvt. Ltd.	2280.32
117	Unnati Microfin Pvt. Ltd.	4.58
118	Utkarsh Microfinance Pvt. Ltd.	782.90
119	Uttrayan Financial Services Pvt. Ltd.	37.60
120	Varam Capital Pvt. Ltd.	76.00
121	Vedika Credit Capital Ltd.	123.42
122	Village Financial Services Pvt. Ltd.	163.25
123	Virutcham Microfinance Ltd.	2.98
124	Vivekananda Sevakendra -O- Sishu Uddyan	4.47
125	VVD	3.26
126	Welfare Services Ernakulam	44.14
127	WSDS Initiate	8.97
128	Yukti Samaj Sewa Society	0.22
129	YVU Financial Services Pvt. Ltd.	5.06
	<b>Total</b>	<b>20718</b>

**Table 3.4.3: Lender wise Loan Outstanding (based top 10 lenders data) to MFIs**

S.N.	Name of the Lenders	Amount (₹ in crore) Outstanding
1	AAV Sarl	65.65
2	Allahabad	15.94
3	Alwar Central Co-operative Bank	2.00
4	Ananya	34.07
5	Andhra Bank	48.69
6	Assam Cooperative Apex Bank Ltd.	1.66
7	Assam Financial Corporation	0.62
8	Assam Gramin Vikash Bank	14.65
9	Au Finance	16.60
10	Axis Bank Ltd.	1146.60
11	Bangiya Gramin Bikash Bank	23.56
12	Bank of Baroda	144.96
13	Bank of India	59.53
14	Bank of Maharashtra	159.11

15	Baroda Kshetriya Gramin Bank Rajasthan	18.05
16	Bharatiya Mahila Bank	9.85
17	Blue Orchard	159.40
18	BNP Paribas	0.60
19	Canara Bank	118.04
20	Capital First	125.83
21	Caspian Impact Investment Pvt. Ltd.	14.60
22	Catholic Syrian Bank Ltd.	33.16
23	CDC Emerging Markets Ltd.	0.001
24	Central Bank of India	72.26
25	Citi Bank	23.50
26	Cordaid	2.48
27	Corporation Bank	24.11
28	Dena Bank	144.34
29	Development Credit Bank	169.69
30	Dhanalakshmi Bank	118.64
31	Dia Vikas	27.67
32	Edelweisse ARC	8.68
33	Electronica	2.48
34	Federal Bank	164.37
35	FWWB	2.74
36	Gojamjunde Finance Corp	0.01
37	Grameen Bank of Aryawart	4.02
38	Gruh Finance Ltd.	0.15
39	Gujarat Mahila Sewa Energy Bank	0.11
40	Habitat for Humanity India	0.98
41	HDFC Bank	821.84
42	Hinduja Leyland	7.50
43	HSBC Bank	543.30
44	ICICI Bank Ltd.	1162.02
45	IDBI Bank	2136.84
46	IDFC Bank	239.55
47	IFMR	341.65
50	IGS	3.75
48	Incofin	40.00
49	Indian Bank	64.03
51	Indian Overseas Bank	226.73
52	IndusInd Bank	893.59
53	Intellegrow	2.69
54	Karnataka Bank	14.71
55	Karnataka Vikas Grameen Bank	14.20
56	Kashi Gomti Samyut Gramin Bank	4.21
57	Kashi Vishwanath Vigdhya Samithi	1.60

58	Kaushal Vintrade Pvt. Ltd.	0.60
59	Kaveri Grameen Bank	3.05
60	KIVA	26.34
61	Kotak Mahindra Bank Ltd.	197.21
62	KSFC	0.62
63	L&T	37.26
64	Lakshmi Vilas Bank	82.86
65	Maanaveeya	110.73
66	Manappuram	10.00
67	MAS	612.43
68	Michael & Susan Dell Foundation	5.91
69	Micro Build	2.00
70	Microfinance Initiative for Asia (MIFA)	35.00
71	Microfinance Solidaire	0.65
72	MicroGraam Social Development Foundation	0.39
73	Microvest	33.00
74	MILAAP	2.92
75	MUDRA	81.65
76	Muthoot Capital	33.97
77	NABARD	2245.53
78	Nabkisan Finance Ltd	3.81
79	National Housing Bank	1.49
80	National Scheduled Catse Finance & Development Corporation	0.15
81	National Skill Development Corporation	1.49
82	Navaratra Trade Link	0.50
83	NEDFI	118.11
84	North Eastern Development Finance Corporation Ltd.	4.34
85	Northern India Consultants Pvt. Ltd.	0.57
86	OIKO Credit	10.68
87	One Acre Venture Pvt. Ltd.	0.10
88	Oriental Bank of Commerce	38.82
89	PACB	0.26
90	Pallavan Grama Bank	9.31
91	Punjab and Sind Bank	59.43
92	Punjab National Bank	211.26
93	Rabobank	11.82
94	Rang De	1.12
95	Rashtriya Mahila Kosh	1.94
96	Ratnakar Bank	550.18
97	RBL Bank	395.75
98	RBS	22.00
99	Reliance Capital Ltd	307.38
100	Reliance Financial Services	0.13

101	Reliance Home Finance Limited	10.36
102	RELIGARE	134.14
103	Repcobank	193.41
104	ResponAbility	195.00
105	Sampark Fin Services Ltd.	0.35
106	SIDBI	1175.94
107	South Indian Bank Ltd.	51.17
108	Standard Chartered Bank	648.85
109	State Bank of Bikaner and Jaipur	10.62
110	State Bank of Hyderabad	30.29
111	State Bank of India	882.78
112	State Bank of Mysore	19.82
113	State Bank of Patiala	4.23
114	State Bank of Travancore	57.42
115	Symbiotic	270.28
116	Syndicate Bank	192.95
117	Tamilnad Mercantile Bank Ltd.	1.52
118	TDCCB	0.38
119	The Assam Co-op Bank Ltd.	5.96
120	TMB	10.00
121	Toyota Financial Services	0.13
122	Triodos Bank	86.70
123	Triple Jump	46.74
124	UCO Bank	87.15
125	Union Bank of India	272.37
126	United Bank of India	15.88
127	Vijaya Bank	136.93
128	World Business Capital	26.56
129	Yes Bank	908.18
130	Others	471.52
	<b>Total</b>	<b>20718</b>

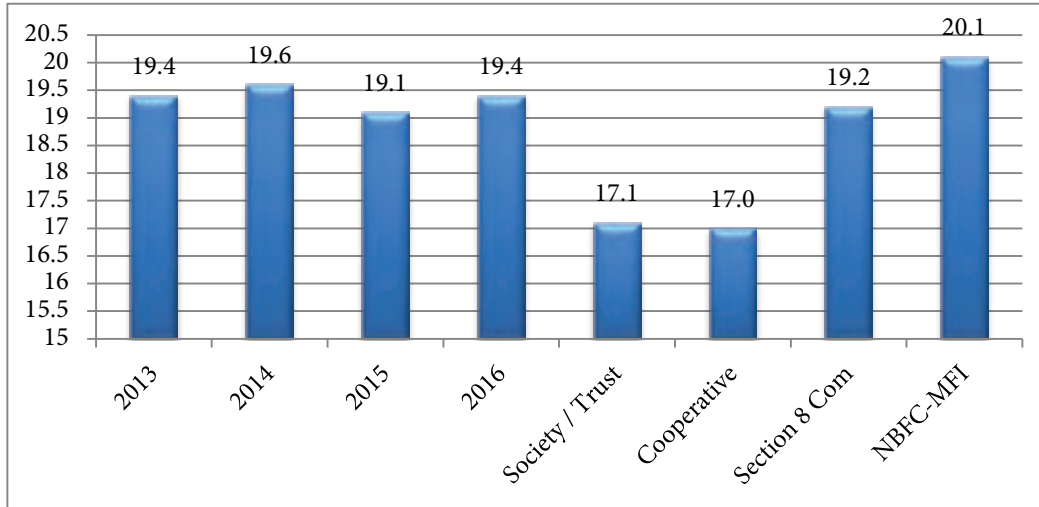
### 3.4.3 Capital<sup>1</sup> (Net owned Fund) to Total Asset Ratio

The Capital Adequacy of Indian MFIs, by and large, is well above the prescribed norms. The RBI has stipulated that NBFC-MFIs need to maintain at least 15 per cent capital on their risk weighted assets. The risk-weighted asset details are not readily available. However, with the help of Net Owned Fund and Total Asset particulars, Figure 3.4.11 brings out the estimates of CAR for the MFIs who reported this data. The median CAR for 2015-16 stands at 19.4, which is slightly higher the figure of 19.1 for 2014-15.

NBFC-MFIs, for which maintaining Capital adequacy is now mandatory, have an adequate CAR of 20.1% in aggregate, while Sec-8 Companies have a CAR of 19.2%. Trust/Society also have a median CAR above the desirable limit of 17.1%. Only Cooperatives have a median CAR below the desirable limit of 17%.

<sup>1</sup> The capital includes the free reserves and surplus also ( collectively termed as Net Owned Fund)

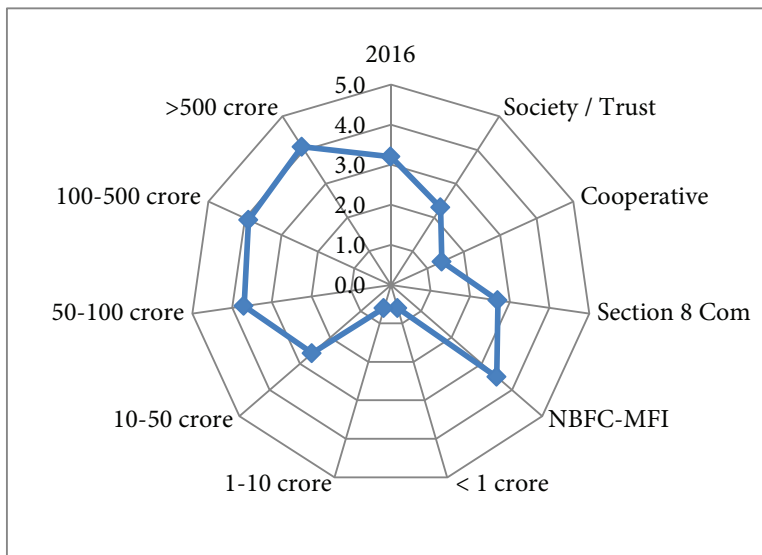
**Figure 3.4.11: Capital to Total Asset Ratio**



### 3.4.4 Leverage / Debt – Equity<sup>2</sup> Ratio

MFIs, like any other business institution, use their own funds as a base for borrowing from banks. Their borrowing capacity depends on their capital. This leverage is generally understood as a multiple of their own capital amount; these borrowings are from outside sources including banks. Debt-Equity Ratio is the parameter considered for measuring the extent of leveraging of equity to raise outside debt. The leverage needs to be optimum to balance between the profitability and stability of MFIs.

**Figure 3.4.12: Debt - Equity Ratio Trend and Break-up of 2016 Figure across MFI –Categories**



Median for 2016	3.2
Society/Trust	2.3
Cooperative	1.4
Section 8 Com	2.7
NBFC-MFI	3.5
<1 cr.	0.6
1-10 cr.	0.6
10-50 cr.	2.6
50-100 cr.	3.7
100-500 cr.	3.9
>500 cr.	4.1

Leverage of NBFC-MFIs is highest at 3.5, followed by Section 8 companies at 2.7. Society/Trust and Cooperatives have a leverage ratio of 2.3 and 1.4 respectively. According to Size of MFIs, MFIs with portfolio of more than ₹500 crore have the highest median leverage of 4.1.

<sup>2</sup> Equity refers to Net Owned Fund (Equity + Free Reserves and Surplus)

Financial inclusion is not an Indian specific problem, it is global one. So now Financial inclusion is a topic of increasing interest on the international policy agenda. But in India, home to the second largest population in the world, with huge mass of people below the poverty line spread across nearly 600,000 villages in 600 districts, it assumes utmost importance. India's government has a long tradition of promoting financial inclusion. For more than 40 years, the Reserve Bank of India has been operating priority sector lending mandating a portion of banks' loan portfolios to be in the agriculture sector and to small and micro enterprises. In 2005, it required banks to offer basic no-frills accounts with no, or very low, minimum balances and affordable charges. However, use of these accounts has been very low. In 2011, banks were advised to provide at a minimum four products: (a) a savings or overdraft account, (b) a remittance product for electronic transfer of government benefits and other remittances, (c) a pure savings product (ideally a recurring-deposit scheme), and (d) entrepreneurial credit. In a parallel initiative, in 2010 the government and the central bank set goals to provide by 2015 all villages in India with a banking outlet (either by a branch or a retail agent, in India known as a business correspondent), with stipulated annual targets along the way. While these targets were not specified by law, the Reserve Bank of India requires all banks to report progress regularly and closely monitors their achievements. It is still too early to say how successful the implementation of these ambitious goals will be. Some banks have risen to the challenge and opened numerous new outlets (mostly business correspondents). Others have complained that the financial inclusion targets hurt their profits.

For taking Financial Inclusion agenda forward, RBI granted "in-principle" licensing of 11 payments banks and 10 small finance banks. 11 payments Banks includes, Indian Post Office as the Indian post office has a huge network of branches with a unique outreach in rural areas. The sector is poised for much-needed disruption that will bring millions of Indian households into the formal financial system for the first time.

The nation has also enlarged the envelope of Financial Inclusion by including insurance, pension and other activities into its definition and priorities. The Pradhan Mantri Jan Dhan Yojana (PMJDY), which advocates for micro insurance and pension along with credit and savings, is one such recent development for an inclusive financial system. However, the Microfinance sector which is comprised of MFIs and SHPIs/SHGs has been proactively providing credit plus services such as micro-credit, savings, micro-insurance, micro-pensions, and other development related activities. The sector clearly understands the importance of credit plus services to low-income people. This chapter throws a light on such credit plus activities provided by MFIs and SHPIs.

### 4.1 Micro Insurance<sup>1</sup>

Micro-Insurance is much younger than other financial services for the poor and receives significant attention from all stakeholders. In order to facilitate penetration of micro insurance to the lower income segments of population, IRDA has formulated the micro insurance regulations. Micro Insurance Regulations, 2005 provide a platform to distribute insurance products, which are affordable to the rural and urban poor and to enable micro insurance to be an integral part of the country's wider insurance system. The main thrust of micro insurance regulations is protection of low income people with affordable insurance products to help cope with and recover from common risks with standardized popular insurance products adhering to certain levels of cover, premium and benefit standards. These regulations have allowed Non Government Organizations (NGOs) and Self Help Groups (SHGs) to act as agents to insurance companies in marketing

<sup>1</sup> IRDA Annual Report 2014-15.

the micro insurance products and have also allowed both life and non-life insurers to promote combi-micro insurance products.

The Authority has reviewed the Micro Insurance Regulations, 2005 comprehensively and notified IRDAI (Micro Insurance) Regulations, 2015 permitting several more entities like Business Correspondents of Scheduled commercial banks, District Co-operative banks, Regional Rural Banks, Urban Co-operative banks, Primary agricultural co-operative societies, other co-operative societies, RBI regulated NBFC-MFI's to improve penetration of Micro Insurance.

The individual new business premium under the micro insurance segment for the year 2014-15 stood at ₹28.89 Crore for 8.16 lakh new policies, the group business premium amounted to ₹315.60 crore covering 2.31 crore lives. LIC contributed to a significant component of the business procured in this portfolio by garnering ₹16.40 crores of individual new business premium under 4 lakh policies and ₹281.93 crore of group premium covering 2.06 Crore lives.

The number of micro insurance agents at the end of March 2015 stood at 20855; of which 19379 agents pertained to the LIC and the remaining represented the private sector companies. Thirteen life insurers had 21 micro insurance products as at 31.3.2015. Of these 21 products, 13 were Individual products and the remaining 8 were Group products.

#### **4.1.1 MFIs Acting as Micro Insurance Agents**

In distributing micro insurance products, the insurance industry faces various challenges such as (1) challenge of high transaction cost, (2) high upfront investments to reduce risk so that premiums are affordable, (3) technical knowhow etc. MFIs are well placed to overcome these challenges given their experience in providing financial products in remote areas. Microfinance Institutions are one of the most effective and efficient delivery channels for credit; further adding micro insurance to the product mix enables them to achieve both social and economic objectives. Additionally, MFIs not only provide micro-insurance policies but also spread awareness about risk management. MFIs help their clients choose cost effective policies out of the 28 micro insurance products. MFIs do face some challenges in providing micro-insurance policies, which include:

- (1) Relationship challenges with insurers such as burdensome claims documentation, delays in paying claims, and occasional claims rejections.
- (2) To structure the product and price it appropriately, as they typically lack the in-house expertise to do this. The two most common approaches are either: (a) to pick a nice round number that the MFI thinks the clients can afford; or (b) the MFI copies the pricing offered by insurers.
- (3) Other challenge of delivering the policies is of educating staff and clients about the products.

However a large numbers of MFIs have been providing micro insurance products. As the Table 4.1 below shows, 15 MFIs have reached to 3.66 lakh clients for health products and Table 4.2 states that 39 MFIs have reached to 55.38 lakh clients for non-health products.



**Table 4.1: MFIs Involved in Micro Insurance-Health**

S.N.	Name of the Organisation	State	No. of Client
1	Annapurna Mahila Coop Credit Society Ltd.	Maharashtra	192195
2	Centre For Development Orientation & Training	Karnataka	5017
3	Grameen Koota Financial Services Pvt. Ltd.	Karnataka	74831
4	Growing Opportunity Finance (India) Pvt. Ltd.	Kerala	524
5	Mass Care International	Gujarat	600
6	Micro Enterprises & Sustainable Projects	Odisha	13
7	Organisation for Development Integrated Social and Health Action	Bihar	1260
8	Prochesta Thrift & Credit Co-Operative Society Asom Ltd.	Odisha	1250
9	Rural Education Action and Development	Odisha	75
10	Sambandh Finserve (P) Ltd.	Assam	4636
11	Sanghamithra Rural Financial Services	Bihar	38635
12	Swayamshree Micro Credit Services	Tamil Nadu	56
13	The Eastern Multipurpose coop Society Ltd.	Tamil Nadu	6762
14	The Saath Saving And Credit Co Operative Society Limited	Odisha	8690
15	Welfare Services Ernakulam	Jharkhand	31478
	<b>Total</b>		<b>366022</b>

Note: The number of clients under microinsurance programmes appears lower than 2014-15 as fewer MFIs have provided data on this aspect.

**Table 4.2: MFIs Involved in Micro Insurance - Non-health**

S.N	Name of the Organization	State	No. of Clients
1	Agradut Polly Unnyan Samity	West Bengal	4122
2	Annapurna Mahila Coop Credit Society Ltd.	Maharashtra	50076
3	Balajee Sewa Sansthan	Uttarakhand	1400
4	Bengal Women Welfare Association	West Bengal	128
5	Blaze Trust	Tamil Nadu	4545
6	Cashpor Micro Credit	Uttar Pradesh	710201
7	Deshabandhu Micro Finance and Livelihood Institution	Assam	130
8	Dhosa Chandaneswar Bratyajana Samity (DCBS)	West Bengal	2500
9	Disha India Micro Credit	Uttar Pradesh	65515
10	dMatrix Development Foundation	Maharashtra	2952
11	G B P Nobel Microfinance	Maharashtra	120
12	G U Financial Services Pvt. Ltd.	Odisha	59774
13	Grama Vidiyal Micro Finance Ltd.	Tamil Nadu	1045684
14	Grameen Development & Finance Pvt. Ltd.	Assam	15440
15	Grameen Koota Financial Services Pvt. Ltd.	Karnataka	3627760
16	Hand in Hand India	Tamil Nadu	63752
17	IMPACT	Tamil Nadu	13164
18	Kotalipara Development Society (KDS)	West Bengal	2803
19	Krishna Bhima Samruddhi Local Area Bank Ltd.	Telangana	34656
20	Mahashakti Foundation	Odisha	89464
21	Mass Care International	Bihar	600
22	Midland Microfin	Punjab	2002

23	Organisation for Development Integrated Social and Health Action (ODISHA)	Odisha	865
24	PRAYAS - Organization for sustainable development	Gujarat	20657
25	Rashtriya Seva Samithi (RASS)	Andhra Pradesh	38832
26	Rural Education Action and Development	Tamil Nadu	125
27	Sambandh Finserve (P) Ltd.	Odisha	53567
28	Samhita Community Development Services	Madhya Pradesh	261718
29	Sampada Entrepreneurship & Livelihoods Foundation	Maharashtra	20170
30	Shroff Capital and Finance Pvt. Ltd.	Gujarat	3936
31	Social Action for Rural Community	Odisha	373
32	Society for Model Gram Bikash Kendra	West Bengal	3395
33	Sreema Mahila Samity	West Bengal	6920
34	Swashree Mahila Sakh Sahakari Sanstha Maryadit	Madhya Pradesh	5739
35	Swayamshree Micro Credit Services	Odisha	5065
36	Virutcham Microfinance Limited	Tamil Nadu	5474
37	Volunteers for Village Development	Manipur	2911
38	Welfare Services Ernakulam	Kerala	21478
39	Yukti Samaj Sewa Society	Madhya Pradesh	289
	<b>Total</b>		<b>5538101</b>

Note: The number of clients under microinsurance programmes appears lower than 2014-15 as fewer MFIs have provided data on this aspect.

## 4.2 Micro Pension<sup>2</sup>

The country's population pyramid is expected to "bulge" across the 15–64 age brackets over the next decade. Around 64% of India's population is expected to be in the age bracket of 15–59 years by 2026, with 13% of the total aged above 60 years. However, India's demographic dividend is expected to level off around 2040. In 2050, the old age dependency ratio is likely to increase to 18.7 % of the total population from 8.6 % in 2011. With the shift to nuclear families, intergenerational support cannot be the sole source of old age security. At this juncture, it is important to get prepared for the future challenge of old age income security of our people in their sunset years.

In India, almost 400 million people (more than 85% of working population of the country) work in the unorganized sector and 88 % of the Indian workforce are excluded from pension coverage. Of these, at least 120 million are women and the majority has no access to a formal old age income security scheme. Tenuous labor market attachments, intermittent incomes, poor access to social security etc render the unorganized workers highly vulnerable to economic shocks during their working lives and deprive them of old age security. Swavalamban is one such program supported by the Government to provide a pension scheme under NPS.

### 4.2.1 NPS: Swavalamban

Swavalamban Scheme, a co-contributory Pension Scheme, launched in September, 2010 to encourage people from the unorganised sector to voluntarily save for their retirement. The Central Government would contribute a sum of ₹1,000 in each National Pension System (NPS) account opened under the Scheme where the subscriber is able to save ₹1,000 to ₹12,000 during a financial year. The Government's contribution is available upto Financial Year 2016-17. The scheme is for those citizens of India who are not part of any statutory pension/provident scheme. The target beneficiaries of Swavalamban Scheme are co-contributory

<sup>2</sup> PFRDA

scheme beneficiaries of State Governments, Aanganwaadi workers, Construction workers, Occupational classes like weavers, fishermen, farmers, dairy workers etc.

It is an ambitious flagship scheme of the Government of India, forming an integral and important part of the overall NPS (National Pension System) program. The scheme signifies an element of self-pride through participation of the less fortunate and excluded segments. Opening an account with NPS provides a Permanent Retirement Account Number (PRAN), which is a unique number and it remains with the subscriber throughout his lifetime.

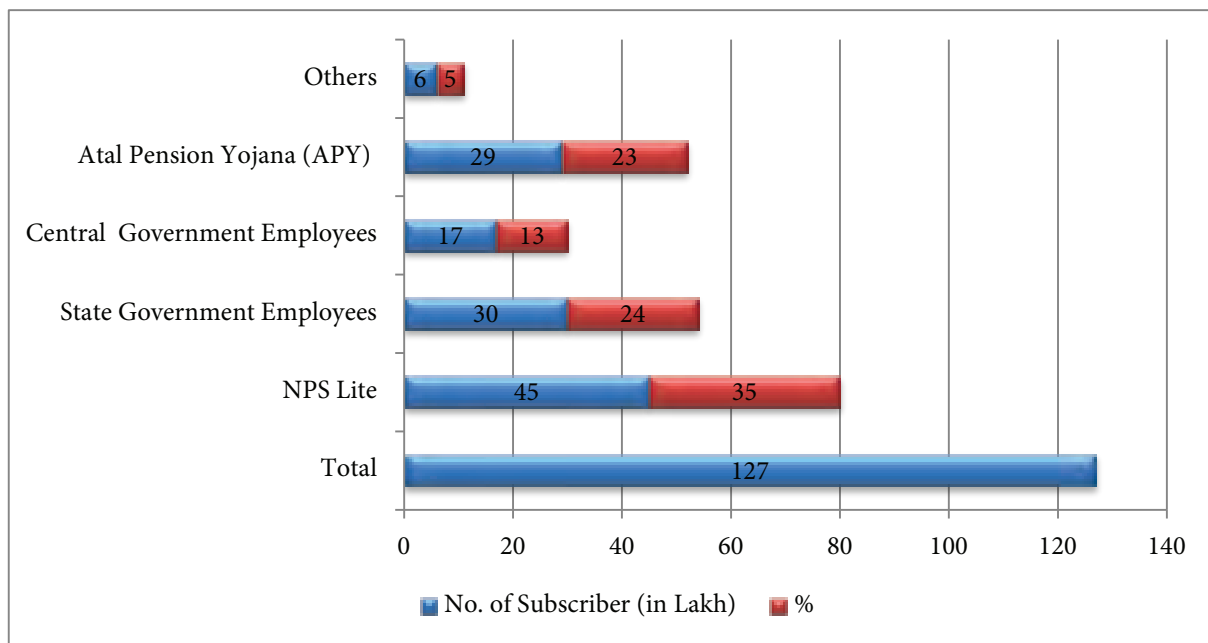
Atal Pension Yojana (APY) has been launched by the government with effect from June 1, 2015 which provides the strategic direction for shaping the pension landscape in the country to convert the society from “pension less” to “pensioned” one in the largely uncovered informal sector. As pension involves a long term commitment, there is a need to create awareness and financial literacy to encourage informal sector worker to save for their retirement.

Under APY, the Central Government co-contributes 50% of the subscriber’s contribution or ₹1000 per annum, whichever is lower, to each eligible subscriber account, for a period of 5 years, i.e., from 2015-16 to 2019-20, who join the NPS before December 31, 2015 and who are not income tax payers. State Governments can also co-contribute under APY to their underlying workers like Anganwadi, ASHA, and Construction Labour etc. to encourage the subscribers to join the scheme and secure their old age. The subscribers of APY would receive minimum pension of ₹1000 to ₹5000 per month, at the age of 60 years, depending on their contributions, which itself would vary depending on the age of joining the APY. APY has low costs and has access in rural areas via existing networks of post offices and banks.

#### 4.2.2 Composition of NPS Subscribers<sup>3</sup>

The number of subscribers under National Pension Scheme (NPS) and Atal Pension Yojana (APY) increased to 127.17 lakh and Assets under Management under NPS have increased to ₹126889 crore as end of May 2016. The decline in number of subscribers under NPS Lite is partly due to migration of eligible NPS Lite/ Swavalamban subscribers to APY. The table depicting the same is as under:

**Figure 4.1: Composition of NPS Subscribers**



<sup>3</sup> Pension Bulletin (June 2016)

The scheme is structured into two tiers:

**Tier - I account:** This is the non - withdrawable permanent retirement account into which the accumulations are deposited and invested as per the option of the subscriber.

**Tier - II account:** This is a voluntary withdrawable account which is allowed only when there is an active Tier I account in the name of the subscriber. The withdrawals are permitted from this account as per the needs of the subscriber as and when claimed.

#### 4.2.3 Pradhan Mantri Bima Yojana

Under Pradhan Mantri Bima Yojana, two schemes – (1) Pradhan Mantri Jeevan Jyoti Bima Yojana (life insurance policy) and (2) Pradhan Mantri Suraksha Bima Yojana (personal accident policy) have been launched by Central Government to increase the insurance penetration in the country.

**Pradhan Mantri Suraksha Bima Yojana** is a government-backed accident insurance scheme in India. It was originally mentioned in the 2015 Budget speech by Finance Minister Arun Jaitley in February 2015. It was formally launched by Prime Minister Narendra Modi on 9 May in Kolkata. As of May 2015, only 20% of India's population has any kind of insurance, this scheme aims to increase the number.

Pradhan Mantri Suraksha Bima Yojana is available to people between 18 and 70 years of age with bank accounts. It has an annual premium of ₹12 excluding service tax, which is about 14% of the premium. The amount will be automatically debited from the account. In case of accidental death or full disability, the payment to the nominee will be ₹200000 and in case of partial disability ₹100000. Full disability has been defined as loss of use in both eyes, hands or feet. Partial disability has been defined as loss of use in one eye, hand or foot.

This scheme will be linked to the bank accounts opened under the Pradhan Mantri Jan Dhan Yojana scheme. Most of these accounts had zero balances initially. The government aims to reduce the number of such zero balance accounts by using this and related schemes.

**Pradhan Mantri Jeevan Jyoti Bima Yojana** is a government-backed Life insurance scheme in India. It was also formally launched by Prime Minister Narendra Modi on 9 May in Kolkata. As of May 2015, only 20% of India's population has any kind of insurance, this scheme aims to increase the number.

Pradhan Mantri Jeevan Jyoti Bima Yojana is available to people between 18 and 50 years of age with bank accounts. It has an annual premium of ₹330 excluding service tax, which is above 14% of the premium. The amount will be automatically debited from the account. In case of death due to any cause, the payment to the nominee will be ₹200000.

This scheme will be linked to the bank accounts opened under the Pradhan Mantri Jan Dhan Yojana scheme. Most of these accounts had zero balances initially. The government aims to reduce the number of such zero balance accounts by using this and related schemes.

A number of MFIs have been providing micro pension services under various schemes. As the Table 4.3 below states, 11 MFIs have reached to 18.59 lakh clients.

**Table 4.3: MFIs involved in Micro Pension**

S.N.	Name of the Organisation	State	No. of Client
1	Janalakshmi Financial Services Ltd	Karnataka	1674416
2	Shri Mahila Sewa Sahakari Bank Ltd.	Gujarat	76017
3	Cashpor Micro Credit	Uttar Pradesh	49120
4	BWDA Finance Ltd	Tamil Nadu	31571
5	Grameen Koota Financial Services Pvt. Ltd.	Karnataka	19208
6	People's Action for Transformation	Tamil Nadu	5534
7	Samhita Community Development Services	Madhya Pradesh	1978
8	Sambandh Finservice (P) Ltd.	Odisha	529
9	Swayamshree Micro Credit Services	Odisha	446
10	Centre For Development Orientation & Training	Bihar	111
11	Micro Enterprises & Sustainable Projects (MESP)	Jharkhand	3
	<b>Total</b>		<b>1858933</b>

### 4.3 Other Development Services

As we have seen, the Microfinance sector (MFIs, SHPIs, SHG federations etc.) along with other stakeholders has been significantly contributing in providing micro-insurance and micro-pension. There are also various other services which the MFIs and SHPIs provide, such as capacity building, empowerment of the community (especially for the women), education, financial literacy, housing, health and sanitation, training, livelihoods support etc. The reported MFIs undertake several developmental activities. No. of MFIs engaged in such activities is indicated in Table 4.4.

**Table 4.4: Development Services of Reporting MFIs**

Development Activities	No. of MFIs
Capacity Building Initiatives	37
Education	34
Financial Literacy	52
Water and Sanitation	34
Livelihood Promotion	52
Preventive Healthcare	38
Training Initiatives	63

Sa-Dhan has received special reports from MFIs on their development activities undertaken during the last year. The primarily development interventions of reporting MFIs are summarized in Tables 4.5, 4.6, & 4.7.

**Table 4.5: MFIs and Livelihoods Intervention**

Name of MFI	Main Livelihood Promotion Initiatives
Agradut Polly Unnyan Samity	Sanitary Napkin, Readymade Garments
Anik Financial Services Pvt. Ltd.	Training of Business Activities
Arohan Financial Services Pvt. Ltd.	Skill Building training as a part of CSR
Balajee Sewa Sansthan	SHG promotional, Vocational Training
Bal-Mahila Vikas Samiti -VAMA	Running livelihood project in Block Morar with support of Church Auxiliaries for Social Action, Bhopal
Barasat Sampark	Skill & Capacity Development for beneficiaries /members
Bengal Women Welware Association	Shola Dry Flower Manufacturing
Blaze Trust	New business ventures, Value addition trainings, Business plan preparation.
BWDA Finance Ltd	Animal Husbandry and Milch animal. Distributed milch animal loans in collaboration with NABARD
Centre for Promoting Sustainable Livelihood(CPSL)	Analysis of livelihood processes taken by Group members
Dakshin Budhakhali Improvement Society (DBIS)	Training on Embroidery, Clay Modelling, Leather
Dhosa Chandaneswar Bratyajana Samity	Tailoring Training
Equitas Micro Finance Ltd	Skill Training is being imparted to interested members for helping them to earn additional income
Gramin Mahila Swayamsiddha Sangh	Compost bed, Azola bed
Gram-Utthan	Livelihood promotion through integrated fish farming credit & technical support
Hand in Hand India	Family based enterprises created
IMPACT	On business development and income generation activities
Kotalipara Development Society (KDS)	Livelihood promotion activity like beautician, Tailoring, Driving, Distribution of Van Rickshaw.
Mahasemam Trust	Promoted Goat livelihood
Margdarshak Financial Services Ltd.	Solar Products
Micro Enterprises & Sustainable Projects (MESP)	Through biri manufacturing, tailoring cluster development fish culture promotion, dairy sub sector promotion.
NABARD Financial Services Limited	Sustainable Livelihood
Opportunity Microfinance India Ltd	Provided loans for livelihood opportunities.
Pragathi Seva Samithi	Conducted Micro Enterprises Trainings.
Prakruthi Foundation	Agri. Training & Market Linkages
PRAYAS - Organization for sustainable development	Promoted them to grow their business in terms of purchase agriculture products, livestock's and also for their small other businesses.
Prayas Juvenile Aid Centre (Prayas Micro Credit)	Beneficiaries placed under Jeevika in Bihar and Jharkhand states, under RSLDC in Rajasthan and under DWSSC in Delhi
Sampada Entrepreneurship & Livelihoods Foundation	The Borrowers were motivated and provided with credit for start up their livelihood activity.

Sampurna Training and Entrepreneurship Programme	Vocational Training
Satin Creditcare Network Limited	Improving Dhokra craft Artisan Livelihood opportunity at Sadaiberini village of Dhenkanal district of Odisha by setting up of Common Facility Center (CFC) with advance equipment, tools at the village level, & ensure availability required technology, product diversification, design development, and provide a marketing space for merchandise manufactured by the rural artisans in nearest vicinity possible.
Shikhar Microfinance Pvt. Ltd.	Shikhar aims at providing financial services to promote livelihood opportunities.
Social Action for Rural Community	Livelihood training to beneficiaries on Vegetable/Paddy cultivation, Goat rearing, Mushroom Cultivation, Poultry farming, Handloom etc.
Society for Model Gram Bikash Kendra	Financial support has been provided for creation of livelihood promotion.
Swayamsampurna	Promoting organization Jeevika Development Society conducting training programme for livelihood activities( tailoring unit and Agricultural unit)
Swayamshree Micro Credit Services	Livelihood promotion of 10 beneficiaries on ice cream and other milk products, 30 beneficiaries on mushroom cultivation and for 15 beneficiaries on tailoring centre provided.
Varam Capital Private Limited	In the worst ever floods in Chennai during December 2015, Varam team actively participated in the relief across different areas of the city. Team has contributed to the Chennai Flood Relief by distributing blankets, milk, food packet, water bottles and other emergency relief materials.

Note: The list of MFIs taking up these services is not exhaustive.

**Table 4.6: MFIs and General Education Intervention**

Name of MFI	Main General Education Initiatives
Agradut Polly Unnyan Samity	Creche Centre, Sponsored by Central Social Welfare Board, New Delhi
Anik Financial Services Pvt. Ltd.	Provides Awareness of Govt Schemes to members.
Bagaria Releif Welfare Ambulance Society	Pre primary school.
Balajee Sewa Sansthan	Child education
Barasat Sampark	Books & other material purchasing for poor students
Blaze Trust	Importance of child education
BURS	Running a free pre-primary school
BWDA Finance Ltd	BWDA gives general education apart from awareness and advocacy education through schools, colleges and polytechnics for the academic excellence. Community Knowledge centre is another aspect in which BWDA gives education facilities to the poor and downtrodden students in the community very practically in 30 villages of Tamil Nadu covering 2500 students.
Cashpor Micro Credit	Remedial education program through PRATHAM and In-House as CEC.
Centre for Promoting Sustainable Livelihood(CPSL)	Educational loan for private tuition and private school.

Dakshin Budhakhali Improvement Society (DBIS)	Arranging coaching classes at school level.
Grameen Koota Financial Services Pvt. Ltd.	Interactive awareness program called “Jagruthi”, wherein awareness on various socially relevant subjects is communicated through open letters sent to all members.
Growing Opportunity Finance (India) Pvt. Ltd	Awareness on Girl Child Education, Women Rights, Legal Rights.
Hand in Hand India	Help in enrolling to Govt. school enrolment of the never enrolled children.
Jagaran Microfin Private Ltd	Pre Primary School.
Jeevankiran	Distribution of free study materials like text books, note books, bags, umbrellas, uniform, etc.
Kotalipara Development Society (KDS)	Providing out-of school time back up education support.
Madura Micro Finance Limited	Adult Literacy programme was given to the members.
Mahasemam Trust	Children's scholarship through LIC of India.
Mass Care International	Basic education imparted to out-of-school girls.
Micro Enterprises & Sustainable Projects (MESP)	Literacy drive to our borrowers.
Network of Entrepreneurship & Economic Development	Community schools covering 90% girl child by community teachers trained by NEED
People's Action for Transformation	Tuition and Day Care centres.
Peoples Forum	Education on Products & Grievance Redressal Mechanism, Observation of International Literacy Day.
PRAYAS-Organization for sustainable development	Encourage them to provide good education to their child and Prayas is facilitating that by giving them loan.
Purba Barasat Prerana	Educational support for poor Student
Society for Model Gram Bikash Kendra	As a part of regular activity it is provided to students through our school at Nadia
Suryoday Micro Finance Ltd	General Education covered through Social Message for Community awareness Programme.
Swayamsampurna	training provided School going children to Awareness generation for prevention of early girl child marriage issue

Note: The list of MFIs taking up these services is not exhaustive.

**Table 4.7: MFIs and Preventive Healthcare Initiatives**

Name of MFI	Main Preventive Healthcare Initiatives
Blaze Trust	Training on Women health and epidemic diseases
Belghoria Janakalyan Samity	Training on health, hygiene and sanitation.
Varam Capital Private Limited	Throughout the year the entire workforce at Varam & SET were actively involved in organising various medical camps, eye camps, jute Bag training, and celebration with customer-During Republic Day % Independence Day.
Growing Opportunity Finance (India) Pvt. Ltd	Through Health Camps, Cancer Awareness Training, Tobacco Awareness Training, Adolescent Girl, Child and Women Health Meetings
Dakshin Budhakhali Improvement Society (DBIS)	Swatch, Sanitation, Vaccination
Grameen Development & Finance Pvt. Ltd.	Small health camp



IMPACT	Preventable diseases, malnutrition and childhood illness with support from World Vision India
Society for Model Gram Bikash Kendra	Periodical Health Camp
Pragathi Seva Samithi	Orientation Programs conducted
BURS	Organized health awareness campaign
Prayas Juvenile Aid Centre (Prayas Micro Credit)	Organised Health check-up camp for HIV at night shelters run by Prayas. People/Children attended health camps organised by organisation. Besides, Prayas is running health centre at Delhi & Assam. Organised advocacy sessions for beneficiaries for Dengue & Malaria etc.
Jeevankiran	Meeting medical expenses of poor people
Hand in Hand India	Medical camps organised
Welfare Services Ernakulam	Medical camp
Centre for Promoting Sustainable Livelihood(CPSL)	Malnutrition status of children by comparing adopted vs control village.
Balayee Sewa Sansthan	HIV-AIDS, TB and Tobacco control Program.
Purba Barasat Prerana	Health check-up & Diabetic Awareness.
Kotalipara Development Society (KDS)	Health check up, eligible couple awareness, community disease burden and preventive and curative strategies.
Gramin Mahila Swayamsiddha Sangh	Health check up camp
Madura Micro Finance Limited	Health Camp conducted at Palani for the devotees. Separate health camp at Virudhchalam.
Peoples Forum	Health Awareness Camps on Prevention of Water Borne Diseases and Observation of World AIDS Day.
Mass Care International	Focused on RCH/pre-maternity care.
People's Action for Transformation	Eye Camps.
Life Foundation	Done by various department/agency.
Barasat Sampark	Doctor's fee, Free medicine & others for beneficiaries / members.
Utkarsh Microfinance Pvt. Ltd	Conducting fortnightly polyclinics at 8 branches, Primary health-care services through mobile van service at 10 branches
Equitas Micro Finance Ltd	By organized free health camps member families are helped to save on the consultation fees. Free health camps are being organized through 900+ hospitals with whom we have tied up
BWDA Finance Ltd	BWDA is being involved in different healthcare preventive activities for the health issues like Tuberculosis, Dhyrea through programs like Gaon Kalyan Samiti(village health and sanitation committee), Awareness meetings, Cultural events, Medical camps, Auto announcement, Wall painting, Awareness rally, Distribution of awareness pamphlets etc.,
Sampurna Training and Entrepreneurship Programme	Awareness program on health
Bal-Mahila Vikas Samiti -VAMA	Asha Training was conducted in District Datia for 6-7 Module, 1, 2 & 3 Phase.
Sarvodaya Nano Finance Limited	3055 beneficiaries were participated under various health programmes.
Cashpor Micro Credit	Preventive health education sessions.

Note: The list of MFIs providing these services is not exhaustive

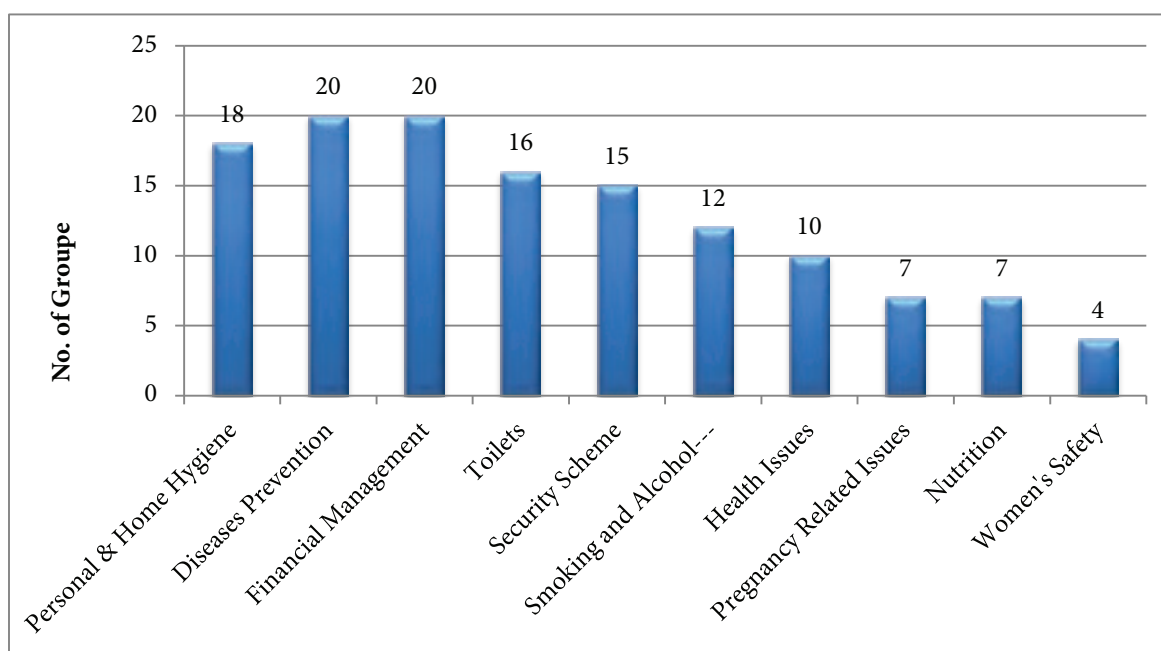
## 4.4 Jagruti – An Initiative to Intensify Client Engagement and Reduce Client Attrition

2010-12 was a very difficult period for MFIs as Microfinance sector was going through a crisis. Industry was in dire need to improve responsible lending and client protection. In this direction, Grameen Koota took an initiative called “Jagruti” to intensify customer engagement and reduce customer attrition. The key objectives of the initiative was educating customer, combat fatigue of frequent meetings, enhancing social awareness among members. An in-depth interview with women borrowers was conducted to understand their contexts, their challenges and finally ‘Jagruti’ was created to connect them. “Jagruti” is a trusted friend, advisor with whom women can share their worries and disseminate information that would be value adding to women, their families and their communities.

### Taking Jagruti to the Borrowers

- Themes critical to woman are shortlisted (finance, health, sanitation etc.)
- Within each theme, relevant topics are selected – child nutrition, open defecation, saving etc.
- One small letter per topic is written in a simplistic manner. Till the letters are not been repeated.
- Each letter was scrutinize and reviewed for accuracy and neutrality.
- Letter then translated into local language
- Kendra Managers trained to read the letter in an engaging manner. Letters are so simple that a literate borrower also can read.
- Letter started reaching customers every week at the end of their center meeting.

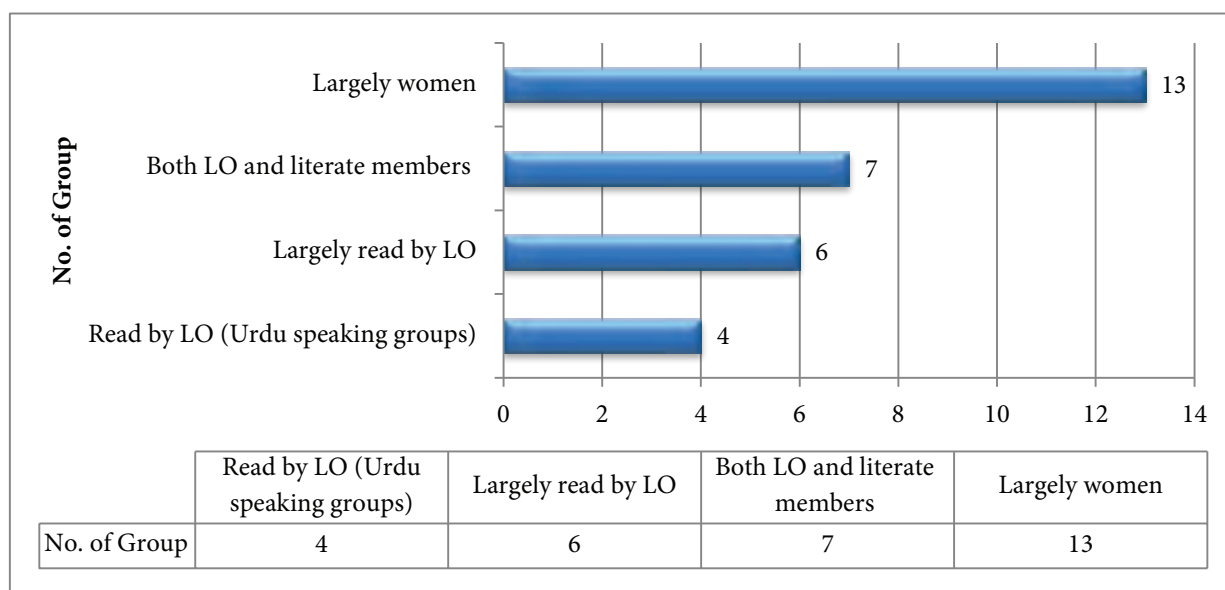
Figure 4.2: Most Recalled Themes



### Mode and Channel of the Delivery

Jagruti as a tool is embedded in everyday workflow of loan disbursement. It also has the unequivocal blessing of its leaders. The delivery channel has thus led to effective and seamless scale-up of the program are across geographies. Women customers themselves are the delivery channels in many branches.

**Figure 4.3: Mode of Delivery**



### Impact Assessment of Jagruti

A study conducted on 30 groups of borrowers of 15 branches across 15 locations in 2015 revealed some positive impact of the initiatives.

- Despite differences in social –cultural profiles, occupation, place of residence and exposure time to letter Jagruti is a critical information source.
- Engaging manner in which letter is written is huge plus point.
- Jagruti is seen as an educated woman who is worldly wise and knows a lot who cared deeply about their welfare.
- Across several branches women have opened or are in process to opening the Prime Minister’s Jan-Dhan Yojana
- Women are putting away some amount of money each month. Due to better financial planning, several women in have managed to buy televisions, gas stoves, washing machines etc.
- Women are less dependent on moneylenders, as they are aware of other more viable sources of obtaining loans to meet their needs
- Members also recalled the importance of getting insurance for themselves and/or other families.

After listening to the letter, they joined the government pension scheme and following suit were their husbands, families and neighbours.

### The case of Nurani Majeedi (Channagiri)

“Other women think we are smart, and come to us for advice. We often try and get new people to join our group”. “After joining the Sangha, we are active and brave. We are strong. We have knowledge and together we are brave. Therefore women approach us, when they have problems – financial, children’s education. We guide them – try and understand their problems”.

Source: Grameen Financial Services Pvt. Ltd.

#### **Box 4.1: “Microfinance and Affordable Clean Energy Access: A Path to achieve Sustainable Development Goals”**

India currently has more than 75 million households which lack adequate access to grid electricity and another 20 million underserved households which receive less than four hours of electricity in a day. While grid connectivity is expected to improve over the next 10 years, at the current rate of grid expansion, urbanization and population growth: 70-75 million households will still lack access to grid electricity by 2024. Since 90% of these households lie in rural areas, a significant reduction in the 83 million rural households who are currently not served or underserved by the grid is unlikely. It is important to understand that the same sets of households are also deprived of credit facilities which collectively hampers their growth.

With the focus on Sustainable Development Goal # 7, all key stakeholders will have to contribute effectively including Institutional investors. They will have to play a major role to scale up the collaboration of various stakeholders (like, MFI-Product manufacturer et al). Globally, \$1.25 trillion investment is required by 2030, if one considers regions with great energy deficits such as South Asia, Sub-Saharan Africa etc. Having said this, the future definitely looks good for the end users!

In this junction, alternative energy at affordable cost can bridge the gap. In this direction, Greenlight Planet is a for-profit social business that develops and manufactures honest, reliable solar products designed to help people living off the electric grid.

But lack of awareness, unreliability and unaffordability are key barriers for the poor people in acceptance of quality solar lanterns and home systems in India. Microfinance Institutions (MFIs) cover 40 million poor clients across 33 States/UTs in India. MFIs as partner is creating awareness and financing to their clients. On the other hand, Greenlight Planet is helping this section by getting them reliable solar products at affordable cost.

So Greenlight Planet in collaboration with MFIs is changing the lives of poor people in India who are deprived from grid electricity and contributing towards sustainable development.

#### **Greenlight Planet Inc**

Greenlight Planet Inc is a global leader in delivering honest, affordable energy to the world's 2 billion under-electrified consumers. In the last 7 years we've delivered over 6 million+ solar-powered lights through close partnerships with large organizations across 40+ countries.

*Courtesy: Greenlight Planet Inc*

### Box 4.2: Pradhan Mantri Mudra Yojana

Micro Units Development & Refinance Agency Limited (MUDRA) and Pradhan Mantri MUDRA Yojana (PMMY) were launched on 08 April 2015 by the Hon'ble Prime Minister, Shri Narendra Modi. The guidelines of PMMY issued by Department of Financial Services (DFS), GOI indicated that all banks are required to lend to microenterprises engaged in manufacturing, processing, trading and service sector activities for a loan upto ₹10 lakh. Further, it was also advised that the loan may be given in three categories, i.e. Loan upto ₹50,000 under Shishu; ₹50,000 to ₹5 lakh under Kishor; and ₹5 lakh to ₹10 lakh under Tarun. Also, it was envisaged that more focus will have to be given for the Shishu category. A target of ₹1,22,188 crore was set for F.Y. 2015-16.

It was decided that MUDRA will monitor the progress of PMMY. The National Bank for Agriculture & Rural Development (NABARD) was also advised to closely monitor the progress of RRBs, as RRBs are under supervisory domain of NABARD.

In order to make the monitoring more effective, a dedicated portal ([www.mudra.org.in](http://www.mudra.org.in)) was put in place to capture the data on the performance under PMMY on a weekly basis to have consolidated data of nationwide disaggregated retail transactions details, including data on new entrepreneurs, women entrepreneurs, SC/ST, Minority, MUDRA card etc. The data so collected was analyzed and reported to GOI. The progress was closely followed up with the banks for improvement, if any. A team of officers at 'Mission Mudra' was constituted and placed with DFS for an overall supervision and follow up of the programme on behalf of GOI.

Subsequently, it was also decided that the MUDRA loans given by MFIs also needs to be captured as most of the MFIs are MUDRA partners. Accordingly, MFIN was given the responsibility for following up with the NBFC-MFI and getting their data on the portal. Similarly, Sa-Dhan was made responsible for collecting the data and on boarding the same for the non NBFC MFIs.

In order to give a boost to the lending under PMMY, especially for Shishu category loans, a credit campaign was carried out from 1st September 2015 to 2nd October 2015. The campaign culminated in mega credit camps in different locations in the country from 25th September 2015 to 02nd October 2015. In order to enhance the awareness of the programme, MUDRA carried out a month long publicity campaign, on behalf of DFS, through print media and Radio. The credit campaign resulted in lending to 22.50 lakh borrowers as against a target of 25 lakh borrowers and lent ₹4120 crore.

With all these efforts, the target set under PMMY for the year 2015-16 was surpassed by the end of the year.

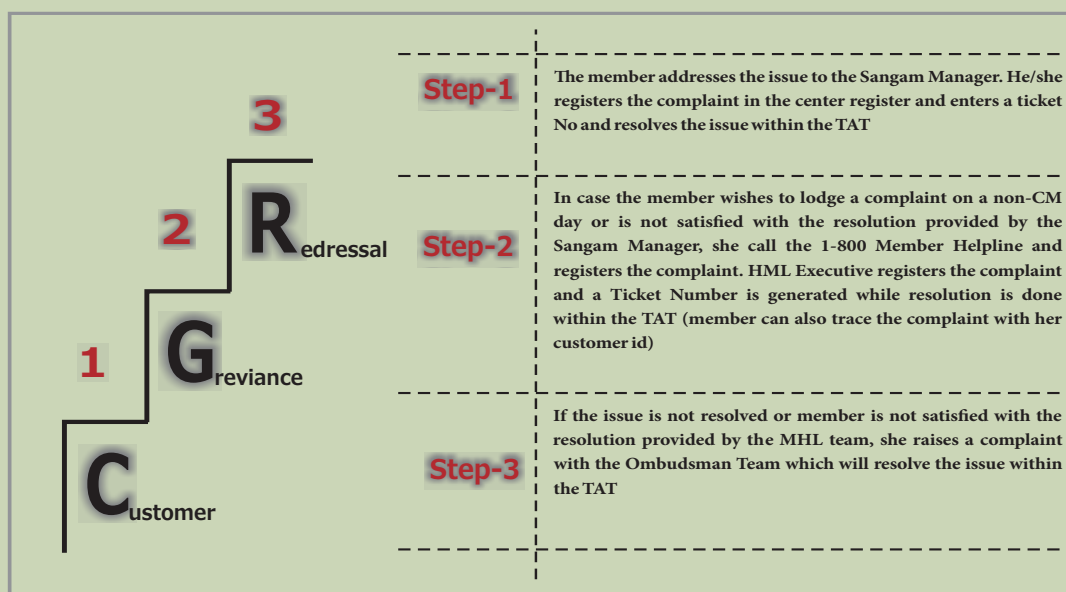
#### A Brief Analysis of the Performance

The overall performance of the Yojana indicates that the target has been achieved during the year. As against the target of ₹122188 crore, the Banks and MFIs together have disbursed ₹132954.73 crore, thereby achieving 109%. The achievements by Public Sector Banks indicate a substantial credit growth in this segment. Based on the data collected from the PSBs, it was seen that the disbursement by these banks in this segment was around ₹33,000 crore during the 2014-15 which has recorded a growth of 70% during 2015-16. The other lending institutions have also achieved high credit growth in this segment due to the initiative of Pradhan Mantri MUDRA Yojana.

*Source: Review of performance of Pradhan Mantri Mudra Yojana – 2015-16*

### Box 4.3: Grievance Redressal Mechanism

BFIL formerly known as SKS has well established and best in class grievance redressal mechanism where member can register her query, service request and complaint through multiple channels-toll free number or in centre meeting.



This number is communicated and publicized through various channels. It is communicated during **CGT (compulsory group training)** for new members who are joining BFIL and is communicated during every centre meeting. It is written in Loan card and loan agreement which are possessed by the member. **Detailed training on Customer Grievance Redressal** is given during CPP training which is conducted annually. All these communication channels publicize not only toll free and ombudsman number but also numbers of SRO and RBI. Due to multiple channel of communication, volume of calls has subsequently increased.

#### CPP Awareness Calls

Overall **594779** verified member calls were received of which **86%** were enquiries, **10.4%** were service request and complaints were 3.6%.

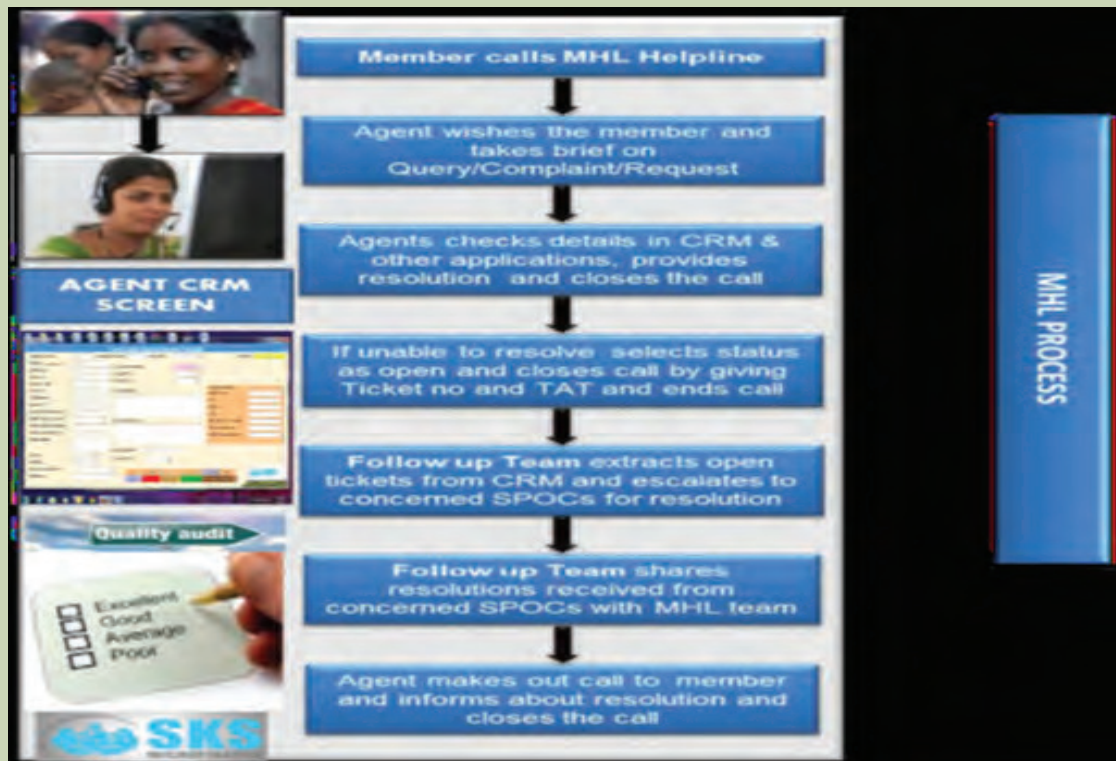
**Despite Increase in Call Volume by 60% abandoned rate is as low as 1% and TAT adherence stands high at 98%.**

#### MHL Process

Since Most of members have low literacy levels, BFIL toll free does not follow IVR based system. **It's a unique approach, where contact numbers are tagged in system and numbers from respective states are routed to the agents with knowledge of same language.**

Most of member helpline executives are experienced staff in field operations because they have better understanding of processes, systems and customers. This provides them unique management of handling the customers.

MHL Executives adheres to **3 step authentication process on every call (Name, Husband name, Address)**. Post listening to customer he categorizes it as query, service request and complaint. MHL agent records it online in customer relationship management module (CRM) and it is tracked in CRM. If it is a service request or complaint it is forwarded to responsible stakeholder as per responsibility matrix. All the complaints and service request have standardized turnaround times and escalation matrix which is signed off by senior management and ombudsman. TAT and ticket number is communicated to member during registration of call. Once the Complaint/service request is resolved, concerned department informs CGR on resolution provided which in turn is communicated to the member through MHL.



**If it is a service request or complaint** it is forwarded to responsible stakeholder as per responsibility matrix. All the complaints and service request have standardized turnaround times and escalation matrix which is signed off by senior management and ombudsman. TAT and ticket number is communicated to member during registration of call. **Once the Complaint/service request is resolved, concerned department informs CGR on resolution provided which in turn is communicated to the member through MHL.**

**In case any complaint or service request exceeds TAT** it is escalated and followed up by separate team and weekly updates are shared with senior management. **In case member registers a call on ombudsman helpline it is immediately escalated to top management on priority and follows a 3 day TAT.**

MHL has an independent quality team which evaluates the quality of all the calls on basis of soft skills, CPP and best business practices standards. **Monthly coaching and evaluation of agents is done on the basis of quality performance.**

*Courtesy: Bharat Financial Inclusion Limited formerly known as SKS*

SHG – Bank Linkage Programme, the largest microfinance model in the world, began formally in 1992 with a set of guidelines issued by NABARD. RBI facilitated commercial banks to lend to SHGs without collateral. Since then it has taken the shape of a movement. This chapter will present an aggregate picture of the SHG-Bank Linkage Programme and various initiatives taken up under it like the digitization of SHGs and SHGs as BCs.

The following sections present a brief overview of each aspect of the programme:

## 5.1 Self Help Group Bank Linkage Programme (SBLP)

Self Help Group Bank Linkage Programme (SBLP) is a step to bring the “unbanked” poor into the formal banking system and to inculcate thrift and credit habits. A natural corollary is for the group members to graduate into seeking better livelihood opportunities through access to credit from financial institutions.

### Key Statistics under SBLP as of March 2016<sup>1</sup>

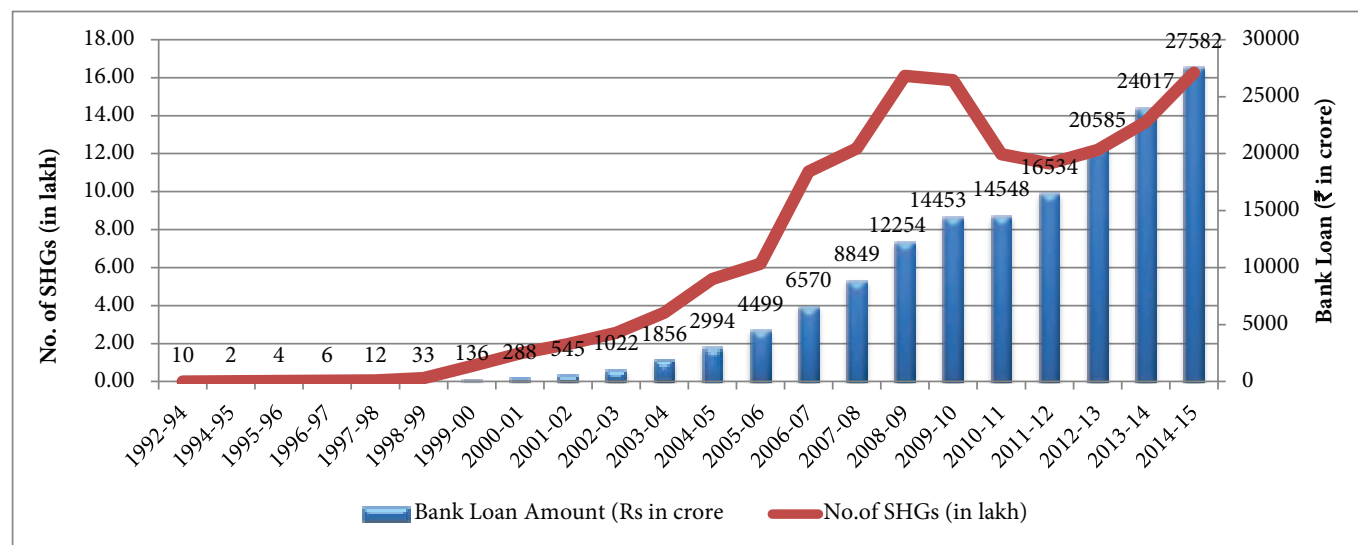
- Total number of SHGs saving-linked with banks – 79.03 lakh
- Total saving amount of SHGs linked with banks – ₹13691 crore
- Total number of SHGs with loan outstanding – 46.72 lakh
- Total loan amount outstanding – ₹57119 crore
- Total No. of SHGs credit linked during 2015-16 – 18.32 lakh
- Total Amount disbursed during 2015-16 – ₹37286 crore
- NPA declined by 0.59% over previous year.

### SBLP Activity since Inception

Banks have been active in accepting SHGs’ savings and lending to SHGs since the early nineties. Figure 5.1 brings out the historical trend in credit linkage of SHGs.

Trend of SHGs linked to banks has remained positive since the beginning though the credit linked SHGs have witnessed a decline during the year 2010-11 and 2011-12 as a ramification of the AP crisis. The credit linkage to banks resumed a positive trend after year 2012-13 and continued in 2015-16.

**Figure 5.1: Historical Trend in Credit Linkage and Bank Loan Disbursed**



Source: Data compiled from various reports of NABARD

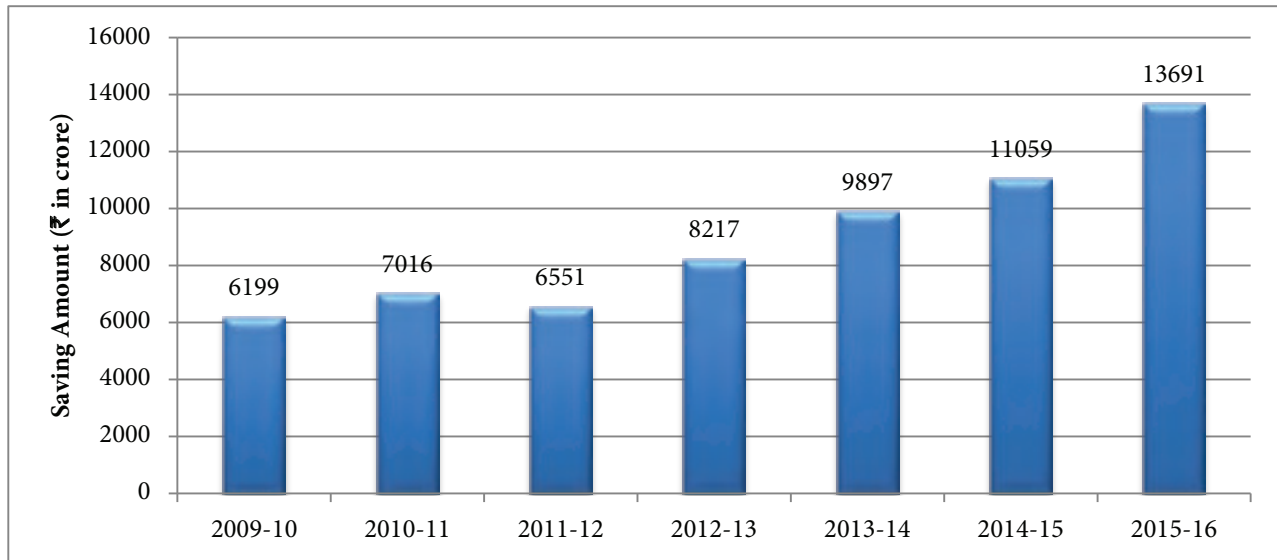
<sup>1</sup> Source: NABARD



### 5.1.1 Savings Performance of SBLP

The SHG savings amount held by banks has been growing (Figure 5.2) except for a marginal decline in 2011-12. This is largely due to the decline in saving of SHGs in the Eastern region. As of March 2016, the banking system held SHG savings to the tune of ₹13691 crore which is 24% more than the previous year.

**Figure 5.2: All India Trend in SHG Savings Amount Held in the Indian Banking System**

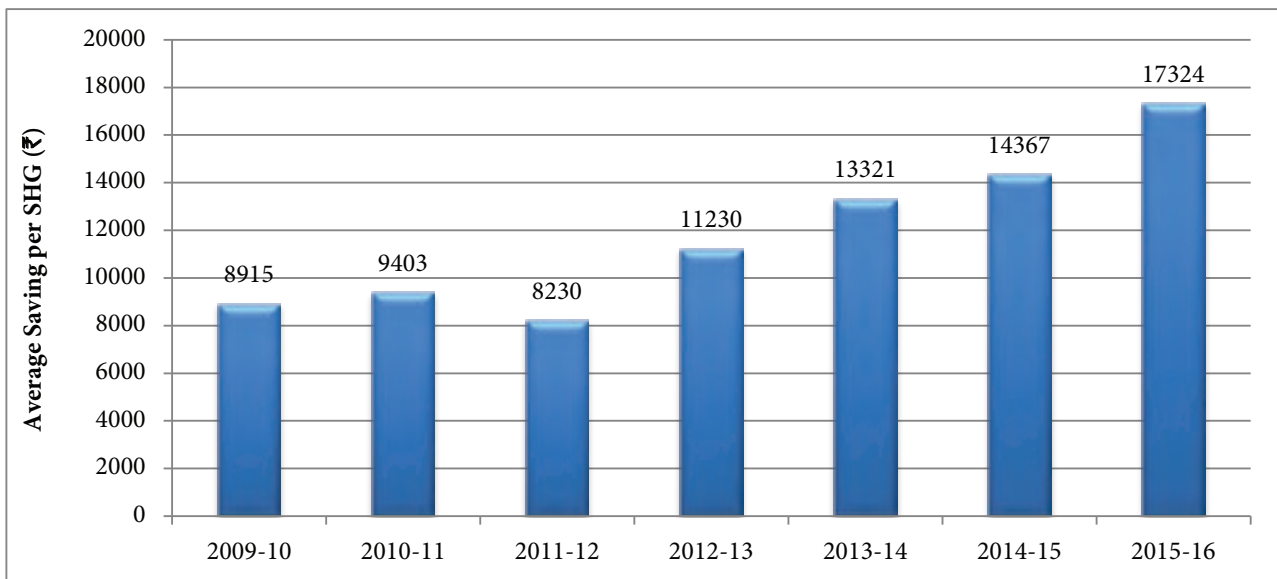


Source: NABARD

### Average Savings per SHG:

The average savings per SHG amount to ₹17324 at an all India level as of March 2016. Figure 5.3 depicts the trend in the average savings held by the banking system.

**Figure 5.3: All India Trend in Average per SHG Savings held in the Banking System**

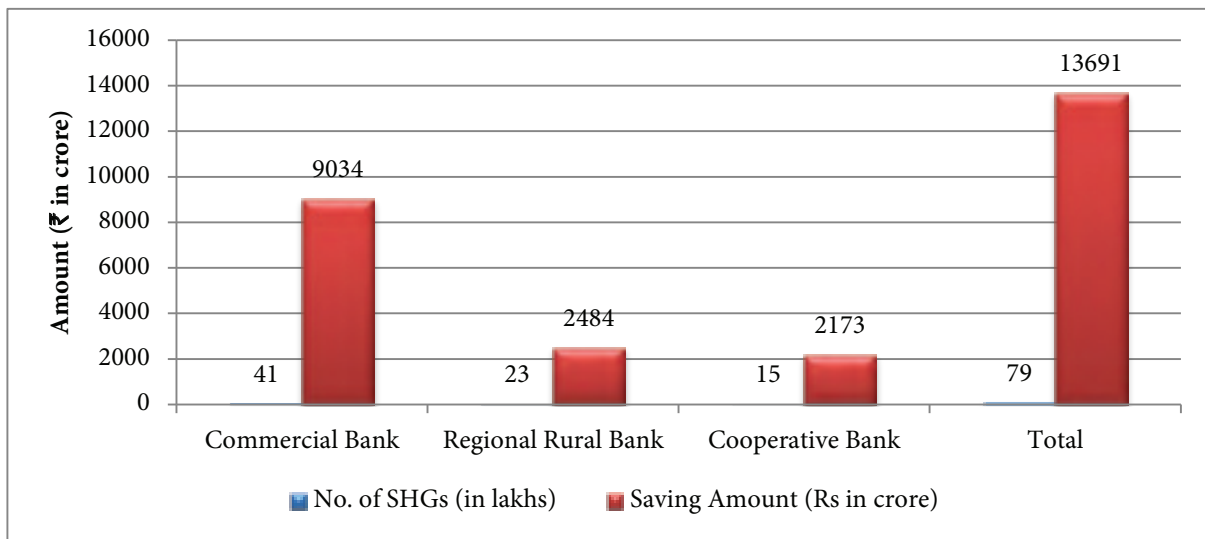


Source: NABARD

Average savings per SHG have been on an increasing trend since 2011. Year 2015-16 witnessed an increase of 21% in comparison to last year. Average savings had previously witnessed a decline of 12% in 2011-12, but in the subsequent year, the decline was arrested and growth restored.

Figure 5.4 depicts the savings of SHGs as on 31 March 2016 with various Banks viz. Commercial Banks, Regional Rural Banks and Cooperative Banks. Commercial Banks continue to play a leading role, serving 52% of total number of SHGs and accounting for 66% of the total savings by SHGs in the banking system. RRBs holding second position by serving 29% of total number of SHGs and accounting for 18% of the total savings by SHGs followed by Cooperative Banks by serving 19% of total number of SHGs and accounting for 16% of the total savings.

**Figure 5.4: Savings of SHGs with Banks as on 31 March 2016**

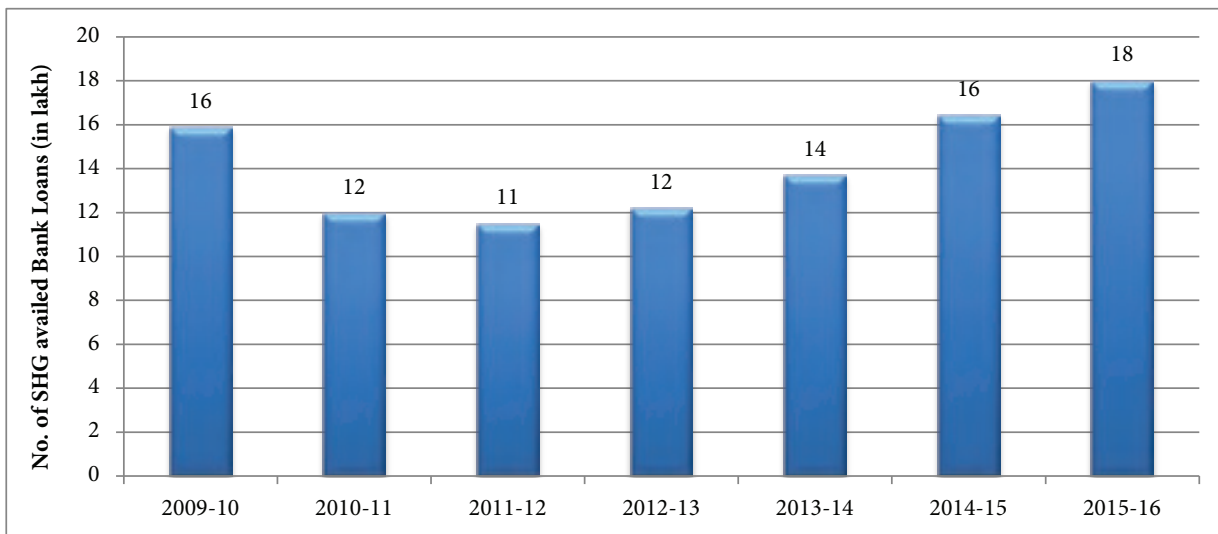


Source: NABARD

### 5.1.2 No of SHGs Availed Bank Loan during 2015-16

The year 2015 -16 witnessed a 10% increase in the number of SHGs availing bank loans, as evident in Figure 5.5.

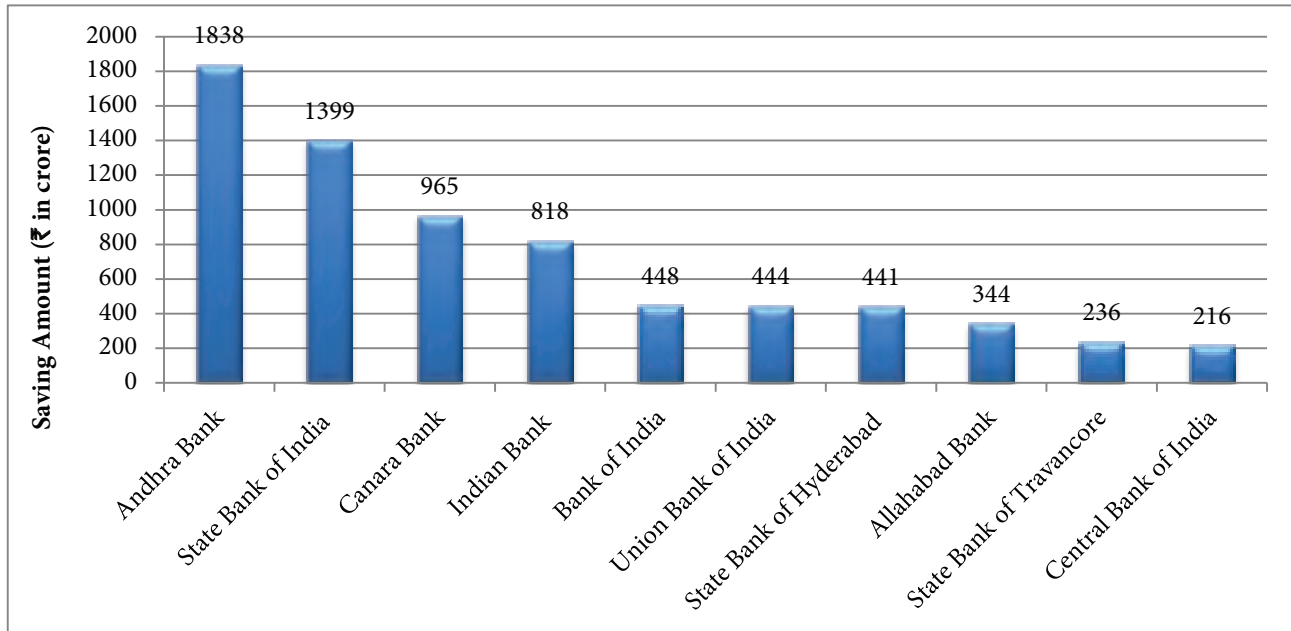
**Figure 5.5: No. of SHGs Availed Bank Loan during 2015-16 from the Banking System**



Source: NABARD

Figure 5.6 shows top 10 banks in terms of savings where Andhra Bank is leading with ₹1838 crore, followed by State Bank of India with ₹1399 crore.

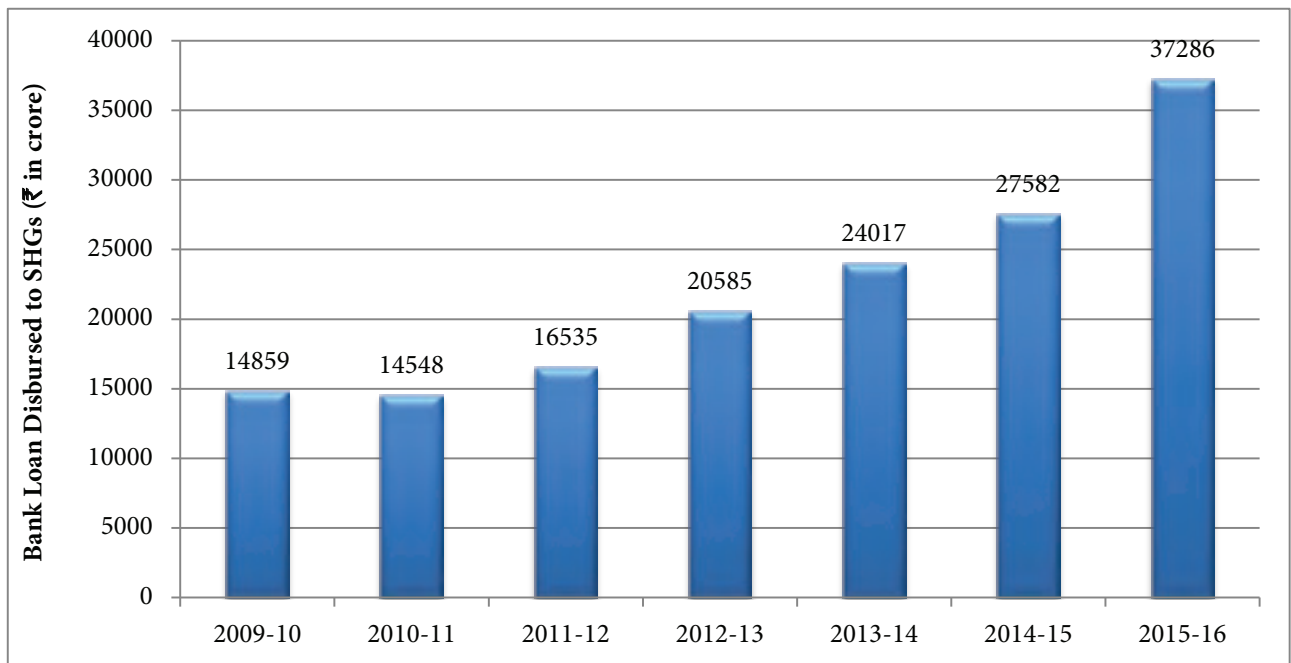
**Figure 5.6: Top 10 Banks in Terms of Savings**



Source: NABARD

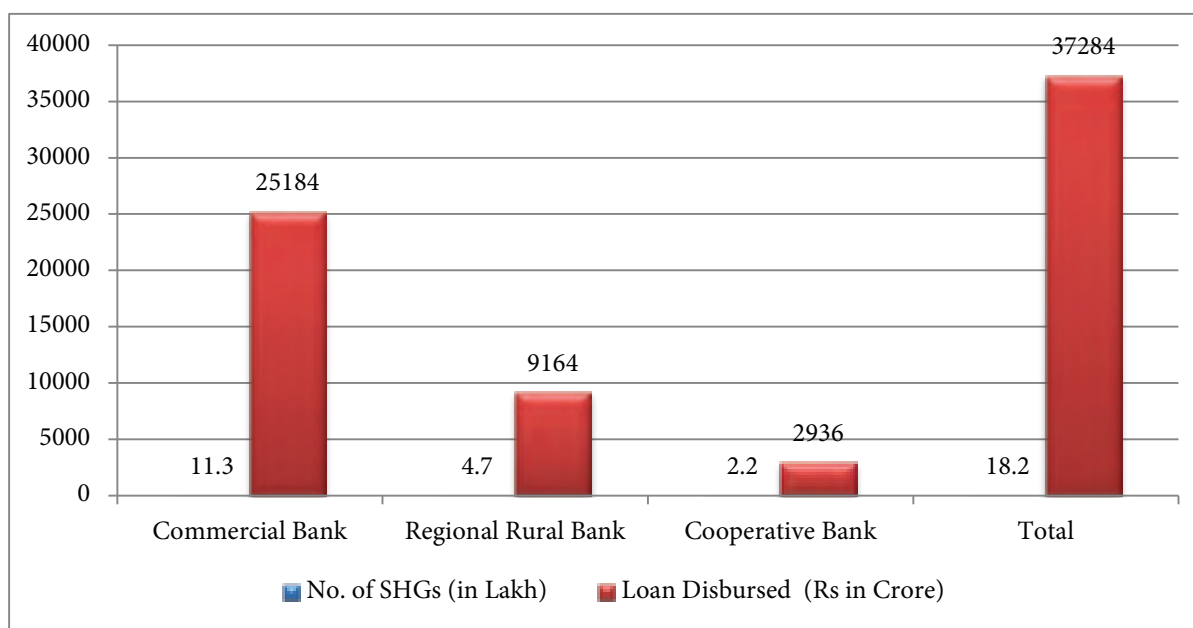
Figure 5.7 depicts that the loan amount disbursed to SHGs at all India level during the year was ₹37286 crore which is an increase of 35% in comparison to last year.

**Figure 5.7: All India Trend in Bank Loan Amount Disbursed to SHGs**



Source: NABARD

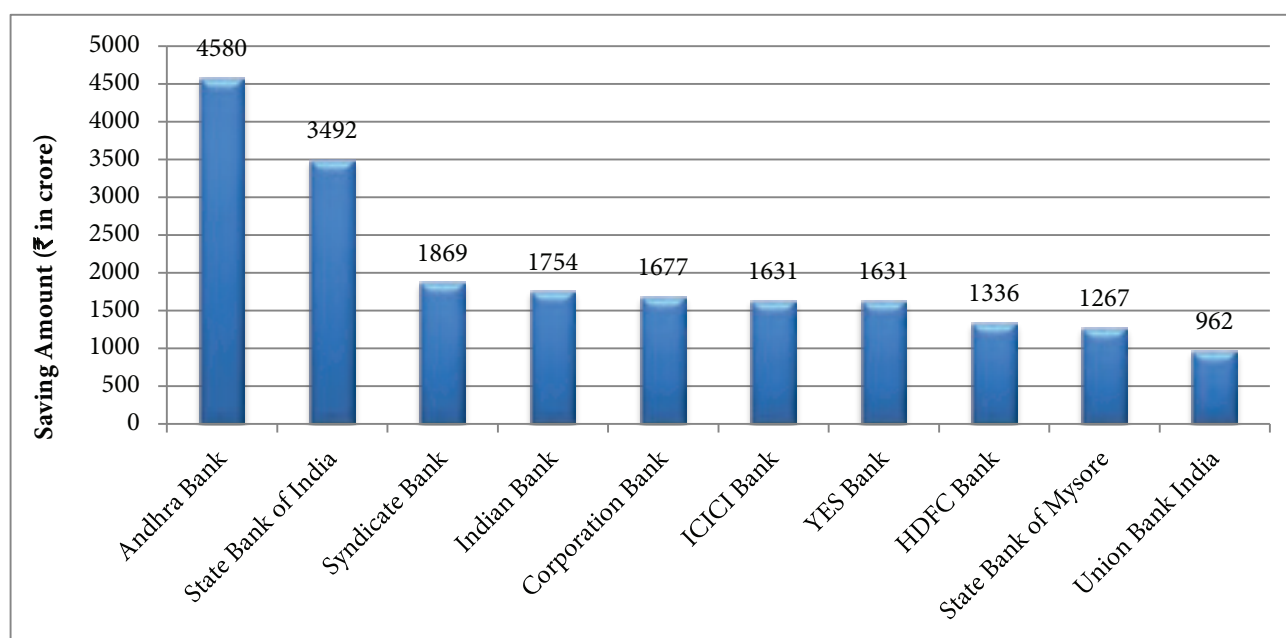
**Figure 5.8: Agency-wise Loan Disbursement – No. of SHGs and Loan Amount Disbursed**



Source: NABARD

Maintaining the trend, Commercial Banks are leading the chart in terms of bank loans disbursed to number of SHGs and amount disbursed during 2015-16 with ₹25184 crore having been given out to 11.3 lakh SHGs (Figure 5.7). Commercial Banks alone account for around 68% of the total loan amount disbursed to SHGs. RRBs and Cooperative banks come in at the second and third positions with 25% and 8% respectively.

**Figure 5.9: Top 10 Banks in Terms of Disbursement**

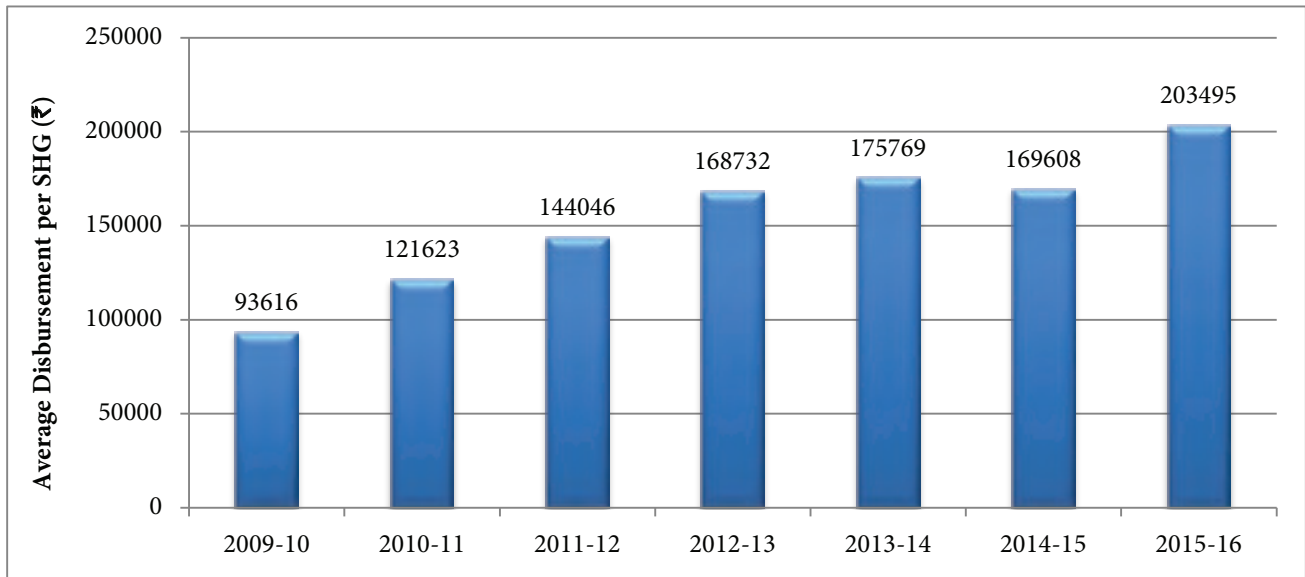


Source: NABARD

Figure 5.9 shows top 10 banks in terms of amount disbursed where Andhra Bank is leading with ₹4580 crores, followed by State Bank of India with ₹3492 crores.

## Average Loan Disbursement per SHG

Figure 5.10: All India Trend in Average Bank Loan Amount Disbursed per SHG



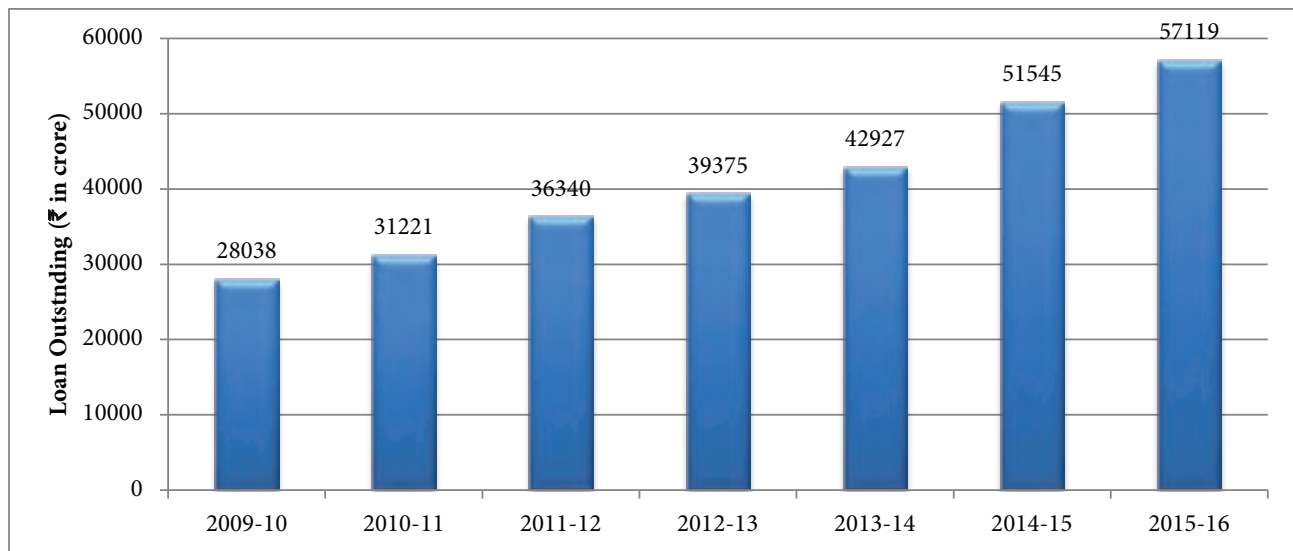
Source: NABARD

The average loan amount disbursed per SHG has been on the increase. It was ₹203495 during 2015-16 across India (Figure 5.10). Average loan amount disbursed per SHG has been maintaining an increasing trend over the period of years.

### 5.1.3 Loan Outstanding with SHGs

The outstanding loan amount has been on an increasing trend, which demonstrates the business viability of SHG lending for banks (Figure 5.11) in these areas. In 2015-16, at an all India level, the loan outstanding amount has witnessed a growth of 11% in comparison to last year.

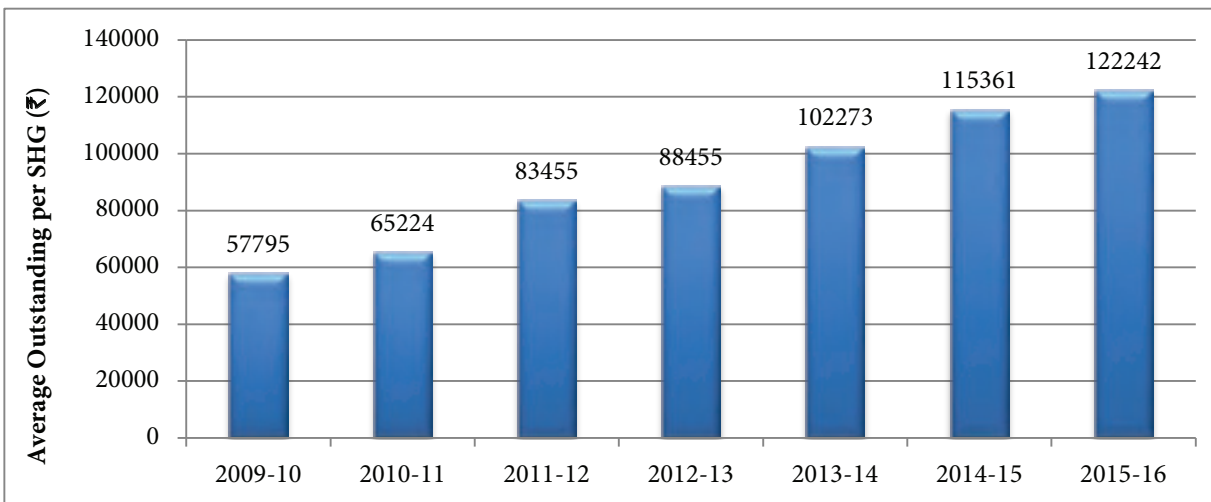
Figure 5.11: All India Trend in SHG Loan Outstanding in the Books of Banking System



Source: NABARD

## Average Loan Outstanding per SHG

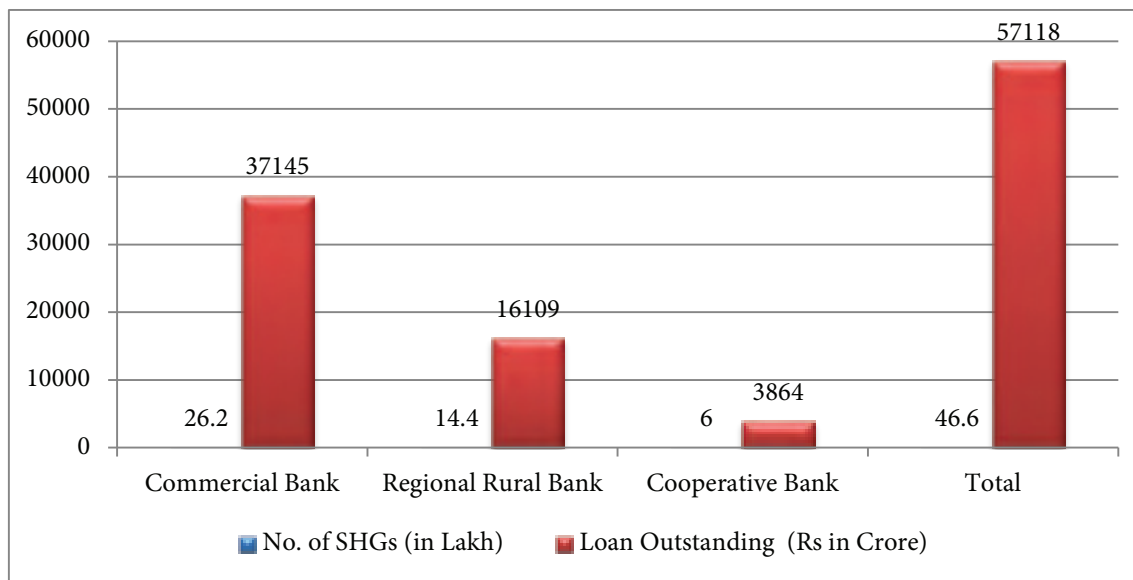
Figure 5.12: All India Trend in Average per SHG Loan Outstanding in the Banking System



Source: NABARD

On an average, the loan outstanding per SHG as of March 2016 is ₹122242 at an all India level, which is a jump of around 6%

Figure 5.13: Agency-wise Bank Loan outstanding against SHGs as on 31 March 2016



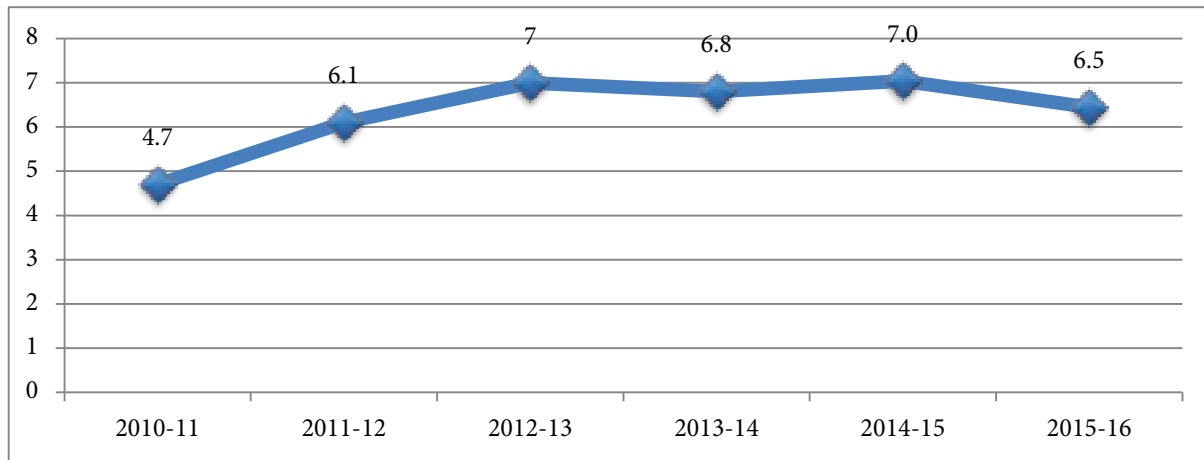
Source: NABARD

Figure 5.13 depicts the agency wise bank loans outstanding against SHGs as on 31 March 2016. Yet again, Commercial Banks lead the chart, with around 65% of total bank loans outstanding. RRBs are a distant second with 28%, followed by Cooperative banks with 7%.

## Portfolio Quality

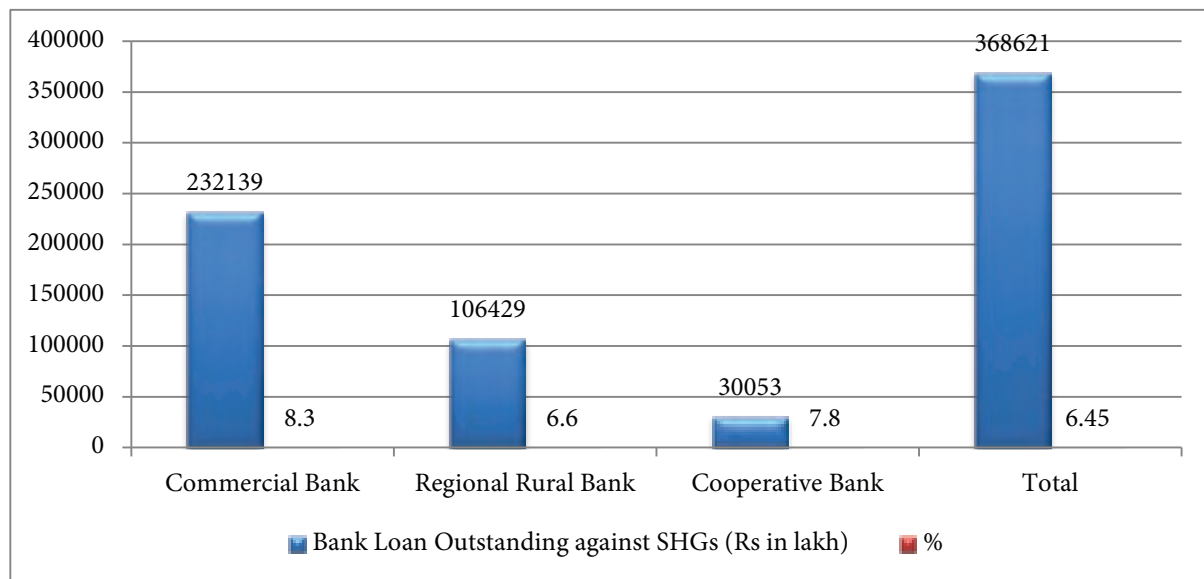
At an all India level, the NPAs of banks stood at 6.5%, with a decrease of 8% in comparison to last year.

**Figure 5.14: Non Performing Asset Per Cent of SHG Loans with Banks**



Source: NABARD

**Figure 5.15: NPAs of Banks against SHGs Loan Outstanding**



Source: NABARD

Figure 5.15 throws light on Non Performing Assets of Banks against SHG loans outstanding as of 31 March 2016. It is evident that Cooperative Banks have highest NPA with 8.3%. However, they account for only 63% of total bank loans outstanding. On the contrary, Regional Rural Bank, which account for 29% of total loan outstanding, have an NPA of 6.6% while Cooperative Bank account for 8% of total loan outstanding, have an NPA of 7.8%.

Integration of credit history of individual SHG members in the Credit Bureau could be a way forward for reducing NPAs. A report from the Aditya Puri Committee highlighted the need for sharing the data of SHG members with CIBs. Furthermore, the Nachiket Mor Committee also stated the need to develop a robust legal and regulatory framework around customer data generated in various transactions (credit and payments, digital and off-line), with the objective of customer ownership of their own transactions data and

its use, among others, for signaling credit-worthiness and reduction of NPAs. Therefore, credit reporting systems are very important in today's financial system; this information flow enables credit markets to function more efficiently.

#### 5.1.4 Credit Information Reporting in Respect of Self Help Group (SHG) Members

In this endeavour, Sa-Dhan in association with PlaNet Finance (now Positive Planet) rolled out a project on building an Inclusive Credit Information Bureau (ICIB) that aims at capturing data sets of individual level SHG members. The project aims at building credit history and strengthening creditworthiness of the clients, reduction in NPAs and building transparency in the system. One of the positive outcomes of the project was that RBI came out with its notification on including SHG data on credit bureaus in two phases.

Reserve bank through its notification of January 2016<sup>2</sup> has brought the client data of Self Help Groups into the framework of Credit Information Bureaus. The major features of this notification are:

- Banks shall put in place necessary systems and procedures including making necessary changes to their system software so as to be able to begin collection of the relevant information from the SHG members and reporting the required information to the CICs from 1 July 2016 (Phase I) and 1 July 2017 (Phase II).
- Banks have the option to collect and report the SHG member level data either themselves or by outsourcing it to other entities. However, banks shall follow all general instructions on outsourcing set out in DBR circular No. BP 40/21.04.158/2006-07 dated November 3, 2006 as amended from time to time to the extent applicable and shall continue to be responsible for the correctness of the data submitted by the outsourced agencies to the CICs. Banks must put in place appropriate controls to ensure the correctness of the data submitted by the entities to which it is outsourced.
- The credit information relating to individual SHG members shall be collected, reported and disseminated as per the provisions of the Credit Information Companies (Regulations) Act, 2005 and the extant RBI directions on credit information reporting by banks and MFIs.
- The CICs shall make the necessary changes in their systems and procedures to implement the above directions as per the timelines indicated above.

## 5.2 Aajeevika - National Rural Livelihoods Mission (NRLM)

National Rural Livelihoods Mission (NRLM) was launched by the Ministry of Rural Development (MoRD), Government of India in June 2011. Aided in part through investment support by the World Bank, the Mission aims at creating efficient and effective institutional platforms of the rural poor enabling them to increase household income through sustainable livelihood enhancements and improved access to financial services. NRLM has set out with an agenda to cover 7 Crore rural poor households, across 600 districts, 6000 blocks, 2.5 lakh Gram Panchayats and 6 lakh villages in the country through self-managed Self Help Groups (SHGs) and federated institutions and support them for livelihoods collectives in a period of 8 -10 years<sup>3</sup>.

There are four components of the NRLM (World Bank – Government of India project). The first component of the project is institutional and human capacity development. The objective of this component is to transform the role of the Ministry of Rural Development (MoRD) into a provider of high quality technical assistance in the field of rural livelihoods promotion. The second component of the project is state livelihood support. The objective of this component is to support state governments in the establishment of the necessary institutional architecture for the implementation of the National Rural Livelihoods Mission (NRLM)

<sup>2</sup> <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/C29131BD0B179E4747D099BB4F72394F5FEE.PDF>

<sup>3</sup> <http://aajeevika.gov.in/content/welcome-national-rural-livelihoods-mission-nrlm>



activities from the state to the block level. The third component of the project is innovation and partnership support. The objective of this component is to create an institutional mechanism to identify, nurture and support innovative ideas from across the country to address the livelihood needs of the rural poor. The fourth component of the project is project implementation support. The objective of this component is to establish an effective project management unit at the national level that develops key systems and processes for coordination and management of the project and the NRLM.

According to the latest report of DAY-NRLM<sup>4</sup>, NRLM has now been rolled out across 30 States/UTs, Number of Districts with intensive blocks in NRLM States stood at 493, Number of Blocks identified for intensive approach in NRLM States is 3240, Number of Blocks where intensive implementation has commenced is 3217, Number of villages in which intensive implementation has started is 190154, Number of households mobilized into SHGs (in Lakh) is 305.4, Number of SHGs promoted (in Lakh) is 26.3, Number of Village Organizations promoted is 137060, Amount of credit mobilized through banks reached (in ₹ Lakh) 56197.8

The tables below indicate the present status of NRLM.

**Table 5.1: Present Status of NRLM**

Year	Total SHGs	NRLM Compliant SHGs	No. of Loans	Per SHG No. of loans	% of NRLM Compliant SHGs	Year on Year Growth of NRLM Compliant SHGs (%)
2013-14	2811446	1424648	1674436	1.18	50.67	
2014-15	3301885	1603147	1975072	1.23	48.55	13
2015-16	3891700	1787980	2296338	1.28	45.94	12
2016-17	4005067	1806340	2343134	1.30	45.10	1

As per NRLM, at present there are 4005067 SHGs of which NRLM compliant ones are 1806340 i.e. 45.29 % of the total SHGs. There is a growth of 1% on NRLM compliant SHGs over the previous year.

<sup>5</sup> <http://nrlm.gov.in/outerReportAction.do;sessionid=2A5FB65BA021DDB02AC4D8585E139C9C?methodName=showIndex>

### 6.1 Business Correspondent Model

The BC model is an innovative technology-based banking model which enables people in remote areas of India access to formal financial institutions. In November 2009, the RBI advised banks to draw up a road map to establish presence in every village with a population above 2000 individuals, through the use of business correspondents and business facilitators. Apart from banking outlets, branchless banking connectivity had been extended to 534477 villages by 31st March 2016, using banking correspondents<sup>1</sup>, a sixteen-fold increase as compared to 31st March, 2010.

In recent years, India has witnessed a high rate of economic growth<sup>2</sup>, which has resulted in greater personal wealth for many Indians. However, a vast section of the society is still financially excluded, meaning it does not have access to formal financial institutions. In light of recent research that shows a strong correlation between financial exclusion and poverty and inequality, the Indian government has made financial inclusion an integral part of its planning strategy. But how do you spread a banking network to a huge number of settlements at an affordable cost? In India, an effort has been made to achieve financial inclusion by using information and communication technology through the Business Correspondent model. This chapter discusses the model, the role of MFIs in rolling out this model and the challenges it faces.

Financial inclusion has both demand-side and supply-side issues. On the supply side, the banks need to reach out to a wider section of society, including the poor and vulnerable. The issue here is high cost, which can be reduced only through information and communication technology solutions. On the demand side, the major factors are low income and low asset holdings. Due to difficulties in accessing credit, poor people resort to their own personal savings to invest in health, education, or entrepreneurial activities. In emergencies, their entire savings can be eroded, leaving them vulnerable. Hence, the effort is to distribute all government social security payments through banking channels. Once people have established bank accounts, they can deposit their government payments in the bank and also access formal credit from the bank.

### 6.2 Reaching Doorsteps Through Business Correspondents

In January 2006, the Reserve Bank of India issued guidelines allowing banks to designate Business Correspondents (BCs) to increase their outreach<sup>3</sup>. A BC is an entity that acts as a teller for the bank and carries out a full range of transactions on behalf of the bank. BCs are paid commissions by banks for the services they render. (In the same guidelines, the Reserve Bank of India also allowed banks to designate Business Facilitators, which can refer the customers' proposals or facilitate banking transactions, but are not allowed to carry out actual transactions.) Initially, only non-governmental organizations (NGOs), micro-finance institutions, registered nonbanking financial companies, and post offices were allowed to function as BCs. However, now the guidelines have been expanded to include individuals, local grocery shops, and for-profit companies. The objective of establishing the BC role was to reach all villages with populations greater than 2,000 by March 2012, and then to reach the rest of the villages in a phased manner over three to five years.

<sup>1</sup> RBI Annual Report 2015 - 16

<sup>2</sup> [www.minneapolisfed.org/publications/community-dividend/business-correspondent-model-boosts-financial-inclusion-in-india](http://www.minneapolisfed.org/publications/community-dividend/business-correspondent-model-boosts-financial-inclusion-in-india)

<sup>3</sup> [www.minneapolisfed.org/publications/community-dividend/business-correspondent-model-boosts-financial-inclusion-in-india](http://www.minneapolisfed.org/publications/community-dividend/business-correspondent-model-boosts-financial-inclusion-in-india)

### 6.3 Progress and Challenges

India's financial inclusion initiative expanded its presence manifold in 2010–2016. The number of banking outlets in villages increased from 67694 at the end of March 2010 to 586307 at the end of March 2016, comprising 51830 branches, and 534477 through branchless mode.

**Table 6.1: Financial Inclusion Plan-Summary Progress of all Banks including RRBs<sup>4</sup>**

Particulars	Year ended March 2010	Year ended March 2015	Year ended March 2016	Progress April'15-March' 16
Banking Outlets in Villages – Branches	33,378	49,571	51,830	2,259
Banking Outlets in Villages – Branchless Mode	34,316	504,142	534,477	30,335
Banking Outlets in Villages –Total	67,694	553,713	586,307	32,594
Urban Locations covered through BCs	447	96,847	102,552	5,705
Basic Savings Bank Deposit A/c through branches (No. in million)	60	210	238	28
Basic Savings Bank Deposit A/c through branches (₹ billion)	44	365	474	109
Basic Savings Bank Deposit A/c through BCs (No. in million)	13	188	231	43
Basic Savings Bank Deposit A/c through BCs (₹ billion)	11	75	164	89
BSBDA-Total (No. in million)	73	398	469	71
BSBDA Total (₹ billion)	55	440	638	198
OD facility availed in BSBDA's (No. in million)	0.2	8	9	1
OD facility availed in BSBDA's (₹ billion)	0.1	20	29	9
KCCs (No. in million)	24	43	47	4
KCCs (₹ billion)	1,240	4,382	5,131	749
GCC (No. in million)	1	9	11	2
GCC (₹ billion)	35	1,302	1,493	191
ICT-A/Cs-BC Transactions (No. in million)	26.5	477	826.8	350
ICT-A/Cs-BC Transactions (₹ billion)	6.9	859.8	1,686.90	827

The use of the BC model has the potential to change the lives of millions of people in the remotest parts of the country<sup>5</sup>. For poor and vulnerable people, who could not think of going to the bank, banking has come to them. Increases in the number of bank accounts and the volume of loans and deposits in areas that use the BC model could indicate there is now far greater awareness of banking services. Frauds and diversions of government payments are declining as people get their social security and pension payments through bank accounts, at their doorsteps. People no longer need to travel miles to get their pension payments. In disasters like floods and earthquakes, the government will be able to provide financial relief at a much faster rate and to the targeted people. Even in cases of medical emergencies, poor people who formerly had to take out high-interest loans from money lenders to cover doctors' bills will now have access to credit.

The BC model is being used effectively for overall community development and social empowerment. People are benefiting from credit linkages facilitated by BCs and are becoming more self-reliant. With the help of credit, today they are able to afford education for their children, which is changing their lives forever

<sup>4</sup> RBI Annual Report 2015 -16

<sup>5</sup> [www.minneapolisfed.org/publications/community-dividend/business-correspondent-model-boosts-financial-inclusion-in-india](http://www.minneapolisfed.org/publications/community-dividend/business-correspondent-model-boosts-financial-inclusion-in-india)

Although India's progress on financial inclusion is considerable, it is far below the target. The shortfall is due to several challenges that have hindered the growth of the BC model. They include:

- Operational hurdles, such as cash handling (transporting, safekeeping, etc.), irregular accounting, frauds, and misappropriations.
- Viability issues. Despite an increasing level of awareness about the value of banking services, the majority of no-frills accounts opened by BCs are inactive. This has raised concerns that the model may not be viable. As a result, there is a shortage of funding for building the capacity of BCs. In some cases, BCs have lost money, forcing them to close. In addition, expanding into unbanked areas involves costs that banks have to absorb. If banks are not able to recover the cost for small transactions, their ability to provide credit is limited.
- Regulatory concerns. Current regulations require BCs to complete accounting and settle cash with bank branches within 24 hours of a transaction, which may not be possible due to the huge distances involved.

### Box 6.1: Peer-to-Peer Lending

Peer-to-peer (P2P) lending is an innovative form of crowd funding with financial returns. It involves the use of an online platform to bring lenders and borrowers together and help in mobilizing unsecured finance. The borrower can either be an individual or a business requiring a loan. The platform enables a preliminary assessment of the borrower's creditworthiness and collection of loan repayments. Accordingly, a fee is paid to the platform by both borrowers and lenders. Interest rates range from a flat interest rate fixed by the platform to dynamic interest rates as agreed upon by borrowers and lenders using a cost-plus model (operational costs plus margin for the platform and returns for lenders).

One of the main advantages of P2P lending for borrowers is that the rates are lower than those offered by money lenders/unorganised sector, while the lenders benefit from higher returns than those obtained from a savings account or from any other investment.

Although there has been significant growth in online lending platforms globally, there is no uniformity in the regulatory stance with regard to this sector across countries. While P2P lending platforms are banned in Japan and Israel, they are regulated as banks in France, Germany and Italy, and are exempt from any regulation in China and South Korea.

Differences in regulatory stance emanate ideologically. It is argued that regulation may stifle the growth of this nascent sector. On the other hand, proponents of regulation argue that the unregulated growth of this sector may breed unhealthy practices by market players and may, in the long-run, have systemic concerns given the susceptibility of this sector to attract high risk borrowers and also weaken the monetary policy transmission mechanism.

In India, there are currently many online P2P lending platforms and the sector has been growing at a rapid pace. The Reserve Bank released a consultation paper on P2P lending in April 2016. The paper deliberated the advantages and disadvantages of regulating P2P platforms and underscored the need to develop a balanced regulatory approach that would protect lenders and borrowers without curbing the underlying innovations. Accordingly, P2P platforms are proposed to be regulated as a separate category of NBFCs. The feedback received on the paper from various stakeholders is being examined to finalise the regulatory framework.

*Source: RBI Annual Report 2015 -16*

## 6.4 MFIs as Business Correspondents

Many MFIs are increasingly going in for a BC mode of operations as it frees them from the problems related to accessing funds from banks and financial institutions. Data has been obtained from MFIs regarding their BC operations. To the extent received the data is presented in the Tables below.

The MFIs which reported data had been operating as BCs of 13 banks (Table 6.2).

**Table 6.2: MFIs as Banking Correspondents – No. of Saving Clients and Amount Saved**

S.No.	Name of the Banks	Name of MFI	No. of MFIs	Bank Wise No. of Saving Clients	Bank Wise Amount Saved (₹ in crore)
1	Canara Bank	Blaze Trust, Bengal Women Welfare Association, SKDRDP	3	157510	25
2	Corporation Bank	SKDRDP	1	977105	129
3	ICICI Bank	Blaze Trust, Prayas JAC, Cashpor Micro Credit	3	240134	5
4	IDBI	Light Microfinance Pvt. Ltd, SKDRDP, Bal Mahila Vikas Samiti	3	806170	207
5	IndusInd Bank Ltd.	Cashpor Micro Credit	1	112848	5
6	Pragati Krishna Grameena Bank	SKDRDP	1	541680	124
7	Ratnakar Bank	SKDRDP	1	91352	16
8	State Bank of India	Blaze Trust, Dakshin Budhakhali Improvement Society, Organisation for Development Integrated Social and Health Action.	3	47416	5
9	State Bank of Mysore	SKDRDP	1	140000	21
10	Syndicate Bank	SKDRDP	1	215000	80
11	Union Bank of India	SKDRDP	1	625570	113
12	Vijaya Bank	SKDRDP	1	89647	75
13	Yes Bank	Centre For Development Orientation & Training, PRAYAS , Arth Microfinance Pvt. Ltd, Disha India Micro Credit.	4	69679	67
	<b>Total</b>			<b>4114111</b>	<b>871</b>

**Table 6.3: MFIs as Banking Correspondents – No. of Loan Clients, Amount Disbursed and Amount Outstanding**

S.No.	Name of the Banks	Name of MFI	No. of MFIs	Bank Wise No. of Loan Clients	Amount of Loan Disbursed (in crore)	Loan Amount Outstanding (in crore)
1	Bank of India	Gramalaya Urban and Rural Development Initiatives and Network	1	230	0.32	0.32
2	Canara Bank	Asomi Finance Pvt. Ltd, Bengal Woman Welfare Society, SKDRDP	3	157510	241	202
3	Corporation Bank	SKDRDP	1	977105	1051	866
4	DCB Bank	Annapurna Micro Finance (P) Ltd, Peoples Forum, Pahal Financial Services Pvt. Ltd.		119042	132	141
5	Edelweiss	SV Creditline Pvt. Ltd.	1	119213		232
6	ICICI Bank	Asomi Finance Pvt. Ltd, Cashpor Micro Credit, People's Action for Transformation.	3	34622	50	45
7	IDBI Bank	Annapurna Micro Finance Pvt. Ltd, Arohan Financial Services Pvt. Ltd, Asomi Finance Pvt. Ltd, Bhartiya Micro Credit, Grama Vidiyal Micro Finance Ltd, Jagaran Microfin Pvt. Ltd, Light Microfinance Pvt. Ltd, Mahashakti Foundation, Nirantara FinAccess Pvt. Ltd, Samasta Micro finance Ltd, Sonata Finance Pvt. Ltd, Gramin Mahila Swayamsiddha Sangh Rajgurunagar, Hand in Hand, Sarala Development and Microfinance Pvt. Ltd , Humana People to People India, Saija Finance Pvt. Ltd., SKDRDP, Uttrayan Financial Services Pvt. Ltd, Adhikar Micro Finance Pvt. Ltd, Cashpor Micro Credit, Margdarshak Financial Services Ltd, People's Action for Transformation, Sakhi Samudaya Kosh, ASA International India Microfinance Pvt. Ltd, Sambandh Finservice Pvt. Ltd, Samhita Community Development Services, Sreema Mahila Samity, Bal Mahila Vikas Samiti	28	1217112	1666	1553
8	IndusInd Bank	Arohan Financial Services Pvt. Ltd, Suryoday Micro Finance Ltd, Sonata Finance Private Limited, SV Creditline Pvt. Ltd, Utkarsh Microfinance Pvt. Ltd, Cashpor Micro Credit, Samhita Community Development Services	7	587638	792	770
9	Kashi Gomti Samyut Gramin Bank	Bhartiya Micro Credit	1	3075	5.52	3.78
10	Kotak Mahindra Bank	SV Creditline Pvt. Ltd.	1	45175		81

11	MAS Financial Service Ltd.	Prayas, Hindusthan Microfinance Pvt. Ltd, ASA International India Microfinance Pvt. Ltd.	3	22556	47	43
12	Nirmal Ujjwal Credit Co-operative Society Ltd,	Hindusthan Microfinance Pvt. Ltd	1	28564	66	57
13	Pragati Krishna Grameena Bank	SKDRDP	1	541680	871	800
14	Ratnakar Bank	SKDRDP	1	91352	212	65
15	RBL Bank	Nirantara FinAccess Pvt. Ltd, Sonata Finance Pvt. Ltd.	2	37331	94	82
16	Sornammal Educational Trust	Varam Capital Pvt. Ltd.	1	265	1	
17	State Bank of India	Organisation for Development Integrated Social and Health Action	1	2864	1	1
18	State Bank of Mysore	SKDRDP	1	140000	236	240
19	Swarna Pragati Housing Micro Finance	Mahashakti Foundation, Sakhi Samudaya Kosh, Gram Utthan	3	5294	54	37
20	Syndicate Bank	SKDRDP	1	215000	421	265
21	Tata Capital Financial Services Ltd	Light Microfinance Pvt. Ltd.	1	13		
22	Union Bank of India	Bhartiya Micro Credit, SKDRDP	2	639156	658	1020
23	Utkal Grameen Bank	Organisation for Development Integrated Social and Health Action	1	604		
24	Vijaya Bank	SKDRDP	1	89647	270	250
25	Yes Bank	Centre For Development Orientation & Training, Grama Vidiyal Micro Finance Limited, Humana People to People India, Margdarshak Financial Services Ltd, Mahashakti Foundation, Peoples Forum, Samasta Microfinance Ltd, Prayas, Bhartiya Micro Credit, Adhikar Micro Finance Pvt. Ltd, Institute of Rural Credit and Entrepreneurship Development, Adhikar, Arth Microfinance Pvt. Ltd., G U Financial Services Pvt. Ltd, Sakhi Samudaya Kosh, Sambandh Finserve (P) Ltd, Samhita Community Development Services, Uttrayan Financial Services Pvt. Ltd, Disha India Micro Credit	19	400882	574	437
	<b>Total</b>			<b>5475930</b>	<b>7443</b>	<b>7191</b>

## 6.5 Use of Technology in BC

The Reserve Bank of India's guidelines regarding BCs allow flexibility to banks regarding the use of technology for financial inclusion. This has resulted in innovations to provide inexpensive and efficient technological solutions. Today a vast array of technology, including hand-held mobile devices, Internet, and mini-ATMs and kiosks, is available. However, in India there are challenges relating to electricity and Internet connectivity in remote areas. As a result, mobile phone technology has emerged as the most effective and prevalent solution. Most of the banks use General Packet Radio Service (GPRS) enabled mobile-based online applications. Portable printing devices are synchronized with mobile handsets. Data are transferred to the bank's intermediary server in real time. Internet security features include a default GPRS security check, an HTTPS-enabled database, and log-in password security check. Each of the BC's customers is given a biometric smartcard, which makes identification easier and more secure. With the use of mobile technology, banks can reach vast geographic areas from a remote location.

Technology, innovation, and knowledge have become the key drivers of economic growth today<sup>6</sup>. A broad scan, across many industry verticals, suggests that much of the economic growth of the last decade has been facilitated by the existence of strong technology platforms.

The effective absorption and utilization of data and information is extremely important for any sector at various developmental stages. However, the importance of data management becomes more pronounced at the advent of the growth stage when an industry is expanding and diversifying rapidly. This is the state in which the Indian Microfinance industry is in today. As part of this growth stage, microfinance in India is undergoing rapid changes and discovering new challenges. Collecting money from scattered, remote clients, the cost of service delivery transactions in the "last mile", effective information exchange at the institutional level, and effective growth management are just a few of the many challenges confronting MFIs. As a result, microfinance practitioners' motivations to use technology interventions are the same as those for any other similar business model: technologies' ability to speed up the flow of information and capital, automate transactions, control and analyze data, improve customer experience, reduce transaction costs, and increase efficiency and customer outreach. Technology potential has, therefore, led Microfinance stakeholders to believe that technology can have a profound impact on their operations.

As a result, technologies' promise and potential is being explored by both technology providers and microfinance institutions. Though microfinance significantly differs in some ways from the traditional banking industry, traditional banking technologies, when applied innovatively in developing countries, have played a role in reducing costs and increasing outreach and penetration, of the microfinance model. Management Information Systems (MIS), Point of Sale technologies (POS), Automatic Teller Machines (ATMs), Interactive Voice Response (IVR) systems and smart cards are among the major technologies that have entered microfinance over the years from the formal financial sector. Across the four major stakeholder groups, technology can meet the process requirements and increase general information sharing, efficiency, and lower costs.

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<sup>6</sup> [Indiasearchjournal.com](http://Indiasearchjournal.com)



### Box 6.2: Cashless Project - Journey so Far

In the current scenario, the functioning of micro finance industry is such that it entails cash movement in very high volumes. This has adverse implications from a risk, efficiency and human resource perspective and is contradictory with the government's prime agenda of 'Cashless India'. The associated operational risks/costs include, loss due to theft, fake currency, excess cash carrying in branch vaults insurance cost, legal expenses as well as excess man-hours invested in dealing with the operational and security concerns.

Cash handling at a large scale also compromises the operational efficiency. For instance, route planning of the branch staff is done with a view to only manage cash carrying risk. The centre meetings are scheduled keeping in mind the banking hours, wherein more than fifty percent of the time is devoted to cash counting and reconciliation. Branch staff have to visit the villages for a second time to comply with the CGT, and Pre GRT process as the same cannot be done immediately after the centre meetings due to cash carrying.

More than the financial risk and operational efficiency, the most concerning factor is the physical safety of the employees which is also at risk while they are carrying the huge volumes of cash over large distances. Moreover, complying with the security procedures, very often the staff who is at the receiving end of in cases of theft / snatching feels harassed in the routine of cross questioning by the authorities. The rise in criminal cases of theft / snatch over the past few months has had an adverse impact on the morale of the work force. The stressful work conditions are also bound to adversely impact the staff productivity. Thus, it was imperative that a permanent alternate solution is sought.

To address the problem of cash carrying, Satin Creditcare Network Limited (SCNL) in partnership with ItzCash commenced the collection from centres through **closed loop prepaid cards** which was piloted in Loni and Khair branches in May 2015. The project garnered huge success with a stark fall in physical cash transactions which in turn reflected well on the operational front, arresting the risks involved and bettering the transactional efficiency. The initial success derived from the pilot project encouraged the company to take this project to new heights.

One of the most challenging areas to work however was to kick start the project on a massive scale and Bihar was the state which ushered in the rising Sun of the cashless project.

Day to day challenges paved way for innovative solutions, which when implemented yielded better results. ItzCash provided a whole gamut of customer centric and innovative solutions. It pioneered prepaid payment in India and also initiated the concept of digital payment solutions to the Indian consumer and business entities. Other products include the country's first SMS based payments way back in 2006 to India's first bank partnered open loop prepaid program with access to online as well as offline retailers and ATM, India's first NFC based programs for government departments as well consumers. It is also differentiated as a "Phygital" brand; owing to the strong omni-channel presence across both physical and digital networks. These innovations paved a concrete path for the cashless revolution which started gaining pace across all geographical locations where Satin was currently operating. The program took a serious note of the distribution periphery while penetrating deeper in the operational locations.

ItzCash has put up a robust distribution model entailing a well-entrenched network of franchise outlets across the country comprising of more than 75000 retail touch points. The network is well poised to

roll out multiple distribution models including customised payment solutions for industries like Direct Selling, Government Payments among others. It also rolled out bank partnered open loop network branded instruments which provides access to payments both online and digital besides access back to your money through ATMs. It therefore services customers across all three segments of banked, under-banked and unbanked.

Presently we are operational in more than 260 branches across the geographies and transactions worth more than 3 crore are happening on a daily basis which are being routed through the cashless mode and we are still adding numbers on a daily basis. The average time a CSO was devoting to cash handling was approximately 1/3 of his total working time. Post implementation of the cashless project the life of CSO has now become easier with the complexities in the daily scenario of handling cash being now averted and the challenges associated with it having taken a back seat.

With the project being implemented in full scale criminal offences like theft and snatches will be completely abolished from the system rendering a very customer friendly and secured ambience for financial transactions.



Courtesy: Satin Creditcare Network Limited. and ItzCash

## Annexure 1 State wise Presence of Different MFIs

Name of the States/UTs	Name of the MFIs	Total No. of MFIs in operation.	No. of MFIs having head-quarter in same state	State wise District covered
Andhra Pradesh	Disha Microfinance Pvt. Ltd, <b>FFSL</b> , KBSLAB, NABARD, RASS, Sanghamithra, Spandana, AML, SML	9	1	13
Arunachal Pradesh	NEREFS, Nightingale Finvest, RGVN NE	3	0	5
Assam	<b>Ajagar</b> , Annapurna Microfinance, Arohan, ASA International, <b>Asomi</b> , <b>Deshabandhu Micro</b> , <b>Grameen Development &amp; Finance Pvt. Ltd</b> , Janalakshmi, KDS, NEREFS, <b>Nightingale Finvest</b> , <b>Prochesta</b> , RGVN NE, Sarala, <b>SATRA</b> , Ujjivan, <b>Unacco</b> , Uttrayan, Village Fin, YVU, SML	21	9	25
Andaman	BMC, BWDA	2	0	1
Bihar	Annapurna Microfinance, Arohan, ASA International, Basix, BMC, Cashpor, <b>CDoT</b> , <b>CPSL</b> , Dhosa, ESAF, Intrepid Finance, Jagaran, Janalakshmi, KDS, Margdarshak, <b>Mass Care</b> , NBJK, NEED, Prayas Jac, <b>Saija</b> , Sarala, Satin Creditcare, Seba Rahara, SKS, SMGBK, SVCL, Ujjivan, Utkrash, Uttrayan, Vedika, Village Fin, Sonata, AML, SML	34	4	38
Chandigarh	Satin Creditcare, Ujjivan	2	0	1
Chhattisgarh	Altura, Annapurna Microfinance, Basix, Cashpor, Equitas, ESAF, Grameen Koota, Growing Opportunity, Hindusthan Microfinance, Janalakshmi, NABARD, Sambandh, Samhita, Satin Creditcare, SKS, Spandana, SVCL, Ujjivan, Utkrash, Varam, People's Forum, SML	22	0	23
Delhi	Basix, BMC, <b>Gramin Micro Credit Foundation</b> , Janalakshmi, NEREFS, <b>Prayas Jac</b> , <b>Satin Creditcare</b> , <b>Shikhar Microfinance</b> , SKS, Ujjivan, Utkrash, SML	12	4	7
Goa	Spandana, Ujjivan, AML	3	0	1
Gujarat	Adhikar Microfinance Pvt. Ltd, BMC, <b>Disha Microfinance Pvt. Ltd</b> , Equitas, FFSL, Grama Vidiyal, Janalakshmi, <b>Light Microfinance</b> , <b>Namra Finance</b> , <b>Prayas</b> , <b>Saath</b> , Satin Creditcare, <b>Sewa Bank</b> , <b>Shroff</b> , SKS, Spandana, Suryoday, <b>Swayam Micro Services</b> , Ujjivan, <b>Pahal Financial Services</b> , AML, SML	22	9	33
Haryana	Altura, Disha India, Equitas, HPPI, Janalakshmi, Margdarshak, Midland Microfin, Satin Creditcare, Shikhar Microfinance, SKS, <b>SVCL</b> , Ujjivan, Utkrash, Sonata, <b>Helping Nation</b> , SML	16	2	20
Himachal Pradesh	Disha India, Satin Creditcare, SKS, Ujjivan, Utkrash	5	0	4
Jammu & Kashmir	Satin Creditcare	1	0	1

Note : Names in bold indicate that the MFI is headquartered in that state.

Jharkhand	Annapurna Microfinance, Arohan, Basix, Cashpor, ESAF, HPPI, Jagaran, Janalakshmi, KDS, <b>MESP</b> , NABARD, <b>NBJK</b> , Saija, Sambandh, Satin Creditcare, SKS, Spandana, Ujjivan, Utkrash, Vedika, Village Fin, People's Forum, AML, SML	24	2	24
Karnataka	Basix, <b>BSS Mirofin</b> , <b>Chaitanya India Fin Credit</b> , Disha Microfinance Pvt. Ltd, Equitas, ESAF, FFSL, Grama Vidiyal, <b>Grameen Koota</b> , Hand In Hand, <b>IDF</b> , Intrepid Finance, IRCED, <b>Janalakshmi</b> , KBSLAB, Madura Micro Finance, <b>NABARD</b> , <b>Navachetna</b> , <b>Opportunity Microfinance</b> , <b>Prakruthi Foundation</b> , <b>Rors</b> , <b>Samasta Microfinance</b> , <b>Sanghamithra</b> , <b>SKDRDP</b> , SKS, Spandana, Suryoday, Ujjivan, AML, SML, Muthoot Microfin, <b>Nirantara FinAccess</b>	32	14	30
Kerala	Blaze Trust, <b>ESAF</b> , <b>FREED</b> , Grama Vidiyal, Impact, <b>Jeevankiran</b> , <b>Life Foundation</b> , Madura Micro Finance, NABARD, SKDRDP, SKS, Spandana, Ujjivan, <b>WSE</b> , SML, Muthoot Microfin	16	5	13
Madhya Pradesh	Annapurna Microfinance, <b>Anupama Human Economic Development</b> , Arth Finance, Basix, BMC, Cashpor, Disha Microfinance Pvt. Ltd, Equitas, ESAF, FFSL, Grama Vidiyal, Grameen Koota, Hand In Hand, Hindusthan Microfinance, Intrepid Finance, Janalakshmi, <b>Lok Biradari</b> , NABARD, Namra Finance, Prayas, <b>Samhita</b> , Sanghamithra, Satin Creditcare, SKS, Spandana, Suryoday, SVCL, Ujjivan, Utkrash, <b>Vama</b> , Sonata, <b>Swashree Mahila Sakh</b> , <b>People's Forum</b> , <b>Pahal Financial Services</b> , <b>Yukti Samaj Sewa Society</b> , AML, SML	37	6	48
Maharashtra	<b>Anik Financial Services Pvt. Ltd</b> , <b>Annapurna Mahila</b> , Annapurna Microfinance, Basix, BMC, BSS Mirofin, Chaitanya India Fin Credit, Disha Microfinance Pvt. Ltd, <b>dMatrix</b> , Equitas, ESAF, FFSL, <b>G B P Nobel</b> , Grama Vidiyal, Grameen Koota, Hand In Hand, <b>Hindusthan Microfinance</b> , <b>IDF</b> , <b>Intrepid Finance</b> , <b>IRCED</b> , Janalakshmi, Madura Micro Finance, NABARD, Navachetna, Samasta Microfinance, <b>Sampada</b> , Sanghamithra, Satin Creditcare, SKS, Spandana, <b>SSK</b> , <b>Suryoday</b> , Ujjivan, <b>Unnati Microfin</b> , Utkrash, Sonata, <b>Samruddhi Welfare</b> , People's Forum, Pahal Financial Services, <b>Gramin Mahila Swayamsiddha Sangh</b> , AML, SML	42	13	36
Manipur	<b>Chanura Microfin</b> , NEREFES, Unacco, <b>VVD</b> , <b>YVU</b> , <b>WSDS Initiate</b>	6	5	9
Meghalaya	Annapurna Microfinance, Basix, Grameen Development & Finance Pvt. Ltd, NEREFES, Nightingale Finvest, RGVN NE, Ujjivan	7	0	6
Mizoram	NABARD, NEREFES, Nightingale Finvest, Unacco, WSDS Initiate,	5	0	8
Nagaland	Grameen Development & Finance Pvt. Ltd, NEREFES, RGVN NE,	3	0	2

Odisha	<b>Adhikar, Adhikar Microfinance Pvt. Ltd, Annapurna Microfinance, Arohan, Basix, Gram Utthan, GU Financial, Hand In Hand, Jagaran, Janalakshmi, KDS, Mahashakti, ODISHA, Sambandh, SARC, SKS, SMCS, Spandana, Suryoday, Swayanshree Mahila, The Eastern Multipurpose, Ujjivan, Village Fin, People's Forum, Helping Nation, AML, Prasad Foundation</b>	27	14	31
Puducherry	BWDA, Equitas, ESAF, FFSL, Grama Vidiyal, Hand In Hand, Janalakshmi, Sarvodaya Nano, SMILE, Suryoday, Ujjivan, Valar Aditi	12	0	4
Punjab	Equitas, Janalakshmi, Midland Microfin, NEREFs, Satin Creditcare, SKS, SVCL, Ujjivan, Sonata	9	0	21
Rajasthan	Annapurna Microfinance, <b>Arth Finance</b> , Basix, Disha Microfinance Pvt. Ltd, Equitas, Hand In Hand, HPPI, Janalakshmi, Light Microfinance, <b>Matashree</b> , Midland Microfin, PSC, <b>Pustikar</b> , Satin Creditcare, SKS, Suryoday, SVCL, Ujjivan, Sonata, AML, SML,	21	3	31
Sikkim	Basix, RGVN NE, , Village Fin	3	0	2
Tamil Nadu	<b>Blaze Trust, BWDA, Disha Microfinance Pvt. Ltd, Equitas, ESAF, FFSL, Grama Vidiyal, Grameen Koota, Growing Opportunity, Guardian, Hand In Hand, Impact, Janalakshmi, Madura Micro Finance, Mahasemam, NABARD, Opportunity Microfinance, PAT, RASS, Repco Micro Finance, Rors, Samasta Microfinance, Sanghamithra, Sarvodaya Nano, SMILE, Suryoday, Ujjivan, Valar Aditi, Varam, Virutcham, READ, SML, Muthoot Microfin</b>	33	18	34
Telangana	<b>KBSLAB, NABARD, Spandana, Pragathi Seva Samithi, AML, SML</b>	6	5	9
Tripura	Annapurna Microfinance, ASA International, Basix, KDS, NEREFs, RGVN NE, Ujjivan, Unacco, Village Fin	9	0	8
Uttarakhand	Balajee Sewa, Basix, BMC, Disha India, HPPI, Janalakshmi, Margdarshak, NEREFs, Satin Creditcare, Shikhar Microfinance, SKS, SVCL, Ujjivan, Utkrash, Sonata, SML	16	0	9
Uttar Pradesh	ASA International, Basix, <b>BMC, Cashpor, Disha India, Futureage India, Gramottan Micro</b> , HPPI, Intrepid Finance, Janalakshmi, <b>Margdarshak, NEED</b> , Saija, Samhita, Satin Creditcare, Shikhar Microfinance, SKS, Spandana, SVCL, Ujjivan, <b>Utkrash, Vedika, Sonata, AML, SML</b>	25	10	71
West Bengal	<b>Agradut Polly Unnayan Samity, Arohan, ASA International, Bagaria Relief Welfare, Barasat Sampark, Barasat U Prostuti, Basix, BJS, Boys' Recreation Club, BURS, BWWA, Dakshin Budhakali, Destiny, Dhosa, DISA, ESAF, Jagaran, Janalakshmi, KDS, MESP, NABARD, Purba Barasat Prerana, Sahara Utsarga, Sampurna, Sarala, Satin Creditcare, Seba Rahara, SKS, SMGBK, Swayamsampurna, Ujjivan, Unacco, Uttrayan, Vedika, Village Fin, VSSU, Bagnan Mahila, Barasat Grameen Society, Parama Mahila Samitee, Helping Nation, Jamalpur Panchyajanya, Barasat Society, Sreema Mahila Samity, AML, SML</b>	45	32	20
<b>Total</b>				<b>588</b>

## Annexure 2 District wise Number of MFIs in Operation

S.No.	Name of the District	No. of MFIs Operating
1	North 24 Parganas	22
2	Indore	20
3	South 24 Parganas	20
4	Kanchipuram	18
5	Thiruvallur	18
6	Shimoga	17
7	Nagpur	17
8	Coimbatore	17
9	Erode	17
10	Patna	16
11	Haveri district	16
12	Jabalpur	16
13	Amravati	16
14	Kolhapur	16
15	Vellore	16
16	Kolkata	16
17	Vaishali	15
18	Bangalore Rural	15
19	Mysore	15
20	Tumkur	15
21	Chhindwara	15
22	Jalgaon	15
23	Yavatmal	15
24	Cuttack	15
25	Chennai	15
26	Cuddalore	15
27	Salem	15
28	Virudhunagar	15
29	Nadia	15
30	Muzaffarpur	14
31	Raipur	14
32	Ahmedabad	14
33	Belgaum	14
34	Chamarajnagar	14
35	Gadag	14
36	Dhar	14
37	Hoshangabad	14
38	Khandwa (East Nimar)	14
39	Sagar	14
40	Seoni	14
41	Ujjain	14
42	Bhadrak	14
43	Baleswar(Balasore)	14
44	Thiruvarur	14
45	Tiruvannamalai	14
46	Thirupur	14
47	Villupuram	14
48	Bardhaman	14

S.No.	Name of the District	No. of MFIs Operating
49	Kamrup	13
50	Bilaspur	13
51	Durg	13
52	East Singhbhum	13
53	Dharwad	13
54	Harda	13
55	Katni	13
56	Mandla	13
57	Ratlam	13
58	Aurangabad	13
59	Latur	13
60	Pune	13
61	Dindigul	13
62	Nagapattinam	13
63	Namakkal	13
64	Pudukkottai	13
65	Samastipur	12
66	Vadodara	12
67	Hazaribag	12
68	Ranchi	12
69	Bagalkot	12
70	Bellary	12
71	Davanagere	12
72	Hassan	12
73	Gulbarga	12
74	Kolar	12
75	Bhopal	12
76	Ahmednagar	12
77	Satara	12
78	Solapur	12
79	Wardha	12
80	Bargarh (Baragarh)	12
81	Khordha	12
82	Jaipur	12
83	Kanyakumari	12
84	Madurai	12
85	Sivangai	12
86	Tirunelveli	12
87	Howrah	12
88	Murshidabad	12
89	Gaya	11
90	Nalanda	11
91	Kheda	11
92	Sabarkantha	11
93	Bidar	11
94	Chikkaballapur	11
95	Chikkamagaluru	11
96	Chitradurga	11
97	Mandya	11

S.No.	Name of the District	No. of MFIs Operating
98	Dewas	11
99	Khargone (West Nimar)	11
100	Vidisha	11
101	Akola	11
102	Nashik	11
103	Sangli	11
104	Jajapur (Jajpur)	11
105	Kalahandi	11
106	Sambalpur	11
107	Alwar	11
108	Theni	11
109	Birbhum	11
110	Hooghly	11
111	Bhojpur	10
112	Saran	10
113	Rajnandgaon	10
114	Bokaro	10
115	Ramgarh	10
116	Koppal	10
117	Raichur	10
118	Ramanagara	10
119	Betul	10
120	Mandsaur	10
121	Narsinghpur	10
122	Neemuch	10
123	Raisen	10
124	Rewa	10
125	Satna	10
126	Beed	10
127	Osmanabad	10
128	Bolangir (Balangir)	10
129	Kendujhar (Keonjhar)	10
130	Koraput	10
131	Krishnagiri	10
132	Tanjore	10
133	Trichy	10
134	Udham Singh Nagar	10
135	Allahabad	10
136	Chandauli	10
137	Deoria	10
138	Jaunpur district	10
139	Mirzapur	10
140	Varanasi	10
141	Malda	10
142	Uttar Dinajpur	10
143	Kamrup Metropolitan	9
144	Darbhanga	9
145	East Champaran	9
146	Katihar	9
147	Purnia	9

S.No.	Name of the District	No. of MFIs Operating
148	Janjgir-Champa	9
149	Korba	9
150	Mehsana	9
151	Ambala	9
152	Karnal	9
153	Kurukshetra	9
154	Yamuna Nagar	9
155	Dhanbad	9
156	Kodagu	9
157	Vijayapura	9
158	Yadgir	9
159	Ashok Nagar	9
160	Burhanpur	9
161	Bhandara	9
162	Dhule	9
163	Dhenkanal	9
164	Rayagada	9
165	Sundargarh (Sundergarh)	9
166	Puducherry	9
167	Nilgiris	9
168	Dehradun	9
169	Haridwar	9
170	Nainital	9
171	Ambedkar Nagar	9
172	Gorakhpur	9
173	Nagaon	8
174	Sonitpur	8
175	Begusarai	8
176	Buxar	8
177	Nawada	8
178	Rohtas	8
179	Mahasamund	8
180	Anand	8
181	Aravalli	8
182	Gandhinagar	8
183	Surat	8
184	Dumka	8
185	Giridih	8
186	Bangalore Urban	8
187	Barwani	8
188	Chhatarpur	8
189	Damoh	8
190	Guna	8
191	Sehore	8
192	Shajapur	8
193	Thane	8
194	Jharsuduga	8
195	Mayurbhanj	8
196	Nuapada	8
197	Subarnapur (Sonepur)	8

S.No.	Name of the District	No. of MFIs Operating
198	Pali	8
199	Ariyalur	8
200	Thoothukudi	8
201	Agra	8
202	Aligarh	8
203	Bareilly	8
204	Faizabad	8
205	Kushinagar	8
206	Lucknow	8
207	Dakshin Dinajpur	8
208	Medinapore (Purba)	8
209	Nalbari	7
210	Bhagalpur	7
211	Gopalganj	7
212	Khagaria	7
213	Kishanganj	7
214	Banaskantha	7
215	Koderma	7
216	Seraikela Kharsawan	7
217	Uttara Kannada	7
218	Alappuzha	7
219	Ernakulam	7
220	Kottayam	7
221	Balaghat	7
222	Gwalior	7
223	Rajgarh	7
224	Shahdol	7
225	Angul	7
226	Ganjam	7
227	Kandhamal	7
228	Nabarangpur	7
229	Nayagarh	7
230	Puri	7
231	Patiala	7
232	Bhilwara	7
233	Karur	7
234	Perambalur	7
235	West Tripura	7
236	Basti	7
237	Fatehpur	7
238	Ghazipur	7
239	Hathras (Mahamaya Nagar)	7
240	Maharajganj	7
241	Mathura	7
242	Saharanpur	7
243	Sitapur	7
244	Sultanpur	7
245	Bankura	7
246	Cooch Behar	7
247	Medinapore (West)	7

S.No.	Name of the District	No. of MFIs Operating
248	Barpeta	6
249	Bongaigaon	6
250	Darrang	6
251	Goalpara	6
252	Jorhat	6
253	Marigaon	6
254	Aurangabad	6
255	Siwan	6
256	Baloda Bazar	6
257	Mungeli	6
258	Raigarh	6
259	Bharuch	6
260	Narmada	6
261	Panchmahal	6
262	Rewari	6
263	Deoghar	6
264	Dakshina Kannada	6
265	Idukki	6
266	Palakkad	6
267	Thrissur	6
268	Panna	6
269	Buldhana	6
270	Mumbai City	6
271	Nanded	6
272	Washim	6
273	Imphal East	6
274	East Khasi Hills	6
275	Debagarh (Deogarh)	6
276	Jalandhar	6
277	Ludhiana	6
278	Ajmer	6
279	Bikaner	6
280	Kota	6
281	Nagaur	6
282	Tuticorin	6
283	Azamgarh	6
284	Budaun	6
285	Firozabad	6
286	Ghaziabad	6
287	Kaushambi	6
288	Lakhimpur Kheri	6
289	Mau	6
290	Meerut	6
291	Moradabad	6
292	Sant Kabir Nagar	6
293	Unnao	6
294	Darjeeling	6
295	Jalpaiguri	6
296	Purulia	6
297	Chittoor	5



S.No.	Name of the District	No. of MFIs Operating
298	Golaghat	5
299	Jehanabad	5
300	Kaimur	5
301	Dhamtari	5
302	Surguja	5
303	New Delhi	5
304	North West Delhi	5
305	Dahod	5
306	Mahisagar	5
307	Morbi	5
308	Navsari	5
309	Patan	5
310	Valsad	5
311	Hissar	5
312	Kaithal	5
313	Mahendragarh	5
314	Palwal	5
315	Panipat	5
316	Rohtak	5
317	Pakur	5
318	West Singhbhum	5
319	Pathanamthitta	5
320	Thiruvananthapuram	5
321	Gondia	5
322	Hingoli	5
323	Bishnupur	5
324	Boudh (Bauda)	5
325	Gajapati	5
326	Bathinda	5
327	Kapurthala	5
328	Chittorgarh	5
329	Jodhpur	5
330	Sikar	5
331	Dharmapuri	5
332	Ramanathapura	5
333	Tiruchirappalli	5
334	Ballia	5
335	Barabanki	5
336	Bijnor	5
337	Chitrakoot	5
338	Gonda	5
339	Hapur (Panchsheel Nagar)	5
340	Hardoi	5
341	Pilibhit	5
342	Pratapgarh	5
343	Sant Ravidas Nagar	5
344	Shahjahanpur	5
345	Dhemaji	4
346	Dhubri	4
347	Lakhimpur	4

S.No.	Name of the District	No. of MFIs Operating
348	Sibsagar	4
349	Araria	4
350	Banka	4
351	West Champaran	4
352	Balod	4
353	Bemetara	4
354	Gariaband	4
355	Jashpur	4
356	Koriya	4
357	Surajpur	4
358	West Delhi	4
359	South Delhi	4
360	Bhavnagar	4
361	Botad	4
362	Kutch	4
363	Rajkot	4
364	Surendranagar	4
365	Tapi	4
366	Bhiwani	4
367	Faridabad	4
368	Fatehabad	4
369	Jind	4
370	Sirsa	4
371	Sirmaur	4
372	Chatra	4
373	Godda	4
374	Udupi	4
375	Kollam	4
376	Malappuram	4
377	Anuppur	4
378	Dindori	4
379	Shivpuri	4
380	Tikamgarh	4
381	Umaria	4
382	Chandrapur	4
383	Jalna	4
384	Parbhani	4
385	Sindhudurg	4
386	Thoubal	4
387	Aizawl	4
388	Amritsar	4
389	Barnala	4
390	Faridkot	4
391	Firozpur	4
392	Mansa	4
393	Moga	4
394	Rupnagar (earlier Ropar)	4
395	Sri Muktsar Sahib	4
396	Sangrur	4
397	Bundi	4

S.No.	Name of the District	No. of MFIs Operating
398	Churu	4
399	Jhunjhunun	4
400	Bahraich	4
401	Banda	4
402	Bulandshahr	4
403	Jhansi	4
404	Raebareli	4
405	Rampur	4
406	Sonbhadra	4
407	Anantapur	3
408	Cacher	3
409	Dibrugarh	3
410	Tinsukia	3
411	Lakhisarai	3
412	Munger	3
413	Chandigarh	3
414	Kabirdham	3
415	North Delhi	3
416	East Delhi	3
417	Amreli	3
418	Chhota Udaipur	3
419	Jamnagar	3
420	Gurgaon	3
421	Sonipat	3
422	Garhwa	3
423	Jamtara	3
424	Sahibganj	3
425	Simdega	3
426	Kozhikode	3
427	Jhabua	3
428	Mumbai suburban	3
429	Nandurbar	3
430	Palghar	3
431	Raigad	3
432	Senapati	3
433	Imphal West	3
434	Kolasib	3
435	Bhubaneswar	3
436	Jagatsinghpur	3
437	Malkangiri	3
438	Karaikal	3
439	Hoshiarpur	3
440	Fatehgarh Sahib	3
441	Sahibzada Ajit Singh Nagar (earlier Mohali)	3
442	Shahid Bhagat Singh Nagar (Nawan Shahr)	3
443	Baran	3
444	Dausa	3
445	Hanumangarh	3

S.No.	Name of the District	No. of MFIs Operating
446	Rajsamand	3
447	Tonk	3
448	Udaipur	3
449	East Sikkim	3
450	Mahbubnagar	3
451	Khowai	3
452	Amethi (Chhatrapati Shahuji Maharaj Nagar)	3
453	Hamirpur	3
454	Jalaun	3
455	Kanpur Dehat (Ramabai Nagar)	3
456	Mahoba	3
457	Muzaffarnagar	3
458	Sambhal (Bheem Nagar)	3
459	Siddharthnagar	3
460	Krishna	2
461	Nellore	2
462	Prakasam	2
463	Vishakhapatnam	2
464	East Siang	2
465	Papum Pare	2
466	Baksa	2
467	Chirang	2
468	Udalguri	2
469	North and Middle Andaman	2
470	Arwal	2
471	Jamui	2
472	Madhepura	2
473	Madhubani	2
474	Saharsa	2
475	Sitamarhi	2
476	Dantewada	2
477	Kanker	2
478	Sukma	2
479	North East Delhi	2
480	South Goa	2
481	Devbhoomi Dwarka	2
482	Gir Somnath	2
483	Junagadh	2
484	Jhajar	2
485	Gumla	2
486	Khunti	2
487	Palamu	2
488	Kasaragod	2
489	Datia	2
490	Sheopur	2
491	Gadchiroli	2
492	Ratnagiri	2
493	Churachandpur	2
494	Ukhrul	2

S.No.	Name of the District	No. of MFIs Operating
495	East Jaintia Hills	2
496	Ri-Bhoi	2
497	West Garo Hills	2
498	Dimapur	2
499	Pathankot (New)	2
500	Banswara	2
501	Bharatpur	2
502	Ganganagar	2
503	Jaisalmer	2
504	Jhalawar	2
505	Sawai Madhopur	2
506	Sirohi	2
507	South Sikkim	2
508	Ranga Reddy	2
509	Warangal	2
510	South Tripura	2
511	Gomati	2
512	Sipahijala	2
513	Rudraprayag	2
514	Amroha (Jyotiba Phule Nagar)	2
515	Bagpat	2
516	Etah	2
517	Kannauj	2
518	Kanpur Nagar	2
519	Kasganj (Kanshi Ram Nagar)	2
520	Shamli	2
521	Alipurduar	2
522	East Godavari	1
523	Guntur	1
524	Kadapa	1
525	Kurnool	1
526	Srikakulam	1
527	Vizianagaram	1
528	West Godavari	1
529	Lower Subansiri	1
530	West Kameng	1
531	West Siang	1
532	Dima Hasao	1
533	Hailakandi	1
534	Karbi Anglong	1
535	Sheikhpura	1
536	Sheohar	1
537	Supaul	1
538	Balrampur	1
539	Dang	1
540	Porbandar	1
541	Panchkula	1

S.No.	Name of the District	No. of MFIs Operating
542	Bilaspur	1
543	Kangra	1
544	Una	1
545	Jammu District	1
546	Latehar	1
547	Lohardaga	1
548	Wayanad	1
549	Alirajpur	1
550	Bhind	1
551	Sidhi	1
552	Chandel	1
553	Tamenglong	1
554	West Jaintia Hills	1
555	North Garo Hills	1
556	Champhai	1
557	Lawngtlai	1
558	Lunglei	1
559	Mamit	1
560	Saiha	1
561	Serchhip	1
562	Kohima	1
563	Kendrapara	1
564	Mahe	1
565	Yanam	1
566	Fazilka (New)	1
567	Tarn Taran	1
568	Barmer	1
569	Dholpur	1
570	Jalore	1
571	Sri Ganganagar	1
572	Hyderabad	1
573	Karimnagar	1
574	Khammam	1
575	Medak	1
576	Nalgonda	1
577	Nizamabad	1
578	Dhalai	1
579	North Tripura	1
580	Unakoti	1
581	Almora	1
582	Champawat	1
583	Garhwal	1
584	Tehri Garhwal	1
585	Balrampur	1
586	Gautam Buddh Nagar	1
587	Mainpuri	1
588	Shravasti	1

## Annexure 3 Distribution of Data Contributing MFIs for his Report

Distribution of MFIs Across State and Membership Status			
State	Total No. of MFIs	Of which No. of Member MFIs	Of which No. of Non-member MFIs
Andhra Pradesh	2	2	0
Assam	9	8	1
Bihar	4	2	2
Delhi	8	5	3
Gujarat	9	5	4
Haryana	2	2	0
Jharkhand	3	2	1
Karnataka	15	13	2
Kerala	5	2	3
Madhya Pradesh	6	1	5
Maharashtra	14	5	9
Manipur	4	4	0
Odisha	14	10	4
Punjab	1	1	0
Rajasthan	3	2	1
Tamil Nadu	18	14	4
Telangana	7	7	0
Uttarakhand	1	0	1
Uttar Pradesh	9	6	3
West Bengal	32	14	18
<b>Total</b>	<b>166</b>	<b>105</b>	<b>61</b>

Distribution of MFIs Across Legal Form			
State	Total No. of MFIs	Of which No. of Member MFIs	Of which No. of Non-member MFIs
NBFC	71	58	13
Local Area Bank	2	2	0
Society	49	23	26
Trust	13	7	6
Sec. 8 Company	24	11	13
MACS or Cooperative	7	4	3
<b>Total</b>	<b>166</b>	<b>105</b>	<b>61</b>

No. of MFIs across Size (GLP Base)			
Size	Gross Loan Portfolio (GLP)	No. of MFIs	Percentage (%)
Tiny	< ₹1 Crore	13	8%
Small	₹1 Crore and < Rs 10 Crore	54	33%
Medium	₹10 Crore and < Rs 50 Crore	32	19%
Moderately Large	₹50 Crore and < Rs 100 Crore	14	8%
Large	₹100 Crore and < Rs 500 Crore	30	18%
Giant	> ₹ 500 Crore	23	14%
<b>Total</b>		<b>166</b>	

Distribution of MFIs across Region and State		
Region	States/Union Territories	No. of MFIs
North	<b>Delhi (8), Haryana (2), Rajasthan (3), Punjab (1)</b> , Chandigarh, Himachal Pradesh, Jammu & Kashmir	14
East	<b>Bihar (4), Odisha (14), Jharkhand (3), West Bengal (32)</b> , Andaman	53
West	<b>Gujarat (9), Maharashtra (14)</b> , Goa, Dadra & Nagar Haveli, Daman and Diu	23
South	<b>Andhra Pradesh (2), Karnataka (15), Kerala (5), Tamil Nadu (18), Telangana (7)</b> , Puducherry	47
North East	<b>Assam (9), Manipur (4)</b> , Tripura, Nagaland, Sikkim, Meghalaya, Mizoram, Arunachal Pradesh	13
Central	Madhya Pradesh (6), Uttarakhand (1), Uttar Pradesh (9), Chhattisgarh	16
<b>Total</b>		<b>166</b>

Note: States in bold indicate MFIs having headquarters in that state and have submitted data to BMR Report 2016.

## Annexure 4 Profile of MFIs which Contributed Data for this Report

<b>(A) List of MFIs with Loan Portfolio Less than ₹ 1 crore</b>			
<b>S.No.</b>	<b>Name of the MFIs</b>	<b>State</b>	<b>Legal Form</b>
1	Balajee Sewa Sansthan	Uttrakhand	Society
2	Barasat Society of Self Employment for Rural and All Liberal	West Bengal	Society
3	Barasat Unnayan Prostuti	West Bengal	Society
4	Deshabandhu Micro Finance and Livelihood Institution (DMLI)	Assam	Sec. 8 Company
5	G B P Nobel Microfinances	Maharashtra	Sec. 8 Company
6	Gramin Micro Credit Foundation	Delhi	Sec. 8 Company
7	Helping Nation	Haryana	Society
8	Jamalpur Panchyajanya Gram Vikash Samity	West Bengal	Society
9	Micro Enterprises & Sustainable Projects (MESP)	Jharkhand	Sec. 8 Company
10	Prayas Juvenile Aid Centre (Prayas Micro Credit)	Delhi	Society
11	Samruddhi Welfare Development Foundation	Maharashtra	Sec. 8 Company
12	Social Action for Rural Community	Odisha	Society
13	Yukti Samaj Sewa Society	Madhya Pradesh	Society
<b>(B) List of MFIs with Loan Portfolio between ₹ 1 and &lt;10 crore</b>			
<b>S.No.</b>	<b>Name of the MFIs</b>	<b>State</b>	<b>Legal Form</b>
1	Adhikar	Odisha	Society
2	Agradut Polly Unnyan Samity	West Bengal	Society
3	Ajgar Social Circle	Assam	Society
4	Anik Financial Services Pvt Ltd	Maharashtra	NBFC-MFI
5	Anupama Human Economic Development	Madhya Pradesh	Sec. 8 Company
6	Bagaria Relief Welfare Ambulance Society	West Bengal	Society
7	Bal-Mahila Vikas Samiti -VAMA	Madhya Pradesh	Society
8	Barasat Grameen Society	West Bengal	Society
9	Barasat Sampark	West Bengal	Society
10	Bengal Women Welfare Association	West Bengal	Sec. 8 Company
11	Blaze Trust	Tamil Nadu	Trust
12	Boy's Recreation Club	West Bengal	Society
13	BURS	West Bengal	Society
14	BWDA Finance Ltd	Tamil Nadu	NBFC
15	Centre For Development Orientation & Training- CDOT	Bihar	Society
16	Centre for Promoting Sustainable Livelihood(CPSL)	Bihar	Society
17	Chanura Microfin Manipur	Manipur	Society
18	Dakshin Budhakhali Improvement Society (DBIS)	West Bengal	Society
19	Destiny Finco Pvt. Ltd.	West Bengal	NBFC
20	Dhosa Chandaneswar Bratyajana Samity (DCBS)	West Bengal	Society

21	dMatrix Development Foundation	Maharashtra	Sec. 8 Company
22	Duttapukur Institute for Social Advancement	West Bengal	Society
23	Forum for Rural Environment and Economic Development	Kerala	Society
24	Futureage India Micro Credit Services	Uttar Pradesh	Sec. 8 Company
25	Gramotthan Micro Finance Company	Uttar Pradesh	Sec. 8 Company
26	Jeevankiran	Kerala	Society
27	Life Foundation	Kerala	Trust
28	Lok Biradari Trust	Madhya Pradesh	Trust
29	Mass Care International	Bihar	Society
30	Matashree Gomati Devi Jan Seva Nidhi	Rajasthan	Trust
31	Nav Bharat Jagriti Kendra	Jharkhand	Society
32	Opportunity Microfinance India Ltd	Karnataka	NBFC
33	Organisation for Development Integrated Social and Health Action (ODISHA)	Odisha	Society
34	Parama Mahila Samitee	West Bengal	Society
35	Planned Social Concern	Delhi	Sec. 8 Company
36	Pragathi Seva Samithi	Telangana	Macs or Copera- tive
37	Prakruthi Foundation	Karnataka	Trust
38	Prasad Foundation	Odisha	Society
39	Prochesta Thrift & Credit Co-Operative Society Asom Ltd.	Assam	Macs or Copera- tive
40	Purba Barasat Prerana	West Bengal	Society
41	Pustikar Sakh Sahakari Samiti Ltd.	Rajasthan	Society
42	Rural Education Action and Development	Tamil Nadu	Society
43	Sampurna Training and Entrepreneurship Programme	West Bengal	Sec. 8 Company
44	SATRA Development Finance Private Limited	Assam	NBFC
45	Shroff Capital and Finance Pvt Ltd	Gujarat	NBFC-MFI
46	Swashree Mahila Sakh Sahakari Sanstha Maryadit	Madhya Pradesh	Society
47	Swayamsampurna	West Bengal	Trust
48	The Eastern Multipurpose coop Society ltd.	Odisha	Macs or Copera- tive
49	Valar Aditi Social Finance (P) Ltd.	Tamil Nadu	NBFC
50	Virutcham Microfinance Limited	Tamil Nadu	NBFC-MFI
51	Vivekananda Sevakendra -O- Sishu Uddyan ( VSSU)	West Bengal	Society
52	Volenteers for Village Development	Manipur	Society
53	WSDS Initiate	Manipur	Society
54	YVU Financial Services Private Limited	Manipur	NBFC-MFI

**(C) List of MFIs with Loan Portfolio between ₹ 10 and <50 crore**

S.No.	Name of the MFIs	State	Legal Form
1	Altura Financial Services Limited	Delhi	NBFC-MFI
2	Bagnan Mahila Bikash Cooperative Credit Society Ltd.	West Bengal	Macs or Coperative
3	Belghoria Janakalyan Samity	West Bengal	Society
4	Disha India Micro Credit	Uttar Pradesh	Sec. 8 Company
5	G U Financial Services Pvt Ltd	Odisha	NBFC
6	Gramalaya Urban and Rural Development Initiatives and Network	Tamil Nadu	Sec. 8 Company
7	Grameen Development & Finance Pvt Ltd	Assam	NBFC-MFI
8	Gramin Mahila Swayamsiddha Sangh	Maharashtra	Society
9	Gram-Utthan	Odisha	Society
10	IMPACT	Tamil Nadu	Sec. 8 Company
11	Institute of Rural Credit and Entrepreneurship Development	Maharashtra	Trust
12	Kotalipara Development Society (KDS)	West Bengal	Society
13	Mahashakti Foundation	Odisha	Trust
14	Network of Entrepreneurship & Economic Development	Uttar Pradesh	Society
15	Nightingale Finvest Pvt. Ltd.	Assam	NBFC-MFI
16	People's Action for Transformation	Tamil Nadu	Trust
17	PRAYAS - Organization for Sustainable Development	Gujarat	Trust
18	RORS Finance Private Limited	Karnataka	NBFC-MFI
19	Sahara Utsarga Welfare Society	West Bengal	Society
20	Sakhi Samudaya Kosh	Maharashtra	Sec. 8 Company
21	Sampada Entrepreneurship & Livelihoods Foundation	Maharashtra	Sec. 8 Company
22	Sarvodaya Nano Finance Limited	Tamil Nadu	NBFC
23	Seba - Rahara	West Bengal	Society
24	Society for Model Gram Bikash Kendra	West Bengal	Society
25	Sreema Mahila Samity	West Bengal	Society
26	Swayam Micro Services	Gujarat	Sec. 8 Company
27	Swayamshree Mahila Samabaya Samiti Ltd.	Odisha	Macs or Coperative
28	Swayamshree Micro Credit Services	Odisha	Sec. 8 Company
29	The Saath Saving and Credit Co Operative Society Limited	Gujarat	Macs or Coperative
30	Unacco Financial Services Pvt. Ltd.	Assam	NBFC-MFI
31	Unnati Microfin Pvt. Ltd.	Maharashtra	NBFC-MFI
32	Welfare Services Ernakulam	Kerala	Society



<b>(D) List of MFIs with Loan Portfolio between ₹ 50 and &lt;100 crore</b>			
<b>S.No.</b>	<b>Name of the MFIs</b>	<b>State</b>	<b>Legal Form</b>
1	Annapura Mahila Coop Credit Society Ltd.	Maharashtra	Macs or Coperative
2	Arth MicroFinance Pvt. Ltd.	Rajasthan	NBFC-MFI
3	Asomi Finance Pvt Ltd	Assam	NBFC
4	Growing Opportunity Finance (India) Pvt Ltd	Tamil Nadu	NBFC-MFI
5	Hand in Hand India	Tamil Nadu	Trust
6	Humana People to People India	Delhi	Sec. 8 Company
7	IDF Financial Services Pvt Ltd	Karnataka	NBFC
8	Mahasemam Trust	Tamil Nadu	Trust
9	Navachetana Microfin Services Pvt Ltd	Karnataka	NBFC
10	Nirantara FinAccess Pvt Ltd	Karnataka	NBFC-MFI
11	Rashtriya Seva Samithi (RASS)	Andhra Pradesh	Society
12	Sambandh Finservice (P) Ltd.	Odisha	NBFC-MFI
13	Shikhar Microfinance Pvt. Ltd.	Delhi	NBFC-MFI
14	Uttrayan Financial Services Pvt. Ltd.	West Bengal	NBFC-MFI
<b>(E) List of MFIs with Loan Portfolio between ₹ 100 and &lt;500 crore</b>			
<b>S.No.</b>	<b>Name of the MFIs</b>	<b>State</b>	<b>Legal Form</b>
1	Adhikar Micro Finance Pvt Ltd	Odisha	NBFC-MFI
2	ASA International India Microfinance Pvt Ltd.	West Bengal	NBFC-MFI
3	Bhartiya Micro Credit	Uttar Pradesh	Sec. 8 Company
4	Bhartiya Samruddhi Finance Ltd	Telangana	NBFC
5	BSS Microfinance Private Ltd	Karnataka	NBFC-MFI
6	Chaitanya India Fin Credit Pvt Ltd	Karnataka	NBFC-MFI
7	Disha Microfin Pvt Ltd	Gujarat	NBFC-MFI
8	Hindusthan Microfinance Pvt. Ltd.	Maharashtra	NBFC-MFI
9	Intrepid Finance & Leasing Pvt. Ltd.	Maharashtra	NBFC-MFI
10	Jagaran Microfin Private Ltd	West Bengal	NBFC-MFI
11	Krishna Bhima Samruddhi Local Area Bank Ltd	Telangana	Local Area Bank
12	Light Microfinance Private Limited	Gujarat	NBFC-MFI
13	Margdarshak Financial Services Ltd	Uttar Pradesh	NBFC-MFI
14	Midland Microfin	Punjab	NBFC-MFI
15	Namra Finance Limited	Gujarat	NBFC-MFI
16	North East Region Finservices Limited	Delhi	NBFC
17	Pahal Financial Services Pvt Ltd	Gujarat	NBFC-MFI
18	Peoples Forum	Odisha	Society
19	RepcO Microfinance limited	Tamil Nadu	NBFC-MFI
20	RGVN (NE) Microfinance Ltd.	Assam	NBFC-MFI
21	SMILE Microfinance Limited	Tamil Nadu	NBFC-MFI
22	Saija Finance Pvt Ltd	Bihar	NBFC-MFI
23	Samasta Microfinance Limited	Karnataka	NBFC-MFI
24	Samhita Community Development Services	Madhya Pradesh	Sec. 8 Company
25	Sanghamithra Rural Financial Services	Karnataka	Sec. 8 Company

26	Sarala Development and Microfinance Pvt. Ltd.	West Bengal	NBFC-MFI
27	Shri Mahila Sewa Sahakari Bank Ltd.	Gujarat	Local Area Bank
28	Varam Capital Private Limited	Tamil Nadu	NBFC-MFI
29	Vedika Credit Capital Limited	Jharkhand	NBFC-MFI
30	Village Financial Services Pvt. Ltd.	West Bengal	NBFC-MFI

**(F) List of MFIs with Loan above ₹ 500 crore**

S.No.	Name of the MFIs	State	Legal Form
1	Annapurna Micro Finance Pvt Ltd	Odisha	NBFC-MFI
2	Arohan Financial Services Pvt Ltd	West Bengal	NBFC-MFI
3	Ashmitha Microfin Ltd	Telangana	NBFC-MFI
4	Cashpor Micro Credit	Uttar Pradesh	Sec. 8 Company
5	Equitas Micro Finance Ltd	Tamil Nadu	NBFC-MFI
6	ESAF Microfinance & Investments Pvt Ltd	Kerala	NBFC-MFI
7	Future Financial Services Pvt Ltd	Andhra Pradesh	NBFC-MFI
8	Grama Vidiyal Micro Finance Limited	Tamil Nadu	NBFC-MFI
9	Grameen Koota Financial Services Pvt Ltd	Karnataka	NBFC-MFI
10	Janalakshmi Financial Services Ltd.,	Karnataka	NBFC-MFI
11	Madura Micro Finance Limited	Tamil Nadu	NBFC-MFI
12	Muthoot Microfin Limited	Maharashtra	NBFC-MFI
13	NABARD Financial Services Limited	Karnataka	NBFC-MFI
14	Satin Creditcare Network Limited	Delhi	NBFC-MFI
15	Share Microfin Limited	Telangana	NBFC-MFI
16	SKDRDP	dharmasthala	Trust
17	SKS Microfinance Ltd	Telangana	NBFC-MFI
18	Sonata Finance Private Limited	Uttar Pradesh	NBFC-MFI
19	Spandana Sphoorty Financial Limited	Telangana	NBFC-MFI
20	Suryoday Micro Finance Ltd	Maharashtra	NBFC-MFI
21	SV Creditline Pvt. Ltd.	Haryana	NBFC-MFI
22	Ujjivan Financial Services Limited	Karnataka	NBFC-MFI
23	Utkarsh Microfinance Pvt Ltd	Uttar Pradesh	NBFC-MFI



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