Sa-Dhan

The Association of Community Development Finance Institutuins

The Bharat Microfinance Report

# Effective Microfinance Services

SIDE BY SIDE 2008

# contents



## Glossary of Terms

| | |
|---|---|
| CDFI | Community Development Finance Institution |
| NABARD | National Bank for Agriculture and Rural Development |
| RRB | Regional Rural Bank |
| RBI | Reserve Bank of India |
| IIBF | Indian Institute of Banking & Finance |
| NGO | Non Government Organization |
| GoI | Government of India |
| MFI | Microfinance Institution |
| NBFC | Non Banking Finance Company |
| SC/ST | Scheduled Caste/Scheduled Tribe |
| GLP | Gross Loan Portfolio |
| JLG | Joint Liability Group |
| SHG | Self Help Group |
| SBLP | SHG-Bank credit Linkage Programme |
| OSS | Operational Self Sufficiency |
| PAR | Portfolio at Risk |
| CRR | Current Repayment Rate |
| OCR | Operating Cost Ratio |
| TCR | Total Cost Ratio |
| ABCO | Active Borrowers per Credit Officer |
| ICT | Information and Communication Technology |
| MIS | Management Information System |
| SGSY | Swarnajayanti Gram Swarozgar Yojana |
| SHPI | Self Help Promoting Institution |
| CoC | Code of Conduct |
| SRO | Self Regulatory Organization |
| GAAP | Generally Accepted Accounting Principles |
| ICAI | Institute of Chartered Accountants of India |
| CGAP | Consultative Group to Assist the Poor |
| BCSBI | Banking Codes and Standards Board of India |
| PPI | Progress out of Poverty Index |
| QAT | Quality Audit Tool |
| DER | Debt Equity Ratio |
| ROA | Return on Assets |
| SBS | Side By Side |
| CRAR | Capital to Risk Weighted Assets Ratio |
| HR | Human Resources |

## List of Boxes, Figures and Tables

# foreword

This latest issue of The Bharat Microfinance Report: Side by Side 2008 presents the collective picture of microfinance sector in India. The Report analyses and informs stakeholders and practitioners on performance and progress of Microfinance Institutions (MFIs) in India with adequate details. The overall theme of the current report is focused on delivery of 'effective microfinance services'. The report discusses not only financial performance (efficiency) of MFIs but also social performance of MFIs. This is a comprehensive report including information on both the MFI and the SHG Bank linkage channels of Bharat Microfinance.

The overview chapter presents the current status and the future direction for the Bharat Microfinance along with some critical issues. The second chapter and core chapter of Side by Side Report brings out the financial performance of MFIs. The cost charged to clients being analysed with portfolio yield and cost ratios under different lending methodologies in the third chapter. The cost of finance and the investment in technology were also discussed in more detail. The chapter on SHG performance informs the key findings of important studies along with concerns for the future of SHG movement. The final and last chapter brings out the core issue of community development finance and its responsibility towards clients and community so as to emphasise the effectiveness of microfinance delivery.

Traditionally the Side by Side report was based on audited data and the analysis was more restricted to performance ratio analysis. However, this year's report is based on the data from multiple sources available at our end to overcome the data limitation of annual report, audited financial statements. As usual, the audited data is used for financial performance analysis. The SHG bank linkage data is sourced from publicly available documents. The report relies on the Quick Data for analysis on cost to clients, client outreach and portfolio and membership data for tracking code of conduct etc.

For the purpose of financial performance analysis of MFIs, we have received data from 160 MFIs, out of which 142 were selected for analysis. The reporting MFIs were increased from 120 in 2007 to 160 in 2008. The detailed financial performance of contributing MFIs is presented for better understanding at the end of this report. Our sincere thanks go to all the contributing MFIs. We look forward to such continued enthusiasm in future.

Congratulations to the Standards Team comprising of Mr.Prabhakara.S, Mr.Oliver Schmidt, Ms.Prakati Sachan, Mr. Ardhendu Nandi and Ms Sireesha Krishna, in engaging with members and bringing out this report. In addition supplementary support and insights have been provided Policy and Capacity Building Team members. Our special thanks go to Mr. K. Balasubramanyam, Sa-Dhan General Manager for his overall supervision and guidance in bringing out this report in time. Last but not least our thanks go to Mr. Nilesh Arya, Strategic Initiative(s) for his final editing of the report.

We would like to thank our Standards Sub-Group, Advisory Group especially to Mr. Brij Mohan for their definitive inputs, directions and support to the work. Our special thanks to Mr. LB Prakash for his valuable feedback and suggestions on SHG performance chapter.
The work is made possible by the support from THE FORD FOUNDATION. We thank for their encouragement and continuing support

We also acknowledge the support provided by SEEP network and City Foundation for our work.

We look forward to hearing from you all on refining the work in days to come.

Mathew Titus
Executive Director
December 31, 2008

# Overview

## Introduction

The microfinance sector witnessed impressive growth during the last several years in terms of loan portfolio, geographical area, outreach, and coverage of marginalised sections of the society. Bharat Microfinance, including both the microfinance institutions (MFIs) and NABARD's SHG-Bank Linkage Programme (SBLP), put together has reached over 335 lakhs clients, providing a micro-credit portfolio of around Rs. 23,272 crores by March 2008[1]. Four out of five microfinance clients are women.

During the financial year 2007-08, credit outreach expanded by about one third and the portfolio by about two third. The portfolio data reported in Quick Data 2008 was verified with 81 common MFIs in Side By Side 2008, and then we found the data variation to the extent of 16.63 % in audited data as compared to quick data. However, this variation has declined from 18.53% in 2007 to 16.63% in 2008

We outline the quantitative and qualitative outreach of the Bharat Microfinance, and highlight issues that came up during this year, and will shape the sector in the time to come - notably Cost to clients and to MFIs, Social Performance and SHGs are discussed as separate chapters As a standard, an analysis of financial ratios and audited accounts of 160 MFIs are presented in the Financial Performance Chapter. This overview closes with a supply-side-based growth estimate compiled for the Bharat Microfinance.

## Microfinance: growth, spread, coverage

In 2007-08, the MFI-channel served about 141 lakhs clients or about 2 out of 5 Microfinance clients in India[2]. Microfinance portfolio and outreach growth is still significant though at lower rate. The client outreach grew by 53 per cent during 2006-07, and by 40 per cent during 2007-08. The credit portfolio outstanding of 223 MFIs grew by 77 per cent in the financial year 2006-07 and by 72 per cent in 2007-08. MFI's credit portfolio has reached an all time high of about Rs. 5,954 crores.

Regional growth trends largely mirror the overall trend. Remarkable exceptions are the North-Eastern Region with marginally increased growth rate (48 to 49 per cent) of client outreach and the Southern region with increased growth rate (64 to 75 per cent) of portfolio growth. Urban Microfinance is emerging as a growth driver (Sa-Dhan (2008a). There is a sharp decline in the growth rate of client outreach in eastern region (80 to 48 per cent). The eastern region was having a higher growth in the recent past, and, now with a larger client base, the relative growth might have come down.

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[1] NABARD (2008) presents for the first time the portfolio outstanding of the SBLP. According to to NABARD-data, SBLP portfolio outstanding per 31st March 2007 was Rs. 12,367 crores. That is about 16% (Rs. 1,723 crores) higher than our estimate (Sa-Dhan, 2008a:13). Accordingly, we have revised upwards the estimate of SBLP's outstanding portfolio for 31st March 2008.

[2] NABARD (2008) presents fresh SBLP-data which suggests that its client outreach – based on multiplying SHG-numbers with 14 (average number of active group members) – is much higher than our estimate. This might be good news. However, the reported credit volumes (see previous footnote) are only slightly different from earlier figures. This might mean that SHG-loan sizes are considerably lower, or that the average number of active SHG-members is less than 14. For the time being, we stick to the more conservative client outreach estimate as it is based on the longer time series.

The growth is witnessing less skewness in regional expansion and targeting. In terms of regional expansion, the SHG Bank linkage and the MFI portfolio are growing complimentarily to each other.

Box1: Microfinance products offered by Sa-Dhan member-MFIs – far beyond credit!

*Micro-Savings:*

- Krishna Bhima Samruddhi Local Area Bank Ltd. finances over 80% of its loan portfolio by actively mobilising savings.[3]
- The Self-Help Group (SHG) concept is based on thrift and is expected to cultivate the regular savings habit among members. Sa-Dhan member MFIs train SHG-members to build up and rotate these savings as loans among themselves before they are linked to bank credit. The credit limit itself is decided by banks based on a graduated savings-credit ratio.

*Micro-Credit:*

- Income Generating Loan: Most MFIs offer a loan repayment period of up to 52 weeks, while Federations offer SHGs up to 3 years and Sewa Bank up to 5 years.
- Emergency loan: e. g. SKS (AP-based, operates all over India), Grameen Koota (Karnataka), Sonata (UP).
- Personal loan: e. g. Share Microfin (AP-based, operates all over India).
- Supplementary/top-up loan: e. g. Nirantara (Karnataka).
- Festival and health loans.
- Family needs loan & housing loans: e. g.Ujjivan (Karnataka; only 22% of Ujjivan's clients took business loans, the rest have opted for family needs loans).
- Education loan: e. g. Mahasemam Trust.
- Vehicle loan: e. g. Hindusthan (Mumbai)

*Insurance:*

- Health Insurance: e. g. SKS, BASIX (both AP-based, operate all over India).
- Life Insurance: e. g. Grameen Koota
- Pension Insurance: e. g. Sewa Bank (Gujarat; with UTI Retirement Benefit Pension Fund).
- Cattle Insurance: e. g. BASIX, Grameen Koota.

*Remittances: e. g. Adhikar (Orissa)*

In India and internationally, we observe an intensifying debate on Social Performance. As far as poverty outreach is concerned, Bharat Microfinance is doing well:

- 30 per cent of clients belong to SC/ST segment of population.
- 223 MFIs are operating in 66 per cent of total districts in the country, covering about 63 per cent of poorest districts.
- In the southern region, the coverage of poorest districts is between 75 per cent (Kerala) and 100 per cent (AP, TN).

## Sa-Dhan standards: Emerging Benchmarks:

Sa-Dhan has been publishing sector reports (Side by Side) since 2004. These reports incorporate analysis of performance of Microfinance Institutions (MFIs) against set standards for six financial performance ratios. As most of the MFIs come from the not

[3] Sa-Dhan( 2008) The Bharat Microfinance Report Quick Data 2008

for profit NGO background and microfinance requires a certain level of efficiency, Sa-Dhan, as a sector building organisation defined and benchmarked these six financial and efficiency performance indicators. During the last several years many MFIs have improved their financial performance.

Performance of MFIs in the last three years indicates that the performance is exceeding the Sa-Dhan benchmarks. This highlights the need for reviewing the benchmarks to make them being relevant in the present day context. In the initial years of development of the microfinance sector, it was not appropriate to provide representative sector averages, hence the need for jointly defined standards. Today, some feel that the sector has grown to an extent where the sector averages themselves should constitute the benchmark (thus creating a permanent pressure to improve the respective financial ratios). Others feel that the sector average can not provide benchmarks and call upon Sa-Dhan to refine its benchmarks, as well as to set new standards for other relevant ratios.

The second argument points to the need for Sa-Dhan's intervention regarding effective microfinance service with efficiency of the sector. Take the example of the average number of Active Borrowers per Credit Officer (ABCO). This productivity-ratio is one of the 6 ratios benchmarked by Sa-Dhan – 250 to 350 is the suggested range. Particularly among fast growing MFIs, the ratio has been observed to be considerably higher; up to 650. Should the benchmark be adjusted upwards accordingly? In terms of productivity, many MFIs have apparently outgrown the level once targeted for an immature sector. However, the target of very high ABCO may results into lesser time availability of the credit officer to an individual client/group and desired quality services to the clients/group may not be available. Thus, even if the benchmark should be upgraded, it may not necessarily be upgraded towards the sector average, because the sector average might signal a qualitatively wrong direction of sector development. Another example is operational self-sufficiency (OSS). This is an effectiveness-indicator which should indicate if the MFI is "doing the right thing" (different from efficiency which is "doing things right"). But it is increasingly felt that OSS, being purely financial, is not enough to determine if the MFI is doing the right thing.

### Box 2: In a Nutshell: Recent Initiatives which impact the sector

- On one hand, MFIs more particularly the small ones, have lot of hope of getting benefits from the financial inclusion fund and the financial technology fund with the size of Rs 500 crores each, set up with the NABARD. On the other hand, in order to access greater funds, many not for profit MFIs (e. g. societies, trusts) are transforming themselves into for profit MFIs (i. e. NBFCs). This transformation has raised the question of mission drift and sometimes erosion of public good.
- The Reserve Bank of India (RBI) has increased the capital requirements of NBFCs from the existing 10 per cent to 12 per cent by March 2009 and 15 per cent by March 2010. Many practitioners felt this measure would increase their cost of funds. And, the present global financial crisis may also have an impact on MFIs' cost of fund and ultimately on the margin.
- Though M-CRIL has been in the industry for a longtime and has gathered considerable experience by rating most MFIs in India, it was excluded from the approved list of rating agencies by RBI.[4] Though RBI is considering including M-CRIL in the

[4] RBI approved rating agencies include CRICIL, CARE, ICRA and Fitch

list, the decision may take some time.

- Banks have been allowed to take microfinance assets on their balance sheet through a variety of options, including asset purchase.
- Infusion of new equity investments, at aggressive premium.
- Higher level of political patronage.
- Expansion of MFIs in terms of all India coverage, and the need for retaining local characteristic of MFIs.
- Higher level of competition leading to declining interest rates over the years. The portfolio yield, a proxy for interest rate stands at 21 % and the total cost stands at 19% in 2008.[5]
- Sa-Dhan has entered into collaboration with IIBF (Indian Institute of Banking & Finance) for offering diploma course in microfinance to the staff of MFIs as well as banks. Further many initiatives to equip the required human resource for the sector are in various stages.
- In order to facilitate the transparency and public reporting, Sa-Dhan's work with the Institute of Chartered Accountants of India (ICAI) has yielded the accounting standards for Microfinance Institutions. These guidelines were shared with the participants during the STANCAP 2008 held in September 2008 (see Chapter 2).

## Current and future concerns about the growth of the sector

MFIs have grown in terms of client outreach and portfolio. The urge to grow led to geographical expansion to far-off places and transformation into for profit structures. This being constrained by limited human resource the sector witnessed competition among the MFIs for staff and (existing) clients. Growth is needed to reach the large mass of unreached. Whether to grow horizontally or vertically is a choice of the MFIs based on mission, business-model and cost-benefit issues. Instead of growing horizontally to far-off places, growing geographically in concentric circles around the existing operating areas might bring down cost, reduce competition and may keep the core strength of MFI in terms of local level organisation. As unmet demand is huge, the growth has not yet contributed much in deepening the financial services to the clients. Most of the growth is limited to credit and loan linked insurance. Terms and conditions of loans products are rigid. Making a product more flexible and easy to administer is a challenge for MFI management. Technology may provide solutions to some extent but has its own cost implications.

All the above concerns revolve around the responsibility of MFIs towards clients and community. Sa-Dhan has evolved the widely recognised and well appreciated Code of Conduct for the sector. However, the implementation of it – in letter and spirit, is still work in progress – which might at times be slow. A true CDFI should have the development of the community as an ultimate aim under which microfinance may be one of several complementary paths to achieve the same.

Sa-Dhan (2008d) discusses about achieving Double Bottom Line. We propose to take this discussion to a new level in this report. Many microfinance institutions were started with NGO background with a noble social mission and they have made tremendous progress in achieving financial sustainability. With the increased awareness on the need for clean environment, even the concept of achieving triple bottom line

[5] Sa-Dhan(2008) The Bharat Microfinance Report Quick Data, 2008

is emerging. The concept of Triple Bottom Line, based on achieving the following three bottom lines, demonstrates responsibility towards the clients and community at large.

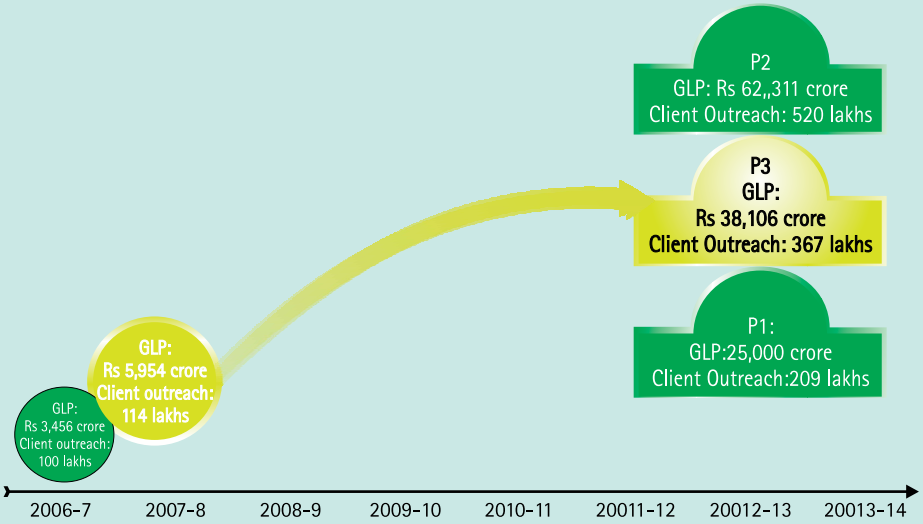
- *Economic/Financial Sustainability (profits)* impacts the economic circumstances of a Microfinance Institution's stakeholders. The performance of MFIs from the perspective of financial sustainability is being discussed in chapter two and three.

- *Social Performance (people)* impacts the clients and community within which the MFI operates. The chapter on social performance discusses in detail, the performance of MFIs from the client's perspective.

- *Environmental Performance (planet)* impacts living and non-living natural systems including ecosystems, land, air and water.

A few MFIs in India including Sewa Bank, Basix and SKS Microfinance are especially proactive in developing their products and services to for clean energy and becoming more responsible to the society

Figure 1: MFI-channel loan portfolio and client outreach, projection up to 2012-13.




2006-07 and 2007-08:GLP/Client outreach as reported by Sa-Dhan (2008a).
P1: Projections (minimum figure) of GLP reported by Sa-Dhan (2009d:7). Projection for client outreach deducted based on average GLP/cleint-relation from P3.
P2: Projection of client outreach by Sa-Dhan (2008a:9); based on 30% average annual growth rate. Projection for GLP deducted based on average GLP/cleint-relation from P3.
P3: Projection based on planned borrowings (i.e. GLP) of 12 large MFIs (GLP>Rs50 crore). It assumes that the sector would grow by the same patern. That growth path is based on the samples's expansion factor 2006-07 to 2007-08 (1.8), the assumption that the factor will decline steadily towards the projected factors of 1.4 and 1.3 2001 and 2012,2013 respectively, and an increase of 20% annually (which should cater for inflation as well) of the sample's averate GLP per client (Rs. 4,816 in 2007-08).

## Future outlook

Sa-Dhan for the first time compiled an estimate based on a supply-side-survey of 12 large (>Rs. 50 crore GLP) MFIs. Their cumulated on-lending-projections indicate that India's MFI-portfolios could expand by a factor of 12 over the next 5 years. Per 31st March 2008, the sample stands for about 40% of GLP and client outreach of India's

MFIs (i. e. Rs. 2,475 crore GLP and 51 lakh clients). They are planning to more than double their micro-credit volumes in 2009 and 2010, and thereafter expand micro-credit volumes by a factor between 1.4 and 1.3 over the respective previous year. The high projections for 2009 and 2010 are driven by 3 to 4 MFIs.

These projections were compiled before the financial crisis hit. Taking this and other factors[6] into account, we suggest a more conservative estimate (figure 1). Per March 2013, this would yield a GLP of about Rs. 16,000 crore, reaching about 130 lakh clients. If the whole MFI-channel would grow by equal pattern, it would provide a micro-credit volume of about Rs. 38,000 crore (US$ 7.755 billion at a conversion rate of 49 rupees to a US Dollar) and to about 370 lakh clients. Compared to our previous estimates (Sa-Dhan 2008a:9; 2008d:7), we thus project the micro-credit portfolio over the next 5 years on the higher side of earlier demand-side-based growth estimates; but corrects downwards the expected client outreach. The single critical factor is the depth of the economic crisis 2009 (Economist 2008): If it hits India in general, and Microfinance in particular, harder than currently expected, it would create a painful growth gap, unlikely to be offset even by growth acceleration later in the 5-year-period considered here.

[6] Risk factors for MFIs are vulnerability due to low differentiation of funding sources, political interference – which is directly related to the "social bottom line", supply of quality-HR and food price pressure – which is directly related to the "environmental bottom line" (Sa-Dhan 2008a:8).

# Financial Performance

## Introduction

Between October and November 2008, Sa-Dhan collected 6 Core Financial Ratios from 160 MFIs[1]. These Financial Ratios track sustainability, efficiency and productivity of MFI-operations and have been benchmarked by Sa-Dhan. Over the total sample, MFIs have met the benchmarks for the standard ratios (table 1). Although Indian MFIs are counted among the most efficient of the world, sustainability and efficiency have still been increasing. Total cost appears to have reached a – hopefully temporary – floor.

Table 1: Core Financial Ratios of the Bharat Microfinance, 3 financial years

| Standards Ratios | Ratios for the 2008-Sample* | Ratios for the 2007-Sample** | Ratios for the 2006-Sample*** |
|---|---|---|---|
| Operational Self Sufficiency (OSS) | 125.8% | 112.9% | 104.6% |
| Portfolio at Risk (PAR60) | 0.9% | 1.0% | 1.8% |
| Current Repayment rate (CRR) | 99.1% | 97.9% | 94.0% |
| Operating cost Ratio (OCR) | 8.5% | 9.7% | 15.4% |
| Total Cost Ratio (TCR) | 17.6% | 17.4% | 23.4% |
| Active Borrowers per credit officer (ABCO) | 411 | 339 | 239 |

* Calculated from data of 142 MFIs

** Calculated from data of 101 MFIs

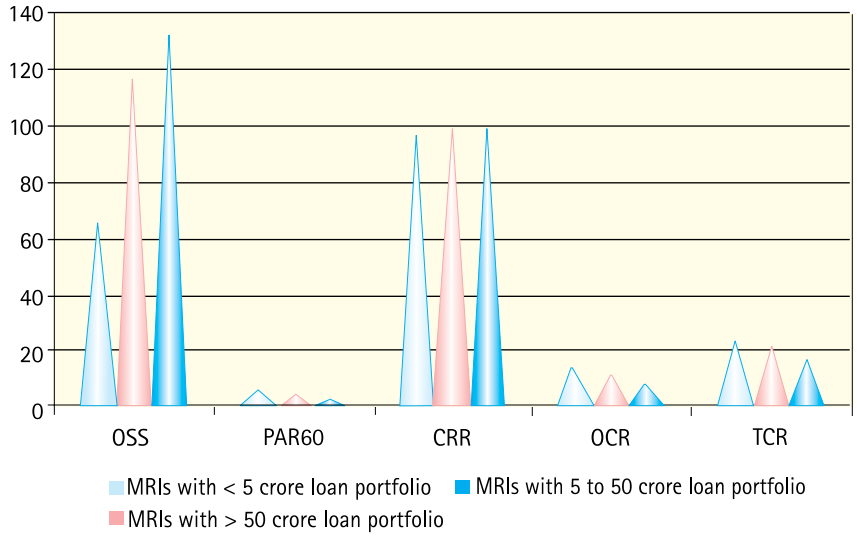
*** Calculated from data of 83 MFIs

### Financial Performance by MFI-size (portfolio)

However, a break-down of the sample by MFI-size reveals considerable differences. Small MFIs (below 5 crore portfolio) display shortfalls of sustainability. Furthermore, their costs are significantly higher than for large MFIs. As MFIs scale up to medium size (5-50 crore portfolio), they bring down costs. (figure 2). Large MFIs (>50 crore portfolio) report the lowest costs and most efficient operations. However, the case load for credit officers has grown higher than the Sa-Dhan benchmark – for many MFIs significantly so. Lastly, over the last two years large MFIs have reported high levels of portfolio quality which are even further improving.

[1] 111 Sa-Dhan-members and 49 Non-members; For 13 MFIs, the ratio values were extracted from www.mixmarket.org.; however, for these MFIs the base data from which the ratios are calculated is not available.

Figure 2: Sustainability and Efficiency by MFI-size, 2007-08




Sustainability of medium and small MFIs is a major reason for concern; different from large MFIs, it has been rather stagnating. For the smaller MFIs, it reflects in low productivity paired with higher costs. While operating costs are practically stagnating, total costs have even gone up. A driver of this is the pressure from re-financing (borrowing for on-lending), which are visible over all sub-samples. Note that these figures do not yet reflect the "credit crunch" caused by the global financial and economic crisis.

## Financial Performance and Scaling up

Table 2: Financial Performance of MFIs with over 5 lakh client outreach*

| Standard Ratio | Range FY 2008 | Average trend FY 2007 & 2008** |
|---|---|---|
| *Sustainability* | | |
| Operational Self-Sufficiency | 101.9% – 156.4% | +4.4 %-Points |
| *Efficiency* | | |
| Portfolio at Risk 60 days*** | 5% – 0% | -0.4 %-Points |
| Current Repayment Rate**** | 99.2% – 99.9% | +0.4 %-Points |
| Operational Cost Ratio***** | 11.1% – 2.7% | -0.4 %-Points |
| Total Cost Ratio***** | 20.4% – 11.6% | +1.6 %-Points |
| *Productivity* | | |
| Active Borrowers per Credit Officer | 134 – 535 | -8.6 -Points |

* Asmitha, KAS Foundation, Bandhan Konnagar, Sarvodaya, Share Microfin, SKDRDP, SKS, Spandana. MAVIN would fall into this list but did not provide data.

** Difference in un-weighted averages over 5 legal forms; taken for each ratio between FY 2008 and FY 2007.

*** PAR 30 days for Asmitha, Share, SKS.

**** Current Repayment Rates for 5 MFIs only, not available for Asmitha, Share Microfin, SKS.

***** Cost Ratios for 7 MFIs only, not available for Share Microfin.

Scaling up poses several challenges, among others establishment of adequate

systems – risk, liquidity, efficiency management – and recruitment of capable staff. Furthermore, large MFIs might attract public or political attention which can affect the organization and even the sector at large. An analysis of the 8 MFIs which reach over 5 lakh clients shows that, while all of them are well above the industry average benchmarks, there are considerable differences in sustainability, portfolio quality, cost structure and productivity. The average trend shows further increasing portfolio quality and shrinking operational cost. However, total costs have gone up which points to increasing finance costs – note that these MFIs are subject to market rates. These MFIs have also consolidated the case load of their field staff; (table 2)

## Regional Perspective

The Southern Region keeps the "pole-position" of longstanding Microfinance performance, though it is being contested by the Eastern Region (table 3). Northern region is also coming up, while Western Region shows weak efficiency and productivity.

Table 3: MFI performance by regions

| | Range FY 2008 (over 4 regions) | Best-performing region FY 2008 | Average Trend FY 2007 & 2008** |
|---|---|---|---|
| *Sustainability* | | | |
| OSS | 101%-142.6% | East | +1.59 %-Points |
| *Efficiency* | | | |
| PAR60 | 3%-0% | South | -0.36 %-Points |
| CRR | 90.1%-99.1% | West | -1.06 %-Points |
| OCR | 15%-3.1% | East | -0.66 %-Points |
| TCR | 23%-15% | South | +2.07 %-Points |
| *Productivity* | | | |
| ABCO | 128-384 | North | +39 -Points |

** Difference in un-weighted averages over 4 regions; taken for each ratio between FY 2008 and FY 2007

In the Southern Region all the financial ratios increased except the productivity ratio has come down. It is still well outside the industry average-benchmark of 329 active borrowers per credit (field) officer. The case-load cannot be increased permanently but has to be managed at an equilibrium level.

In Northern, Eastern and Western Regions MFIs total cost ratios are increasing over 2006-07. Operational costs have been overall stable and even further improving – except in the Western Region. Increased total cost mainly reflects pressure from the refinancing side, which might increase in the coming year. Furthermore, portfolio at risk in the western region has increased up to 3%. Current repayment rate has come down, it meets Sa-Dhan's benchmark of 90% but below the industry average bench mark of 97%.

## Legal Form Perspective

All legal forms have on an average passed the Sa-Dhan benchmark of 100%-OSS. This mirrors improved cost and efficiency ratios (table 4). PAR 60 for all legal forms has

improved as well. For section-25-companies it reduced from 4 to 3%. For societies, it reduced from 5 to 1%. It increased for cooperatives/MACS, though, to now 1%. The overall repayment rate shows a contraction of 0.3% over 2006-07.[2]

Table 4: MFIs' performance by legal forms

| | Range FY 2008 (over 5 legal forms)** | Best-performing legal form FY 2008 | Average Trend FY 2007 & 2008*** |
|---|---|---|---|
| Sustainability | | | |
| OSS | 102%-149% | Society | +9.5 %-Points |
| Efficiency | | | |
| PAR60 | 3%-0% | Trust | -0.8 %-Points |
| CRR | 94.4%-99.2% | Trust | -0.3 %-Points |
| OCR | 10%-6% | Macs | -1.4 %-Points |
| TCR | 38%-14% | Trust | -17.4 %-Points |
| Productivity | | | |
| ABCO | 194-403 | Society | +5 -Points |

** Cooperatives/MACS, NBFC, Section 25-Company, Society, Trust

*** Difference in un-weighted averages over 5 legal forms; taken for each ratio between FY 2008 and FY 2007.

However, the positive impression refers to the accumulated transaction volumes of each sub-sample. Many individual organizations, in particular societies, trusts and cooperatives/MACS, show imbalances of costs and revenues. The accumulated picture is determined by the large organizations – across legal forms – which have managed to stabilize their business model.

The sample includes one Local Area Bank that is KBS in AP. KBSLAB grew beyond Rs. 50 crore portfolio. It has reduced its operational cost to 14.3% and its total costs to 25.8%. Savings mobilization equal over 80% of its loan portfolio. PAR60 improved to 4.1%. Note that the LAB's business model is not group-based.

## MFI balance sheets and income-expenditure-statements

The Bharat Microfinance Report: Side-by-Side-report is based on audited financial statements of MFIs; as opposed to the Quick-data set which collects unaudited outreach figures upon closure of the financial year in April. MFIs operate under a diversity of legal forms – broadly not-for-profit (societies, trusts, section-25-companies), mutual benefit (cooperatives, MACS), for-profit (NBFCs). Along with the diversity of legal forms, accounting practices vary widely, ranging from rudimentary methods to well-established GAAP (Generally Accepted Accounting Principles) practices. ICAI (2008:45) notes

"There is adoption of different basis of accounting by MFIs. For instance current practices reveal that basis of accounting other than accrual is followed by many MFIs. Not only are varied accounting practices being followed by MFIs, but also it is difficult to know the exact accounting practices being followed by most MFIs especially the small [not-for-profit] MFIs."

[2] Note that the CRR data for 2006-07 pertaining to cooperatives/MACS and societies is not available

Therefore, Sa-Dhan has so far not been able to present a consolidated balance sheet and income-expenditure-statement for the sector. To address these issues, Sa-Dhan has sought to bring about uniform accounting standards (box 3; thanks to this effort, MFIs will be required to present their balance sheet and income-expenditure-statement in a comparable and transparent manner (see the annexure for the illustrative format of financial statement as suggested by ICAI).

### Box 3: ICAI presents accounting standards for MFIs

Sa-Dhan through its Standards Sub-group has taken initiative to engage the Institute of Chartered Accountants of India (ICAI) to develop a technical guide for MFI accounting across the MFIs' legal entities. This engagement has been completed with ICAI issuing and publishing 29 accounting standards for MFIs. India is the first country worldwide to present statutory accounting standards for MFIs. They cover subjects like revenue recognition, provision for loan loss and its calculation, accounting for grants, segment reporting, disclosure of accounting policies, disclosure of related party transactions, measurement of income tax, calculation of provisions etc. Whereas all 29 accounting standards are applicable to all MFIs, there are some relaxations for small and medium MFIs. ICAI (2008) defines three levels of entities (1) top level listed entities whose portfolio is over Rs. 50 crores and borrowings over Rs. 10 crores (2) medium level entities whose portfolio is between Rs. 40 lacs to Rs. 50 crores and borrowings are between Rs. 50 lacs to Rs. 1 crore and (3) bottom level entities whose portfolio and borrowings are below medium level entities.

Chartered accountants who are acting as auditors have to follow the accounting standards as per ICAI guidelines. If the accounting standards are not followed it is the duty of auditor to disclose it; otherwise he may be called up before the disciplinary directorate of ICAI.

Furthermore, ICAI (2008) includes additional disclosures recommended by the Consultative Group to Assist the Poor (CGAP, the "microfinance arm" World Bank). Moreover the accounting standards are also based on the international standards issued by International Accounting Board. Therefore the accounting standards followed will have greater credibility, transparency and will be comparable. This will eventually facilitate resource flow for the Bharat Microfinance.

ICAI (2008): Technical Guide on Accounting for Microfinance Institutions, ICAI, New Delhi, 2008 (ISBN 978-81-8441-111-9).

To that backdrop, this years' accumulated return and capital ratios are to be interpreted with caution. The sample of 118 MFIs who provided their financial statements represents total assets of over Rs. 4,600 crore, out of which outstanding portfolio accounts for about 80%. Against these assets the MFIs have borrowed about Rs. 4,000 crore, thus comprising a net worth of over Rs. 600 crore.

By legal forms, out of the sub-sample of 23 NBFCs, 18 have the strongest ratio of capital towards risk weighted assets, well above the recently increased RBI-requirement of 12% by March 2009 and 15% by March 2010. However, 5 NBFC-MFIs do not meet the current RBI-benchmark; out of this, one even displaying a negative net worth.

The sub-sample of trusts and cooperatives/MACS shows the weakest ratio of capital towards risk weighted assets and the highest leverage of equity. The latter is rather high for Section-25-companies as well. The high DER of these legal forms is observed

for the second time (see Sa-Dhan 2008d which analyses financial performance for a sample of 83 MFIs), Note that for societies and trusts, the observation of high DER might partly be explained assets being accumulated under the balance sheet headings "surplus and reserves" rather than "equity".

With regard to profitability, the financial statement analysis is positive for NBFCs and societies. With returns on GLP and assets of 2.8% and 2.2% respectively, NBFCs are reaching out to the majority of microfinance clients. Trusts, Section-25-companies and cooperatives/MACS closed with negative returns on GLP and assets. In Section-25-companies, this has been observed for the second year in a row; trusts and cooperatives'/MACSs' returns declined compared to the previous year (Sa-Dhan 2008d).

Table 5: Assets, Debt and Net Worth

| | No. | Total Assets[2] | Debt[3] | Net Worth[4] |
|---|---|---|---|---|
| All MFIs[1] | 118 | 5,504,010,769 | 39,324,367,115 | 6,179,643,654 |
| NBFC | 23 | 31,957,390,396 | 27,175,358,714 | 4,782,031,682 |
| Society | 58 | 9,015,624,880 | 8,116,921,077 | 898,703,803 |
| Trust | 17 | 624,165,358 | 589,177,213 | 34,988,144 |
| Sec25Co | 14 | 3,532,868,536 | 3,083,186,804 | 449,681,733 |
| Cooperative/MACS | 6 | 373,961,600 | 359,723,308 | 14,238,292 |

1 Audited Financial Statements of 118 MFIs
2 Investment plus Net Loan Portfolio plus Net Fixed Assets plus Bank Balance plus Cash on Hand
3 Loans plus Deposits plus Revolving Fund plus other Liabilities
4 Total Assets minus Debt

Table 6: Return on GLP, Return on Assets, Capital Adequacy and Debt-Equity-Ratio

| | No. | RoGLP | RoA[2] | CRAR | DER |
|---|---|---|---|---|---|
| All MFIs[1] | 118 | 3.4% | 2.8% | 15.6% | 12:1 |
| NBFC | 23 | 2.8% | 2.2% | 17.8% | 12:1 |
| Society | 58 | 7.7% | 6.6% | 10.5% | 10:1 |
| Trust | 17 | -1.0% | -0.8% | 5.9% | 97:1 |
| Sec25Co | 14 | -1.0% | -0.9% | 13.4% | 54:1 |
| Cooperative/MACS | 6 | -0.9% | -0.6% | 4.5% | 269:1 |

RoGLP: (Gross Profit minus Donations) over Gross Loan Portfolio [as on particular date]
RoA: (Gross Profit minus Donations) over Total Assets[3]
CRAR: Net Worth[4] over Risk-weighted Assets[5]
DER: Debt[6] over Equity[7]

1 Audited Financial Statements of 118 MFIs
2 In brackets RoA-After Tax, where applicable
3 Investment plus Net Loan Portfolio plus Net Fixed Assets plus Bank Balance plus Cash on Hand
4 Total Assets minus Debt
5 Total Assets minus Bank Balance minus Cash on Hand
6 Loans plus Deposits plus Revolving Fund plus other Liabilities
7 Shareholding

# Cost Effectiveness

## Introduction

This chapter discusses interest and other fees charged to MFI-clients. It draws on Sa-Dhan's Quick-Survey 2008 which collected base data for the calculation of portfolio yield – a proxy of effective interest rate – and cost ratios from 223 MFIs. Here we present an analysis of cost charged to clients by lending methodology – JLG, SHG, hybrid, individual lending – and per client. Furthermore, new data is presented on technology and re-financing which form major cost blocs of MFIs.

### Box 4: What is the effective cost?

Many legal codes stipulate that only equals should be treated equally. By that token, only equal goods or services can be compared by their cost. That is, the nominal price (the figure on the price tag) plus all other costs that one has to bear to enjoy the good or service. As for loan, the nominal price it the interest rate. However, the effective interest rate is annualised, that means it is related to a loan period of 12 month. Today, calculators for annualising loans are available on the internet, e. g. www.mftransparency.org.

That MS-Excel-based calculator has not only the added advantage of being free for download, but it also offers option to add up-front fees. That means a loan at nominally 25 per cent annually plus up-front fee is more expensive than the same loan without up-front fee. This difference can be incorporated in the effective rate which in this example would be higher than 25 per cent.
The effective interest rate is also affected by the compounding frequency. That is the interval of adding interest due back to the principal, so that interest is earned on interest from that moment on. The act of declaring interest to be principal is called compounding, i.e., interest is compounded. In microfinance, this relates to repayment frequency (weekly, monthly, etc). A nominal 25 per cent-loan, equal installments over 6 month with weekly repayment will have a higher effective interest rate than with monthly repayment rate (that is for flat rate interest calculation; for declining balance, it will be the other way round).

Post-disbursal fees are usually not incorporated into the effective rate. Yet, both in banking and in microfinance, such fees exist, e. g. certain documentation fees, or ongoing administration fees charged by MFIs or NGOs to SHGs. However, it is usually very difficult to allot such costs to each loan.

A comparable case can be made for compulsory savings or loan insurance. While these are clearly allotted to a loan, it might be questioned if they are pure additional costs. A loan with insurance has a different service scope than a loan without insurance, which becomes very obvious if a fatal incidence happens to the borrower.

Ultimately, not all of these questions can be answered categorically. But everybody – MFI and client alike – should insist categorically on total transparency, such that a service can be assessed for all its features and their cost implications.

MFIs offer loans at interest rates between 1 and 2 per cent per month. However, there are differences in the mode of calculation – flat versus declining balance. There are also differences in the fees charged, examples are processing or administration fee, passbook fee, training fee; sometimes, the disbursed amount is discounted against the

nominal amount (i. e. interest is paid on an amount that is higher than the amount disbursed).

## Effective cost charged to MFI-clients

Therefore, it is important to understand the effective cost that MFIs charge to their clients (see Box 4). From the case-based data available, the effective cost ranges around 25 per cent p. a. One reasonable approximation of the effective cost charged is the MFIs' portfolio yield (see Box 5). Sa-Dhan (2008) was the first to publish portfolio yield for the financial years 2006-07 and 2007-08 for 223 MFIs. For the overall sample, it finds that MFIs charged clients about 21 per cent of the average outstanding portfolio. Only 3 per cent-points out of these are fees and other charges. The lion's share of 18 per cent-points is collected as interest on loans. With this income, MFIs rented offices, employed staff and covered their transport and other operational costs. Just as big was the portion MFIs paid to banks and other funders, i. e. cost of on-lending funds. Provision for loan losses – default from clients or staff – is a standard for any serious financial service provider (figure 3).

### Box 5: Portfolio Yield

Portfolio yield is a percentage (%). It shows the average gross returns as a proportion of the portfolio outstanding ('interest and fee income during period' over 'average outstanding loan portfolio'). Generally speaking, portfolio yield is the initial indicator of an institution's ability to generate revenue with which to cover its financial and operating expenses.

Portfolio yield measures how much the Microfinance Institution (MFI) actually received in interest payments from its clients during the period. It also provides an insight into portfolio quality. If the MFIs use cash accounting here, the Portfolio Yield will not include the accrued (interest and fee) income that delinquent loans should have generated, but did not. For Portfolio Yield to be meaningful, it must be understood in the context of the prevailing interest rate environment the MFI operates in. Portfolio yield is an easy way to calculate the actual effective interest rate charged by an institution. It cuts through the many strategies used by MFIs to package on-lending rates such as flat rates, training fees, up front fees, discounts from disbursed amount, etc. Thus, Portfolio Yield shows how much, on average, the MFI receives in interest payments on its loans.

Likewise, it is a good indicator of delinquency as even if PAR is low (as reported by MFIs), if the yield is lower than expected, then there is delinquency. The Ratio is also affected by growth in portfolio.

Some of the major reasons for lower than expected yield are:

- Large loan disbursements towards end of financial year, which tend to distort average loan outstanding and yield.
- Loan terms which impact effective interest rate and yield.
- Principal first paid vs interest first paid concept.
- Delinquency, re-scheduling, write-offs etc., which shroud a serious delinquency problem.

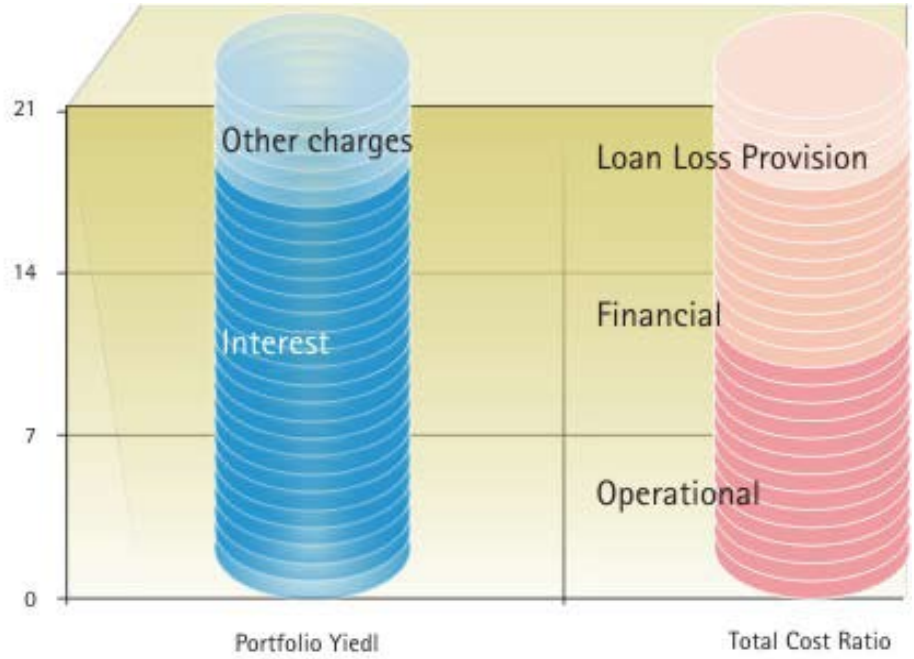
Source: http://www.sa-dhan.net/Inner.aspx?Others\ResourceCentre.htm - Technical Notes.

Over the two financial years for which data is available, the overall sample shows no relevant change of yield and cost. There is a slight decrease in operational cost which appears to be a result of increased financial cost. However, significant changes can be unearthed if the sample is broken up.

It is expected that cost and yield vary systematically along the age of the MFI. Start-ups would have very high costs and low yields. As the MFI establishes itself, cost and yield should find equilibrium. As the MFI grows further, cost and yield should show a downward trend. However, no particular correlation between MFI-age, cost and yield is found. Furthermore, cost and yield are hardly correlated, yet under market conditions, the former should drive the latter.

This indicates that the growth pattern of MFIs throughout the MF sector is not very systematic. A related observation was made by Sa-Dhan Board Member Mr. Sanjay Sinha; he pointed out that a small group of big MFIs are growing faster than the majority of small and medium MFIs. Yet under market conditions, it should be the other way round (Sa-Dhan 2009).

Figure 3: Portfolio Yield and Cost Ratios 2007-08, 223 MFIs




* All income generated from microfinance clients, as % of average loan portfolio.
** All cost incurred by the MFI, as % of average loan portfolio.
Source: Sa-Dhan (2008), p. 19.

These patterns indicate that the sector, despite a decade of progress, is still under development; issues like efficient information flow between players (MFIs, funders, clients), robust management information systems and staff capacity are not settled. Growth and professionalisation of only a small segment of MFIs might be an answer to these, but not necessarily the best or only one.

## MFIs' portfolio yield and cost by lending methodologies

One differentiator might be the lending methodology applied. Joint Liability Group (JLG) lending is expected to follow different routes than SHG lending. This view is borne by a comparison between yields of SHG and JLG lenders (90 and 43 MFIs respectively). SHG lenders' yield is considerably lower and has been coming down over the last two years. The difference for JLG lenders stands at 6 per cent points for 2007-08.

The cost side provides critical context to the yield figures (see Table 7). MFIs which offer JLG lending, either in its classic form or hybrid, have higher operational costs than SHG lenders. All MFIs have significantly reduced there operational costs over the last two financial years, i. e. efficiency throughout the sector has gone up. The strongest fall of about 30 per cent of 2007-operational cost has been realised by pure JLG-lenders. Interestingly, the lowest operational cost has been recorded by the MFIs who offer exclusively individual lending (11 in the sample). Usually, this methodology is considered more costly than group lending.

Table 7: Portfolio Yield and Operational cost, by lending methodologies

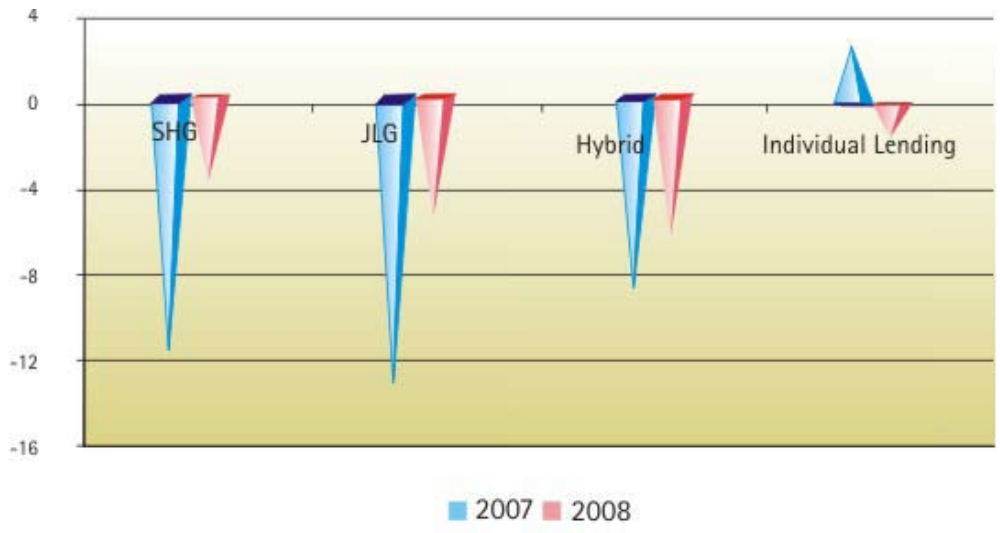
| | | 2008 | 2007 | Change (%-points) |
|---|---|---|---|---|
| SHG | Portfolio Yield | 18% | 20% | -2 |
| | OCR | 11% | 15% | -4 |
| JLG | Portfolio Yield | 24% | 24% | 0 |
| | OCR | 19% | 27% | -8 |
| Hybrid | Portfolio Yield | 20% | 18% | 2 |
| | OCR | 12% | 12% | 0 |
| Individual Lending | Portfolio Yield | 17% | 21% | -3 |
| | OCR | 10% | 11% | -1 |

Based on a sample of 220 MFIs out of which 90 apply purely SHG-methodology, 43 purely JLG-methodology, 11 purely individual lending methodologies and 76 hybrid lending methodologies. Portfolio Yield and OCR-figures are unweighted averages over number of MFIs in the sub-sample.

Source: Sa-Dhan Quick Survey 2008.

It is remarkable that MFI samples across lending methodologies display higher total cost than yield (see Figure 4); i. e. operations are not sustainable. Note that this analysis is based on un-weighted sample-averages. That means each MFI counts equally, regardless of its size, i. e. the analysis is biased to small MFIs (because they are more in numbers).

Figure 4: Portfolio Yield minus Total Cost, by lending methodology




Source: Sa-Dhan Quick Survey 2008.

Hence, we can re-phrase the previous observation into: Operations of many small and medium MFIs across all lending methodologies are currently not covering their costs. They are not sustainable unless they follow a viable growth strategy. This is what many JLG-lenders do; indeed, the downward trend of operational cost is usually as much triggered by expanding portfolio as by improving efficiency (recall that the operational cost ratio is the equation of operational expenses over average portfolio). The pre-requisite of a growth strategy is continuous and increasing funding from investors and banks. Both have cost implications, because investors and banks expect systems and HR capacity to be groomed and maintained soundly. Furthermore, borrowing from banks comes at a financial cost.

By this point, we may summarise that

- MFIs cost their loan products– other fees only comprise a small portion of all cost charged to clients;
- a majority of MFIs are struggling to become sustainable. Despite considerable improvements of efficiency, the costs charged to clients do not cover the total costs incurred by the MFIs;
- Indian MFIs have been internationally commended for their operational cost being on the lower side. However, the major source of funding ("re-financing") is commercial, in particular from banks. The cost of re-financing is a major part of MFI cost which the MFIs can hardly influence (see Box 4).

## MFIs' portfolio yield and cost per client

What does this mean from the clients' point of view? Per average client, JLG lenders do indeed collect about double the interest plus other charges compared to MFIs applying SHG and hybrid lending methodologies. At the same time, JLG lenders refinance themselves at lower cost per client than the other two (Table 8).

In 2007/08, the average JLG-client was charged 1,244 Rs. out of which 333 Rs. went to banks. The average SHG-client was charged 596, out of which 468 Rs. went to banks. However, the JLG-client accessed 5,006 Rs. sourced through the MFI's borrowing from banks, while the SHG-client accessed only about two third of that amount.

Table 8: MFI-interest rate and other charges and borrowings, per client, 2006-2008

| | Average interest and other charges collected per client | Average cost for fund per client | Average borrowing per client |
|---|---|---|---|
| JLG | 1,244 | 333 | 5,006 |
| SHG | 596 | 468 | 3,412 |
| Hybrid | 655 | 359 | 3,746 |
| Individual lending | 1,821 | 727 | 8,307 |
| Total | 712 | 280 | 3,932 |

Based on a sample of 214 MFIs out of which 84 apply purely SHG-methodology, 40 purely JLG-methodology, 10 purely individual lending methodologies and 80 hybrid lending methodologies.

Source: Sa-Dhan Quick Survey 2008.

Under all lending methodologies, growth of borrowing from banks has been considerable – per client, SHG-lenders doubled their bank-borrowings since 2005/06. However, it is the JLG-approach which has proven to reach out fastest to a growing number of clients and thus channeling bank-lending to the poor. In 2007/08, 40 JLG-MFIs reach about 55 lakhs clients, compared to 84 SHG-MFIs reaching 37 lakhs clients. Accessing credit through joining a JLG is more costly than through an SHG. But the JLG offers higher loan sizes and, according to anecdotal evidence, quicker service delivery. Neither JLG nor SHG meets the demand credit, leave alone other financial services (savings, insurance, remittance); that is way particularly in Southern India, clients are increasingly found to join both.

If MFIs want to satisfy the demand better and to reach out to more of the unbanked poor, they have to establish organisational capacity – ICT and other systems, processes and HR – that can serve large numbers of clients. This process of scaling up comes at a cost which is reflected in the charge of the average JLG-client. The only alternative, to date, is less access, or the money lender. Moneylender charges are regularly 3 and more times what the MFI charges. Both JLG and SHG make the client better off, because for each rupee MFI-charge, she will have saved 2 or more rupees moneylender-charge. SHG-loans are the most favorably priced, but they come in constraint size only and an opportunity cost for the members. JLG-loans are bigger and thus replace a higher part of the moneylender loan with corresponding excessive cost.

## Technology investment

ICT (information and communication technology) is a critical success factor of microfinance. Indeed, many microfinance clients would not be reached without ICT. The most important part of ICT is the computerised management information system (see box 4). Therefore, getting right the ICT-infrastructure of an MFI will to a great deal determine its capability to reach ever more clients and to serve them well.

Many MFI-managers think of ICT in terms of operational cost. There are maintenance of hardware, regular license and connectivity fees and, the biggest portion, salaries of data-entry-staff and system administrators and ICT-related staff-training. But for a small MFI, these comprise the smaller part of ICT-cost; the bigger portion is investment.

For a sample of 33 MFIs, we find that annualised investment cost equals between one third and half of ICT-cost for MFIs up to 10,000 clients. As MFIs expand their outreach, the proportion goes down steeply, because maintenance cost increases. MFIs over 250,000 clients spend over Rs. 2 crore annually, the major portion for ICT-admin-staff. Depending on business processes, data-entry-staff is another important cost-bloc.
ICT-investment has to be judged against the future income streams it will generate. But many small MFIs find it hard to assess the productivity of (potential) ICT. Consequently, they struggle to mobilise the lump sum necessary for the investment. This may lead to a vicious circle of low productivity of and underinvestment in ICT, with the MFI not growing. Yet, only expanding outreach will leverage ICT-costs and enable the MFI to offer favorable terms to clients (see Figure 5).

MFIs that have grown beyond 50,000 clients are found to risk underinvestment in ICT also. While the MFI has successfully managed a growth pace to such a level, it may overlook the limitations of its ICT-infrastructure. ICT may be scalable only in stages; regularly solutions that work well for smaller client-numbers become inadequate as those numbers expand; hence quality of service delivery suffers. The near-to-zero ICT-cost-ratio of MFIs between 50,000 and 250,000 may indicate that they have struck such a point. They may have delayed to re-assess their ICT-infrastructure and take the necessary investment (and recruitment) steps.

Figure 5: Cost of technology, by MFI-sizes

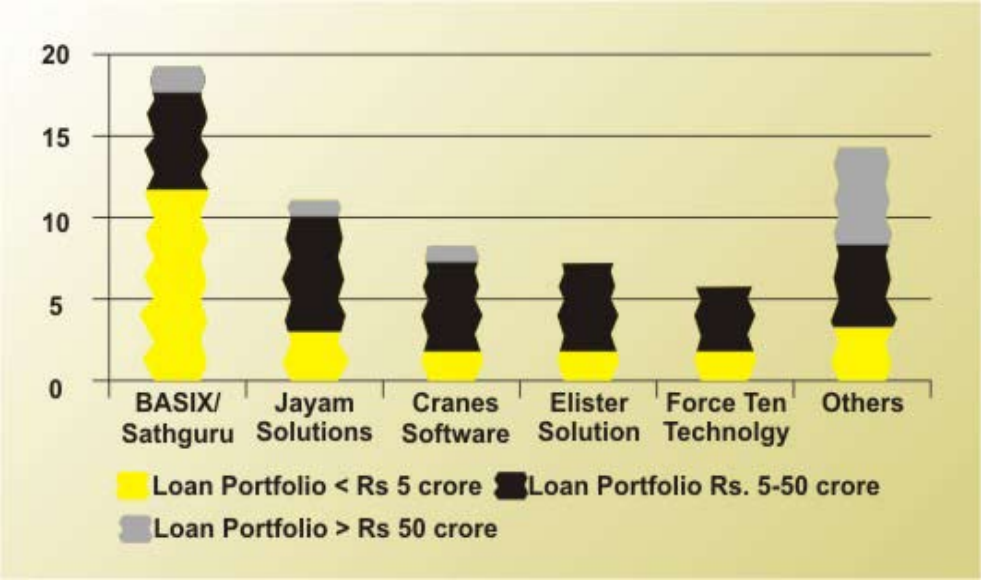

* Annualised investment + Annual maintenance cost, in relation to average loan portfolio.
** Unweighted average of operational cost ratios of sampled MFIs.
-Technology-Survey, August/September 2008.

**Box 6:** Did you read " Source: Sa-Dhan/CGAP A quick guide to Management Information Systems for MFI-Managers"?

A key success factor of successfully growing MFIs is a strong computerised management information system (MIS). Many managers of small MFIs feel uncertain how to go about computerisation, and many managers of medium MFIs have had mixed experiences with computerisation and feel a great degree of uncertainty about the investment decisions necessary.

Sa-Dhan's "A quick guide to Management Information Systems (MIS) for MFI managers - What MIS should do, how to computerise them, and which computer-based packages to choose from' is an unique attempt to support MFI-managers in asking the right questions and setting useful benchmarks, such that the MIS-investment not only does not harm the MFI, but adds significantly to its productivity. Literature about MIS is abundant; however few reading offers a compact, solid grip of the issue for time-restrained managers. Sa-Dhan's quick guide outlines the issues and challenges, based firmly on experience sharing and reviewing of the Indian situation (figure 6). To that end, 76 MFIs have been interviewed per telephone, email and/or visit.

Figure 6: MIS-providers by number of users (Indian MFIs)*




* Based on 65 MFIs contacted and/or visited for information about their MIS. The number of clients reported by the vendors may be higher, however here we only report those for whom the vendors shared contacts and/or who responded to our survey. We reckon that this sample gives a fairly accurate impression of the MFI-market experience in India for most vendors.

** A Little World, FINO[1], Gradatim IT Ventures, Indus Knowledgeware, Kredits, Paripoorna Software, Safal Solutions, Snowwood, Software Solutions, Surya Software.

Source: Sa-Dhan, 2008, A quick guide to Management Information Systems for MFI-Managers, p. 9.

After an outline of the most important functionalities of a computerised MIS, the

[1] Johnson (2008:3) reports an estimate of 15 MFIs applying FINO's MIS.

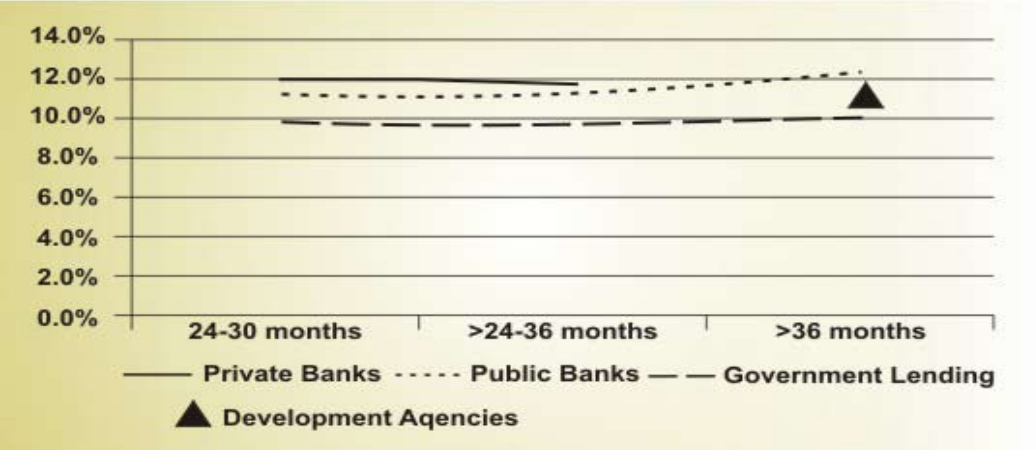
five most important features of MIS-packages are discussed: (i) Customisation and Support \ Maintenance, (ii) Flexibility and functionality, (iii) Data-migration, (iv) Scalability & Recovery, (v) Cost structure. The discussion is completed by suggestions for their assessment, along with a comprehensive list of 16 IT-vendors. To honor the most recent developments, a chapter has been added reviewing the latest RBI-guidelines on mobile banking and how they might be of interest to MFIs.

## Cost of Finance

The tremendous growth of the Bharat Microfinance would have been impossible without "commercial" funding,ie., bank-lending to MFIs for their on-lending to the poor. About 75 per cent of India's micro-credit portfolio is borrowed ("re-financed") from banks. Sa-Dhan surveyed the re-financing structure and cost of 12 (out of 21) of the largest MFIs, i. e. above Rs. 50 crore portfolio, who serve over 40 lakhs clients throughout India. This survey provides relevant insights because large MFIs borrow at lower commercial rates than medium and small MFIs; thus the data represents the current "floor" of Indian MFIs' cost of finance. The risk premium for small and medium MFIs will be up to 5 per cent.

In 2007/08, large MFIs' cost of lending ranged between 8 and 13.5 per cent. Cash credit costs around 12 per cent. Loans termed >24-36 month carried lower rates than both shorter and longer terms. The latter tended to be most costly and least available, as they are not offered by private banks. However, they are available through governments SIDBI and IDBI at reasonable rates; and sometimes through development agencies (see Figure 7).

Figure 7: MFI-borrowing: Cost of term loans, 24 month and above.




Source: Sa-Dhan Re-financing Survey, October 2008.

The major refinancing instruments are term loans between 24 and 36 months. Together with term loans over 36 month, they represent about two third of bank-lending to the MFIs surveyed. Other instruments are cash and working capital credit, senior debt, subordinate and concessional loans. Concessional loans can be given at rates as low as 2-3 per cent with long loan periods, but they are hardly available in the market. Senior debt is the most favorably priced instrument, depending on loan period 8.4-9.4 per cent from private and 9 per cent from public banks. SIDBI and IDBI also take se-

nior debtor position but their pricing is de facto not differentiated from other banks. Rather than risking crowding out other lenders, government lending should leverage it through taking up higher-risk position.

Private banks (including new generation banks, foreign banks) provide about one third of MFI-borrowing. Public banks, government lending and development agencies provide about the same; the remainder had not been specified by lending sources. IDBI, and particularly, SIDBI play a crucial role in ensuring resource flow to MFIs. It is reasonable to assume that for lending to smaller MFIs, public banks and development agencies take a bigger share. But anecdotal evidence indicates that small and medium MFIs face considerable delays in response time and constraints in volumes offered from banks.

Banks offer both fixed and floating interest rates. In this analysis, the effect of the global financial crisis is not yet reflected. We expect cost of bank lending to go up. The bigger risk however is contracting access, but there is cautious optimism that it will not hit MFIs as hard as other sectors, among others because Government of India (GoI) has urged banks to ensure resource flow to the sector. However, as the financial crisis translates into economic slowdown, enterprises of MFI-clients and thus repayment rates are likely to suffer, and that may prompt banks to raise risk premiums on MFI-borrowing.

# SHG Performance

## Growth and spread of SHG-bank linkage

The Committee on Financial Inclusion headed by Dr. C. Rangarajan[1] has observed that the SHG Bank Linkage has emerged to be a major plank of the strategy for delivering financial services to the poor in a sustainable manner. This observation emphasises the importance of SHG movement in India, in taking forward the agenda of financial inclusion.

The SHG model which was started over two decades ago has seen a tremendous growth covering a large number of people, primarily women[2] . As per the NABARD, 44.60 lakh SHGs covering 5.8 crore poor households have been linked with the banking system with saving bank accounts. More than 90 per cent of such groups are exclusive women groups[3] . The number of new groups credit linked with banks (excluding SGSY) declined to 5.53 lakh during the year, compared to 6.86 lakh groups in the previous year. The number of new groups credit linked has declined by 19 per cent. The cumulative number of groups that have borrowed from bank at least once has increased to 34.8 lakh by the end of March 2008 from 29.2 lakh at the same time last year. Repeat loans of Rs.1,685.60 crores were provided to 1,86,883 existing SHGs.

[4]The share of SHG loan amount disbursed by RRBs has increased from 26 per cent in 2006-07 to 38 per cent in 2007-08, whereas the percentage of groups financed remained almost same (33 per cent). In respect of commercial banks both the percentage of loan amount disbursed (declined from 66 per cent to 48 per cent) and the percentage of group financed (declined from 52 per cent to 42 per cent) were declined during the same period.

[5]Further, the SHG-Bank Linkage Programme which was strongly present in the southern region has now become a national movement with the non southern states presently having a share of more than 50 per cent of credit linked SHGs. The fact is regional share is undergoing a gradual change and south is losing its share to other regions of the country.

## The strengths of SHG model:

The SHG model has the potential to become a truly savings led model, and thereby offer the poor a greater scope of accumulating capital – economic and social. Unlike the credit delivery model, the SHG model focuses on savings and leveraging the savings for the benefit of members.

SHG model being an empowerment model also offers the community a greater scope for building their leadership skills and usher in a new era of engendering the community. The SHG is an excellent model that builds social capital within the communities and helps in asset building.

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1 C.Rangarajan( 2008) 'Report on the Committee on Financial Inclusion'
2 NABARD( 2008,)Performance during 2007-08- Chairman's address to media, Nabard Newsletter vol 18 (12) , March 2008
3 NABARD( 2008) Annual Report 2007-08
4 N. Srinivasan( 2008) 'Microfinance India State of the Sector Report 2008'
5 NABARD,(2008) Performance during 2007-08- Chairman's address to media, Nabard Newsletter vol 18 (12) , March 2008

The SHG model is highly dependent on the group cohesion and abilities of group members and leaders in managing the group affairs – focusing on members' self-reliance. Thus the SHG model takes time to harness the full potential, is relatively costly in the short term, and requires a good sense of restraint in not wanting to manage the group affairs.

The SHG model while pooling the small savings regularly helps the communities in accessing not only credit but also benefits from the various Government welfare schemes, having implications for the livelihoods. It helps the groups of entrepreneurs to pool and market their products. The SHG is loosely modeled on, and functions on the principles and values of cooperation. Like the cooperative movement, the SHG revolution in India is also referred as a movement.

The most important aspect of the SHG movement is the social capital which is essential for the progress of any Nation. The vital characteristic of binding people together in addressing social and economic needs of large number of people, especially in the rural areas, is a major success of this movement. The informal nature of the groups, simple procedures and systems, democratic functioning are the major success factors of the SHG movement. SHG movement is best suited model, to harness the community action and to benefit from government programmes, for the socio-economic development of communities in the given social and cultural context of India.

## Shift in the SHG character

After the emergence of micro-finance institutions (MFIs) in the microfinance arena, particularly during the current decade, the focus of SHGs also seems to be increasingly shifting primarily to credit access. SHGs are now increasingly seen as channels for providing credit by financial institutions. This shift has been diluting the nature and purpose of the SHGs and there has been a visible decline in the quality of the SHGs and their performance. The declining quality of the SHGs is becoming a growing concern. Various studies conducted to assess the SHG quality reinforce this concern.

In many cases the SHG processes are compromised and shortened to suit the needs of MFIs, Banks and other financial institutions in order to suit their rapid scale-up needs. Reduced investment in the capacity building of SHG over the years by Self Help Promoting Institutions (SHPIs) and donors is another factor that contributed to the declining quality and performance of SHGs. This relationship between the investment in capacity building of SHGs and the group quality and performance is highlighted in a recent CGAP study[6]. This study also indicates that SHGs tend to last longer if their promoters provide good organisational support and social mobilisation.

## Findings of studies on SHGs

In addition to macro level data, a review of few recent field studies will help in understanding the performance of SHGs in India. In this chapter, we have looked into key findings of three important studies for better understanding.

## Lights and Shades

A study on SHGs named "Lights and Shades" conducted by EDA Rural Systems and

6 LB Prakash( 2007) Cost of Promoting SHGs: Value for Money

APMAS[7] observed that 30 per cent of SHGs in the sample were involved in community actions. It was pointed out in the study that such community actions inculcated a new boldness and confidence amongst women, often putting pressure on the authorities to do their jobs, whether through petitions or by staging rallies and blockades. The study also brought out that a significant proportion of sampled groups (40 per cent) had a weak record of account keeping. It was pointed out that financial statements were not being regularly prepared by the SHGs. Only 28 per cent of the SHGs (22 per cent in the South and 35 per cent in the North) prepared an income and expenditure statement and an equal number of SHGs prepared a balance sheet and portfolio information. The estimated extent of delinquency within SHGs was ranging from 60 per cent in southern sample to 24 per cent in the northern sample.

Although most SHGs nominally required monthly repayments, in practice, members repay their loans flexibly based on available cash flows, which did not necessarily correspond to monthly loan installment schedules, resulting in a high delinquency. However, most SHG loans to members are eventually repaid, with low eventual default rates. Thus the high level of late repayments in SHGs, do not always translate into defaults.

Despite late repayments from their members, SHGs are generally able to repay their loans to banks using member savings and revenues from interest rate spreads, fees, and penalties for late loans. Thus, while the repayment rates within an SHG may be low, but the repayment rates of SHGs to banks are not low.

## Impact of SHG-Bank Linkage Programme

During the year, a major impact study on the SHG Bank linkage program carried out by NCAER and commissioned by GTZ and NABARD, brought out several interesting aspects of the program. The study revealed that 80 per cent SHGs were exclusively of women members and more than 60 per cent of SHGs consisted members who are poor as identified below poverty line list. While 22.3 per cent of total SHG members accounted for SC/ST and OBCs, 21 per cent of SHGs are exclusive SC/ST groups. The groups reported a significant growth of 6.1 per cent per annum in their net household income and the highest growth of 11.2 per cent per annum in income were registered in livestock activities. The annual household expenditure on education and health recorded a growth of 5.6 per cent. The annual growth in assets per household was recorded at 9.9 per cent. The average level of savings (financial and physical savings) per household registered an annual growth of 14.2 per cent, whereas their loan amount grown at 20.5 per cent.Improved social empowerment was reported by 92 per cent of households. The poverty reduction rate for SHG members found to be 10 per cent per annum. The study also revealed that there was improvement in the SHG member's ability to face health related problems and financial crisis, control over money, taking decision in children's education etc.

The study also found the positive features related to regularity in meeting (at least one meeting per month, nearly 90 per cent attendance and nearly 80 per cent participation in discussion), regularity of savings, and rotation of leaders. More than 80 per cent of SHGs have the frequency of change of leadership once in a year or once in two years. The study had drawn the attention towards non-maintenance of books

[7] EDA Rural Systems and APMAS( 2006)'Self Help Groups in India: A Study of the Lights and Shades'

of accounts by 33 per cent of SHGs in Uttar Pradesh. The cost of formation and nurturing SHGs through different SHPIs was studied. On an average NGO-SHPI incurred Rs 8,701 per group; banks-SHPI incurred Rs.3,575 and government-SHPI incurred Rs.4,010 per group for promotion. The maintenance cost of SHG is as important as that of promotional cost. It was found that bank-SHPI incurred less maintenance cost than non-bank-SHPIs. However, the CGAP study on Cost of Promoting SHGs[8] indicates that "money saved" in the careful promotion of SHGs may be lost later through loan losses and other problems with the SHGs.

## Loan Repayments and SHGs

Till recently, hundred percent recovery and low transaction cost to the lender (on account of externalisation of certain loaning processes) were regarded as the unique features of SHG Bank linkage from the bank's perspective. Of late there are indications that these unique features are slowly waning.

Many public sector banks that were in the forefront of SHG bank linkage are approaching Sa-Dhan for identifying a suitable NGO partner to nurture their credit linked SHGs. There is an increasing concern among bankers about the quality of SHGs being promoted. In order to assess the quality of SHGs, banks use grading tools to assess the eligibility of a SHG for credit linkage. Despite having this tool, the quality seems to have declined and the quality deterioration is visible in the form of higher delinquency rates, primarily because these rating tools were never given the sanctity they required. In the beginning, in an effort to popularise SHG-Bank linkage among the bankers, the emphasis on quality was not given the required priority. While most of the grading tool were kept simple to encourage the field functionaries, the tool could not be administered with the seriousness it was required. The APMAS Study[9] shows that where only 3 per cent of SHGs in 'A' grade, had default of over 3 months, in 'B' grade, this increased to 7.6 per cent, and in 'C' grade to 9.7 per cent. This highlights the need to focus more on financing of SHGs based on the SHG rating/grade. Financing SHGs regardless of their grade, is certainly questionable, and could lead to blaming the SHGs later for non-repayment.

The falling recovery rates on the one hand and pursuing financial inclusion agenda on the other drives the financial institutions towards quality consciousness while credit linking SHGs with them. There is increasing need for measuring performance of SHGs, identify the strengths and weaknesses so as to take corrective steps for improvement. In this context, Sa-Dhan's SHG Performance Measurement Tool[10] may be of help to both - Banks and Self Help Promoting Institutions (SHPIs).

## Sa-Dhan's SHG Performance Measurement Tool:

Some years back, Sa-Dhan has developed a SHG Performance Measurement Tool based on its applied research with an objective of helping the SHPIs and Banks to understand the SHGs in required detail to assess its performance, including decision making for credit linkage. This tool helps the SHPIs to measure the quality of SHGs

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8 LB Prakash( 2007) Cost of Promoting SHGs: Value for Money

9 APMAS( 2007) 'Self Help Group-Bank Linkage Programme: A Recurrent Study in Andhra Pradesh'

10 Sa-Dhan,(2005) Technical Tool Series 2: 'SHG Performance Measurement Tool'

and to identify the areas of strengths and weaknesses of SHGs, that would in turn help them to design their capacity building initiatives for SHGs in a more focused and cost effective manner.. The tool also helps Banks to understand and assess SHGs performance in the required detail for credit linkage. It was developed in an intensive discussion process of Sa-Dhan members who are experienced practitioners of the SHG model. Statistical permutations, built in the tool reduce the variances that may creep at the evaluator stage. The tool is useful to measure the performance of SHGs in their initial three years of existence on gauging their financial activities. The tool identified the good characteristics of a SHG and the path through which it matures into a strong and stable group.

### SHG Performance Measurement Tool

The tool assesses performance of SHG on six broad areas:

1. Group constitution: Looks at the shared meaning that the members have about the existence and future of their group. The group is expected to have both economic and social perspectives and therefore rated on both these aspects.
2. Organisational Discipline: Tracks among others regularity of meetings, attendance and savings.
3. Organisational Systems: This section gives a check-list for assessing rule enforcement, book-keeping and documentation.
4. Financial Management and Performance: Demands compilation of financial indicators of the credit operations of the SHG.
5. External Linkage: Takes stock of the relationship between the SHG and banks and other financial institutions, cluster federations, and their community.
6. Social and Community Action by SHGs: Measures the social and community initiatives taken by the SHG/members
7. Self-reliance in management affairs: Assesses the capacity to manage their dealings themselves.

In a nutshell, Sa-Dhan's SHG Performance Measurement Tool offers a comprehensive assessment system. Through this, SHG-performance can be compared over time and across groups. It thus marks a path of continuous improvement of SHGs, for the betterment of their members.

## Sa-Dhan's Study on quality of SHGs in India

A pilot study to measure the quality of SHGs in India was undertaken by Sa-Dhan. For the purpose of the study, the data on the performance of SHGs was acquired using the SHG Performance Measurement Tool from 300 SHGs which "belonged" to 11 organisations, across four different regions and eight states of the country. Out of these 300 SHGs, data of only 266 SHGs were considered for the analysis due to the data inconsistency in the rest. Of the total sample size, 26.3 percent of SHGs are from east, while 19.9 percent, 22.6 per cent and 31.2 per cent are from west, north and south respectively. Before starting the data collection preliminary workshops were organised to train on the usage of the tool. To measure the performance of SHGs seven broad indicators such as group constitution, organisational discipline, organisational systems, financial management and performance, external linkages, activities undertaken by

group/members and self-reliance in managing affairs had been taking into account. To carry forward the in-depth analysis, the components within the indicators had been quantified. The various operating models considered in the study are: Category I: SHGs linked with Banks indirectly where MFIs are the facilitators in extending informal financial services, Category II: SHGs linked with Banks through the promoting institutions, Category III: SHGs linked with banks directly (SHGs-Bank Linkage) as well as through MFIs. To assess the overall performance of SHGs across the country, a composite index has been constructed through Range Equalisation Method. For the test of its significance simple statistical tool (t-test) has been used. A composite index is one index made up of combined values from two columns in a table. Though the data was collected from various organisation through common proforma, significant variability has been observed across various components of the tool or across various parameters. In order to control that variability, the study has adopted the common standardised range equalisation method to construct composite index.

In terms of over all performance, the study found that 48 percent (128) of SHGs are graded as A, 47 percent (125) as B and 5 percent (13) as grade C. Of the total A graded SHGs, 28 percent belong to Tamil Nadu followed by Maharashtra and Uttar Pradesh respectively. Among the states covered in the study, all the SHGs in Jharkhand have been reported as grade A performer followed by Karnataka (85 Percent). The qualities of SHGs were discussed on the following 3 aspects:

## Region-wise SHG Quality

In the southern region, where SHG movement is older, nearly 71 per cent of the SHGs have shown A-grade performance while it is very poor in the eastern region, where the majority of the SHGs are in the middle (B) category. The over all performance of northern region is found to be ahead of the southern and eastern region. Performance of SHGs across the region is found to be excellent in organisational discipline. In all the regions poor performance in social and community action by groups have been observed.

Table 9 illustrates the comparable picture the performance of SHGs across the regions. In the eastern region the performance of SHGs in organisational system, organisational discipline and financial management have found to be excellent while in the western and the southern region it is in organisational discipline, organisational system and financial management respectively. In the northern region high index value is seen only in organisational system and organisational discipline. All the regions in social and community activities and except north all other regions in India have observed very poor performance in external linkages. After long years of SHGs movement groups are unable to link themselves with banks and other financial institutions. However, performance of SHGs in India is found to be excellent in organisational discipline, organisational system, and financial management. Their performance is not very satisfactory at group constitution and self-reliance in managing affairs. In aggregate performance the north is ahead of the south though south is recognised for SHG revolution.

Table.9. Region-wise Composite Index of Performance Indicators

| Performance Indicators | East | West | North | South |
|---|---|---|---|---|
| Group Constitution | 0.29 | 0.00 | 0.39 | 0.31 |
| Organisational Discipline | 0.93 | 1.00 | 0.82 | 1.00 |
| Organisational System | 1.00 | 0.26 | 1.00 | 0.84 |
| Financial Management | 0.83 | 0.78 | 0.45 | 0.83 |
| External Linkage | 0.0 | NA | 0.14 | 0.04 |
| Social and Community Action | 0.00 | NA | 0.00 | 0.00 |
| Self-Reliance | 0.42 | 0.45 | 0.29 | 0.17 |
| Aggregate | 0.00 | 0.33 | 1.0 | 0.85 |

Source: Sa-Dhan Survey
Note: i) The aggregate value of western region is not comparable with other regions.
ii) Values of the Index vary between 0 and 1.

## Age-wise SHG Quality

It is argued that in the early stages of group formation, members are enthusiastic and self-motivated to be involved in the group and its activities. But with the increase in age, certain associated problems such as continued free services of the group leaders, focus on general consensus in social and financial issues etc. weaken the quality of the groups which impacts the overall group performance. The APMAS study[11] indicates that the quality of SHGs is influenced by age. The Sa-Dhan study reveals:

- The performance of SHGs under 24-36 months and <6months is found to be excellent in organisational system. On the other hand, all SHGs of 6 months and above have performed very well in organisational discipline.
- Except financial management, SHGs under 12-24 age groups have performed better in group constitution, external linkages social and community action than the SHGs of other two age groups (24-36months &. 6-12 months).
- It is also seen that performance of older SHGs in organisational system, financial management and self-reliance in managing affairs is better and poor in group constitution, external linkages and social and community action than the younger SHGs. Also in organisational discipline the index value is marginally lower than the other two younger SHGs.

Table- 10. Age-wise Composite Index of Performance Indicators

| Performance Indicators | 24-36 | 12-24 | 6-12 | <6 months |
|---|---|---|---|---|
| Group Constitution | 0.33 | 0.48 | 0.43 | 0.00 |
| Organisational Discipline | 0.94 | 1.00 | 1.00 | 0.53 |
| Organisational System | 1.00 | 0.98 | 0.79 | 1.00 |
| Financial Management | 0.76 | 0.62 | 0.67 | NA |
| External Linkage | 0.08 | 0.24 | 0.13 | NA |
| Social and Community Action | 0.00 | 0.15 | NA | NA |
| Self-Reliance | 0.42 | 0.00 | 0.00 | NA |

Source: Sa-Dhan Survey

[11] APMAS( 2007) 'Self Help Group-Bank Linkage Programme: A Recurrent Study in Andhra Pradesh'

## Operating Model-wise SHG Quality

SHGs, where Institutions facilitating (lending) credit to them, are performing very well in organisational system and organisational discipline while their performance is very poor in social and community action, and, self-reliance.

SHGs linked with Banks through Promoting organisations are very good at organisational discipline. The performance of SHGs under such operating model has found to be very poor in social and community action as well as in group constitution.

The performance of SHGs under the third category of operating model (Direct SHG-Bank linkage and through MFIs) has found to be very good in organisational discipline followed by organisational system and financial management. Their performances regarding social and community action as well as in external linkages are very poor. Again, performance in group-constitution is not very satisfactory.

Overall, the performance of SHGs is found to be satisfactory in organisational discipline, organisational system and financial management respectively and un-satisfactory in social as well as external linkages irrespective of their operating mode. Though overall performance in self-reliance is satisfactory, it is still better than group constitution.

Table-11. Operating Model-wise Composite Index of Performance Indicators

| Performance Indicators | Category I | Category II | Category III |
|---|---|---|---|
| Group Constitution | 0.37 | 0.25 | 0.27 |
| Organisational Discipline | 0.93 | 1.00 | 1.00 |
| Organisational System | 1.00 | 0.49 | 0.88 |
| Financial Management | 0.68 | 0.79 | 0.86 |
| External Linkage | 0.09 | 0.13 | 0.03 |
| Social and Community Action | 0.00 | 0.00 | 0.00 |
| Self-Reliance | 0.30 | 0.46 | 0.39 |
| Aggregate | 0.15 | 0.00 | 1.0 |

Source: Sa-Dhan Survey

## The way forward

Various studies have indicated the positive impact of SHG on the community's lives. In the development of the individual client/member, the individual is involved in the development process, the SHG movement needs continued support. The SHG loan recovery rates are declining and there are concerns on the quality, need for standards process, cost reduction and technology intervention.

As APMAS mentions in its study[12], default had not yet manifested itself as a serious problem, although the perception of bankers and of groups was that it needed to be

[12] APMAS( 2007)) 'Self Help Group-Bank Linkage Programme: A Recurrent Study in Andhra Pradesh'

dealt with firmly. The concern might have arisen because loan sizes are continuing to increase. It was not common to have a group defaulting for more than 4 continuous months. However, overlapping loans, adjustment of a new loan against an older outstanding loan, adjustment of amounts lying in group savings accounts against loans outstanding by the group to the bank, were common practice. Real default is probably a much bigger problem than is acknowledged.

One is not aware of the full extent of the problem of default, as books of accounts were not in good shape. Several banks encourage SHGs to remit savings and monthly loan instalments and interest into their savings accounts. On the due date, balances lying in this account are transferred to the loan account. Fixed deposits of revolving funds or other amounts of SHGs, too, are used to repay loans. While all this ensures a high recovery percentage at bank level, members who default to their SHGs get away with their irresponsible behaviour, as the remittances of the more responsible savers and borrowers are used to repay bank loans.

A detailed study on reasons for declining recovery, identifying standard operational processes including delinquency management needs to be undertaken.

There is an urgent need to enhance the capacities of the SHGs through increased investment by the SHPIs, Government, Banks and Donors in order to make the SHG movement strong and sustainable. The interventions in the name of building and strengthening the SHG movement should not be limited to credit deployment and should focus on group promotion, savings, livelihood promotion, enterprise development and pooling and marketing the local produce with value addition. This would help generating self employment to the people and also help build the local economies. Though this process is slow and requires investment in capacity building over a period of time, it will help build the social capital and helps bring economic prosperity to the communities in the long run through creation of strong and sustainable groups

While banks have been financing SHGs, under the SHG-Bank linkage programme, many banks do not have necessary manpower and infrastructure - especially in the branches in rural areas, to nurture the SHGs and help them in building their capacities. Banks should consider allocating some funds for the capacity building of SHGs. They can also invest in recruiting special manpower for SHGs and maintain the SHG data base and monitoring their progress periodically. Alternatively they can "out source" these services to local NGOs. The option of converting Regional Rural Banks into Self-Help Development Banks working completely with the SHG model should be explored.

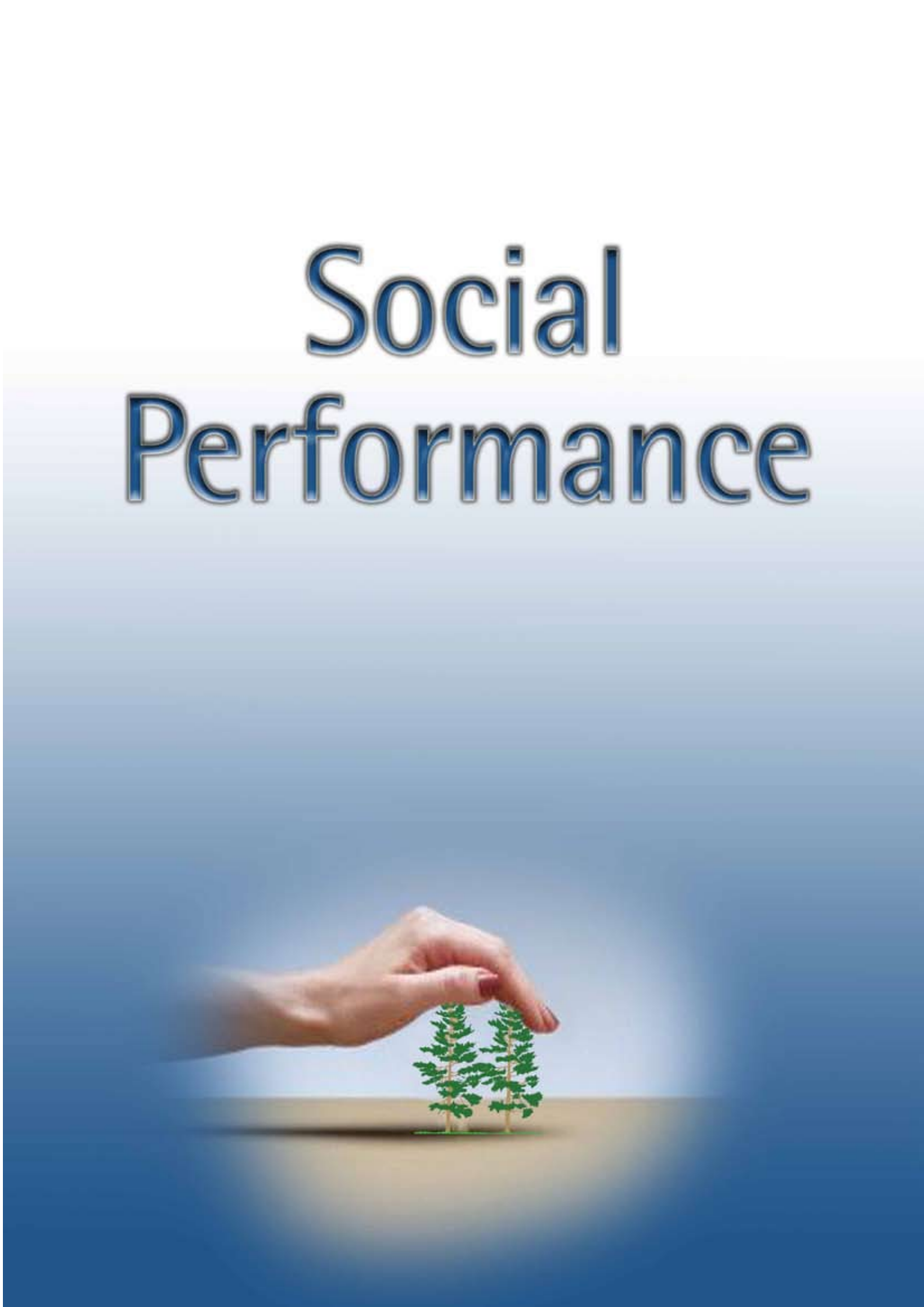
Well defined operational processes should be designed such as group formation, meetings, loan approval, disbursement, repayment etc. There is a need for automation of the processes in order to reduce the costs. For automation, process standardisation may be a first step

There is a need for a National level organisation to coordinate the financial resources to the SHGs and capacity building resources to the promoting organisations. Though NABARD is performing this function presently, a separate independent organisation, focussed exclusively on SHGs, will be more effective and efficient in building a strong, vibrant, sustainable and self-reliant SHG movement.

Village/block/district level SHGs can be federated and registered as primary and secondary cooperatives. Cooperative is the best suited institutional form for the SHG

federations since both SHGs and Cooperatives function essentially on the same principles and practices. But it requires enabling cooperative laws such as the Mutually Aided Cooperative Societies Act of Andhra Pradesh. Similar enabling and parallel laws are existing in 8 other states i.e Karnataka, Orissa, Madhya Pradesh, Chattisgarh, Jarkhand, Bihar, Jammu & Kashmir and Uttarakhand. The parallel laws in these states are liberal and enable the cooperatives to function on their own without many government controls and interferences. Similar laws can be introduced and implemented in spirit of enactment, in all other states to create a conducive policy environment for the SHG federations. This institutional form will help in the emergence of strong, sustainable and vibrant SHGs through the Self-reliant Cooperatives in a cost effective manner.

# Social Performance



## Social Performance:

Microfinance institutions (MFIs) seek to create social benefits and promote financial inclusion by providing financial services to low income households, including those who were previously excluded. The microfinance services are to be provided in a manner that benefits and respects the clients. The whole range of discussion around the social performance is centered on the clients. While providing financial services to the clients, the client needs to be treated in a dignified manner and also should get benefit out of that service. [1]The Social Performance Task Force defines social performance as: "The effective translation of an institution's social mission into practice in line with accepted social values that relate to serving larger numbers of poor and excluded people; improving the quality and appropriateness of financial services; creating benefits for clients; and improving social responsibility of an MFI."

In short the social performance includes three components viz., Target, Process and Impact. However, the debate whether the MFIs are socially responsible or not depends on the target group with which they are working, the activities/processes that they are undertaking to serve the target group and the impact/results of their services on the lives of the targeted people.

## Targeting the clients

The unique feature of microfinance is targeting the clients i.e. the clients whom the MFIs are serving. An attempt has been made by Sa-Dhan to bring out the targeting the clients by MFIs through the Quick Data to various stakeholders. This quick data brings out information on coverage of underserved areas like coverage of poorest districts, underserved regions more particularly complimentary growth of MFIs along with SHG Bank linkage, coverage of poorest district, SC/ST etc. Though MFIs are targeting the poor clients, they are not reaching the ultra poor well. In order to serve the ultra poor, MFIs like Bandhan and SKS are having ultra poor schemes.

## Process in microfinance

In microfinance, the process is as much important as that of targeting the clients. The process relates to transparency, adherence to code of conduct, quality of service etc. The MFIs should have their processes in such a way that it should recognise the dignified treatment of their clients. The process part should also include compliance to code of conduct, good HR practices, and dignified behavior with the clients etc.

## Code of conduct and social performance

The process part of social performance for MFIs is being covered in Sa-Dhan's code of conduct. The code of conduct covers broadly 3 parts viz., core values for microfinance, code of conduct for MFIs and a process of compliance. The core values were defined in terms of integrity, quality of service, transparency, fair practices, privacy of client's information, integrating social values into operations and a feedback mechanism. In order to cherish these values of microfinance, the MFIs have voluntarily accepted to follow certain practices to ensure integrity, transparency, fair practices, governance

[1] http://microfinancegateway.org/resource_centers/socialperformance/definition

and feedback mechanism. The code of conduct document also explains the type of activities and institutions covered under the code. The third part of the code explains the compliance mechanism for implementation.

## Transparency and social performance Reporting

The MFIs are to be transparent in their operations so that clients can make their own choices in accessing the financial services from the MFIs. If client's interests are protected then an MFI is said to be performing socially relevant financing. Customer transparency and trust with the client is an important feature of a well run and fundamentally sound institution. However, one may not be able to achieve customer transparency and trust over night. The efforts to achieve the same are a continuous process. The challenge is how can an institution become more sensitive to its clients in the present context? The client sensitive institution will definitely have an edge over other institutions in the long run. The need of customer transparency and trust for the microfinance operations emphasises the social performance measurement and reporting in MFIs with more objectivity at all levels.

The kind of information to be reported on social performance at different levels may vary depending on role at each level. The role of MFI in implementing its social objective included in its mission itself. It will determine the reporting and monitoring system at the MFI level. How the client is treated by the MFI? Whether the clients are respected like others? Second important thing is what is role of a national institution like Sa-Dhan in social performance. What is the role for third party? It may be conducting MFI specific research (impact study). The impact may be in terms of answering some of the questions like whether the client's family nutrition is improving. Is any improvement in clients children's schooling? etc. The information to be collected on social performance should be measurable and easy to collect.

## Micro credit plus services and social performance

The MFI client's needs are much beyond credit alone. Most of the microfinance clients are poor and vulnerable. Invariably they require insurance services to cover their risks. Further the microfinance clients need various credit plus financial services like savings and remittances. In case of poor, there is lot of overlap in their consumption and production expenditure. They need education, health and other related services for their well being.

## Social Performance Tools

The financial performance of an MFI is measured in terms of various financial performance ratios like Portfolio at Risk, Operating Self Sufficiency etc. In order to measure social performance in microfinance, various tools were developed like Progress out of Poverty Index (PPI), Quality Audit Tool (QAT) etc. A very good overview is available from CGAP (2007), Sa-Dhan (2008c) compares QAT, Social Rating and PPI, Microfinancegateway (2008) features the international debate as well as a range of tools and approaches.

However, most of the tools are not acceptable to the MFIs on account of cost involved in administering such tools. On the other hand, the bankers seem to be mainly looking into financial performance. Further there is no consensus in India for uniform

measurement of social performance in MFIs. Social Performance relates to process and results; it also relates to context.

## Social Rating Initiatives

There are some initiatitives on the social rating of MFIs. 'The specialised microfinance rating agencies are experimenting with social rating as a crucial, additional assessment of MFI that will complement the financial, organisational appraisal of a credit rating. It provides a balanced assessment of the double bottom line (if not the 'triple bottom line', where environmental aspects are also relevant), rather than just the 'one-sided assessment' of financial risk'[2]. In this connection, M-CRIL has completed more than 10 social rating exercises so for.

## Social Performance Indicators

In the following paragraphs, we have discussed the social performance indicators broadly on the following four broad areas[3]:

1. Social Performance Management Systems
2. Social Responsibility
3. Outreach and
4. Quality of service

These indicators may be evaluated on the current performance (at a point of time), performance over time (over a period of time) and performance against peer group (against performance of customised peer groups over time and in specific geographies).

## Social Performance Management Systems

The social performance of an MFI starts with its social mission. Social Performance is regarded as the effective translation of an institutions' mission into practice. While measuring the social performance one needs to look at the mission of the organisation, clarity in mission statement, commitment of board & clients representation in board & participation, mission dissemination, good alignment of product design & HR practices, MIS to track social goals, clients drop out rates, geographical expansion (like urban coverage), strategy for product diversification, strategy to achieve change in clients life like providing insurance, micro pension etc.

## Social Responsibility

The mission and vision of the organisation is to be understood by all the employees of the organisation in the same spirit. In order to achieve this, there should be a continuous process to disseminate the mission. The MFIs are aimed at the development of their clients. In order to develop clients, their needs are to be understood and that has to be met properly. Development of any person may be poor or rich ultimately depends

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[2] Frances Sinha (2006), 'Social Rating and Social Performance Reporting in Microfinance: Towards a Common Framework, EDA/M-Cril, Argidius, and the Seep Network. Sa-Dhan acknowledges the original author and EDA/M-Cril, Argidius, and the Seep Network

[3] Micro Finanza Rating (2008) Social Rating of NDFS-India

on his choice he makes in his life. In order to achieve the client's development the MFIs are required to provide an opportunity to the client to exercise his choice and decision making. These things may not be brought about just having clients in the board of MFIs. Whether the client representing in the board makes any decision or not is important. The clients may be involved in credit management and product design. In a way this will empower the clients also. Whether the MFI is sensitive to the clients needs in terms of new product development? While expanding to new areas, whether the MFI is concerned to serve the poorer and more vulnerable clients or not? Many MFIs have expanded to urban slums where the clients are more vulnerable.

The indicators which bring out the MFI's responsibility towards client and other stakeholders are important. The social responsibility may be discharged in terms of transparency of operations, low cost of credit, non-discrimination of clients, training to staff, management of over indebtedness of clients, work enhancement equipments like computers etc. Douglas Bystry, CEO of Clearinghouse CDFI says 'If one of our employees pushed someone into a house they couldn't afford, they would be fired'[4]

A study conducted by Sa-Dhan, Sa-Dhan (2006) found over seventy percent of the respondents felt that their status in society had improved with access to microfinance. Only 15 per cent microfinance clients reporting addition to their land holding confirmed the fact that the microfinance programme did not impact the land holding pattern of clients in any positive manner. The microfinance has enhanced the opportunity of financing the educational needs of clients' children. Over 80 per cent of household had 2 to 3 children above 17 years who were capable of being earning members indicated the fact that clients' making efforts to educate their children and the higher need for borrowing. It was interesting to note that nearly 60 per cent of microfinance activity was taking place in villages where there were no bus stations. The microfinance program helped to improve business/stimulate entrepreneurial ability and crisis management capacity (near 75 per cent), increase income (near 80 per cent) lead to a rise in household durable and productive assets (near 55 per cent). The study also tried to understand the effect of multiple loans and found that 70 per cent of clients resorted to multiple loans to meet the credit gap in their present requirement and about 75 per cent of clients felt the additional borrowings had not affected their repayment or productive capacity.[5]

## Outreach

Some of the indicators for measuring Social Performance under outreach may be area covered, coverage of women, SC/ST, coverage of rural/urban clients, sector financed (agriculture, trade, consumption etc.), percentage of coverage of poorest district/underserved areas. The Quick Data 2008[6] found that microfinance institutions in India have reached 141 lakh clients, 80 per cent them are women. The report indicated that 30 per cent of clients come from the SC/ST segment as against the all India SC/ST population of 25 percent. Out of total clients served by Microfinance Institutions, about 25 per cent of clients belong to urban areas. India's MFIs operate in 209 out of 331 poorest districts of the country. The data also revealed the fact that the coverage of the poorest district covered by MFIs has improved from 58.70 per cent in 2007[7] to

[4] Daniel Gross, 2008, ' A Risk Worth Taking', Newsweek November 24, 2008

[5] Sa-Dhan, 2006, 'Microfinance Interventions in Andhra Pradesh: Clients' Perspective' The study covers 1080 microfinance clients in 12 districts of Andhra Pradesh

[6] Sa-Dhan, 2008, 'The Bharat Microfinance Report Quick Data 2008'

[7] Sa-Dhan, 2007, 'Quick Report 2007: A snapshot of Microfinance Institutions in India'

63 per cent in 2008. The reporting on these key indicators enhances the MFI's ability to dialogue with their key stakeholders

## Quality of services

One of the indicators of performance of a financial institution is the quality of services it offers to its clients. Retaining existing client is much more valuable than searching for new clients. This calls for feedback (including complaints) from clients being used for decision making in improving service quality. In this connection, the MFIs should have client complaint register and complaint monitoring and redressal system in place. Otherwise it may lead to increased client drop out and ultimately MFI may loose its space in the long run.

Sa-Dhan (2006) looked into the service quality with parameters like dispute resolution mechanisms in terms of speed and fairness, frequency of conduct and courteousness in approach. The findings revealed that the level of satisfaction on procedures to access the loan (membership fees, processing time, collateral requirements, documentation was high. The overall level of satisfaction was high (85 per cent) in delivery mechanisms (formalities related to group formation, selection and its management). In respect to the transparency of information on content, clarity on rates and terms, timeliness and sufficiency of information, the MFI clients were relatively less satisfied in comparison to the SHG clients. About 60 per cent of MFI clients were dissatisfied with all aspects (recovery methods, incentive for repeat borrowers, penalty, repayment flexibility, repayment frequency and repayment period) of recovery mechanism. More important aspects highlighted by clients were lack of flexibility in repayment and stiff penalties. Though majority (80 per cent) of respondents were satisfied with the monitoring method (record keeping, conflict resolution, issues of discussion and post credit supervision) only a small percentage (20 per cent) of MFI clients indicated their dissatisfaction over conflict resolution. Over 75 per cent of the clients were satisfied with staff behaviour in terms of responsiveness, politeness and attitude.

The achievement of social objective of an institution very much depends on the understanding the mission, systems, process, product, and services of the organisation by the staff that directly comes into contact with the ultimate clients. As a result, the orientation and training of staff in the MFI plays an important role in achieving its social objectives. In an eagerness to achieve the scale, if an MFI reduces its training funds may loose its service quality. As MFIs are dealing with the clients who are illiterate & uneducated, educating clients in financial literacy is also important in addition to their own staff training.

Again Sa-Dhan (2006) found that the SHG model has focused equally on savings and loan products and the MFI model has focused emphasis on loan products. The SHG clients (90 per cent) were satisfied with the loan product design, its tenure and interest rate and dissatisfied with the quantum of loan. On the other hand, the MFI clients were dissatisfied with the interest rates (40 per cent clients) and insurance charges (20 per cent clients). The clients from both SHG & MFI models were satisfied with savings product in terms of interest rate, period, size, product diversity, design and return on time etc.. A small segment of MFI clients indicated dissatisfaction over interest rate on savings (35 per cent clients) and savings term (25 per cent). The product design, sum assured, premium, term and additional services determine the client satisfaction level. About 90 per cent of clients of both the model expressed their satisfaction on

the insurance product offered to them. In respect of non-financial services (systems & procedure for savings/loans, marketing & technical support and training for capacity building for wealth creation) 30 per cent SHG clients and 40 per cent MFI clients were dissatisfied and there is higher need for capacity building for wealth creation.

## Financial Performance V/s Social Performance

'We are in business to improve people's lives and do asset building' says Linda Levy, CEO of the Lowe East Side Credit Union, one of the ethical sub prime lenders who were successful in overcoming the effect of sub prime crisis in the US[8]. These words apply very much to microfinance in India. We know that microfinance is also an enterprise. MFIs are serving the people otherwise excluded from formal financial services more particularly the poor and vulnerable section of the society with an objective of improving their living conditions. Hence many regard microfinance enterprise as a social enterprise. Many practitioners view financial performance and social performance from two different angles, phrased as the challenge of attaining the double bottom line for microfinance; that means to strike a balance between their financial sustainability and social mission.

The social mission of microfinance/community development finance is to create social benefits and promote financial inclusion by providing financial services to low income households, including those excluded previously. Financial Sustainability means making the microfinance institution serve the clients continuously (for a long time). However these two objectives are not conflicting but complimenting to each other. To become
sustainable, it is important for the MFIs to retain their clients, serve them with affordable price (so that they can repay their loans on a continuing basis), their needs are to be completely met. In other words, for the long run financial sustainability of an MFI, the financial sustainability of its clients is a must. An institution which does not take care of its client's sustainability may not survive in the long run. Hence there is a need to look at the sustainability from the client's perspective (social mission). This will partly address the political risk with which MFIs are struggling in some of parts of the country.

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## Sa-Dhan's work on Social Performance in the sector

The microfinance alone can not alleviate poverty. The impact part of social performance needs microfinance plus services like livelihood activities, health care and a host of other services. The MFIs may address this part through partnership with others. However, as an MFI, the relevant part of social performance is the targeting and the process of providing financial services to the clients.

The Sa-Dhan's membership application has a clause on the number of poor being presently covered under microfinance activity and within which the number of women. The new applicant organisations have to submit an undertaking to serve the low income households along with their application for membership. While scrutinizing the application for membership, due importance will be given to this information on targeting the clients. Further, Sa-Dhan's Quick Data publication brings out the broad picture of clients with whom MFIs are working.

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[8] Daniel Gross, 2008, ' A Risk Worth Taking', Newsweek November 24, 2008

The MFIs in India are originated from the NGO background with strong social mission. In order to scale up their operations, the not for profit NGO-MFIs are transforming themselves into for the profit NBFCs. It is argued that the NBFC form is the most suitable legal structure to access commercial funding. Changing the legal form from not profit structure to profit structure for accessing more funds is not bad. While transforming the legal form and accessing commercial funding, MFIs should not loose their core values. There are concerns on the entry of many for profit mainstream financial institutions without any social background into the microfinance sector. Of late many individual finance professionals without any social background are being attracted towards the microfinance sector. These developments led the committed social entrepreneurs to express their concern on the possibility of quality deterioration in the sector and distinguish themselves from the mainstream sector. The entry of professionals and others is most welcoming development in terms of bringing more competition, more professionalism and improving efficiency in the sector. The new entrants are required to keep balance between the financial sustainability and the social mission. Sa-Dhan, the association of community development finance institutions has been trying to imbibe the quality in the sector beginning from its member induction and continuous engagement with its members on code of conduct.

### Box No 8: BCSBI and Code of Bank's Commitment to Customers

The Banking Codes and Standards Board of India (BCSBI.) is an independent and autonomous watch dog to monitor and ensure that the Banking Codes and Standards adopted by the banks are adhered to in true spirit while delivering their services. It was set up in by the Reserve Bank of India based on the recommendation of the Tarapore Committee. The board was set up to look into systemic issues with a view to enforcing a prescribed quality of service to the common man. Ideally, such a function should be performed by a Self Regulatory Organisation (SRO) but in view of the existing framework of the banking sector in India, an independent, autonomous Board was set up in 2006 in order to ensure that comprehensive code of conduct for fair treatment of customers was evolved and adhered to. The board has developed a voluntary Code, which sets minimum standards of banking practices for banks to follow when they are dealing with individual customers. It provides protection to the customer and explains how banks are expected to deal with their customers for their day-to-day operations.

The main function of the Board is to ensure adherence to the "Code of Bank's Commitment to Customers". The Code is voluntary and sets minimum standards of banking practices for banks to follow when they are dealing with individual customers in their day-to-day operations. The Code is not only meant to provide protection to the individual customers but is also expected to generate awareness in the common man about his rights as a consumer of banking services. Therefore the common man is the raison d'etre of the BCSBI. The Code represents each member bank's commitment to minimum standards of service to individual customers in relation to products and services offered by the bank, e.g. deposit accounts, safe deposit lockers, settlement of accounts of deceased account holders, foreign exchange services , remittances within India , loans and advances and guarantees, credit cards, internet banking. In these areas the Code, inter alia, dwells upon interest rates, tariff schedule, terms and conditions governing relationship between the bank and the customer, compensation for loss, if any, to the customer due the acts of omission or commission on the part of the bank, privacy and confidentiality of the information relating to the customer ,norms

governing advertisements, marketing and sales by banks. The full text of the code is available in the Board's website: http://www.bcsbi.org.in. The present Chairman of the Board is Smt.K. J. Udeshi who has made inaugural address at the Sa-Dhan's Annual Conference of Standards and Capacity Building at Chennai on 25th September 2008. Her speech in this conference is a good document on the code of conduct and the full text of the speech is available in the Sa-Dhan's website: www.sa-dhan.org as well as the board's website: www.bcsbi.org.in

Source: http://www.bcsbi.org.in

Sa-Dhan has introduced a declaration from the new applicant for membership that the organisation is actively follow, promote and encourage adherence to Sa-Dhan's code of conduct. MFIs have to submit their board resolution passing the code of conduct within a specified time period. Further the declaration states that they are law abiding organisation and no defraud cases ever lodged against them. In order to internalise the contents of the code of conduct, Sa-Dhan has been engaged in organising regional workshop on code of conduct on a regular basis. Sa-Dhan has conducted six regional workshops on code of conduct during the year 2007-08. The code conduct is translated to other regional languages and the translated version of code of conduct is being made available in Sa-Dhan's website for better dissemination of the code in the sector.

In the direction to monitor the implementation of code of conduct among member orgnisations, Sa-Dhan works to introduce a system of tracking the compliance to code of conduct, using the renewal application of its membership. To begin with the compliance to code of conduct is seen from three important aspects viz., approval from Board, displaying it in the office and sharing with clients, employees and others on account of certain underling assumptions.

It was believed that approval and adoption of the Code by the Board of respective MFIs would ensure commitment towards core values and implementation and practice of the code from the highest level of governance. This ensures increased accountability and easier implementation on the part of management of the MFI concerned. It also indicates that both management and board of the MFIs are well aware of each of the components of the document and would be reflected in the transparency and disclosure practices, integrity and quality of service to the clients.

Displaying the posters in the office and sharing the components with the staffs and clients would help in increased awareness and understanding among them. Presumably, it would help and remind the employees of the organisation in developing ethical and disciplined behaviour towards the clients, adapt fair practices of lending and recovery, maintain privacy of the client information and appropriate action against those who do not conform to it.

More over it would help to inform the clients about the values and conducts expected from the MFI. This would include the pricing and its components, method of calculation, grievance articulation and redressal mechanism etc. It would inform the visitors and general public of the standards and practices that the MFI is pursuing that in turn would increase the goodwill of the sector. The greater transparency and competition would lead to better service and price reduction to the clients.

The information on compliance to code of conduct received from a sample of 64 members reveals that 45 per cent of the reporting members comply with the code

of conduct in all the three aspects of its implementation. The compliance to code by MFIs indicates the process part of social performance. However it does not bring the full picture of compliance to code of conduct by all Sa-Dhan members.

Table. 12. Information on compliance to Code of Conduct from a sample of 64 members

| Sl. No. | Information on compliance | Number of members (%) |
|---|---|---|
| 1 | Displayed in office | 35 (54.69) |
| 2 | Approved from Board/AGM | 42 (65.63) |
| 3 | Shared with clients/employees/others | 38 (59.38) |
| 4 | Compliance in all the above | 29 (45.31) |

Source: Based on self reporting in the renewal application received from members from 1/06/2008 to 30/11/2008.

In order to understand the existing tracking system of social performance at the member level, Sa-Dhan has also asked in its renewal application for membership, information on whether social performance assessment conducted, tools used, report produced and shared.

## Future directions

No doubt there is a need to measure the social performance of MFIs. The selected findings presented here are an example of social performance assessment, related to indicators that it is hoped MFIs will increasingly be able to and willing to report on. There is also an increasing demand from different stakeholders that Sa-Dhan should take lead in this area. Most of the elements of social performance are covered in the Sa-Dhan's Voluntary Code of Conduct. There are concerns about the tracking of implementation of code of conduct in the sector. In this chapter a beginning has been made to track the compliance to the code of conduct in an objective manner. However, it is not sufficient if the compliance to code of conduct is done by passing board resolution or displaying it in the office. It is also necessary that the values and ethics mentioned in the code are shared with employees and clients. It requires a through understanding of the code of conduct. In this direction, Sa-Dhan engages with its members through regional meeting for greater understanding of the code of conduct.

There are also number of social performance measurement tools. It was believed that most of the tools are costly to administer at MFI level. In addition to this the social performance measurement is valuable when it results in a direct correlation between the measured performance and increased funding. The funding allocation to an organisation is a function of organisational information (transparency), financial performance and social performance. Hence, Sa-Dhan would like to bring all the stakeholders to participate in the discussion on social performance so as to achieve consensus and ownership of the work.

In respect of performance relating to the targeting clients and the process, there is some progress. However, in case of impact on the lives of clients, lot more work need to be done. Many MFIs might be gathering information relating to the impact of microfinance on the client's lives. But these information are not highlighted. There is a need for a national level annual impact study on microfinance.

# [1]The Battle for the Soul of Microfinance

By Tim Harford. Illustrations by Kim Jackson DeBord and Zach DeBord
Published: December 6, 2008

Bob Annibale's corner office, high up in one of London's few real skyscrapers, overlooks the Thames and the Millennium Dome from one window, Greenwich Park and the Royal Observatory from another. It is the kind of enviable perch you'd expect Citigroup's senior treasury risk manager to enjoy. But that is the job Annibale left three years ago; now he is Citi's "Global Director of Microfinance".

Microfinance, the system of providing tiny loans and savings accounts to the poor, seems an unlikely and somewhat ironic candidate for Citigroup's attention. It was because banks weren't interested in serving the poor that the pioneers of micro¬finance saw a gap to be filled, back in the 1970s.

The most celebrated microfinance institution, the Grameen Bank, was born in Bangladesh in 1976 after a young economics professor, Muhammad Yunus, discovered that craftswomen were struggling to deal with the high costs of borrowing in order to buy raw materials. Village moneylenders charged up to 10 per cent interest per day. At such rates, a debt of a single cent would balloon to the size of the US economy in just over a year.

Yunus began lending – originally, less than a dollar each to a group of 42 families – and found that the poor were capable of investing the money, lifting themselves out of poverty and paying back the loans with near-perfect reliability. "All people are entrepreneurs," he proclaimed.

From small beginnings, a global movement has developed, with perhaps $25bn of loans outstanding and 125 million-150 million customers of microfinance institutions. It has been blessed by the United Nations, which declared 2005 the International Year of Microcredit, and by the Nobel committee, which awarded the Nobel Peace Prize to Yunus and the Grameen Bank in 2006.

Now multinational banks at last see microfinance as a profit opportunity. "Colleagues asked me if was giving up a business role," says Annibale, who became Citi's first microfinance chief in 2005. "I'd say, 'No, I'm taking up a new one'." He plans to make money for Citigroup by providing technology, advice and investment banking services to microfinance lenders. And so far his division has been unaffected by this year's market turmoil.

The Citigroups of the world are not the only commercial players to get involved in what was once a purely philanthropic endeavour. Sequoia Capital, the venture capital fund that backed Google, Apple and Cisco, has taken an $11m stake in SKS Micro-

[1] The article is orginally published in the Financial Times dated December 6, 2008. We acknowledge the Financial Times for the kind permission to publish this article in this report

finance, a large Indian lender. Private equity groups such as Helios Capital are making similar moves. Pierre Omidyar, founder of eBay, gave $100m to Tufts University in 2005 with the stipulation that the donation be used to create a fund seeking its returns only through investments in microfinance. The fund's director, Tryfan Evans, recently predicted that it would be fully invested by the end of this year.

Most surprising and controversial are those microfinance institutions that have been transformed from charities to profitable companies through hugely successful initial public offerings. The most notorious,

## A history of microfinance

1300+
Forms of microfinance and collective lending have existed for hundreds of years. These include the "susus" of Ghana, "chit funds" in India, "tandas" in Mexico, "arisan" in Indonesia and "tontines" in west Africa, writes David Patrikarakos.

1865
Friedrich Wilhelm Raiffeisen develops the concept of the credit union. From 1870, unions expand across the German states. The co-operative movement spreads to Europe, north America and developing countries.

1895
Indonesian People's Credit Banks or The Bank Perkreditan Rakyat (BPR) opens, specialising in an early form of microfinance. Today it is the largest microfinance system in Indonesia, with 9,000 operations.

1961
With $90,000 raised from private companies, Joseph Blatchford founds Acción International in Venezuela. Initially concerned with building schools and water-systems, it turned to microfinance in 1973. It becomes one of the premier microfinance organisations in the world.

1971
Al Whittaker and David Bussau begin lending to micro-entrepreneurs in Indonesia and Colombia. In 1979 they form Opportunity International, lending across south-east Asia and South America.

1976
Muhammad Yunus discovers that a loan of $27 can change the lives of 42 families in an impoverished village in Bangladesh. They pay him back with interest and begin to lift themselves out of poverty.

1983
Yunus creates Grameen Bank. To date, it has lent more than $983m. Its methods have become the basis for modern microfinance.

1992
Acción helps found BancoSol of Bolivia, the first commercial bank dedicated solely to microfinance. It now has more than 70,000 clients.

1997
The National Microfinance Bank in Tanzania (NMB) is created. Meanwhile, Deutsche Bank enters microfinance as part of its drive to embrace social investing.

2001
The Microenterprise Access to Banking Services initiative in the Philippines helps integrate rural banks' microfinance loan clients into the credit system.

2005
The UN names 2005 the International Year of Microcredit. Citibank opens Citi Microfinance. Based in London, New York, India and Colombia, its goal is to broaden the outreach of its financial services.

2006
The Microfinance Summit Campaign Report estimates that there are more than 3,000 microfinance institutions serving 100 million poor people in developing countries. The total cash turnover of these institutions worldwide is estimated at $2.5bn. Yunus is awarded the Nobel Peace Prize. Barclays Launches Ghanaian Microfinance, tapping into one of Africa's most ancient forms of banking, "Susu collection". International Finance Corporation, part of the World Bank, announces a $45m investment in credit-linked notes to be issued via Standard Chartered bank to facilitate microfinance lending in Africa and Asia.

2007
JP Morgan launches a microfinance unit as part of its emerging markets strategy.

Mexico's Compartamos ("Let's Share"), used a $6m investment to turn itself into a billion-dollar company in less than a decade, expanding rapidly while charging very high rates to borrowers. What was once an idealistic movement is now a fast-growing industry, and one that is rapidly losing its innocence.

The commercialisation of microfinance has sparked a fierce debate between profit advocates such as Carlos Danel and Carlos Labarthe, the founders of Compartamos, and traditionalists such as Muhammad Yunus, who see microfinance lenders such as Compartamos as indistinguishable from the moneylenders he set out to replace in 1976. Between these two poles lie the majority of microfinance practitioners, eager to gain access to capital and commercial expertise, but concerned that competitive market forces may not help the poorest.

Commercialisation is a huge opportunity to lift people out of poverty. Despite the credit crisis, most of us take for granted the ability to save, to borrow for emergencies or to buy assets, to move money around and to insure ourselves. But several billion people lack these basic, life-improving services. The microfinance industry today serves fewer than one in 10 of them. Few people believe microfinance can grow quickly enough under its own steam without adopting a more commercial model.

It is not just that commercialisation would provide plentiful access to foreign capital – although that is likely – but also that expertise from commercial players might allow microfinance lenders to move beyond simple loans. If lenders could take deposits, they should easily be able to fund their own loans: many poor people are would-be

savers who lack a safe place to put their money. But as the credit crisis has made clear, deposit-taking is a difficult business requiring regulatory supervision even in rich countries. Commercial expertise is therefore indispensable for a deposit-taking bank.

Yet this is also a dangerous moment. Microfinance is a way of harnessing market forces to bring basic financial services to the poor, but many microfinance institutions do much more than that. Using donor funds or reinvested profits, coupled with their reach into remote villages, they provide subsidised education, healthcare and business advice. There is a risk that commercial logic could threaten these subsidised services by repelling donors or poaching the best customers. There is also the risk that competition misfires, leaving the poor paying higher interest rates, rather than lower ones.

More than 500 years before the birth of modern microfinance, Franciscan monks in Perugia, Italy, developed their own method of social finance. They would lend money to the poor in times of crisis; as collateral, they would hold some precious item and charge a fee for its safekeeping to cover their operating costs. The idea was endorsed by the Pope and widely emulated. The monks called the fund a "Monte di Pietà", a Fund of Mercy. Today, we would call it a pawnshop.
This cautionary tale – told by Larry Reed of the Boulder Institute of Microfinance – resonates in a social movement that is sharply divided over how to respond to commercialisation.

The crisis was provoked by Compartamos's initial public offering in April last year. Compartamos was founded in 1990 as a non-profit, but after a decade converted itself into a profit-making company, with investors including Acción International, which is part-funded by the United States Agency for International Development (USAID) and the International Finance Corporation, which is the World Bank's private sector lending arm. (Disclosure: I used to work for the IFC.)

Many microfinance initiatives have a profit-making structure, including Yunus's Grameen Bank; what was unusual with Compartamos was just how profitable it turned out to be. The initial investments of about $6m, between 1998 and 2000, were worth about $1.5bn at the time of the public offering in 2007. That valuation was justified by a combination of fast growth and high interest rates. Just how high is not quite clear – to their discredit, it is rare for microfinance lenders to report such things – but a report from the Consultative Group to Assist the Poor, an independent microfinance think-tank housed by the World Bank, estimated that Compartamos charged interest rates of more than 100 per cent APR (or annual percentage rate), after tax.

That is not as usurious as it might seem. Most microfinance lenders charge rates that would make credit-card companies blush – often more than 30 per cent a year – because small, short-term loans are costly: a loan of $50, borrowed at an annual interest rate of more than 50 per cent and repaid over four months, will produce less than $5 in interest repayments. That isn't much to cover overheads. Yet Compartamos was so profitable that it could have lowered rates without jeopardising its expansion. It chose not to.

Yunus's response to that was little short of an excommunication. He declared himself "shocked" by the public offering. In a documentary on US public television, he described his attitude to the profit motive in microfinance. "You [profit-focused micro-

finance practitioners] are on the moneylender's side. Because your aim is the moneylender's aim. Your thinking is the moneylender's thinking. So I don't want to associate with you, I want to battle with you and to fight you."

Compartamos itself was silent on the subject for a long time, eventually producing a response that defended its motives, beliefs and mission more than a year after the public offering. The language of the battle had been defined: a lexicon of mission and motives, them and us, good and evil. "Yunus is concerned that his legacy, even the language of microcredit, is being appropriated," says Jonathan Morduch, a microfinance expert based at New York University. "But the rest of the world doesn't care and shouldn't care."

There is nothing intrinsically sinful about pawnbroking or intrinsically holy about microloans. What matters is the effect on the clients. And to our discredit, we don't really know what that effect is. There have been only two serious cost-benefit analyses of microfinance – and they've produced a split decision as to whether, given the subsidies involved, microfinance delivered value for donor dollars.

Dean Karlan, a microfinance economist at Yale, is frustrated by this lack of serious research into what works. He also thinks that Yunus's talk of "the moneylender's thinking" is unhelpful. "I don't care why the bank is doing what it's doing," he says. "If you're trying to make the world a better place but you're not, that's bad. If you're trying to make profits and don't care about people, but make them better off anyway, that's good."

So, can you lift people out of poverty by lending money to them at 100 per cent APR? Karlan, with Jonathan Zinman of Dartmouth College, is behind one of the few pieces of research to hint at an answer.

In South Africa, in autumn 2004, Karlan and Zinman persuaded an anonymous consumer finance company that we'll call "ZaFinCo" to participate in an unusual experiment. Ordinarily, almost half of ZaFinCo's borrowers would have been turned away as a bad credit risk. But for two months, ZaFinCo loan officers were instructed to identify marginal applicants who had narrowly failed to pass credit checks. From this pool of near-customers, a computer selected almost half and requested that the branch manager reconsider and offer a loan anyway.

This procedure emulated the way that new medicines are tested, using randomised trials. These trials are a gold standard for evaluation: after all, a more typical, non-random comparison of borrowers versus non-borrowers would not be able to tell whether borrowers were doing well because they had access to loans, or because they were confident, risk-taking, entrepreneurial people.

Karlan and Zinman wanted to know what value there might be in expanding access to credit. ZaFinCo was no dewy-eyed social business, but a hard-nosed, profit-minded company, charging 11.75 per cent per month on a four-month loan, or 200 per cent

APR, much more than Compartamos was generally judged to have been charging.

Despite the high rates, the results were astonishing. "We expected to see some good effects and some bad," explained Karlan, who checked in with the experiment's participants six to 12 months after they had filed their initial loan applications. "But we basically only saw good effects."

Most strikingly, those "treated" by the experiment – that is, those for whom the computer requested a second chance at a loan – were much more likely to have kept their jobs than the control group. They were also much more likely not to have dropped below the poverty line, and were less likely to have gone hungry. All these outcomes were recorded well after the loan had been taken out and (usually) repaid, so this was not measuring a temporary debt-funded binge.

This seems mysterious. How can a loan at 200 per cent APR help people to stay out of poverty? One answer is that most people turned down for a 200 per cent APR loan would be able to get one at 300, 500 or over 1,000 per cent from an informal moneylender. More important is that these loans were not used to start businesses but to help people keep jobs that they already had. If a smart new blouse or a spare part for the family moped is what it takes to stay in work, then who is to say that an expensive loan isn't a wise investment?

Karlan is the first to warn against extrapolating too much from a single experiment. "This is the last thing in the world that I would use to develop policy," he warns. "You've got to replicate."

The trouble is that the replication just isn't happening. For all the optimism about microfinance – and the ZaFinCo experiment only encourages that optimism – it is striking how much we do not know about when it works, and why.

This matters because non-commercial microfinance projects often depend on donor subsidies. And while microfinance has a good reputation among development professionals, that doesn't mean guaranteed access to those subsidies. Not everyone is convinced that a donor grant is best used to subsidise a loan rather than, say, pay directly for a primary school. More credible evaluation would help preserve the programmes that deserve to be preserved.

Already, solidly held beliefs about microfinance have been shaken. The "group liability" system, in which a group of borrowers guarantee one another's loans, is still supposed by many to be the secret behind Grameen Bank's low default rates. But a randomised trial in the Philippines conducted by Karlan and a World Bank economist, Xavier Gine, found that group liability was discouraging new customers without improving repayment rates. Grameen itself quietly dropped group liability some time ago.

Another sacred cow of microfinance is that women make best use of the money – the Grameen Bank says that 97 per cent of its borrowers are women. But another randomised trial, conducted in Sri Lanka by a team of researchers including David McKenzie of the World Bank, found that male borrowers seemed to make a far higher return on their capital. As with the ZaFinCo study, it's just one experiment in one country. Yet it raises a worrying question: for how long will donors fund microfinance

projects with so little compelling evidence about exactly what kinds of project really work?

While many non-profit microfinance institutions depend on donor subsidies to cover overheads, reduce interest rates, or provide a range of parallel programmes that piggyback village banking, some use profits from the best customers to cross-subsidise their other operations. These parallel programmes can be vast. BRAC, a Bangladeshi microfinance organisation often called the world's largest NGO, provides primary education, mobile libraries, legal aid and health services, all on an astonishing scale. But what is the future for such programmes in the face of commercial competition? Cross-subsidies are rarely sustainable in a competitive market: the commercially-minded banks will simply lure the best customers – they will tend to be those borrowing the largest sums, and with the best credit records – by offering them better rates. And why shouldn't they?

The trouble is that the world cannot rely on commercial operations alone; they will miss far too many people. ZaFinCo's clients were ideal customers for a commercial lender: they were city-dwellers and therefore cheap to reach; they were poor enough to want loans but rich enough that the loans were profitably chunky. A peasant farmer in Ethiopia or Sudan ticks none of those boxes: living in the middle of nowhere, he is expensive to reach and he is so poor that he can only afford tiny loans. Trapped in a barren economic ecosystem, he has no job that a ZaFinCo-style loan can help preserve, and no business prospects either. A mere loan will not catapult him into the ranks of the entrepreneurial class. Then there are the destitute, the disabled, the elderly and the orphans. Such people cannot repay loans at a rate that would cover costs. Heavy subsidies or outright grants would be needed. "All people are entrepreneurs," says Muhammad Yunus. If only he were right.

At least commercialisation seems likely to help those borrowers who can be served on commercial terms. After all, if even a 200 per cent APR loan can help moderately poor customers, surely anything goes as long as the market expands? Sadly, the truth is not so easy. The ZaFinCo study showed not that loans at 200 per cent are good for everybody, merely that they are good for the people who choose to apply for them – in other words, that ZaFinCo's borrowers knew what was good for them. Most people will only be helped by loans at lower rates. Competition should bring down those rates, of course, and one of the strongest defences of Compartamos is that its success is already attracting competitors with exactly that effect. Healthy competition is a far better protector of consumer interests than good intentions.

The trouble is transparency. Competition works best when customers know what they're paying and what they're paying for, which is why lenders in the US have been required for the past 40 years to disclose their interest rates in a standardised format. Few microfinance institutions do the same thing, and the results can be baffling. "You have a borrower comparing two institutions across the street from each other, and she can't tell which has the cheaper product," complains Chuck Waterfield, the founder of a non-profit called Microfinance Transparency. "You couldn't. Nobody could."

One common practice is to charge "flat interest", which means borrowers pay interest calculated on the initial loan amount, rather than the declining balance as the loan is gradually repaid. The apparently small tweak almost doubles the effective interest

rate. There are others, each of which raises effective rates and muddies the waters.
None of this necessarily means that loans are overpriced, but the lack of a standardised format for reporting loan costs is intrinsically objectionable. It makes it hard to compare what different lenders are offering, so it is an obstacle to competition. Commercialisation without effective competition will help nobody.

It is, in any case, misleading to think that the only aim should be to provide, sustainably, as many cheap loans as possible. That would be the impression gained from Muhammad Yunus, who always emphasises "microcredit" rather than "microfinance". But there is more to finance than credit: even the Grameen Bank has now moved away from pure microcredit to provide a wider range of financial services. That is the right thing to do. Think for a moment about the financial services you enjoy yourself. Loans are useful, to be sure, but probably more valuable to you is the ability to save towards your pension. A checking account dramatically reduces the risk and trouble of using cash to settle all your bills. Then there's insurance. In fact, if you did not have the ability to save or to insure yourself you would be forced to rely on loans to handle emergencies.

"There is lots of evidence suggesting that poor people would rather save, turning small amounts into a lump sum, rather than borrow a lump sum and then pay it back," explains Elizabeth Littlefield, the head of the CGAP microfinance think-tank. "But the only way you can offer a safe place to save money is if you have sound, government-licensed, well-governed institutions. And that is what commercialisation really means."

As microfinance institutions move into deposit-taking, the stakes become higher and the challenges more complex. Governments almost always impose arduous regulations on deposit-taking institutions, and understandably so: just imagine what will happen if the manager of a microbank in Peru or Pakistan or Nigeria decides to use his customers' deposits to fund his retirement. Yet governments, especially in the world's poorest countries, are not famous for their ability to draft the kind of light-touch regulation that will allow a fledgling microbanking industry to spread its wings.

The irony is that if microfinance institutions are able to find a way to provide savings accounts to the very poor – despite sceptical regulators, a difficult business environment and tiny transactions – they will not need much of the foreign capital that commercialisation was supposed to provide. Most poor households are savers, or would like to be. Many poor countries are savers. All that is needed to raise the capital for making fresh microcredit loans is a successful deposit-taking bank for the poor.

The future of microfinance, we must hope, will be one in which the poor enjoy the financial services that surround and support the rest of us. For the poorest, subsidies will still be necessary, and the industry is running out of excuses as to why rigorous trials are still so rare. But Yunus and his fellow pioneers have shown that many poor people can be served profitably by commercial organisations.

Making that vision a more widespread reality will require less finger-pointing, and more thought about how competition really works. The problems of the microfinance industry are beginning to look more like the problems of the retail banking industry in a developed market: accessing wholesale capital, protecting consumers, safeguarding deposits and making competition work for customers. The global credit crisis has reminded us that these are not trivial problems – but beyond doubt, they are symptoms of success.

*Tim Harford is a senior columnist for the FT. His most recent book is 'The Logic of Life'*

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# Individualized Information

## of Contributing MFIs

**Name of Organization: Grameen Sahara**

**Membership Status : Non-Member**
**MFI starting Year: 2006**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 100.7% | 77.9% | OCR | 11.8% | 8.3% |
| PAR > 60 Day | 0.9% | 1.1% | TCR | 21.4% | 14.5% |
| CRR | 97.3% | 97.0% | ABCO | 108 | 105 |

**Name of Organization: Manab Sewa Sangh**

**Membership Status : Associate Member**
**MFI starting Year: 2002**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 128.6% | na | OCR | 9.6% | na |
| PAR > 60 Day | 0.0% | na | TCR | 18.7% | na |
| CRR | na | na | ABCO | 151 | na |

**Name of Organization: Prochesta**

**Membership Status : Associate Member**
**MFI starting Year: 2001**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 103.3% | na | OCR | 12.1% | na |
| PAR > 60 Day | 7.0% | na | TCR | 28.9% | na |
| CRR | 93.0% | na | ABCO | 583 | na |

**Name of Organization: Rashtriya Gramin Vikas Nidhi (RGVN)- CSP**

**Membership Status : Primary Member**
**MFI starting Year:1995**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 116.4% | 129.00% | OCR | 7.0% | 9.00% |
| PAR > 60 Day | 2.5% | 4.00% | TCR | 20.6% | 23.00% |
| CRR | 97.1% | 96.7% | ABCO | 390 | 201 |

**Name of Organization: Social Action for Appropriate Transformation and Advancement in Rural Areas (SATRA)**

**Membership Status : Non-Member**
**MFI starting Year: 2004**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 97.6% | 76.5% | OCR | 6.4% | 4.1% |
| PAR > 60 Day | 1.0% | 1.3% | TCR | 15.3% | 10.7% |
| CRR | 96.4% | 95.3% | ABCO | 296 | 77 |

**Name of Organization: Bihar Development Trust**

**Membership Status : Non-Member**
**MFI starting Year: 2007**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 45.0% | na | OCR | 21.6% | na |
| PAR > 60 Day | 0.8% | na | TCR | 26.5% | na |
| CRR | 97.0% | na | ABCO | 74 | na |

**Name of Organization: Bureau of Obligate and Accompanier for Rural Development**

**Membership Status : Non-Member**
**MFI starting Year: 1999**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 55.8% | 104.1% | OCR | 17.3% | 1.6% |
| PAR > 60 Day | 78.9% | 22.8% | TCR | 37.0% | 26.9% |
| CRR | 319.4% | 83.3% | ABCO | 38 | 56 |

**Name of Organization: Centre for Development Orientation and Training**

**Membership Status : Non-Member**
**MFI starting Year: 2007**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 96.9% | na | OCR | 22.2% | na |
| PAR > 60 Day | 0.0% | na | TCR | 27.6% | na |
| CRR | 100.0% | na | ABCO | 55 | na |

**Name of Organization: Mass Care International**

**Membership Status : Non-Member**
**MFI starting Year: 2003**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 29.6% | 20.1% | OCR | 61.0% | 75.9% |
| PAR > 60 Day | 0.0% | 2.7% | TCR | 81.4% | 91.6% |
| CRR | 100.0% | 96.8% | ABCO | 200 | 185 |

**Name of Organization: NIDAN**

**Membership Status : Primary Member**
**MFI starting Year: 1996**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 82.5% | na | OCR | 12.8% | na |
| PAR > 60 Day | 0.0% | na | TCR | 24.0% | na |
| CRR | na | na | ABCO | na | na |

**Name of Organization: SIDRIB**

**Membership Status : Non-Member**
**MFI starting Year: 2007**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 11.2% | na | OCR | 6.9% | na |
| PAR > 60 Day | 0.0% | na | TCR | 9.9% | na |
| CRR | 100.0% | na | ABCO | 125 | na |

**Name of Organization: Societal Upliftment & Rural Action for job & Empowerment (SURAJE)**

**Membership Status : Associate Member**
**MFI starting Year: 2003**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 48.7% | na | OCR | 29.1% | na |
| PAR > 60 Day | 0.0% | na | TCR | 38.5% | na |
| CRR | 100.0% | na | ABCO | 126 | na |

**Name of Organization: Trust Microfin Services**

**Membership Status : Non-Member**
**MFI starting Year: 1999**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 74.6% | na | OCR | 0.6% | na |
| PAR > 60 Day | 0.0% | na | TCR | 3.9% | na |
| CRR | 100.0% | na | ABCO | 54 | na |

**Name of Organization: Regards Finance Private Limited**

**Membership Status : Non-Member**
**MFI starting Year: Nil**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 83.7% | na | OCR | 13.4% | na |
| PAR > 60 Day | 0.0% | na | TCR | 14.0% | na |
| CRR | na | na | ABCO | 128 | na |

**Name of Organization: ASOMI***

**Membership Status : Non-Member**
**MFI starting Year: 2001**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 130.4% | 102.8% | OCR | 6.8% | 5.6% |
| PAR > 60 Day | 11.8% | 0.6% | TCR | 13.0% | 9.0% |
| CRR | na | na | ABCO | 131 | 77 |

**Name of Organization:Volunteers for Village Development**

**Membership Status : Non-Member**
**MFI starting Year:**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 95.1% | na | OCR | 3.0% | na |
| PAR > 60 Day | 0.0% | na | TCR | 6.7% | na |
| CRR | 100.0% | na | ABCO | 134 | na |

**Name of Organization: Ajiwika Society**

**Membership Status : Associate Member**
**MFI starting Year: 2005**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 105.4% | na | OCR | 19.8% | na |
| PAR > 60 Day | 0.8% | na | TCR | 29.1% | na |
| CRR | 97.7% | na | ABCO | 246 | na |

**Name of Organization: Mahila Kalyan Samiti**

**Membership Status : Associate Member**
**MFI starting Year: 2004**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 111.1% | na | OCR | #DIV/0! | na |
| PAR > 60 Day | 0.0% | na | TCR | na | na |
| CRR | 109.5% | na | ABCO | na | na |

**Name of Organization: Nav Bharat Jagriti Kendra (NBJK)**

**Membership Status : Primary Member**
**MFI starting Year: 1993**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 124.4% | 56.42% | OCR | 11.8% | 8.97% |
| PAR > 60 Day | 1.1% | 0.25% | TCR | 18.3% | 12.47% |
| CRR | 98.0% | na | ABCO | 276 | 190 |

**Name of Organization: Samarthan Weakling Development Foundation**

**Membership Status : Associate Member**
**MFI starting Year: 2006**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 136.2% | na | OCR | 11.6% | na |
| PAR > 60 Day | 0.6% | na | TCR | 17.9% | na |
| CRR | na | na | ABCO | 225 | na |

**Name of Organization: Society for Empowerment and Women Advancement (SERV-SEWA)**

**Membership Status : Associate Member**
**MFI starting Year: 2000**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 101.0% | na | OCR | 2.1% | na |
| PAR > 60 Day | 9.8% | na | TCR | 15.2% | na |
| CRR | 63.8% | na | ABCO | 243 | na |

**Name of Organization: Srijan Foundation**

**Membership Status : Non-Member**
**MFI starting Year: 2007**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 163.2% | 39.8% | OCR | 2.0% | 0.6% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 21.4% | 7.7% |
| CRR | 100.0% | 100.0% | ABCO | 19 | 15 |

**Name of Organization: SUPPORT**

**Membership Status : Associate Member**
**MFI starting Year: 2005**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 84.2% | na | OCR | 11.6% | na |
| PAR > 60 Day | 2.0% | na | TCR | 24.4% | na |
| CRR | 98.1% | na | ABCO | 236 | 196 |

**Name of Organization: Vedika Credit Capital Ltd.**

**Membership Status :Associate Member**
**MFI starting Year: 2004**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 107.6% | na | OCR | 22.8% | na |
| PAR > 60 Day | 0.2% | na | TCR | 31.8% | na |
| CRR | 95.0% | na | ABCO | 109 | na |

**Name of Organization: ADARSA**

**Membership Status : Associate Member**
**MFI starting Year: 1998**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 115.4% | 71.5% | OCR | 3.5% | 7.9% |
| PAR > 60 Day | 1.6% | 2.0% | TCR | 21.2% | 16.9% |
| CRR | 95.2% | 92.0% | ABCO | 200 | 126 |

**Name of Organization: ADHIKAR**

**Membership Status : Associate Member**
**MFI starting Year: 2004**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 108.3% | 133.6% | OCR | 14.8% | 9.6% |
| PAR > 60 Day | 0.1% | 0.0% | TCR | 30.6% | 19.5% |
| CRR | 99.9% | 100.0% | ABCO | 414 | 455 |

**Name of Organization: Asian Institute for Rural Regeneration**

**Membership Status : Associate Member**
**MFI starting Year: 2004**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 96.4% | 89.1% | OCR | 13.4% | 5.4% |
| PAR > 60 Day | 0.1% | 9.8% | TCR | 20.9% | 16.6% |
| CRR | 94.7% | 87.0% | ABCO | 241 | 191 |

**Name of Organization: Banki Anchalika Dibasi Harijan Kalyana Parishad**

**Membership Status : Associate Member**
**MFI starting Year:**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 106.8% | 110.6% | OCR | 4.9% | 3.3% |
| PAR > 60 Day | 1.0% | 0.0% | TCR | 17.4% | 14.8% |
| CRR | 100.0% | 100.0% | ABCO | 282 | 213 |

**Name of Organization: Bharat Integrated Social Welfare Agency (BISWA)**

**Membership Status : Associate Member**
**MFI starting Year: 1995**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 335.6% | 142.3% | OCR | 6.3% | 2.2% |
| PAR > 60 Day | 0.3% | 0.0% | TCR | 12.8% | 4.6% |
| CRR | 99.0% | 99.0% | ABCO | 61 | 77 |

**Name of Organization: Bright Association for Noble & Decent Human Understanding (BANDHU)**

**Membership Status : Associate Member**
**MFI starting Year: 2000**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 110.2% | 119.5% | OCR | 6.4% | 5.0% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 14.7% | 10.7% |
| CRR | 100.0% | 100.0% | ABCO | 165 | 155 |

**Name of Organization: Budhhanath Seba Sangha**

**Membership Status : Associate Member**
**MFI starting Year:**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 64.0% | 73.9% | OCR | 7.9% | 8.0% |
| PAR > 60 Day | 0.2% | 0.8% | TCR | 28.5% | 14.1% |
| CRR | 100.0% | 98.5% | ABCO | 415 | 246 |

**Name of Organization: Darbar Sahitya Sansad (DSS)**

**Membership Status : Associate Member**
**MFI starting Year: 1995**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 105.6% | 130.2% | OCR | 2.4% | 3.4% |
| PAR > 60 Day | 2.8% | 7.3% | TCR | 14.6% | 11.8% |
| CRR | 94.7% | 95.0% | ABCO | 194 | 133 |

**Name of Organization: GRAM-UTTHAN**

**Membership Status : Associate Member**
**MFI starting Year: 1995**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 114.0% | 105.8% | OCR | 5.8% | 3.7% |
| PAR > 60 Day | 0.9% | 0.8% | TCR | 15.5% | 16.3% |
| CRR | 98.8% | 98.7% | ABCO | 764 | 376 |

**Name of Organization: KAS Foundation**

**Membership Status : Associate Member**
**MFI starting Year: 2003**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 101.9% | 108.4% | OCR | 6.9% | 6.1% |
| PAR > 60 Day | 5.0% | 4.8% | TCR | 17.6% | 18.7% |
| CRR | 94.2% | 95.1% | ABCO | 294 | 286 |

**Name of Organization: Khandagiri Madhyamika Mahila Samabaya Sangha Ltd.**

**Membership Status : Associate Member**
**MFI starting Year: 2002**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 112.3% | 104.2% | OCR | 4.8% | 4.5% |
| PAR > 60 Day | 9.2% | 0.0% | TCR | 15.9% | 13.5% |
| CRR | 98.1% | 100.0% | ABCO | na | na |

**Name of Organization: Mahashakti Foundation**

**Membership Status : Associate Member**
**MFI starting Year: 2004**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 102.3% | 104.74% | OCR | 7.6% | 3.9% |
| PAR > 60 Day | 0.2% | 0.0% | TCR | 17.3% | 15.3% |
| CRR | 99.7% | 100.0% | ABCO | 379 | 219 |

**Name of Organization: ODISHA**

**Membership Status : Associate Member**
**MFI starting Year: 2004**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 122.1% | 122.6% | OCR | 0.9% | 1.1% |
| PAR > 60 Day | 12.0% | 19.0% | TCR | 1.7% | 1.9% |
| CRR | 90.0% | 87.0% | ABCO | 126 | 105 |

**Name of Organization: Organisation for Development Coordination**

**Membership Status : Non-Member**
**MFI starting Year: 2005**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 184.0% | 225.0% | OCR | 3.1% | 7.4% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 10.2% | 24.7% |
| CRR | 99.9% | 100.0% | ABCO | 314 | 288 |

**Name of Organization: Orissa Rural Infra-structure Development Association (ORIDA)**

**Membership Status : Associate Member**
**MFI starting Year: 2006**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 9.1% | 8.7% | OCR | 7.0% | 6.4% |
| PAR > 60 Day | 10.7% | 13.8% | TCR | 171.2% | 131.2% |
| CRR | 58.6% | 13.8% | ABCO | 50 | 30 |

**Name of Organization: People's Forum**

**Membership Status : Non-Member**
**MFI starting Year: 2004**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 154.4% | 102.9% | OCR | 4.3% | 69.4% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 14.3% | 79.6% |
| CRR | na | na | ABCO | 171 | 102 |

**Name of Organization: Sanginee Secondary Cooperative Ltd.**

**Membership Status : Associate Member**
**MFI starting Year: 2001**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 108.8% | 95.7% | OCR | 7.6% | 2.0% |
| PAR > 60 Day | 1.0% | 0.0% | TCR | 18.5% | 5.4% |
| CRR | 96.1% | 98.6% | ABCO | 310 | 299 |

**Name of Organization: Social Action For Rural Community**

**Membership Status : Non-Member**
**MFI starting Year: 2000**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 93.5% | 92.1% | OCR | 72.4% | 146.7% |
| PAR > 60 Day | 7.1% | 11.6% | TCR | 94.3% | 158.2% |
| CRR | 92.0% | 93.0% | ABCO | 78 | 2 |

**Name of Organization: Social Welfare Agency and Training Institute (SWATI)**

**Membership Status : Associate Member**
**MFI starting Year: 2001**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 101.6% | 92.1% | OCR | 7.2% | 3.9% |
| PAR > 60 Day | 8.0% | 11.1% | TCR | 8.6% | 4.2% |
| CRR | 94.0% | 91.9% | ABCO | 154 | 154 |

**Name of Organization: Swayamshree Micro Credit Services (SMCS)**

**Membership Status : Associate Member**
**MFI starting Year: 2003**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 124.9% | 111.7% | OCR | 3.2% | 5.1% |
| PAR > 60 Day | 9.7% | 14.3% | TCR | 12.8% | 12.7% |
| CRR | 121.9% | 94.0% | ABCO | 4432 | 5709 |

**Name of Organization: Youth Council for Development Alternatives (YCDA)**

**Membership Status : Associate Member**
**MFI starting Year: 1997**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 84.7% | 39.5% | OCR | 10.8% | 12.5% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 16.6% | 19.4% |
| CRR | 95.0% | 61.9% | ABCO | 6 | 6 |

**Name of Organization: Agradut Polly Unnayan Samity**

**Membership Status :Associate Member**
**MFI starting Year: 1999**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 98.2% | 2.2% | OCR | 30.2% | 23.4% |
| PAR > 60 Day | 5.0% | 0.0% | TCR | 40.9% | 55.6% |
| CRR | 159.4% | 73.1% | ABCO | 108 | 106 |

**Name of Organization: All Backward Class Relief and Development Mission***

**Membership Status : Non-Member**
**MFI starting Year: 2002**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 102.4% | 100.89% | OCR | 11.6% | 8.61% |
| PAR > 60 Day | 0.7% | na | TCR | 22.4% | 19.83% |
| CRR | na | na | ABCO | 256 | 192 |

**Name of Organization: ANG Resources Ltd. (AROHAN)**

**Membership Status : Associate Member**
**MFI starting Year: 2006**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 101.1% | 63.1% | OCR | 17.8% | 31.8% |
| PAR > 60 Day | 0.2% | 0.0% | TCR | 27.7% | 35.4% |
| CRR | 98.7% | 99.9% | ABCO | 346 | 256 |

**Name of Organization: Bajkul Sports Association**

**Membership Status : Non-Member**
**MFI starting Year: 1970**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 135.8% | 114.2% | OCR | 10.1% | 9.9% |
| PAR > 60 Day | 1.1% | 0.4% | TCR | 22.0% | 19.1% |
| CRR | 98.0% | 97.0% | ABCO | 341 | 259 |

**Name of Organization: Bandhan – Konnagar**

**Membership Status : Associate Member**
**MFI starting Year: 2001**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 132.3% | 141.8% | OCR | 11.1% | 8.9% |
| PAR > 60 Day | 0.1% | 0.1% | TCR | 20.4% | 18.9% |
| CRR | 100.0% | 100.0% | ABCO | 427 | 361 |

**Name of Organization: Bandhan Financial Services Private Ltd**

**Membership Status : Non-Member**
**MFI starting Year: 2006**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 125.4% | 123.6% | OCR | 10.2% | 4.2% |
| PAR > 60 Day | 0.2% | 0.0% | TCR | 20.8% | 7.6% |
| CRR | 100.0% | 100.0% | ABCO | 441 | 333 |

**Name of Organization: Belgharia Janakalyan Samity**

**Membership Status :Associate Member**
**MFI starting Year: 2006**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 115.5% | 105.2% | OCR | 18.3% | 28.8% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 30.9% | 34.5% |
| CRR | na | na | ABCO | 288 | 277 |

**Name of Organization: Haridanga Ramkrishna Vivekananda Sangha**

**Membership Status : Associate Member**
**MFI starting Year: 2003**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 185.5% | 182.4% | OCR | 10.2% | 5.3% |
| PAR > 60 Day | 0.2% | 0.1% | TCR | 12.6% | 5.3% |
| CRR | na | na | ABCO | 277 | 330 |

**Name of Organization: Human Development Centre**

**Membership Status : Non-Member**
**MFI starting Year: 2001**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 100.5% | 100.9% | OCR | 11.8% | 5.7% |
| PAR > 60 Day | 0.9% | 0.8% | TCR | 23.1% | 15.1% |
| CRR | 98.6% | 98.2% | ABCO | 266 | 253 |

**Name of Organization: Kalighat Society for Development Foundation (KSDF)**

**Membership Status : Associate Member**
**MFI starting Year: 2002**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 105.3% | 110.1% | OCR | 2.9% | 6.2% |
| PAR > 60 Day | 1.9% | 1.3% | TCR | 12.0% | 19.0% |
| CRR | 97.9% | 96.9% | ABCO | 222 | 151 |

**Name of Organization: Kotalipara Development Society (KDS)**

**Membership Status : Associate Member**
**MFI starting Year: 1997**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 106.7% | 108.8% | OCR | 17.3% | 15.6% |
| PAR > 60 Day | 1.4% | 0.5% | TCR | 22.7% | 19.9% |
| CRR | 99.9% | 99.7% | ABCO | 186 | 159 |

**Name of Organization: Liberal Association for Movement of People (LAMP)**

**Membership Status : Associate Member**
**MFI starting Year: 1999**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 120.8% | 127.6% | OCR | 10.7% | 7.4% |
| PAR > 60 Day | 1.5% | 2.0% | TCR | 15.1% | 12.0% |
| CRR | 92.2% | 88.6% | ABCO | 98 | 90 |

**Name of Organization: Rajapur Seva Niketan**

**Membership Status : Associate Member**
**MFI starting Year: 2000**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 97.2% | 106.0% | OCR | 8.0% | 7.1% |
| PAR > 60 Day | 0.1% | 0.1% | TCR | 20.1% | 15.1% |
| CRR | 83.6% | 92.3% | ABCO | na | na |

**Name of Organization: Sahara Utsarga Welfare Society**

**Membership Status : Associate Member**
**MFI starting Year: 1999**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 161.8% | 105.8% | OCR | 8.6% | 8.9% |
| PAR > 60 Day | 1.4% | 0.0% | TCR | 21.2% | 20.1% |
| CRR | 99.0% | 100.0% | ABCO | 275 | 289 |

**Name of Organization: Sahara Uttarayan**

**Membership Status : Non-Member**
**MFI starting Year: 2001**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 143.3% | 120.1% | OCR | 10.8% | 11.4% |
| PAR > 60 Day | 1.3% | 0.8% | TCR | 25.3% | 26.7% |
| CRR | 99.6% | 99.0% | ABCO | 313 | 279 |

**Name of Organization: Sarala Women Welfare Society**

**Membership Status : Associate Member**
**MFI starting Year: 2006**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 139.3% | 68.6% | OCR | 8.2% | 5.9% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 14.3% | 8.8% |
| CRR | 100.0% | 100.0% | ABCO | 326 | 268 |

**Name of Organization: SEBA RAHARA**

**Membership Status : Associate Member**
**MFI starting Year: 2006**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 107.9% | 75.3% | OCR | 16.0% | 13.1% |
| PAR > 60 Day | 0.6% | 0.0% | TCR | 29.4% | 24.4% |
| CRR | 99.4% | 100.0% | ABCO | 241 | |

**Name of Organization: Society for Model Gram Bikash Kendra**

**Membership Status : Associate Member**
**MFI starting Year: 2004**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 125.8% | 133.5% | OCR | 21.5% | 19.5% |
| PAR > 60 Day | 1.5% | 1.6% | TCR | 28.8% | 29.3% |
| CRR | 98.6% | 98.6% | ABCO | 255 | 167 |

**Name of Organization: Sreema Mahila Samity**

**Membership Status : Associate Member**
**MFI starting Year: 2000**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 118.8% | 126.0% | OCR | 6.2% | 4.3% |
| PAR > 60 Day | 3.7% | 0.4% | TCR | 17.5% | 13.1% |
| CRR | 71.5% | 91.8% | ABCO | 515 | 515 |

**Name of Organization: Village Financial Services Pvt.Ltd**

**Membership Status : Associate Member**
**MFI starting Year: 2006**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 116.9% | 116.4% | OCR | 14.3% | 20.7% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 24.4% | 28.6% |
| CRR | 100.0% | 100.0% | ABCO | 531 | 529 |

**Name of Organization: Village Micro-Credit Services (VMCS)**

**Membership Status : Associate Member**
**MFI starting Year: 2005**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 103.6% | 139.0% | OCR | 6.5% | 1.4% |
| PAR > 60 Day | 2.6% | 2.6% | TCR | 19.2% | 3.3% |
| CRR | 96.8% | 96.5% | ABCO | 465 | 599 |

**Name of Organization: Vivekananda Sevakendra-o-Sishu Uddyan (VSSU)**

**Membership Status : Associate Member**
**MFI starting Year: 1994**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 101.4% | 109.1% | OCR | 5.9% | 7.9% |
| PAR > 60 Day | 5.4% | 5.6% | TCR | 13.9% | 17.4% |
| CRR | 104.2% | na | ABCO | 296 | 195 |

**Name of Organization: Ishara Foundation for Finance & Rural Development**

**Membership Status : Associate Member**
**MFI starting Year: 2005**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 138.5% | na | OCR | 6.7% | na |
| PAR > 60 Day | 0.6% | na | TCR | 16.1% | na |
| CRR | 98.7% | na | ABCO | 108 | na |

**Name of Organization: Satin Creditcare Network Limited**

**Membership Status : Associate Member**
**MFI starting Year: 1990**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 108.3% | na | OCR | 16.1% | na |
| PAR > 60 Day | 5.8% | na | TCR | 30.8% | na |
| CRR | 98.6% | na | ABCO | 388 | na |

**Name of Organization: Shikhar Development Foundation**

**Membership Status :Associate Member**
**MFI starting Year:2007**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 5.4% | na | OCR | 146.5% | na |
| PAR > 60 Day | 0.0% | na | TCR | 155.6% | na |
| CRR | 100.0% | na | ABCO | 36 | na |

**Name of Organization: Aparajita Mahila Sakh Sahakarita Sanstha Maryadit**

**Membership Status : Non-Member**
**MFI starting Year:**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 97.6% | 89.2% | OCR | 13.7% | 21.7% |
| PAR > 60 Day | na | na | TCR | 20.8% | 30.7% |
| CRR | na | na | ABCO | 371 | 531 |

**Name of Organization: Bal Mahila Vikas Samiti - VAMA**

**Membership Status : Associate Member**
**MFI starting Year: 2005**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 109.6% | 101.2% | OCR | 17.2% | 9.0% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 32.2% | 13.1% |
| CRR | 100.0% | 100.0% | ABCO | 72 | 35 |

**Name of Organization: Lok Biradari Trust**

**Membership Status : Non-Member**
**MFI starting Year: 2006**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 86.7% | 51.5% | OCR | 19.7% | 26.8% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 30.2% | 32.4% |
| CRR | 97.3% | 96.5% | ABCO | 344 | 313 |

**Name of Organization: Parath Samiti**

**Membership Status : Non-Member**
**MFI starting Year: 2006**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 50.5% | 7.5% | OCR | 29.5% | 145.1% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 41.2% | 147.1% |
| CRR | 100.0% | 100.0% | ABCO | 75 | 27 |

**Name of Organization: Priyasakhi Mahila Sangh**

**Membership Status : Associate Member**
**MFI starting Year: 1999**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 107.2% | 112.6% | OCR | 20.5% | 13.8% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 30.5% | 22.9% |
| CRR | 100.0% | 100.0% | ABCO | 303 | 274 |

**Name of Organization: Sambhav Social Service Organization**

**Membership Status : Non-Member**
**MFI starting Year: 2007**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 99.2% | 99.5% | OCR | 19.9% | 8.8% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 29.9% | 13.4% |
| CRR | 99.9% | 100.0% | ABCO | 51 | 12 |

**Name of Organization: Unnati Mahila Sangh, Indore**

**Membership Status : Non-Member**
**MFI starting Year: 1999**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 99.1% | 129.5% | OCR | 3.1% | 4.4% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 12.2% | 4.7% |
| CRR | na | na | ABCO | na | na |

**Name of Organization: Yukti Samaj Sewa Society**

**Membership Status : Non-Member**
**MFI starting Year: 2008**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 46.9% | na | OCR | 16.8% | na |
| PAR > 60 Day | 0.0% | na | TCR | 23.1% | na |
| CRR | 100.0% | na | ABCO | 47 | na |

**Name of Organization: Bhartiya Micro Credit**

**Membership Status : Non-Member**
**MFI starting Year:**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 13.1% | na | OCR | 45.9% | na |
| PAR > 60 Day | 0.0% | na | TCR | 48.5% | na |
| CRR | na | na | ABCO | 24 | na |

**Name of Organization: CASHPOR Micro Credit**

**Membership Status : Primary Member**
**MFI starting Year: 1997**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 102.5% | 87.0% | OCR | 12.9% | 19.3% |
| PAR > 60 Day | 1.6% | 2.3% | TCR | 25.6% | 27.1% |
| CRR | 96.3% | 97.4% | ABCO | 252 | 209 |

**Name of Organization:Disha Social Organization**

**Membership Status :Associate Member**
**MFI starting Year: 2006**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 123.2% | 126.9% | OCR | 6.1% | 0.5% |
| PAR > 60 Day | 1.1% | 0.0% | TCR | 19.9% | 3.4% |
| CRR | 89.9% | na | ABCO | 107 | 24 |

**Name of Organization: Jaago Samajik Arthik & Harit Vikas Sangathan**

**Membership Status : Associate Member**
**MFI starting Year: 2007**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 26.5% | na | OCR | 105.0% | na |
| PAR > 60 Day | 0.0% | na | TCR | 105.0% | na |
| CRR | na | na | ABCO | 18 | na |

**Name of Organization: Margdarshak**

**Membership Status : Associate Member**
**MFI starting Year: 2007**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 37.3% | na | OCR | 27.5% | na |
| PAR > 60 Day | 0.0% | na | TCR | 32.5% | na |
| CRR | 100.0% | na | ABCO | 74 | na |

**Name of Organization: Network of Enterpre-neurship & Economic Development (NEED)**

**Membership Status : Associate Member**
**MFI starting Year: 2005**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 146.6% | 98.4% | OCR | 4.4% | 14.1% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 12.3% | 22.0% |
| CRR | 100.0% | 100.0% | ABCO | 210 | 106 |

**Name of Organization: Nirman Bharti Samajik & Arthik Vikas Sangathan**

**Membership Status : Associate Member**
**MFI starting Year: 2006**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 121.7% | 90.56% | OCR | 16.4% | 37.5% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 26.1% | 44.2% |
| CRR | 100.0% | 100.0% | ABCO | 355 | 266 |

**Name of Organization: Peoples Action for National Integration (PANI)**

**Membership Status : Associate Member**
**MFI starting Year: 2003**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 98.5% | 95.9% | OCR | 4.5% | 5.1% |
| PAR > 60 Day | 2.7% | 2.9% | TCR | 5.9% | 6.3% |
| CRR | 97.2% | 95.9% | ABCO | 51 | 52 |

**Name of Organization: S.E. Investments Ltd.**

**Membership Status : Associate Member**
**MFI starting Year: 2006**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 133.8% | 150.47% | OCR | 5.7% | 8.8% |
| PAR > 60 Day | 1.6% | 2.4% | TCR | 14.1% | 15.3% |
| CRR | 98.6% | 97.5% | ABCO | 372 | 266 |

**Name of Organization: Shramik Bharti**

**Membership Status : Associate Member**
**MFI starting Year: 1989**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 144.3% | na | OCR | 4.9% | na |
| PAR > 60 Day | na | na | TCR | 13.2% | na |
| CRR | na | na | ABCO | 365 | na |

**Name of Organization: Sonata Finance Private Limited**

**Membership Status : Associate Member**
**MFI starting Year: 2006**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 101.5% | 53.1% | OCR | 18.6% | 48.0% |
| PAR > 60 Day | 0.1% | 0.0% | TCR | 32.1% | 61.2% |
| CRR | 99.9% | 100.0% | ABCO | 213 | 106 |

**Name of Organization: Trust Microfin Network**

**Membership Status : Associate Member**
**MFI starting Year:**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 102.5% | 56.5% | OCR | 3.5% | 3.0% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 10.5% | 5.5% |
| CRR | 100.0% | 100.0% | ABCO | na | na |

**Name of Organization: PAHAL**

**Membership Status : Associate Member**
**MFI starting Year: 2005**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 49.9% | 51.9% | OCR | 14.5% | 4.7% |
| PAR > 60 Day | 7.3% | 1.9% | TCR | 22.4% | 13.2% |
| CRR | na | na | ABCO | 108 | na |

**Name of Organization: Shah Sandhu Finance Company Pvt. Ltd. (Mimo Finance)**

**Membership Status : Associate Member**
**MFI starting Year: 2006**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 66.7% | 76.0% | OCR | 30.9% | 32.6% |
| PAR > 60 Day | 0.1% | 0.0% | TCR | 42.0% | 46.8% |
| CRR | 99.7% | 100.0% | ABCO | 185 | 36 |

**Name of Organization: AMMACTS (Future Financial Services Ltd) ****

**Membership Status : Associate Member**
**MFI starting Year: 1998**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 190% | 103.94% | OCR | 13.4% | 4.16% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 13.8% | 14.78% |
| CRR | 100.0% | na | ABCO | 616 | 311 |

**Name of Organization: Asmitha Microfin Ltd***

**Membership Status : Associate Member**
**MFI starting Year: 2002**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 111.5% | 116.50% | OCR | 8.8% | 8.63% |
| PAR > 60 Day | 0.6% | 2.39% | TCR | 18.3% | 13.45% |
| CRR | na | na | ABCO | 324 | 377 |

**Name of Organization: AWS***

**Membership Status :Non-Member**
**MFI starting Year: 1994**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 118.6% | 128.5% | OCR | 3.2% | 3.4% |
| PAR > 60 Day | 0.2% | 0.0% | TCR | 16.0% | 15.1% |
| CRR | na | na | ABCO | 511 | 463 |

**Name of Organization: Bhratiya Samruddhi Finance Ltd (BASIX)**

**Membership Status : Primary Member**
**MFI starting Year: 1997**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 114.5% | 115.1% | OCR | 16.9% | 18.1% |
| PAR > 60 Day | 0.9% | 1.4% | TCR | 24.7% | 25.0% |
| CRR | 99.2% | 98.8% | ABCO | 1025 | 1055 |

**Name of Organization: Centre for Rural Reconstruction Through Social Action**

**Membership Status : Associate Member**
**MFI starting Year: 1997**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 103.5% | 105.2% | OCR | 9.3% | 11.9% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 21.5% | 24.9% |
| CRR | 100.0% | 100.0% | ABCO | 439 | 437 |

**Name of Organization: Roshan Vikas**

**Membership Status : Non-Member**
**MFI starting Year: 2001**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 101.0% | 125.0% | OCR | 43.0% | 33.8% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 44.0% | 33.8% |
| CRR | 97.1% | 97.3% | ABCO | 371 | 303 |

**Name of Organization: DOVE**

**Membership Status : Associate Member**
**MFI starting Year: 2001**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 161.5% | 147.3% | OCR | 6.4% | 2.9% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 20.0% | 5.9% |
| CRR | 100.0% | 18.1% | ABCO | 497 | 613 |

**Name of Organization: Hope Integrated Rural Developmental Society**

**Membership Status : Associate Member**
**MFI starting Year: 2005**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 120.1% | na | OCR | 14.0% | na |
| PAR > 60 Day | 0.0% | na | TCR | 31.2% | na |
| CRR | 100.0% | na | ABCO | 937 | na |

**Name of Organization: Indur Intideepam MACs Federation Ltd**

**Membership Status :Non-Member**
**MFI starting Year: 2002**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 118.0% | na | OCR | 6.5% | na |
| PAR > 60 Day | 0.0% | na | TCR | 17.6% | na |
| CRR | na | na | ABCO | 258 | na |

**Name of Organization: Krishna Bhima Samruddhi Local Area Bank Ltd**

**Membership Status : Primary Member**
**MFI starting Year: 2001**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 114.5% | 107.1% | OCR | 16.9% | 17.3% |
| PAR > 60 Day | 0.9% | 5.4% | TCR | 24.7% | 26.7% |
| CRR | 99.2% | 95.9% | ABCO | 1025 | 878 |

**Name of Organization: KRUSHI**

**Membership Status : Associate Member**
**MFI starting Year: 2002**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 112.7% | na | OCR | 4.2% | na |
| PAR > 60 Day | na | na | TCR | 14.7% | na |
| CRR | na | na | ABCO | 584 | na |

**Name of Organization: Mother Therisa Mahila MACCS Ltd**

**Membership Status : Non-Member**
**MFI starting Year: 1999**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 97.1% | na | OCR | 10.1% | na |
| PAR > 60 Day | 36.9% | na | TCR | 12.4% | na |
| CRR | 45.9% | na | ABCO | 272 | na |

**Name of Organization: Pragathi Seva Samithi (PSS)****

**Membership Status : Associate Member**
**MFI starting Year: 2000**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 110.0% | 102.79% | OCR | 2.7% | 2.94% |
| PAR > 60 Day | 2.0% | 1.50% | TCR | 15.2% | 15.28% |
| CRR | 98.0% | na | ABCO | 383 | 243 |

**Name of Organization: PWMACTCS**

**Membership Status : Associate Member**
**MFI starting Year: 1997**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 102.5% | 100.9% | OCR | 9.5% | 18.2% |
| PAR > 60 Day | 0.1% | 0.1% | TCR | 21.4% | 18.0% |
| CRR | 97.1% | na | ABCO | 282 | 230 |

**Name of Organization: Rashtriya Seva Samithi**

**Membership Status : Associate Member**
**MFI starting Year: 1989**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 115.1% | 109.0% | OCR | 3.4% | 49.3% |
| PAR > 60 Day | 0.1% | 0.4% | TCR | 12.5% | 128.6% |
| CRR | 94.4% | 86.8% | ABCO | 425 | 293 |

**Name of Organization: Saadhana Microfin Society, Kurnool**

**Membership Status : Associate Member**
**MFI starting Year: 2001**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 124.3% | 146.4% | OCR | 9.4% | 9.0% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 21.7% | 21.0% |
| CRR | 100.0% | 100.0% | ABCO | 682 | 662 |

**Name of Organization: Share Microfin Limited***

**Membership Status : Primary Member**
**MFI starting Year: 1992**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 110.6% | 110.09% | OCR | 10.68% | 10.97% |
| PAR > 60 Day | 3.7% | 6.01% | TCR | 17.22% | 13.04% |
| CRR | na | na | ABCO | 327 | 350 |

**Name of Organization: Siri Microfin Society**

**Membership Status : Associate Member**
**MFI starting Year: 2004**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 130.0% | na | OCR | 1.0% | na |
| PAR > 60 Day | 0.0% | na | TCR | 1.0% | na |
| CRR | 100.0% | na | ABCO | 325 | na |

**Name of Organization: SKS Microfinance Pvt Ltd***

**Membership Status : Primary Member**
**MFI starting Year: 1997**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 119.8% | 103.3% | OCR | 9.6% | 2.2% |
| PAR > 60 Day | 0.2% | 0.0% | TCR | 17.0% | 10.1% |
| CRR | na | 100.0% | ABCO | 254 | 304 |

**Name of Organization: Spandana Sphoorty Innovative Financial Services Ltd**

**Membership Status : Primary Member**
**MFI starting Year: 1998**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 156.4% | 109.4% | OCR | 5.9% | 9.0% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 14.5% | 13.3% |
| CRR | 99.6% | 97.2% | ABCO | 535 | 645 |

**Name of Organization: Star Microfin Service Society (SMSS)**

**Membership Status : Associate Member**
**MFI starting Year: 1997**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 127.5% | 115.7% | OCR | 14.2% | 11.5% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 28.1% | 29.3% |
| CRR | 100.0% | 100.0% | ABCO | 433 | 499 |

**Name of Organization: Annapurna Financial Services (P) Ltd.**

**Membership Status : Non-Member**
**MFI starting Year: Nil**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 123.5% | na | OCR | 9.9% | na |
| PAR > 60 Day | 0.0% | na | TCR | 12.9% | na |
| CRR | na | na | ABCO | 295 | na |

**Name of Organization: Agricultural Science Foundation**

**Membership Status : Non-Member**
**MFI starting Year: 2005**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 119.7% | na | OCR | 16.0% | na |
| PAR > 60 Day | 2.3% | na | TCR | 29.4% | na |
| CRR | 92.8% | na | ABCO | 27727 | na |

**Name of Organization: Bharatha Swamukti Samsthe**

**Membership Status : Primary Member**
**MFI starting Year: 1999**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 155.9% | 118.4% | OCR | 9.2% | 11.2% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 19.1% | 24.2% |
| CRR | 100.0% | 100.0% | ABCO | 531 | 448 |

**Name of Organization: Grameen Koota**

**Membership Status : Primary Member**
**MFI starting Year: 1999**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 113.7% | 117.7% | OCR | 8.5% | 15.1% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 14.2% | 26.4% |
| CRR | 100.0% | 100.0% | ABCO | 490 | 417 |

**Name of Organization: Outreach**

**Membership Status : Primary Member**
**MFI starting Year: 2000**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | na | na | OCR | na | na |
| PAR > 60 Day | 25.9% | 30.7% | TCR | na | na |
| CRR | 71.8% | 66.5% | ABCO | 221 | 182 |

**Name of Organization: Initiatives For Development Foundation**

**Membership Status : Associate Member**
**MFI starting Year:2005**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 106.8% | 129.1% | OCR | 5.1% | 5.8% |
| PAR > 60 Day | 0.3% | 0.0% | TCR | 14.1% | 10.8% |
| CRR | 99.6% | 99.7% | ABCO | 328 | 205 |

**Name of Organization: Nirantara Community Services**

**Membership Status : Associate Member**
**MFI starting Year: 2006**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 103.0% | 28.0% | OCR | 32.0% | 167.0% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 34.3% | 168.0% |
| CRR | 100.0% | 100.0% | ABCO | 409 | 5 |

**Name of Organization:**
**Rores Micro Enterpreneur Development Trust**

**Membership Status : Non-Member**
**MFI starting Year: 2005**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 149.3% | na | OCR | 6.7% | na |
| PAR > 60 Day | 0.2% | na | TCR | 20.5% | na |
| CRR | 100.0% | na | ABCO | 615 | na |

**Name of Organization:**
**Sanghamithra Rural Financial Services*, ****

**Membership Status : Associate Member**
**MFI starting Year: 2000**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 101.28% | 101.49% | OCR | 3.52% | 4.81% |
| PAR > 60 Day | 5.20% | 2.82% | TCR | 14.98% | 13.79% |
| CRR | na | na | ABCO | 1,430 | 1,276 |

**Name of Organization: SKDRDP**

**Membership Status :Associate Member**
**MFI starting Year: 1996**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 105.5% | na | OCR | 3.9% | na |
| PAR > 60 Day | 0.1% | na | TCR | 12.4% | na |
| CRR | 99.9% | na | ABCO | 351 | na |

**Name of Organization: Ujjivan***

**Membership Status : Associate Member**
**MFI starting Year: 2004**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 64.2% | 44.47% | OCR | 26.7% | 36.04% |
| PAR > 60 Day | 0.2% | 0.21% | TCR | 32.2% | 38.66% |
| CRR | na | na | ABCO | 103 | 99 |

**Name of Organization: ESAF**

**Membership Status : Primary Member**
**MFI starting Year: 1996**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 105.4% | 109.9% | OCR | 13.8% | 13.6% |
| PAR > 60 Day | 0.5% | 0.6% | TCR | 26.7% | 26.1% |
| CRR | 95.7% | 96.2% | ABCO | 218 | 213 |

**Name of Organization: Hope Foundation**

**Membership Status : Associate Member**
**MFI starting Year: 2005**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 106.3% | 105.2% | OCR | 18.9% | 20.6% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 29.0% | 31.3% |
| CRR | 99.7% | na | ABCO | 90 | 52 |

**Name of Organization: Shalom Trust**

**Membership Status : Associate Member**
**MFI starting Year: 1998**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 105.4% | 110.3% | OCR | 15.9% | 20.9% |
| PAR > 60 Day | 3.2% | 3.0% | TCR | 27.1% | 39.3% |
| CRR | 98.0% | 96.1% | ABCO | 234 | 275 |

**Name of Organization: Welfare Services Ernakulam**

**Membership Status : Associate Member**
**MFI starting Year: 2001**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 102.1% | 105.2% | OCR | 5.1% | 6.0% |
| PAR > 60 Day | 0.4% | 1.3% | TCR | 13.5% | 12.9% |
| CRR | 98.2% | 98.0% | ABCO | 4781 | 5675 |

**Name of Organization: ASA Gram Vidiyal**

**Membership Status : Primary Member**
**MFI starting Year:1993**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 134.8% | 105.8% | OCR | 4.1% | 17.7% |
| PAR > 60 Day | 0.4% | 0.1% | TCR | 6.9% | 30.9% |
| CRR | 99.4% | 98.7% | ABCO | 397 | 502 |

**Name of Organization: BWDA***

**Membership Status : Associate Member**
**MFI starting Year: 1985**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 124.5% | 118.7% | OCR | 5.0% | 6.1% |
| PAR > 60 Day | 4.8% | 2.3% | TCR | 13.7% | 13.7% |
| CRR | na | na | ABCO | 443 | 1438 |

**Name of Organization: Community Service Trust**

**Membership Status : Associate Member**
**MFI starting Year: 2005**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 42.9% | 82.9% | OCR | 20.2% | 24.0% |
| PAR > 60 Day | 0.3% | 0.1% | TCR | 40.0% | 27.4% |
| CRR | 99.8% | 99.8% | ABCO | 226 | 127 |

**Name of Organization: Equitas Micro Finance India Private Limited**

**Membership Status : Non-Member**
**MFI starting Year: 2007**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 27.7% | na | OCR | 30.4% | na |
| PAR > 60 Day | 0.0% | na | TCR | 32.4% | na |
| CRR | 100.0% | | ABCO | 160 | na |

**Name of Organization: Hand in Hand***

**Membership Status : Non-Member**
**MFI starting Year: 2005**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 30.4% | na | OCR | 19.0% | na |
| PAR > 60 Day | 1.6% | na | TCR | 22.5% | na |
| CRR | na | na | ABCO | 84 | 14 |

**Name of Organization: IMPACT**

**Membership Status : Associate Member**
**MFI starting Year: 2004**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 149.9% | 208.5% | OCR | 3.6% | 4.4% |
| PAR > 60 Day | 0.6% | 2.4% | TCR | 10.0% | 7.0% |
| CRR | 99.1% | 96.0% | ABCO | 123 | 65 |

**Name of Organization: OBWWUO**

**Membership Status : Non-Member**
**MFI starting Year: 2005**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 2.0% | na | OCR | 190.8% | na |
| PAR > 60 Day | na | na | TCR | 190.8% | na |
| CRR | na | na | ABCO | na | na |

**Name of Organization: Sangamam Women's Multipurpose Thrift and Credit Co-Operative Society Ltd***

**Membership Status :Associate Member**
**MFI starting Year: 2004**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 132.0% | na | OCR | 17.3% | na |
| PAR > 60 Day | 0.4% | na | TCR | 21.1% | na |
| CRR | na | na | ABCO | 96 | na |

**Name of Organization: Sarvodaya Nano Finance Limited**

**Membership Status : Primary Member**
**MFI starting Year: 2001**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 107.4% | 111.3% | OCR | 2.7% | 2.8% |
| PAR > 60 Day | 1.3% | 0.7% | TCR | 11.6% | 10.0% |
| CRR | 99.2% | 99.3% | ABCO | 134 | 128 |

**Name of Organization: Community Development Center**

**Membership Status : Associate Member**
**MFI starting Year: 1998**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 115.8% | 116.5% | OCR | 3.5% | 5.2% |
| PAR > 60 Day | 0.2% | 0.4% | TCR | 13.8% | 17.9% |
| CRR | 99.5% | 99.9% | ABCO | 460 | 456 |

**Name of Organization:** Arman Lease & Finance Ltd

**Membership Status : Non-Member**
**MFI starting Year: 1992**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 140.9% | 136.8% | OCR | 7.9% | 11.5% |
| PAR > 60 Day | 4.2% | 3.3% | TCR | 18.6% | 22.0% |
| CRR | 96.1% | 97.1% | ABCO | 101 | 122 |

**Name of Organization: PRAYAS (Organisation for Sustainable Development)**

**Membership Status : Associate Member**
**MFI starting Year: 2006**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 96.5% | na | OCR | 19.0% | na |
| PAR > 60 Day | 0.6% | na | TCR | 30.3% | na |
| CRR | 98.7% | na | ABCO | 93 | na |

**Name of Organization: SAATH Charitable Trust**

**Membership Status : Associate Member**
**MFI starting Year: 1994**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 160.6% | na | OCR | 8.6% | na |
| PAR > 60 Day | 3.7% | na | TCR | 15.8% | na |
| CRR | 92.2% | na | ABCO | 2 | na |

**Name of Organization: Vardan Trust**

**Membership Status :Associate Member**
**MFI starting Year: 2003**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 113.5% | na | OCR | 21.3% | na |
| PAR > 60 Day | 0.0% | na | TCR | 29.6% | na |
| CRR | 99.1% | na | ABCO | 208 | na |

**Name of Organization: Gram Swaraj Seva Trust**

**Membership Status : Non-Member**
**MFI starting Year: 2003**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 110.7% | 127.7% | OCR | 28.3% | 33.3% |
| PAR > 60 Day | 0.8% | 1.1% | TCR | 28.3% | 33.3% |
| CRR | 98.9% | 99.5% | ABCO | 94 | 68 |

**Name of Organization: Grameen Mahila Swayam Siddha Sangh, Khed (Chaitanya)**

**Membership Status : Non-Member**
**MFI starting Year: 1993**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 96.4% | 86.9% | OCR | 7.0% | 11.7% |
| PAR > 60 Day | 12.6% | 15.0% | TCR | 15.7% | 18.0% |
| CRR | 94.4% | 92.5% | ABCO | 160 | 206 |

**Name of Organization: Grameen Mahila Swayam Siddha Up Sangha, Ambegaon (Chaitanya)**

**Membership Status : Non-Member**
**MFI starting Year:**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 154.8% | na | OCR | 1.9% | na |
| PAR > 60 Day | 2.2% | na | TCR | 6.5% | na |
| CRR | 22.2% | na | ABCO | 146 | na |

**Name of Organization: Hindusthan Co-operative Credit Society Ltd.**

**Membership Status : Associate Member**
**MFI starting Year: 2006**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | na | 136.9% | OCR | na | 5.8% |
| PAR > 60 Day | na | 0.0% | TCR | na | 10.9% |
| CRR | na | na | ABCO | na | na |

**Name of Organization: Institute of Rural Credit and Entrepreneurship Development (IRCED)**

**Membership Status : Non-Member**
**MFI starting Year: 2006**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 120.1% | 157.0% | OCR | 11.4% | 13.2% |
| PAR > 60 Day | 7.9% | 6.7% | TCR | 25.8% | 27.2% |
| CRR | 98.9% | 99.0% | ABCO | 160 | 658 |

**Name of Organization: Priyadarshani Mahila Gramin Kalyan Sanstha**

**Membership Status : Non-Member**
**MFI starting Year: 2005**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 119.1% | 107.5% | OCR | 17.0% | 42.8% |
| PAR > 60 Day | 1.4% | 1.2% | TCR | 30.3% | 69.5% |
| CRR | 92.5% | 92.7% | ABCO | 305 | 243 |

**Name of Organization: Sakhi Samudaya Kosh**

**Membership Status :Associate Member**
**MFI starting Year:**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 75.9% | 98.9% | OCR | 15.8% | 42.2% |
| PAR > 60 Day | 1.6% | 0.4% | TCR | 24.9% | 54.8% |
| CRR | 96.6% | 99.1% | ABCO | 350 | 241 |

**Name of Organization: Samagra Gram Vikas Sanstha"SAGRAS" Pusad**

**Membership Status : Non-Member**
**MFI starting Year: 2004**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 134.7% | 51.1% | OCR | 14.2% | 72.8% |
| PAR > 60 Day | 0.0% | 0.0% | TCR | 26.5% | 158.2% |
| CRR | 100.0% | 100.0% | ABCO | 368 | 165 |

**Name of Organization: Sampada Trust**

**Membership Status : Associate Member**
**MFI starting Year: 2007**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 224.1% | na | OCR | 4.8% | na |
| PAR > 60 Day | 2.1% | na | TCR | 8.0% | na |
| CRR | 94.4% | na | ABCO | na | na |

**Name of Organization: Sankalpa Grameen Mahila Sayamsidha, Junner (Chaitanya)**

**Membership Status : Non-Member**
**MFI starting Year:**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 126.9% | na | OCR | 5.0% | na |
| PAR > 60 Day | 2.5% | na | TCR | 9.6% | na |
| CRR | 97.9% | na | ABCO | 99 | na |

**Name of Organization: Swadhaar Finaccess**

**Membership Status : Associate Member**
**MFI starting Year: 2005**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 17.9% | 15.7% | OCR | 145.2% | 172.7% |
| PAR > 60 Day | 1.3% | 7.9% | TCR | 156.7% | 193.8% |
| CRR | 99.2% | 95.8% | ABCO | 126 | 108 |

**Name of Organization: Annapurna Parivar Vikas Samvardhan**

**Membership Status : Non-Member**
**MFI starting Year: 1993**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 93.5% | na | OCR | 8.7% | na |
| PAR > 60 Day | 2.0% | na | TCR | 14.4% | na |
| CRR | 100.0% | na | ABCO | 341 | na |

**Name of Organization: Krushi Vikas Va Gramin Prashikshan Sanstha, Motala**

**Membership Status : Non-Member**
**MFI starting Year: 2007**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 0.0% | na | OCR | 3.2% | na |
| PAR > 60 Day | 0.4% | na | TCR | 9.8% | na |
| CRR | 92.8% | na | ABCO | 221 | na |

**Name of Organization: Bazaari Global Finance Ltd.**

**Membership Status : Non-Member**
**MFI starting Year:**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 123.5% | 113.5% | OCR | 23.0% | 23.9% |
| PAR > 60 Day | 4.7% | 7.4% | TCR | 26.1% | 26.8% |
| CRR | 87.5% | 83.9% | ABCO | 120 | 134 |

**Name of Organization: Bhoruka Charitable Trust**

**Membership Status : Associate Member**
**MFI starting Year: 2003**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 118.5% | 180.6% | OCR | 6.8% | 4.7% |
| PAR > 60 Day | 13.9% | 11.4% | TCR | 10.1% | 6.6% |
| CRR | 88.7% | 78.3% | ABCO | na | na |

**Name of Organization: Humana People to People India**

**Membership Status : Non-Member**
**MFI starting Year: 2007**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 91.6% | na | OCR | 6.2% | na |
| PAR > 60 Day | 0.0% | na | TCR | 6.4% | na |
| CRR | 22.7% | na | ABCO | 224 | na |

**Name of Organization: Indian Institute for Rural Development (ARTH Micro Finance)**

**Membership Status : Associate Member**
**MFI starting Year: 2007**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 80.1% | na | OCR | 9.4% | na |
| PAR > 60 Day | 0.0% | na | TCR | 12.8% | na |
| CRR | 28.1% | na | ABCO | 171 | na |

**Name of Organization: Shree Hari Fintrade Pvt. Ltd (SAHAYATA)**

**Membership Status : Associate Member**
**MFI starting Year: 2007**

| Year | 2008 | 2007 | Year | 2008 | 2007 |
|---|---|---|---|---|---|
| OSS | 11.3% | na | OCR | 51.8% | na |
| PAR > 60 Day | 0.0% | na | TCR | 53.8% | na |
| CRR | 100.0% | na | ABCO | 47 | na |

# Annexures

## List of Contributing MFIs

| Sl.No | Organization | F/Ratio | F/ State-ment | A/ Report | Page | Page No. |
|---|---|---|---|---|---|---|
| 1 | Grameen Sahara | Yes | Yes | Yes | Yes | |
| 2 | Manab Sewa Sangh | Yes | Yes | Yes | Yes | |
| 3 | Prochesta | Yes | | | | |
| 4 | Rashtriya Gramin Vikas Nidhi (RGVN)- CSP | Yes | Yes | Yes | Yes | |
| 5 | Social Action for Appropriate Transformation and Advance-ment in Rural Areas (SATRA) | Yes | Yes | Yes | Yes | |
| 6 | Bihar Development Trust | Yes | Yes | | | |
| 7 | Bureau of Obligate and Accom-panier for Rural Development | Yes | Yes | Yes | Yes | |
| 8 | Centre for Development Orienta-tion and Training | Yes | Yes | Yes | Yes | |
| 9 | Mass Care International | Yes | Yes | | | |
| 10 | NIDAN | Yes | Yes | | | |
| 11 | SIDRIB | Yes | Yes | | | |
| 12 | Societal Upliftment & Rural Action for job & Empowerment (SURAJE) | Yes | Yes | | | |
| 13 | Trust Microfin Services | Yes | Yes | | | |
| 14 | Regards Finance Private Limited | Yes | Yes | | | |
| 15 | ASOMI* | | | | | |
| 16 | Volunteers for Village Develop-ment | Yes | Yes | | | |
| 17 | Ajiwika Society | Yes | Yes | Yes | Yes | |
| 18 | Mahila Kalyan Samiti | Yes | Yes | | | |
| 19 | Nav Bharat Jagriti Kendra (NBJK) | Yes | Yes | Yes | Yes | |
| 20 | Samarthan Weakling Develop-ment Foundation | Yes | Yes | Yes | Yes | |
| 21 | Society for Empowerment and Women Advancement (SERV-SEWA) | Yes | Yes | Yes | Yes | |
| 22 | Srijan Foundation | Yes | Yes | | | |
| 23 | SUPPORT | Yes | Yes | Yes | Yes | |
| 24 | Vedika Credit Capital Ltd. | Yes | Yes | Yes | Yes | |
| 25 | ADARSA | Yes | Yes | Yes | Yes | |
| 26 | ADHIKAR | Yes | Yes | Yes | Yes | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 27 | Asian Institute for Rural Regeneration | Yes | Yes | Yes | Yes | |
| 28 | Banki Anchalika Dibasi Harijan Kalyana Parishad | Yes | Yes | Yes | Yes | |
| 29 | Bharat Integrated Social Welfare Agency (BISWA) | Yes | Yes | Yes | Yes | |
| 30 | Bright Association for Noble & Decent Human Understanding (BANDHU) | Yes | Yes | Yes | Yes | |
| 31 | Budhhanath Seba Sangha | Yes | Yes | Yes | Yes | |
| 32 | Darbar Sahitya Sansad (DSS) | Yes | Yes | Yes | Yes | |
| 33 | GRAM-UTTHAN | Yes | Yes | Yes | Yes | |
| 34 | KAS Foundation | Yes | | | | |
| 35 | Khandagiri Madhyamika Mahila Samabaya Sangha Ltd. | Yes | Yes | Yes | Yes | |
| 36 | Mahashakti Foundation | Yes | Yes | Yes | Yes | |
| 37 | ODISHA | Yes | | | | |
| 38 | Organisation for Development Coordination | Yes | Yes | | | |
| 39 | Orissa Rural Infrastructure Development Association (ORIDA) | Yes | Yes | Yes | Yes | |
| 40 | People's Forum | Yes | | | | |
| 41 | Sanginee Secondary Cooperative Ltd | Yes | Yes | Yes | Yes | |
| 42 | Social Action For Rural Community | Yes | | | | |
| 43 | Social Welfare Agency and Training Institute (SWATI) | Yes | Yes | Yes | Yes | |
| 44 | Swayamshree Micro Credit Services (SMCS) | Yes | Yes | Yes | Yes | |
| 45 | Youth Council for Development Alternatives (YCDA) | Yes | Yes | Yes | Yes | |
| 46 | Agradut Polly Unnayan Samity | Yes | | | | |
| 47 | All Backward Class Relief and Development Mission* | | | | | |
| 48 | ANG Resources Ltd. (AROHAN) | Yes | Yes | Yes | Yes | |
| 49 | Bajkul Sports Association | Yes | Yes | Yes | Yes | |
| 50 | Bandhan – Konnagar | Yes | Yes | Yes | Yes | |
| 51 | Bandhan Financial Services Private Ltd | Yes | Yes | Yes | Yes | |
| 52 | Belgharia Janakalyan Samity | Yes | Yes | Yes | Yes | |
| 53 | Haridanga Ramkrishna Vivekananda Sangha | Yes | Yes | Yes | Yes | |
| 54 | Human Development Centre | Yes | Yes | Yes | Yes | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 55 | Kalighat Society for Development Foundation (KSDF) | Yes | Yes | Yes | Yes | |
| 56 | Kotalipara Development Society (KDS) | Yes | Yes | Yes | Yes | |
| 57 | Liberal Association for Movement of People (LAMP) | Yes | Yes | Yes | Yes | |
| 58 | Rajapur Seva Niketan | Yes | Yes | Yes | Yes | |
| 59 | Sahara Utsarga Welfare Society | Yes | Yes | Yes | Yes | |
| 60 | Sahara Uttarayan | Yes | Yes | | | |
| 61 | Sarala Women Welfare Society | Yes | Yes | | | |
| 62 | SEBA RAHARA | Yes | Yes | Yes | Yes | |
| 63 | Society for Model Gram Bikash Kendra | Yes | Yes | Yes | Yes | |
| 64 | Sreema Mahila Samity | Yes | Yes | Yes | Yes | |
| 65 | Village Financial Services Pvt.Ltd | Yes | Yes | | | |
| 66 | Village Micro-Credit Services (VMCS) | Yes | Yes | Yes | Yes | |
| 67 | Vivekananda Sevakendra-o-Sishu Uddyan (VSSU) | Yes | Yes | Yes | Yes | |
| 68 | Ishara Foundation for Finance & Rural Development | Yes | Yes | Yes | Yes | |
| 69 | Satin Creditcare Network Limited | Yes | Yes | | | |
| 70 | Shikhar Development Foundation | Yes | Yes | | | |
| 71 | Aparajita Mahila Sakh Sahakarita Sanstha Maryadit | Yes | Yes | Yes | Yes | |
| 72 | Bal Mahila Vikas Samiti - VAMA | Yes | Yes | Yes | Yes | |
| 73 | Lok Biradari Trust | Yes | Yes | | | |
| 74 | Parath Samiti | Yes | Yes | Yes | Yes | |
| 75 | Priyasakhi Mahila Sangh | Yes | Yes | | | |
| 76 | Sambhav Social Service Organization | Yes | Yes | Yes | Yes | |
| 77 | Unnati Mahila Sangh, Indore | Yes | Yes | Yes | Yes | |
| 78 | Yukti Samaj Sewa Society | Yes | Yes | | | |
| 79 | Bhartiya Micro Credit | Yes | Yes | Yes | Yes | |
| 80 | CASHPOR Micro Credit | Yes | Yes | Yes | Yes | |
| 81 | Disha Social Organization | Yes | Yes | | | |
| 82 | Jaago Samajik Arthik & Harit Vikas Sangathan | Yes | Yes | | | |
| 83 | Margdarshak | Yes | Yes | Yes | Yes | |
| 84 | Network of Enterpreneurship & Economic Development (NEED) | Yes | Yes | Yes | Yes | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 85 | Nirman Bharti Samajik & Arthik Vikas Sangathan | Yes | Yes | | | |
| 86 | Peoples Action for National Integration (PANI) | Yes | Yes | Yes | Yes | |
| 87 | S.E. Investments Ltd. | Yes | Yes | Yes | Yes | |
| 88 | Shramik Bharti | Yes | Yes | Yes | Yes | |
| 89 | Sonata Finance Private Limited | Yes | Yes | | | |
| 90 | Trust Microfin Network | Yes | Yes | Yes | Yes | |
| 91 | PAHAL | Yes | Yes | Yes | Yes | |
| 92 | Shah Sandhu Finance Company Pvt. Ltd. (Mimo Finance) | Yes | Yes | Yes | Yes | |
| 93 | AMMACTS (Future Financial Services Ltd) ** | | Yes | Yes | Yes | |
| 94 | Asmitha Microfin Ltd* | | | | | |
| 95 | Adarsha Welfare Society* | | | | | |
| 96 | Bhratiya Samruddhi Finance Ltd (BASIX) | Yes | Yes | Yes | Yes | |
| 97 | Centre for Rural Reconstruction Through Social Action | Yes | Yes | Yes | Yes | |
| 98 | Roshan Vikas | Yes | Yes | Yes | Yes | |
| 99 | DOVE | Yes | Yes | Yes | Yes | |
| 100 | Hope Integrated Rural Developmental Society | Yes | | | | |
| 101 | Indur Intideepam MACs Federation Ltd | Yes | | | | |
| 102 | Krishna Bhima Samruddhi Local Area Bank Ltd | Yes | Yes | Yes | Yes | |
| 103 | KRUSHI | Yes | Yes | Yes | Yes | |
| 104 | Mother Teresa Mahila MACCS Ltd | Yes | | | | |
| 105 | Pragathi Seva Samithi (PSS)** | Yes | Yes | Yes | Yes | |
| 106 | PWMACTCS | Yes | Yes | Yes | Yes | |
| 107 | Rashtriya Seva Samithi | Yes | Yes | Yes | Yes | |
| 108 | Saadhana Microfin Society, Kurnool | Yes | Yes | Yes | Yes | |
| 109 | Share Microfin Limited* | | Yes | | | |
| 110 | Siri Microfin Society | Yes | | Yes | | |
| 111 | SKS Microfinance Pvt Ltd* | | | Yes | | |
| 112 | Spandana Sphoorty Innovative Financial Services Ltd | Yes | Yes | Yes | Yes | |
| 113 | Star Microfin Service Society (SMSS) | Yes | Yes | Yes | Yes | |
| 114 | Annapurna Financial Services (P) Ltd. | Yes | Yes | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 115 | Agricultural Science Foundation | Yes | | | | |
| 116 | Bharatha Swamukti Samsthe | Yes | Yes | | | |
| 117 | Grameen Koota | Yes | | | | |
| 118 | Initiatives For Development Foundation | Yes | Yes | Yes | Yes | |
| 119 | Nirantara Community Services | Yes | Yes | Yes | Yes | |
| 120 | Outreach | Yes | | | | |
| 121 | Rores Micro Enterpreneur Development Trust | Yes | Yes | | | |
| 122 | Sanghamithra Rural Financial Services*, ** | | Yes | Yes | Yes | |
| 123 | SKDRDP | Yes | Yes | | | |
| 124 | Ujjivan* | | Yes | Yes | Yes | |
| 125 | ESAF | Yes | Yes | Yes | Yes | |
| 126 | Hope Foundation | Yes | Yes | Yes | Yes | |
| 127 | Shalom Trust | Yes | | | | |
| 128 | Welfare Services Ernakulam | Yes | Yes | Yes | Yes | |
| 129 | ASA Gram Vidiyal | Yes | | | | |
| 130 | BWDA* | | Yes | Yes | | |
| 131 | Community Service Trust | Yes | Yes | Yes | Yes | |
| 132 | Equitas Micro Finance India Private Limited | Yes | Yes | Yes | Yes | |
| 133 | Hand in Hand* | | | | | |
| 134 | IMPACT | Yes | | | | |
| 135 | OBWWUO | Yes | Yes | Yes | Yes | |
| 136 | Sangamam Women's Multipurpose Thrift and Credit Co-Operative Society Ltd* | | | | | |
| 137 | Sarvodaya Nano Finance Limited | Yes | Yes | Yes | Yes | |
| 138 | Community Development Centre | Yes | Yes | Yes | Yes | |
| 139 | Arman Lease & Finance Ltd | Yes | Yes | Yes | Yes | |
| 140 | PRAYAS (Organisation for Sustainable Development) | Yes | Yes | Yes | Yes | |
| 141 | SAATH Charitable Trust | Yes | Yes | | | |
| 142 | Vardan Trust | Yes | Yes | | | |
| 143 | Gram Swaraj Seva Trust | Yes | Yes | Yes | Yes | |
| 144 | Grameen Mahila Swayam Siddha Sangh, Khed (Chaitanya) | Yes | Yes | | | |
| 145 | Grameen Mahila Swayam Siddha Up Sangha, Ambegaon (Chaitanya) | Yes | Yes | | | |
| 146 | Hindusthan Co-operative Credit Society Ltd | Yes | Yes | Yes | Yes | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 147 | Institute of Rural Credit and Entrepreneurship Development (IRCED) | Yes | | | | |
| 148 | Priyadarshani Mahila Gramin Kalyan Sanstha | Yes | Yes | | | |
| 149 | Sakhi Samudaya Kosh | Yes | Yes | | | |
| 150 | Samagra Gram Vikas Sanstha"SAGRAS" Pusad | Yes | Yes | | | |
| 151 | Sampada Trust | Yes | Yes | | | |
| 152 | Sankalpa Grameen Mahila Sayamsidha, Junner (Chaitanya) | Yes | Yes | | | |
| 153 | Swadhaar Finaccess | Yes | Yes | | | |
| 154 | Annapurna Parivar Vikas Sam-vardhan | Yes | Yes | Yes | Yes | |
| 155 | Krushi Vikas Va Gramin Prashik-shan Sanstha, Motala | Yes | | | | |
| 156 | Bazaari Global Finance Ltd | Yes | Yes | Yes | Yes | |
| 157 | Bhoruka Charitable Trust | Yes | Yes | Yes | Yes | |
| 158 | Humana People to People India | Yes | Yes | Yes | Yes | |
| 159 | Indian Institute for Rural Devel-opment (ARTH Micro Finance) | Yes | Yes | | | |
| 160 | Shree Hari Fintrade Pvt. Ltd (SAHAYATA) | Yes | Yes | Yes | Yes | |
| 161 | APMAS | | Yes | Yes | | |
| 162 | Asmita Institute | | Yes | Yes | | |
| 163 | Batika | | Yes | | | |
| 164 | Bodhana Tiruvala | | Yes | Yes | | |
| 165 | Capital Trust | | Yes | Yes | | |
| 166 | Centre for Youth & Social Devel-opment (CYSD) | | Yes | Yes | | |
| 167 | Guidance Society for Labour Orphans & Women(GLOW) | | Yes | Yes | | |
| 168 | GUIDE | | Yes | | | |
| 169 | Janodaya Public Trust | | Yes | | | |
| 170 | Kalanga Bazar Educational Trust | | Yes | | | |
| 171 | MAVIM | | Yes | | | |
| 172 | Microsave Foundation | | Yes | Yes | | |
| 173 | Modern Architects for Rural India (MARI) | | Yes | Yes | | |
| 174 | Mahila Vikas Prathamika Sanchaya Samabaya Ltd. | Yes | Yes | | | |
| 175 | Mahasemam | | Yes | Yes | | |
| 176 | Navchetna | | Yes | | | |
| 177 | Organization for Rural Survival | | Yes | Yes | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 178 | Peoples action for Transformation | | Yes | Yes | | |
| 179 | Prayas , Hazaribagh | | Yes | Yes | | |
| 180 | Pushtikar Laghu Vyaparik Pratishtan Bachat & Sakh Sahakari Samiti Ltd. | Yes ■ | Yes | Yes | Yes | |
| 181 | Samajik Vikas Sansthan | | Yes | Yes | | |
| 182 | Samuha | | Yes | Yes | | |
| 183 | SMILE | | Yes | Yes | | |
| 184 | Sevashram | | Yes | Yes | | |
| 185 | Sewa Bank | | | Yes | | |
| 186 | Shreyas | | Yes | Yes | | |
| 187 | Society for Promotion of Youth & Masses (SPYM) | | Yes | Yes | | |
| 188 | SWAWS | | Yes | | | |
| 189 | The Max Welth Trust | | Yes | | | |
| 190 | Udyogini | | Yes | Yes | | |
| 191 | Yuva Vikas Sangathan | | | Yes | | |

(1) * Data extracted from www.mixmarket.org; PAR is for 30 days

(2) ** Data for 2007 extracted from www.mixmarket.org

(3) ■ Data not analysed

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The Association of Community Development Finance Institutuins

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# Data Acquisition Sheet – Side By Side'2008

Name of the Organisation:

Name +Designation of the staff member who filled the form:

## Financial Performance Ratios Recommended by Sa-Dhan

The six financial performance indicators recommended by Sa-Dhan cover core elements of financial performance viz., Sustainability, Asset Quality and Efficiency.

Guidance Note on below mentioned information is appended

| Sl.No. | Performance Ratio [ formula for Calculation] | 2007-08 | 2006-07 |
|---|---|---|---|
| 1 | Operational Self Sufficiency [a / (b+c+d)] % | | |
| a | Operating Income (from Loans + Investments) | | |
| b | Operating Costs | | |
| c | Loan Loss Provisions | | |
| d | Financial Costs | | |
| 2 | Portfolio at Risk> 60 Days Past Due [a / b] % | | |
| a | Unpaid Principal Balance of Past Loans due (with overdue>60 days of age) | | |
| b | Total Gross Outstanding Portfolio | | |
| 3 | Current Repayment Rate [(a-b) / c] % | | |
| a | Total Amount (Principal) collected for the period | | |
| b | Prepayments | | |
| c | Total Amount (Principal) Due (to be collected during the period) | | |

| | | | |
|---|---|---|---|
| 4 | Operating Cost Ratio [a / b] % | | |
| a | Total Operating Costs | | |
| b | Average Outstanding Portfolio | | |
| 5 | Total Cost Ratio [a / b] % | | |
| a | Total Costs (Operational Costs + Loan loss Provisions + Cost of Funds) | | |
| b | Average Outstanding Portfolio | | |
| 6 | Active Borrowers per Credit Officer [a / b] % | | |
| a | Average number of active borrowers | | |
| b | Average number of credit officers | | |

Note:

1. For calculating the ratios, you may refer operational manual/ sa-dhan website: http://www.sa-dhan.net/Inner.aspx?Others\ResourceCentre.htm - under Tools click "Technical Notes"
2. The year 2007-08 and 2006-07 refers to respective financial years i.e., April -March
3. Please do not hesitate to contact Sa-Dhan for any clarification.

Date: Authorized Signatory

Guidance Note on information sought

1. Please provide data for two financial years, viz financial year ended March 2008 (2007-08) and March 2007(2006-07). In case the organisation has not completed two years of microfinance operations, please provide data for relevant years.
2. Please indicate all ratios from 1-6 in percentages (%) after calculation and for column a, b, c and d in amounts in rupees in full (not in thousands / lakhs / crores of Rupees).
3. Operational cost for micro finance operations includes salaries and benefits, administrative expenses, occupancy expenses, travel, depreciation and it excludes cost of fund and loan loss provision.
4. An average Loan Portfolio means last years portfolio + current year's portfolio divided by 2. e.g. [Loan Portfolio (31st March 2007) + Loan Portfolio (31st march 2008)]/2. You may use the following table:

| | | | |
|---|---|---|---|
| 1 | Average loan portfolio 2007/08 [ (a+b)/2 ] | | |
| a | Outstanding loan portfolio as on 31 March 2007 | | |
| b | Outstanding loan portfolio as on 31 March 2008 | | |
| 2 | Average loan portfolio 2006/07 [ (a+b)/2 ] | | |
| a | Outstanding loan portfolio as on 31 March 2006 | | |
| b | Outstanding loan portfolio as on 31 March 2007 | | |

# CORE VALUES
# AND
# VOLUNTARY MUTUAL CODE OF CONDUCT
# FOR MICRO FINANCE INSTITUTIONS

Sa-Dhan
The Association of
Community Development
Finance Institutuins

## INTRODUCTION

Microfinance institutions seek to create social benefits and promote financial inclusion by providing financial services to low income households, including those who were previously excluded. As these institutions build partnerships with their clients and the microfinance sector grows more complex, it is getting increasingly important to define core values and fair practices, so as to ensure that microfinance services are provided in a manner that benefits and respects clients. This document states core values for microfinance (Part-I), a voluntary mutual code of conduct for microfinance institutions to abide by these values(Part-II) and a process of compliance (Part-III). All microfinance institutions, which are members of Sa-Dhan, unanimously and whole-heartedly agree to abide by the core values and the code of conduct as set out hereunder:

## Part- I

## CORE VALUES IN MICROFINANCE

### INTEGRITY

Our mission is to service low-income clients—women and men—and their families, providing them short term and/or long-term access to financial services, that are client focused, designed to enhance their well-being, and delivered in a manner that is ethical, dignified, transparent, equitable and cost effective.

### QUALITY OF SERVICE

We believe that our clients deserve fair and efficient microfinance services. We will provide these services to them in as convenient, participatory and timely manner as possible.

### TRANSPARENCY

We shall give our clients complete and accurate information and educate them about the terms of financial services offered by us in a manner that is understandable by them.

### FAIR PRACTICES

We are committed to ensure that our services to our clients are not unethical and eceptive. In providing microfinance services including lending and collection of dues, we are committed to fair practices, which balance respect for client's dignity and an understanding of a client's vulnerable situation, with reasonable pursuit of recovery of loans.

## PRIVACY OF CLIENT INFORMATION

We will safeguard personal information of clients, only allowing disclosures andexchange of such information to others who are authorized to see it, with the knowledge and consent of clients.

## INTEGRATING SOCIAL VALUES INTO OPERATIONS

We believe that high standards of governance, participation, management and reporting are critical to our mission to serve our clients and to uphold core social values.

## FEEDBACK MECHANISM

We shall provide our clients formal and informal channels for their feedback and suggestions for building our competencies to serve our clients better.

## Part-II

## VOLUNTARY MUTUAL CODE OF CONDUCT

To ensure that all our activities and dealings with clients are in compliance with the above core values, we all agree to adopt the code of conduct as elaborated hereunder:

### 2.0 APPLICATION OF THE CODE:

i) This code applies to all categories of member microfinance institutions -irrespective of their constitution (a society or a trust or company or cooperative society under any state enactment or Multi-State Cooperative Societies Act) - whose principal activity is microfinance.

ii) This code applies to following activities undertaken by member microfinance institutions:
   a) Formation of any type of community collectives including self-help groups, Joint liability groups and their federations.
   b) Providing financial literacy to the clients.
   c) Collection of thrift from clients.
   d) Making arrangement for remittance of funds collected from clients through banking channels or by any other means.
   e) Providing credit services to clients individually or in groups;
   f) Recovery of credit provided to clients for economic activities or for any other purpose for the welfare and benefit of clients.
   g) Business development services including marketing products or services made or extended by the eligible clients or for any other purpose for the welfare and benefit of clients.
   h) Providing insurance or pension benefit products as partners or agents of in surance companies, or pension or mutual fund schemes duly licensed to un dertake microfinance or insurance or pensioners' benefit schemes by a competent authority.

iii) Certain key words used in this code are defined in the Annexure at the end ofthis code.

iv) This code comes into effect from 18 January 2007 unless otherwise indicated.

2.1 We all agree to—

i) Promote and strengthen the microfinance movement in the country by bringing the low-income clients to the mainstream financial sector.
ii) Build progressive, sustainable and client-centric microfinance institutions in the country to provide integrated financial services to our clients.
iii) Promote cooperation and coordination among microfinance institutions and other agencies to achieve higher operating standards and avoid unethical competition in order to serve our clients better.

2.2 In order to acheve the aforesaid, we all agree to follow the following practices mentioned below:

### 2.2.1 INTEGRITY

We agree to—

i) Act honestly, fairly and reasonably in conducting microfinance activities.
ii) Conduct our microfinance activities by means of fair competition, not seeking competitive advantages through illegal or unethical microfinance practices. No officer, employee, agent or other person acting on our behalf shall take unfair advantage of anyone by manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair practice.
iii) Prominently display the core values and code of conduct on the notice board of head office and all branches, and put systems in place to ensure compliance.
iv) Ensure that our staff and any person acting for us or on our behalf, are trained or oriented to put these values into practice.

### 2.2.2 TRANSPARENCY

We agree to—

i) Disclose to clients all the terms and conditions of our financial services offered in the language understood by the client.
ii) Disclose the source of funds, costs of funds and use of surpluses to provide truthful information to clients.
iii) Provide information to clients on the rate of interest levied on the loan, calculation of interest (monthly/quarterly/half-yearly), terms of repayment, and any other information related to interest rates and other charges
iv) Provide information to clients on the rate of interest offered on the thrift services provided by us.
v) Provide information to clients related to the premium and other fees being charged on insurance and pension services offered by us as intermediaries.
vi) Provide periodical statements of our accounts to the clients.

### 2.2.3 FAIR PRACTICES

We are committed to follow fair practices built on dignity, respect, fair treatment, persuasion and courtesy to clients. We agree to-

i) Provide micro finance services to low income clients irrespective of gender, race, caste, religion or language.

ii) Ensure that the services are provided using the most efficient methods possible to enable access to financial services by low income households at reasonable cost.
iii) Recognize our responsibility to provide financial services to clients based upon their needs and repayment capacity.
iv) Promise that, in case of loans to individual clients below Rs 25,000, the clients shall not be asked to hand over original land titles, house pattas, ration cards, etc as collateral security for loans except when obtaining copies of these for fulfilling "know your customers" norms of the RBI. Only in case of loan to individual clients of Rs 25,000/- and above can land titles, house pattas, vehicle RC books, etc. be taken as collateral security.
v) Interact with the clients in an acceptable language and dignified manner and spare no efforts in fostering clients' confidence and long-term relationship.
vi) Maintain decency and decorum during the visit to the clients' place for collection of dues.
vii) Avoid inappropriate occasions such as bereavement in the family or such other calamitous occasions for making calls/visits to collect dues.
viii) Scrupulously avoid any demeanour that would suggest any kind of threat or violence.
ix) Emphasize using social collateral which includes various forms of peer assurance such as lending through groups and group guarantees at the village, hamlet or neighbourhood level, or guarantees by relatives, friends, neighbours or business associates; and explain clearly to clients what are the obligations of social collateral.

### 2.2.4 GOVERNANCE

We agree to—

i) Observe high standards of governance, ensuring fairness, integrity and transparency by inducting persons with good and sound reputation, as members of Board of Directors. We shall ensure that the majority of the directors are independent directors and/or duly elected representatives of the community we serve, and that we will involve the Board in all policy formulation and other important decisions.
ii) Ensure transparency in the maintenance of books of accounts and reporting/ presentation and disclosure of financial statements by qualified auditor/s.
iii) Put in our best efforts to follow the Audit and Assurance Standards issued by the Institute of Chartered Accountants of India (ICAI).
iv) Place before the Board of Directors, a compliance report indicating the extent of compliance with this Voluntary Mutual Code of Conduct, specifically indicating any deviations and reasons therefore, at the end of every half financial year.

### 2.2.5 FEEDBACK/ GRIEVANCE MECHANISMS

We agree to—

i) Establish effective and efficient feedback mechanism
ii) Take steps to correct any errors and handle complaints speedily and efficiently.
iii) Provide; where a complainant is not satisfied with the outcome of the investigation into her complaint, she shall be notified of her right to refer the matter to the Ethics and Grievance Redressal Committee constituted by Sa-Dhan.

## Part-III

## COMPLIANCE MECHANISM

3.1 The Board of Directors of Sa-Dhan shall form an independent Ethics and Grievance Redressal Committee to facilitate compliance with this code. The committee shall be constituted of respected and trusted persons from the microfinance sector and other social development sectors, providing guidance and help in resolving any disputes.

3.2 The board of the member microfinance institutions should adopt the core values and the code of conduct on an annual basis.

3.3In case of a written complaint received by the Ethics and Grievance Redressal Committee regarding non-compliance with the code by any member microfinance institution, the committee shall take the following steps:

i) Assist in compliance.
ii) Failing which—
   a) Formally write to the chief executive of that member microfinance institution torespond to the complaint within 15 days.
   b) If the chief executive of that member microfinance institution fails to respond within 15 days of the receipt of the communiqué, the matter will be formally communicated to the board of that microfinance institution in writing to seek a response.
   c) If the board does not respond within the 15 days of the receipt of the communiqué, the membership of that microfinance institution shall be suspended till further decision of the committee.
   d) If the committee decides it is necessary to expel the microfinance institution from the membership of Sa-Dhan, it shall recommend the expulsion to the Board of Directors of Sa-Dhan.
   e) The Board of Directors of Sa-Dhan shall then take the appropriate decision and if they decide to expel the member, the name of the expelled member will be published on the website of Sa-Dhan.

## ANNEXURE

"Clients" refers to those served by the microfinance institutions - women and men from socially, economically and politically disadvantaged sections of society, including small and marginal farmers, oral lessees, tenants, sharecroppers, disadvantaged social groups, artisans, and persons engaged in small and tiny economic activities.

"Microfinance Services" means the following activities undertaken by Sa-Dhan's member microfinance institutions:

i) Formation of any type of community collectives including self-help groups, Joint liability groups and their federations;
ii) Collection of thrift from clients;
iii) Making arrangement for remittance of funds collected from clients, through banking channels or by any other means;

iv) Providing credit services to clients, individually or in groups.;
v) Recovery of credit provided to clients for economic activities or for any other purpose for the welfare and benefit of clients;
vi) Business development services including marketing products or services made or extended by the eligible clients or for any other purpose for the welfare and benefit of clients.
vii) Providing insurance or pension benefit products as partners or agents of insurance companies or pension or mutual fund schemes duly licensed to undertake micro finance or insurance or pensioners' benefit schemes by a competent authority

"Thrift" means savings of clients, who have become members of self-help groups, other than public deposits.

| BALANCE SHEET AS ON MARCH 31, | Sch | 20X8 | 20X7 |
|---|---|---|---|
| SOURCES OF FUNDS:<br><br>SHAREHOLDERS* FUNDS:<br>Share Capital<br>Reserves and Surplus<br><br>LOAN FUNDS:<br>Secured loans<br>Unsecured loans | | | |
| DERERRED TAX LIABILITY TOTAL | | | |
| APPLICATION OF FUNDS:<br><br>LOAN PORTFOLIO(Net)<br><br>INVESTMENTS<br><br>DEFERRED TAX ASSETS<br><br>CURRENT ASSETS, LOANS AND ADVANCES:<br><br>Less: CURRENT LIABLITIES AND PROVISIONS:<br>Current liabilities<br>Provisions | | | |
| NET CURRENT ASSETS | | | |
| FIXED ASSETS<br>Gross block<br>Less: Depreciation<br>Net Block | | | |
| TOTAL | | | |

Accounting Policies and Notes on Accounts

Notes:

1. In case of non –corporate MFIs such as societies and trusts, the term 'capital fund' is used in place of 'shareholders' funds' and the term 'capital' in place of 'share capital'.

2. Deferred income on account of grants/donations is shown after 'Reserves and Surplus' but before 'Secured Loans' with a suitable description, e.g.'Deferred grants/donations'.

3. Secured and unsecured loans should be classified into loans and advances (including overdraft/cash credit) from banks and financial institutions, from directors, managers and related concern, etc., and from others.

4. Interest free loans should be disclosed separately from interest bearing loans. Interest accrued and due on loans (secured and unsecured) advanced to MFIs should be included under appropriate sub- heads.

5. The loan portfolio, i.e., loans outstanding should be classified into broadly three categories- regular loans outstanding. Past-due loans outstanding and restructured loans outstanding. The amount of the loan loss provision should also be disclosed.

6. A reconciliation of the accounts affecting the loan portfolio should be disclosed, including:

   (i) Loan portfolio at the beginning and the end of the period.
   (ii) Loan loss provision at the beginning and end of the period.
   (iii) Loan loss provision created during the period (by way of a charge to the profit and loss account), and
   (iv) Write-off of uncollectible loans (bad debts)during the period.

7. The nature of the investment (current or long term)and the mode of valuation(e.g., cost or fair value) should be disclosed. Current and long term investments should be distinguished between investment in Government or Trust Securities: investment in shares, debentures or bonds showing separately, shares fully paid- up and partly paid-up and also distinguishing the different classes of shares; and others. The aggregate amount of quoted and unquoted investments, giving the aggregate market value of quoted investments thereof should be shown.

8. As tar as possible, current assets should be classified under interest accrued on investments; inventories; cash balance in hand; bank balances with scheduled banks; and bank balances with others. The mode of valuation of inventories should also be disclosed. Fair values of items on inventories received as non-monetary grants and donations, existing on the balance sheet date, should be disclosed in notes to accounts. Where any item constitutes ten per cent or more of total current assets, the nature and amount of such item may be shown separately.

9. Loans and advances should be classified into loans and advances to related concerns, directors, managers etc.; advances recoverable in cash or in kind or for value to be received(e.g. advances to staff)and balances/deposits with electricity supply company, for telephone connection etc. (where payable on demand). Where any item constitutes ten per cent or more of total loans and advances, the nature and amount of such item may be shown separately.

10. Current liabilities should be classified into sundry creditors, related concerns, interest accrued but not due on loans (secured and unsecured), client deposits (voluntary and compulsory savings), expenses payable and other liabilities.

11. As far as possible, provisions should be classified into provision for taxation, proposed dividend, contingencies, staff benefits, loan losses and others.

12. Where any item constitutes ten per cent or more of total current liabilities and provisions, the nature and amount of such item may be shown separately.

13. As far as possible fixed assets of an MFI should be classified under land, buildings, leaseholds, plant and machinery, furniture and fittings, vehicles, computers, intangible assets and other office equipments. Under each head the original cost, and the additions thereto and deductions therefrom during the year, and the total depreciation written off or provided up to the end of the year should be stated. Separate disclosure under each head should be made in respect of donated assets (i.e. assets that have been received free of cost as non-monetary grant/donation by the MFI) and assets financed under a lease agreement.

14. Fair value and quantitative details of fixed assets received as non-monetary grants and donations, during the year, should be disclosed in the notes to accounts.

15. Fair value of all donate fixed assets, existing on the balance sheet date, should be disclosed in the notes to accounts. If it is not practicable to determine the fair values of the assets on each balance sheet date, then such values may be determined after a suitable interval, say, every three years. In such a case, date of determination of fair values shall also be disclosed along with the fair values of assets.

16. Restrictions, it any, on the utilization of each asset should also be disclosed in the notes to accounts.

17. An MFI must disclose all its contingent liabilities such as in case of guaranteed loans, unless the possibility of an outflow of economic resources is remote.

| PROFIT AND LOSS ACCOUNT (INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED MARCH 31, 20X8 | Sch | March 31, 20X8 | March 31, 20X7 |
|---|---|---|---|
| INCOME: | | | |
| Income From Financial Services | | | |
| Interest on Loans | | | |
| Service Charges/Fees | | | |
| Insurance Commission | | | |
| Technical and Consultancy Fees | | | |
| Other Income | | | |
| Grants and Donations | | | |
| Interest on investments | | | |
| Miscellaneous income | | | |
| TOTAL | | | |
| EXPENDITURE: | | | |
| Financial cost | | | |
| Personnel cost | | | |
| Administrative and other operative cost | | | |
| Depreciation | | | |
| Provision for loan losses | | | |
| Miscellaneous Expenses | | | |
| TOTAL | | | |
| Profit Before Tax | | | |
| Less: provision for taxation (including Fringe benefit Tax) | | | |
| Current Tax | | | |
| Deferred Tax | | | |
| *Technical Guide on Accounting for Microfinance Institutions* | | | |
| Profit After Tax | | | |
| Add: profit brought forward from the previous years | | | |
| APPROPRIATION: | | | |
| Dividend to Shareholders | | | |
| Transferred to: | | | |
| Specific Funds | | | |
| General Reserve | | | |
| Balance carried forward to Balance Sheet | | | |

Sources:- Technical Guide on Accounting for Microfinance Institutions The Institute of Chartered Accountants of India.

## Sa-Dhan recommended Financial Standards and their Benchmarks

Sa-Dhan, as Association of Community Development Finance Institutions, took up the work of facilitating the setting of standards for financial performance of community development finance institutions. This followed finalization of a set of six financial standards and their respective performance benchmarks with extensive engagement of members through national and regional workshops and field tests.

The set of six financial standards, recommended by Sa-Dhan cover three core elements of financial performance viz. Sustainability, Asset quality and Efficiency. This work has evolved into a composite set of financial performance benchmarks among community development finance institutions across operating models, size of operations, legal forms and variety of services.

The set of financial standards and their benchmarks are as under.

| S.No. | Indicator | Benchmark | Formula |
|---|---|---|---|
| 1. | SUSTAINABILITY Operational Self-Sufficiency | At least 100% | Operating Income / Operating Costs + Loan Loss Provisions + Financing Costs |
| 2. | ASSET QUALITY Portfolio at Risk > 60 Days Past Due | Less than 10% | Unpaid Principal Balance of Past Due Loans (with Overdue > 60 days of age) / Total Gross Outstanding Portfolio |
| | Current Repayment Rate | Greater than 90% | Total Amount (Principal) Collected for the Period – Prepayments / Total Amount (Principal) Due (to be collected during period) |
| 3. | EFFICIENCY Operating Cost Ratio | Less than 20% | Total Operating Costs / Average Outstanding Portfolio |
| | Total Cost Ratio | Less than 30% | Total Costs / Average Outstanding Portfolio |
| | Active Borrowers Per Credit Officer | Between 250-350 | Average Number of Active Borrowers / Average Number of Credit Officers |

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