



Sa-Dhan

The Association of
Community Development
Finance Institutions

The Bharat Microfinance Report 2015

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Mission of Sa-Dhan

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

Mission of NABARD

“Promotion of sustainable and equitable agriculture and rural prosperity through effective credit support, related services, institution development and other innovative initiatives”.



The Bharat Microfinance Report 2015



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Finance Institutions

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Last decade has seen the Indian Microfinance Sector experiencing a phenomenal growth and taking its rightful place in the financial inclusion scenario of the nation, as evidenced by the fact that eight MFIs received RBI's nod for Small Finance Banks and one MFI has already started functioning as a universal bank. The number of institutions providing microfinance services has gone up from a handful to a few hundreds. The quantum of credit made available to the poor and financially excluded clients has crossed ₹48,882 crore and number of clients benefitted crossed 37 million as of March 2015. The SHG bank linkage program has equally grown to touch the lives of individuals through SHGs with an outstanding loan portfolio of approx ₹43,000 crores

The Government of India and the Reserve Bank of India have created conducive policy and regulatory framework for Microfinance Institutions (MFIs) to operate in the country. This has provided necessary legitimacy and impetus to the sector. MFIs in general comply to the regulations, take care of client protection issues, adhere to the Industry Code of Conduct. These factors go a long way in infusing confidence among all the stakeholders. The Government of India has displayed a leap of faith in the sector by setting up MUDRA for refinancing and regulating the microfinance sector. Similarly RBI reemphasized its confidence in the sector by bringing forth the SRO setup.

The sector has to persist with its focus on the three critical dimensions. One is the need for articulating the fact that microfinance is a strategic part of the financial inclusion agenda of the government and that of the central bank. The second is the criticality of re-demonstrating our collective intention to help the poor and the unbanked populace by way of having the right mission, social performance measures and client protection process. The third area is in projecting the fact that microfinance institutions are sustainable financial institutions and they continue to be the investible destination for the bankers and the investors.

In order to articulate these positions, we need empirical data. This Bharat Microfinance Report has been designed to provide comprehensive information and newer perspectives on the above three areas. Primary data received from 156 MFIs who represent around 95 percent of the microfinance sector in India and analysis thereon forms the basis for this report.

Sa-Dhan, as the leading association of community development finance institutions in India, has been publishing The Bharat Microfinance Report for the past twelve years. This year 156 MFIs reported data, including 49 non-members of Sa-Dhan. We thank them for reposing confidence in us and valuing transparency through data reporting.

This year the substantial part of the work relating to the report has been shouldered by Mr. Ardhendu Nandi, right from data collection, consolidation, analysis to report writing, in which he was ably supported by Mr. P.M. Kamalesh, Mr. Somesh Dayal and Mr. Harihara Mohapatra provided an overall perspective to the report.

Inputs for parts of Chapters 1, 3, and 5 were provided by Mr. Amulya Champatiray, Ms. Nikita Taniparti, Mr. Abhishek Choudhary and Mr. Saibal Paul respectively.

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

We hope this report would be extremely useful to you. Enjoy reading!

P. Satish
Executive Director
8 October, 2015

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List of Abbreviations

1	ABCO	Active Borrower per Credit Officer
2	AIDS	Acquired Immune Deficiency Syndrome
3	ANBC	Adjusted Net Bank Credit
4	APY	Atal Pension Yojana
5	ATM	Automatic Teller Machines
6	AUM	Assets Under Management
7	BC	Business Correspondent
8	BF	Business Facilitator
9	BPL	Below Poverty Line
10	CAR	Capital Adequacy Ratio
11	CDR	Corporate Debt Restructuring
12	CIB	Credit Information Bureau
13	CO	Credit Officer
14	CoC	Code of Conduct
15	CoCA	Code of Conduct Assessment
16	CRR	Cash Reserve Ratio
17	CSP	Customer Service Point
18	CSR	Corporate Social Responsibility
19	DBT	Direct Benefit Transfer
20	DFID	Department for International Development
21	DNBS	Department of Non-Banking Supervision
22	DRE	Decentralized Renewable Energy
23	EAC	External Advisory Committee
24	ECB	External Commercial Borrowing
25	e-KYC	Electronic Know-Your-Customer
26	FCR	Finance Cost Ratio
27	FDI	Foreign Direct Investment
28	FER	Finance Expense Ratio
29	FI	Financial Institution
30	FIC	Financial Inclusion Committee
31	FY	Financial Year
32	GDP	Gross Domestic Product
33	GLP	Gross Loan Portfolio
34	GoI	Government of India
35	GPRS	General Packet Radio Service
36	GPS	Global Positioning System
37	ICIB	Inclusive Credit Information Bureau
38	INSAF	Indian Social Action Forum
39	IRDA	Insurance Regulatory Development Authority
40	IT	Information Technology
41	IVR	Interactive Voice Response
42	JLG	Joint Liability Group
43	KYC	Know Your Customer
44	KYR	Know Your Residence
45	LAB	Local Area Bank
46	LIC	Life Insurance Company
47	LPG	Liquefied Petroleum Gas
48	LUCs	Loan Utilization Checks
49	MCS	Micro Credit Scheme
50	MFIs	Microfinance Institutions
51	MIS	Management Information System
52	MoA	Memorandum of Association

53	MoF	Ministry of Finance
54	MoRD	Ministry of Rural Development
55	MoU	Memorandum of Understanding
56	MRP	Material Requirements Planning
57	MUDRA	Micro Units Development Refinance Agency
58	NABARD	National Bank for Agriculture and Rural Development
59	NBFC	Non-Banking Finance Company
60	NBFC-SI-ND	Systemically Important Non-Deposit taking NBFCs
61	NBFC-ND	Non Deposit taking NBFCs
62	NCD	Non-Convertible Debenture
63	NCSBS	Non-Corporate Small Business Segments
64	NGO	Non-Governmental Organization
65	NJGB	Narmada Jhabua Gramin Bank
66	NoF	Net Owned Fund
67	NPA	Non Performing Asset
68	NPCI	National Payment Corporation of India
69	NPS	National Pension System
70	NRLM	National Rural Livelihood Mission
71	NSDL	National Securities Depository Limited
72	NSS	National Sample Survey
73	OER	Operating Expense Ratio
74	OSS	Operational Self Sufficiency
75	PAR	Portfolio at Risk
76	PFRDA	Pension Fund Regulatory and Development Authority
77	PDS	Public Distribution System
78	PMBY	Pradhan Mantri Bima Yojana
79	PMDJY	Pardhan Mantri Jan Dhan Yojana
80	PMJJY	Pardhan Mantri Jeevan Jyoti Bima Yojana
81	PMSBY	Pradhan Mantri Suraksha Bima Yojana
82	POS	Point of Sale
83	PPI	Pre-paid Payment Instrument
84	PPP	Purchasing Power Parity
85	PRAN	Permanent Retirement Account Number
86	PSIG	Poorest State Inclusive Growth
87	PSL	Priority Sector Lending
88	PSU	Public Sector Unit
89	RBI	Reserve Bank of India
90	RMK	Rashtriya Mahila Kosh
91	RoA	Return on Asset
92	RoE	Return on Equity
93	RPCD	Rural Planning and Credit Department
94	RRBs	Regional Rural Banks
95	SBLP	Self-Help Group Bank Linkage Programme
96	SC/ST	Scheduled Caste/Scheduled Tribe
97	SHG BLP	Self Help Group Bank Linkage Programme
98	SHGs	Self-Help Groups
99	SHPI	Self Help Promoting Institute
100	SIDBI	Small Industries Development Bank of India
101	SLR	Statutory Liquidity Ratio
102	SMS	Short Message Service
103	SPM	Social Performance Management
104	SRO	Self-Regulatory Organisation
105	UIDAI	Unique Identification Authority of India
106	UT	Union Territory
107	Y-O-Y	Year On Year

ABCO

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

Average Loan Size

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

Borrowing Cost

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

Capital Adequacy

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

Capital to Total Assets

Ratio of net worth to total assets.

Debt-Equity Ratio

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

Debt Funding

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

External Cost

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

Finance Cost

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

Financial Inclusion

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

Margin

Margin refers to the difference between the finance cost on portfolio and the total yield on portfolio. This term is analogous to the concept of Net Interest Margin (NIM) widely used in banking parlance. Margin Cap refers to the ceiling of Margin of 10% on large MFIs and 12% for small MFIs by RBI.

Managed Loan Portfolio

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

Non Performing Assets (NPA)

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

Operating Expense Ratio (OER)

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

Operating Self Sufficiency (OSS)

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

Portfolio Quality

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

Portfolio at Risk (PAR)

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

Qualifying Assets

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

Return on Assets (RoA)

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

Return on Equity (RoE)

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

Self Help Groups (SHGs)

SHGs refer to groups of 10-15 women coming together to form a semi formal community based institution to meet their common financial and social needs.

SHG Bank Linkage Programme (SBLP)

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

Surplus

Surplus is Yield minus Total cost

Yield on Portfolio

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

Context

For the microfinance sector in India the year 2014 -15 was one of steady growth and stability, though some islands of heavy growth should be a matter of concern. RBI has continued its engagement with the sector as reflected in both Sa-Dhan and MFIN embarking on their roles as SROs.

At the policy level, the Government of India has launched MUDRA which would be the refinancing and regulatory organization for micro-enterprise financing. While this entity would fulfill the need of sector, especially for the medium and smaller entities, for lines of finance, the contours of the proposed MUDRA legislation aim to provide regulatory framework for MFIs which are outside RBI's purview. This would strengthen and stabilize the sector. The Pradhan Mantri Surakha Bima Yojana (PMSBY), The Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJY) and the Atal Pension Yojana expand the financial instruments for MFIs to offer to their clientele. The launch of Bandhan Bank and RBI's in-principle approval for Payment Banks and Small Finance Banks are game changers for the banking and financial sector landscape of the country in general and for financial inclusion scenario in particular.

Objective

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

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

Methodology

The contributing MFIs have voluntarily provided their data and detailed information as sought through a data acquisition sheet consisting of their financial outreach, geographic spread, credit plus and developmental activities etc. For this report we have compiled data from MFIs representing all legal forms (Societies, Trusts, Sec-25 Companies, NBFC-MFIs, Cooperatives) which has been collated, validated, and analysed for peer groups.

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

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

The Report Coverage

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

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

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

Highlights of the Report

Growth and Outreach

MFIs currently operate in 28 States, 5 Union Territories and 568 districts in India. The reported 156 MFIs with a branch network of 12,221 employees have reached out to an all time high of 37 million clients with an outstanding loan portfolio of ₹48,882 crore. This includes a managed portfolio of ₹9,854 crore. The average loan outstanding per borrower stood at ₹13,162 and 80% of loans were used for income generation purposes

Outreach grew by 13% and loan outstanding grew by 33% over the previous year. The Southern region continues to have the highest share of both outreach and loans outstanding, followed by East. However growth rates are higher in the Northeastern and Central regions. Outreach proportion of urban clientele is increasing year on year as against the rural population. The proportion of urban clientele which was 44% in 2013-14 increased to 67% in 2014-15. Women borrowers constitute 97% of the total clientele of MFIs, SC/ST borrowers constitute 28% and minorities 18%.

Of the total, NBFC-MFIs contribute to 85% of clients outreach and 88% of outstanding portfolio, while NGO MFIs contribute to the remaining. MFIs with portfolio size of more than ₹500 crore contribute significantly to the total outreach (82%) and loan outstanding (85%) of the sector.

Operational and Financial Aspects

MFI sector employs more than 94,500 personnel, out of which 16% are women, and 64% are field staff. Active borrowers per credit officer (ABCO) is 419, which is lower than the previous year indicating higher focus on client services and new recruitments.

Financial expense is the major expense (50%) incurred by MFIs. Personnel expense and other administrative expenses contribute 23% and 25% respectively. Median OER (Operating Expense Ratio) and FCR (Finance Cost Ratio) remained at 11.45% and 12.42% respectively. It is seen that the OER comes down with scale of operation. MFIs with portfolio of more than ₹500 crore have a median OER of 8% and FCR of 12.9%.

The Yield of the sector for the year was 23.8%, which is the highest for the NBFC-MFIs (24.2%) and lowest for the cooperatives (20.2%). The Margin for different types of institutions was in the range of 9-14%. NBFC-MFIs maintained a median margin of 10.09%. Median OSS (Operational Self Sufficiency) is 113%. Approximately

13% of MFIs have OSS less than 100%. This includes 7% of the NBFC-MFIs on account of AP portfolio and 17% not for profit MFIs. Generally, the OSS improves with the average loan size and yield of the institution.

Median ROA and ROE for the sector remained at 1.94% and 9.25% respectively. The returns are generally higher for not for profit MFIs and very large sized MFIs.

The CAR (Capital Adequacy Ratio) for all types of MFIs remained above the desirable level of 15%. NBFC-MFIs have CAR of 21.5%. Leveraging of the sector was 2.9. The sector received a sum of ₹40,802 crore, which includes a portfolio sale of ₹5,221 crore. Total outstanding borrowing of MFIs stood at ₹35,573 crore, with a substantial share of this derived by NBFC-MFIs (96%) especially from the very large MFIs (84%).

Self-Help Groups and the BC model

Number of SHGs linked to credit and bank loan amount to SHGs has witnessed an increasing trend after 2010-11. However, the growth rate of the number of saving linked SHGs has experienced a declining trend; till date, 101 million families have been covered under the SBLP program with a total number of 77.12 lakh SHGs with a saving amount of ₹11,307 crores. A total of 44 lakh SHGs have a gross loan outstanding of ₹51,721 crores.

The amount of savings and the average per SHG savings (₹14,662) held in the banking system are both increasing since 2011-12. Average loan disbursed per SHG for 2014-15 is reported at ₹184,551, whereas average loan outstanding per SHG stood at ₹115,295.

The aggregate NPA of SHG loans remain a concern; it has increased marginally by 0.6% from 6.8% in 2013-14 to 7.4% in 2014-15. Quality of SHGs, and their performance have emerged as the major issues affecting the movement.

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

MFIs are finding the BC model increasingly attractive to carry out their activities on the credit side and to spread it to deposit taking activities 42 MFIs had an exposure to a BC loan portfolio of ₹3841.53 crores through linkage to 18 banks. Apart from this 42 MFIs were undertaking deposit related activities for 16 banks. The deposit portfolio of BCs amounted to ₹1383.61 crores.

Performance Highlights: A Snapshot

Indicators: MFI Model	2015	2014	Change
Client Outreach	371 lakh	330 lakh	↑
Women Clients	97%	97%	No Change
SC/ST Clients	28%	19%	↑
Other Minorities	18%	14%	↑
Rural Clients	33%	56%	↓
Gross Outstanding Portfolio	₹48882 Cr	₹33517 Cr	↑
Own Portfolio	₹39028 Cr	₹29442 Cr	↑
Managed Portfolio	₹9854 Cr	₹4075 Cr	↑
Avg. Loan per Borrower	₹13162	₹10079	↑
Income Generation Loan	80%	80%	No Change
Female Staff in MFIs	16%	19%	↓
ABCO	419	438	↓
OER	11.45%	12.08%	↓
FCR	12.42%	12.17%	↑
Yield	24%	24%	No Change
Margin	10.20%	10.60%	↓
OSS	113%	114%	↓
ROA	1.73%	1.94%	↓
ROE	8.19%	9.25%	↓
CAR	19.10%	19.60%	↓
Leverage	2.9	3.3	↓
Fund Flow (Outstanding)	₹40802 Cr	₹27663 Cr	↑
Equity Outstanding	₹4195 Cr	₹4233 Cr	↓
SHG Model			
Total No of SHGs Linked	77.12 lakh	74.29 lakh	↑
No of Families Reached	101 Million	97 Million	↑
Total Savings of SHGs	₹11307 Cr	₹9897 Cr	↑
Gross Loan Outstanding	₹51721 Cr	₹42927 Cr	↑
Total Loan Disbursed	₹30334 Cr	₹24017 Cr	↑
Avg. Loan Disbursed per SHG	₹184551	₹175769	↑
Avg. Loan Outstanding per SHG	₹115295	₹102273	↑
NPA	7.40%	6.80%	↑

Similar to the last financial year, this year has also been all about financial inclusion, but with a twist. There were several developments at the national level that have been geared towards making rapid strides towards more inclusive and strategic financial access. Moreover, alongside increasing schemes and policies to target more segments of the “ultra-poor”, there have also been initiatives towards directed development programmes for the microfinance industry. The budget for the year 2015-16 had several announcements and proposals by the central government. This chapter explores some of the latest developments and the implication of these new policies and developments.

The year has seen many a positive turn to the microfinance sector, despite initial roadblocks. Though the year started off on a disappointing note after the Microfinance (Regulation and Development) Bill, 2012 lapsed as the 15th Lok Sabha completed its term, it still culminated in the announcement of the Micro Units Development Refinance Agency (MUDRA) Bank by the Union Finance Minister in his budget speech in 2015. The primary objective of this bank is to “fund the un-funded”, drawing parallels with the “banking the un-banked” model. The Government encourages the microfinance sector across institutional and operational functions to pursue MUDRA Bank’s objective because it acknowledges that “small business units” play a significant role in GDP growth and employment. They recognize that this is a key delivery channel at the grass-roots level.

With the coming of the new Government at the centre in 2014, inputs were sought from various stakeholders including State Governments, for the Microfinance Bill, with the possibility of a new Bill being drafted. In the 2015 Budget, it was announced that Micro Units Development Refinance Agency (MUDRA) Bank would be created, with a corpus of ₹20,000 crores, and credit guarantee corpus of ₹3,000 crores. MUDRA, MUDRA Bank proposes refinancing all Micro-finance Institutions that are in the business of lending to micro/small business entities, who are most commonly engaged in manufacturing, trading, and service activities and regulating MFIs which are outside the RBI’s regulatory umbrella. The provisions of Microfinance (Regulation and Development) Bill, 2012 should ideally be incorporated into the proposed MUDRA legislation.

The new Government also announced the launch of the Pradhan Mantri Jan Dhan Yojana (PMJDY), the largest financial inclusion scheme in the world. This scheme is an effort to enhance financial inclusion by extending banking facilities to the ‘last’ person. The scheme made opening of bank accounts easier for individuals and it also extended insurance benefits, along with Rupay Debit cards and overdraft facilities up to Rs.5000 for active account holders.

Another landmark achievement has been linking cooking gas subsidy through Aadhaar-linked bank accounts. This will not only reduce the fuel subsidy bill, but it will also prevent leakages that occur through ghost/fake beneficiaries, duplicate connections, etc. In the Budget 2015-16, the government has also proposed setting up and supporting Mobile Money and other digitization efforts through Aadhaar-linked benefits transfer.

The Budget 2015 also proposed the National Skills Development Mission, a comprehensive scheme that is aimed at increasing the proportion of skilled young people in the country, as well as ensuring a basic minimum skill level for all. Similarly, the Bank of Ideas and Innovations, which is a platform to bring together, evaluate and promote innovations that improve the quality of life of the rural poor, has been working under the Ministry of Rural Development, the Ministry of Drinking Water and Sanitation and the Ministry of Panchayati Raj for National Rural Livelihoods Mission (NRLM). The mission includes specialized skills programs for rural India such as the Deen Dayal Upadhyay Gramin Kaushal Yojana.

A snapshot of the policy and regulatory environment for the microfinance sector along with the features and implications of each is presented in the subsequent sections:

1.1 Pradhan Mantra Jan Dhan Yojana

Pradhan Mantri Jan Dhan Yojana is the flagship financial inclusion plan of the National Democratic Alliance Government. After measuring low levels of bank penetration in rural areas of India, the Finance Ministry rolled out this scheme to enable each household in the country to have access to at least one bank account. All Indian citizens can now avail of a bank account despite the lack of Know-Your-Customer (KYC) documentation. These bank accounts are valid for a year, within which account holders must furnish proof of having applied for valid documents required to comply with KYC norms. This has greatly facilitated the opening of bank accounts because the process is no longer delayed by documentation specificities. The bank accounts opened under the scheme come with RuPay debit card and also include accident insurance cover. RuPay debit cards are universal debit cards that aim to encourage entrepreneurial activity by liquidizing loan funds; essentially, it makes cash flow smoother and more transparent. This RuPay card scheme was conceived and launched by the National Payments Corporation of India (NPCI). Individuals whose accounts were opened before January 26, 2015 have also been provided with a premium-free life insurance cover. There are several public sector and private sector banks taking part in providing bank accounts under the PMJDY.

1.1.1 Special Benefits under PMJDY Scheme

- a. Interest on deposit.
- b. Accidental insurance cover of ₹1 lakh
- c. No minimum balance required.
- d. Life insurance covers of ₹30,000.
- e. Easy Transfer of money across India.
- f. Beneficiaries of Government Schemes will get Direct Benefit Transfer in these accounts.
- g. After satisfactory operation of the account for 6 months, an overdraft facility will be permitted.
- h. Access to Pension, insurance products.
- i. For Accidental Insurance Cover, RuPay Debit Card must be used at least once in 45 days.
- j. Overdraft facility up to ₹5000 is available in only one account per household, preferably the woman of the household.

1.1.2 Progress Thus Far

According to official statements from the Finance Ministry, the Pradhan Mantri Jan Dhan Yojana has met with unprecedented success. On the first day of the launch on August 28, 2014, over 1.5 crore accounts were opened in various banks under the scheme; this set an unprecedented record. On an average, approximately 1 lakh accounts are still being opened every day.

In October 2014, the scheme hit a few roadblocks which slowed things down: RuPay debit cards were being issued much slower than new accounts were being opened. This mismatch had several implications because operationally, the RuPay debit card and the bank account were separate processes; however, functionally, individuals required both simultaneously in order to make transactions. However, as of September 1, 2015, the Government has said that ₹23,000 crores has been deposited in over 18 crore bank accounts within a year of the launch of the scheme. Out of these, nearly 11 crores were opened in rural areas; similarly, over 14 crores were opened through public sector banks, with rural regional banks at over 3.2 crores. State Bank of India had the largest share of these accounts, with 7.81 crore accounts opened.

Overall, 44% of all opened bank accounts under PMJDY are currently zero balance accounts. Despite over 55% of these accounts having zero balance, they expect to break even in 2016. This is a challenging task ahead, and the obstacles are many – promoting take-off of credit products, promoting a culture of savings, linking digital mobile money transfer options to these accounts, etc. In May 2015, 3 social security schemes were added to the PMJDY, namely Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Atal Pension Yojana (APY). These were simultaneously launched in 115 locations throughout the country and seek to provide alternative financial security options for the poor to fall back upon.

1.1.3 Challenges and Implications

One of the main concerns that has been raised regarding the opening of accounts and account verification is the issue of duplicate accounts. The lack of mandatory KYC regulations at the time the account is opened makes it easy for account holders to open multiple accounts in different banks to avail of multiple insurance policies due to the lack of valid documentation. In parallel, the provision of an overdraft facility without adequate documentation is another worry because people opening multiple accounts by undercutting the KYC norms can plan to avail of multiple overdraft opportunities. Linking the accounts to Aadhar seems to be a feasible and attractive solution towards which banks are working. This brings with it its own set of challenges and obstacles: it is still possible to apply for duplicate bank accounts with one Aadhar card if the process of verification does not keep speed with the actual request to open an account. If the entire mechanism of opening an account is done via several independent and discreet channels, it becomes easy to overlook these loopholes.

1.2 MUDRA

Prime Minister Narendra Modi launched the promised Micro Units Development and Refinance Agency (MUDRA) Bank on April 8, 2015. The launch followed the announcement by the Finance Minister Arun Jaitley in his FY 15-16 Budget speech earlier.

As per the NSSO Survey of 2013, there are close to 5.77 crore small-scale business units, mostly sole proprietorships, which undertake trading, manufacturing, retail and other small-scale activities and employ over 11 crore people. This is contrasted with the organised sector and larger companies that employ only 1.25 crore individuals. Evidently, there is a vast potential to harness and nurture these micro businesses which, as a segment, is unregulated and without financial support from the organised financial system. These unorganized workers are ultimately dependent on unreliable local financiers who impose high lending rates, leaving them increasingly vulnerable.

1.2.1 The Principal Objectives of the MUDRA Bank

- a. Regulate lenders and borrowers and bring stability to the microfinance system through regulation and inclusive participation.
- b. Extend finance and credit support to Microfinance Institutions (MFI) and agencies that lend money to small businesses, retailers, self-help groups and individuals.
- c. Register all MFIs and introduce a system of performance rating and accreditation for the first time. This will help last-mile borrowers of finance to evaluate and approach the MFI that meets their requirement best and whose past record is most satisfactory. This will also introduce an element of competitiveness among the MFIs. The ultimate beneficiary will be the borrower.
- d. Provide structured guidelines for the borrowers to follow to avoid business failures, or take corrective steps in time. MUDRA will lay down guidelines or acceptable procedures to be followed by the lenders to recover money in cases of default.

- e. Develop standardised covenants that will form the backbone of the last-mile business in future.
- f. Offer a Credit Guarantee Scheme for providing guarantees to loans being offered to micro businesses.
- g. Introduce appropriate technologies to assist the process of efficient lending, borrowing and monitoring of distributed capital.
- h. Build a suitable framework under the Pradhan Mantri MUDRA Yojana for developing an efficient last-mile credit delivery system to small and micro businesses.

1.2.2 Major Product Offerings

MUDRA Bank has rightly classified borrowers into three segments: starters, mid-stage finance seekers and next level growth seekers.

To address the three segments, MUDRA Bank has launched three separate loan instruments:

1. Shishu: covers loans upto ₹50,000
2. Kishor: covers loans above ₹50,000 and upto ₹5 lakh
3. Tarun: covers loans above ₹5 lakh and upto ₹10 lakh

MUDRA claims that at least 60% of the credit will flow to Shishu Category Units and the balance to Kishor and Tarun Categories.

Within the MUDRA framework and the overall objective of development and growth of Shishu, Kishor and Tarun units, the products offered by MUDRA at its rollout stage have been designed to meet the requirements of different sectors / business activities as well as business / entrepreneur segments. In particular, some noteworthy schemes are:

- Sector/Activity specific schemes
- Micro Credit Scheme (MCS)
- Refinance Scheme for Regional Rural Banks (RRBs)/Scheduled Co-operative Banks
- Mahila Uddyami Scheme
- Business Loan for Traders & Shopkeepers
- Missing Middle Credit Scheme
- Equipment Finance for Micro Units

Initially, sector-specific schemes will be confined to “Land Transport, Community, Social & Personal Services, Food Product and Textile Product sectors”, these are the schemes the government has deemed most imminently important to be developed. Over a period of time, new schemes will be launched to encompass more sectors. Clearly, MUDRA is a long-term developing project that aims to progressively become more inclusive and will increasingly target more and more sections of Indian society.

Some of the Offerings currently being planned and launched

- a. MUDRA Card - The credit limit available on a MUDRA Card could be 20% of the loan limit sanctioned to the enterprise, with a maximum credit limit on the card being ₹10,000.
- b. Portfolio Credit Guarantee - Under this option, Credit Guarantee or Risk Sharing would be provided for a portfolio of homogenous loans instead of a scheme for individual loan-by-loan guarantee. This is expected to create administrative efficiencies and increase receptiveness for the Credit Guarantee product. The Guarantee product would be one of the key interventions proposed with the objective of bringing down the cost of funds for the end beneficiary to improve its own creditworthiness.

- c. Credit Enhancement - The corpus proposed for the Credit Guarantee Scheme would be regularly augmented with a charge on the outstanding loans under refinance. The same would be utilized for providing first loss guarantee / credit enhancement for securitized portfolio loans.
- d. Underwriting for intermediaries – In order to help the securitisation of the pool of Non-Corporate Small Business Segments (NCSBS), MUDRA will support the enhancement of credit ratings for such pools.

MUDRA bank has ambitiously joined hands with 19 state- and regional-level coordinators so as to expand its reach and target small entrepreneurs who have limited branch presence and are cut off from the general banking system.

Working on the premise that the cost to the ultimate beneficiary should be reasonable and affordable, the cost of funds of MUDRA should be 150 bps to 200 bps below the benchmark repo rates. This seems feasible as the Government of India is willing to support MUDRA in mobilizing low cost funds through shortfall of Priority Sector Lending of banks, as also lines of credit from multilateral institutions. MUDRA would have to adopt a cost-plus approach for pricing its offerings.

It is imperative that MUDRA receives funding at below-market-rates through State interventions, which in turn will help it channel the assistance to the last-mile financiers as well as the ultimate beneficiary micro units at reasonable rates. MUDRA's unique customer-value-proposition will be an individual's ability to access finance at reasonable prices. MUDRA has as its scope the entire un-financed Indian economy, and though its aims are ambitious, it has the potential to significantly address the larger national goal of greater financial inclusion.

1.3 Small Finance Banks / Payments Banks

1.3.1 Small Finance Banks

Small finance banks essentially undertake basic banking activities that include: accepting deposits and lending to under-served sections, particularly to small and marginal farmers, micro and small industries and unorganized sector entities and small business units. Payment Banks promote payment and remittance services through various channels, and they issue only debit (but not credit) cards. Additionally, they are not permitted to carry out any lending activity.

Those eligible to set up a small bank include resident individuals with 10 years of experience in banking and finance, companies and societies, NBFCs, microfinance institutions and local area banks. As of April 2015, the RBI received 72 applications for licenses for small banks and 41 applications for payments banks. Many of the applicants for small banks are Non-Banking Financial Corporations-MFIs (NBFC-MFIs) for whom converting to a small bank is a natural extension of their operations in order to scale their operations to serve low income populations. As a small bank, they can then achieve greater scale and get better access to funds from a more diverse range of sources.

Key features of the Small Finance Bank guidelines issued by the RBI on Nov 27, 2014 are:

- a. Objectives: The objectives of setting up small finance banks will be to further financial inclusion by (i) provision of savings vehicles, and (ii) supply of credit to small business units; small and marginal farmers; micro and small industries; and other unorganised sector entities, through high technology-low cost operations.
- b. Eligible promoters: Resident individuals/professionals with 10 years of experience in banking and finance; and companies and societies owned and controlled by residents will be eligible to set up small finance banks. Existing Non-Banking Finance Companies (NBFCs), Micro Finance Institutions (MFIs), and Local Area

Banks (LABs) that are owned and controlled by residents can also opt for conversion into small finance banks. Promoter/promoter groups should be 'fit and proper' with a sound track record of professional experience or of running their businesses for at least a period of five years in order to be eligible to promote small finance banks.

c. Scope of activities:

The small finance bank shall primarily undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections including small business units, small and marginal farmers, micro and small industries and unorganised sector entities.

There will not be any restriction in the area of operations of small finance banks.

d. Capital requirement: The minimum paid-up equity capital for small finance banks shall be ₹100 crore.

e. Promoter's contribution: The promoter's minimum initial contribution to the paid-up equity capital of such small finance bank shall at least be 40 per cent and gradually brought down to 26 per cent within 12 years from the date of commencement of business of the bank.

f. Foreign shareholding: The foreign shareholding in the small finance bank would be as per the Foreign Direct Investment (FDI) policy for private sector banks as amended from time to time.

g. Prudential norms:

The small finance bank will be subject to all prudential norms and regulations of RBI as applicable to existing commercial banks including requirement of maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR). No forbearance would be provided for complying with the statutory provisions.

The small finance bank will be required to extend 75 per cent of its Adjusted Net Bank Credit (ANBC) to the sectors eligible for classification as priority sector lending (PSL) by the Reserve Bank.

At least 50 per cent of its loan portfolio should constitute loans and advances of upto ₹25 lakh.

h. Transition path: If the small finance bank aspires to transit into a universal bank, such transition will not be automatic, but would be subject to fulfilling minimum paid-up capital /net worth requirement as applicable to universal banks; its satisfactory track record of performance as a small finance bank and the outcome of the Reserve Bank's due diligence exercise.

"Small banks" have to focus their loans and lending activities on "small" borrowers and individuals, and not on big corporates. Once this happens, non-banking finance companies will become "small banks" and can thus promote financial inclusion from the small borrower's point of view. These banks, with their limited area coverage, will most likely rely on technology for the most part, especially in order to reduce their operational costs. Digital financial inclusion will become embedded in their scope of growth and is indispensable in their quest for greater profits and loan portfolios. The RBI hopes that small banks will act as a savings vehicle for the under-served and unserved sections of the society. Going back to the "last-mile" customer, small banks are a step in that direction, with the desire to segment out a strategy of financial inclusion so that individual needs are met. Correspondingly, target customers will be micro and small enterprises, agriculture-engaged segments, and the unbanked and under-banked population. On 16 September 2015, RBI granted in-principle approval to 10 entities to set up Small Finance Banks. These include eight MFIs, one Local Area Bank and one NBFC. These institutions have been given a time frame of 18 months to complete the process of setting up these banks. The fact that eighty percent of the institutions receiving green signal for SFBs are MFIs outlines the significance of microfinance for the Indian banking landscape.

1.3.2 Payment Banks

Based on the recommendations of the Nachiket Mor committee in January, 2014, the RBI issued a notification to issue licenses to payment banks in the country for furthering financial inclusion

Key features of the Payments Banks guidelines are:

- a. **Objectives:** The objectives of setting up of payments banks will be to further financial inclusion by providing (i) small savings accounts and (ii) payments/remittance services to migrant labour workforce, low income households, small businesses, unorganised sector entities and other users.
- b. **Eligible promoters:**
 - i. Existing non-bank Pre-paid Payment Instrument (PPI) issuers; and other entities such as individuals / professionals; Non-Banking Finance Companies (NBFCs), corporate Business Correspondents (BCs), mobile telephone companies, super-market chains, companies, real sector cooperatives; that are owned and controlled by residents; and public sector entities may apply to set up payments banks.
 - ii. A promoter/promoter group can have a joint venture with an existing scheduled commercial bank to set up a payments bank. However, scheduled commercial bank can take equity stake in a payments bank to the extent permitted under Section 19 (2) of the Banking Regulation Act, 1949.
 - iii. Promoter/promoter groups should be 'fit and proper' with a sound track record of professional experience or running their businesses for at least a period of five years in order to be eligible to promote payments banks.
- c. **Scope of activities:**
 - i. Acceptance of demand deposits. Payments bank will initially be restricted to holding a maximum balance of ₹100,000 per individual customer.
 - ii. Issuance of ATM/Debit Cards. Payments banks, however, cannot issue credit cards.
 - iii. Payments and remittance services through various channels.
 - iv. BC of another bank, subject to the Reserve Bank guidelines on BCs.
 - v. Distribution of non-risk sharing simple financial products like mutual fund units and insurance products, etc.
- d. **Deployment of funds:**
 - i. The payments bank cannot undertake lending activities.
 - ii. Apart from amounts maintained as Cash Reserve Ratio (CRR) with the Reserve Bank on its outside demand and time liabilities, it will be required to invest minimum 75 per cent of its "demand deposit balances" in Statutory Liquidity Ratio (SLR) eligible Government securities/treasury bills with maturity up to one year and hold maximum 25 per cent in current and time/fixed deposits with other scheduled commercial banks for operational purposes and liquidity management.
- e. **Capital requirement:** The minimum paid-up equity capital for payments banks shall be ₹100 cr.
 - a. The payments bank should have a leverage ratio of not less than 3 per cent, i.e., its outside liabilities should not exceed 33.33 times its net worth (paid-up capital and reserves).

- f. **Promoter's contribution:** The promoter's minimum initial contribution to the paid-up equity capital of such payments bank shall at least be 40 per cent for the first five years from the commencement of its business.
- g. **Foreign shareholding:** The foreign shareholding in the payments bank would be as per the Foreign Direct Investment (FDI) policy for private sector banks as amended from time to time.
- h. **Other conditions:**
 - a. The operations of the bank should be fully networked and technology driven from the beginning, conforming to generally accepted standards and norms.
 - b. The bank should have a high powered Customer Grievances Cell to handle customer complaints.

Payments Banks are being established with the hope of changing the face of banking in India by providing banking services to the last-mile and by acting as true enablers of financial inclusion. Those selected to receive a license should be able to demonstrate their ability to reach a wide number of people using efficient and low cost technology, and to offer cashless banking. It is expected that mobile banking will serve as the new ATMs/cheque-books/passbooks, and that it can eventually eradicate the need for expensive infrastructure and redundant human resources. Streamlining is essential if payment banks are to widen their reach through digital financial inclusion. People who have migrated away from their homes and native areas in search of different livelihoods will be able to send money home instantly in a cost effective way rather than through the conventional channels such as post officers and third-party intermediaries. With growing migration statistics indicating that large portions of adult, wage-earning individuals are migration away from their place of origin, remittance services are ever-more crucial in the large scheme of financial inclusion and promotion of entrepreneurship. The cost of services such as remittances, draft issuance, etc. that will be offered to customers is also likely to decrease with increased technology use, more competition and better reach. Furthermore, deposit and savings rates offered to clients may also increase in the short run due to the initially high set-up costs incurred by the payment banks. This urgent need to develop and encourage remittance products and deposit services demands that technological innovation both drives and is driven by the payment banks' ability to expand sustainably in a given area.

There are several more applications that are possible with enhanced mobile technology improvements. Social welfare and government subsidies such as those for kerosene, fertilizers, LPG, etc. will flow more efficiently to the poor using mobile technology payments systems. Here too there is the possibility of linking the entire process with the Aadhaar card system to prevent leakages. Direct Benefit Transfers using Aadhaar cards can immediately be sent to Jan Dhan no-frills-accounts of the deserving below-poverty-line customers.

Furthermore, payments banks can mobilize low-cost deposits and keep part of those deposits with other banks, creating a spread of their portfolio despite earning their investments in government papers. As a business correspondent agent that can function independently and earn fees, they can earn transaction fees from banks. They can also sell insurance, mutual funds and other financial products to diversify their sources of revenue. Finally, they can play the role of a business facilitator and can again earn fees by referring their customers to banks for loan products. There are a multitude of options they can pursue, but the banks should be regulated so that their main function as small deposit units and remittance facilitators.

Between the two, payments banks and small banks will make Indian banking more competitive and more inclusive with respect to both assets and liabilities – that is, for both depositors and borrowers. On August 19, 2015, the RBI approved 11 applications, including five of India's Mobile Network Operators (MNOs), to organize and launch payments banks by early 2017. On the one hand, approvals were given to one or more in each category: MNO (Airtel, Idea, Reliance, Vodafone, Uninor), prepaid issuer (Paytm, Tech Mahindra, and others), agent or business correspondent company (FINO), non-banking finance company (Cholamandalam),

and the government (Department of Post). On the other hand, commercial banks are participants directly or indirectly. For instance, Kotak Mahindra has a 20% stake in the entity that will be set-up with Airtel; State Bank of India will have up to a 30% percent stake in the entity set-up with Reliance; multiple banks, including ICICI Bank, have a stake in FINO; yet more banks have a stake in National Securities Depository Limited (NSDL). Many expect that with such banks involved, payments banks will quickly move to facilitating a link to credit products. It is easy to envision that banks with such large stakes in the payment banks are eager to set up credit products to enable a steady and reliable flow of liquidity. Specifically, payments banks will need to develop massive agent networks; this calls for an enormous upfront investments that yield delayed returns, most of which is a cost borne by the businesses involved, such as the commercial banks.

1.4 Aadhaar

Access to finance has remained a critical issue in rural India, especially for the poorest residents in the country. Today, the proportion of rural residents who lack access to a bank account remains at 40%, and this figure is as high as 60% of the population in the eastern and north-eastern parts of India. Low-income groups across the nation are still characterized by volatile incomes and unreliable consumption patterns, and they are still excluded from access to formal financial institutions, ultimately leaving them with an inability to obtain savings devices and insurance protection. They are also similarly excluded from government subsidies and the lack of proper targeting of these groups leaves them unattended to.

The Unique Identification Authority of India (UIDAI) is an agency of the government of India. Its objective is to collect biometric and demographic data of residents, store them in a centralized database, and issue a 12-digit unique identity number called Aadhaar to each resident. It is considered the world's largest national identification number project.

Aadhaar gives individuals the means to clearly establish their identity to public institutions, private agencies, and banks across the country. As a result, banks will be able to scale up branch-less banking and reach a wider population at lower cost. The Aadhaar number, along with uniquely identifying each citizen across a range of technologies and public and private efforts, is purported to be a step towards streamlining efforts at financial inclusion. The Aadhaar and the accompanying authentication mechanism, coupled with elementary technology applications can provide desired micropayment solutions in an efficient and low cost manner.

The key features of Aadhaar-enabled micropayments outlined are as follows:

- **UIDAI Know Your Residence (KYR) suffices for Know Your Customer (KYC):**

The strong authentication that the UIDAI offers, combined with its KYR standards, can remove the need for individual KYC requirements by banks for basic, no-frills accounts. This will greatly reduce the documentation the poor are required to produce for a bank account, and can significantly bring down direct and indirect KYC costs for banks.

- **Ubiquitous BC network and BC choice:**

The UIDAI's clear authentication and verification processes will allow banks to network with village-based BC's such as self-help groups and kirana stores. Customers will be able to withdraw money and make deposits at the local BC. Multiple BC's at the local level will also give customers exposure to a variety of choices of BC's, promoting healthy competition.

- **A high-volume, low-cost revenue approach:**

The UIDAI will, by digitizing the entire process and reducing redundant documentation requirements, mitigate the high customer acquisition costs, high transaction costs, and fixed IT costs that we now face in bringing bank accounts to the poor.

- **Electronic transactions:**

The UIDAI's authentication processes will allow banks to verify residents both in person and remotely. Rural residents will be able to transact electronically with each other as well as with individuals and firms outside the village. This will reduce their dependence on cash, and lower the costs for transactions. It will also reduce physical obstacles to accessing financial services. Once a general purpose Aadhaar-enabled micropayments system is in place, a variety of other financial instruments such as micro-credit, micro-insurance, micro-pensions, and micro-mutual funds can be implemented.

UIDAI has recently become ISO/IEC 27001:2013 certified. It has launched a mobile android app to enable Aadhaar holders to download their Aadhaar details on their mobile phones. The app is meant to carry residents' Aadhaar number and demographics data viz. Name, Date of Birth, Gender, Address and Photograph on mobile phone. This will drastically change the way individuals can verify their identities – they no longer have to depend on paper documents or easy-to-misplace loose sheets. With mobile penetration rates being very high, an app that can verify your biometric data and Aadhaar information will reduce transaction costs on many levels.

The government is using Aadhaar extensively in targeting cooking-gas subsidies in the petroleum sector, as part of their JAM Trinity- Jan Dhan Yojana, Aadhaar, and Mobile Money-to better target subsidies and prevent leakages and inefficiencies. Aadhaar card enrolments are increasing at a rate of 2 crore per month. With the introduction of Jan Dhan Yojana, the number of bank accounts is expected to increase further, while offering greater opportunities to target and transfer financial resources to the poor.

With these promising new avenues for development, there are still privacy issues to be considered. While the Supreme Court has allowed the use of Aadhaar identities for Public Distribution System beneficiaries and cooking gas users, it has withheld permission for linking the biometric identification scheme to other social welfare programmes due to various privacy and security concerns.

Legislation to back UIDAI is still pending in the Parliament of India. Some civil liberty groups, like Citizens Forum for Civil Liberties and Indian Social Action Forum (INSAF), have opposed the project due to some of the potential privacy concerns.

On September 23, 2013, the Supreme Court of India issued an interim order saying that “no person should suffer for not getting Aadhaar” as the government cannot deny a service to a resident if she/he does not possess Aadhaar, emphasizing its voluntary nature. In another interim order on August 11, 2015, the Supreme Court of India ruled that “UIDAI/Aadhaar will not be used for any other purposes except PDS, kerosene and LPG distribution system” and made it clear that even for availing these facilities, Aadhaar card cannot be mandatorily imposed. No one will be denied benefits under any social welfare schemes for want of the 11-digit unique identification number since it cannot be made mandatory in order to provide consumers with respective entitlements. The Court has further requested a special bench to examine whether Aadhaar violates the right to privacy of a citizen. The court also added a critical question - whether the right to privacy is part of citizens' fundamental rights.

As of September 2015, out of a total population of 121 crores, as per the latest Census Data, 90 crore people were enrolled in Aadhaar. However there are wide skews across states, with Delhi, Andhra Pradesh, Himachal Pradesh, Kerala, and Punjab reporting over 95% penetration while the North-Eastern states and Jammu and Kashmir report less than 45% penetration. The penetration of Aadhaar seeding in PMJDY accounts is around 42% overall, with Tripura, Sikkim, Punjab, Himachal Pradesh and Andhra Pradesh leading the pack with over 73% seeding, while the North-Eastern States like Arunachal Pradesh, Assam, Mizoram, Meghalaya and Jammu & Kashmir are still at very low levels with 10-12% penetration.

1.5 Microinsurance

Micro-insurance has long since been recognized as a key element in the financial services package for the economically poor sections of the country. In the face of higher risk and higher vulnerability, the poor have come to the center stage of micro-insurance efforts. The Insurance Regulatory and Development Authority (IRDA) has been the standing authority on micro-insurance initiatives over the past decade, and they have come out with yet more suggestions and proposals.

The IRDA has announced new products that they are proposing which will have higher sum-assured covers of up to ₹2 Lakhs. They propose to allow Regional Rural Banks or Gramin Banks, Rural and Urban Cooperative Societies to act as microinsurance agents in rural areas in an effort to increase insurance penetration, particularly in remote areas IRDA has even moved to allow Self-Help Groups (SHGs) and Non-Governmental Organizations (NGOs) to carry out the distribution of micro-insurance products in rural areas. A new micro-insurance variable life product will also be introduced, with a lock-in period of five years from the date of inception of the policy and will partial withdrawals being permitted.

1.6 Priority Sector Lending

Priority Sector Lending (PSL) issues have also come to the forefront of the recent discussions on financial inclusion and more strategic targeting of microcredit customers. The following issues pertain to the latest developments in the sector:

- Revision of total indebtedness cap to ₹100000 to benefit needy borrowers who are currently being left out due to these limits
- Revision of household income criteria for rural and urban population from ₹60000 and ₹120000 to ₹100000 and ₹150000, respectively.
- Inclusion of loans for water & sanitation, education, micro-housing, etc. and other areas that being given rising importance. These sectors create assets of lasting value, and this allows the possibility of reducing or doing away with the 70% target of income-generation loan criteria
- Defining the PSL target as the average of the quarterly advance instead of just the advance as of March 31 of the given year. This will facilitate the flow of funds evenly throughout the year.

On January 9, 2015, the RBI released the Guidelines on Criteria for Registering Institutions, Organizations and Associations to grant Financial Assistance from the Depositor Education and Awareness Fund. The key objective was to grant financial assistance to institutions / organizations/associations for taking up various activities relating to promoting bank depositors' education and awareness. The Central Government is increasingly recognizing the need for greater financial literacy and education programs to spread awareness for formal financial options and activity. Even part of the MUDRA bank is aimed at Development and Financial Literacy Support.

On March 2, 2015, the RBI released its Report of the Internal Working Group to revisit the existing Priority Sector Lending Guidelines. The RBI has incorporated some of the suggestions Sa-Dhan presented before the committee in November 2014. Some of these are:

PSL guidelines vis-a-vis MFIs:

- a. Bank credit extended to MFIs for on-lending to individuals and also to members of SHGs / JLGs will be eligible for categorization as priority sector advance under respective categories viz., Agriculture, Micro, Small and Medium Enterprises, and 'Others', as indirect finance, provided not less than 85 percent of total

assets of MFI (other than cash, balances with banks and financial institutions, government securities and money market instruments) are in the nature of “qualifying assets”. In addition, aggregate amount of loan, extended for income generating activity, should not be less than 50 percent of the total loans given by MFIs.

- b. A “qualifying asset” shall mean a loan disbursed by MFI, which satisfies the following criteria:
- i. The loan is to be extended to a borrower whose household annual income in rural areas does not exceed ₹1,00,000 while for non-rural areas it should not exceed ₹1,60,000.
 - ii. Loan does not exceed ₹60,000 in the first cycle and ₹100,000 in the subsequent cycles.
 - iii. Total indebtedness of the borrower does not exceed ₹1,00,000.
 - iv. Tenure of the loan is not less than 24 months when loan amount exceeds ₹15,000 with the right to the borrower of prepayment without penalty.
 - v. The loan is without collateral.
 - vi. Loan is repayable by weekly, fortnightly or monthly installments at the choice of the borrower.
- c. Further, the banks have to ensure that MFIs comply with the following caps on margin and interest rate as also other ‘pricing guidelines’, to be eligible to classify these loans as priority sector loans.
- i. **Margin cap:** The margin cap should not exceed 10 percent for MFIs having loan portfolio exceeding ₹100 crore and 12 percent for others. The interest cost is to be calculated on average fortnightly balances of outstanding borrowings and interest income is to be calculated on average fortnightly balances of outstanding loan portfolio of qualifying assets.
 - ii. **Interest cap on individual loans:** With effect from April 1, 2014, interest rate on individual loans will be the average Base Rate of five largest commercial banks by assets multiplied by 2.75 per annum or cost of funds plus margin cap, whichever is less. The average of the Base Rate shall be advised by Reserve Bank of India.
 - iii. Only three components are to be included in pricing of loans viz., (a) a processing fee not exceeding 1 percent of the gross loan amount, (b) the interest charge and (c) the insurance premium.
 - iv. The processing fee is not to be included in the margin cap or the interest cap.
 - v. Only the actual cost of insurance i.e. actual cost of group insurance for life, health and livestock for borrower and spouse can be recovered; administrative charges may be recovered as per IRDA guidelines.
 - vi. There should not be any penalty for delayed payment.
 - vii. No Security Deposit/ Margin are to be taken.
- d. The banks should obtain from MFI, at the end of each quarter, a Chartered Accountant’s Certificate stating, inter-alia, that the criteria on (i) qualifying assets, (ii) the aggregate amount of loan, extended for income generation activity, and (iii) pricing guidelines are followed.

Client outreach and loan portfolio are two key indicators of an MFI's contribution to financial inclusion as well as the depth and breadth of financial deepening achieved by it. This chapter aims to provide an overview of MFIs' outreach in terms of client coverage and loan portfolio, based on the data received from 156 MFIs. This chapter is divided into two parts; the first part explains geographic distribution of microfinance institutions and their client outreach. The second discusses the issues of portfolio outstanding, loan disbursement, and purpose of loan.

2.1 Geographical Spread of Microfinance

MFIs currently operate in 28 States, 5 Union Territories and 568 districts in India. Table 2.1 shows the distribution of MFIs by state. In particular, it shows the number of MFIs operating in each state, their total number of branches in the state and the number of districts with microfinance operations. Annexure 1 indicates the state wise presence of different MFIs.

Twenty nine MFIs with a large outreach and portfolio have operations in more than five states, out of which five leading MFIs are operating in more than fifteen states. A total 27 MFIs (17% of the sample) are operating in two to five states, while 78 MFIs (50% of the sample) have confined their operations to only one state.

MFIs with a smaller scale or regional focus have concentrated their operations in 1-2 states only whereas other MFIs have spread across a higher number of states in order to increase their size, scale and simultaneously mitigate concentration risk. MFIs operating in multiple states, in general, are typically larger in size and follow the legal form of an NBFC-MFI. The geographical expansion of bigger MFIs is indicated by the fact that while in 2013 -14 only 15 MFIs had operations in more than 5 states, that number increased to 29 in 2014 -15. List of top MFIs operating in number of states is presented in Figure 2.1.

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

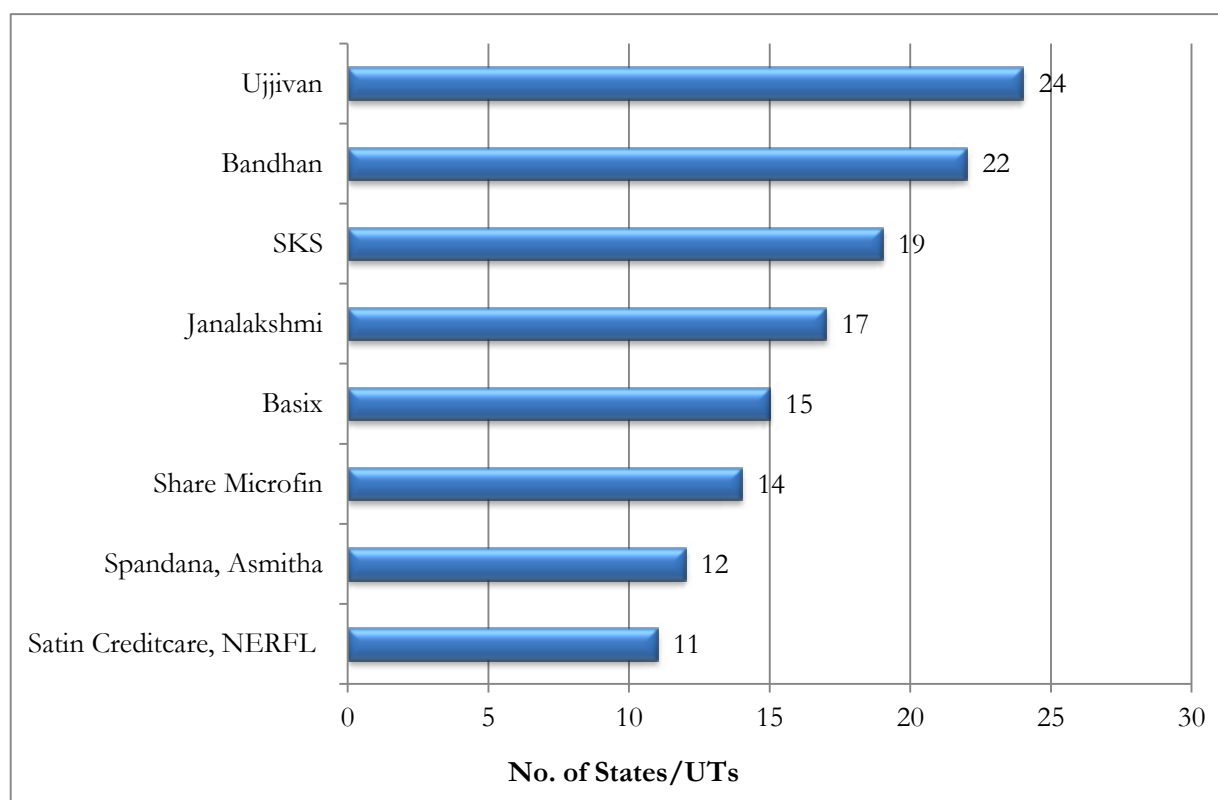


Table 2.1: No. of MFIs in Indian States/UTs and No. of Districts with MFI Operation

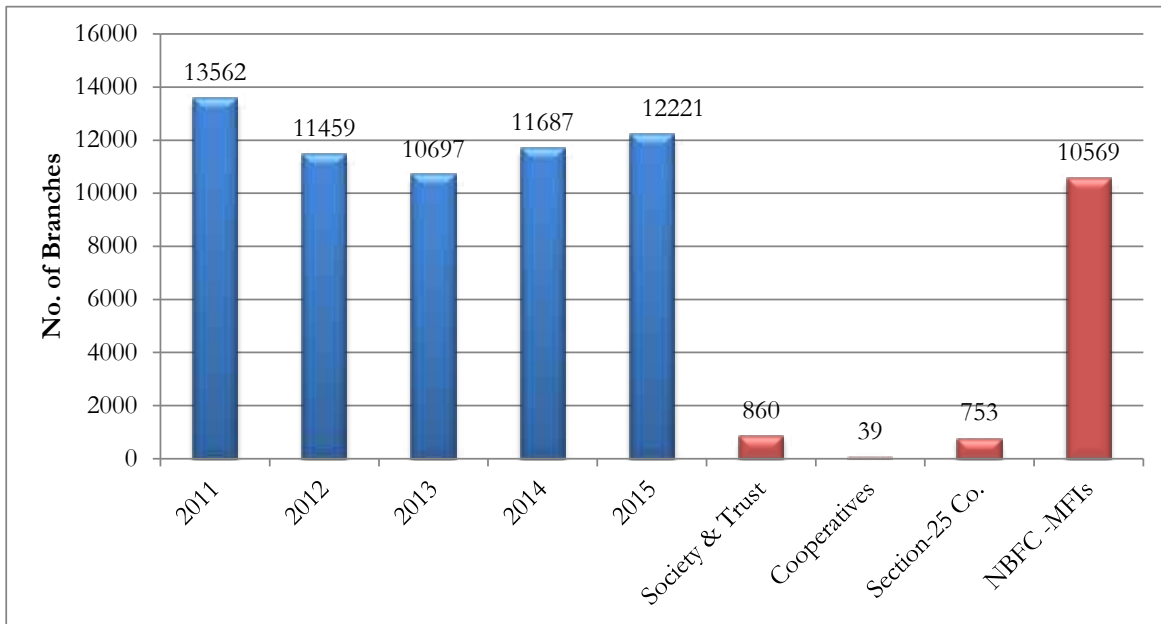
Name of the States/UTs	No. of MFIs operating in the state (including those having Head Quarters outside)	No. of districts of the state where MFIs operate	No. of Branches
Madhya Pradesh	37	48	870
Maharashtra	37	35	980
West Bengal	35	20	1740
Tamil Nadu	34	32	1377
Karnataka	29	30	1185
Bihar	28	38	915
Odisha	26	30	742
Uttar Pradesh	23	70	1063
Gujarat	22	23	386
Rajasthan	21	33	287
Assam	19	24	552
Jharkhand	19	23	231
Chhattisgarh	17	16	248
Delhi	13	7	70
Haryana	13	19	129
Kerala	13	14	220
Uttarakhand	13	10	95
Pondicherry	11	3	17
Andhra Pradesh (Telangana included)	10	23	776
Manipur	8	9	45
Meghalaya	7	6	26
Punjab	7	17	93
Tripura	6	6	99
Goa	4	2	7
Himachal Pradesh	4	4	6
Mizoram	4	8	34
Arunachal Pradesh	3	7	11
Sikkim	3	3	10
Nagaland	2	4	2
Andaman & Nicobar	1	1	1
Chandigarh	1	1	2
Dadra and Nagar Haveli	1	1	1
Jammu & Kashmir	1	1	1
Total		568	12221

2.2 Branch Network

The MFIs in India had been consolidating their operations to cope with the effects of transition taking place in the sector. While 2012 and 2013 witnessed a decline in the branch network, the trend was arrested in 2014. In 2014 -15 too, MFIs have expanded their branches, posting a marginal growth of 4.57 %.

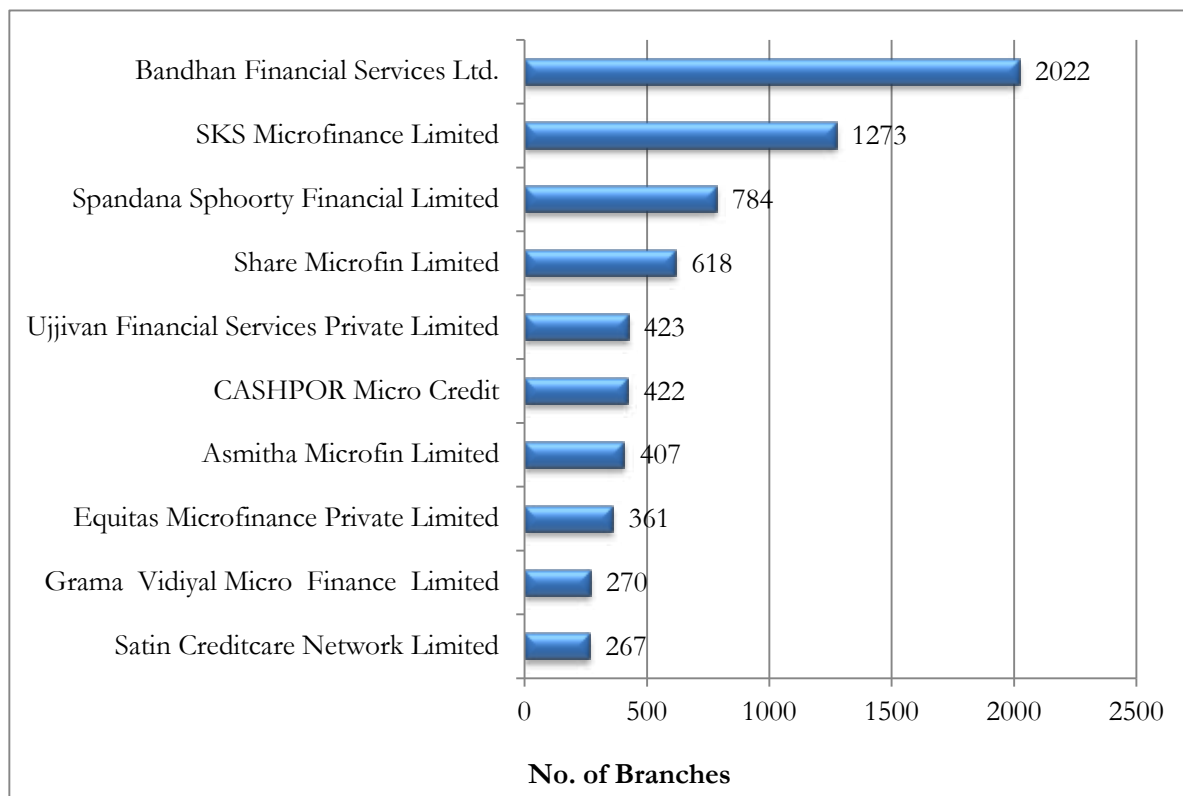
As of March 2015, the reporting MFIs had 12221 branches spread across India. The distribution of branches among different categories of MFIs as of March 2015 showed that NBFC-MFIs had the lion's share of 10569 branches.

Figure 2.2: MFI Branch Network – Yearly Trend and Category-wise Breakup



Bandhan was the MFI with largest number of branches at 2022. Names of Top 10 MFIs in terms of Branch Network are given in Figure 2.3.

Figure 2.3: Top 10 MFIs in Terms of Branch Network



Box 2.1: Credit Bureaus Evolving to Support Emerging landscape of Financial Inclusion in India

Credit Bureau is an important pillar of a country's credit infrastructure that facilitates access to credit, especially amongst hitherto under-penetrated sections of population. Credit Bureaus primarily bridge the lack of information a lender faces while evaluating a prospective borrower, thus allows optimal deployment of capital by the lender. In India, with the availability of both positive & negative credit information in the bureaus, lenders are enabled to not only avoid defaulters but also reward borrowers with good financial records by providing them with enhanced and easier credit.

We at CRIF High Mark (erstwhile High Mark), experienced this first hand through our close association with the Indian Microfinance Industry. CRIF High Mark as a credit information bureau, first started covering microfinance borrowers at a time when the industry was going through a tough challenge (following the Andhra Pradesh MFI crisis of 2010). It was an uphill task given that data was partially available and of poor quality. However, with support of the regulators, MFI associations, World Bank and the leaders of Microfinance Industry, we could together combat the challenge.

The outstanding loan portfolio of the Microfinance Industry dropped from ₹30,000 crores in 2010 to half the size in 2011, but it rapidly rose to nearly ₹70,000 crores in 2015. The penetration now is with a broader pan-India reach covering over 560 districts, from very high concentration in Southern states in 2010. Encouragingly, industry has witnessed growth in states such as Madhya Pradesh, Uttar Pradesh, and Bihar. In some of these states, every 1 in 4 individuals lent to is a first time borrower.

Credit bureaus have helped lenders control instances of multiple financing, reduce NPA and comply better with the regulatory guidelines. CRIF High Mark has observed significant change in borrower behaviour, where the borrowers are now known to repay old dues before availing new credit. The KYC data quality from MFIs improved by over 100% between 2011 and 2014, as an outcome of the joint efforts of MFIs, Associations and Credit Bureaus.

The progressive work achieved by the MFI sector has been acknowledged by the regulators and the lenders to the sector. The recent granting of the banking licence by the RBI to Bandhan Financial Services Ltd. and 8 other MFIs to operate as Small Finance Banks is a testimony to the work done by the sector. Two Self-Regulatory Organizations (MFIN & Sa-Dhan) have been approved by RBI for Microfinance sector to allow focused supervision and policy-support.

The Reserve Bank of India is driving further policy changes; one such is to include telecom and utilities data into the credit bureaus. This will enable people who haven't accessed credit but indulge in "credit like" transactions to avail formal credit channels. At the same time, efforts are being taken by RBI, NABARD, World Bank Group, NRLM, Planet Finance and Industry Associations (IBA, Sa-Dhan) amongst others to bring the Self-Help Group (SHG) Individual level data under the bureau coverage for responsible financing. A few banks have already taken lead in capturing individual-level SHG data.

The programs under Jan Dhan Yojana are extending the coverage of formal banking channels and products to individuals in the deepest parts of the country. For example, Mudra Bank is attempting to deliver finance to the micro-entrepreneurs, a large and essential component of our economy, which do not have access to formal finance due to lack of well-defined income sources.

The technology led revolution is exponentially changing the way we look at complex problems and their solutions in all fields, so is the case for the Credit Sector. The FinTechs involved in peer-to-peer lending, financial marketplaces, e-commerce etc. are using digital & mobile technologies. Thus, cutting-through many traditional barriers for enabling finance to individuals and businesses, and many times for purposes, which would not have been covered by formal channels.

CRIF High Mark is constantly investing in progressive research and innovation to support such external and internal changes around us for the lenders with the intention to be a one-stop shop for all credit-related needs. We realize, in the current scenario, increasingly there is a blurring of lines between Microfinance activities and Banking activities in the country. – Banks are entering Microfinance businesses while MFIs are getting into banking activities. Also, Borrowers are graduating from group-lending to individual-lending to running micro-enterprises. We have developed innovative products which allow lenders to look at a borrower holistically and not just with the traditional underwriter's lens, allowing a comprehensive under-writing. We are already accepting SHG individual level data and providing products covering Joint Liability Groups (JLG), SHG (wherever available) and Individual borrowing.

Today, we work with both Microfinance SROs (MFIN & Sa-Dhan) in supporting them in their supervisory and policy advisory roles using the aggregate understanding of the industry. The Banks and MFIs use such industry level reports for their strategic planning. Development Financial Institutions such as SIDBI also use such data reports to influence financing of the MFIs operating in under-penetrated areas.

With increasing scale of operations, MFIs are adopting advanced technology to acquire customers, service and monitor processes in a seamless, quick and standardized manner. We provide solutions to support such needs of MFIs, newly licensed Banks and even existing Banks and NBFCs.

The MFI industry can derive greater benefits by leveraging existing credit bureau solutions for comprehensive pre-acquisition and post-acquisition risk management, not only as compliance tool. We also look forward to pricing support from the industry to allow Credit Bureaus to continuously invest in innovations and products.

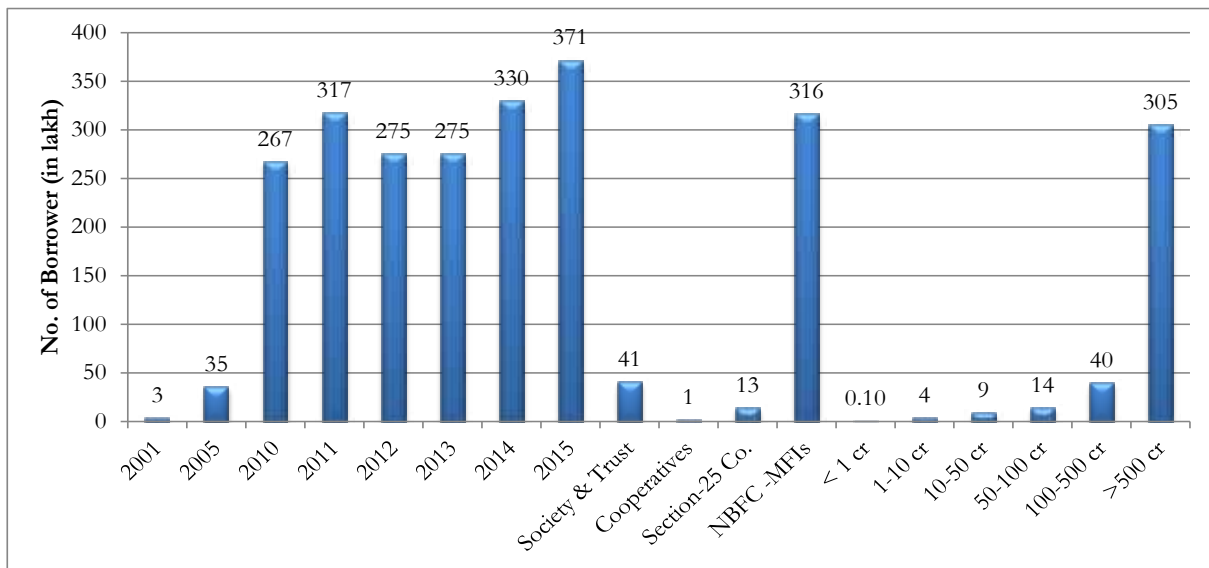
We are confident that all these steps (some radical ones) will help our country achieve the financial inclusion goal. The unprecedented but responsible growth of Microfinance sector and 9 MFIs getting approvals for Banking activities is encouraging. We at CRIF High Mark are geared up to play our role to take it “Together to the Next Level”.

Courtesy: CRIF High Mark

2.3 Client¹ Outreach

The total number of clients served by MFIs stood at 371 lakh as on 31 March, 2015. Client outreach of MFIs had grown substantially from 2005 to 2011, reaching a level of 371 lakh. This trend slowed down during 2012 and 2013 and the number of clients slumped to 275 lakh. The trend reversed in 2014 with a growth and reached a level of 330 lakhs. This trend continues in 2015 with an astounding rise in clients/borrowers to an all time high of 371 lakh. Majority of these clients are being served by NBFC-MFIs (85.18%), primarily the larger ones. MFIs with outstanding portfolio above ₹500 crore are responsible for reaching out to 82.21% of the clients in the industry.

Figure 2.4: Outreach to Borrowers: Yearly Trend and Category – wise Breakup for 2015

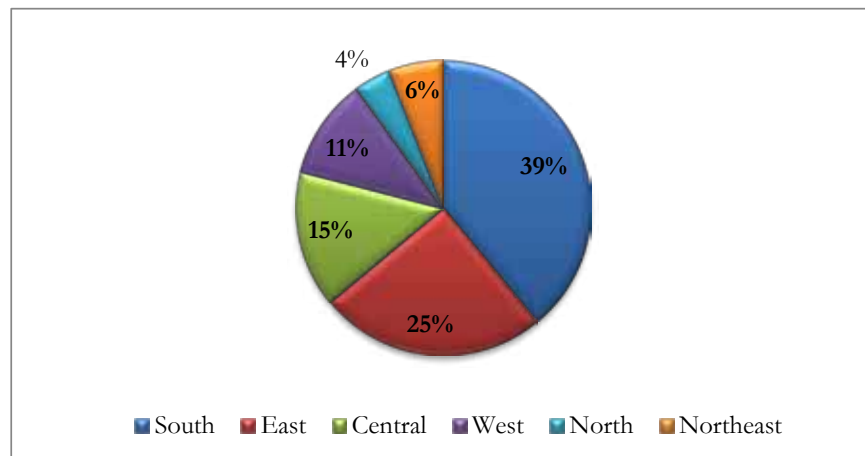


Client Outreach grew by 12.52% in 2015 relative to 2014. This rise in the number of borrowers is positively correlated with an increase in fund flow from banks and financial institutions to MFIs.

2.3.1 Regional Outreach of MFIs

Out of the total client base of 371 lakh, South alone contributes to 39% followed by 25% in East. Central region and West have 15% and 11% of total outreach respectively. Northeast and North have the least client outreach numbers with 6% and 4% respectively. Share in outreach has expanded only in case of Central and North east regions from 13 to 15 % and 5 to 6 % respectively.

Figure 2.5: Regional Breakup of Client Outreach



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

This year, a positive growth trend in client outreach is observed across all regions. Central region has grown 36%, followed by North and Northeast regions at 24% and West at 18% respectively. While the East and South regions have maintained a moderate growth rate of 11% and 2% respectively.

2.3.2 State-wise Client Outreach

Client outreach in various states is mapped in Table 2.2. It is observed that all States have grown, except for combined Andhra Pradesh and Telangana. Across the board loan waivers announced by both the state governments led to sticky accounts in MFIs' books, which later had to be cleaned up. This could be one of the reasons for the fall in client outreach. The other reason is a deliberate scaling down of operations in both these states by leading MFIs.

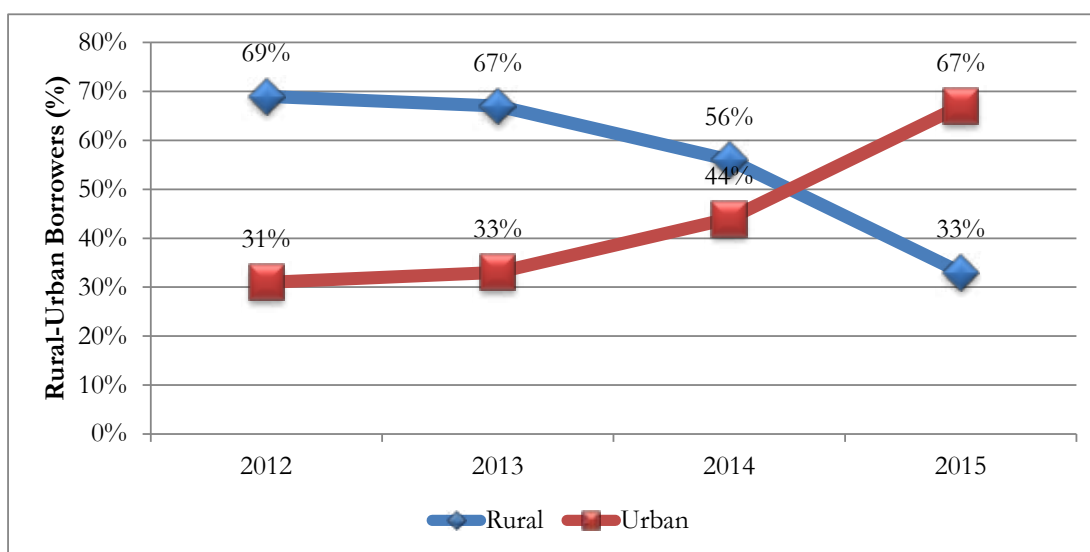
Table 2.2: Outreach (in lakh) of MFIs Across States/UTs – 2014 & 2015 (decreasing order)

States/UTs	2015	2014	Growth (%)
Karnataka	62	52	19%
Tamil Nadu	46	38	22%
West Bengal	45	43	6%
Maharashtra	30	28	7%
Andhra Pradesh (Telangana included)	29	46	-37%
Uttar Pradesh	29	21	38%
Bihar	24	17	41%
Madhya Pradesh	21	16	35%
Odisha	17	17	3%
Assam	15	12	25%
Gujarat	11	7	64%
Kerala	7	6	26%
Rajasthan	7	6	12%
Jharkhand	5	5	2%
Chhattisgarh	4	4	17%
Punjab	3	2	76%
Haryana	3	2	65%
Tripura	3	3	15%
Uttarakhand	3	2	35%
Delhi	2	2	15%
Pondicherry	0.83	0.4	102%
Manipur	0.74	0.6	14%
Mizoram	0.63	0.6	10%
Meghalaya	0.37	0.3	20%
Arunachal Pradesh	0.18	0.1	27%
Sikkim	0.2	0.1	26%
Goa	0.10	0.09	7%
Himachal Pradesh	0.06	0.01	801%
Chandigarh	0.06	0.05	19%
Nagaland	0.03	0.02	50%
Dadra and Nagar Haveli	0.02	0.02	16%
Jammu	0.01	0.01	91%
Andaman & Nicobar	0.005	0.01	-38%
Total	371	330	

2.3.3 Rural – Urban Share of MFIs Borrowers

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

Figure 2.6: Trends in Rural - Urban Share of MFI Borrowers



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

Worldover the focus of microfinance has always been on serving women. In India as an alternate vehicle of credit, microfinance serves a large segment of people from Scheduled Castes, Scheduled Tribes and Minorities. Women clients constitute 97% of the total clients of MFIs. Similarly, SC/ST borrowers also constitute a substantial chunk (28%) of the clients. A trend analysis of women borrowers, SC/ST borrowers and minority borrowers is shown in numbers using a table. From the Table 2.3 below, it is observed that women borrowers, SC/ST borrowers and Minority borrowers have been consistently increasing for last four years.

For the first time, in 2014 -15, data for Disabled borrowers and Borrowers having Aadhaar Card has been collected. Coverage of MFIs in these two parameters is not satisfactory. Borrowers with disabilities and with Aadhaar constitutes only 0.05% and 10% of the total respectively. Partly the reason for a low coverage could be the absence of data at MFI level.

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

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

Table 2.3: Composition of Borrowers – Category wise

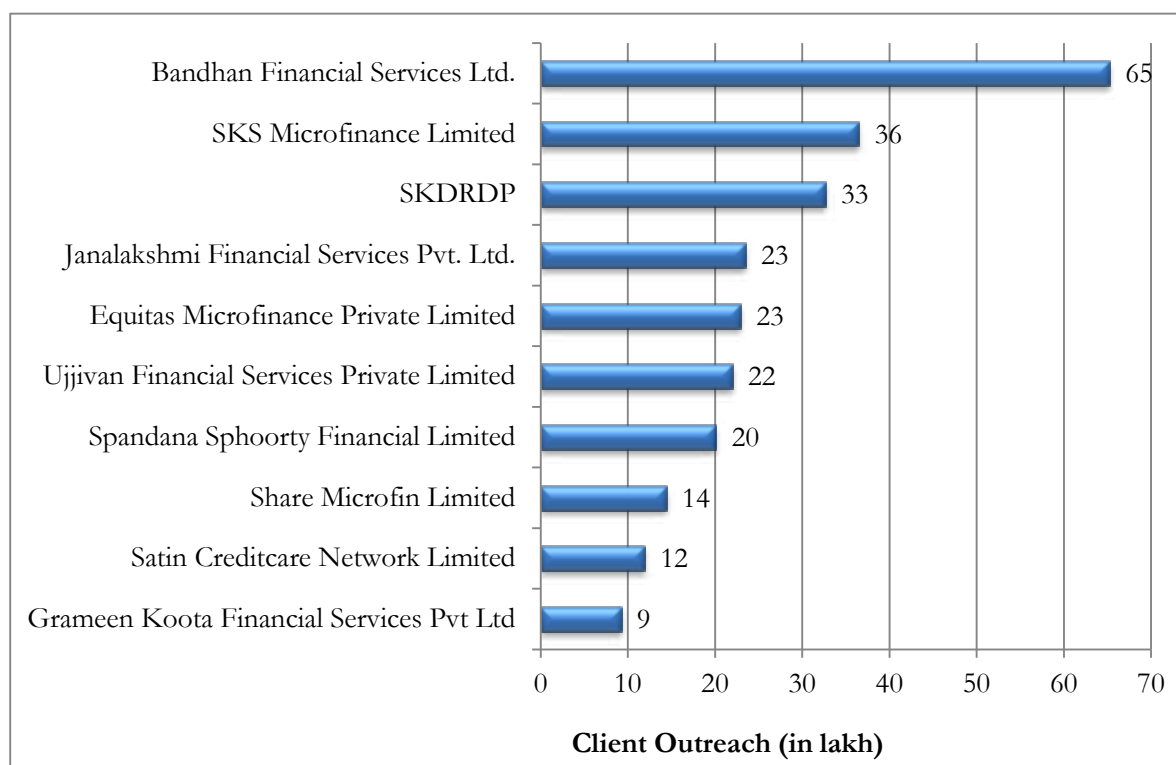
% to Total Borrowers					
Year	Women Borrower	SC/ST Borrower	Minority Borrower	Disabled Borrower	Borrower having Aadhaar Card
2011	94%				
2012	95%	20%	23%		
2013	96%	21%	23%		
2014	97%	19%	14%		
2015	97%	28%	18%	0.05%	10%

Note: Data for SC/ST and Minorities is collected from 2012 whereas data for Disabled borrowers and Borrowers having Aadhaar Card started from 2015.

2.3.5 Leading MFIs in Client Outreach

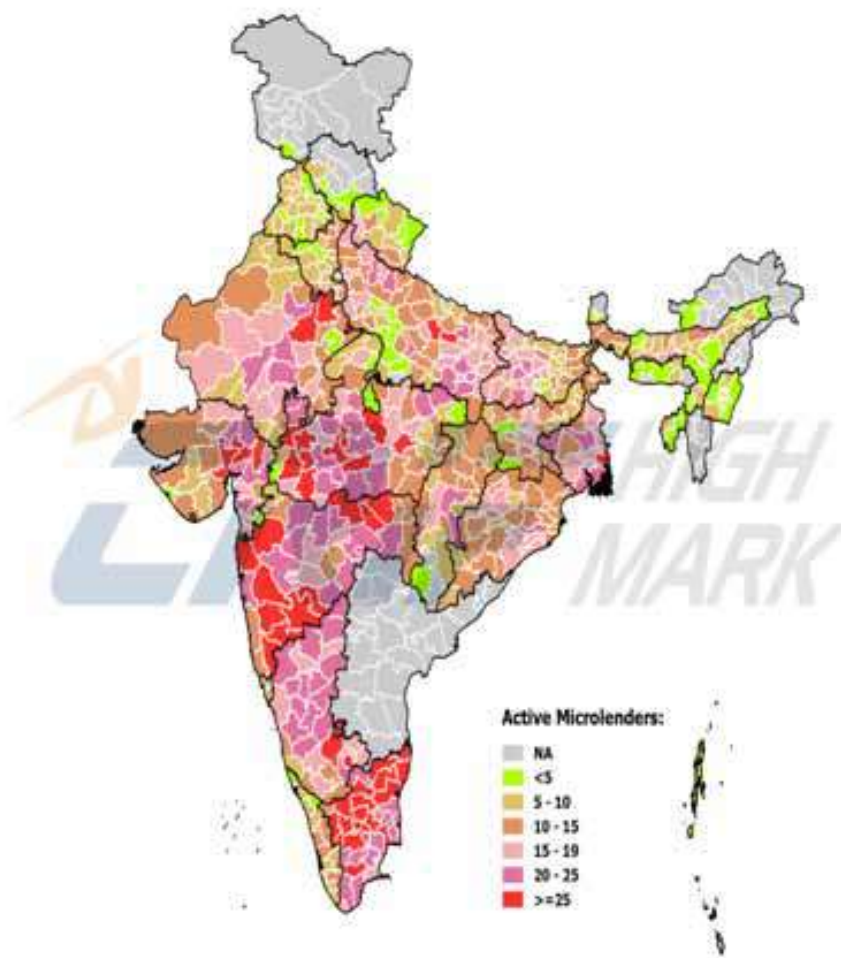
It is evident that large NBFC-MFIs have a larger number of client outreach in contrast to other legal forms of MFIs. Among these, Bandhan Financial Services has the largest client outreach i.e. approximately 18% of the total client outreach of the sector. SKS, SKDRDP, Janalakshmi are the other major players in this area.

Figure 2.7: Top 10 MFIs with Client Outreach as of March 2015



Over the years, the entries in the Top 10 MFIs in terms of outreach have remained more or less unchanged. This year the only new entrant to top ten is Grameen Koota which came in place of Asmitha. Interestingly, SKDRDP and CASHPOR remain the only non-NBFC MFIs with a large client outreach. Other than legal form, factors like availability of funds, business plan, regulatory environment etc also determine the scale of operation and client outreach. Among the top ten, it is observed that two MFIs added a clientele of 9 lakhs each representing a growth of 64 and 69 percent respectively. It would not be inappropriate for MFIs to tread on the side of caution in this aspect of higher than average growth.

Active Micro-lenders²



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2.4 Loan Portfolio of MFIs

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

As of March 2015, the total loan portfolio of MFIs has reached an all time high of over ₹48882 which is a 46.89% growth over last year crore that also includes a managed portfolio of nearly ₹9854 crore. The net

² Source: CRIF Highmark

loan portfolio or owned portfolio on the books of the MFIs stood at ₹39028 crore, which is an increase of 33% over the last year. The share of NBFC-MFIs stood at 88%, followed by Societies and Trusts at 9%. Nearly 85% of the portfolio is held by MFIs with a portfolio size above ₹500 crore.

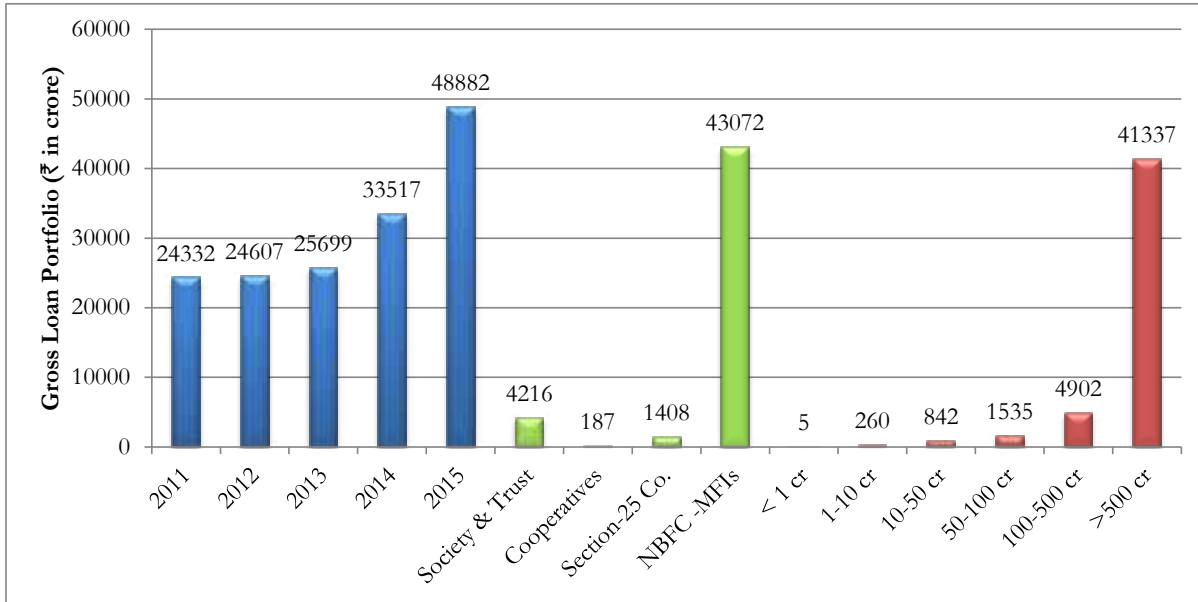
List of top 10 MFIs in terms of loan portfolio is indicated in Table 2.4. Even in this list Grameen Koota is the new entrant in place of Asmitha. Among the top 10, two MFIs have posted a growth of over 102 % in loan portfolio and one over 82 %. These growth rates should certainly ring cautionary alarm bells among the well-wishers of the sector.

Top ten contribute to ₹34,298 cr. which is (70%) of the total sector.

Table 2.4: List of Top MFIs with Loan Portfolio as of March 2015

S.No	Name of MFI	Gross Loan Portfolio (₹ in crore)
1	Bandhan	9524
2	SKS	4155
3	Janalakshmi	3774
4	SKDRDP	3570
5	Ujjivan	3274
6	Spandana	2665
7	Equitas	2144
8	Satin Creditcare	2141
9	Share Microfin	1603
10	Grameen Koota	1447

Figure 2.8: Gross Loan Portfolio – Yearly Trend and Category-wise Breakup of 2015



2.4.1 Rural – Urban Share of Gross Loan Portfolio

Figure 2.9: Percentage of Rural - Urban Share of Gross Loan Portfolio

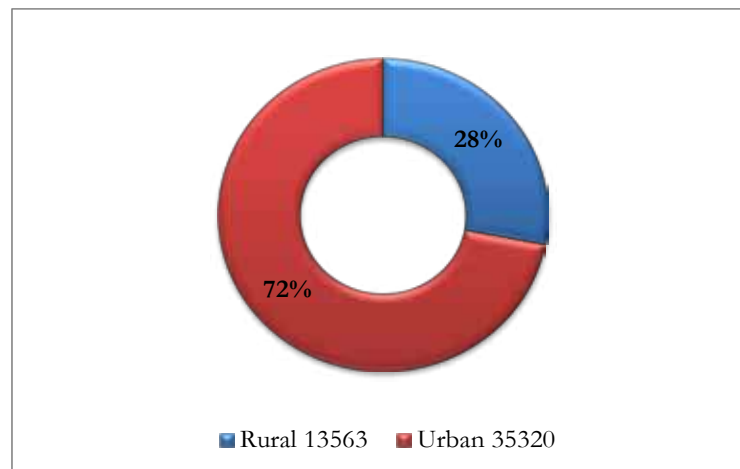
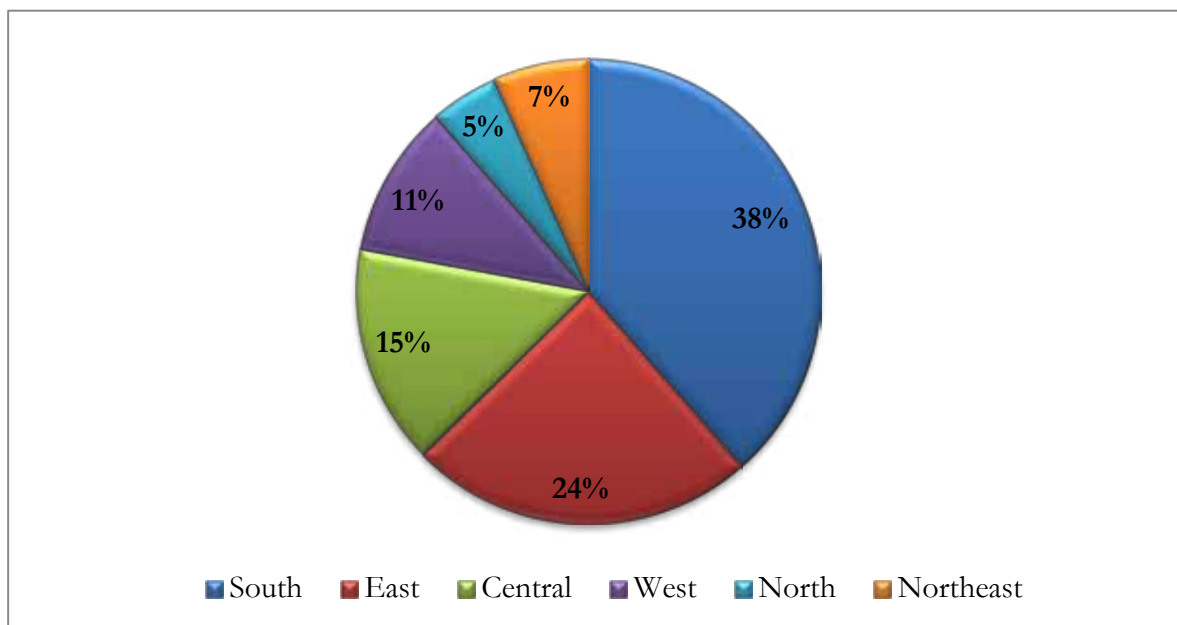


Figure 2.9 indicates that the Gross Loan Portfolio in Urban areas is ₹35320 crore which constitute 72% whereas the share of Rural areas is ₹13563 crore which constitutes 28%

2.4.2 Regional Spread of Loan Portfolio

Among the regions, South still dominates the overall loan portfolio outstanding of MFIs with 39% followed by East with 24%. Central and West have 15% and 11% respectively. While Northeast and North have least portfolio share of 7% and 5% respectively.

Figure 2.10: Region wise Loan Portfolio



All regions have experienced an upward trend in loan portfolio outstanding. Highest growth is visible in Central with 65% followed by East and Northeast with 54% each. West, and South have grown at 49%, and 36% respectively while North has grown least with 25%.

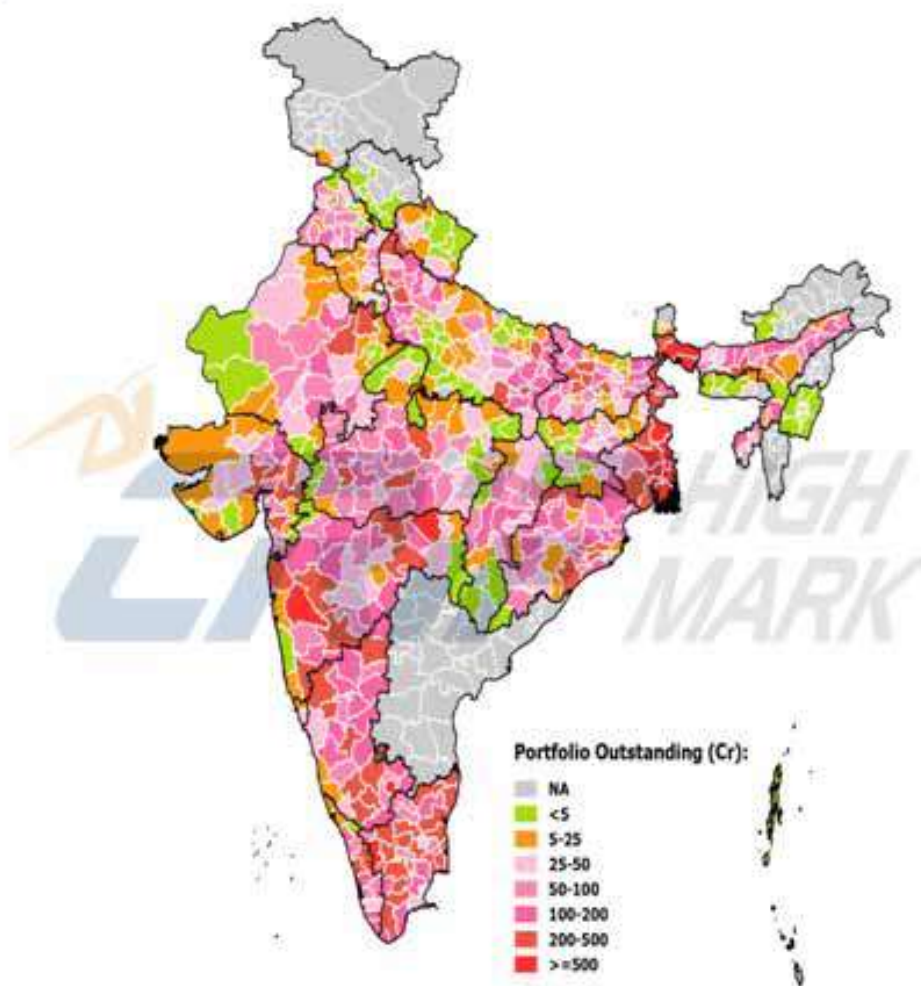
2.4.3 Loan Portfolio Across States

State-wise loan portfolio outstanding as shown in Table 2.5, indicates that States like, Himachal Pradesh, Jammu & Kashmir, Pondicherry, Punjab and Haryana have substantially increased their portfolio size during 2014 -15 compared to the previous year. In Andhra Pradesh (including Telangana), Andaman, Nagaland, Mizoram and Delhi the portfolio have shrunk as major MFIs are still cleaning up and consolidating their portfolios. However the decline in 2015 is relatively smaller than the decline in 2014.

Table 2.5: Loan Portfolio Outstanding Across States/UTs – 2014 & 2015 (decreasing order)

States/UTs	2015	2014	Growth (%)
Karnataka	8127	5934	37%
Tamil Nadu	6091	3656	67%
West Bengal	6087	4078	49%
Uttar Pradesh	3977	2526	57%
Maharashtra	3855	2757	40%
Andhra Pradesh	3287	3368	-2%
Bihar	3076	1669	84%
Madhya Pradesh	2603	1470	77%
Assam	2285	1370	67%
Odisha	1985	1389	43%
Gujarat	1355	739	83%
Kerala	1222	749	63%
Rajasthan	958	648	48%
Jharkhand	643	376	71%
Chhattisgarh	507	337	50%
Tripura	505	312	62%
Punjab	471	195	142%
Haryana	446	220	103%
Delhi	422	789	-46%
Uttarakhand	381	202	89%
Mizoram	169	180	-6%
Manipur	158	147	8%
Pondicherry	97	39	149%
Meghalaya	57	44	32%
Arunachal Pradesh	51	43	19%
Sikkim	26	15	74%
Goa	16	13	17%
Chandigarh	8	5	46%
Himachal Pradesh	8	1	930%
Dadra & Nagar Haveli	3	2	43%
Nagaland	3	4	-30%
Jammu & Kashmir	3	1	266%
Andaman	0.59	1.06	-44%
Total	48882	33279	

District wise Penetration of Portfolio Outstanding of MFIs³



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Note: The Analysis excludes data for Andhra Pradesh and the newly formed state of Telangana.

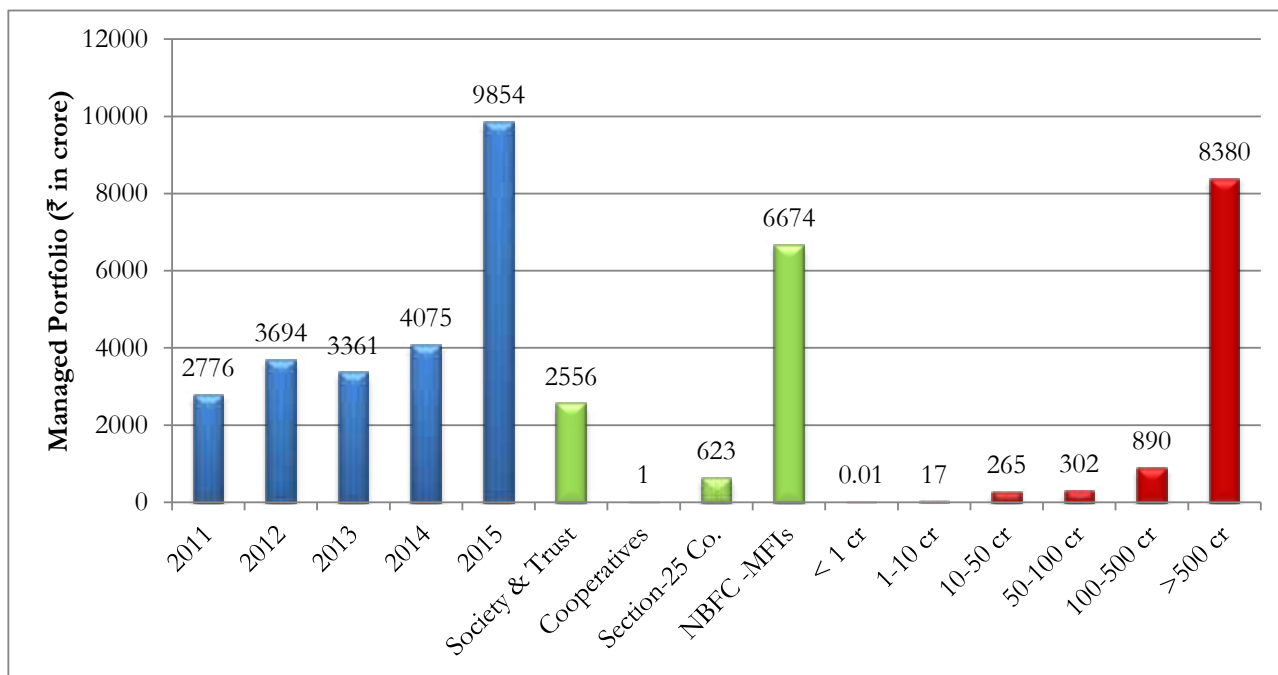
2.4.4 Managed Portfolio

MFIs have become increasingly prudent to use financial innovations to enhance their income and reduce risk. Securitization model was devised for the purpose of overcoming capital constraints. Under the guidelines of RBI, MFIs are required to maintain capital to the extent of at least 15% of their risk-weighted assets. In order to avoid further capital requirements on the mounting loan assets, they tend to sell a part of the portfolio to banks/FIs. They, however, continue to manage them, on behalf of the purchasing bank/FI and get fee income from these banks. On the other hand, the model of securitization has helped banks to meet Priority Sector lending targets as these loans on the books of the banks would qualify under 18% requirement of agriculture credit.

³ Source: CRIF Highmark

Indian MFIs have collectively managed a portfolio worth of nearly ₹9854 crore as of March 2015. This represents a growth of nearly 141 % over previous year, indicating an increasing preference of MFIs for this route. The distribution of the portfolio among different categories of MFIs is also displayed in the chart below.

Figure 2.11: Managed Loan Portfolio – Yearly Trend and Category-wise Breakup of 2014-15

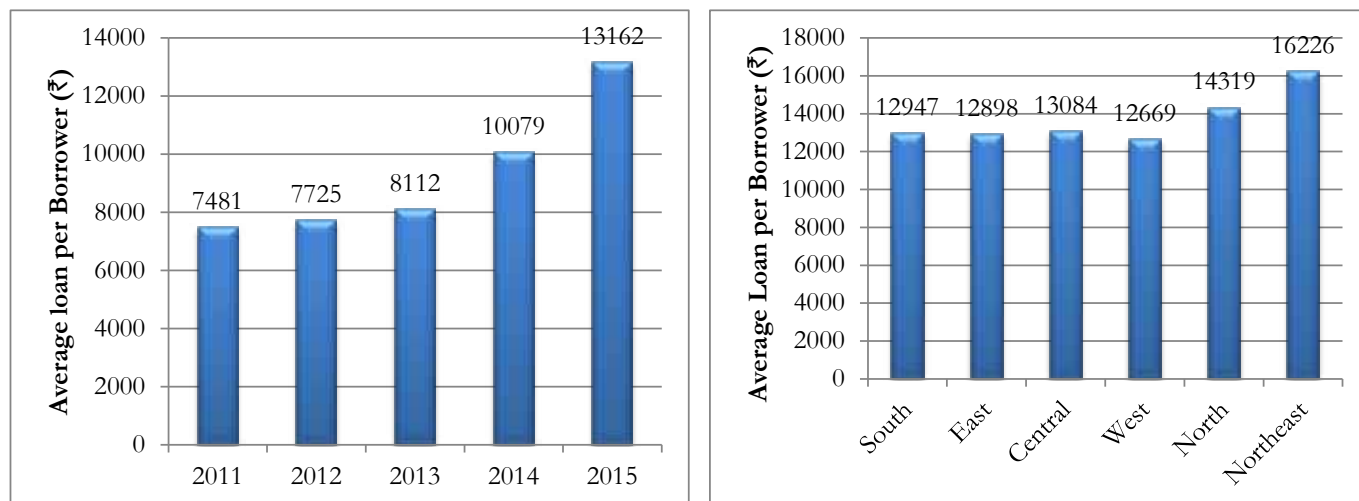


2.4.5 Loan Outstanding per Borrower

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

Average loan for the year stood at nearly ₹13162 which is a big leap of 31% over the previous year. Average loan size in Northeast is reported close to ₹16226 followed by North at ₹14319. It appears that loan size is marginally larger in North east as the economic activities in this region require higher outlays due to the hilly terrain.

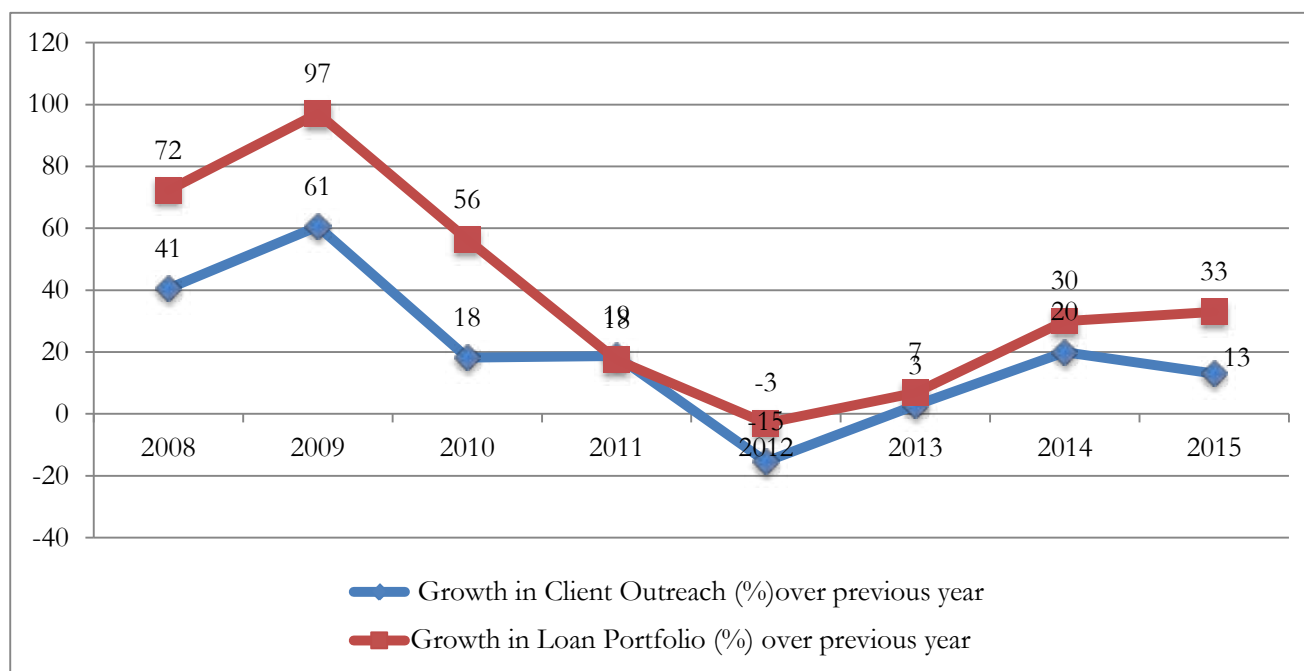
Figure 2.12: Loan Outstanding per Borrower - Yearly Trend and Across Region



2.4.6 Trends in Outreach and Outstanding Portfolio

Growth in outreach and loan portfolio has fluctuated year on year and reached its lowest level in 2012, owing to AP crisis and consequent drop in commercial funding to MFIs. In 2013, however, the reverse trend started and continued in 2014 thanks to resumption of bank funding to MFIs. This upward growth is maintained in 2015 as well.

Figure 2.13: Growth Fluctuations in Outreach and Loan Outstanding over the Years



A correlation between outreach and outstanding loan growth over the previous year is well established. Growth of MFIs which had slowed down during 2010-12 has observed a positive trend thereafter.

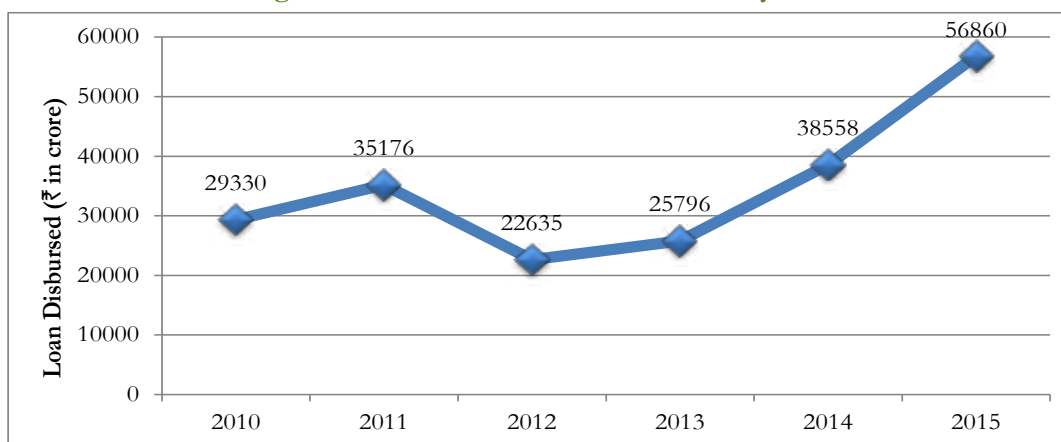
2.5 Loan Disbursement

Loan disbursement is a factor of funds received by the MFIs from lenders, primarily the commercial banks. Loan disbursement in during 2010-11 was higher⁴ on account of large size sanctions made by the banks to the MFIs before the crisis hit in Andhra Pradesh. Subsequent years witnessed a sharp fall in disbursement as fund flow to the sector was severely constrained. Disbursement by MFIs in recent years indicates a positive trend since 2012-13. Loan disbursement increased by ₹21302 crore during 2014-15 over the previous year accounting for a 55% increase.

List of Top 10 MFIs disbursing loan during 2014-15 is given in Figure 2.17

⁴ No. of MFIs reported in 2010 - 11 was much higher than other years (184 MFIs)

Figure 2.14: Loan Disbursement over the years



2.5.1 Loan Disbursement - States/UTs and Regional Pattern

Table 2.6: Loan Disbursement Across States/UTs in 2014-15

Name of the States/UTs	Loan Disbursed (₹ in crore)
West Bengal	9449
Karnataka	9284
Tamil Nadu	6943
Uttar Pradesh	5140
Maharashtra	4985
Bihar	4675
Madhya Pradesh	3530
Assam	3044
Odisha	2869
Gujarat	1620
Kerala	1467
Rajasthan	1299
Jharkhand	941
Tripura	757
Chhattisgarh	736
Punjab	625
Haryana	592
Delhi	541
Uttarakhand	511
Andhra Pradesh (Telangana included)	318
Pondicherry	127
Manipur	122
Mizoram	97
Meghalaya	73
Sikkim	36
Arunachal Pradesh	27
Goa	18
Chandigarh	10
Himachal Pradesh	10
Dadra and Nagar Haveli	5
Nagaland	4
Jammu & Kashmir	3
Andaman & Nicobar	1
Total	59860

Table 2.6 depicts that West Bengal disbursed ₹9449 crore during FY 2014-15, holding top position in terms of loan amount disbursed. Karnataka occupied second position with ₹9284 crore disbursement, followed by Tamil Nadu with ₹6943 crore and Uttar Pradesh with ₹5140.

Year 2014-15 has experienced a remarkable growth in MFI loan disbursement in all regions. Among all regions, the Eastern and Southern regions have the largest shares of loan disbursements (30% each); the same trend was followed in year 2012-13 and 2013-14 also.

Figure 2.15: Regional Pattern of Loan Disbursement

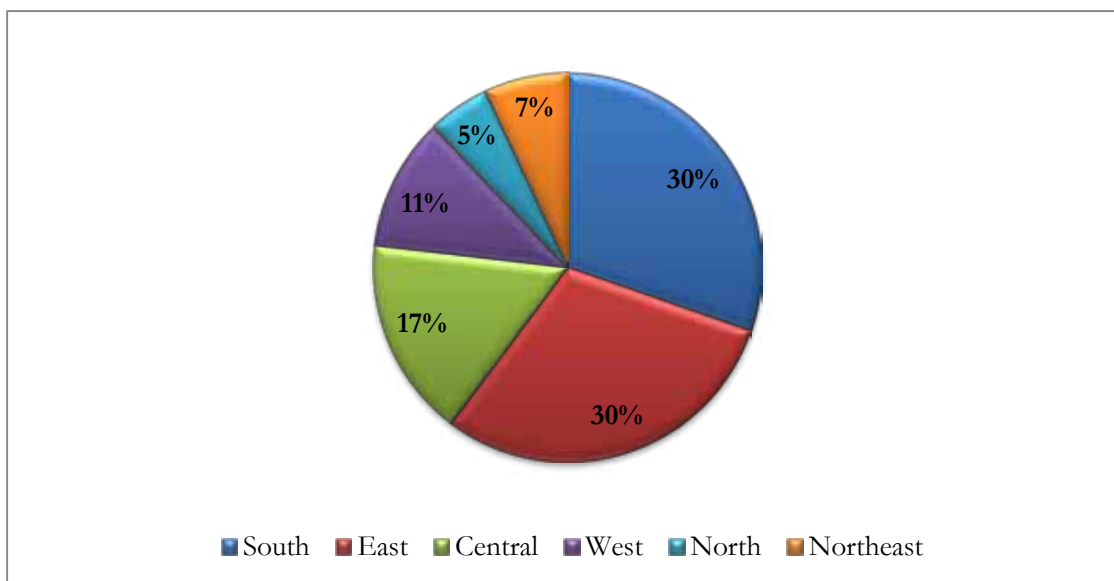
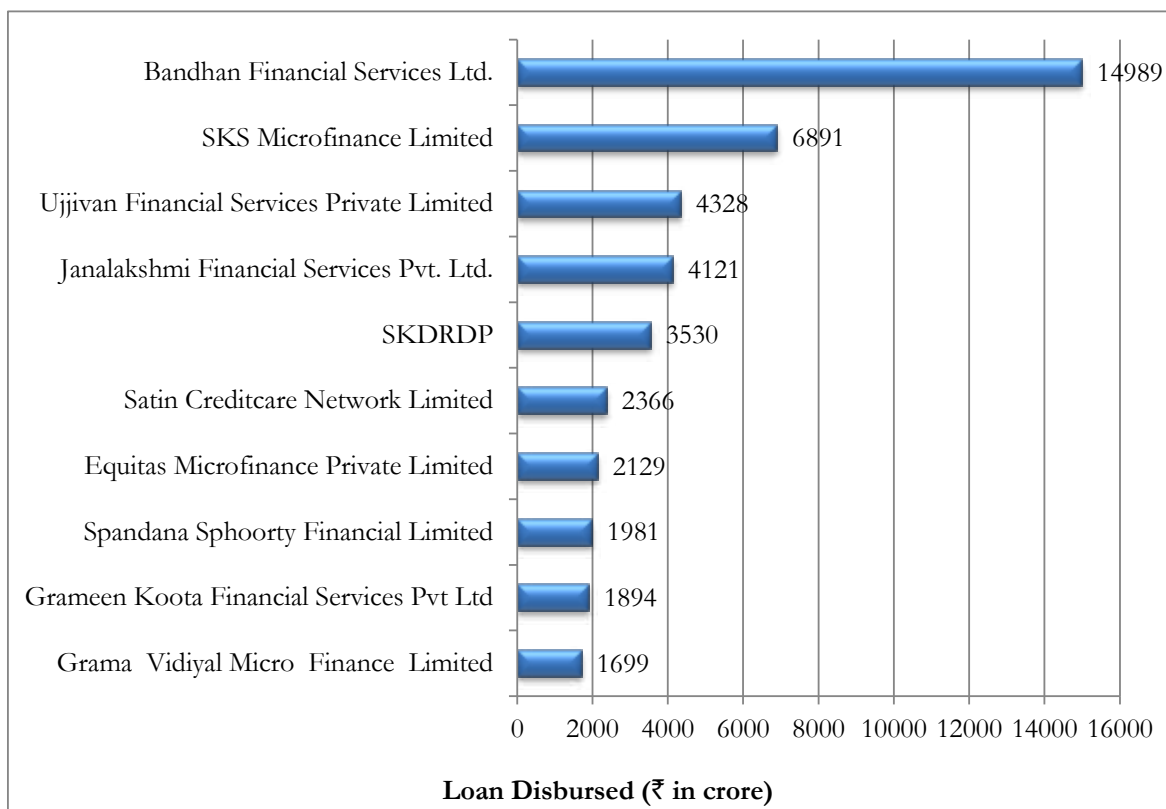


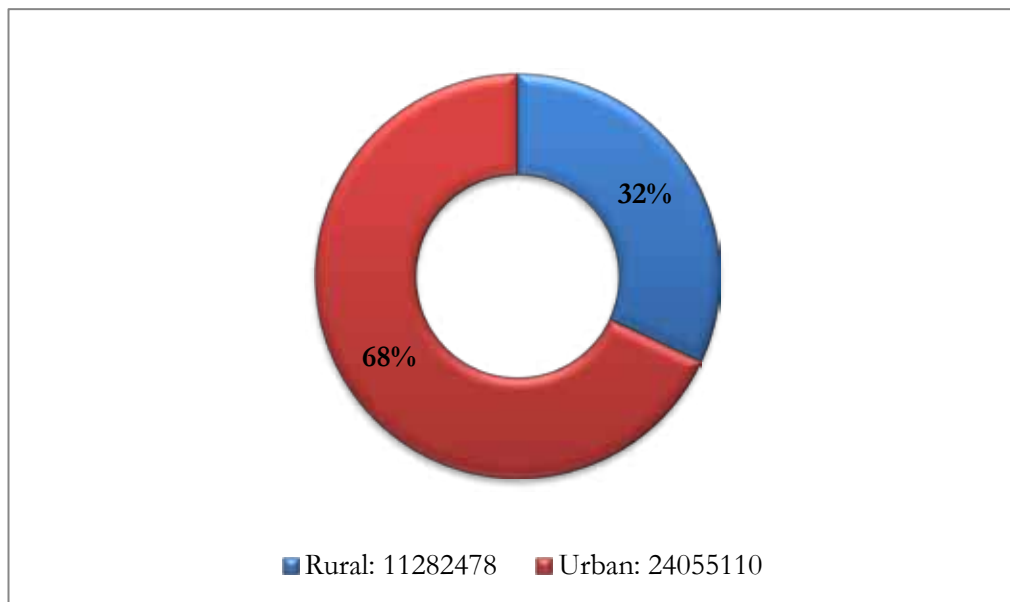
Figure 2.16: Top 10 MFIs Disbursing Loan During 2014-15



2.5.2 Rural – Urban Share of No. of Loans Disbursed

Figure 2.17 depicts that 11282478 No. of Loans had been disbursed in Rural areas which constitute 32% of total, whereas 24055110 No. of Loans had been disbursed in Urban areas which constitutes 68%.

Figure 2.17: Percentage of Rural - Urban Share of No. of Loan Disbursed



2.5.3 Per Account Loan Disbursed

Table 2.7 shows that overall per account loan disbursed is ₹16939. In rural areas per account loan disbursed is ₹16212 whereas in urban areas per account loan disbursed is ₹16887.

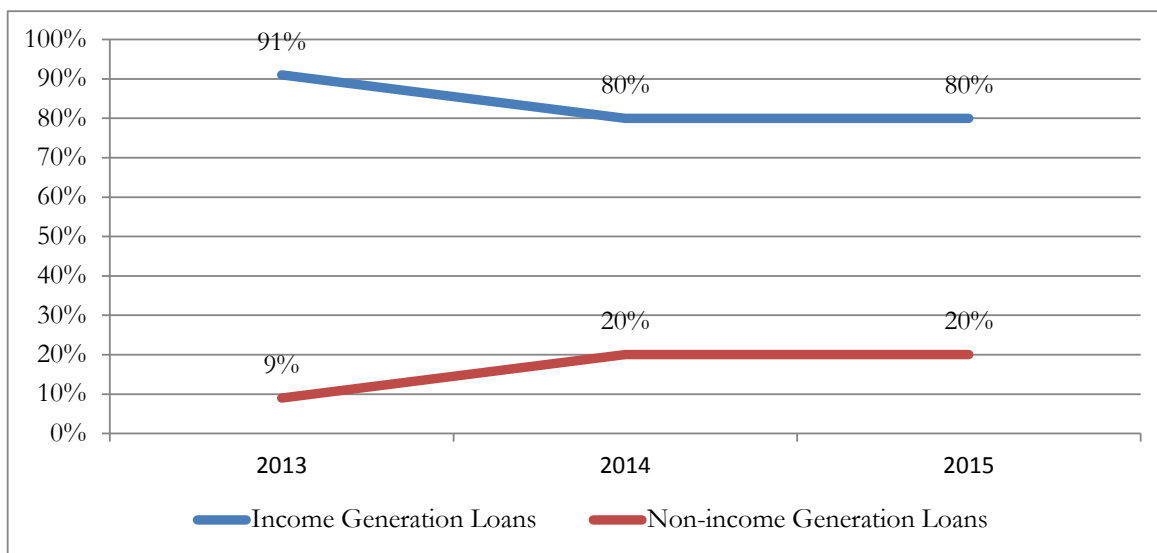
Table 2.7: Amount Disbursed per Account During the year 2014-15

	Amount (₹) of Loan Disbursed	No. Loan of Disbursed	Amount disbursed per account (₹)
Rural	182907756656	11282478	16212
Urban	406211248200	24055110	16887
Total	598595137606	35337588	16939

2.5.3 Purpose of Loan

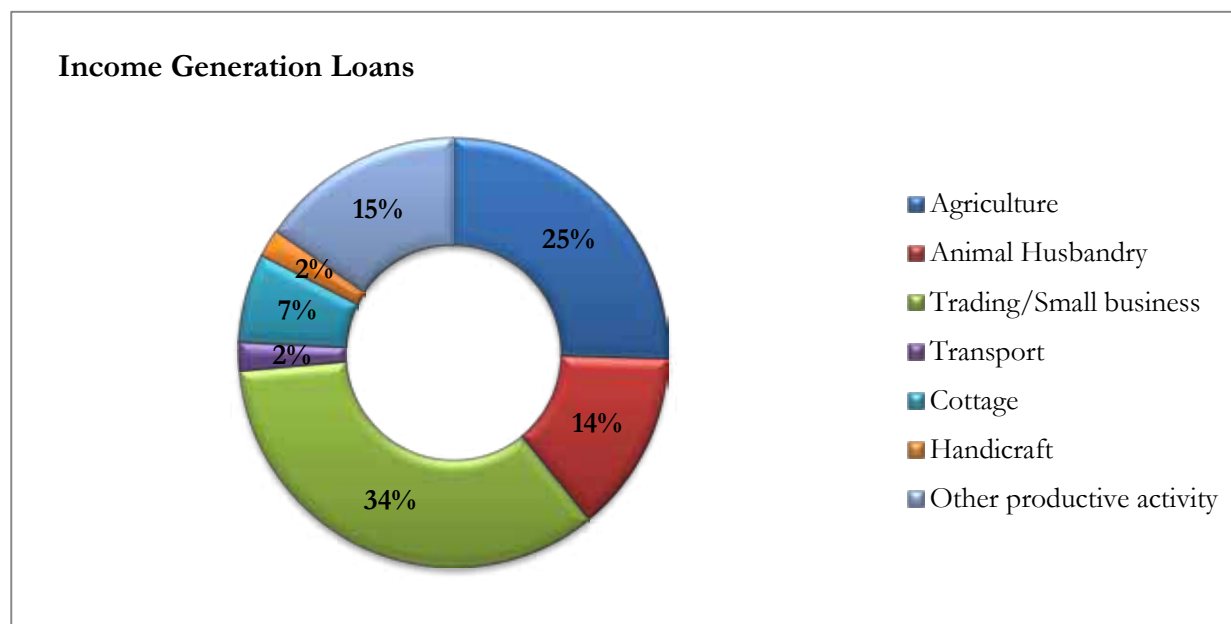
Traditionally, MFIs have been lending for both consumption and productive purposes. It is believed that poor people use their loans for their emergency and consumption needs more than for livelihoods. In 2011, RBI regulation stipulated that a minimum of 70% of the MFI loans are to be deployed for income generating activities. Analysis of the loan portfolio held by reporting MFIs for 2013-14 and 2014-15 shows that the proportion of income generation loan to non income generation loan is 80:20. Loan usage under different sub sectors is presented in Figure 2.18 for both income generation and non income generation loans. Agriculture and trading are major sub-sectors where income generation loans are deployed. Non income generation loans are used for consumption, housing, education, water & sanitation, health etc.

Figure 2.18: Share of Income Generation Loans and Non Income Generation Loans



2.5.3.1 Income Generation Loans

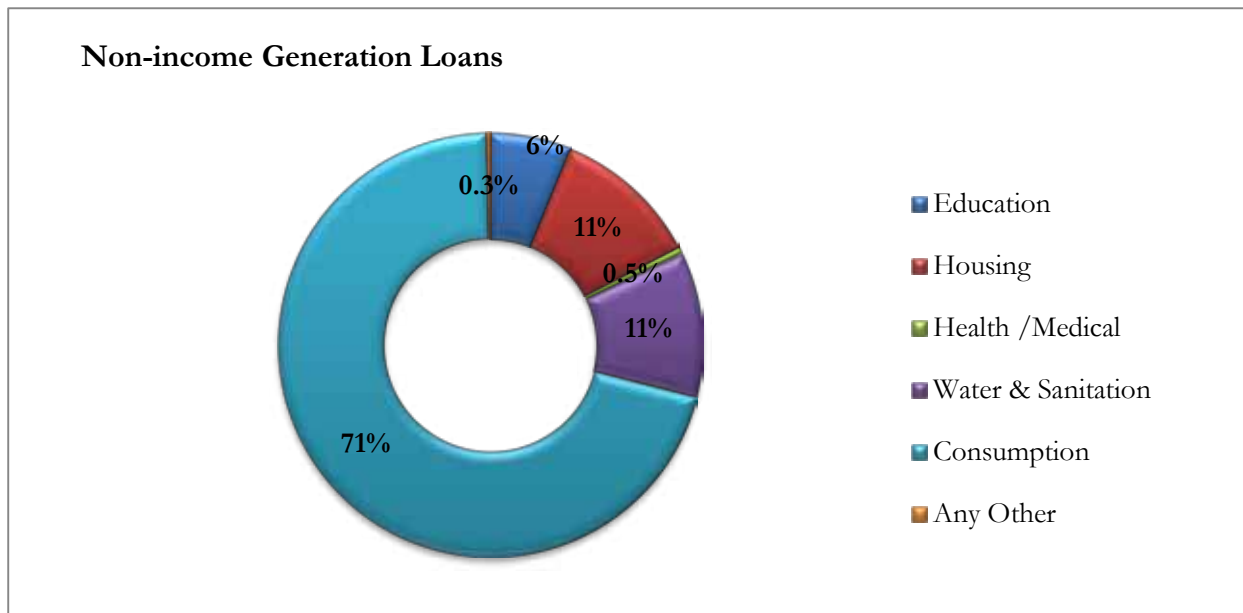
Figure 2.19: Share of MFIs Income Generation Loans under Different Sub-sectors as of March 2015



Purpose of MFIs' loans has assumed significant importance after the RBI regulation which stipulates that aggregate amount of loans, given for income generation, should not be less than 50 per cent of the total loans given by the MFIs. An analysis of the loan portfolio held by reporting MFIs under different sub-sectors is portrayed in Figure 2.19.

2.5.3.2 Non- Income Generation Loans

Figure 2.20: Share of MFIs Non-income Generation Loans under Different Sub-sectors as of March 2015



The Figure 2.20 confirms that among the non-income generation loans, consumption loans are predominant with 71%. Housing stands second which is very encouraging.

Box 2.2: Impact of Poorest State Inclusive Growth (PSIG) Programme

UK's Department for International Development (DFID) partnered with Small Industries Development Bank of India (SIDBI) to deliver an ambitious Poorest State Inclusive Growth (PSIG) Programme in 2012. This seven-year £30 m technical assistance programme aims to increase access to financial services for 12 million low income households in four poorest states of India – Uttar Pradesh, Madhya Pradesh, Bihar and Odisha. This programme is currently in its third year of operations has three distinct but interrelated outputs of working at policy, institutional and client level.

PSIG today has 31 partners largely MFIs but also include a SHPI and 3 RRBs. The programme has provided capacity building grants, soft loans, guarantees, and specialised technical assistance towards the following key pillars:

- Improving targeting of poor households (<\$1.5)
- Ensuring deeper penetration of financial services in PSIG States (underserved blocks/districts)
- Improving efficiency of operations to help reduce costs of lending
- Promoting responsible finance practices
- Mainstreaming Gender into MFI operations

In the programme we have consciously promoted transparency and responsibility among institutions by:

- Supporting independent assessments and linking capacity building with assessment results,
- Framing PSIG policies using state level studies for poverty outreach report, credit bureau reports and governance reports
- Developing integrated financial literacy modules which not only sensitise women clients on financial planning but also their rights and entitlements to demand effective services.

What we have learnt in the last few years of working intensively with MFIs is:

- Availability of funds is improving much more slowly for smaller MFIs than larger ones. – at least 13 of our partners have reported more than 25% increase in their funds availability. This has been largely on account of PSIG support.
- BC lending model has become a regular and reliable source of funding for Tier 2 and 3 MFIs. This however could change with new guidelines permitting NBFCs to become BCs of the banks.
- 22 out of 28 partners have gone through external assessments of their portfolio and systems with PSIG support. These assessments reflect reasonable to good scores with support required largely to strengthen their risk management systems.
- Most MFIs are reporting to credit bureau and have integrated credit bureau check in their loan appraisal systems. Eight PSIG MFI partners have started reporting to credit bureau for the first time with support from the project. However quality of data reported to credit bureau remains a challenge.
- Less than 2%¹ of the MFI clients had more than two loans in the four states- reflecting good compliance to RBI guidelines. Average borrowing from another MFI as a percentage of enquiries varies from 23% in Bihar to 36% in Odisha.
- MFIs have deeper poverty penetration in urban areas with higher than state averages, whereas poverty penetration in rural areas reflects state averages. Poverty penetration in rural areas needs to be improved.
- Key findings from evaluation baseline study²:
 - MFI client retention rate is around 75%
 - 48% of MFI clients belong to excluded communities (SC, ST and minorities)
 - 56% of MFI loans are for non-farm enterprises

Governance practices³ of MFIs have improved over time and show:

- 78% of MFIs studied have at least one women board member on their board.
- 88% of MFIs studied had requisite number of independent directors on their boards.

We remain concerned about improving:

- MFI penetration in poorer districts and poorer client segments (<\$1.5 PPP),
- Responsible finance practices in spirit and not in letter alone.
- Capacity of independent directors to hold management more accountable,
- Ability of small institutions to contribute meaningfully to financial inclusion,
- Working conditions for the MFI staff,
- Balanced growth rates among MFIs,
- Product offerings of MFIs for clients,
- Incentives to be “good”.

We will continue to improve our programme policies to respond to the changes. We owe it to ourselves that policy gains made over time should not be marred by another AP like crisis leaving millions of excluded families a chance of effective and efficient inclusion.

¹ Highmark State level Credit Bureau Reports, 2014.

² OPM – EDA, 2015 Baseline Report, Evaluation of Impacts of financial inclusion project of PSIG

³ Microsave, 2015 Governance Practices among MFIs in India, a study supported by PSIG.

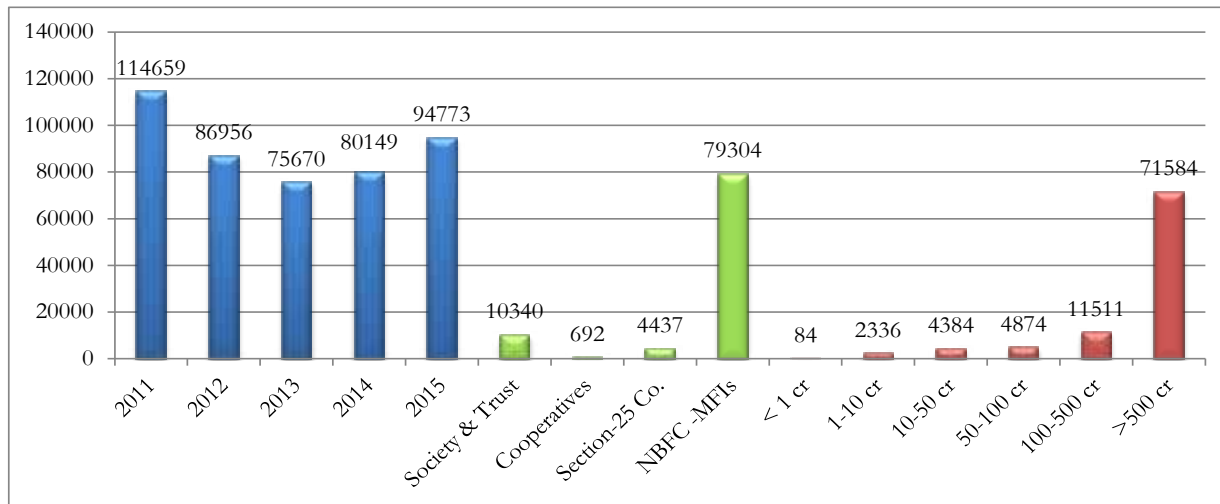
Courtesy: DFID

3.1.1 Workforce in MFIs

Microfinance services, by nature, have a close human touch with clients on the ground. Even with the advent of technology, these services still predominantly depend on human resources for ensuring effective delivery. Considering the fact that personnel costs contribute substantially to the total expenses of MFIs (i.e.23% as given in section 3.2 of this report), staff productivity plays a major role in determining their cost efficiency. Staff productivity is measured through some key indicators such as active borrowers per credit officer (ABCO), active borrowers per MFI staff, amount of loan outstanding per credit officer etc.

The MFI sector had brought down its workforce significantly from over one lakh in 2011 to just over 75000 in 2013. Thanks to an increased fund flow to the sector, MFIs increased their workforce to over 94500 in 2015 in order to support their enhanced activity. The following figure illustrates the trend and furthermore shows that NBFC–MFIs and large MFIs have major share of employees (Figure 3.1.1).

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



Sixty four per cent (64%) of total staff is field staff, working in the branches of MFIs. This is obviously because of the labour-intensive nature of the MFI operations, which involves human interaction with clients, cash handling etc. Female staff comprises of approximately 16% of the total workforce of MFIs. In FY 2014-15, female staff reduced to 16% from 19% in 2014-15 otherwise this proportion has been increasing over the years.

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

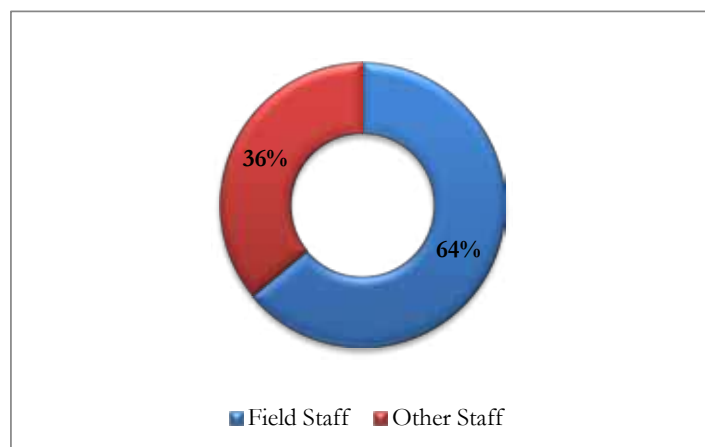
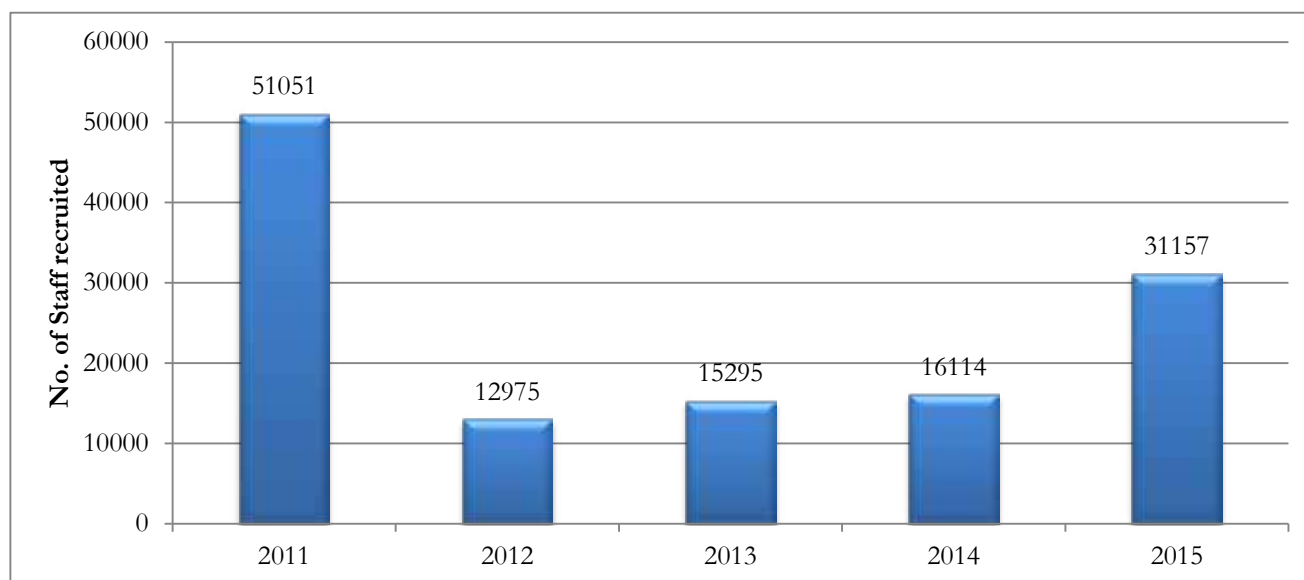


Table 3.1.1: Yearly Trend of Total Staff vs Women Staff

Year	Total Staff	Women Staff	% of Women Staff to Total Staff
2011	114659	9265	8%
2012	86956	10435	12%
2013	75670	12283	16%
2014	80149	15279	19%
2015	94773	15027	16%

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



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

Table 3.1.2: Staff Turn-over Among MFIs During 2014-15

No. of new Staff Recruited	31157
No. of Staff Left MFIs	20125
Net Gain	11032
Of the Total recruited, % recruited by NBFC- MFIs	90%
Of the Total recruited, % recruited by NGO-MFIs	10%
Of the Total staff left, % left from NBFC- MFIs	89%
Of the Total staff left, % left from NGO- MFIs	11%

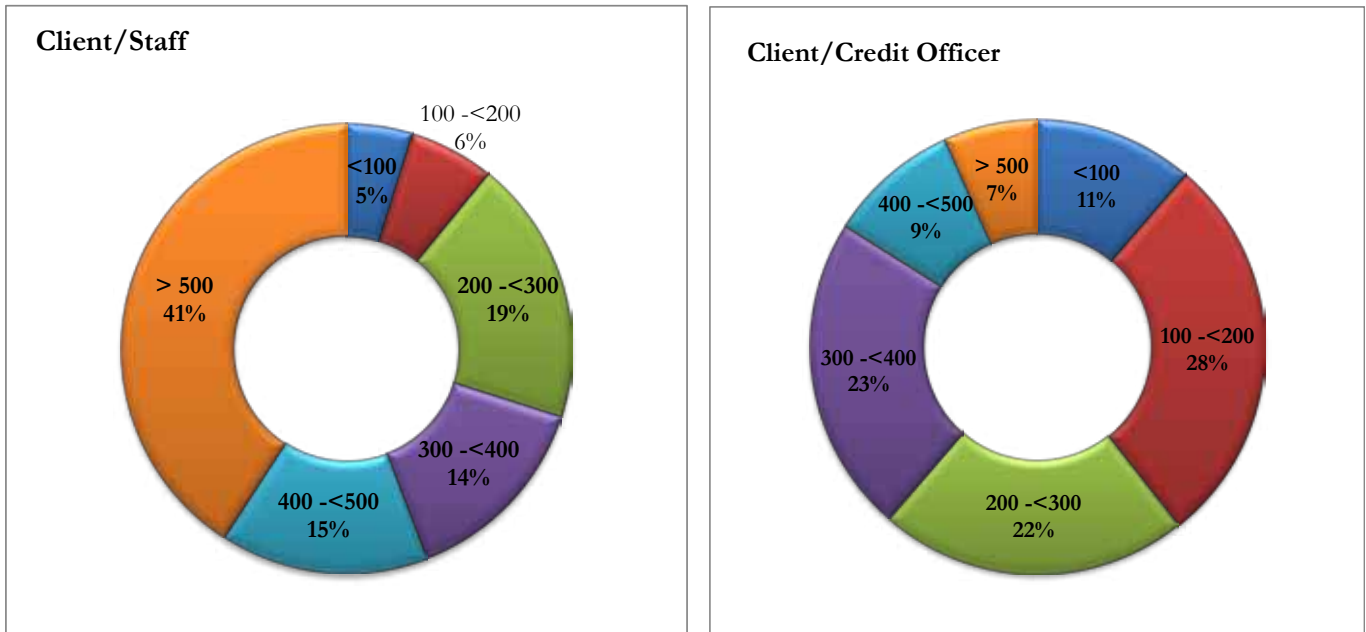
3.1.2 Staff Productivity

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

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

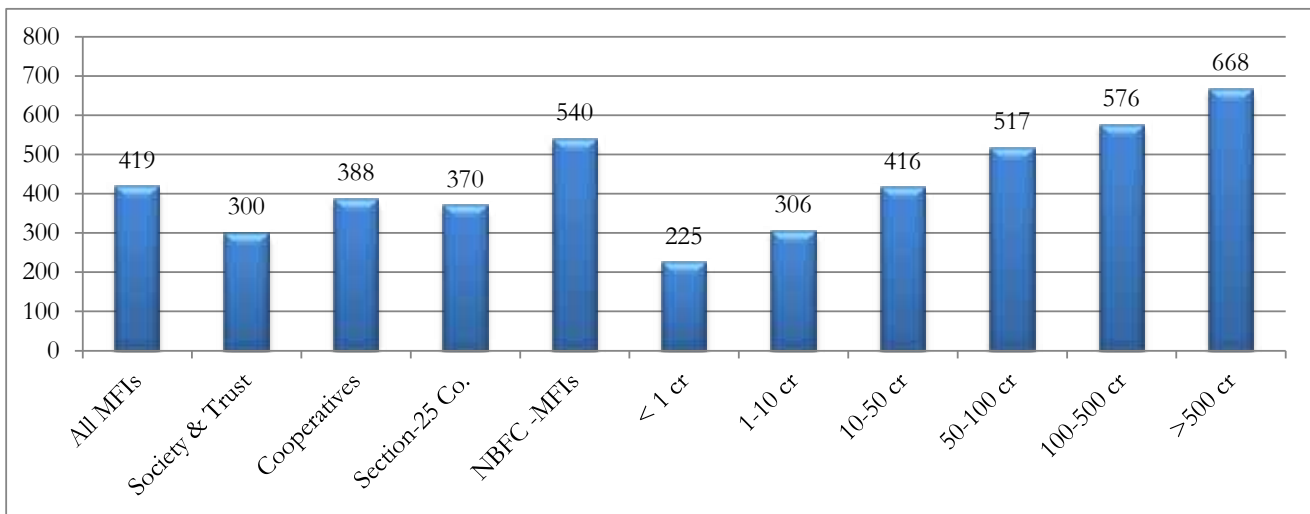
Diversity in the microfinance industry is also reflected in staff productivity levels among different MFIs. Figure 3.1.4 depicts the staff productivity ratios measured through active borrowers per staff member and ABCO. We can find that about 11% of MFIs have less than 200 borrowers per staff member, 19 % have 200-300 borrowers per staff and 70% have more than 300 borrowers per staff. Similarly for ABCO, 61 % of MFIs have ABCO less than 300 while 32% fall between 300 to 500 and 7% have ABCO above 500.

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



The Median ABCO for 2015 stands at 419 as against 510 in 2012-13. ABCO has remained high for NBFC-MFIs (540) followed by cooperatives (388). Societies and Trusts typically have lesser ABCO of 300, as most of these organisations follow the philosophy of providing financial services along with some development activities. ABCO seems to be increasing with the scale of operations. MFIs with larger scale of operations have systems and processes in place that require minimal time to be spent by credit officers at the client level.

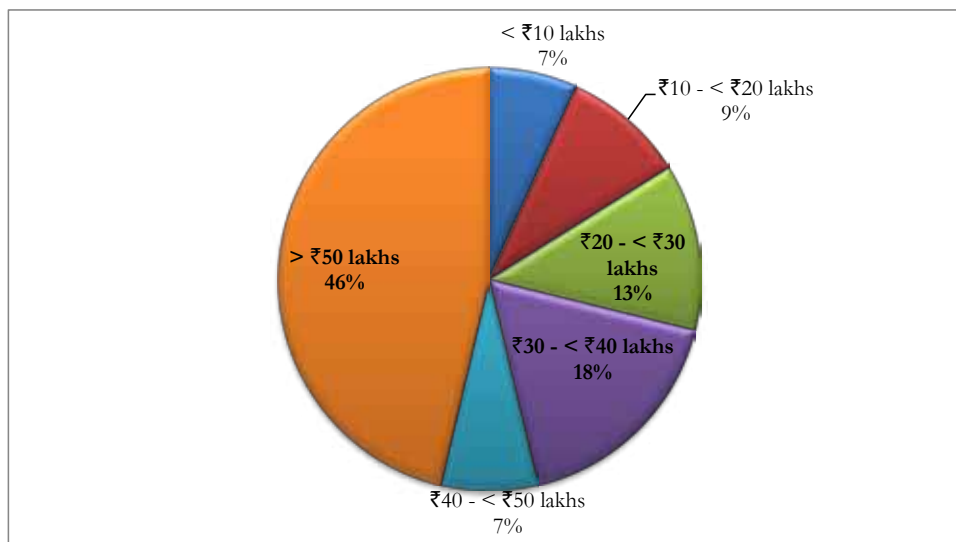
Figure 3.1.5: ABCO Across MFIs



Distribution of MFIs Based on Loan Portfolio per Credit Officer

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

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



3.1.3 Portfolio Quality

The loan portfolio is the primary income-generating asset in an MFI's balance sheet. Interest income typically constitutes over 90% of the total income of MFIs. Lending, obviously, is fraught with the inherent risk of repayment default. Therefore, maintaining a healthy loan portfolio with minimum loan default ensures the profitability and financial health of an MFI. This section presents the analysis of current performance of the loan portfolio quality as measured through Portfolio at Risk¹ (PAR 30 Days)

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

Figure 3.1.7: MFI Loan Portfolio at Risk (PAR)

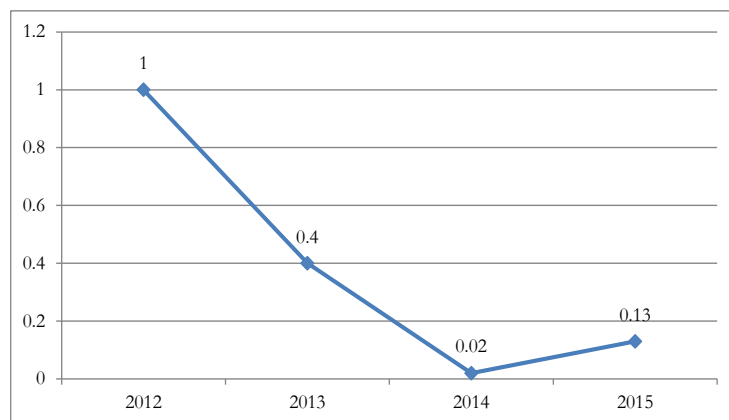
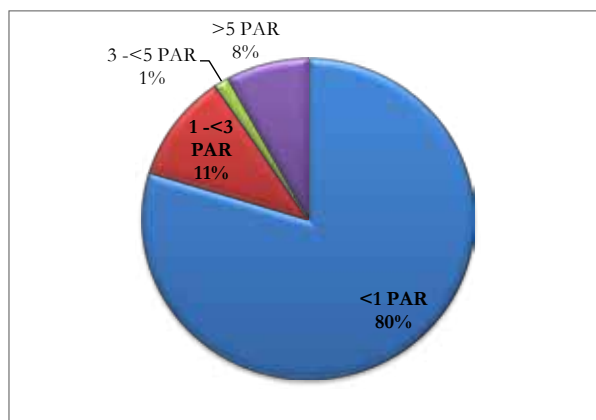


Figure 3.1.8: Distribution of MFIs Based on PAR



Distribution of MFIs as per various levels of PAR shows (Figure 3.1.8) that over 80% of MFIs have PAR <1 for 30 days and only about 8% of MFIs have a PAR of more than 5%. Approx 12% of MFIs have PAR in the range of 1-3%.

Another important indicator of portfolio quality is overdue installments beyond 180 days. The pending installment amount is ₹2860 crore as of March 2015, which is higher compared to March 2014 (₹1424 crore). The significance of this amount is that the MFIs concerned ought to make 100 % provision in the balance sheet as per RBI prudential norms.

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

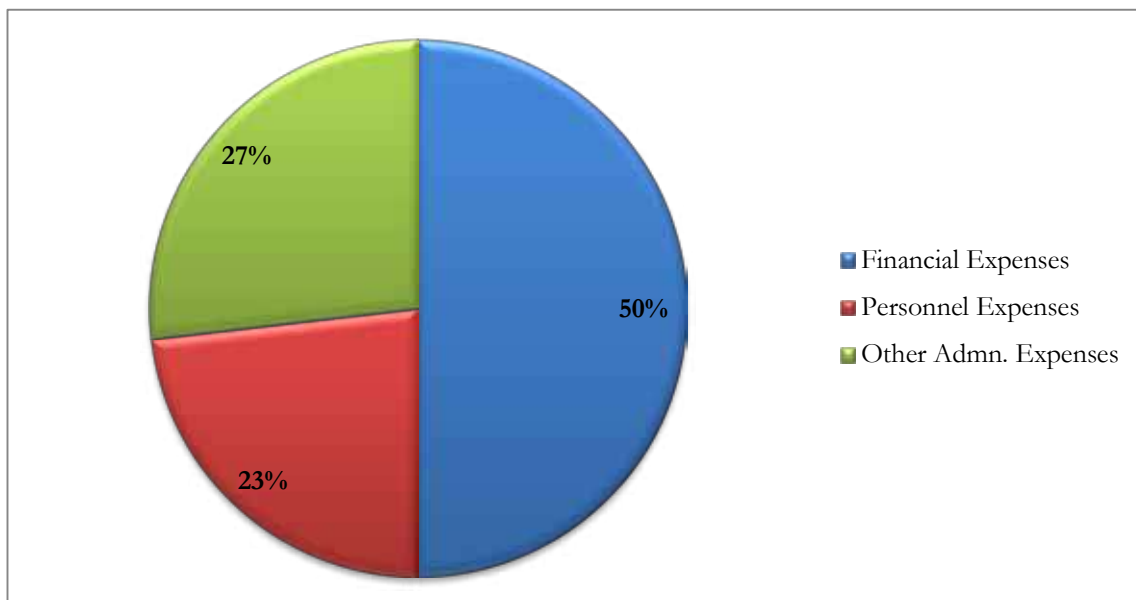
This section of the report covers the analysis of income and expenditure patterns of the microfinance sector and the sustainability of the sector through its profitability and self sufficiency. This section hence contains the analysis of operational and financial expenses, revenues/income, margin, surplus,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

3.2.1 Expenditure Analysis

During the year 2014-15, close to ₹7000 crores were reported as the total expenses on microfinance operations of the MFIs that provided data for the report. The above expenses comprise of operating expenses (personnel expenses + administrative expenses + loan loss provisions) and finance expenses (mainly interest on borrowing). This year's total expenses were approximately ₹1744 crores higher than last year on account of increase in microfinance operations. Loan loss provision expenses have come down significantly from the previous years, to ₹115 crores in 2014-15 from a high of ₹3100 crores in 2012-13. This marks a steady improvement in the overall outstanding portfolio of the sector.

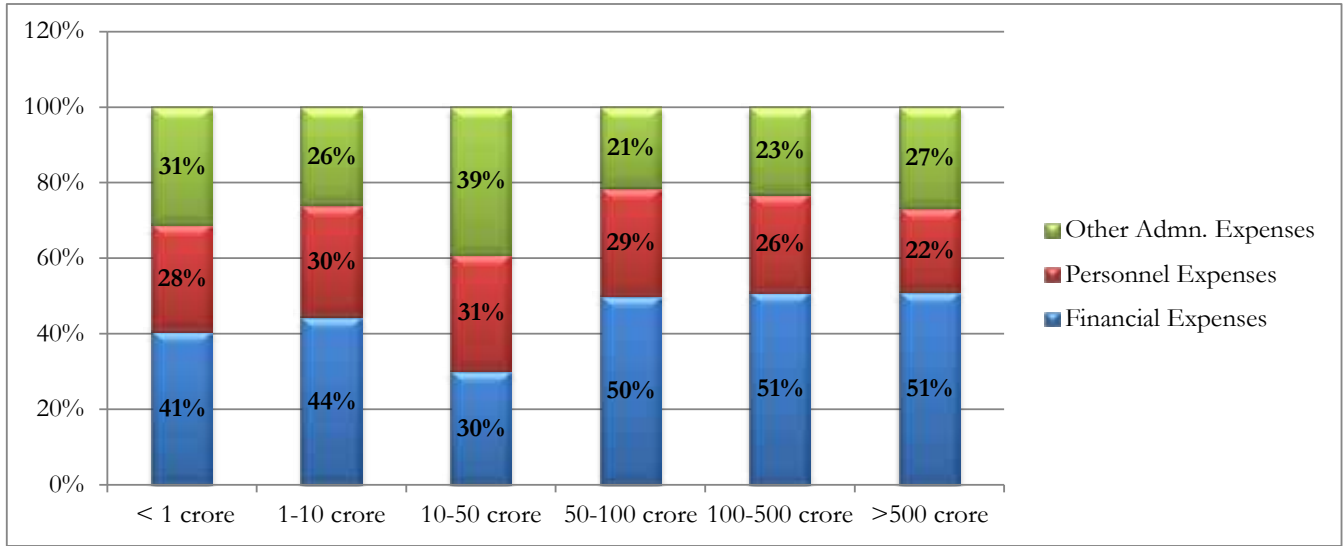
As seen in Figure 3.2.1, the total expenses incurred are evenly distributed at 50% each among finance expenses and operating expenses. The operating expenses of 50% was comprised of 23% personnel expenses and 27% other administrative expenses. As has been mentioned above, loan loss provisions for the year have come down to 3.36% of total expenditure and has been included as part of other administrative expenses.

Figure 3.2.1: Break up of Expenses by Indian MFIs



Since MFIs with an outstanding portfolio over ₹50 crores account for 98% of the total portfolio of the sector, it is understandable that they incur a major chunk of the expenditure too i.e. 98% of total financial expenses and 95% of total personnel expenses. This leaves the MFIs with portfolio less than ₹50 crores with financial expenses less than 2% and personnel expenses less than 5% of the overall expenses of the sector. This proportion of expenses is consistent with the outstanding portfolio of the MFIs.

Figure 3.2.2: Break up of Expenses by Indian MFIs Based on Portfolio Size

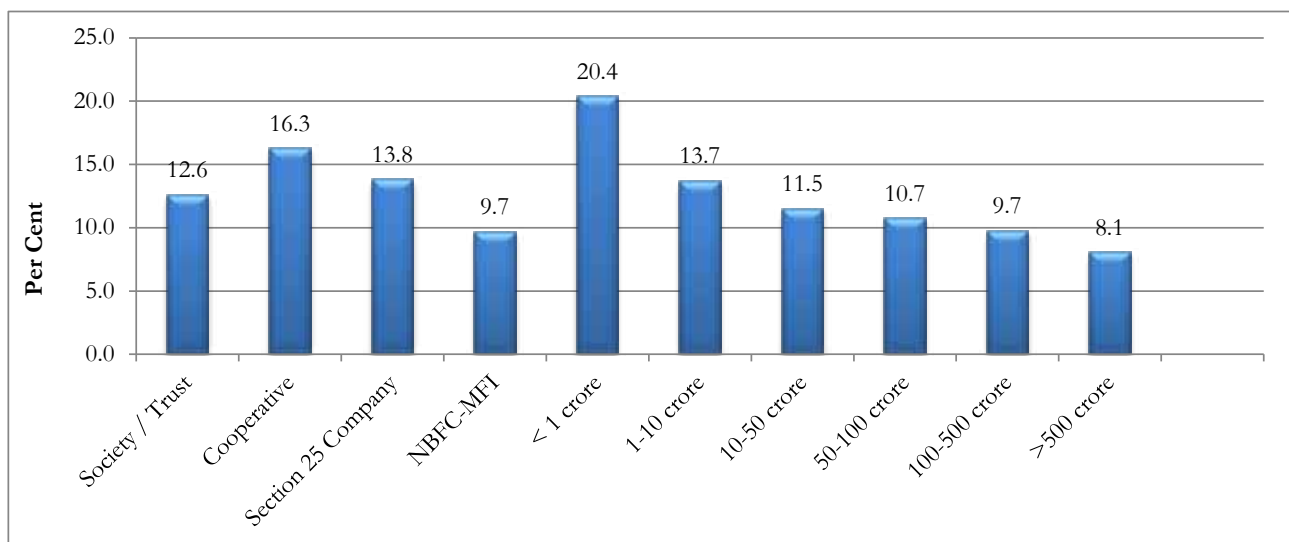


Operating Expense Ratio¹ (OER)

As seen above, operating expenses of MFIs form 50% of its total expenses. As can be seen from Figure 3.2.2 above, personnel costs make a significant contribution to the high operating costs of an MFI with about a quarter to one-third of their total expenses, except for MFIs with outstanding portfolio over ₹500 crores, where personnel expenses come down marginally to 22% of their total expenses.

The median operating expenses of the microfinance sector in 2015 is 11.45%. As can be seen in Figure 3.2.3, OER is lowest for NBFC-MFIs at 9.7%, significantly lower than the OER of Society/Trust MFIs at 12.6%. Median OER for Section 25 companies and cooperatives stand even higher at 13.8% and 16.3% respectively. In addition to the legal form, Figure 3.2.3 also shows that there is a direct correlation between OER and portfolio size. While the median OER is only 8.1% for MFIs with portfolio size of over ₹500 crores, it is at a high of 20.4% for MFIs with portfolio size of less than ₹1 crore.

Figure 3.2.3: Operating Expenditure Ratio Across MFIs



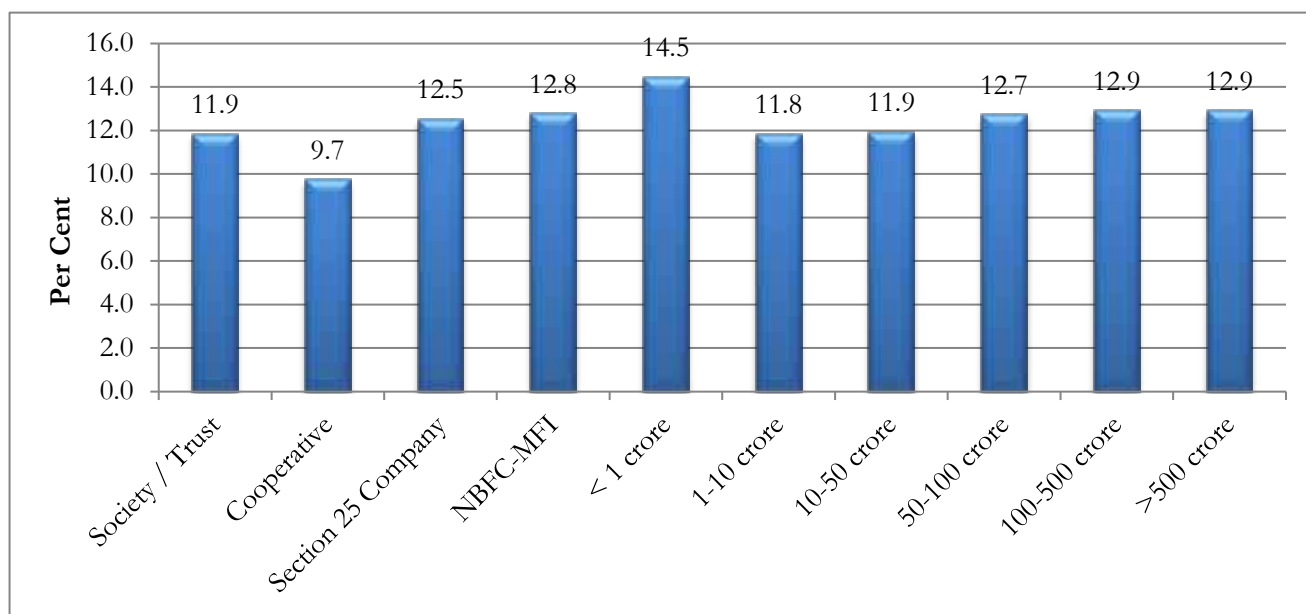
¹ Denotes ratio of all administrative and salary expenses to average loan portfolio

Finance Cost Ratio² (FCR)

As can be seen from Figure 3.2.4, NBFC-MFIs have the highest FCR among all legal forms of MFIs. Since bank loans are the major source of funds for MFIs and the rates are largely similar or within a range, FCR for most legal forms, especially those dependent mainly on bank loans, are almost similar with FCR for not for profit MFIs marginally lower than that of NBFC-MFIs. This is primarily because not for profit MFIs may have access to grants, revolving funds and subsidised loans from government sources. In case of cooperatives that mobilise deposits from its members at much lower rates, their FCR is significantly lower among all legal forms at 9.7%.

In the case of FCR and portfolio size, except for MFIs with outstanding portfolio of less than ₹1 crore, there is a clear trend of increasing FCR with increasing portfolio, though only marginally. This is due to the fact that smaller MFIs but with portfolio size higher than ₹1 crore have more access to low cost funds from NABARD, SIDBI, FWWB, RMK etc. compared to larger MFIs. However, this trend does not hold true for MFIs with portfolio size of less than ₹1 crore which have a median FCR of a significantly high 14.5%. The primary reason for this maybe that this segment of MFIs find it the most difficult to raise funds from banks and FIs due to the higher risk perception and hence end up mobilising funds at higher rates.

Figure 3.2.4: Finance Cost Ratio Across MFI Categories



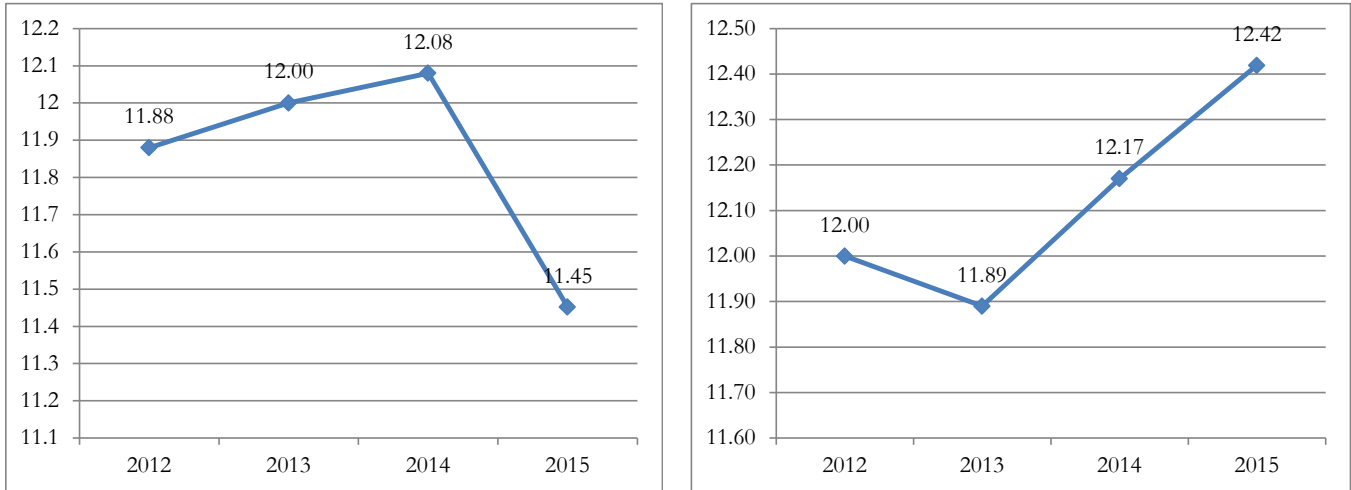
Trends of OER and FCR

OER of MFIs in 2014-15 has shown a sharp fall of over 50 basis points over the last year. In fact, while the OER had been consistently increasing for the last 3 years from 11.88% in 2011-12, to 12% in 2012-13 and 12.08% in 2013-14, OER has not only come down to 11.45% in 2014-15, it is also the lowest in the last 4 years.

FCR has been however growing consistently for the last 3 years from 11.89% in 2012-13, 12.17% in 2013-14 to 12.42% in 2014-15.

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

Figure 3.2.5: Trends of OER and FCR

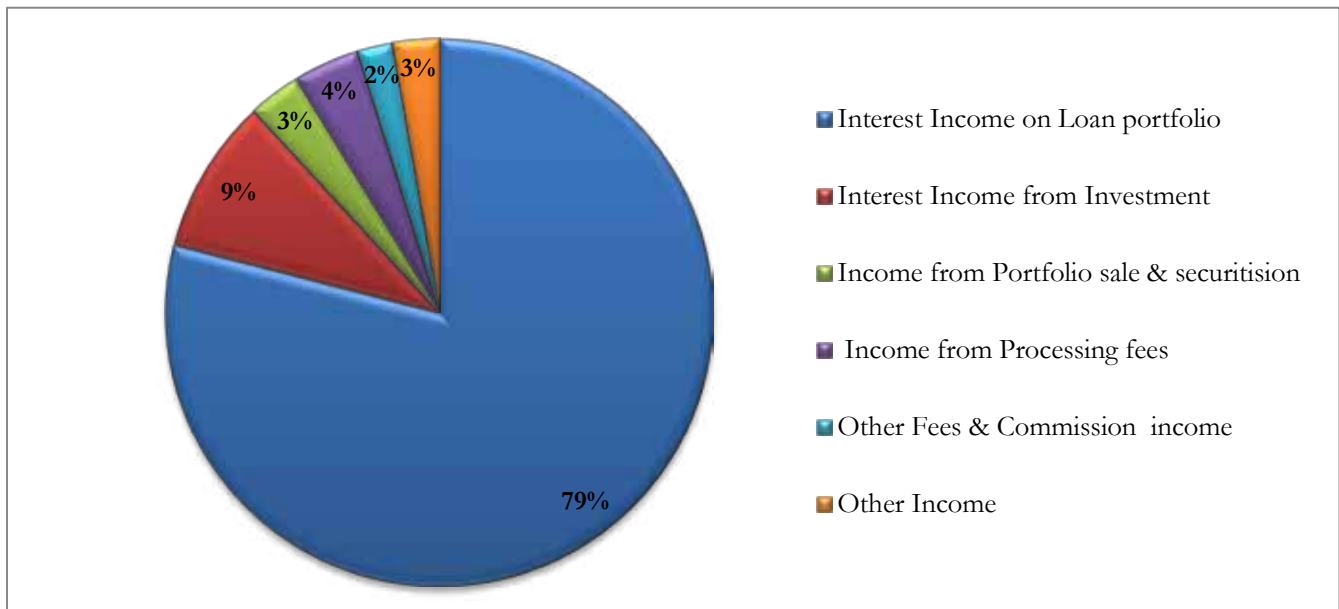


3.2.2 Income Analysis:

The total income earned by MFIs for the year 2014-15 is approximately ₹8499 crores, up from ₹6560 crores in 2013-14, a rise of nearly 30%. The median income of all legal forms of MFIs has shown an increase over the last year.

Figure 3.2.6 shows the break-up of income sources of MFIs, with 79% coming from interest on loan portfolio. The rest of the income comes from processing fees, investment income and income from sale of portfolio, other fees and commission income and other income.

Figure 3.2.6: Break-up of Income



Yield on Loan Portfolio (Financial Revenue Ratio)

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

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

Figure 3.2.7: Yield Trend of MFIs

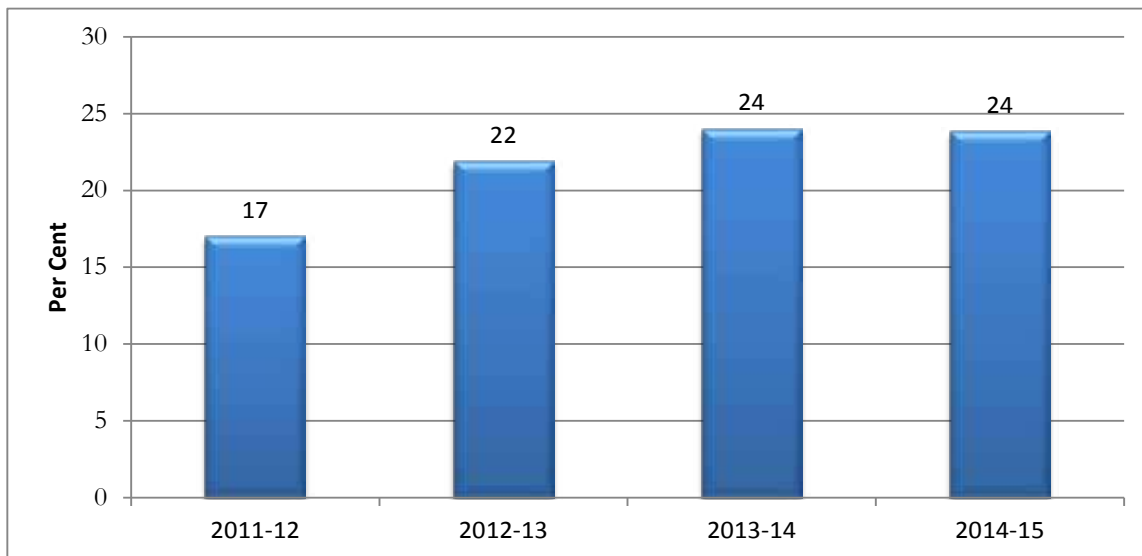
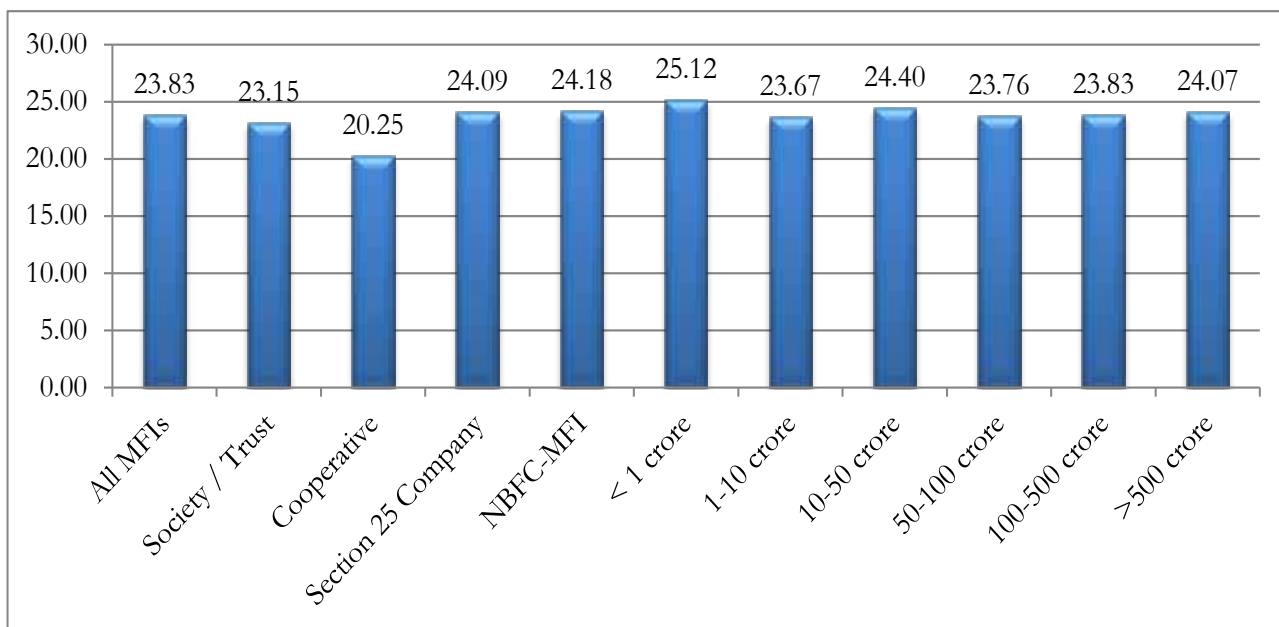


Figure 3.2.8 shows that legal form or portfolio size does not have a very major bearing on the yield on portfolio. In case of legal form, except for cooperatives, which have a yield of 20.25%, all other legal forms have a yield within a 1% range, from 23.15% for societies/trusts to 24.18% for NBFC-MFIs. Yield is also within a range for MFIs with different portfolio sizes. While yield of most MFIs fall in the range of 23.67% to 24.40%, yield is marginally higher at 25.12% for the smallest MFIs with the portfolio of less than ₹1 crore.

Figure 3.2.8: Yield on Portfolio Across MFIs



3.2.3 Margin³

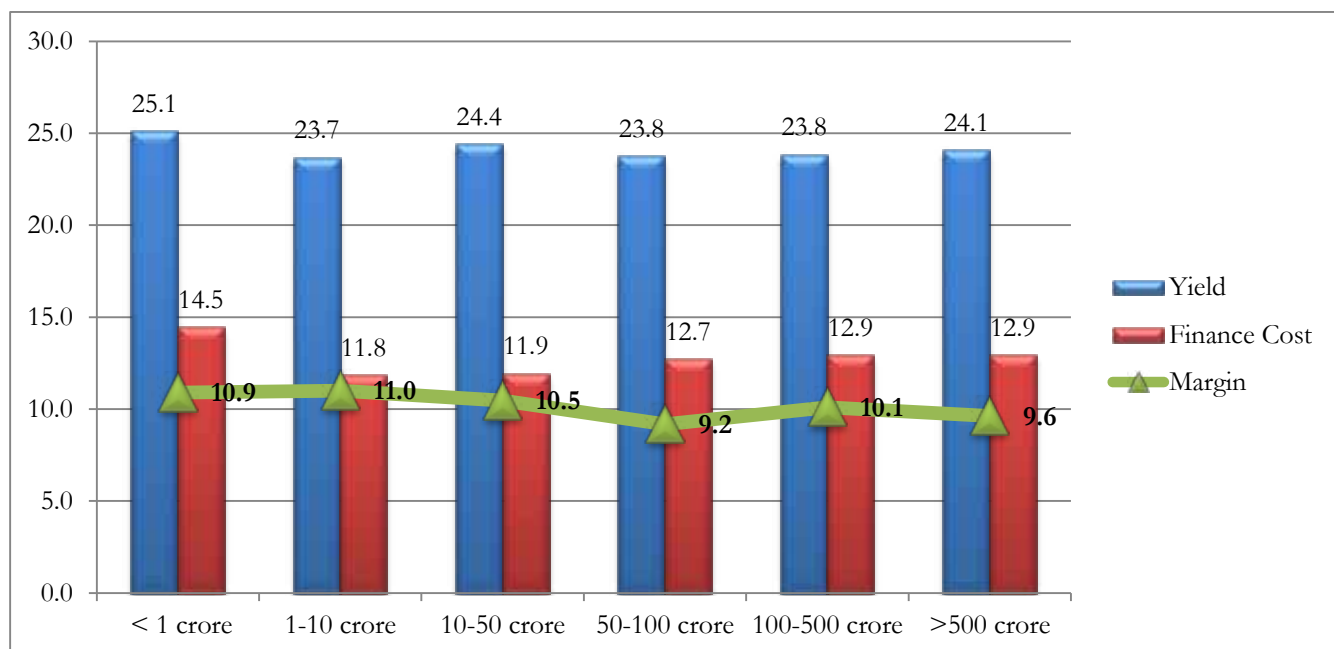
MFIs, NBFC-MFIs in particular, need to comply with RBI norms on revenue margins for MFIs, which need to be maintained under 12%. As per the data reported by the MFIs for the study, MFIs have been compliant to this regulation with margins for all the legal forms of MFIs within 9-10% with NBFC-MFIs having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

3.2.4 Yield, Cost and Margin: Performance Across MFI size

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

As can be seen from Figure 3.2.9, MFIs with portfolio between ₹1-10 crores have the lowest financial cost and the lowest yield on portfolio, but the highest margin while the MFIs with portfolio less than ₹1 crore have the highest financial cost and the highest yield, as well as a high margin. The lowest margin is for those MFIs that have a portfolio between ₹50-100 crores, as their financial costs are relatively high and yield is relatively lower.

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



³ Margin is the difference between MFIs Financial revenue (excluding processing fee) percentage on average loan portfolio and the financial cost percentage age on average outstanding borrowing from different sources.

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

3.3.1 Surplus

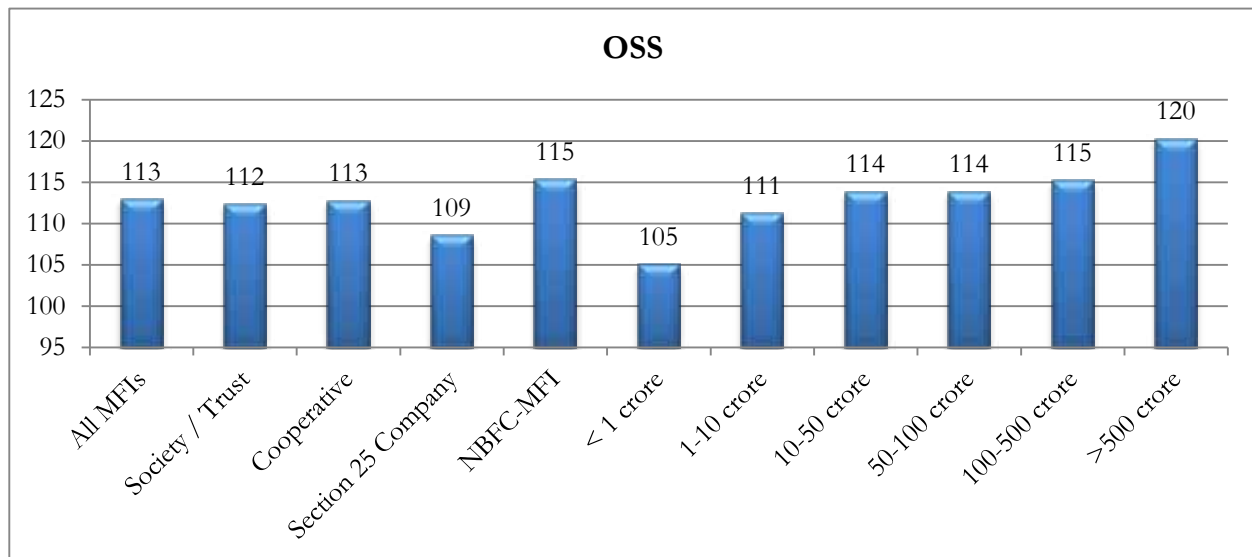
The total net surplus (after tax) generated by the sector is ₹1170 crore. This is despite the fact that some AP as well as non AP based MFIs having reported negative surplus. In line with the 85% outstanding portfolio that is owned by the giant MFIs, their contribution to the net surplus is also a similar 83% at ₹976 crores. Almost the entire surplus (96%), at ₹1118 crores of the ₹1170 crores is from NBFC-MFIs.

3.3.2 Operational Self Sufficiency (OSS)

Overall, the median OSS of all the MFIs that provided data for the report stands at over 100% at 113% for the year 2014-15. This indicates that as a sector, the income from operations of the MFIs is sufficient to meet their expenses. The lowest median OSS has been reported from Section 25 Companies at 109% whereas understandably, the maximum median OSS was reported by NBFC-MFIs at 115%. Hence no types of MFIs as a group have an OSS less than 100%. However, 17% of the individual MFIs that were not for profit reported OSS of less than 100%, while 7% of NBFC-MFIs, mainly with an exposure of portfolio in AP, too reported an OSS of less than 100%.

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

Figure 3.3.1: OSS Across MFIs



As can be seen from Figure 3.3.2, average loan size has a direct impact on the OSS of an MFI. While very small loan sizes result in lower OSS, higher loan sizes result in higher OSS. However, it may be also observed that while the OSS improves significantly (from 101% to 114%) when average loan size increases from less than ₹5000 to over ₹5000, it remains steady at 114% for loan sizes between ₹5000 to ₹15000 and increases only marginally to 115% for loan sizes over ₹15000.

Figure 3.3.2: OSS Based on Average Loan Size

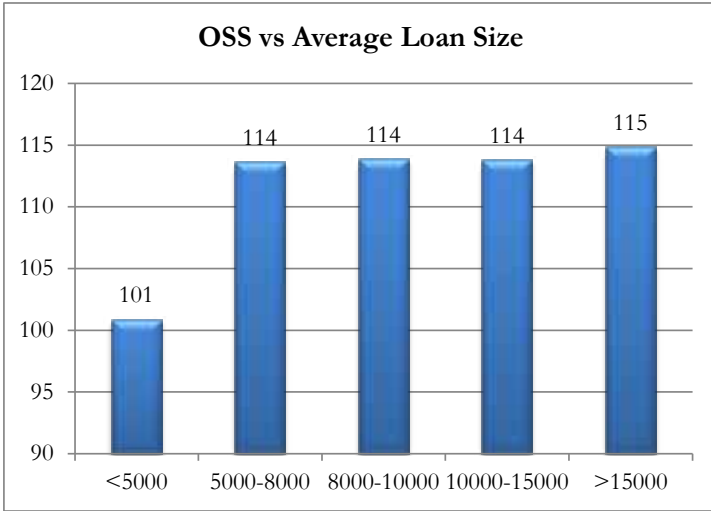
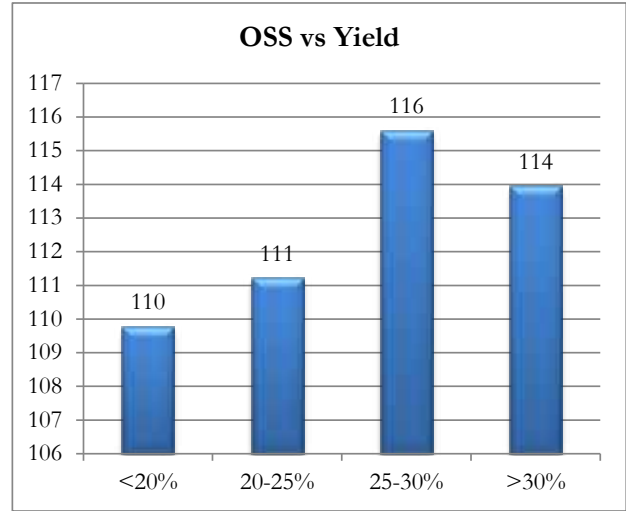


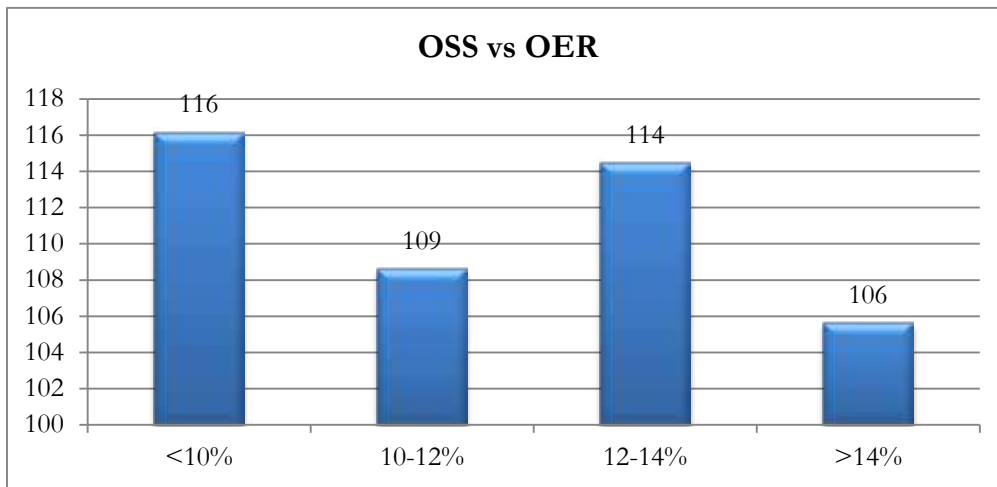
Figure 3.3.3: OSS Based on Yield Category



It is interesting to note the impact of yield on the OSS of MFIs. While it can be seen from Figure 3.3.3 that the median OSS increases steadily with yield till yield is 30%. However, when yield of MFIs exceed 30%, the median OSS comes down from 116% at yield 25-30% to 114%.

Impact of Operating Expense Ratio (OER) on Operational Self-Sufficiency (OSS): Figure 3.3.4 shows that MFIs with the lowest OER (<10%) have the best median OSS (116%) while MFIs with the highest OERs (>14%) have the lowest median OSS. The figure also shows that except for MFIs with OER between 12-14%, any decrease in OER results in significant increase in OSS.

Figure 3.3.4: OSS Based on OER of MFIs

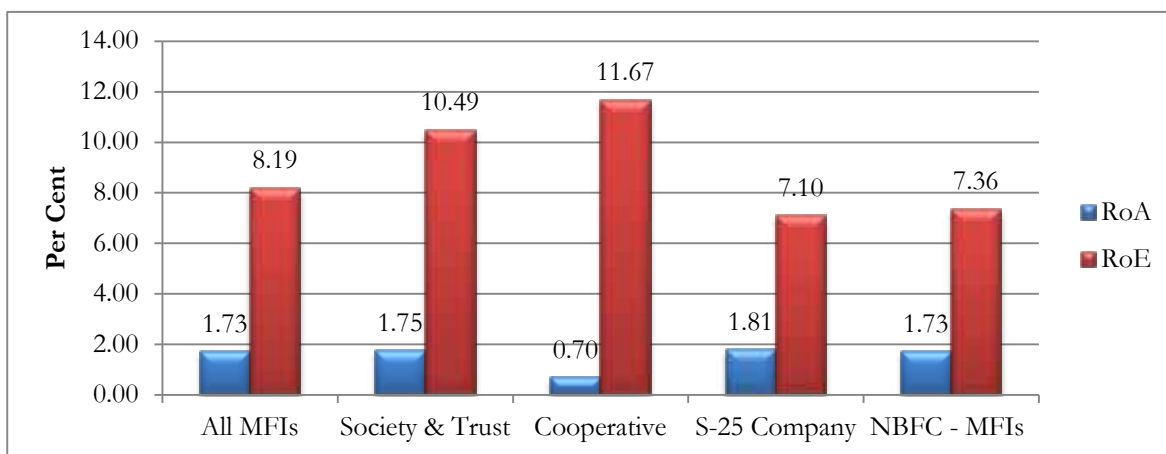


3.3.3 Profitability Ratios

Since the worst crisis of the microfinance sector in 2010, the sector has come back strongly and has been going from strength to strength for the last few years. This has again brought the sector in focus for the investors as it has shown immense potential in profitability, measured by the ROA and ROE of the last few years which has made the sector attractive to investment. While the ROA and ROE have come down marginally from 1.94% and 9.25% respectively of last year, they still stand at a very healthy 1.73% and 8.19% for the year 2014-15.

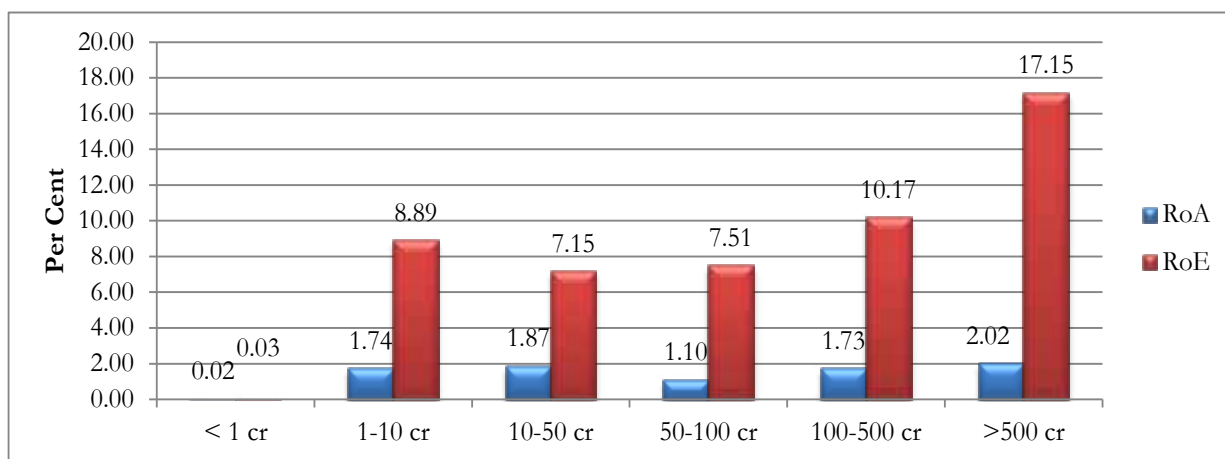
Figure 3.3.5 shows the distribution of ROA and ROE across different legal forms of MFIs and it makes for interesting viewing. The chart shows clearly how the asset and equity base of the different types of MFIs differ and hence how it impacts the ROA and ROE of the MFIs. It has been established from 3.3.1. that NBFC-MFIs contribute to 96% of the surplus generated by the sector. However, in terms of ROA and ROE, NBFC-MFIs are almost at the bottom with 1.73% and 7.36% respectively. The ROA is only better than cooperatives and ROE is only slightly better than Section 25 Companies. This indicates that NBFC-MFIs require and invest heavily in assets and have a larger equity base. Interestingly again, while the Section 25 companies have the highest ROA, they also have the lowest ROE among all MFI types, showing that they have a very low asset base and while the equity base too is low, the surplus generated by Section 25 companies is also equally low. Similarly, cooperatives have the highest ROE but the lowest ROA. This could be attributed to a very high asset base for many cooperatives but very small equity base for most of them.

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



Impact of scale of operation on ROA and ROE: Figure 3.3.6 shows a clear trend of higher ROA and ROE for larger scale of operations. Hence the largest MFIs with outstanding portfolios over ₹500 crores have the highest ROA and ROE of 2.02% and 17.15% respectively while the MFIs with outstanding portfolio under ₹1 crore have ROA and ROE of only 0.02% and 0.03%. While there are minor deviations in mid sized MFIs which could be due to various factors and stage of expansion, the overall trend is that scale of operations is directly proportional to ROA and ROE.

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

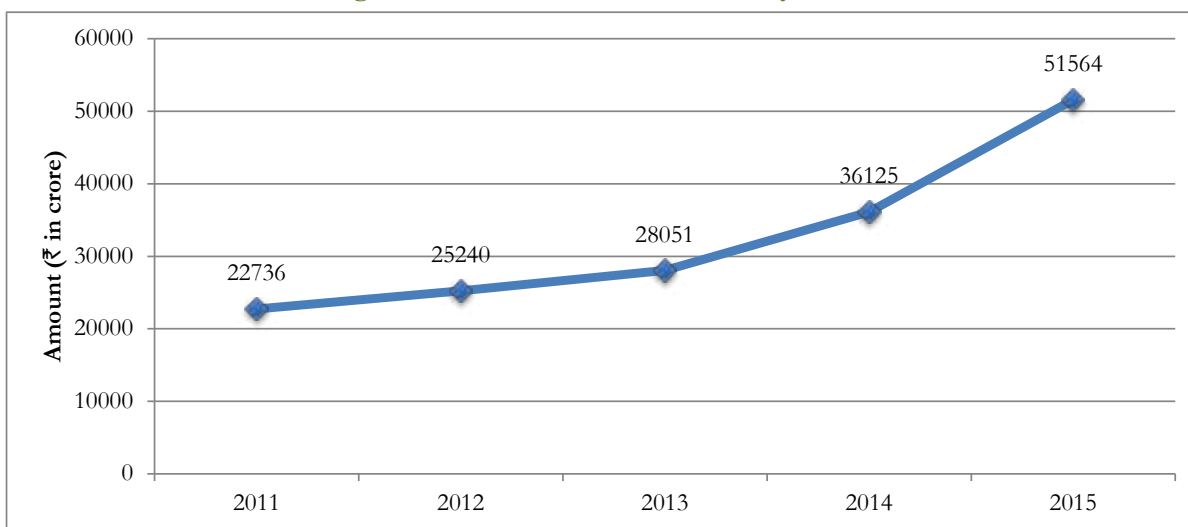


It is critical for MFIs to manage their balance sheet effectively in order to be able to generate better profitability, strengthen themselves and attract investors and funders. This chapter attempts to analyse the balance sheet structure of MFIs and studies patterns of funding and leverage as well allocation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

3.4.1 MFI Assets

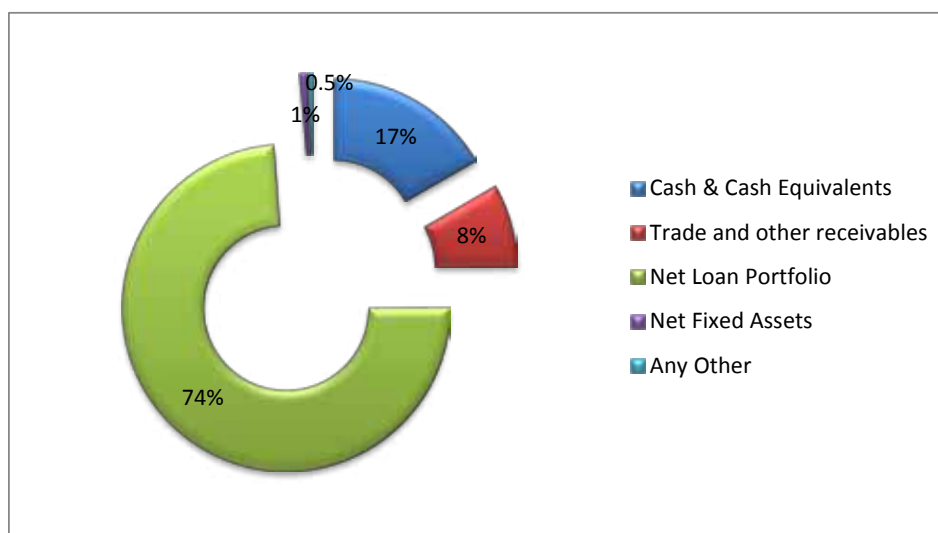
While the total assets of MFIs has seen a consistent growth trend over the last 5 years, it has seen a sharp increase of close to 43% in 2014-15 over the last year. This can be attributed to the sharp growth of 33% in the loan portfolio of MFIs this year.

Figure 3.4.1: MFI Total Assets- Yearly Trend



Distribution of Assets: The assets of an MFI comprise mostly of its net loan portfolio. At the end of the year 2014-15, the net loan portfolio of reporting MFIs was over 74%. This was followed by cash and cash equivalents of 13%. Cash and cash equivalents are at this level mainly because most MFIs receive debt funding largely towards the very end of the year while it can be lent to the clients only at the beginning of next year. Trade and other receivables form the other major component of MFI assets at 8%.

Figure 3.4.2: Composition of Total Assets of MFIs



3.4.2 Pattern of Portfolio Financing

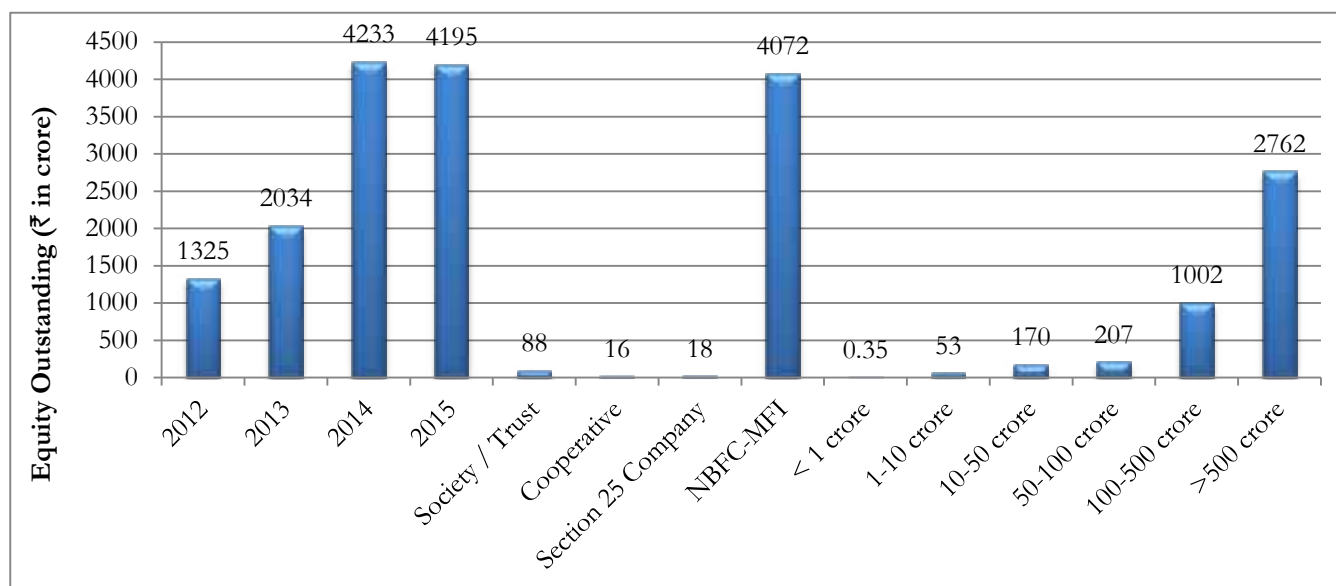
3.4.2.i Net Owned Fund (NOF)

The MFIs reported a total Net Owned Funds (NOF) of close to ₹7180 crores for the year 2014-15. This NOF comprised of paid up equity, share premium, retained earnings and other reserves. NBFC-MFIs, as can be expected, hold the lion's share of the NOF, at over 94% of the total NOF of the sector. Societies and Trusts follow with under 3% of the total NOF of the sector at ₹204 crores.

Equity Outstanding

Of the total NOF of ₹7180 crores equity constitutes nearly ₹4195 crores. This is marginally lower than total equity of ₹4233 crores in 2013-2014. The total equity has remained steady this year after seeing significant growth of 53.5% in 2012-13 to over 108% in 2013-14. It is understandable that NBFC-MFIs hold 97% of the equity as their legal form is the most conducive to absorb equity. Again, there is a direct correlation between equity size and portfolio size, as close to two-thirds of the total equity is held by MFIs with portfolio over ₹500 crores and close to 90% of the equity is held by MFIs with portfolio over ₹100 crores.

Figure 3.4.3: MFI Equity Outstanding - Yearly Trend and MFI- Category- wise Break-up of 2015 Figure

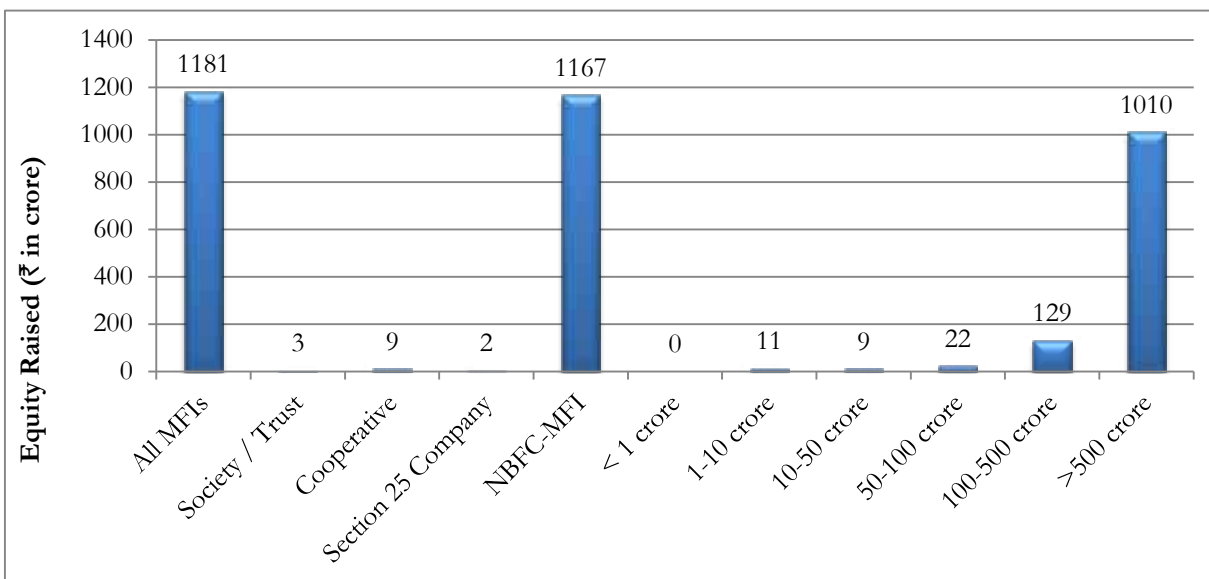


Fresh Equity Acquired

During the year 2014-15, the reporting MFIs collectively raised fresh equity to the tune of ₹1181 crores. This is significantly higher than equity raised in the previous years, the years immediately following the AP microfinance crisis. This is significant as this indicates a return of investor confidence to the microfinance sector.

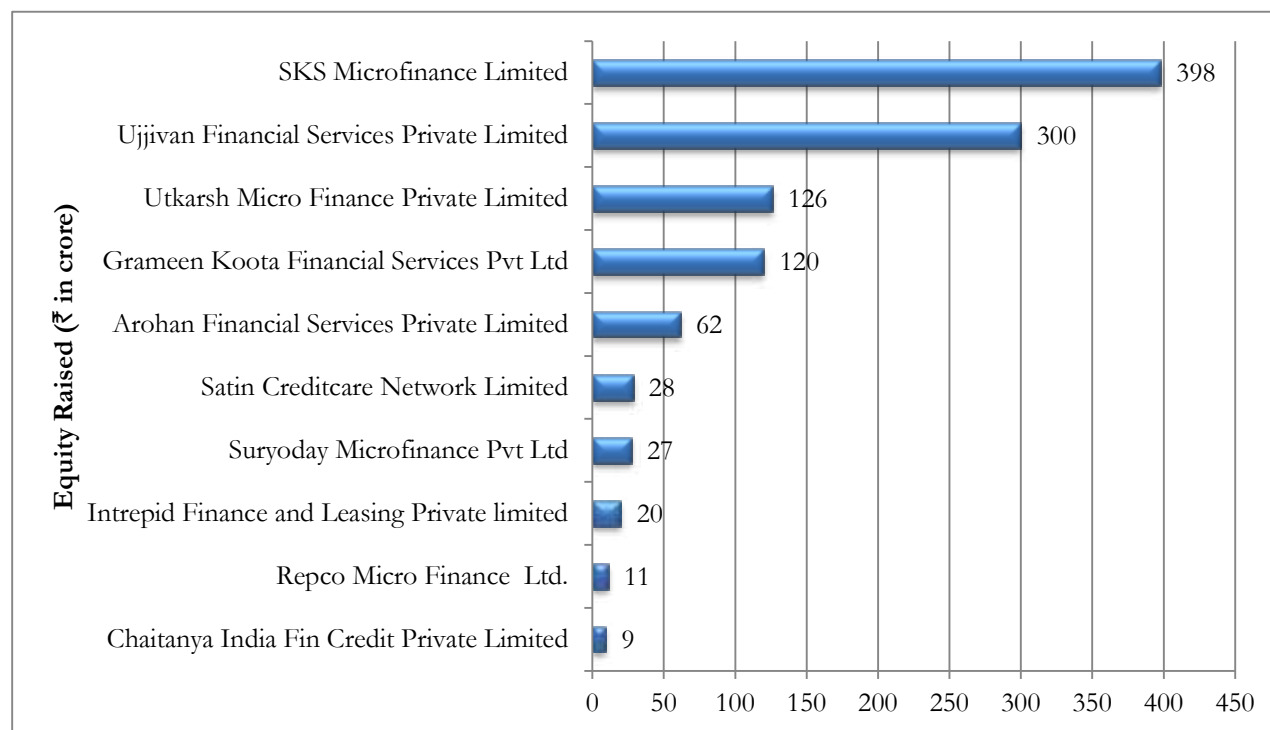
Again, of the total fresh equity raised, close to 99% is by NBFC-MFIs and over 85.5% by MFIs with portfolio over ₹500 crores.

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



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

Figure 3.4.5: Top 10 MFIs in Terms of Equity Raised

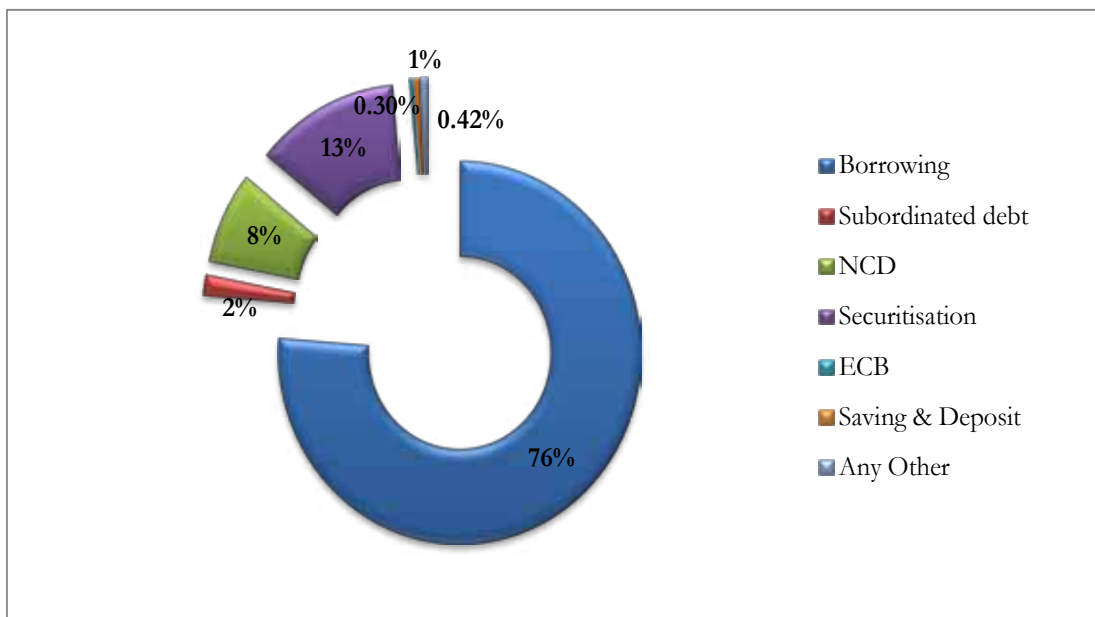


3.4.2.ii Debt Financing:

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

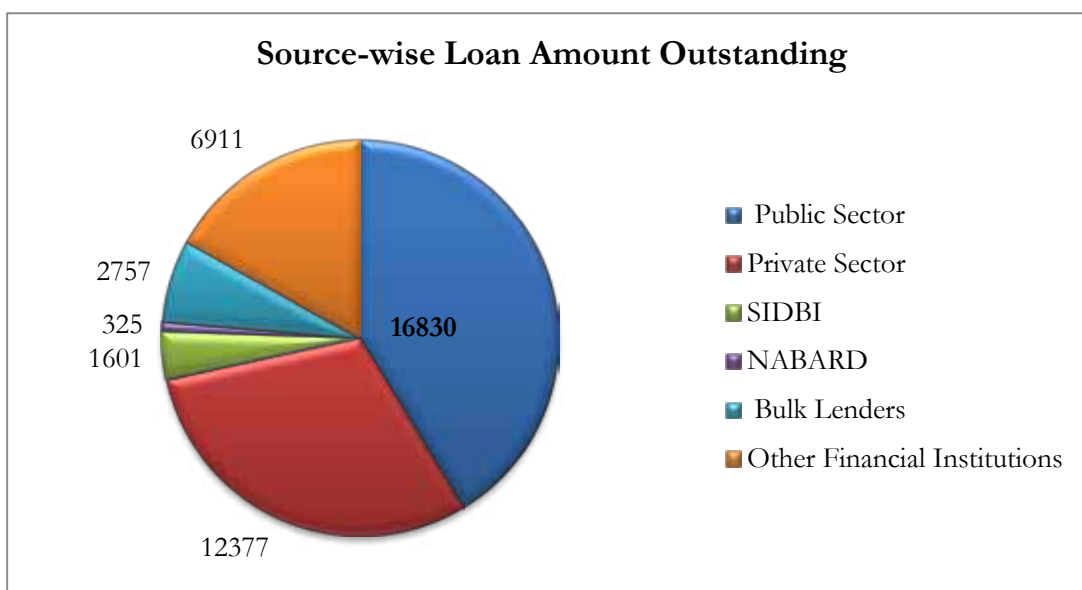
The total funding for the MFI sector has been reported as over ₹31109 crores during the year 2014-15. While most of this funding is through borrowing (76%) and securitization/sale of portfolio (13%), Figure 3.4.6 indicates that non-convertible debentures, subordinated debt, overdraft, bonds and savings and deposits also form some minor avenues for fundraising for MFIs. Cooperatives have the added option to raise funds through deposits and savings from borrowers/members. 22 MFIs have raised funds to the tune of ₹5221 crores through securitisation deals in 2014-15.

Figure 3.4.6: Sources of Funding Based on Types of Instruments



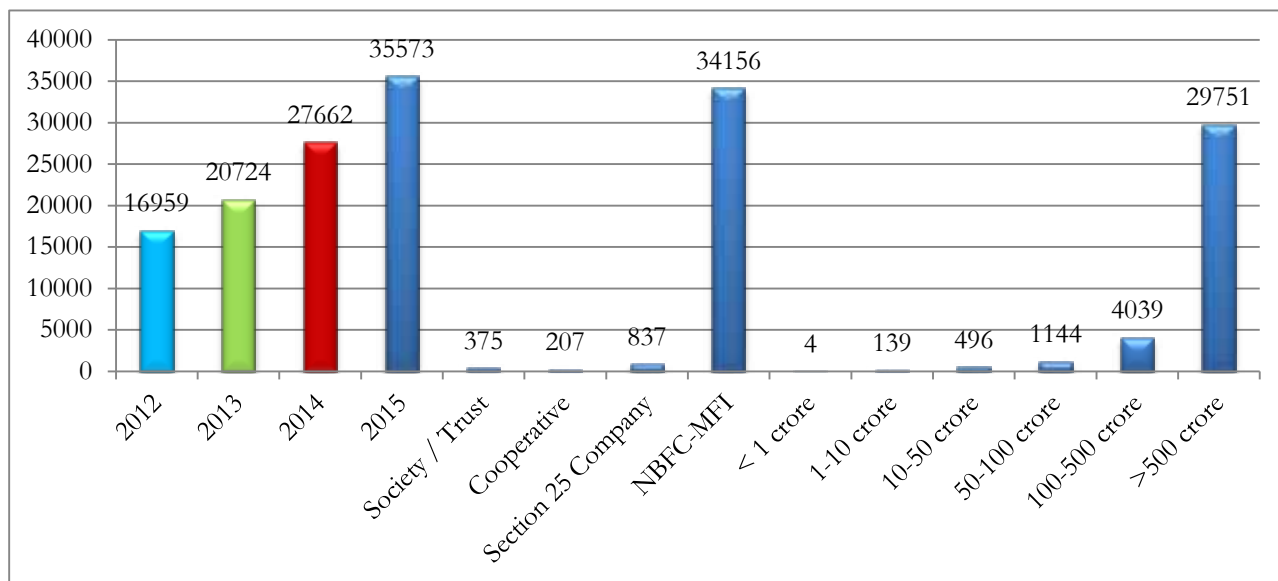
The total loan amount outstanding as on 31st March, 2015 for all MFIs collectively was close to ₹40802 crores, an increase of 47% over the last year. Of this the maximum loan outstanding was from public sector banks, followed by private sector banks at 41.25% and 30.33% respectively, for a combined portfolio outstanding of over 71.5% (₹29207 crores).

Figure 3.4.7: Sources of Funding Based on Institution Types



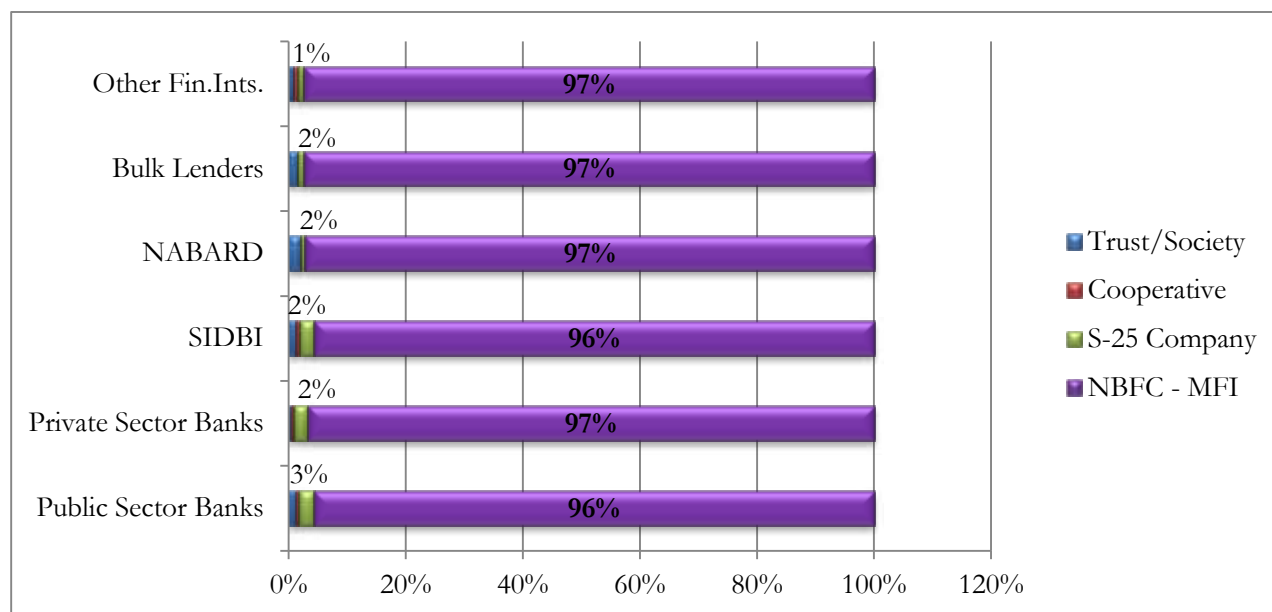
Out of total outstanding borrowings the share of NBFC-MFIs alone constitutes ₹34156 crore (96%), whereas NGO-MFIs hold an outstanding borrowing close to 4%. Size-wise, MFIs with portfolio size above ₹500 crore hold 84% of the total outstanding amount and MFIs with portfolio size of 100-500 cr. hold another 11%. Smaller MFIs hold a miniscule amount of the outstanding borrowed portfolio. The outstanding figure for the moderately large category is smaller because of a lesser number of reporting MFIs under that category.

Figure 3.4.8: Outstanding Borrowing – Yearly Trend and MFI-Category wise Break-up of 2015 Figure



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

Figure 3.4.9: Source wise Share of Loans Lent Among Different Legal Forms of MFIs During 2014-15



It was also found that MFIs with a portfolio of ₹100 crore or above hold approximately 96% of the loan outstanding amount from all lenders.

Top Lenders to MFIs during 2014-15

The data of reporting MFIs has been further analysed to enumerate major banks and bulk lenders having outstanding balances with MFIs as of March 2015. The MFIs had been asked to list down lenders names who appear under Top 10 lenders as per their books as of March 2015.

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

Table 3.4.1: List of Lenders Reported Among Top 10 Lenders of the Individual Reporting MFIs (in terms of Outstanding as of March 2015)

Name of lenders	No. of MFIs	Name of lenders	No. of MFIs
Allahabad Bank	2	Kerala Gramin Bank	1
Ananya Finance	19	KIVA	1
Andhra Bank	5	Kotak Mahindra Bank	3
Assam Cooperative Apex Bank Ltd	3	Lakshmi Vilas Bank Ltd.	1
Assam Financial Corporation Ltd.	3	Maanaveeya Development Finance Pvt. Ltd.	1
Assam Gramin Vikas Bank	5	Mahindra & Mahindra	22
Axis Bank Ltd.	14	Mas Financial Services Ltd	29
Bangiya Gramin Vikas Bank	10	MILLAP	3
Bank of Baroda	7	NABARD	18
Bank of India	1	National Housing Bank	4
Bank of Maharashtra	18	NCD	11
Baroda Kshetriya Gramin Bank	1	NEDFI	12
Bharatiya Mahila Bank	1	NEED Counsltancy Division	1
BNP Paribas	1	Northern India Consultants Pvt. Ltd	1
Canara Bank	21	Oriental Bank of Commerce	2
Caspian	2	Others	45
Central Bank of India	9	Pallavan Grama Bank	5
Citi Bank	1	Pioneer Assurance Consultants Ltd	1
Co-operative Bank	1	Pragathi Krishna Grameen Bank	1
Cordaid	1	Punjab and Sind Bank	1
Corporation Bank	9	Punjab National Bank	6
Dena Bank	17	Rabobank	4
Development Credit Bank	9	Rang De	6
Dhanlaxmi Bank Ltd.	4	Rashtriya Mahila Kosh	12
Dia Vikas Capital Pvt. Ltd	6	RBL Bank	22
Federal Bank	3	Reliance Capital Ltd	23
FWWB	7	Reliance Home Finance Limited	5
Gramin Bank of Aryavart	1	Religare Finvest Ltd	1
Gruh Finance	1	Royal Bank of Scotland	1
HDFC Bank Ltd	1	SBBJ	1
HSBC	16	SIDBI	32

ICICI Bank Ltd	1	South Indian Bank	13
IDBI Bank	2	Standard Chartered Bank	9
IFMR Capital	15	State Bank of Hyderabad	1
IFMR Financial Services	47	State Bank of India	34
Indian Bank	12	State Bank of Mysore	2
Indian Gramin Services	2	State Bank of Patiala	6
Indian Overseas Bank	9	State Bank of Travancore	2
IndusInd Bank Ltd	19	Syndicate Bank	7
Jammu & Kashmir Bank Ltd.	19	Tamilnad Mercantile Bank Limited	1
Karnataka Bank Ltd.	6	The Catholic Syrian Bank Ltd.	1
Karnataka State Finance Corporation	1	UCO Bank	9
Karnataka Vikas Grameen Bank	4	Union Bank of India	17
Kashi Gomati Samyut Grameen Bank	2	Vijaya Bank	7
Kashi Vishwanath Vidhya Samiti	2	Yes Bank	10

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

S.No.	Name of MFI	Rs in Crore
1	Adhikar	1.25
2	Adhikar Microfinance Pvt. Ltd.	9.90
3	Ajagar Social Circle	8.93
4	Annapurna Mahila Coop Credit Society Ltd.	38.27
5	Annapurna Micro Finance (P).LTD	230.11
6	Aparajita Mahila Sakh Sahakari Sanstha Maryadit	0.40
7	Apex Abhishek Finance Ltd.	23.44
8	Arohan Financial Services Private Limited	130.19
9	Arth MicroFinance Pvt. Ltd.	8.44
10	ASA International India Microfinance Pvt. Ltd.	25.10
11	Asirvad Microfinance Private Limited	132.00
12	Asmitha Microfin Limited	407.88
13	Asomi Finance Private Limited	15.76
14	Bagaria Relief Welfare Ambulance Society	0.30
15	Bal Mahila Vikas Samiti-VAMA	1.47
16	Bandhan Financial Services Ltd.	4986.81
17	Barasat Sampark	0.05
18	Barasat Unnayan Prostuti	0.95
19	Belghoria Janakalyan Samity	13.97
20	Bhartiya Micro Credit	25.04
21	Bhartiya Samruddhi Finance Ltd	179.10
22	Blaze Trust	0.90
23	BSS Microfinance Private Limited	275.15
24	BWDA Finance Limited	15.21
25	CASHPOR Micro Credit	449.28
26	Centre For Development Orientation And Training (CDOT)	18.30
27	Chaitanya India Fin Credit Private Limited	79.91

28	Chanura Microfin Manipur	4.08
29	Dakshin Budhakhali Improvement Society (DBIS)	4.33
30	Darabar Sahitya Sansad (DSS)	0.32
31	DCBS	6.48
32	Disha India Micro Credit	0.77
33	Disha Microfin Pvt. Ltd	75.03
34	dMatrix Development Foundation	0.94
35	Duttapukur Institute For Social Advancement	0.44
36	Equitas Microfinance Private Limited	1521.71
37	ESAF Microfinance and Investments Pvt. Ltd.	454.05
38	Freed	6.35
39	Future Finacial Services Limited	319.51
40	G U FINANCIAL SERVICES PVT. LTD.	0.50
41	Grama Vidiyal Micro Finance Limited	414.41
42	Grameen Development & Finance Private Limited	12.24
43	Grameen Koota Financial Services Pvt. Ltd	634.55
44	Gramin Mahila Swayamsiddha Sangh	3.57
45	Gramotthan Micro Finance Company	3.60
46	Growing Opportunity Finance (India) Pvt. Ltd.	45.91
47	Guardian	17.85
48	Hand in Hand India	28.98
49	Hindusthan Microfinance Pvt. Ltd	20.57
50	Humana People to People India	5.50
51	IDF Financial Services Pvt. Ltd	50.64
52	Impact	61.93
53	Institute of Rural Credit & Entrepreneurship Development (IRCED)	4.74
54	Intrepid Finance and Leasing Private limited	127.81
55	Jagaran Microfin Pvt. Limited	69.21
56	Jeevankiran	3.88
57	Kalighat Society for Development Facilitation	6.65
58	Kotalipara Development Society	33.83
59	Lok Biradari Trust	0.93
60	Madura Micro Finance Limited	215.47
61	Mahasemam Trust	53.34
62	Mahashakti Foundation	6.56
63	Margdarshak Financial Services Ltd	57.07
64	Matashree Gomati Devi Jan Seva Nidhi	3.09
65	Midland Microfin Ltd	14.67
66	Navachetana Microfin Services Private Limited	53.28
67	Network of Entrepreneurship & Economic Development (NEED)	2.15
68	Nightingale Charitable Society	5.95
69	Nightingale Finvest Pvt. Ltd.	22.74
70	Nirantara FinAccess Pvt. Ltd.,	6.89
71	North East Region Finservices Limited	256.12

72	ODISHA	3.25
73	Pahal Financial Services Private Limited	67.18
74	People's Action For Transformation (PAT)	15.87
75	Peoples Forum	8.11
76	Prayas Organization for sustainable development	2.85
77	Prochesta Thrift & Credit Co-Operative Society Asom Ltd.	1.76
78	Pustikar Sakh Sahakari Samiti Limited.	0.20
79	Rashtriya Seva Samithi (RASS)	44.43
80	READ	0.50
81	Repc Micro Finance Ltd.	183.47
82	RGVN (North East) Microfinance Ltd	160.52
83	RORS Finance Private Limited	3.04
84	S V Creditline Private Limited	368.44
85	S.M.I.L.E. Microfinance Limited	80.05
86	Sahara Gramin Mahila Swayamsiddha Sangh	0.49
87	Sahara Utsarga Welfare Society	30.31
88	Sahayog Microfinance Limited	58.54
89	Saija Finance Private Limited	81.95
90	Sakhi Samudaya Kosh	6.56
91	Samasta Microfinance Limited	41.42
92	Sambandh Finservice Private Limited	41.21
93	Samhita Community Development Services	23.61
94	Sanghamithra Rural Financial Services	108.16
95	Sankalp Gramin Mahila Swayamsiddha Sangh	0.07
96	Sarala Women Welfare Society	12.29
97	Sarvodaya Nano Finance Limited	18.91
98	Satin Creditcare Network Limited	677.56
99	SATRA	7.09
100	Seba Rahara	6.20
101	Share Microfin Limited	620.12
102	Shikhar Microfinance Pvt. Ltd.	26.87
103	SKDRDP	1089.80
104	SKS Microfinance Limited	3152.14
105	Social Action For Rural Community	0.16
106	Society for Model Gram Bikash Kendra	8.81
107	Sonata Finance Pvt. Ltd	410.89
108	Spandana Sphoorty Finance Limited	638.57
109	Suryoday Microfinance Pvt. Ltd	334.86
110	Swadhaar Finservice Pvt. Ltd	70.69
111	Swayamshree Micro Credit Services	27.17
112	The Saath Saving And Credit Co Operative Society	0.11
113	Ujjivan Financial Services Private Limited	1674.21
114	Unacco Financial Services Private Limited	23.31
115	Unnati Trade And Fincon Pvt. Ltd.	8.65

116	Utkarsh Micro Finance Private Limited	360.02
117	Uttrayan Financial Services Pvt. Ltd.	35.76
118	Varam Capital Pvt. Ltd	49.61
119	Vedika Credit Capital Ltd.	74.87
120	Village Financial Services Pvt. Ltd.	77.95
121	Virutcham Microfinance Limited	4.87
122	Volunteers For Village Development (VVD)	3.64
123	Welfare Services Ernakulam	32.25
124	WSDS-Initiate	9.92
125	Yashvardhini Gramin Mahila Swayamsiddha Sangh	0.41
126	Yukti Samaj Sewa Society	0.23
127	YVU Financial Services Private Limited	4.90
128	YVU Microfin	8.07
	Total	22520

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

S.No	Name of lenders	Rs in Crore
1	Allahabad Bank	18
2	Ananya Finance	18
3	Andhra Bank	270
4	Assam Cooperative Apex Bank Ltd	8
5	Assam Financial Corporation Ltd.	2
6	Assam Gramin Vikas Bank	11
7	Axis Bank Ltd.	773
8	Bangiya Gramin Vikas Bank	27
9	Bank of Baroda	80
10	Bank of India	54
11	Bank of Maharashtra	287
12	Baroda Kshetriya Gramin Bank	0.12
13	Bharatiya Mahila Bank	2
14	BNP Paribas	9
15	Canara Bank	494
16	Caspian	9
17	Central Bank of India	127
18	Citi Bank	24
19	Co-operative Bank	0.04
20	Cordaid	2
21	Corporation Bank	188
22	Dena Bank	414
23	Development Credit Bank	57
24	Dhanlaxmi Bank Ltd.	32
25	Dia Vikas Capital Pvt. Ltd	35
26	Federal Bank	63

27	FWWB	5
28	Gramin Bank of Aryavert	1
29	Gruth Finance	0.32
30	Habitat for Humanity India Trust	0.28
31	HDFC Bank Ltd	1217
32	Hinduja Leyland	25
33	HSBC Bank	105
34	ICICI Bank Ltd	1222
35	IDBI Bank	2170
36	IFMR Capital	337
37	IFMR Financial Services	47
38	Indian Bank	85
39	Indian Gramin Services	5
40	Indian Overseas Bank	454
41	IndusInd Bank Ltd	479
42	Jammu & Kashmir Bank Ltd.	26
43	Karnataka Bank Ltd.	64
44	Karnataka State Finance Corporation	4
45	Karnataka Vikas Grameen Bank	10
46	Kashi Gomati Samyut Grameen Bank	0.45
47	Kashi Vishwanath Vidhya Samiti	2
48	Kerala Gramin Bank	0.18
49	KIVA	18
50	Kotak Mahindra Bank	152
51	Lakshmi Vilas Bank Ltd.	12
52	Maanaveeya Development Finance Pvt. Ltd.	149
53	Mahindra & Mahindra	25
54	Mas Fiancial Services Ltd	570
55	Midland Motor Finance Co Ltd.	0.35
56	MILLAP	3
57	NABARD	19
58	National Housing Bank	1
59	NCD	369
60	NEDFI	118
61	NEED Counsltancy Division	0.33
62	NJGB	0.04
63	Northern India Consultants Pvt. Ltd	1
64	Oriental Bank of Commerce	61
65	Others	570
66	Pallavan Grama Bank	12
67	Pioneer Assurance Consultants Ltd	0.25
68	Pragathi Krishna Grameen Bank	58

69	Punjab and Sind Bank	33
70	Punjab National Bank	178
71	Rabobank	13
72	Rang De	2
73	Rashtriya Mahila Kosh	4
74	RBL Bank	789
75	Reliance Capital Ltd	225
76	Reliance Home Finance Limited	26
77	Religare Finvest Ltd	6
78	Royal Bank of Scotland	22
79	SBBJ	5
80	SIDBI	1253
81	South Indian Bank	131
82	Standard Chartered Bank	538
83	State Bank of Hyderabad	15
84	State Bank of India	403
85	State Bank of Mysore	135
86	State Bank of Patiala	94
87	State Bank of Travancore	48
88	Syndicate Bank	261
89	Tamilnad Mercantile Bank Limited	3
90	The Catholic Nsyrian Bank Ltd.	3
91	Thrive Energy	0.11
92	UCO Bank	64
93	Union Bank of India	202
94	Vijaya Bank	289
95	Yes Bank	1391
	Total	17533

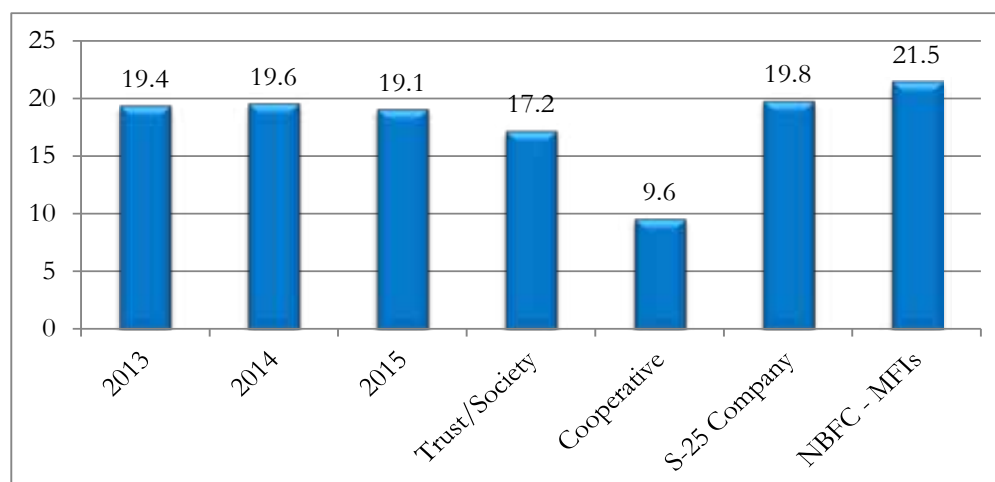
3.4.3 Capital¹ (Net Owned Fund) to Total Asset Ratio

The Capital Adequacy of Indian MFIs, by and large, is well above the prescribed norms. The RBI has stipulated that NBFC-MFIs need to maintain at least 15 per cent capital on their risk weighted assets. The risk-weighted asset details are not readily available. However, with the help of Net Owned Fund and Total Asset particulars, Figure 3.4.8 brings out the estimates of CAR for the MFIs who reported this data. The median CAR for 2014-15 stands at 19.1, which is slightly lower the figure of 19.6 for 2013-14.

NBFC-MFIs, for which maintaining Capital adequacy is now mandatory, have an adequate CAR of 21.5% in aggregate, while Sec-25 Companies have a CAR of 19.8%. Trust/Society also have a median CAR above the desirable limit of 15%. Only Cooperatives have a median CAR below the desirable limit of 15%.

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

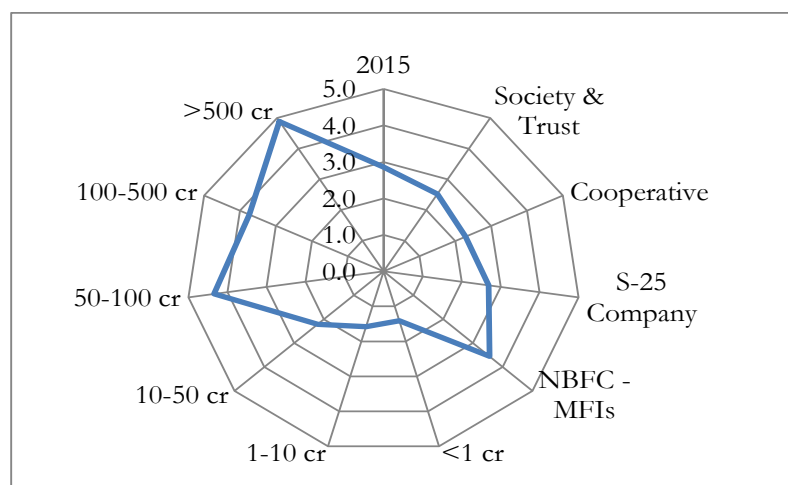
Figure 3.4.10: Capital to Total Asset Ratio



3.4.4 Leverage / Debt – Equity² Ratio

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

Figure 3.4.11: Debt - Equity Ratio Trend and Break-up of 2015 Figure Across MFI-Categories



Median for 2015	2.9
Society & Trust	2.5
Cooperative	2.3
S-25 Company	2.7
NBFC - MFIs	3.6
<1 cr.	1.4
1-10 cr.	1.6
10-50 cr.	2.2
50-100 cr.	4.3
100-500 cr.	3.7
>500 cr.	4.9

Leverage of NBFC-MFIs is highest at 3.6, followed by Sec-25 companies at 2.7. Society/Trust and Cooperatives have a leverage ratio of 2.5 and 2.3 respectively. According to Size of MFIs, MFIs with portfolio of more than ₹500 crore have the highest median leverage of 4.9.

² Equity refers to Net Owned Fund (Equity + Free Reserves and Surplus)

The World Bank (2014) estimates that 47 per cent of Indian adults are cut off from the formal financial system. This leads to poor households to lead their financial lives in the physical cash economy, which is both precarious and expensive.

In recent times, India's banking sector is on the brink of change. With the RBI's recent "in-principle" licensing of 11 payments banks and 10 small finance banks, the sector is poised for much-needed disruption that will bring millions of Indian households into the formal financial system for the first time.

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

4.1 Micro Insurance

Micro-Insurance is much younger than other financial services for the poor¹ and receives significant attention from all stakeholders. In 2005, IRDA issued the regulations on Micro-Insurance, which ambitiously aims to provide both general and life micro-insurance products to the much needed lowest deciles of the population. The authority adopted the agent model to facilitate insurance penetration, and identified MFIs, SHGs, NGOs and others as potential partners for reaching the base of the pyramid. Micro-insurance aims at providing both general and life cover to the insured with an assured sum of ₹50,000 or less.

The individual new business premium under the micro insurance segment in the year stood at ₹95.65 crore for 27.67 lakh new policies, the group business premium amounted to ₹141.77 crore covering 1.32 crore lives. LIC contributed to a significant component of the business procured in this portfolio by garnering ₹86.36 crore of individual new business premium under 22.06 lakh policies and ₹125.81 crore of group premium covering 1.19 crore lives. The number of micro insurance agents at the end of March 2014 stood at 20057; of which 18401 agents belonged to LIC and the remaining represented the private sector companies. Thirteen life insurers had 21 micro insurance products as at 31.3.2014. Of these 21 products, 13 were Individual products and the remaining eight were group products².

4.1.1 MFIs Acting as Micro Insurance Agent

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

¹ Hand Book of Microfinance, 2013-14

² IRDA Annual Report 2013-14.

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

However a large numbers of MFIs have been providing micro insurance products. As the Table 4.1 below shows, 21 MFIs have reached to 4.06 million clients for health products and Table 4.2 states that 41 MFIs have reached to 21.27 million clients for non-health products.

Table 4.1: MFIs Involved in Micro Insurance-health

S.N	Name of the Organization	State	No. of Clients
1	Annapurna Mahila Coop Credit Society Ltd.	Maharashtra	168614
2	Aparajita Mahila Sakh Sahakari Sanstha Maryadit	Madhya Pradesh	3246
3	Arohan Financial Services Private Limited	West Bengal	435
4	Belghoria Janakalyan Samity	West Bengal	17097
5	Bengal Women Welfare Association	West Bengal	687
6	Bhartiya Samruddhi Finance Ltd (Basix)	Telangana	144375
7	Disha India Micro Credit	Uttar Pradesh	28484
8	Equitas Microfinance Private Limited	Tamil Nadu	2445401
9	Grama Vidiyal Micro Finance Limited	Tamil Nadu	992878
10	Grameen Koota Financial Services Pvt. Ltd	Karnataka	102169
11	Gramin Mahila Swayamsiddha Sangh	Maharashtra	1870
12	Growing Opportunity Finance (India) Pvt. Ltd.	Tamil Nadu	6272
13	Hand in Hand India	Tamil Nadu	47323
14	IDF Financial Services Pvt. Ltd	Karnataka	63250
15	Intrepid Finance and Leasing Private limited	Maharashtra	329
16	Mass Care International	Bihar	300
17	ODISHA	Odisha	308
18	Seba Rahara	West Bengal	11947
19	Social Action For Rural Community	Odisha	235
20	Swayamshree Micro Credit Services	Odisha	1065
21	Welfare Services Ernakulam	Kerala	19204
	Total		4055489

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

S.N	Name of the Organization	State	No. of Clients
1	Adhikar Microfinance Pvt. Ltd.	Odisha	39852
2	Ajagar Social Circle	Assam	5010
3	Annapurna Mahila Coop Credit Society Ltd.	Maharashtra	42343
4	Annapurna Micro Finance (P).LTD	Odisha	335449
5	Arohan Financial Services Private Limited	West Bengal	63
6	Bandhan Financial Services Ltd.	West Bengal	13401151
7	Bhartiya Samruddhi Finance Ltd (Basix)	Telangana	144371
8	Blaze Trust	Tamil Nadu	565
9	BWDA Finance Limited	Tamil Nadu	33646
10	CASHPOR Micro Credit	Uttar Pradesh	1420314
11	Centre For Development Orientation And Training (C DOT)	Bihar	17920
12	Dakshin Budhakhali Improvement Society (DBIS)	West Bengal	4279
13	Darabar Sahitya Sansad (DSS)	Odisha	340
14	dMatrix Development Foundation	Maharashtra	1645
15	Grameen Koota Financial Services Pvt. Ltd	Karnataka	2589668
16	Gramin Mahila Swayamsiddha Sangh	Maharashtra	881
17	Humana People to People India	Delhi	33668
18	Institute of Rural Credit & Entrepreneurship Development	Maharashtra	2914
19	Mahasemam Trust	Tamil Nadu	120662
20	Nightingale Finvest Pvt. Ltd.	Assam	20674
21	ODISHA	Odisha	35
22	People's Action For Transformation (PAT)	Tamil Nadu	13771
23	Peoples Forum	Odisha	7953
24	Planned Social Concern	Rajasthan	1772
25	Prochesta Thrift & Credit Co-Operative Society Asom Ltd.	Assam	1473
26	Rashtriya Seva Samithi (RASS)	Andhra Pradesh	37738
27	RORS Finance Private Limited	Karnataka	15692
28	S V Creditline Private Limited	Haryana	700582
29	Samhita Community Development Services	Madhya Pradesh	188939
30	Sanghamithra Rural Financial Services	Karnataka	53765
31	Sankalp Gramin Mahila Swayamsiddha Sangh	Maharashtra	1149
32	Sarala Women Welfare Society	West Bengal	119842
33	Shikhar Microfinance Pvt. Ltd.	Delhi	61280
34	Society for Model Gram Bikash Kendra	West Bengal	11579
35	Spandana Sphoorty Financial Limited	Andhra Pradesh	1703165
36	Swayamshree Mahila Samabaya Samiti Ltd	Odisha	25864
37	The Saath Saving And Credit Co Operative Society	Gujarat	8221
38	Unnati Trade And Fincon Pvt. Ltd.	West Bengal	91980
39	Volunteers For Village Development (VVD)	Manipur	2249
40	Welfare Services Ernakulam	Kerala	3006
41	Yukti Samaj Sewa Society	Madhya Pradesh	292
	Total		21265762

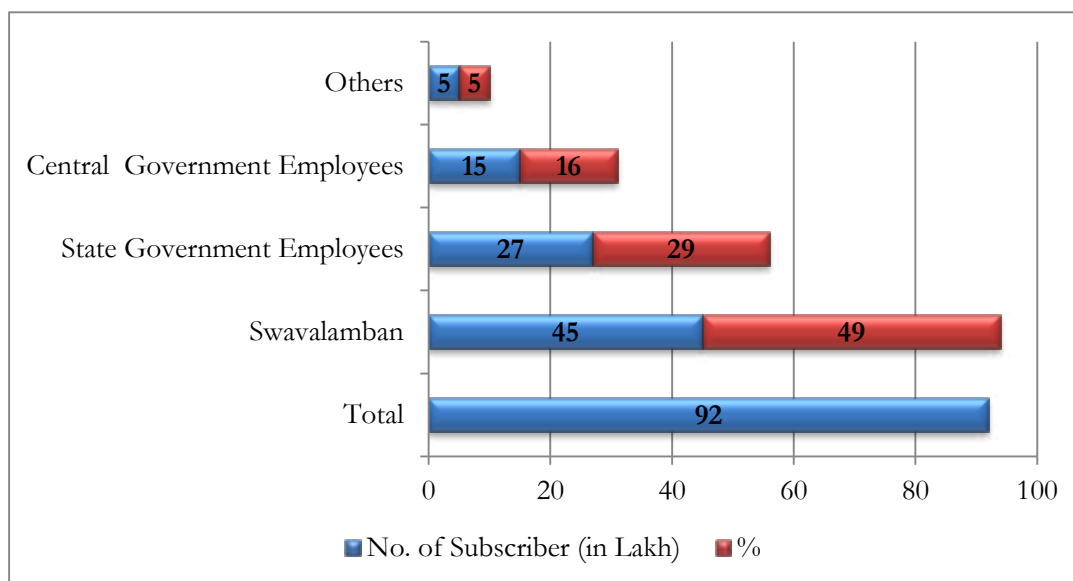
4.2 Micro Pension

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

4.2.1 NPS: Swavalamban

Swavalamban secures old age income for the vast and growing multitude of workers and subscribers in the unorganized sector. Under this scheme, the Government contributes ₹1000 per annum to each NPS account opened in the year 2010-11 and for the next three years, the benefit will be available only to persons who join the NPS with a minimum contribution of ₹1000 and maximum of ₹12000 per annum. It is an ambitious flagship scheme of the Government of India, forming an integral and important part of the overall NPS (National Pension System) program. The scheme signifies an element of self-pride through participation of the less fortunate and excluded segments. Opening an account with NPS provides a Permanent Retirement Account Number (PRAN), which is a unique number and it remains with the subscriber throughout his lifetime.

Figure 4.1: Composition of NPS Subscribers



The scheme is structured into two tiers:

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

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

The Government of India has launched the Atal Pension Yojana (APY) to implement the budget announcement 2015-16 relating to providing a defined pension system especially for the poor and the under-privileged depending on the contribution, and its period.

The APY primarily focused on all citizens in the unorganized sector, who join the National Pension System (NPS) administered by the Pension Fund Regulatory and Development Authority (PFRDA). Under the APY, the subscribers would receive the guaranteed minimum pension of ₹1000 per month or ₹2000 per month or ₹3000 per month, or ₹4000 per month, or ₹5000 per month, at the age of 60 year, depending on their contributions, which itself would be based on the age of joining the APY. The minimum age of joining APY is 18 years and maximum age is 40 years. Therefore, minimum period of contribution by any subscriber under APY would be 20 years or more. The APY has been implemented from 1st June 2015.

As on 7th May, 2015 the total number of NPS subscribers was 9.2 million and out of this, Swavalamban subscribers were 4.5 million, which accounts for 49% of total subscribers. Total assets under management of the NPS currently stands at ₹83,877 crore³.

4.2.2 Pradhan Mantri Bima Yojana

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

Pradhan Mantri Suraksha Bima Yojana is a government-backed accident insurance scheme in India. It was originally mentioned in the 2015 Budget speech by Finance Minister Arun Jaitley in February 2015. It was formally launched by Prime Minister Narendra Modi on 9 May in Kolkata.

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

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

Pradhan Mantri Jeevan Jyoti Bima Yojana is a government-backed Life insurance scheme in India. It was also formally launched by Prime Minister Narendra Modi on 9 May in Kolkata.

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

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

However a large numbers of MFIs have been providing micro pension. As the Table 4.3 below states that 22 MFIs have reached to 6.35 million clients.

³ Pension Bulletin , May 2015

Table 4.3: MFIs involved in Micro Pension

S.N	Name of the Organization	State	No. of Clients
1	Adhikar Microfinance Pvt. Ltd	Odisha	5423020
2	Annapurna Mahila Coop Credit Society Ltd	Maharashtra	12603
3	Arohan Financial Services Private Ltd	West Bengal	940
4	Asmitha Microfin Limited	Telangana	39838
5	Bandhan Financial Services Ltd.	West Bengal	348446
6	BWDA Finance Limited	Tamil Nadu	31571
7	CASHPOR Micro Credit	Uttar Pradesh	183856
8	Centre For Development Orientation And Training (CDOT)	Bihar	17351
9	Grameen Koota Financial Services Pvt. Ltd	Karnataka	38059
10	Jagaran Microfin Pvt. Limited	West Bengal	3637
11	Margdarshak Financial Services Ltd	Uttar Pradesh	37471
12	People's Action For Transformation (PAT)	Tamil Nadu	10115
13	Samasta Microfinance Limited	Karnataka	31
14	Sambandh Finserve Private Limited	Odisha	529
15	Samhita Community Development Services	Madhya Pradesh	24650
16	Share Microfin Limited	Telangana	136942
17	Suryoday Microfinance Pvt. Ltd	Maharashtra	48
18	Swayamshree Mahila Samabaya Samiti Ltd	Odisha	231
19	Swayamshree Micro Credit Services	Odisha	3326
20	Ujjivan Financial Services Private Limited	Karnataka	141
21	Utkarsh Micro Finance Private Limited	Uttar Pradesh	34015
22	Welfare Services Ernakulam	Kerala	663
	Total		6347483

4.3 Other Development Services

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

Table 4.4: Development Services of Reporting MFIs

Development Activities	No. of MFIs
Capacity Building Initiatives	35
Education	31
Financial Literacy	51
Water and Sanitation	35
Livelihood Promotion	56
Preventive Healthcare	45
Training Initiatives	56

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

Table 4.5: MFIs and Livelihoods Intervention

Name of the Organization	Main Livelihood Intervention
Annapurna Mahila Coop Credit Society Ltd.	Financial Literacy Trainings are held for members every month.
Annapurna Micro Finance (P).LTD	Financial Literacy programmes were organized across 5 states, i.e. Odisha, Jharkhand, Maharashtra, M.P., and Chhattisgarh.
Aparajita Mahila Sakh Sahakari Sanstha Maryadit	Awareness Camp, Workshops and Account opening camps were organized with program support from NABARD, NJGB Bank, GIZ, - Bank Sakhi & Samavesan Program.
Asomi Finance Private Limited	Provides Training regularly
Bal Mahila Vikas Samiti-VAMA	With the help of NABARD & Rang-De organisation Vama has conducted financial literacy program in Sheopur, Gwalior, Datia & Tikamgad. The program is to create awareness among people towards financial literacy, open saving accounts with Bank & took up micro insurance.
Balajee Sewa Sansthan	Conducted Financial literacy workshops.
Bandhan Financial Services Ltd.	Financial Literacy Trainings are held for members on regular basis.
Barasat Sampark	Provides Training regularly
Belghoria Janakalyan Samity	Through 139 training sessions a total number of 3971 members have been trained under BJS School of Financial Literacy.
Bengal Women Welfare Association	Training on saving habit.
Centre For Development Orientation And Training (CDOT)	NSE Training Programme.
Centre for Promoting Sustainable Livelihood (CPSL)	Discussion on problems and solutions covering all issues.
Chaitanya India Fin Credit Private Limited	Accounts Opened under PMJDY Scheme.
Dakshin Budhakhali Improvement Society (DBIS)	Provides Training regularly.
Darabar Sahitya Sansad (DSS)	Promoted 3 vegetable growers cooperatives with 1150 members, 1 Handicraft cooperative having 100 members, 1 Thrift Credit cooperatives having 990 members and enterprise promotion services only for women.
ESAF Microfinance and Investments Pvt. Ltd.	Involved in Entrepreneurship development programme.
Grama Vidiyal Micro Finance Limited	Financial Literacy Training to all.
Grameen Development & Finance Private Limited	Promoted System of Rice Intensification and Piggery.
Grameen Koota Financial Services Pvt. Ltd	The clients who want join in Grameen Koota undergo training on Financial Literacy Training for 5 days.

Growing Opportunity Finance (India) Pvt. Ltd.	In-house Financial Literacy Video products telecast in TV channels, Mobile Vans, Branch Offices and during women group meeting at regular intervals; educated several women on capital required for starting a certain business, calculating profit and loss ratio, etc., which will give them confidence to become professional entrepreneurs.
Hand in Hand India	Financial literacy training provided to SHG women.
IDF Financial Services Pvt. Ltd	Business Training for women on livelihood market opportunities. Conducts festival bazaars which provide a platform for SHG members to exhibit talents/workmanship.
Institute of Rural Credit & Entrepreneurship Development (IRCED)	Display & explanation on various posters
Jagaran Microfin Pvt. Limited	Financial literacy training for clients.
Kotalipara Development Society	Impart training for duck and goat rearing among SHG members.
Mahashakti Foundation	Financial Literacy to Members
Margdarshak Financial Services Ltd	The financial literacy training which covers – life cycle requirements, savings, remittance, insurance, pension and credit management.
Mass Care International	Training imparted in SHG's book keeping
Nightingale Charitable Society	Illiterates taught how to sign
ODISHA	Financial Inclusion
Opportunity Microfinance India Limited	Discussion with clients on business break even and sustainability.
Peoples Forum	Financial Literacy was organized across 5 states, including Odisha and Chhattisgarh.
Saija Finance Private Limited	Training of women clients in association with SIDBI and ISMW. Mobilization of these 7500 clients is done by 10 master trainers.
Samhita Community Development Services	Provide Financial Literacy training to new clients at centres
Sarala Women Welfare Society	Financial literacy training imparted to the borrowers with the financial help from NABARD. More than 1000 bank accounts of the poor borrowers opened with different commercial banks in West Bengal.
Shri Mahila Sewa Sahakari Bank Ltd.	Providing Financial Literacy training with a focus on: -Smart Savings, Fundamentals of Financial Planning, Wise Borrowings, Wise Spending, Intelligent Investment, Awareness Campaign.
Society for Model Gram Bikash Kendra	FGD, GD, training & workshops were organized to make the target beneficiaries financially literate so that they can overcome the challenges.
Suryoday Microfinance Pvt. Ltd	Financial Literacy Trainings encourage customers to open and regularly use savings accounts. It also teaches customers about the basics of banking, insurance, investments and government schemes and encourages the customers to make use of these formal financial services.
Swashrayee Mahila Sakh Sahakarity Maryadit	189 training programmes on saving & credit conducted
Ujjivan Financial Services Private Limited	Module based financial literacy program conducted in classrooms with a certification. Those requiring a bank accounts are helped with opening of bank accounts

Unnati Trade And Fincon Pvt. Ltd.	We arranged to provide financial literacy to the borrowers with the financial help from NABARD. We helped to open more than 1000 bank accounts of the poor borrowers with different commercial banks in West Bengal.
Utkarsh Micro Finance Private Limited	Financial literacy training to members through 7 module program.
Valar Aditi Social Finance Private Limited	The newly formed women self help group members are trained to maintain their saving and loan accounts.
Volunteers For Village Development (VVD)	Mass Awareness reached out at villages
Yukti Samaj Sewa Society	Trainings given in 100 villages of Harda district on financial literacy with the support of NABARD.

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

Table 4.6: MFIs and General Education Intervention

Name of the Organization	Main General Education
Annapurna Micro Finance (P) Ltd.	Education on Products and Grievance Redressal Mechanism, Observation of International Literacy Day.
Aparajita Mahila Sakh Sahakari Sanstha Maryadit	Skill development training (VIP – Computer, Accounting & banking and other Skill Training)
Balajee Sewa Sansthan	Preventive health workshop.
Barasat Sampark	Barasat Sampark plays an important role in developing an educational infrastructure. In rural India, as children are expected to economically contribute to the households, school drop-out rates often approach 50% at the upper primary level. One way to achieve higher education penetration and sustenance is by establishing school systems that enables children who drop-out to re-join without loss of continuity. Lack of access to education is still an epidemic for Indian neglected population.
Barasat Unnayan Prostuti	Among the children of migrant labourers 7 schools are run in 7 brick kilns. In those kilns the MFI prepares the children for mainstreaming and to get admitted into normal primary school.
Belghoria Janakalyan Samity	Total 45 students are being taught under pre-schooling program in BJS Sikshaniketan.
Blaze Trust	MFI gives importance to child education
Centre for Promoting Sustainable Livelihood (CPSL)	Educational loan from nursery to engineering are taken up
Grameen Koota Financial Services Pvt. Ltd	In weekly meetings the field officers give information (5 minutes) on health/ Govt. benefits/nutrition, food etc.
Growing Opportunity Finance (India) Pvt. Ltd	Pioneered street plus a tool to educate people in remote areas about importance of education to female children, awareness to them about their legal rights in the social life to improve their status.
Jeevankiran	Distribution of free study materials like Text books, note books, bags, umbrellas, uniform, etc.
Mahashakti Foundation	Adult Literacy
Mass Care International	Basic education imparted to out-of-school girls
ODISHA	Education for child labourers

Peoples Forum	Education on Products & Grievance Redressal Mechanism, Observation of International Literacy Day.
Prayas Juvenile Aid Centre(Prayas Micro Credit)	Women of North-west Delhi were educated in Adult Literacy centres being run by the organisation with collaboration of TPDDL (Tata Power Delhi Distributor Limited)
Satin Creditcare Network Limited	As a policy, Satin's Staff creates awareness on importance of child's education in all the centre meetings. Pamphlets are also distributed to create importance of education. General education on business money management is also provided in CGT and GRTs.
Society for Model Gram Bikash Kendra	MFI works to enhance literacy rate, to continue study counselings, campaign, education centres have been established,; candidates with break up of study encouraged for condensed course etc.
Suryoday Microfinance Pvt. Ltd	Hip Box Messages- every month, a topical message with a social theme is played to customers in their local language during the collection meetings. This few minute recording is designed to give borrowers information which will improve their social wellbeing. This social activity has a reach to all Suryoday customers.
Swashrayee Mahila Sakh Sahakarity Maryadit	National Pension scheme.

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

Table 4.7: MFIs and Preventive Healthcare Initiatives

Name of the Organization	Main Preventive Healthcare Initiatives
Annapurna Mahila Coop Credit Society Ltd.	Health Care Provider network, 24/7 Doctor on call.
Annapurna Micro Finance (P) Ltd	Health Awareness Camps on Prevention of Water Borne Diseases and Observation of World AIDS Day.
Bal Mahila Vikas Samiti-VAMA	VAMA provides health training to Asha Workers in Datia under its asha training program supported by NRHM.
Balajee Sewa Sansthan	Health insurance
Barasat Unnayan Prostuti	We work in 7 brick kilns to help to the migrant labourers for their health needs
Belghoria Janakalyan Samity	Total 9 programs taken up and a total number of 227 clients have been trained under the initiative.
Blaze Trust	Training on Women health and epidemic diseases
Centre for Promoting Sustainable Livelihood (CPSL)	24 Hours loan for treatment available all time up to ₹5000.
Darabar Sahitya Sansad (DSS)	Hemoglobin & BP testing.
Equitas Microfinance Private Limited	Health Screening Camps.
Grama Vidiyal Micro Finance Limited	Doctor & Nurse services provided to members
Growing Opportunity Finance (India) Pvt. Ltd.	Personal Hygiene awareness and cancer awareness were given predominantly to the clients in rural areas which paved way for disease free environment and leading healthy and happy life to the clients and his neighbours.
Hand in Hand India	4 module training on health care provided to SHG women
Institute of Rural Credit & Entrepreneurship Development (IRCED)	6 Health Camps for women
Jeevankiran	Meeting medical expenses of poor people

Mass Care International	Focused on RCH/pre-maternity care
ODISHA	Health camps organised
Peoples Forum	Health Awareness Camps on Prevention of Water Borne Diseases and Observation of World AIDS Day.
Prayas Juvenile Aid Centre (Prayas Micro Credit)	People/Children attended health camps organised by organisation. Besides, Prayas is running health centres at Delhi & Assam. Organised advocacy sessions for beneficiaries for TB & Malaria etc.
Repcro Micro Finance Ltd.	Health checkup
Samasta Microfinance Limited	Medical camps conducted
Samhita Community Development Services	Organised 10 Health Camps at Shahdol and Anuppur districts in Madhya Pradesh.
Sarala Women Welfare Society	We tried to promote the use of generic medicine among the borrowers; We provide the free health check-up to the poor borrowers.
Satin Creditcare Network Limited	World sight Day, World no Tobacco day, Cancer awareness day, Hand wash day, Eye-camps organised
Society for Model Gram Bikash Kendra	One to one interactions, Group discussions, workshops were organized to make people aware about prevention aspects of diseases
Suryoday Microfinance Pvt. Ltd	Health and Environment initiatives include trainings on healthy lifestyles (such as the benefits of a clean environment and healthy food habits). Suryoday also organizes Health Camps, Eye and Dental Camps in areas of need, where customers can get their health checked up and also avail of medical services at discounted rates.
Unnati Trade And Fincon Pvt. Ltd.	Promoted the use of generic medicine among the borrowers, Free health check-up provided to the poor borrowers.
Utkarsh Micro Finance Private Limited	Fortnightly Polyclinics
Welfare Services Ernakulam	Medical camp/seminar

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

4.4 The Equitas Ecosystem for the Holistic Improvement

Equitas was founded in 2007 with a mission driven holistic approach towards clients by improving their quality of life. The Equitas Ecosystem Model encompasses the life of underprivileged women by providing financial and non financial services with a clear focus to address a large spectrum of their requirements in the field of Health, Education, Skill Development, and Food Security during emergencies, Placement for unemployed youth and many more.

Equitas has designed each of these Initiatives and manages these programs through Equitas Development Initiatives Trust, Equitas Dhanya Kosha both run on a not for profit basis and also in partnership with International Organisations like Microcredit Summit Campaign, Freedom from Hunger, Unitus, FEM S3, Accion and Government and local NGO's.

In line with this mission statement, Equitas has developed a wide range of ecosystem initiatives towards improving the quality of life of its members. A snapshot of the Equitas Ecosystem is provided herewith:

CSR- Health, Skill Development, Placement Services:

1. Primary Health Care: The primary health care medical camps done free have benefited cumulatively 2880725 members so far which is a record in the MFI sector globally – Done by CSR Division.
2. Secondary Health Care: Tie up of Equitas with large number of hospitals helps their clients get treated

for serious illnesses at a discount on normal cost, nearly 18966 members benefitted from this facility, the cumulative benefit derived by these clients is about 6.43 crores, which translates to average ₹2500 per client – Done by CSR Division.

3. Telemedicine: Equitas strongly believes that Telemedicine is the future in health sector, capable of taking quality health care facilities like diagnosis, treatment and prevention of diseases to underserved rural and urban slums beyond the walls of the hospital in a cost effective model- A Pilot has been launched in partnership with Apollo Telemedicine centre in 3 centres at Chennai 15353 members benefitted from this facility-Done by CSR Division
4. Health helpline: Members call this dedicated line for serious illnesses and the operator guides them to net work hospitals, done by CSR division.
5. Health Camps in Vehicle Finance Branches: Equitas conducts health camps in Transport Nagars to screen truck drivers and cleaners for general health, eye care and also educate them on AIDS awareness. They were able to screen 25127 beneficiaries- done by CSR Division.
6. Livelihood support: Equitas has given skill training (vocational training-Equitas Gyan Kendra) and trained 368221 members on a cumulative basis so far which is also a global record – Done by CSR Division.
7. Placement Services: In another proactive step, Equitas conducts job fairs for members' unemployed youth to enable employment opportunities, through this initiative Equitas was able to facilitate job placement for 33309 unemployed youth on a cumulative basis- Done by CSR Division.

CSR- Equitas Facilitates Long term Investment in Education: Holistic education at Affordable cost.

1. Schools: We run Six regular schools called Equitas Gurukul, 3500 members' children study in Trichy, Dindigul, Salem, Sivakasi, Coimbatore and Karur with a proposal to start one more school in Cuddalore during the coming academic year – run by Equitas Trust

CSR-Beyond microfinance – Socially Disadvantaged Segment:

1. Ultra Poor Programme: (Equitas Birds Nest): Equitas commenced a programme in 2009-10 for Rehabilitation of Pavement Dwellers in Chennai and identified 100 families in the first phase. They have moved 102 families into houses and hand held them for initial 6 months to lead a dignified life and they have now started paying rent on their own. Most families have attained self sustenance status through a host of interventions from Equitas. Many have received Voters ID for the first time in their lives some have applied for ration cards. Encouraged by the success the scheme was extended to rehabilitate more such homeless families, in the 2nd phase they have moved another 199 families- run by Equitas Trust.
2. Persons with Disability: They have financially supported on a cumulative basis 10818 Persons with Disability of whom 2092 are blind in setting up some livelihood activity so that they can stand on their own feet.

Food Security- Demand Side Aggregation

Retail: Equitas runs a chain of grocery stores on a not for profit basis, where their clients can buy groceries. Benefit of aggregation is passed on to them. They also get a card/credit with a limit loaded in it which acts just like a credit card to them, more than 151802 members used the facility and obtained a savings of 8-10 % over MRP – run by Equitas Dhanya Kosha, a Sec 25 Company.

In a short span, Equitas has set benchmarks in the Microfinance industry, but it has done remarkably even in its social sector initiatives.

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

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

5.1 Self Help Group Bank Linkage Programme (SBLP)

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

Key Statistics under SBLP as of March 2015¹

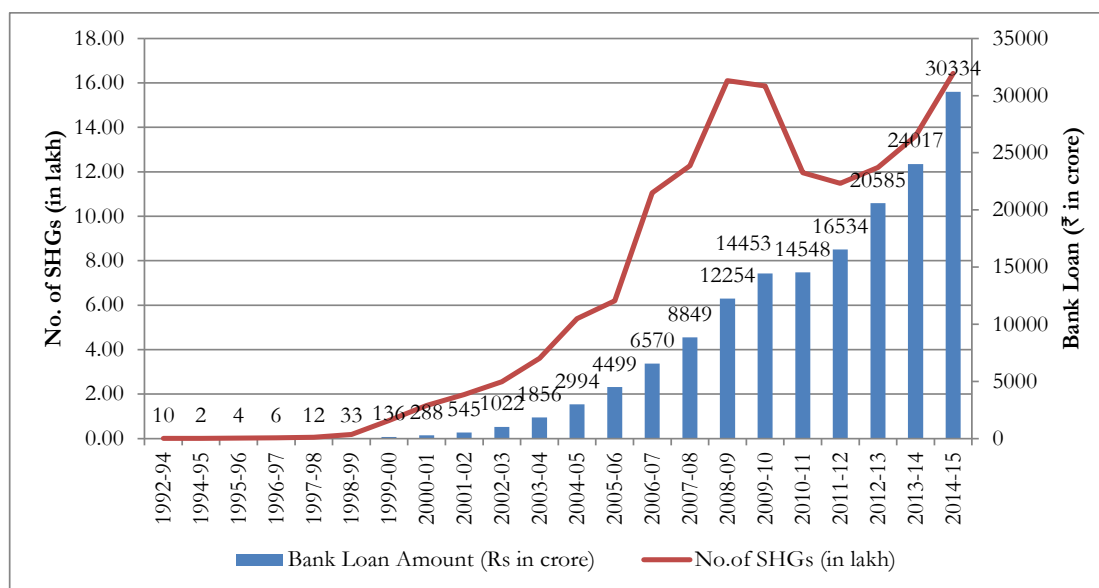
- Total number of SHGs saving-linked with banks – 77.12 lakh
- Total saving amount of SHGs linked with banks – ₹11307 crore
- Total number of SHGs with loan outstanding – 44 lakh
- Total loan amount outstanding – ₹51721 crore
- Total No. of SHGs credit linked during 2014-15 – 16.43 lakh
- Total Amount of Loans disbursed during 2014-15 – ₹30334 crore

SBLP Activity since Inception

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

Trend of SHGs linked to banks has remained positive since its beginning, though the credit linked SHGs have witnessed a decline during the year 2010 -11 and 2011-12 as a ramification of the AP crisis. The credit linkage to banks resumed a positive trend after year 2012-13 and continued in 2014 -15.

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



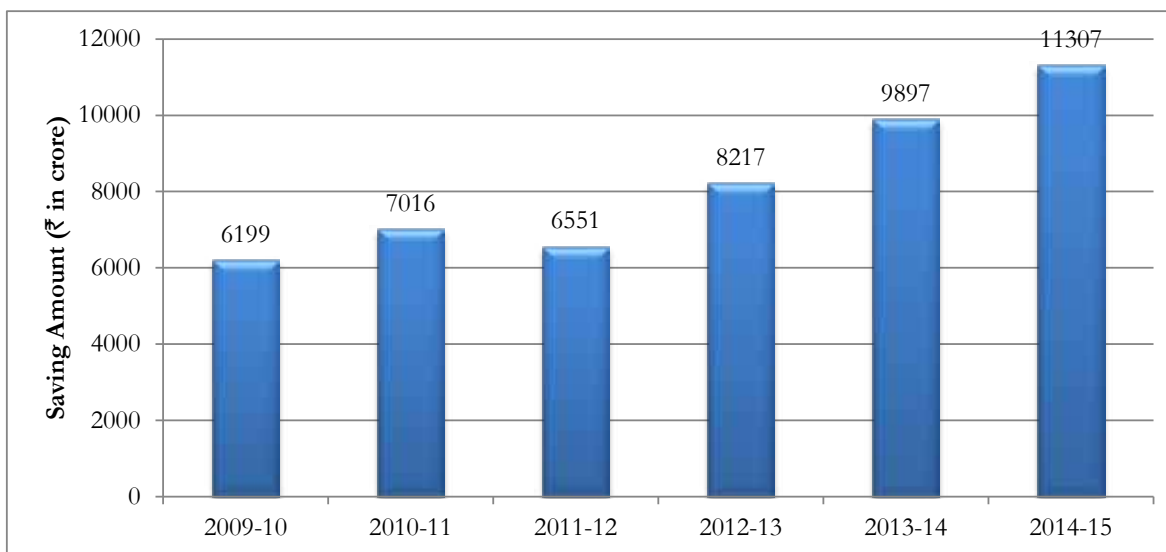
Source: Data Compiled from various reports of NABARD

¹ Source: NABARD

5.1.1 Savings Performance of SBLP

The SHG savings amount held by banks has been growing (Figure 5.2) except for a marginal decline in 2011-12. This is largely due to the decline in saving of SHGs in the Eastern region. As of March 2015, the banking system held SHG savings to the tune of ₹11307 crore which is 14% more than the previous year.

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

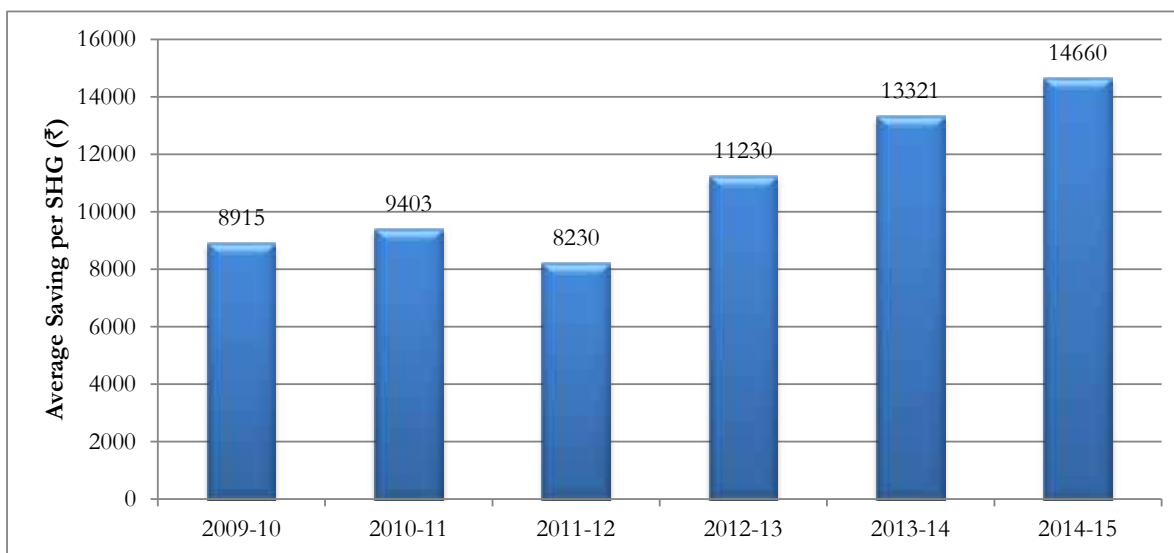


Source: NABARD

Average Savings per SHG:

The average savings per SHG amount to ₹14660 at an all India level as of March 2015. Figure 5.3 depicts the trend in the average savings held by the banking system.

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

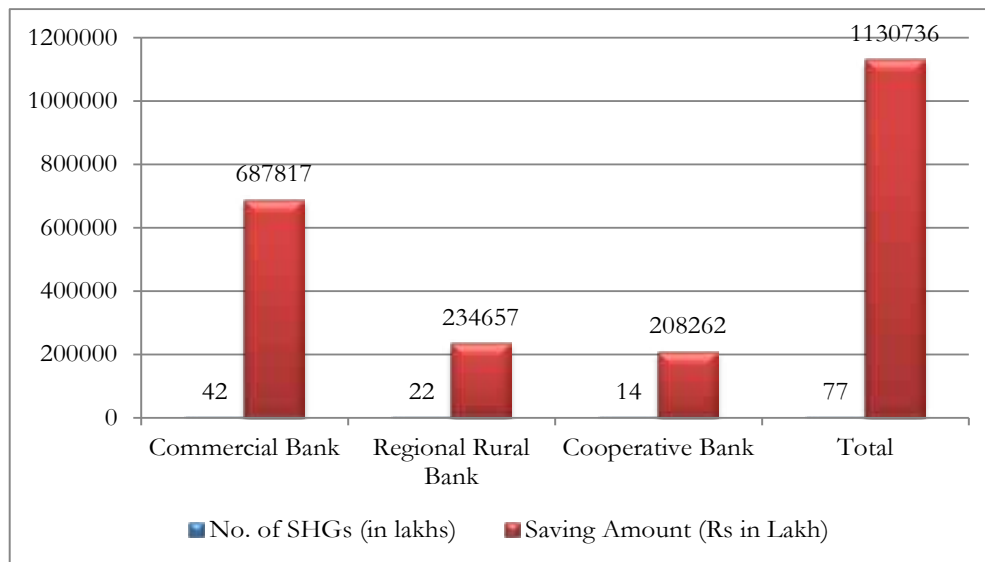


Source: NABARD

Average savings per SHG have been on an increasing trend since 2011. Year 2014-15 witnessed an increase of 10% in comparison to last year. Average savings had previously witnessed a decline of 12% in 2011-12, but in the subsequent year, the decline was arrested and growth restored.

Figure 5.4 depicts the savings of SHGs as on 31 March 2015 with various Banks viz. Commercial Banks, Regional Rural Banks and Cooperative Banks. Commercial banks continue to play a leading role, serving 54% of total number of SHGs and accounting for 61% of the total savings by SHGs in the banking system. RRBs holding second position by serving 28% of total number of SHGs and accounting for 21% of the total savings by SHGs followed by Cooperative Banks by serving 18% of total number of SHGs and accounting for 18% of the total savings.

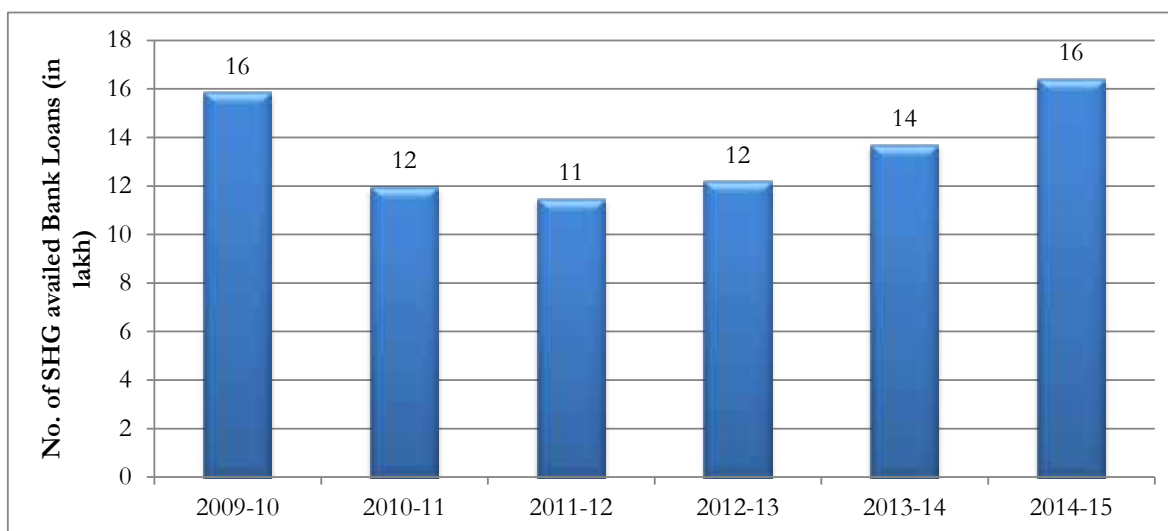
Figure 5.4: Savings of SHGs with Banks as on 31 March 2015



5.1.2 No of SHGs Availed Bank Loan during 2014-15

The year 2014 -15 witnessed a 20% increase in the number of SHGs availing bank loans, as evident in Figure 5.5.

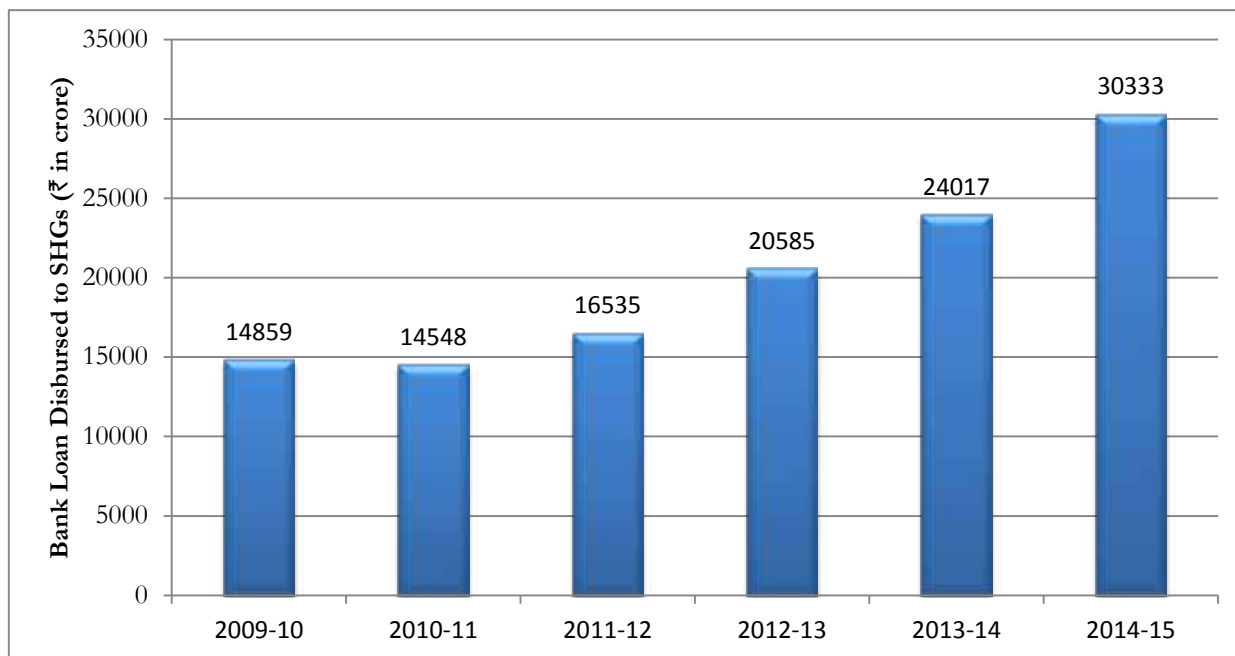
Figure 5.5: No. of SHGs Availed Bank Loan during 2014-15 from the Banking System



Source: NABARD

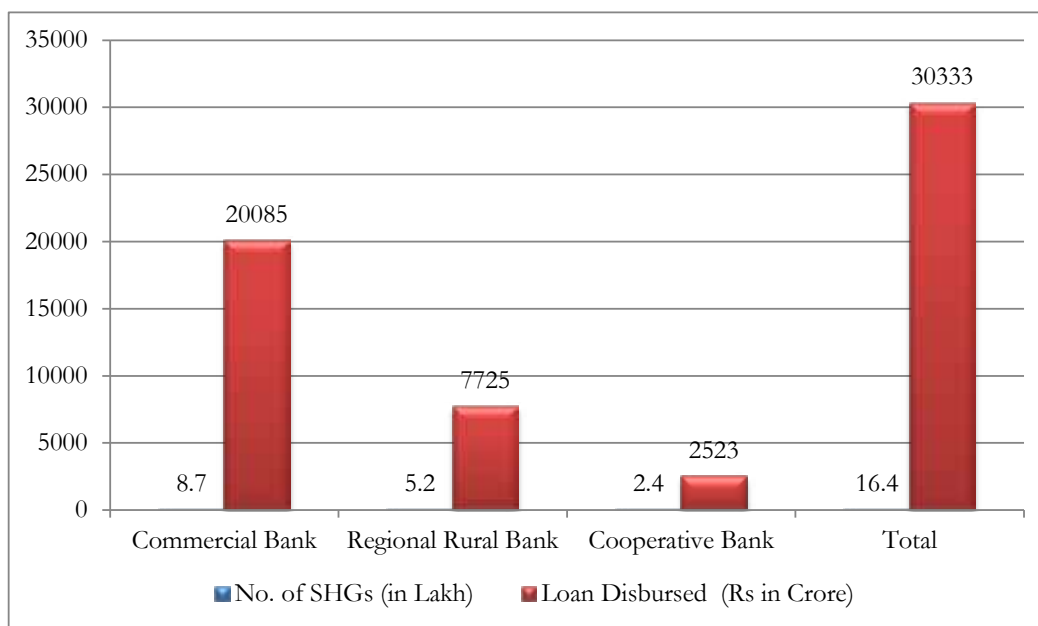
Figure 5.6 depicts that loan amount disbursed to SHGs at all India level during the year is ₹30333 crore which is a 26 % increase in comparison to last year.

Figure 5.6: All India Trend in Bank Loan Amount Disbursed to SHGs



Source: NABARD

Figure 5.7: Agency-wise Loan Disbursement – No. of SHGs and Loan Amount Disbursed

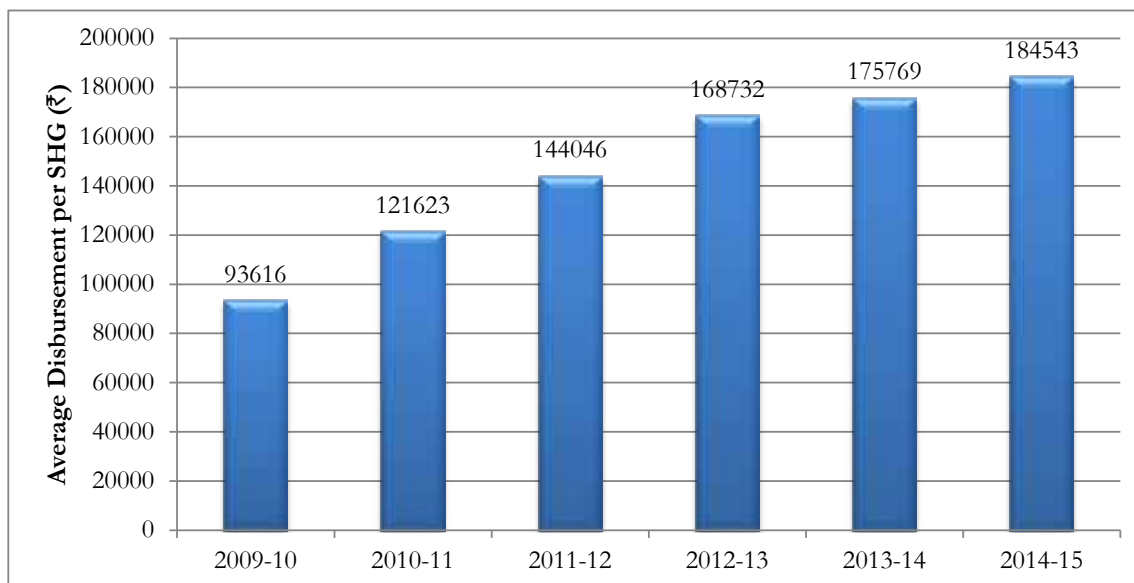


Source: NABARD

Maintaining the trend, Commercial Banks are leading the chart in terms of bank loans disbursed to number of SHGs and amount disbursed during 2014-15 with a whopping ₹20085 crore having been given out to 8.7 lakh SHGs (Figure 5.7). Commercial Banks alone account for around 66% of the total loan amount disbursed to SHGs. RRBs and Cooperative banks come in at the second and third positions with 25% and 8% respectively.

Average Loan Disbursement per SHG

Figure 5.8: All India Trend in Average Bank Loan Amount Disbursed per SHG



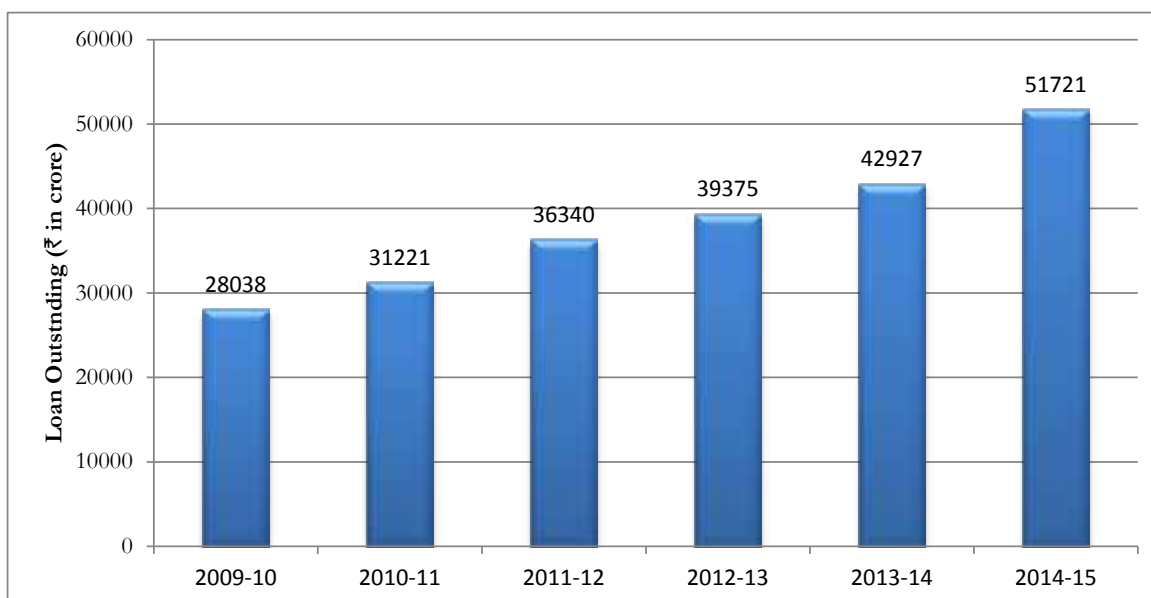
Source: NABARD

The average loan amount disbursed per SHG has been on the increase. It was ₹184543 during 2014-15 across India (Figure 5.8). Average loan amount disbursed per SHG has been maintaining the increasing trend over a period of years.

5.1.3 Loan Outstanding with SHGs

The outstanding loan amount has been on the increasing trend, which demonstrates the business viability of SHG lending for banks (Figure 5.9) in these areas. In 2014-15, at an all India level, the loan outstanding amount has witnessed a growth of 20% in comparison to last year.

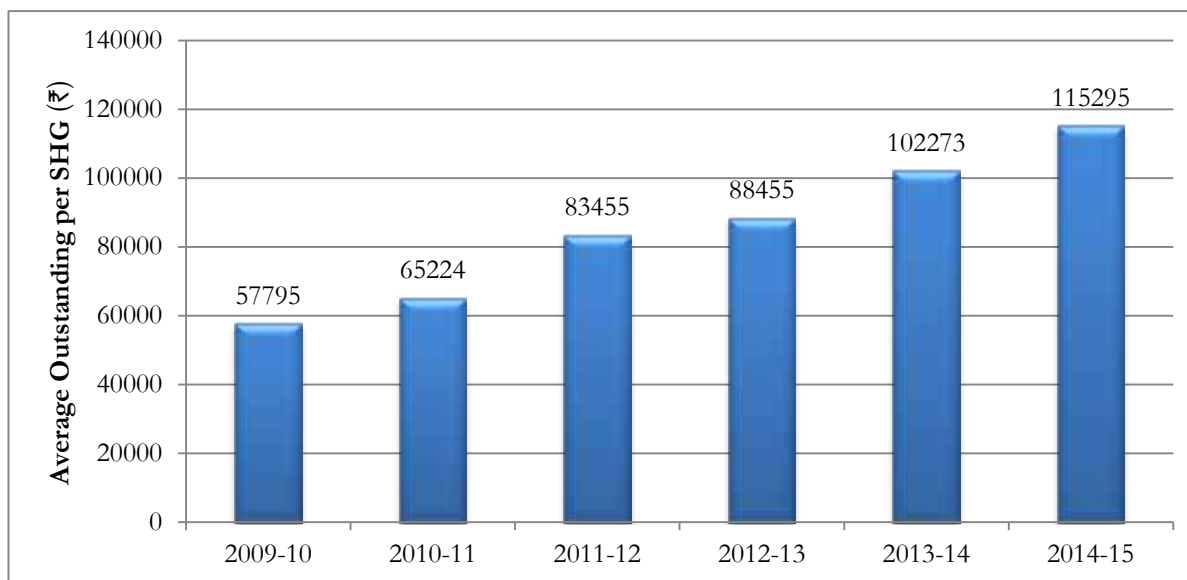
Figure 5.9: All India Trend in SHG Loan Outstanding in the Books of Banking System



Source: NABARD

Average Loan Outstanding per SHG

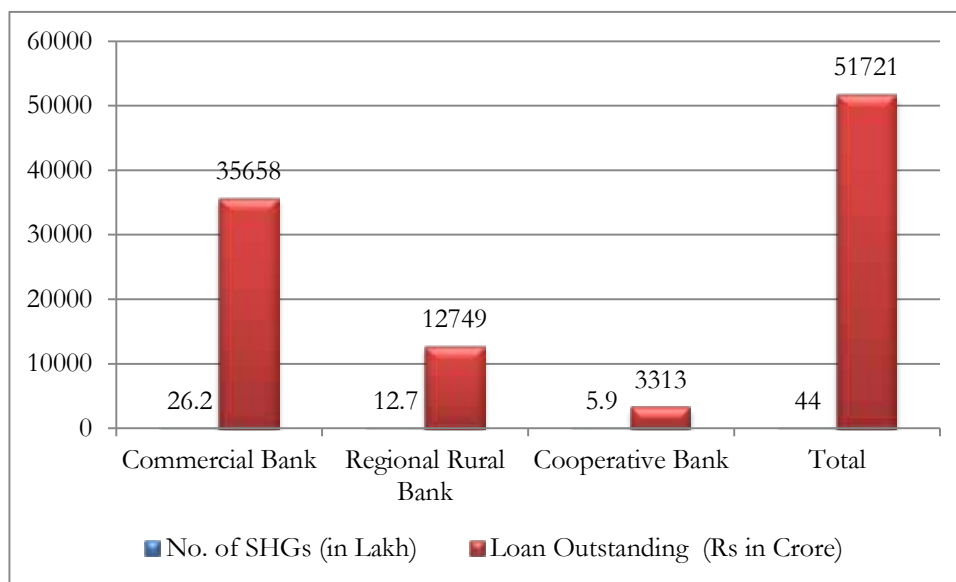
Figure 5.10: All India Trend in Average per SHG Loan Outstanding in the Banking System



Source: NABARD

On an average, the loan outstanding per SHG as of March 2015 is ₹115295 at an all India level, which is a jump of around 13%.

Figure 5.11: Agency-wise Bank Loan Outstanding Against SHGs as on 31 March 2015



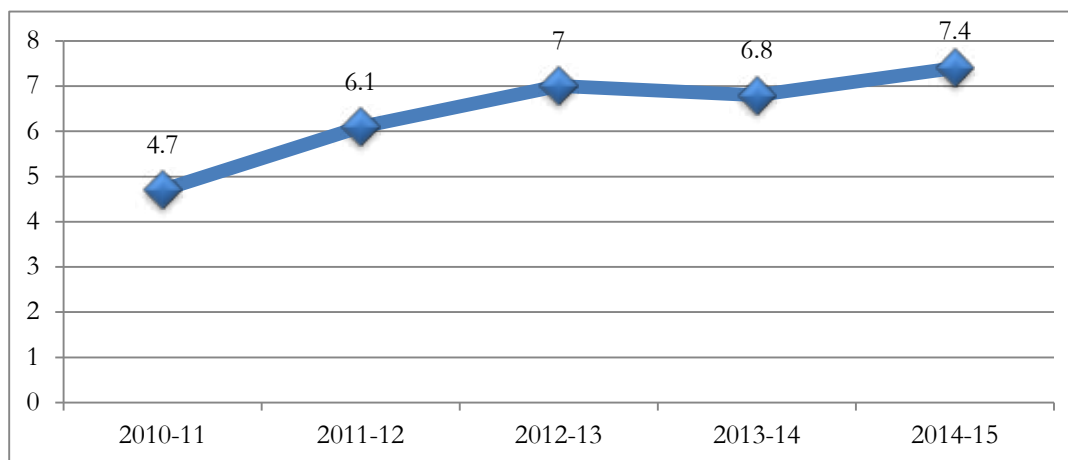
Source: NABARD

Figure 5.11 depicts the agency wise bank loans outstanding against SHGs as on 31 March 2015. Yet again, Commercial banks lead the chart, with around 69% of total bank loans outstanding. RRBs are a distant second with 25%, followed by Cooperative banks with 6%.

Portfolio Quality

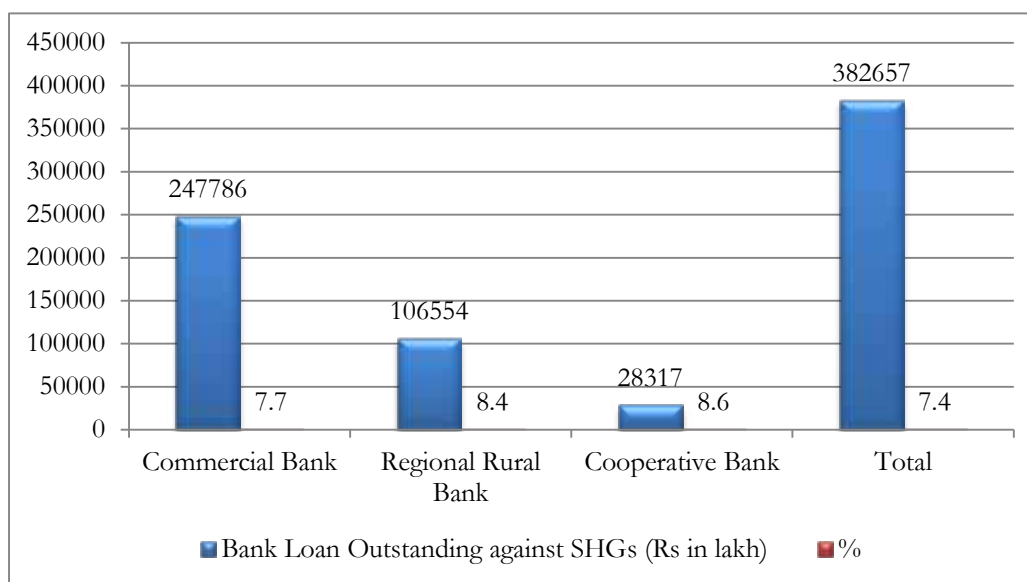
At an all India level, the NPAs of banks stood at 7.4%, with an increase of 9% in comparison to last year.

Figure 5.12: Non Performing Asset (Per Cent) of SHG Loans with Banks



Source: NABARD

Figure 5.13: NPAs of Banks Against SHGs Loan Outstanding



Source: NABARD

Figure 5.13 throws light on Non Performing Assets of Banks against SHG loans outstanding as of 31 March 2015. It is evident that Cooperative Banks have highest NPA with 8.6%. However, they account for only 7% of total bank loans outstanding. On the contrary, commercial banks, which account for 65% of total loan outstanding, have an NPA of 7.7%. RRBs are also beset with high NPAs vis-à-vis commercial banks.

Integration of credit history of individual SHG members in the Credit bureau could be a way forward for reducing NPAs. A report from the Aditya Puri Committee highlighted the need for sharing the data of SHG members with CIBs. Furthermore, the Nachiket Mor Committee also stated the need to develop a robust legal and regulatory framework around customer data generated in various transactions (credit and payments, digital and off-line), with the objective of customer ownership of their own transactions data and its use, among others, for signaling credit-worthiness and reduction of NPAs. Therefore, credit reporting systems are very important in today's financial system; this information flow enables credit markets to function more efficiently.

In this endeavour, Sa-Dhan in association with PlaNet Finance (now Positive Planet) is rolling out a project on building an Inclusive Credit Information Bureau (ICIB) that aims at capturing data sets of individual level SHG members. The project aims at building credit history and strengthening creditworthiness of the clients, reduction in NPAs and building transparency in the system.

5.2 SHG Members as Bank Agents

Since the early 1990s, NABARD is supporting social mobilization and financial empowerment of rural low income households through the Self Help Group Bank Linkage Programme (SHG BLP). Through this approach, the capacity of group members and member-based institutions to manage money and financial services and to connect the community is developed.

In 2012, the Rural Financial Institutions Programme, a joint NABARD-GIZ programme, decided to connect two approaches: Improving the integration of bank agents into the community by appointing SHG members as agents. A few advantages were identified:

- SHG members are integrated into the community (through their own group and village level organizations) and are known and trusted by the other community members. They are also more likely to stay within the community and will not migrate for other job opportunities.
- SHG members have basic financial literacy and are used to dealing with money (their own and group members' money). They also have experience working with banks and other financial institutions.
- SHG members are mostly women who are generally known to be more responsible and trustworthy with money. These women will also be able to tap the part of the population which is mostly financial excluded, but provide the highest potential: women.
- Since Regional Rural Banks (RRBs) are key provider of credit under the SHG Bank Linkage Programme hence by ensuring delivery of credit and its repayment through BC Agents, banks can not only keep track of credit flow but also ensure migration of transaction to the BC channel. This also ensures that funds remain longer with the Bank post disbursement (in savings account of the group or its member) due to door step services.

Box 5.1: Potential of SHG Members Functioning as Bank Agents

In 2012, the Rural Financial Institutions Programme, a joint NABARD-GIZ programme, decided to connect two approaches: Improving the integration of bank agents into the community by appointing SHG members as agents. Experience and Lessons Learnt from Two Pilot Projects in Uttar Pradesh and Madhya Pradesh

The banks have partnered with a local federation, corporate BC, and a technology service provider. The SHG members of the federation are appointed as BC agents and are known as “Bank Sakhis”. A Bank Sakhi is someone who has been member of a SHG and has been involved in conducting banking and book keeping activities of the group.

As a Bank Sakhi these women provide a range of financial and non-financial services on behalf of the bank to their communities. The federations are providing capacity development, training, and monitoring support to the Sakhis and supporting them to raise financial awareness in the communities. The corporate BC provides the technology including hardware, software, and support for maintenance.

Bank Sakhis are paid a commission from the bank for different services, which covers their costs and provides them with an income. The setup, roles and responsibilities of stakeholders, and processes differ slightly in the two pilot projects, taking the local interests and contexts into consideration.

5.3 SHG Federations as Bank Agents

PSMS and AMS are the local district level federations which promote SHGs in Indore, Dewas and other districts of Madhya Pradesh. They have established a Financial Inclusion Committee (FIC) which is responsible for identification, training and handholding of the Bank Sakhis throughout the project.

Bank Sakhis: The bank agents act as Customer Service Points (CSPs) and have a formal agreement with NICT to offer banking services on behalf of NJGB in their own and surrounding villages. They have undergone a series of trainings related to banking and computer literacy. They are responsible for – a) creating awareness about banking products among other group members and community; b) opening accounts, servicing deposits and withdrawals, and delivering other services offered by banks; c) ensuring safe keeping of cash and resolve any customer queries.

Progress (as on 31 st August 2015)			
Bank Sakhis appointed	29	No. of clients with bank accounts opened through Bank Sakhis	10,019
No. of active Bank Sakhis operational for more than 3 months	28	Total no. of transactions (deposits and withdrawals) cumulative	17,227
No. of villages reached by Bank Sakhis	170	Total value of transactions (deposits and withdrawals) cumulative	₹ 2,94,47,421

Products and Services Offered

The Bank Sakhis are currently offering Business Correspondent (BC) and Business Facilitator (BF) services including account opening, deposits, withdrawals, money transfer, recurring deposit, fixed deposits, delivery of notices to loan defaulters, linking of Aadhaar with bank accounts, insurance, and vehicle loans. Bank Sakhis also conduct the SHG transactions (loan disbursements and repayments) through the kiosk. Recently, selected Bank Sakhis have been trained by one of the federations to manage SHGs which involves conducting SHG meetings and updating their books. This will increase their income as they will receive additional commissions from the federation for SHG management.

Project Unique Features

- **Community driven:** The federations with support of local resources through their SHGs are driving the project. This makes the project sustainable and provides access to the wide member-base of the federations.
- **Product mix:** The pilots strive to offer an attractive product mix to the customers including basic savings account, term deposits, loans, payment and e-governance services as well as solar lighting systems (in UP). This is also likely to improve the business case for Bank Sakhis.
- **Customized training and leadership building:** The pilot focuses on building the capacity of the federations and Bank Sakhis by developing and delivering effective training modules on hard and soft skills. Progressively senior Bank Sakhis evolving as ‘Master Trainers’ to train new Bank Sakhis to promote peer learning.
- **Women empowerment and social impact:** The projects have been able to not only provide an additional income source for the Bank Sakhis, but have also empowered them by building their capacities to offer a wide range of banking services to their community. The women who were hesitant to step out of their

houses alone are today opening bank accounts, visiting the bank branches, conducting awareness camps, and playing an important role to achieve the national goal of financial inclusion. In turn, these Sakhis have been able to include the un-banked segment of women by opening their bank accounts.

- **Adapting to technology:** The Bank Sakhis who are SHG members with basic literacy and education levels have been able to adopt and comfortably perform the technology driven processes using point of sale devices and laptops.

5.4 Digitisation of SHGs

Book keeping is one of the most important requirement for success and sustainable progress of SHGs. Maintenance of systematic records of savings, on-lending, loans and its deployment, recovery from members and repayment to lenders, meetings and decisions taken on various issues are the parameters that shows the bench strength of a SHG. The stakeholders take decisions for extending credit and other favourable interventions on the basis of the quality of SHG as exhibited from the records available and maintained by a SHG. Deficiency of proper records of financial and other major happenings of the SHG is the prime reason for sprouting distrust among members that leads to deterioration and delinquency in a SHG. Though SHGs are required to maintain systematic and updated records of financial and nonfinancial accomplishments of the group on an up to date basis, off late it has been observed that this aspect is being neglected both by the SHPIs and the SHGs. In many cases the SHG members do not have the required capacity of maintaining books on their own and have to depend on SHPIs or others. Further, different SHGs follow different methods and forms of books for maintaining records and there is no uniformity. Moreover, the records of SHGs are accessible only when one approaches the SHG. SHG data on real time basis, which may be highly relevant for policy interventions, is difficult to get without a survey. Digitization of SHGs is a likely solution to overcome the difficulties pertaining to book keeping of SHGs.

Maintaining digitised information on web makes it more searchable database through the Internet for viewing use and reference by SHGs, SHPIs and Bankers. Digitisation of SHGs 'pan India' can therefore, give a complete picture of the SHGs in the country. When the GOI is contemplating to streamline all the developmental schemes and trying to extend entitlements / benefits directly to the underprivileged sections which incidentally constitute bulk of SHGs, a uniform digitised platform would be of great help. Digitisation of all SHGs in the country may enable basic information of nearly 90 million members. It would ease the transfer of social benefits and facilitate Direct Benefit Transfer (DBT) through Aadhaar linked accounts and convergence with other Government benefits to SHG members.

The core benefit of digitisation of SHGs therefore centers on mainstreaming of SHG members with financial inclusion agenda and enabling the SHGs and its members' access a wider range of financial services. Digitisation of SHG accounts will increase bankers' comfort in credit appraisal and linkage of SHGs. A well-documented and up-to-date information base available digitally for ready reckoning may be appealing for the financing institutions to extend business relation with the SHGs. The banks can assess the financial health of an SHG in real time on the basis of data available online and rate/grade the SHG for deciding a financial facility to be extended to the group. Keeping in view the above and the need for building an easy searchable database generate MIS by stakeholders and obtaining a macro picture of SHG-BLP, NABARD has launched EShakti project on 13 November 2014 for digitization of SHGs in the country.

Box 5.2: 'EShakti': A NABARD Initiated Pilot Project for Digitisation of SHGs

'EShakti' is customised software designed for e-bookkeeping of SHG records and generation of Management Information System (MIS) on a real time basis. The project envisages mapping of all the existing SHGs in a district (bank wise, branch wise, block wise) and capturing financial and non-financial information of the SHG and its members for uploading the same on a dedicated website viz. www.eshakti.nabard.org. The project also seeks to eliminate duplicity of members/ SHGs in the existing environment and presently provides 31 standard MIS reports on member/ SHG wise profile, details on saving, lending, attendance; Financial statement of SHGs – Balance sheet and Income & Expenditure; Bank credit distribution etc., to take care of the requirement of each of the stakeholders. SHG members themselves can upload the latest data directly through an app by using a hand held device (Tablet/ Mobile) using GPRS connectivity. EShakti also provides SMS alerts to members regarding their financial transactions immediately upon data upload thus ensuring complete transparency of operations.

So far, over 8900 SHGs with more than 1 lakh members have been enrolled and on boarded onto the EShakti platform from Ramgarh (Jharkhand) and Dhule (Maharashtra). Learnings from these two districts will help the pilot to be expanded to some more districts across the country.

5.5 Aajeevika - National Rural Livelihoods Mission (NRLM)

National Rural Livelihoods Mission (NRLM) was launched by the Ministry of Rural Development (MoRD), Government of India in June 2011. Aided in part through investment support by the World Bank, the Mission aims at creating efficient and effective institutional platforms of the rural poor enabling them to increase household income through sustainable livelihood enhancements and improved access to financial services. NRLM has set out with an agenda to cover 7 Crore rural poor households, across 600 districts, 6000 blocks, 2.5 lakh Gram Panchayats and 6 lakh villages in the country through self-managed Self Help Groups (SHGs) and federated institutions and support them for livelihoods collectives in a period of 8 -10 years²

There are four components of the NRLM (World Bank – Government of India project). The first component of the project is institutional and human capacity development. The objective of this component is to transform the role of the Ministry of Rural Development (MoRD) into a provider of high quality technical assistance in the field of rural livelihoods promotion. The second component of the project is state livelihood support. The objective of this component is to support state governments in the establishment of the necessary institutional architecture for the implementation of the National Rural Livelihoods Mission (NRLM) activities from the state to the block level. The third component of the project is innovation and partnership support. The objective of this component is to create an institutional mechanism to identify, nurture and support innovative ideas from across the country to address the livelihood needs of the rural poor. The fourth component of the project is project implementation support. The objective of this component is to establish an effective project management unit at the national level that develops key systems and processes for coordination and management of the project and the NRLM.

According to the latest report of World Bank³, NRLM has now been rolled out across 131 districts, 380 blocks and nearly 39,669 villages in the thirteen participating states. The program is intensively working with more than 3.7 million households, mobilized into nearly 325,000 Self Help Groups that are managed exclusively by women. Nearly 64 % of these groups belong to low income states of Bihar, Jharkhand, Chhattisgarh, Uttar

² <http://aajeevika.gov.in/content/welcome-national-rural-livelihoods-mission-nrlm>

³ http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/SAR/2015/06/18/090224b082f522a1/1_0/Rendered/PDF/India000Nation0Report000Sequence009.pdf

Pradesh, Madhya Pradesh, Rajasthan and Odisha. NRLM has also promoted nearly 16,230 Village Organizations (Federation of SHGs at the village/panchayat level) and more than 130 Cluster Level Federations (CLFs). 56% of households mobilized in SHGs belong to the SC, ST, and Minority households. For low income states, the figure is even higher at 61%. Overall, about 62% of total estimated poor households have already been included in NRLM

The tables below indicate the present status of NRLM.

Table 5.1: Present Status of NRLM

Year	Total SHGs	NRLM Compliant SHGs	No. of Loans	Per SHG No. of loans	% of NRLM Compliant SHGs	Year on Year Growth of NRLM Compliant SHGs (%)
2013-14	27,69,807	14,10,156	16,59,443		50.91	
2014-15	31,95,904	15,66,438	19,35,795	1.24	49.01	10
2015-16	32,90,188	15,87,199	19,76,236	1.25	48.24	1

As per NRLM, at present there are 32,90,188 SHGs of which NRLM compliant ones are 15,87,199 i.e. 48.24 % of the total SHGs. Although the data of 2015-16 is not complete, there appears to be a nominal decrease in the percentage of NRLM compliant SHGs over the previous year.

Table 5.2: Portfolio at Risk of NRLM

No. of Loan A/cs	Amount Outstanding	PAR (<=1 Month)		PAR (2 Months)		PAR (3 Months)	
		Accounts	Amount	Accounts	Amount	Accounts	Amount
26,48,316	32,57,499	1,23,853	1,34,849.02	45,190	47,718.88	39,278	51,646.30
		Accounts (%)	Amount (%)	Accounts (%)	Amount (%)	Accounts (%)	Amount (%)
		5	4	2	1	1	2

Amount in ₹ lakhs

Portfolio at Risk generates a picture on the health of the SHGs. NRLM has 26,48,316 loan accounts with outstanding of 32,57,499 Lakhs INR. Loan outstanding per loan account is 1.23 Lakhs. PAR 90 days, is 2% of the total outstanding amount, which has decreased from 4%, stands at PAR < 30 days. PAR 90 days, is 1% of the total number of loan accounts, which has decreased from 5%, stands at PAR < 30 days.

According to NRLM⁴, among Public Sector Banks, State Bank of Travancore has highest deceleration in year on year (2013-15 and 2014-15) loan disbursement to SHGs which is -56.41 % followed by State Bank of India, - 54.93% and State Bank of Hyderabad, -54.18 %. Indian Bank has highest acceleration in year on year (2013-15 and 2014-15) loan disbursement to SHGs which is 287.31 % followed by Vijaya Bank, 173.44 % and Allahabad Bank, 125.34 % .

⁴ <http://www.nrlmbl.aajeevika.gov.in/NRLM/UI/Achievement/GeoWiseAchievementTracker.aspx>

Note: The used data is collected on 28th Sept 2015.

6.1 Business Correspondent Model

The BC model is an innovative technology-based banking model which enables people in remote areas of India access to formal financial institutions. In November 2009, the RBI advised banks to draw up a road map to establish presence in every village with a population above 2000 individuals, through the use of business correspondents and business facilitators. Apart from banking outlets, branchless banking connectivity had been extended to 504142 villages by 31st March 2015, using banking correspondents¹, a fifteen-fold increase as compared to 31st March, 2010.

In recent years, India has witnessed a high rate of economic growth², which has resulted in greater personal wealth for many Indians. However, a vast section of the society is still financially excluded, meaning it does not have access to formal financial institutions. In light of recent research that shows a strong correlation between financial exclusion and poverty and inequality, the Indian government has made financial inclusion an integral part of its planning strategy. But how do you spread a banking network to a huge number of settlements at an affordable cost? In India, an effort has been made to achieve financial inclusion by using information and communication technology through the Business Correspondent model. This chapter discusses the model, the role of MFIs in rolling out this model and the challenges it faces.

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

6.2 Reaching Doorsteps Through Business Correspondents

In January 2006, the Reserve Bank of India issued guidelines allowing banks to designate Business Correspondents (BCs) to increase their outreach³. A BC is an entity that acts as a teller for the bank and carries out a full range of transactions on behalf of the bank. BCs are paid commissions by banks for the services they render. (In the same guidelines, the Reserve Bank of India also allowed banks to designate Business Facilitators, which can refer the customers' proposals or facilitate banking transactions, but are not allowed to carry out actual transactions.) Initially, only non-governmental organizations (NGOs), micro-finance institutions, registered nonbanking financial companies, and post offices were allowed to function as BCs. However, now the guidelines have been expanded to include individuals, local grocery shops, and for-profit companies. The objective of establishing the BC role was to reach all villages with populations greater than 2,000 by March 2012, and then to reach the rest of the villages in a phased manner over three to five years.

¹ RBI Annual Report 2014 -15

² www.minneapolisfed.org/publications/community-dividend/business-correspondent-model-boosts-financial-inclusion-in-india

³ www.minneapolisfed.org/publications/community-dividend/business-correspondent-model-boosts-financial-inclusion-in-india

6.3 Progress and Challenges

India's financial inclusion initiative expanded its presence manifold in 2010–2015. The number of banking outlets in villages increased from 67694 at the end of March 2010 to 553713 at the end of March 2015, comprising 49571 branches, and 504142 through branchless mode.

Table 6.1: Financial Inclusion Plan-summary Progress of all Banks Including RRBs⁴

Particulars	Year ended March 2010	Year ended March 2014	Year ended March 2015	Progress April 2014- March 2015
Banking Outlets in Villages-Branches	33,378	46,126	49,571	3,445
Banking Outlets in Villages-Branchless mode	34,316	337,678	504,142	166,464
Banking Outlets in Villages-Total	67,694	383,804	553,713	169,909
Urban Locations covered through BCs	447	60,730	96,847	36,117
Basic Savings Bank Deposit A/c through branches (No. in million)	60.2	126.0	210.3	84.3
Basic Savings Bank Deposit A/c through branches (Amt. in ₹ billion)	44.3	273.3	365.0	91.7
Basic Savings Bank Deposit A/c through BCs (No. in million)	13.3	116.9	187.8	70.9
Basic Savings Bank Deposit A/c through BCs (Amt. in ₹ billion)	10.7	39.0	74.6	35.6
BSBDAs Total (No. in million)	73.5	243.0	398.1	155.1
BSBDAs Total (Amt. in ₹ billion)	55	312.3	439.5	127.3
OD facility availed in BSBDAs (No in million)	0.2	5.9	7.6	1.7
OD facility availed in BSBDAs (Amt. in ₹ billion)	0.1	16.0	19.9	3.9
KCCs (No in million)	24.3	39.9	42.5	2.6
KCCs (Amt. in ₹ billion)	1,240.1	3,684.5	4,382.3	697.8
GCC (No. in million)	1.4	7.4	9.2	1.8
GCC (Amt. in ₹ billion)	35.1	1,096.9	1,301.6	204.7
ICT A/Cs BC Transaction (No. in million)*	26.5	328.6	477.0	477.0
ICT A/Cs BC Transactions (Amt. in ₹ billion)*	6.9	524.4	859.8	859.8

* During the financial year.

The use of the BC model has the potential to change the lives of millions of people in the remotest parts of the country⁵. For poor and vulnerable people, who could not think of going to the bank, banking has come to them. Increases in the number of bank accounts and the volume of loans and deposits in areas that use the BC model could indicate there is now far greater awareness of banking services. Frauds and diversions of government payments are declining as people get their social security and pension payments through bank accounts, at their doorsteps. People no longer need to travel miles to get their pension payments. In disasters

⁴ RBI Annual Report 2014 -15

⁵ www.minneapolisfed.org/publications/community-dividend/business-correspondent-model-boosts-financial-inclusion-in-india

like floods and earthquakes, the government will be able to provide financial relief at a much faster rate and to the targeted people. Even in cases of medical emergencies, poor people who formerly had to take out high-interest loans from money lenders to cover doctors' bills will now have access to credit.

The BC model is being used effectively for overall community development and social empowerment. Take the case of Sheela Gaikwad, a poor farm laborer in the Pune district in Maharashtra, who did not have enough money to even eat two times a day. With the assistance of a self-help group that was funded through transactions handled by a BC, she got a \$200 loan to start her own business of selling fruit. Today, her business has expanded and she has repaid her loan. Women like Ms. Gaikwad are benefiting from credit linkages facilitated by BCs and are becoming more self-reliant. With the help of credit, today they are able to afford education for their children, which is changing their lives forever.

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

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

6.4 MFIs as Business Correspondents

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

The MFIs which reported data had been operating as BCs of 16 banks (Table 6.2).

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

Bank	Name of the MFIs	No. of MFIs	No. of Saving Clients	Bank Wise Amount Saved (₹ in crore)
Canara Bank	Blaze Trust, Bengal Women Welfare Association, SKDRDP	3	16208	26.05
Corporation Bank	SKDRDP	1	69350	550.40
ICICI Bank Ltd	Prayas Jac, Blaze Trust, CASHPOR Micro Credit	3	206922	3.86
IDBI Bank Ltd	Swayamshree Micro Credit Services, Grama Vidiyal Micro Finance Limited, Unnati Trade And Fincon Pvt. Ltd, CASHPOR Micro Credit, Annapurna Micro Finance (P).Ltd, Uttrayan Financial Services Pvt. Ltd, People's Action For Transformation (PAT), SKDRDP, Asomi Finance Private Limited, Samhita Community Development Services, Bal Mahila Vikas Samiti-VAMA, Gramin Mahila Swayamsiddha Sangh	12	43021	354.70
IndusInd Bank Ltd.	Arohan Financial Services Private Limited, CASHPOR Micro Credit, Utkarsh Micro Finance Private Limited, S V Creditline Private Limited, Samhita Community Development Services	5	74377	2.74
Kashi Gomati Samyut Grameen Bank	Bhartiya Micro Credit	1	1444	0.0005
Narmada Jhabuha Grameen Bank	Aparajita Mahila Sakh Sahakari Sanstha Maryadit	1		0.02
Pragathi Krishna Gramin Bank (PKGB)	SKDRDP	1	42350	85.77
Ratnakar Bank Ltd	Swadhaar Finserve Pvt. Ltd, SKDRDP	2	7825	6.54
State Bank of Mysore	SKDRDP	1	12708	113.87
State Bank of India	Blaze Trust, Dakshin Budhakhali Improvement Society (DBIS), SKDRDP, Swayamshree Micro Credit Services, ODISHA	5	911465	190.52
Syndicate Bank	SKDRDP	1	15056	18.97
Union Bank of India	Bhartiya Micro Credit, SKDRDP	2	84908	7.15
Vijaya Bank	SKDRDP	1	12490	18.54
Yes Bank Ltd	Society for Model Gram Bikash Kendra, Sakhi Samudaya Kosh, Bhartiya Micro Credit, Grama Vidiyal Micro Finance Limited, Prayas Organization for sustainable development, Institute of Rural Credit & Entrepreneurship Development (IRCED), Margdarshak Financial Services Ltd, Adhikar Microfinance Pvt. Ltd, Centre For Development Orientation And Training (CDOT), Arth MicroFinance Pvt. Ltd, Adhikar, Mahashakti Foundation, Samasta Microfinance Limited, Uttrayan Financial Services Pvt. Ltd, Samhita Community Development Services, Humana People to People India, Peoples Forum, Sambandh Finserve Private Limited, G U Financial Services Pvt. Ltd, Disha India Micro Credit	20	127885	3.17
Utkal Grameen Bank	ODISHA	1	187525	1.30
Total			1813534	1383.61

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

Bank	Name of the MFIs	No. of MFIs	No. of Loan Clients	Amount of Loan Disbursed (₹ in crore)	Loan Amount Outstanding (₹ in crore)
Canara Bank	Blaze Trust, Bengal Women Welfare Association, SKDRDP	3	153214	358.15	98.64
Corporation Bank	SKDRDP	1	758134	1783.00	425.52
Development Credit Bank (DCB)	Peoples Forum, Pahal Financial Services Private Limited	2		51.87	2.26
ICICI Bank Ltd	Prayas Jac, Blaze Trust, CASHPOR Micro Credit	3	21070	42.06	29.65
IDBI Bank Ltd	Swayamshree Micro Credit Services, Grama Vidiyal Micro Finance Limited, Unnati Trade And Fincon Pvt. Ltd, CASHPOR Micro Credit, Annapurna Micro Finance (P).Ltd, Uttrayan Financial Services Pvt. Ltd, People's Action For Transformation (PAT), SKDRDP, Asomi Finance Private Limited, Samhita Community Development Services, Bal Mahila Vikas Samiti-VAMA, Gramin Mahila Swayamsiddha Sangh	12	595822	747.33	540.25
IndusInd Bank Ltd.	Arohan Financial Services Private Limited, CASHPOR Micro Credit, Utkarsh Micro Finance Private Limited, S V Creditline Private Limited, Samhita Community Development Services	5	322023	528.58	386.32
Kashi Gomati Samyut Grameen Bank	Bhartiya Micro Credit	1	1444	2.1660	2.1097
Kotak Mahindra Bank	S V Creditline Private Limited	1	3891	8.06	7.64
Narmada Jhabuha Grameen Bank	Aparajita Mahila Sakh Sahakari Sanstha Maryadit	1	308	0.40	0.32
Pragathi Krishna Gramin Bank (PKGB)	SKDRDP	1	441038	584.82	371.27
Ratnakar Bank Ltd	Swadhaar Finserve Pvt. Ltd, SKDRDP	2	278452	284.59	297.10
State Bank of Mysore	SKDRDP	1	137697	131.38	105.38
State Bank of India	Blaze Trust, Dakshin Budhakhali Improvement Society (DBIS), SKDRDP, Swayamshree Micro Credit Services, ODISHA	5	364674	96.14	2.02
Swarna Pragati	Institute of Rural Credit & Entrepreneurship Development (IRCED), Mahashakti Foundation	2	157	1.14	1.33
Syndicate Bank	SKDRDP	1	154523	366.06	290.67
Union Bank of India	Bhartiya Micro Credit, SKDRDP	2	639296	1374.21	665.61
Vijaya Bank	SKDRDP	1	99718	246.59	184.77
Yes Bank Ltd	Society for Model Gram Bikash Kendra, Sakhi Samudaya Kosh, Bhartiya Micro Credit, Grama Vidiyal Micro Finance Limited, Prayas Organization for sustainable development, Institute of Rural Credit & Entrepreneurship Development (IRCED), Margdarshak Financial Services Ltd, Adhikar Microfinance Pvt. Ltd, Centre For Development Orientation And Training (CDOT), Arth MicroFinance Pvt. Ltd, Adhikar, Mahashakti Foundation, Samasta Microfinance Limited, Uttrayan Financial Services Pvt. Ltd, Samhita Community Development Services, Humana People to People India, Peoples Forum, Sambandh Finserve Private Limited, G U Financial Services Pvt. Ltd, Disha India Micro Credit	20	297445	466.16	430.68
Total			4268906	7072.70	3841.53

6.5 Mobile Technology

Technology, innovation, and knowledge have become the key drivers of economic growth today⁶. A broad scan, across many industry verticals, suggests that much of the economic growth of the last decade has been facilitated by the existence of strong technology platforms.

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

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

6.6 Application of Mobile Technology in Microfinance Operations

Mobile Applications at Sonata

Sonata Finance Pvt. Ltd is a leading NBFC-MFI in North India operating from Lucknow in Uttar Pradesh since 2006. It provides financial services to poor women families in rural and semi urban areas over 6 States. Sonata’s vision is to fill the gap of unbanked and unserved section of the society with no access to formal credit and financial services. At present, Sonata has implemented mobile based technology in its operations such as:

1. JLG Mobile Application

Sonata was among the first few in the MFI sector to implement mobile solutions to speed up the process of loan approval and disbursal. On an average, internal approvals from Sonata are completed within 24 hours. The loan process is initiated with customer data being uploaded through smartphone application. Business executives completes the KYC on their smart phone, which fasten the process of loan approval.

The mobile application has two integrated modules viz. Loan Officer and Branch Manager. A Loan officer may also view all the clients and group information details under him. The repayment schedule of approved proposals of clients entered during the centre meeting through their mobiles get updated on the server immediately.

⁶ Indiasearchjournal.com

This application is providing various benefits to Sonata such as:

- Tracking the transactions on real time basis.
- Fetching real time reports
- Digitalization of huge physical records
- Level of Transparency
- Time Saving & Process Efficiency
- Future readiness
- Scalability

LG Mobile Application Interface

Loan Officer Module



Branch Manager Module



2. Facilitating Clients by Easy Repayment Options

Most recently Sonata has joined hands with Oxigen Services (India) Pvt. Ltd. to offer easy, safe and secure repayment options to its clients by using Mobile Payment System called Oxigen Wallet or Mobile Money.

In regular operation practice, one of the clients collects the amount of weekly/fortnightly installments of all the group members and travels 10 to 20 Kms. to deposit the loan installments at the branch office of the Company.

Sonata launched Oxigen mobile money project as an another step in making the lives of its client easier and comfortable in order to:

- Mitigating the risk of carrying cash.
- Reducing the burden of travelling long tiring distances and cost thereto.
- Saving the active time which she may use in some income generating activity.
- Zero dependency on Business Hours
- Zero dependency on Internet Connection

Through this pilot it also intends to educate its clients on Mobile Literacy. Oxigen Wallet Money Transfer makes the following possible in its business practice;

- **Reduction of Manual collection at Branches:** It reduces the probability of frauds and also minimized the scope of human error. Thus, enabled error free information at all the levels.
- **Employee Efficacy:** The Loan Officers are enabled to utilize their working hours in acquiring more clients for Sonata. This process also reduces paperwork and minimized data entry.

- **Real time tracking of transactions:** Most importantly, this mode of payment directly credits the transaction amount into Sonata's account.

Besides the above, Sonata faced the following challenges in implementing Mobile Technology in its Business;

- Dependency on mobile network operators.
- High Internet Costs
- Limited availability of 3G services in Micro-Rural
- Frequent training of field Staffs on updates (Software & Processes)
- Inaccurate GPS Branch marking.

Sonata is also in the process of launching mobile SMS services for its customers through which value added services such as customer service requests related to tracking an application, due date for repayment will be processed and intimated with prompt SMS alerts to clients.

Besides the above, Sonata is anticipating major growth in its business and operation which needs strong Information Technology with end-to-end work-flows built in and proven methods deployed including enhancement in the processes like e-KYC, through Adhaar based authentication. Therefore, Sonata is looking for a partner of choice for taking its Information Technology to the next level by enhancing its application and IT Infrastructure. The new features will be based on integration of the existing application system with the core banking solutions to cater to its banking needs in near future. It should also cover new business opportunities with ongoing technology upgrades which meet all new regulatory requirements as and when announced by the regulators and governing body from time to time.

Mobile Technology Usage at Ujjivan

Ujjivan is constantly working on upgrading its technology to improve efficiency and quality of output. Ujjivan is also moving towards paperless processes through use of a document management and workflow system along with handheld devices (tablets and mobile phones) to capture data for loan origination, loan processing, repayments and handling enquiries.

Currently, Ujjivan is using different Mobile / Tablet Based applications for different purposes.

For Collection:

Ujjivan's collection happens in the field through Centre meetings, as the collection amounts are higher. The field processes are stringent which make the transaction updating time consuming on account of to and fro flow of collection between the CRS and Branch. They require a technology solution which can reduce the transaction updating time at the field and It should be real time update in the system. Ujjivan is using Trucell Mobile module. Trucell facilitates repayment transactions processing, customer attendance marking and Loan Utilization Checks (LUCs) in both online and offline modes. Trucell provide access to customer information for their field staff using Android mobile phones. This improves efficiency and facilitates better customer service.

For Customer Acquisition:

Ujjivan's entire loan application processing for Individual Loans is performed through tablets. Customer acquisition, loan underwriting and loan processing are made easier through the use of tablets. Their Mobile Platform offers a number of overall business improvements, including workflow automation, customer qualification and real time visibility into sales efforts. Ujjivan is using Artoo Platform which uses cloud technology for supporting their Individual Lending business.

E-Learning:

Ujjivan is the first in the industry to launch e-learning – an easy-to-use self-learning tool to provide real-time training and support to Cashiers. They will be launching similar training tools for other functions in the future.

Selecting proper partner and software system for mobile initiative and upfront investment in mobile devices is a big challenge. One can overcome this challenge with little study and proper planning before investing in mobile devices.

Currently Ujjivan is using 5000 Smart Phones and 600 Tablets on the field for Collection and Customer Acquisition. This mobile technology usage with work flow system and Document Management System helped Ujjivan to reduce Loan Turn Around time from 17 days to 5 days in Group lending and from 26 days to 12 days in Individual Lending business. In addition to this, customer relation staff became more productive and now they can handle more customers compared to earlier.

Box 6.1: Connecting India to Disconnect Poverty- Microlekha

Microfinance is a transformative and sustainable approach for alleviating global poverty. Microloans, typically less than ₹50,000 (US\$800), allow low-income borrowers, most of whom are women, the opportunity to develop their own businesses and lift their families out of poverty. While the number and size of microfinance institutions (MFIs) making these loans is on the rise, increased regulatory oversight in India is impacting their profitability. The “Connecting India to Disconnect Poverty” project uses MicroLekha, a mobile application that automates routine MFI data management processes, streamlines the loan application process and improves communication with customers, to help MFIs operate more efficiently, cost-effectively and with greater transparency while also increasing customer satisfaction and also their confidence in the lending process.

- ❖ The Android-based, “MicroLekha” application was developed to improve MFIs’ operational efficiencies by automating and streamlining many routine tasks.
- ❖ “MicroLekha” complies with India’s guidelines for microfinance operations, incorporates internationally mandated “Know Your Customer” requirements, and can be customized to support different loan approval processes, loan products, terms and fees.
- ❖ “MicroLekha” is being implemented with Planned Social Concern (PSC), an MFI based in Jaipur, Rajasthan State. Office and field staff uses 3G-connected tablets pre-loaded with the mobile app to serve and manage PSC’s 6,000 active customers. The app connects with a cloud-based server that stores customers’ loan
- ❖ Loan Officers use the new tools to instantly access an existing customer’s loan balance and repayment history, register new customers on the spot, scan documents and process loan applications within minutes of registration.
- ❖ Loan officers now record customer transactions in real-time, and the application sends transaction confirmations as well as regular account updates to customers via an integrated SMS gateway.
- ❖ Loan officers can upload customer credit information from registered credit bureaus, reducing the risk of “over-lending” and improving underwriting.
- ❖ “MicroLekha” accounts for disbursements and receipts in real-time, preventing potential fraud and embezzlement by loan officers.

Courtesy: Wireless Reach

Annexure 1 State wise Presence of Different MFIs

Name of the States/UTs	Name of MFIs
Andaman & Nicobar	BWDA Finance Ltd
Andhra Pradesh (Telangana included)	Future Financial Services Ltd, Disha Microfin Pvt. Ltd, RASS, Sanghamithra, SKS, Spandana, Asmitha, Share Microfin, NABARD Fin. Services Ltd
Arunachal Pradesh	Nightingale Finvest Pvt Ltd, NERFL, RGVN NE
Assam	Arohan, Nightingale Finvest, Satra, Bandhan, Ajagar, Unacco, Prochesta, YVU Microfin, YVU Financial Services Pvt. Ltd, Nightingale Charitable, Uttrayan Financial Services Pvt Ltd, Village Financial Services Pvt Ltd, Grameen Development & Finance Pvt Ltd, Ujjivan, ASA Int. India Microfinance Pvt Ltd, Asomi, Share Microfin, NERFL, RGVN NE
Bihar	Sonata, Satin Creditcare, Saija, Society for Model Gram Bikash Kendra, Arohan, Unnati Trade And Fincon Pvt Ltd, CPSL, Bandhan, Cashpor, Margdarshak, Jagaran, Annapurna Micro Finance (P) Ltd, Village Financial Services Pvt. Ltd, Ujjivan, ASA Int. India Microfinance Pvt Ltd, CDoT, Utkarsh, Seba Rahara, Janalakshmi, SKS, Need, SVCL, Asmitha, Mass Care, ESAF, Intrepid, Share Microfin, NBJK, Vedika, Suraje, Basix
Chandigarh	Satin Creditcare, Ujjivan
Chattishgarh	Bandhan, Cashpor, Janalakshmi, Samhita, Basix, People Forum, Share Microfin, ESAF, Spandana, SVCL, SKS, Ujjivan, Grameen Koota, Sahayog, Sambandh, Growing Opportunity, Varam Capital
Dadra and Nagar Haveli	Bandhan
Delhi	Ujjivan, Satin Creditcare, Bhartiya Micro Credit, Bandhan, Prayas Jac, YVU Financial Services, Utkarsh, Janalakshmi, SKS, Share Microfin, Basix, NERFL, Shikhar
Goa	Ujjivan, Spandana, Asmitha
Gujarat	Swaddaar, Future Financial Services Ltd, Suryoday, Disha Microfin Pvt. Ltd, Bandhan, Prayas, Adhikar, Ujjivan, Equitas, Janalakshmi, SKS, Spandana, Asmitha, Share Microfin, Asirvad, Saath, Pahal, Sewa Bank, Sahayog, Apex Abhishek, Namra Finance Ltd, Shroff Capital and Fin. (P) Ltd.
Haryana	Sonata, Satin Creditcare, Bandhan, Midland Microfin Ltd, Margdarshak, Ujjivan, Utkarsh, Janalakshmi, SKS, SVCL, Share Microfin, HAPPI, Shikhar
Himachal Pradesh	Bandhan, Ujjivan, Utkarsh, SKS
Jammu & Kashmir	Satin Creditcare
Jharkhand	Saija, Arohan, Bandhan, Cashpor, Jagaran, Annapurna Micro Finance (P) Ltd, Ujjivan, Janalakshmi, SKS, Spandana, Asmitha, MESP, Samarthan, ESAF, Share Microfin, NBJK, Vedika, Basix, Sambandh
Karnataka	Opportunity Microfinance, Chaitanya India, Future Financial Services Ltd, IDF Financial Services Pvt Ltd, Suryoday, Grameen Koota, Disha Microfin Pvt Ltd, Sanghamithra, IRCED, Ujjivan, Equitas, Janalakshmi, SKS, SKDRDP, Spandana, Asmitha, BSS Microfin, Intrepid, Navachetana, Rors, Share Microfin, Asirvad, Madura Micro Finance Ltd, Hand in Hand, Basix, NERFL, Samasta, Nirantara, NABARD Fin. Services Ltd.
Kerala	Ujjivan, SKS, Spandana, ESAF, Share Microfin, Asirvad, Impact, Jeevankiran, Freed, Opportunity Microfin, WSE, Blaze Trust, NABARD Fin. Services Ltd.

Madhya Pradesh	Sonata, Satin Creditcare, Swadhaar, Future Financial Services Ltd, Bhartiya Micro Credit, Grama Vidiyal, Suryoday, Grameen Koota, Disha Microfin, Bandhan, Lok Biradari, Sanghamithra, Prayas, Cashpor, Swashrayee Mahila Sakh Sahakarity Maryadit, Annapurna Micro Finance (P) Ltd, Ujjivan, Equitas, Utkarsh, Janalakshmi, SKS, SVCL, Arth Microfinance, Asmitha, Spandana, Samhita, VAMA, ESAF, Intrepid, Share Microfin, Hand in Hand, Basix, Yukti, Aprajita, Sahayog, Apex Abhishek, NABARD Fin. Services Ltd.
Maharashtra	Satin Creditcare, SSK, Swadhaar, IDF Financial Services Pvt Ltd, Annapurna Mahila, Grama Vidiyal, Suryoday, Grameen Koota, Bandhan, Sanghamithra, IRCED, dMatrix, Annapurna Micro Finance (P) Ltd, Ujjivan, Equitas, Utkarsh, Janalakshmi, SKS, Spandana, Asmitha, BSS Microfin, Sampada, ESAF, Intrepid, Navachetana, Share Microfin, Hindusthan, Madura Micro Finance Ltd, Hand in Hand, Basix, People Forum, Gramin Mahila Swayamsiddha, Sankalp Gramin Mahila, Yashvardhini Gramin Mahila, Sahara Gramin Mahila, Sahayog, NABARD Fin. Services Ltd.
Manipur	VVD, Bandhan, Unacco, YVU, YVU Financial Services (P) Ltd, WSDS, Chanura Microfin, NERFL
Meghalaya	Nightingale Finvest Pvt Ltd, Bandhan, Ujjivan, Basix, NERFL, RGVN NE, Grameen Development & Finance Pvt Ltd
Mizoram	Bandhan, Unacco, WSDS, NERFL
Nagaland	NERFL, RGVN NE
Odisha	Bandhan, Adhihar Microfinance (P) Ltd, Annapurna Micro Finance (P) Ltd, Ujjivan, Janalakshmi, SKS, SARC, Spandana, KSDF, Asmitha, Adhikar, Mahashakti, Swayamshree Mahila Samabaya Samiti Ltd, Share Microfin, Asirvad, Hand in Hand, Basix, Peoples Forum, Sambandh, GU Financial, DSS, Valar Aditi, Opportunity Microfinance, SMCS, ODISHA, Gram Utthan
Pondichery	Valar Aditi, Future Financial Services Ltd, Grama Vidiyal, Ujjivan, Equitas, Janalakshmi, ESAF, Asirvad, Sarvodaya Nano, BWDA, Smile
Punjab	Bandhan, Midland Microfin Ltd, Ujjivan, Janalakshmi, SKS, NERFL, Satin Creditcare
Rajasthan	Sonata, Satin Creditcare, Swadhaar, Suryoday, Disha Microfin, Bandhan, Midland Microfin Ltd, Ujjivan, Equitas, Matashree Gomati, Janalakshmi, SKS, SVCL, Arth Microfinance, Asmitha, PSC, Pustikar, HAPPI, Hand in Hand, Basix, Surabhi Women Multipurpose Cooperative
Sikkim	Bandhan, Basix, RGVN NE
Tamil Nadu	Growing Opportunity, Valar Aditi, Future Financial Services Ltd, Read, Grama Vidiyal, Suryoday, Grameen Koota, Blaze Trust, Disha Microfin, RASS, Sanghamithra, Repco, Ujjivan, Equitas, PAT, Janalakshmi, SKS, Mahasemam, ESAF, Rors, Asirvad, Sarvodaya Nano, Impact, Guardian, BWDA, Madura Micro Finance Ltd, Hand in Hand, Vitutcham, Smile, Opportunity Microfinance, Samasta, Apex Abhishek, Varam Capital, NABARD Fin. Services Ltd, Saadow
Tripura	Bandhan, Unacco, Ujjivan, ASA Int. India Microfinance Pvt Ltd, Basix, NERFL
Uttar Pradesh	Sonata, Satin Creditcare, Bhartiya Micro Credit, Bandhan, Cashpor, Margdarshak, Ujjivan, ASA Int. India Microfinance Pvt Ltd, Utkarsh, Janalakshmi, SKS, NEED, SVCL, Spandana, Asmitha, Samhita, Intrepid, HAPPI, Impact, Basix, Shikhar, Gramotthan Micro Finance Company, Disha India
Uttarakhand	Sonata, Satin Creditcare, Bhartiya Micro Credit, Bandhan, Ujjivan, Balajee Sewa, Utkarsh, Janalakshmi, SKS, SVCL, Basix, NERFL, Shikhar
West Bengal	Society for Model Gram Bikash Kendra, Arohan, Unnati Trade And Fincon Pvt Ltd, Purba Barasat Prerana, KDS, Barasat Unnayan Prostuti, Bandhan, Sarala Women Welfare Society, Unacco, DCBS, Jagaran, DISA, BRWAS, Uttrayan Financial Services Pvt Ltd, Village Financial Services Pvt Ltd, Belghoria Janakalyan Samity, Ujjivan, Dakshin Budhakali, ASA Int. India Microfinance Pvt Ltd, Barasat Sampark, Seba Rahara, Janalakshmi, BWWA, Swayamsampurna, SKS, KSDF, Asmitha, Burs, ESAF, Share Microfin, Vedika, Basix, Sahara Utsarga, Destiny Finco Pvt Ltd, Jamalpur Panchajanya

Annexure 2 Distribution of Data Contributing MFIs for this Report

State and Membership wise MFIs			
State	Total No. of MFIs	Of which No. of Member MFIs	Of which No. of Non-member MFIs
Andhra Pradesh (Tel-angana included)	7	7	0
Assam	9	9	0
Bihar	5	3	2
Delhi	4	2	2
Gujarat	7	3	4
Haryana	1	1	0
Jharkhand	4	3	1
Karnataka	14	12	2
Kerala	4	2	2
Maharashtra	13	5	8
Manipur	6	6	0
Madhya Pradesh	7	2	5
Odisha	13	12	1
Punjab	1	1	0
Rajasthan	5	3	2
Tamil Nadu	21	15	6
Uttarakhand	1	0	1
Uttar Pradesh	8	6	2
West Bengal	26	15	11
Total	156	107	49

Legal Form wise MFIs			
Legal Form	No. of MFI	Member	Non member
Society	44	26	18
Trust	15	7	8
Sec. 25 Company	18	12	6
Macs or Cooperative	9	6	3
NBFC	70	56	14
Total	156	107	49

Region and State wise MFIs		
Region	States/Union Territories	No. of MFIs
North	Delhi (4), Haryana(1), Rajasthan (5), Punjab (1), Chandigarh, Himachal Pradesh, J&K	11
East	Bihar (5), Odisha (13), Jharkhand (4), West Bengal (26), A & N Islands	48
West	Gujarat (7), Maharashtra (13), Goa, Dadra & Nagar Haveli	20
South	Andhra Pradesh (7), Karnataka (14), Kerala (4), Tamil Nadu (21), Pondicherry	46
North East	Assam (9), Manipur (6), Tripura, Nagaland, Sikkim, Arunachal Pradesh, Meghalaya, Mizoram	15
Central	Uttar Pradesh (8), Uttarakhand (1), Madhya Pradesh (7), Chhattisgarh	16
Total		156

Note: States mentioned in bold indicating MFIs having headquarter and submitted data to BMR Report 2015

Annexure 3 Profile of MFIs Contributed Data for this Report

(A) List of MFIs with Loan Portfolio Less than ₹1 crore			
S.No.	Name of the MFIs	State	Legal Form
1	Balajee Sewa Sansthan	Uttarakhand	Society
2	Barasat Unnayan Prostuti	West Bengal	Society
3	Jamalpur Panchajanya Gram Vikash Kendra	West Bengal	Society
4	Mass Care International	Bihar	Society
5	Micro Enterprises & Sustainable Project (MESP)	Jharkhand	Sec 25 Company
6	Prayas Juvenile Aid Centre(Prayas Micro Credit)	Delhi	Society
7	READ	Tamil Nadu	Society
8	Saadow	Tamil Nadu	Society
9	Samarthan Weakling Development Foundation	Jharkhand	Sec 25 Company
10	Social Action For Rural Community	Odisha	Society
11	Societal Upliftment & Rural Action for Job and Empowerment (SURAJE)	Bihar	Society
12	Surabhi Women Multipurpose Cooperative	Rajasthan	Macs or Cooperative
13	Yashvardhini Gramin Mahila Swayamsiddha Sangh	Maharashtra	Trust
14	Yukti Samaj Sewa Society	Madhya Pradesh	Society
(B) List of MFIs with Loan Portfolio between ₹1 and < 10 crore			
S.No.	Name of the MFIs	State	Legal Form
1	Ajagar Social Circle	Assam	Society
2	Aparajita Mahila Sakh Sahakari Sanstha Maryadit	Madhya Pradesh	Macs or Cooperative
3	Bagaria Relief Welfare Ambulance Society	West Bengal	Society
4	Bal Mahila Vikas Samiti-VAMA	Madhya Pradesh	Society
5	Barasat Sampark	West Bengal	Society
6	Bengal Women Welfare Association	West Bengal	Sec 25 Company
7	Blaze Trust	Tamil Nadu	Trust
8	Burs	West Bengal	Society
9	Centre for Promoting Sustainable Livelihood (CPSL)	Bihar	Society
10	Chanura Microfin Manipur	Manipur	Society
11	Dakshin Budhakhali Improvement Society (DBIS)	West Bengal	Society
12	Darabar Sahitya Sansad (DSS)	Odisha	Society
13	Destiny Finco Private Limited	West Bengal	NBFC
14	dMatrix Development Foundation	Maharashtra	Sec 25 Company
15	Duttapukur Institute For Social Advancement	West Bengal	Society
16	FREED	Kerala	Society
17	Gramin Mahila Swayamsiddha Sangh	Maharashtra	Society
18	Gramotthan Micro Finance Company	Uttar Pradesh	Sec 25 Company
19	Institute of Rural Credit & Entrepreneurship Development (IRCED)	Maharashtra	Trust

20	Jeevankiran	Kerala	Society
21	Kalighat Society for Development Facilitation	West Bengal	Society
22	Lok Biradari Trust	Madhya Pradesh	Trust
23	Matashree Gomati Devi Jan Seva Nidhi	Rajasthan	Trust
24	Nav Bharat Jagriti Kendra	Jharkhand	Society
25	Network of Entrepreneurship & Economic Development (NEED)	Uttar Pradesh	Society
26	Nightingale Charitable Society	Assam	Society
27	Nirantara FinAccess Pvt. Ltd.	Karnataka	NBFC
28	ODISHA	Odisha	Society
29	Opportunity Microfinance India Limited	Karnataka	NBFC
30	Peoples Forum	Odisha	Society
31	Planned Social Conern	Rajasthan	Sec 25 Company
32	Prochesta Thrift & Credit Co-Operative Society Asom Ltd.	Assam	Macs or Cooperative
33	Purba Barasat Prerana	West Bengal	Society
34	Pustikar Sakh Sahakari Samiti Limited.	Rajasthan	Macs or Cooperative
35	RORS Finance Private Limited	Karnataka	NBFC
36	Sahara Gramin Mahila Swayamsiddha Sangh	Maharashtra	Trust
37	Sampada Trust	Maharashtra	Sec 25 Company
38	Sankalp Gramin Mahila Swayamsiddha Sangh	Maharashtra	Trust
39	SATRA	Assam	Society
40	Seba Rahara	West Bengal	Society
41	Shroff Capital and Finance Pvt. Ltd.	Gujarat	NBFC
42	Society for Model Gram Bikash Kendra	West Bengal	Society
43	Swashrayee Mahila Sakh Sahakarity Maryadit	Madhya Pradesh	Macs or Cooperative
44	Swayamsampurna Mutual Benefit Trust	West Bengal	Trust
45	The Saath Saving And Credit Co Operative Society	Gujarat	Macs or Cooperative
46	Valar Aditi Social Finance Private Limited	Tamil Nadu	NBFC
47	Virutcham Microfinance Limited	Tamil Nadu	NBFC
48	Volunteers For Village Development (VVD)	Manipur	Society
49	WSDS-Initiate	Manipur	Society
50	YVU Financial Services Private Limited	Manipur	NBFC
51	YVU Microfin	Manipur	Trust

(C) List of MFIs with Loan Portfolio between ₹10 and < 50 crore			
S.No.	Name of the MFIs	State	Legal Form
1	Adhikar	Odisha	Society
2	Apex Abhishek Finance Ltd.	Tamil Nadu	NBFC
3	Arth MicroFinance Pvt. Ltd.	Rajasthan	NBFC
4	Belghoria Janakalyan Samity	West Bengal	Society
5	BWDA Finance Limited	Tamil Nadu	NBFC
6	Centre For Development Orientation And Training (CDOT)	Bihar	Society
7	DCBS	West Bengal	Society
8	Disha India Micro Credit	Uttar Pradesh	Sec 25 Company
9	G U Financial Services Pvt. Ltd.	Odisha	NBFC
10	Grameen Development & Finance Private Limited	Assam	NBFC
11	Gram Utthan	Odisha	Society
12	Guardian	Tamil Nadu	Sec 25 Company
13	Hand in Hand India	Tamil Nadu	Trust
14	Hindusthan Microfinance Pvt. Ltd	Maharashtra	NBFC
15	Humana People to People India	Delhi	Sec 25 Company
16	Innovative Microfinance for Poverty Alleviation and Community Transformation (IMPACT)	Tamil Nadu	Sec 25 Company
17	Kotalipara Development Society	West Bengal	Society
18	Mahashakti Foundation	Odisha	Trust
19	Nightingale Finvest Pvt. Ltd.	Assam	NBFC
20	People's Action For Transformation (PAT)	Tamil Nadu	Trust
21	Prayas Organization for sustainable development	Gujarat	Trust
22	Sahara Utsarga Welfare Society	West Bengal	Society
23	Sakhi Samudaya Kosh	Maharashtra	Sec 25 Company
24	Sambandh Finserve Private Limited	Odisha	NBFC
25	Sarala Women Welfare Society	West Bengal	Sec 25 Company
26	Sarvodaya Nano Finance Limited	Tamil Nadu	NBFC
27	Shikhar Microfinance Pvt. Ltd.	Delhi	NBFC
28	Swayamshree Mahila Samabaya Samiti Ltd	Odisha	Macs or Cooperative
29	Swayamshree Micro Credit Services	Odisha	Sec 25 Company
30	Unacco Financial Services Private Limited	Assam	NBFC
31	Unnati Trade And Fincon Pvt. Ltd.	West Bengal	NBFC
32	Welfare Services Ernakulam	Kerala	Society

(D) List of MFIs with Loan Portfolio between ₹50 and <100 crore			
S.No.	Name of the MFIs	State	Legal Form
1	Adhikar Microfinance Pvt Ltd.	Odisha	NBFC
2	Annapurna Mahila Coop Credit Society Ltd.	Maharashtra	Macs or Cooperative
3	ASA International India Microfinance Pvt. Ltd.	West Bengal	NBFC
4	Asomi Finance Private Limited	Assam	NBFC
5	Bhartiya Micro Credit	Uttar Pradesh	Sec 25 Company
6	Chaitanya India Fin Credit Private Limited	Karnataka	NBFC
7	Growing Opportunity Finance (India) Pvt. Ltd.	Tamil Nadu	NBFC
8	IDF Financial Services Pvt Ltd	Karnataka	NBFC
9	Jagaran Microfin Pvt. Limited	West Bengal	NBFC
10	Mahasemam Trust	Tamil Nadu	Trust
11	Midland Microfin Ltd	Punjab	NBFC
12	Namra Finance Ltd.	Gujarat	NBFC
13	Navachetana Microfin Services Private Limited	Karnataka	NBFC
14	Pahal Financial Services Private Limited	Gujarat	NBFC
15	Rashtriya Seva Samithi (RASS)	Andhra Pradesh	Society
16	Sahayog Microfinance Limited	Madhya Pradesh	NBFC
17	Samasta Microfinance Limited	Karnataka	NBFC
18	Samhita Community Development Services	Madhya Pradesh	Sec 25 Company
19	Shri Mahila Sewa Sahakari Bank Ltd.	Gujarat	Macs or Cooperative
20	Uttrayan Financial Services Pvt. Ltd.	West Bengal	NBFC
21	Varam Capital Pvt Ltd	Tamil Nadu	NBFC
22	Vedika Credit Capital Ltd.	Jharkhand	NBFC
(E) List of MFIs with Loan Portfolio between ₹100 and <500 crore			
S.No.	Name of the MFIs	State	Legal Form
1	Annapurna Micro Finance (P).LTD	Odisha	NBFC
2	Arohan Financial Services Private Limited	West Bengal	NBFC
3	Asirvad Microfinance Private Limited	Tamil Nadu	NBFC
4	Bhartiya Samruddhi Finance Ltd (Basix)	Andhra Pradesh	NBFC
5	BSS Microfinance Private Limited	Karnataka	NBFC
6	Disha Microfin Pvt. Ltd.	Gujarat	NBFC
7	Future Finacial Servicess Limited	Andhra Pradesh	NBFC
8	Intrepid Finance and Leasing Private limited	Maharashtra	NBFC
9	Madura Micro Finance Limited	Tamil Nadu	NBFC
10	Margdarshak Financial Services Ltd	Uttar Pradesh	NBFC
11	North East Region Finservices Limited	Manipur	NBFC
12	RepcO Micro Finance Ltd.	Tamil Nadu	NBFC
13	RGVN (North East) Microfinance Ltd	Assam	NBFC
14	S V Creditline Private Limited	Haryana	NBFC
15	S.M.I.L.E. Microfinance Limited	Tamil Nadu	NBFC
16	Saija Finance Private Limited	Bihar	NBFC
17	Sanghamithra Rural Financial Services	Karnataka	Sec 25 Company
18	Swadhaar Finserve Pvt. Ltd	Maharashtra	NBFC
19	Village Financial Services Pvt. Ltd.	West Bengal	NBFC

(F) List of MFIs with Loan Portfolio above ₹500 crore			
S.No.	Name of the MFIs	State	Legal Form
1	Asmitha Microfin Limited	Andhra Pradesh	NBFC
2	Bandhan Financial Services Ltd.	West Bengal	NBFC
3	CASHPOR Micro Credit	Uttar Pradesh	Sec 25 Company
4	Equitas Microfinance Private Limited	Tamil Nadu	NBFC
5	ESAF Microfinance and Investments Pvt Ltd.	Kerala	NBFC
6	Grama Vidiyal Micro Finance Limited	Tamil Nadu	NBFC
7	Grameen Koota Financial Services Pvt Ltd	Karnataka	NBFC
8	Janalakshmi Financial Services Pvt. Ltd.	Karnataka	NBFC
9	NABARD Financial Services Ltd	Karnataka	NBFC
10	Satin Creditcare Network Limited	Delhi	NBFC
11	Share Microfin Limited	Andhra Pradesh	NBFC
12	SKDRDP	Karnataka	Trust
13	SKS Microfinance Limited	Andhra Pradesh	NBFC
14	Sonata Finance Pvt Ltd	Uttar Pradesh	NBFC
15	Spandana Sphoorty Financial Limited	Andhra Pradesh	NBFC
16	Suryoday Microfinance Pvt Ltd	Maharashtra	NBFC
17	Ujjivan Financial Services Private Limited	Karnataka	NBFC
18	Utkarsh Micro Finance Private Limited	Uttar Pradesh	NBFC



**Data Acquisition Analytics
& Report Generation by**

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Somesh Dayal

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P.M.Kamalesh

Saadhan
The Association of
Community Development
Finance Institutions

MAJOR ACTIVITIES

- Credit Functions: Refinance for production credit (Short Term) and investment credit (Medium and Long Term) to eligible Banks and financing institutions.
- Development Functions: To reinforce the credit functions and make credit more productive, development activities are being undertaken through
 - ✓ Research and Development Fund
 - ✓ Financial Inclusion Fund (FIF)
 - ✓ Financial Inclusion Technology Fund (FITF)
 - ✓ Farm Innovation and Promotion Fund (FIPF)
 - ✓ Farmers' Technology Transfer Fund (FTTF)
 - ✓ Watershed Development Fund (WDF)
 - ✓ Rural Infrastructure Development Fund (RIDF)
 - ✓ Tribal Development Fund (TDF)
 - ✓ Rural Innovation Fund.
- Supervisory Functions: NABARD shares with RBI certain regulatory and supervisory functions in respect of Cooperative Banks and RRBs.
- Provides consultancy services relating to Agriculture & Rural Development (nabcons@vsnl.net)



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