



## MICRO FINANCE (Indian Scenario)

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Microfinance sector has grown rapidly over the past few decades. Nobel laureate Muhammad younus is credited with laying the foundation of the modern MFIs with establishment of Grameen bank, Bangladesh in 1976. Today it has evolved into a vibrant industry exhibiting varieties of business models. Micro finance institutions in India exist as NGOs (registered as societies or trusts) section 25 companies and non banking financial companies. Although the microfinance sector is having a healthy growth rate. There have been a number of concerns related to the sector, like grey areas in regulation, transparent pricing , low financial literacy etc. in addition to these concerns there are a few emerging concerns like cluster formation, insufficient funds, multiple lending and over – indebtedness which are arising because of the increasing competition among the MFIs. On a National level there has been a spate of action taken to strengthen the regulation of MF sector including enactment of microfinance regulation bill by the govt. of Andhra Pradesh, implementation of sector- specific regulation by Reserve bank of India and most recently, release of draft microfinance institution bill 2011 . Micro finance is the provision of financial services to low income clients or solidarity lending groups including consumers and the self employed, who traditionally lack access to banking and related services. Microfinance is not just about giving micro credit to the poor rather it is an economic development tool whose objective is to assist poor to work their way out of poverty. It cover a wide range of services like credit, savings, insurance, remittance and also non- financial services like trading, counseling etc. commercial banks regional rural banks, cooperative societies and other large lenders have played an important role in providing refinance facility to MFIs. Banks have also leveraged the self help group channel to provide direct credit to group borrowers. It is clear that microfinance can protect households from shocks, contribute to changing societal norms about the role of women in society and lead to some households moving out of poverty. Overall, it has played its part in the impressive progress Bangladesh has made in poverty reduction over the past two decades. Clearly, not everyone utilizes loans productively, and there is a risk of falling into over-indebtedness. So, the role of microfinance should be strengthened through further innovations which take into account these pitfalls.

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### Microfinance principles

1. Microfinance institution should measure and disclose their performance both financially and socially.
2. Interest rate ceilings hurt poor people by preventing microfinance institutions from covering their costs, which chokes off the supply of credit.
3. Microfinance also means integrating the financial needs of poor people into a country mainstream financial system.

4. Microfinance must be useful to poor household, helping them raise income, build up assets or cushion themselves against external shocks.
5. Poor people need just loans but also savings , insurance and money transfer services.

#### Channels of micro finance

1. SHG bank linkage programme
2. Micro finance institution.

#### Self help group:

The origin of SHGs is from the brainchild of grameen bank of Bangladesh, which was founded by Mohammed yunus . SHGs were started and formed in 1975. The establishment of SHGs can be traced to the existence of one or more problem areas around which the consciousness of rural poor is built and the process of group formation initiated. SHG are considered a new lease of life for the women in villages for their social and economic empowerment. SHG is a suitable means for the empowerment of women. Since SHGs have been able to mobilize savings from person or groups who were not normally expected to have any savings and also to recycle effectively the pooled resources amongst the members, their activities have attracted attention as a supportive mechanism for meeting the credit needs of the poor(NABARD 2004).

The main characteristics os SHGs are as follows-

1. The ideal size of an SHG is 10 to 20 members. ( in a bigger group members can not actively participate)
2. The group need not be registered.
3. From one family , only one member.( more families can join SHGs this way)
4. The group consists of either only men or of only women.  
(Mixed group are generally not preferred.)

#### Profile of microfinance in India

In terms of poverty it is estimated that 350 million people live below poverty line. The key components MF are:

- (a) Micro financing translates to approximately 75 million households.
- (b) Annual credit demand by the poor in the country is estimated to be about Rs. 60000 cores.
- (c) A cumulative disbursement under all microfinance programs is only about rs. 5000 crore.
- (d) Total outstanding of all microfinance initiative in India estimated to be 1600 crores.
- (e) Only about 5% of rural poor have access to micro finance.
- (f) Thought a cumulative of about 20 million families have accepted access.
- (g) While 10% lending to weaker sections is required for commercial banks, for lending and supervision and a larger scale or the confidence to offer term loan to big micro finance institutions.
- (h) The non poor comprise of 29 % of the ~~out~~reach.

5. Women groups are generally found to perform better.

### Objectives

1. The objective for credit to savings ratio analysis was to predict the credit and savings simultaneously.
2. In position of women SHGs section, we come across the contribution of women SHGs in total SHGs.
3. In agency wise NPAs of banks loan's to SHGs the main emphasis was to predict the loan outstanding with respect to amount of NPAs
4. The objective was to find out the leading state of all in state wise growth of MFIs.

### Credit to saving ratio across states

States	Average loan/ SHG	Average saving / SHG	G/S loans to saving ratio
Andaman & Nicobar islands (UT)	28428	2468	12
Andra Pradesh	79292	8663	9
Arunachal Pradesh	33359	2569	13
Assam	61213	4716	13
Bihar	66470	12869	5
Chhattisgarh	37927	6648	6
Goa	3751577	386987	10
Gujarat	20151	19140	1
Haryana	58510	7924	7
Himachal Pradesh	41526	6719	6
Jammu& Kashmir	62016	34117	2
Jharkhand	45615	9345	5
Karnataka	61507	11723	5

Kerala	39415	9526	4
Madhya Pradesh	57897	5696	10
Maharashtra	28876	7144	4
Manipur	42196	2047	21
Meghalaya	41088	3056	14
Mizoram	110916	4538	22
Nagaland	34234	5641	6
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Manipur	42196	2047	21
Meghalaya	41988	3056	14
Mizoram	110916	4938	22
Nagaland	34234	5641	6
New Delhi	85629	10719	8
Orissa	41444	6780	6
Pondicherry	109247	22069	5
Punjab	66790	8115	8
Rajasthan	48165	6464	7
Sikkim	29562	15555	2
Tamil nadu	28800	10878	3

Tripura	66442	10641	6
Uttar Pradesh	47885	6156	8
Uttark hand	61198	16143	4
West Bengal	26182	9161	3
total	50645	9326	5

The average loan for Goa is the maximum which is 3751577 having the average savings of 386987 which results in loan to saving ratio of 10. The minimum value of average loan is 20151 which is of state Gujarat and in the average saving section Manipur lacks behind with the value of 2047 states like Haryana, Punjab , Tripura etc. are having the moderate values of average loan and savings.

#### State wise growth of MFI

Rank	State	FY2010	FY 2011	Q1 2012	Q2 2012	Q3 2012
1	Andhra Pradesh	100	107	101	92	82
2	Karnataka	100	110	106	103	106
3	West Bengal	100	123	113	113	117
4	Maharashtra	100	106	84	73	71
5	Tamil nadu	100	108	89	79	73
6	Orissa	100	95	69	61	55
7	Bihar	100	124	111	104	108
8	Madhya pardesh	100	94	77	65	61
9	Uttar pardesh	100	103	90	85	92
10	Assam	100	269	283	310	186
11	Rajasthan	100	108	92	79	76
12	Gujarat	100	146	122	98	88

13	Jharkhand	100	85	92	83	84
14	Tripura	100	173	175	198	231
15	Kerala	100	108	93	86	58
16	Chhattisgarh	100	82	70	57	46
17	Delhi	100	126	102	95	107
18	Uttarakhand	100	124	155	145	125
19	Haryana	100	120	115	110	120
20	Meghalaya	100	213	194	195	216
21	Punjab	100	192	170	155	26
22	Goa	100	116	92	97	121
23	Pondicherry	100	145	338	290	339
24	Sikham	100	212	18	164	158
25	Chandigarh	100	100	106	119	116
26	Andaman & nicobar island	100	135	116	114	111
27	Himachal pardesh	100	31	7	0	0
28	Dadra & nagar haveli	100	100	111	121	148
29	Arunachal pardesh	---	---	---	---	---
29	Daman and diu	---	---	---	---	---
29	Jammu & Kashmir	---	---	---	---	---
29	Lakshadweep	---	---	---	---	---
29	Manipur	---	---	---	---	---
29	Mizoram	---	---	---	---	---
29	nagaland	---	---	---	---	---
	Total	100	111	100	94	91
	MFI Count	75	15	15	15	15

		72%	69%	62%	58%	57%
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sources: mix market, 2012 includes AML, Arohan, ASA, india, bandhan, basix, BSS, BWDA Finance cashpor, grameen financial services.

In state wise growth of MFI, Assam emerges out with an outstanding values of 283 OF Q1, 310 of Q2 and 386 of Q3 of fy 2012. Pondicherry also have the impressing value in Q3 of financial year 2012 which is 339. Shockingly if we look at the HP states progress we come across nil values for Q3 of financial year 2012.

Overall progress under SHG bank linkage for last 3 years

Particulars		2009-10		2010-11		2011-12	
		No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount
SHG Saving with banks as on 31st march	Total SHGs	69.53 (13.6%)	6198.71 11.8%	74.62 7.3%	7016.30 13.2%	79.60 6.7%	6551.41 -6.7%
	Of which SGSY groups	16.94 12.5%	1292.62 -17.3%	20.23 19.4%	1817.12 40.6%	21.23 5.0%	1395.25 -23.2%
	% of SGSY groups to total	24.4	20.9	37.1	25.9	26.7	21.3
	All women SHGs	53.10 9.18%	4498.66 1.46%	60.98 14.8%	5298.65 17.8%	62.99 3.3%	5104.33 -3.7%
	% of women groups	76.4	72.6	81.7	75.5	79.1	77.9
Loans distributed to SHGs during the	Total SHGs	15.87 1.4%	14453.3 17.9%	11.96 -24.6%	14547.73 0.01	11.48 -4%	15534.77 13.7%
	Of which SGSY groups	2.67 1.0%	21.98 9.1%	2.41 -9.9%	2480.37 12.8%	2.10 -12.9%	2643.56 6.6%

year	% of SGSY groups to total	16.9	15.2	20.1	17.0	18.3	16.0
	All women SHGs	12.94	12429.37	10.17	12622.33	9.23	14132.02
		5.8%	18.1%	-21.4%	1.6%	-9.2%	12.0%
	% of women groups	81.6	86	85	86.8	80.4	85.5
Loans outstanding against SHGs as on 31st march	Total SHGs	48.51	28038.28	47.87	31221.17	43.54	36340.00
		14.8%	23.6%	-1.3%	11.4%	-9.0%	16.4%
	Of which SGSY groups	12.45	6251.08	12.86	7829.39	12.16	8054.83
		27.5%	6.6%	3.4%	25.2%	-5.4%	2.9%
	% of SGSY groups to total	25.7	22.	26.9	25.1	27.9	22.2
	No. of All women SHGs linked	38.98	23030.36	30.84	26123.75	36.49	30465.28
		18.9%	23.9%	2.2%	13.4%	-8.4%	16.6%
	% of women SHGs	80.3	82.1	83.2	83.7	83.8	83.8

As from this table SHGs savings with banks as on 31 march of session 2011-12 had 79.60 number of SHGs with amount of 6551.41 crore. In loan disbursed section during the same this period the number of SHGs for the whole results to 11.48 with amount of 16534.77. if we look at the loans outstanding against SHGs for total SHGs in the same session, the number of SHGs decreases to 43.54 with the value of 36340 crore.

#### Position of women SHGs



Particulars	Year	Total SHGs		Exclusive women SHGs		% age of women SHGs to total SHGs	
		No.	Amount	No.	Amount	No.	Amount
Saving linked SHGs	31.03.2009	61221147	5545.62	4863921	4434.03	79.5	80.0
	31.03.2010	6953250	6198.71	5310436	4498.66	76.4	72.6
Loans distributed	2008-09	1609586	12253.51	1374579	10527.38	85.4	85.9
	2009-10	1586822	14453.30	1264476	12429.37	81.6	86.0
Loans outstanding	31.03.2009	4224338	22679.84	3277355	18583.54	77.6	81.9
	31.03.2010	4851356	28038.28	3891197	23030.36	80.3	82.1

The particulars of savings linked SHGs in 2010 is 6121147 in number having 5545.62 crore. Exclusively for women savings linked SHGs have value 4863921 with surprising amount of 4434.03 crore. So on the whole % of women SHGs to total SHGs is 79.5 in number with 80 crore rupees as amount. In loan disbursed section if we take 2009-10 year period the total SHGs in number are 1586822 having amount 14453.30 crore. For women the value is 1294476 having amount to 12429.37 crore, resulting in 81.6 number and 86 crore amount in women SHGs to total SHGs. In loan outstanding area, for 2010 year's analysis total SHGs in number are 4851356 having amount to 28038.28. in women section alone SHGs count to 3897797 having Rs. 23030.36 crore. So the % of the same reaches to 80.3 in number with 82.1 in crore.

#### Agency wise NPAs of bank loans to SHGs

Agency	Loans outstanding against SHGs position as on			Amount of NPAs as on			Percentage of NPAs to loan outstanding as on		
	31.3.10	31.3.11	31.3.12	31.3.10	31.3.11	31.3.12	31.3.10	31.3.11	31.3.12
CBs ( Public	19724.42	21412.75	24406.57	513.53	1019.90	1581.05	2.60	4.76	6.48

sector)									
CBs ( Pvt. Sector)	440.29	470.51	1403.72	23.93	47.09	74.37	5.44	10.10	5.30
RRBs	6144.58	7430.05	8613.58	218.53	272.82	426.34	3.56	3.67	4.95
Coop. Banks	1728.99	1907.86	1916.14	67.04	134.30	130.97	3.88	7.04	6.84
TOTAL	28038.28	31221.17	36340.00	823.04	1474.11	2212.73	2.94	4.72	6.09

If we look at public sector banks the outstanding loans against SHGs as in year 2012 is 24406.57 crores. If we look at NPA's sections in the table the value in 2012 counts to 1581.05 crore. So percentage of NPA's to loan outstanding results to 6.48 in the considered year. The same for private sector banks as in the year 2012 the loans outstanding values as 03.72 crore and the NPA's amount from the table depicts us the value 74.37 crores in the same here. Ultimately the percentage of NPA's to loan outstanding results to 5.30 from the above mentioned table the same value of loan outstanding for RRB's is 8613.58 crore, amount of NPA's is 426.34 crore. Finally the % of the same results to 4.95. on the whole the loans outstanding for all banks in 2012 is 36340 crore amount of NPA's is 2212.73 crore and percentage of the same results to 6.09 as the whole.