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STATE WISE ANALYSIS OF MICROFINANCE SECTOR IN INDIA

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Abstract

Microfinance is financing to low income people. It is a service which is provided mainly for empowerment of women and to promote livelihood for woman. The most common form of empowering women is through self help groups. It is where a group is formed and one among the group emerges as a leader and coordinates with other members. The leader will have a continuous coordination with the microfinance Institutions. This concept has emerged as a success in the recent times in developing and underdeveloped countries. This sector is growing at a rapid rate in developing countries especially in India. The initiatives taken up by the Noble Prize winner Mohammad Yunus who developed bank for the poor called Grameen Bank. This has thrown a limelight for the developing countries to create a livelihood for the poor. In recent times, India has been constantly keen in the development of the sector. The rapid growth has changed the scenario of the poor especially the woman in India.

This paper will bring in-depth study about whether similar happenings in India This paper will highlight the state wise analysis of microfinance institutions in India. The study will create an awareness of the gross loan portfolio and loan amount disbursed.

The recent happenings such as the crisis which has happened in Andhra Pradesh has shaken the sector to a large extent. The Reserve Bank of India played a vital role and formed a committee called Malegam Committee. The recommendations of the committee was considered and a bill was passed in the Parliament called Microfinance Development and Regulation Bill, 2007. Amendments are constantly made for the bill till today for effective functioning of the sector

Keywords: Malegam Committee; Gross Loan Portfolio; Loan Amount Disbursed.

Introduction

Microfinance is a service rendered to low income groups by offering financial services through banks and other financial institutions. Microfinance dates back in 1970s through experimental programs conducted by developing countries such as Bangladesh. The movement taken by the Noble Prize Winner Mohammad Yunus has paved the way for the development of the concept of microfinance in other developing countries. The sector creates a bridge for the rural poor who have no access to finance to meet their day to day requirements. The awareness was also low for the rural poor people before the introduction of the concept of microfinance.

Background

Phase I – Development of Microfinance

The microfinance was developed in 1976 by the development of creation of financial yonus by Mohammad Yunus . He created for grant of loans to poor woman who want to start independent activities in rural areas. This paved the way to develop the Grameen Bank in 1983.

Phase II – Expansion of microfinance

During 1980s the concept of microfinance was developed in other countries like South Asia , South Africa, South America and Europe and in United States during 90s.

Development of Microfinance in India

Phase I – Cooperative Movement (1900 – 1960)

The credit was extended to villages under the sponsorship of government

Phase II – Subsidized Social Banking (1960 – 1990)

The government took several measures such as nationalization of banks, expansion of regional rural banks, NABARD, SIDBI and Integrated Rural Development Programme.

Phase III – Self Help Group Linkage Program and Growth of NGO – MFIs (1990 – 2000)

The failure of subsidized banking triggered a major shift to for rural credit. The initiatives taken by NABARD which paved way for the growth of self help group linkage program to build a relationship of informal woman groups to formal banks.

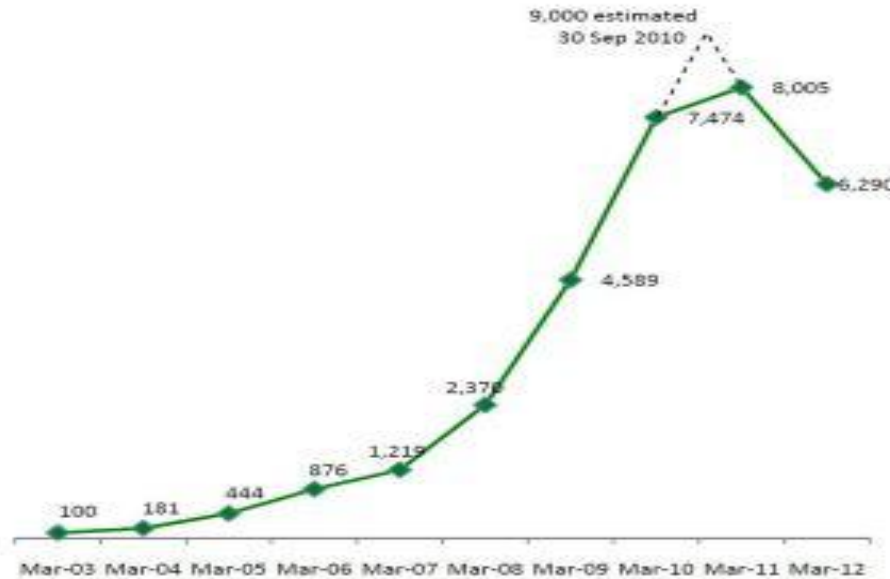
This programme brought a huge outreach for the low income families.

Phase IV – Commercialization of Microfinance

The demand for the financial services emerged as a driver for microfinance institutions and banks which created a new business line. The NGO – MFI has now transformed as legal entities as Non Banking Financial Institutions.

Growth of Microfinance Sector

Exhibit 1 CRILEX, M-CRIL's growth index, March 2003=100



Source: M – CRIL Microfinance Review.

Chart 1 – Growth of Microfinance Sector shown by M CRIL Rating

Microfinance Regulations

The recent crisis experienced in Andhra Pradesh shook up the growth of microfinance sector. A committee named Malegam Committee was constituted by Reserve Bank of India and analyzed the failures for the loan repayments and the defaults. Appropriate measures were suggested. In order to regulate the microfinance institutions, the Reserve bank of India proposed a microfinance bill in 2007. The bill was carried forward to the parliament and was passed called Microfinance Development and Regulation Bill, 2007.

Key Highlights of the Bill

- To promote and regulate Micro financial Organizations
- The National Bank for Agricultural and Rural Development (NABARD) shall regulate the microfinance sector.

- Micro financial Organization should be registered with NABARD.

The Bill has been continuously revised and many amendments are made till date.

Objectives of the Study

- To understand about number of MFIs in each state
- To highlight on the overview gross loan portfolio
- To bring in depth study on gross loan portfolio in the top contributing states
- To analyze on loan disbursed amount in States more prone to MFIs.

Limitation of The Study

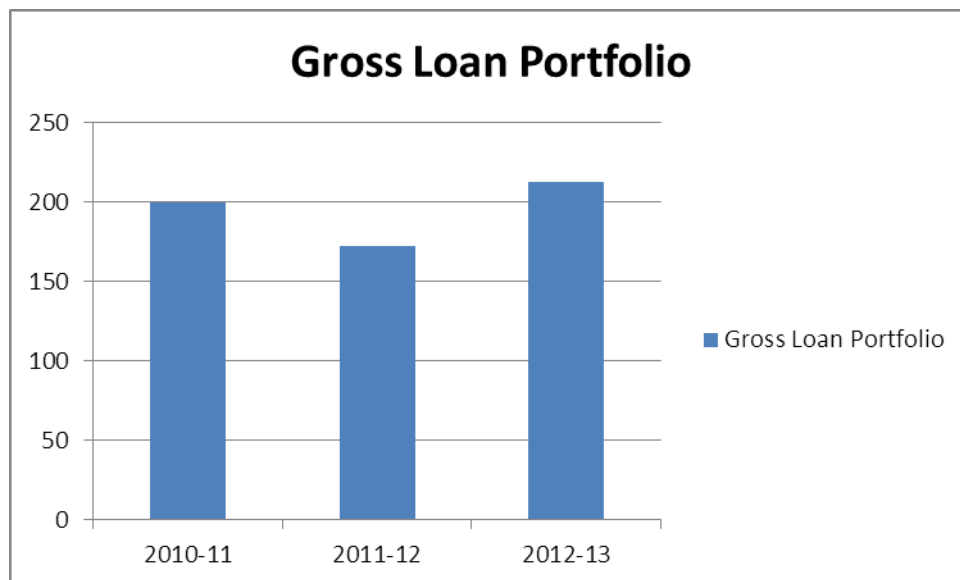
- Data is Limited
- Limited Scope for Analysis

Data Analysis

Table 1: Analysis of gross loan portfolio in MFIs

YEAR	Gross Loan Portfolio
2010-11	200.00
2011-12	172.64
2012-13	212.45

Source: Annual Report of Micro finance network



Source: Annual Report of Micro finance network

Chart 2 - Gross Loan Portfolio for the past 3 years

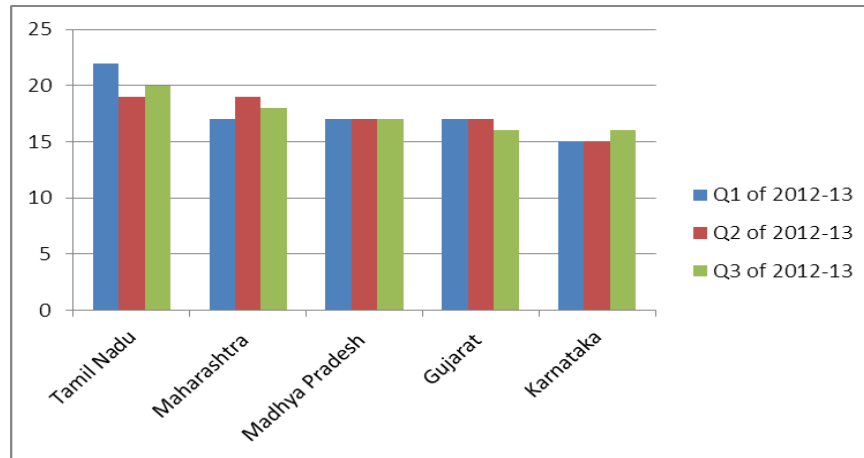
Interpretation:

There was an average performance of gross loan portfolio in the recent 3 years

Table 2 – State wise break up of MFIs.

STATE	Q1 of 2012-13	Q2 of 2012-13	Q3 of 2012-13
Tamil Nadu	22	19	20
Maharashtra	17	19	18
Madhya Pradesh	17	17	17
Gujarat	17	17	16
Karnataka	15	15	16

Source: Micro Meter 2013.



Source: Annual Report of Micro finance network

Chart 3 – State Wise Break up of number of microfinance institutions in India

Interpretation:

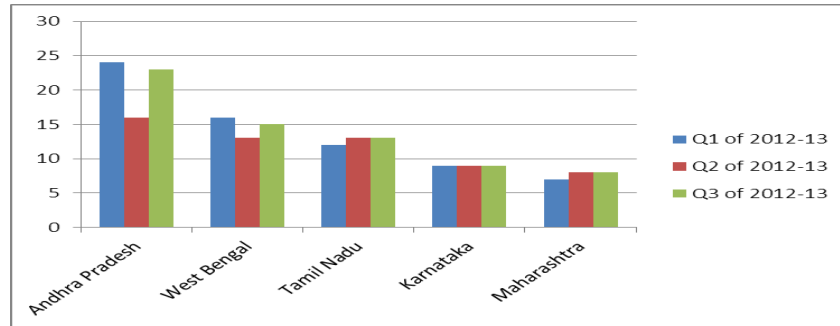
The chart depicts that Tamil Nadu is topping the list with the largest number of MFIs followed by Maharashtra

Table 3 – Top state wise analysis of Gross Loan Portfolio

STATE	Q1 of 2012-13	Q2 of 2012-13	Q3 of 2012-13
Andhra Pradesh	24	16	23

West Bengal	16	13	15
Tamil Nadu	12	13	13
Karnataka	9	9	9
Maharashtra	7	8	8

Source: Micro Meter Reports



Source: Micro Meter Reports

Chart 4 - State Wise Analysis of Gross Loan Portfolio

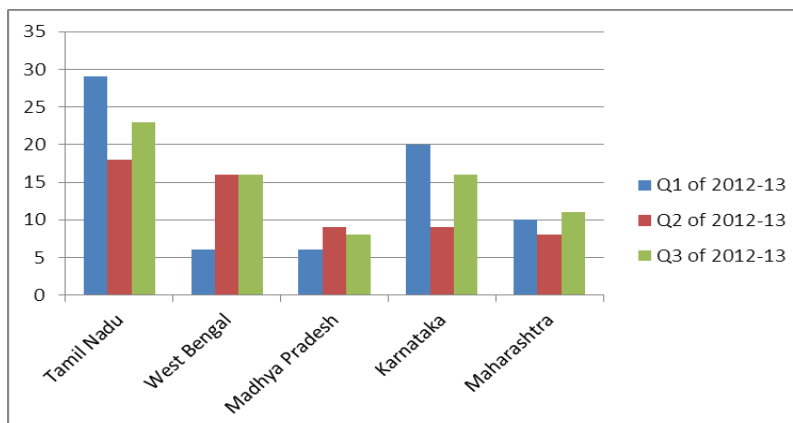
Interpretation

Andhra Pradesh Tops the list of gross loan portfolio followed by West Bengal and Tamil Nadu

Table 4 - State Wise Analysis of Amount Disbursed

STATE	Q1 of 2012-13	Q2 of 2012-13	Q3 of 2012-13
Tamil Nadu	29	18	23
West Bengal	6	16	16
Madhya Pradesh	6	9	8
Karnataka	20	9	16
Maharashtra	10	8	11

Source: Micro Meter Reports



Source: Micro Meter Reports

Chart 5 - State Wise Analysis of Loan disbursed during 2012-13

Interpretation: It is clearly evident that Tamil Nadu is the leader even though having a slight decrease in quarter 2 followed by West Bengal.

Findings

- Average performance of Gross Loan Portfolio during the last 3 years
- Tamil Nadu has the consistent number of Microfinance Institutions
- Andhra Pradesh is the leader in gross loan portfolio segment among various states
- Tamil Nadu has the consistent amount of loan disbursed among the top contributing states

Suggestion

- The Loan portfolio should be increased as a a sector
- Keen Initiatives to be taken for strengthening the poor in the North Indian States
- Problems of Loans should be rectified
- Maintaining a track of loan disbursed is required

Conclusion

The Micro Finance Industry as a whole is indeed an emerging sector which encourages sustainable development for the poor. The Sector has faced lot of problems in the recent times such as the crisis in Andhra Pradesh. The crisis has been rectified and the industry has regained its momentum after 2010. The sector has developed in a very fast manner. This has grown to a vast extent especially in South India in the States like Tamil Nadu and Andhra Pradesh. The constant initiatives taken by the Reserve Bank of India has made the industry into a well structured and to function in the effective manner which has been interpreted in the above results.

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