

Study of micro finance institutes in Pune city

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Abstract

Micro Finance means a provision of credit and financial services to the people who can't have access to formal banking systems. The products of microfinance are very small in amounts to the poor in rural, semi urban or urban areas. Microfinance enables people to increase their income level and improve living standards. Nowadays microfinance is emerging as a booming sector in Indian Financial system. The paper aims at getting basic information of MFIs and understanding its workings. The primary data have been collected by using questionnaire method and then by visiting selected Microfinance Institutes (MFIs) in Pune city. The basic objective behind writing this paper is to understand the working of MFIs and their role in development of society. The conclusion of this paper is microfinance surely plays a vital role in development of people especially micro entrepreneurs by helping them to run their enterprises.

Keywords: Financial services, microfinance, MFIs, NBFCs

Introduction

Microfinance

Microfinance is the bundle of financial services to the people who are generally considered as low-income individuals. These people do not have access to formal banking systems. Microfinance is based on the foundation that if these people get access to financial services, they can improve their standard of living. Microfinance can be considered as source of capital for micro entrepreneurs who can't access the banking and allied services. The two main types of financial lending pattern to the borrowers are: (1) individual lending i.e. the entrepreneurs and micro enterprises; and (2) group-lending, where people come together and borrow the loan.

Many studies show that microfinance consists of micro loan, micro savings and micro insurance. Many people use microfinance and microcredit terms interchangeably. But there is difference between microfinance and microloan. Microfinance is a broader term which includes microcredit/microloan. The study focuses on micro loan aspect of microfinance. What is the pattern of microcredit, the micro finance institutes (MFIs) follow?

Microfinance Institutions (MFIS)

MFIs are the financial institutions which are engaged in rendering microfinance services there are various microfinance institutes in India like Bandhan Bank, SKS Microfin to name a few, which play important role in the development of society. The reports say that India's microfinance sector is fragmented with more than 3000 microfinance institutions in the form of NGOs and NGO-MFIs. The Non-Banking Financial Company is a category of MFI that are registered under the Companies Act, 1956 of India. The working and operations of NBFCs are regulated by the Reserve Bank of India (RBI) within the framework of the Reserve Bank of India Act, 1934 (Chapter III B) and the directions issued by it.

Types of NBFCs in India

Different types of NBFCs are as follows:

- Asset Finance Company
- Investment Company
- Loan Company
- Infrastructure Finance Company
- Infrastructure Debt Fund: Non-Banking Financial Company
- Non-Banking Financial Company
- Residuary Non-Banking Companies.

Literature Review

- 1) Micro Finance according to Microfinance and Its Delivery Models. Experiences, options and future. Journal of StudyMode.com. Retrieved 08, 2007, from Microfinance, 6(2): 89-112. http://www.studymode.com/essays/Microfinance-15-Sharma,A.,2001.Developing_sustainable_Its-Delivery-Models-119718.html may be defined as "provision of saving, the wide network of the organized banking system deep credit and other financial services and products of very into rural areas. Market and the government both failed to small amounts to the poor in rural, semi urban or urban provide credit access to the poor. In fact the failure of areas, for enabling them to raise their income levels and institutional initiatives of rural credit and to the improve living standards"
- 2) According to Directory of Microfinance Institutions (MFIs) in India published by Sa-Dhan, Micro Finance is a provision of savings, loan, and other financial services to the poor in rural, semi urban or urban areas, for enabling them to raise their income levels and improve living standards.
- 3) Microfinance, according to Otero (1999, p.8) is "the provision of financial services to low-income poor and very poor self-employed people". These financial services

- according to Lidgerwood (1999) generally include savings and credit however can also include other financial services such as insurance and payment services.
- Schreiner and Colombet (2001, p.339) define microfinance as “the attempt to improve access to small deposits and small loans for poor households neglected by banks.” Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.
 - According to Directory of Microfinance Institutions (MFIs) in India published by Sa-Dhan, MFIs are those organizations, other than banks, to provide micro financial services.

Objectives of the paper

Following are the three objective of study.

- To get the basic information of microfinance as sector.
- To study the microfinance lending system adopted by MFIs.

- To study the role of MFIs in fulfilling the financial needs of their customers.

Research Methodology

The study is based on primary as well as on secondary data. Primary data is collected from selected MFIs by using questionnaire method. Following is the sample design for collected primary data.

Sample size- 7 MFIs in Pune city.

Sampling Technique- Random Sampling.

Secondary data is collected form internet and specific websites/url and the same are mentioned in references.

Data Collection

Data of names of MFIs are collected using secondary method of data collection. Firstly names of top 50 MFIs in the world are collected. Latter on MFIs of Indian published by RBI, Sa-Dhan and other sources of information as follows.

Name List of MFIS

50 Top Microfinance Institutions in the world As per Forbs

Rank	Name	Country
1	ASA	Bangladesh
2	Bandhan	India
3	Banco do Nordeste	Brazil
4	Fundación Mundial de la Mujer Bucaramanga	Colombia
5	FONDEP Micro-Crédit	Morocco
6	Amhara Credit and Savings Institution	Ethiopia
7	BancoCompartamos, S.A., Institución de BancaMúltiple	Mexico
8	Association Al Amana for the Promotion of Micro-Enterprises Morocco	Morocco
9	FundaciónMundoMujerPopayán	Colombia
10	FundaciónWWB Colombia – Cali	Colombia
11	Consumer Credit Union ‘Economic Partnership’	Russia
12	FondationBanquePopulaire pour le Micro-Credit	Morocco
13	Microcredit Foundation of India	India
14	EKI	Bosnia and Herzegovina
15	SaadhanaMicrofin Society	India
16	Jagorani Chakra Foundation	Bangladesh
17	Grameen Bank	Bangladesh
18	Partner	Bosnia and Herzegovina
19	Grameen Koota	India
20	Caja Municipal de Ahorro y Crédito de Cusco	Peru
21	Bangladesh Rural Advancement Committee	Bangladesh
22	AgroInvest	Serbia
23	Caja Municipal de Ahorro y Crédito de Trujillo	Peru
23	Sharada’s Women’s Association for Weaker Section	India
24	MIKROFINBanja Luka	Bosnia and Herzegovina
25	Khan Bank (Agricultural Bank of Mongolia LLP)	Mongolia
26	INECO Bank	Armenia
27	FondationZakoura	Morocco
28	Dakahlya Businessmen’s Association for Community Development	Egypt
29	AsmithaMicrofin Ltd.	India
30	Credi Fe DesarrolloMicroempresarial S.A.	Ecuador
31	Dedebit Credit and Savings Institution	Ethiopia
32	MI-BOSPO Tuzla	Bosnia and Herzegovina
33	Fundacion Para La Promocion y el Desarrollo	Nicaragua
34	Kashf Foundation	Pakistan
35	Shakti Foundation for Disadvantaged Women	Bangladesh
36	enda inter-arabe	Tunisia
37	Kazakhstan Loan Fund	Kazakhstan
38	Integrated Development Foundation	Bangladesh
39	Microcredit Organization Sunrise	Bosnia and Herzegovina
40	FINCA – ECU	Ecuador

41	Caja Municipal de Ahorro y Crédito de Arequipa	Peru
42	Crédito con Educación Rural	Bolivia
43	BESA Fund	Albania
44	SKS Microfinance Private Limited	India
45	Development and Employment Fund	Jordan
46	Programas para la Mujer – Peru	Peru
47	Kreditimi Rural iKosoves LLC (formerly Rural Finance Project of Kosovo)	Kosovo
48	BURO, formerly BUROTangail	Bangladesh
49	Opportunity Bank A.D. Podgorica	Serbia
50	Sanasa Development Bank	Sri Lanka

(Source-Forbs.com)

Name List of MFIS in India as per RBI

S. No.	Name of MFI	Head Office
1	Shroff Capital & Finance Pvt. Ltd.	Ahmedabad
2	Disha Microfin Pvt. Ltd	Ahmedabad
3	Namra Finance Limited	Ahmedabad
4	Pahal Financial Services Private Limited	Ahmedabad
5	RORS Finance Private Limited (Formerly Pace Finance Private Limited)	Bengaluru
6	Idf Financial Services Private Limited	Bengaluru
7	Nabard Financial Services Limited	Bengaluru
8	Janalakshmi Financial Services Limited	Bengaluru
9	NavachetanaMicrofin Services Private Limited	Bengaluru
10	Bss Microfinance Private Ltd.	Bengaluru
11	Chaitanya India Fin Credit Private Limited	Bengaluru
12	Ujjivan Financial Services Private Limited	Bengaluru
13	Grameen Koota Financial Services Private Limited (Formerly Grameen Financial Services Private Limited)	Bengaluru
14	Samasta Microfinance Limited	Bengaluru
15	Nirantara FinAccess (Pvt) Limited(Formerly Shri Shivgayatri InfinPvt Ltd)	Bengaluru
16	Shree Marikamba Micro Finance Private Limited	Bengaluru
17	Future Financial Services Private Limited	Bengaluru
18	Adhikar Microfinance Ltd	Bhubaneswar
19	Sambandh Finserve Private Limited	Bhubaneswar
20	Annapurna Microfinance Private Ltd.	Bhubaneswar
21	Unnati Trade &Fincon (P) Ltd	Kolkata
22	Vedika Credit Capital Limited	Kolkata
23	Arohan Financial Services Private Limited	Kolkata
24	JagaranMicrofin Private Limited (Formerly S B T Consultants (P) Ltd)	Kolkata
25	Uttrayan Financial Services Private Limited	Kolkata
26	Village Financial Services Private Limited	Kolkata
27	Bandhan Financial Services Private Limited	Kolkata
28	Midland Microfin Limited (formerly Sajan Hire Purchase Limited)	Chandigarh
29	Repc Micro Finance Limited	Chennai
30	Madura Micro Finance Limited	Chennai
31	Equitas Micro Finance Limited	Chennai
32	Varam Capital Private Limited	Chennai
33	Belstar Investment And Finance Private Limited	Chennai
34	S.M.I.L.E Micro Finance Limited	Chennai
35	Msm Microfinance Limited	Chennai
36	Esaf Microfinance And Investments Private Limited	Chennai
37	Growing Opportunity Finance(India) Pvt Ltd	Chennai
38	GramaVidiyal Micro Finance Private Limited	Chennai
39	Asirvad Micro Finance Private Limited	Chennai
40	Suryoday Micro Finance Private Limited	Chennai
41	Virutcham Microfinance Limited	Chennai
42	Vizhuthugal Development Finance Private Limited	Chennai
43	ShikharMicrofinanacae Private Limited	New Delhi
44	Saija Finance Private Limited	New Delhi

45	S.V.Creditline Private Limited	New Delhi
46	Satin Creditcare Network Ltd.	New Delhi
47	Light Micro Finance Private Limited	New Delhi
48	Fusion Microfinance Private Limited	New Delhi
49	Altura Financial Services Limited	New Delhi
50	Rgvn (North East)Microfinance Ltd.	Guwahati
51	Nightingale Finvest Pvt. Ltd.	Guwahati
52	Grameen Development & Finance Private Limited	Guwahati
53	Share Microfin Ltd	Hyderabad
54	AsmithaMicrofin Limited	Hyderabad
55	SpandanaSphoorty Financial Ltd.	Hyderabad
56	DigamberCapfin Ltd.	Jaipur
57	Arth Micro Finance (Private) Ltd	Jaipur
58	Sonata Finance Private Limited- MFI	Kanpur
59	Margdarshak Financial Services Limited	Kanpur
60	Utkarsh Micro Finance Pvt. Ltd.	Kanpur
61	MuthootMicrofin Ltd	Mumbai
62	Anik Financial Services Pvt. Ltd.	Mumbai
63	Intrepid Finance & Leasing Pvt. Ltd,	Mumbai
64	Pahal Financial Services Pvt. Ltd.(Formerly Kelkar Leasing Company Private Limited)	Mumbai
65	SwadhaarFinserve Pvt. Ltd.	Mumbai
66	SvatantraMicrofin Private Limited	Mumbai
67	Agora Microfinance India Ltd	Mumbai
68	Sks Microfinance Limited	Mumbai
69	Sahayog Microfinance Limited	Mumbai

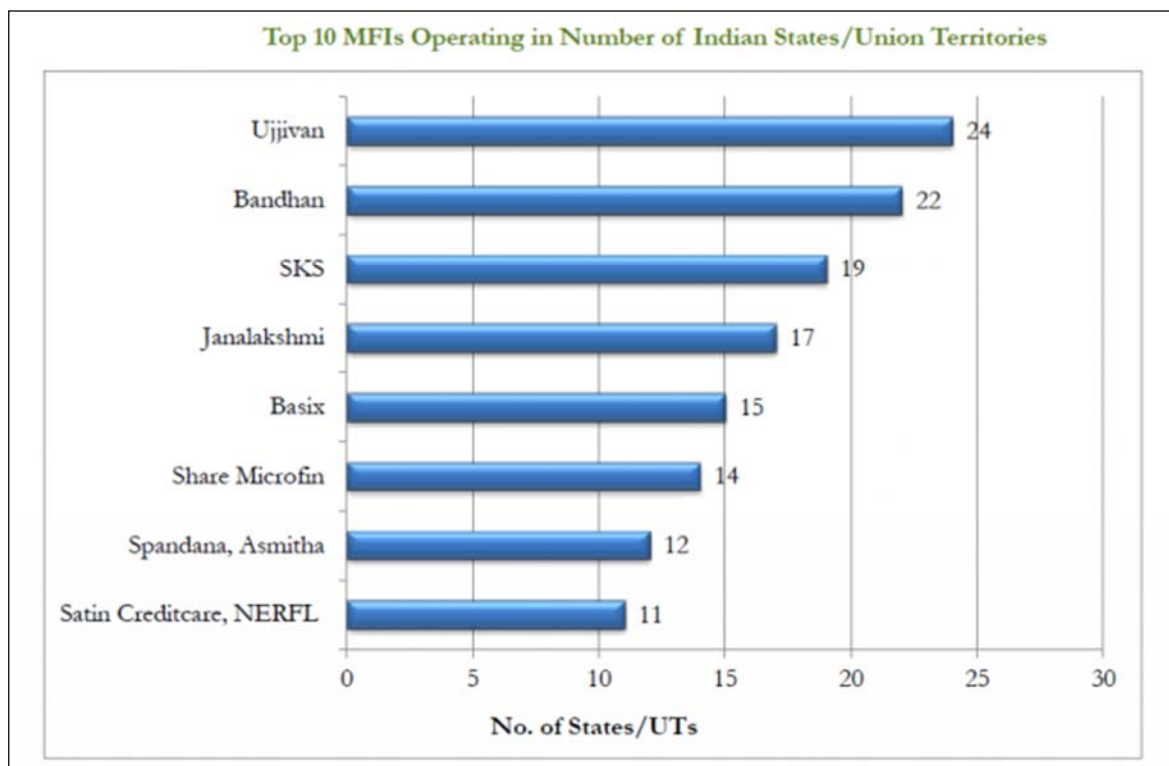
(Source-www.rbi.org.in)

Top 10 MFIS as per bharat microfinance report 2015-

The current rankings for the top MFI's in India has been quoted by Bharat Microfinance Report 2015. The results are based on data made available to Sa-Dhan by MFI's and are for the financial period for the financial year of 2014-2015. The

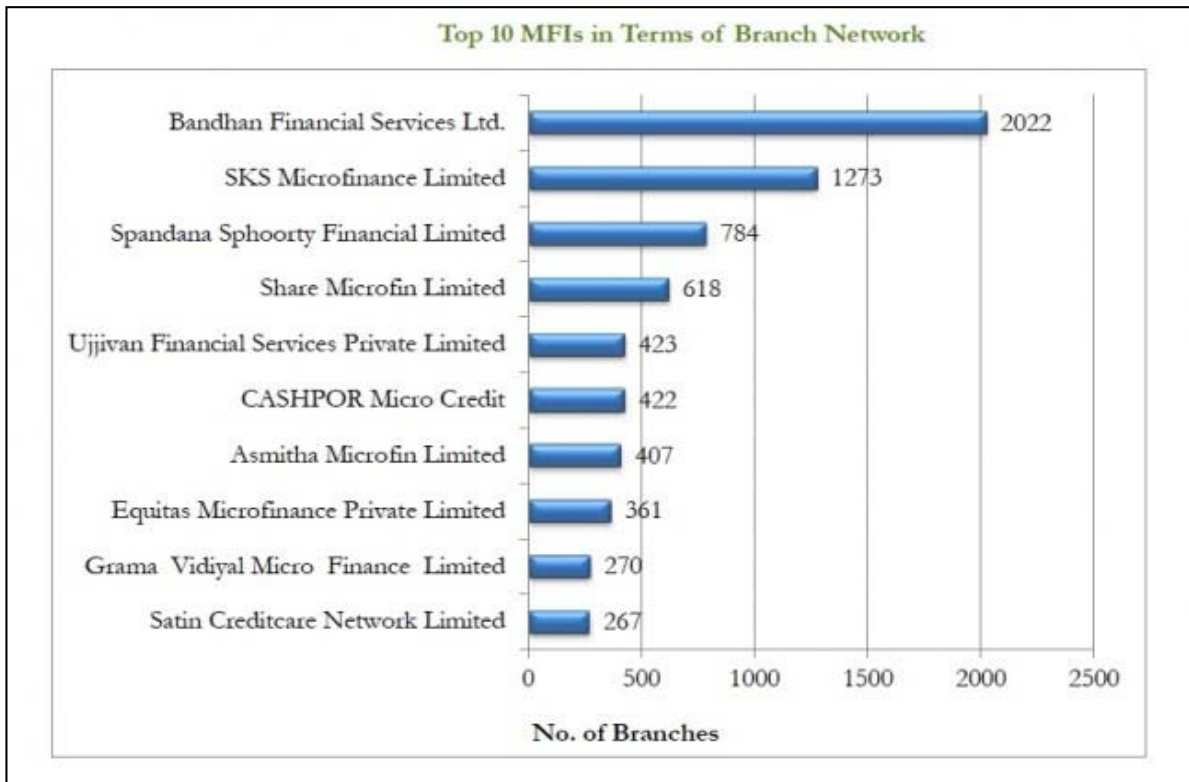
ranking are based on MFI's Geographical Spread, Branch Network, Client Outreach, Loan Portfolio and Loans Disbursed.

Top 10 MFI's in India by Geographical Spread:



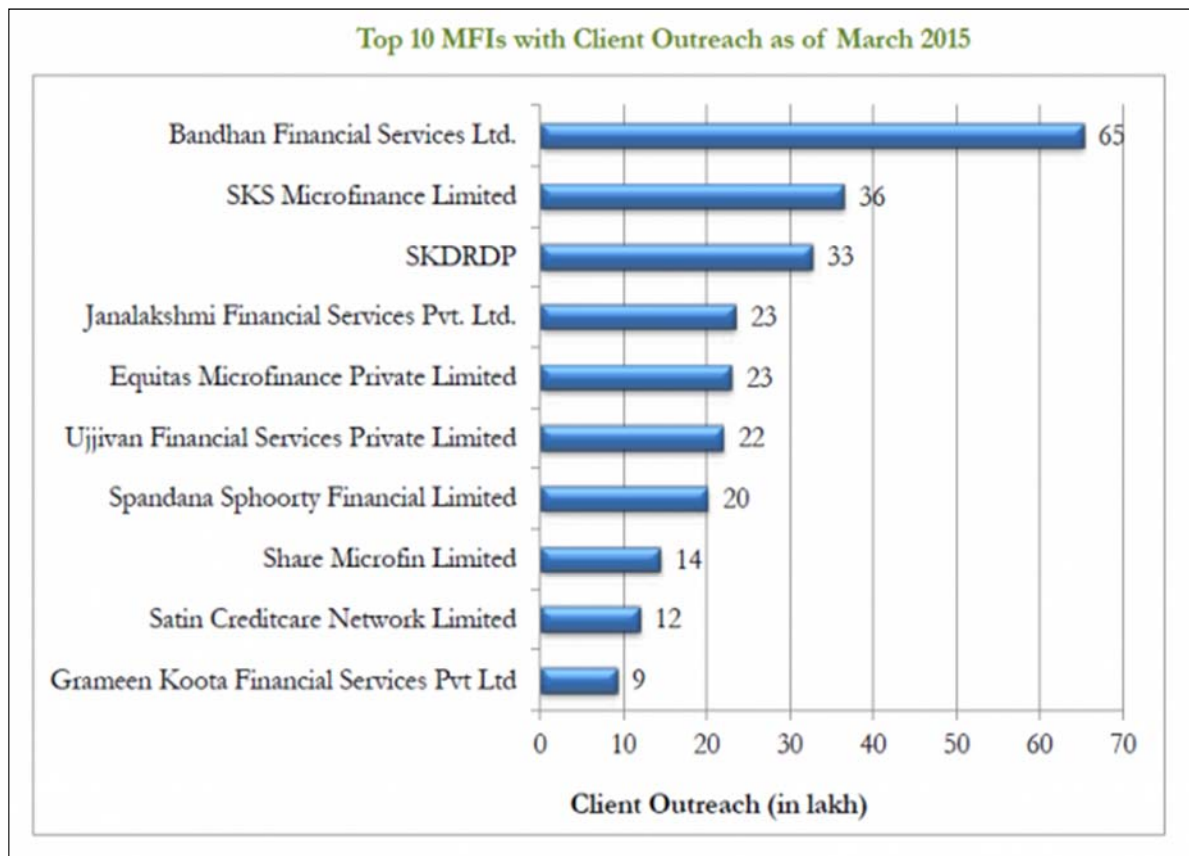
(Source- indiamicrofinance.com)

Top 10 Mfi's By Branch Network



(Source- indiamicrofinance.com)

Top 10 Microfinance Companies by Client Network



(Source- indiamicrofinance.com)

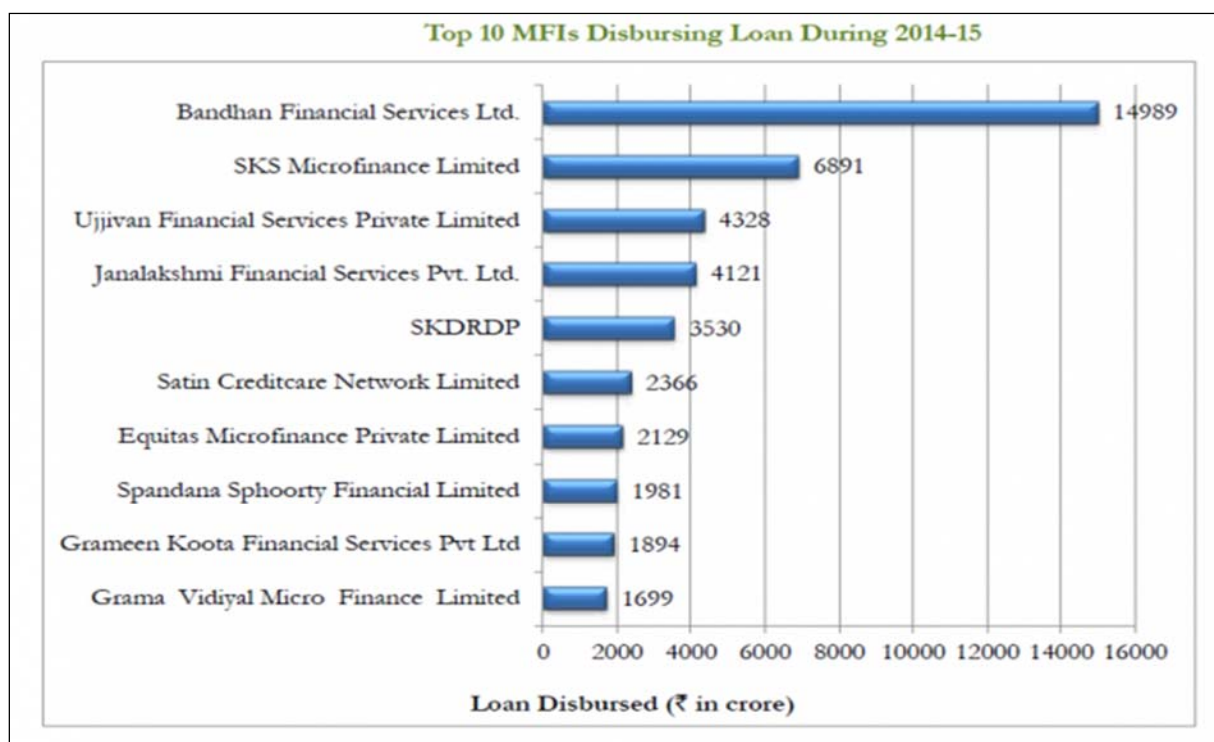
Top 10 Mfi’s With Loan Portfolio Outstanding

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

(Source- indiamicrofinance.com)

Top 10 Mfi’s Disbursing Loans During Financial Year 2014-15



(Source- indiamicrofinance.com)

These rankings confirm that Bandhan Bank is now the top microfinance company in India and has largely left most of its peers behind on different parameters. Going forward the small finance bank licenses issued to many NBFC-MFI’s will determine how these firms will compete with microfinance companies. More than 20 bank licenses have been issued by RBI over past one year and as these new banks commence operations over the next year, we can expect the competition to hot up.

Top 25 Microfinance Companies In India Are As Follows:

1. Annapurna Microfinance Pvt. Ltd.
2. Arohan Financial Services Pvt. Ltd.
3. Asirvad Microfinance Pvt. Ltd.
4. Bandhan Financial Services Pvt. Ltd.
5. BSS Microfinance Pvt. Ltd.
6. Cashpor Micro Credit
7. DishaMicrofin Pvt. Ltd.
8. Equitas Microfinance Pvt. Ltd.
9. ESAF Microfinance and Investments Pvt. Ltd.
10. Fusion Microfinance Pvt. Ltd.
11. GramaVidiyal Micro Finance Ltd.
12. Grameen Financial Services Pvt. Ltd.
13. Janalakshmi Financial Services Pvt. Ltd.
14. Madura Micro Finance Ltd.
15. RGVN (North East) Microfinance Limited
16. Satin Creditcare Network Ltd.
17. Shree KshetraDharmasthala Rural Development Project

- 18. SKS Microfinance Ltd.
 - 19. S.M.I.L.E Microfinance Ltd.
 - 20. Sonata Finance Pvt. Ltd.
 - 21. Suryoday Micro Finance Pvt. Ltd.
 - 22. SVCreditline Pvt. Ltd.
 - 23. SwadhaarFinServe Pvt. Ltd.
 - 24. Ujjivan Financial Services Pvt. Ltd
 - 25. Utkarsh Micro Finance Pvt. Ltd.
- (Source- indiamicrofinance.com)

Mfis Selected For the Study

Following MFIs of Pune have been selected for the study on random basis. The data is collected by using questionnaire method-

- 1. Annapurna Microfinance Pvt Ltd
- 2. Hindustan Microfinance Pvt Ltd
- 3. Suryoday Microfinance Pvt Ltd
- 4. Bandhan Microfinance Pvt Ltd
- 5. Equitas Microfinance Pvt Ltd
- 6. Samruddhi Microfinance Pvt Ltd
- 7. Swatantra Microfinance Pvt Ltd

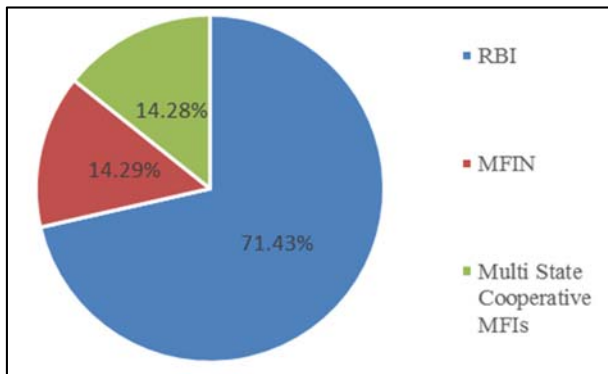
Results and Discussion

Analysis #1 Governing Body for Mfis

The data collected from the respondent about governing body for MFIs. The data analyzed and tabulated as follows.

S. No.	Governing Body for MFIs	Total
1	Reserve Bank of India(RBI)	71.43%
2	Microfinance Institutions Network(MFIN)	14.28%
3	Multi State Cooperative MFIs	14.29%

The graphical presentation of data analysis is given below-



From the above analysis it was observed that

- 1. 71.43% respondents said that RBI is the governing body for MFIs.
- 2. 14.28 % respondents said that MFIN is the governing body for MFIs.
- 3. 14.29% respondents said that Multi State Cooperative MFIs is the governing body for MFIs.

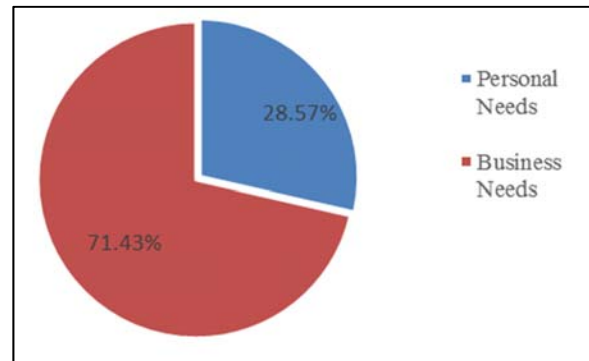
From the above observations it was interpreted that RBI is the governing body for MFIs.

Analysis # 2 - Motives of People to Apply For Micro Finance

The data collected from the respondents to know about the purpose for which people approach for microfinance. The data analyzed and tabulated as follows.

S. No.	Motives to take micro loan	Total
1	Personal/family needs	28.57%
2	Business needs	71.43%

The graphical presentation of data analysis is given below



From the above analysis it was observed that –

- 1. 28.57 % respondents said that people borrow money to fulfill their personal needs.
- 2. 71.43% respondents said that people borrow money to fulfill their business needs.

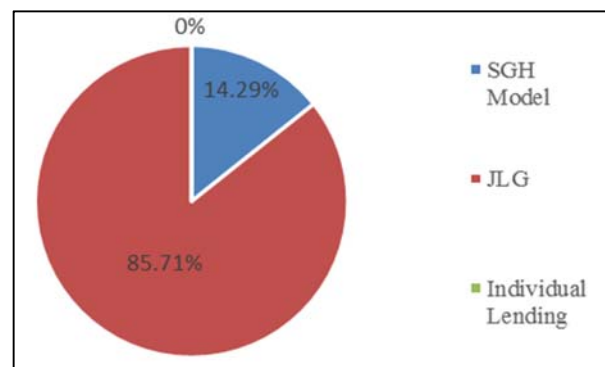
From the above observations, it was interpreted that most of the times microfinance is being taken by micro entrepreneurs to fulfill their business needs.

Analysis # 3- Most Preferred Mode of Money Lending

The data collected from the respondents to know about various patterns of lending microloan and which is most commonly used method. The data analyzed and tabulated as follows.

S. No.	mode of money lending	Total
1	Joint Liability Group Model (JLG)	85.71%
2	Self Help Group Model(SGH) Model	14.29%
3	Individual Lending	0%

The graphical presentation of data analysis is given below-



From the above analysis it was observed that

- 1. 85.71% respondents said that mode of lending is JLG Model.
- 2. 14.28 % respondents said that mode of lending is SGH Model.
- 3. 0% respondents said that mode of lending is Individual Lending.

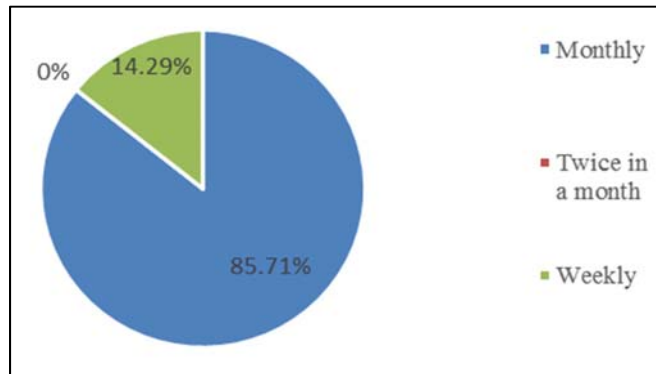
From the above observations, it was interpreted that most of the MFIs use JLG Model to lend money. Very few of them said that they lend loan individually however the percentage is negligible and it happens in very rare cases and only if the customer is very old. It is so because this is unsecured loan.

S. No.	Frequency of repayment of loan	Total
1	Monthly	85.71%
2	Twice in a month	0
3	Weekly	14.29%

Analysis # 4- Frequency of Repayment of Loan

The data collected from the respondent to know the frequency of payment of installments for repayment of loan. The data analyzed and tabulated as follows.

The graphical presentation of data analysis is given below



From the above analysis it was observed that

- 85.71% respondents said that frequency of repayment is on monthly basis.
- 14.29 % respondents said that frequency of repayment is weekly.
- 0% respondents said that frequency of repayment is twice in a month.

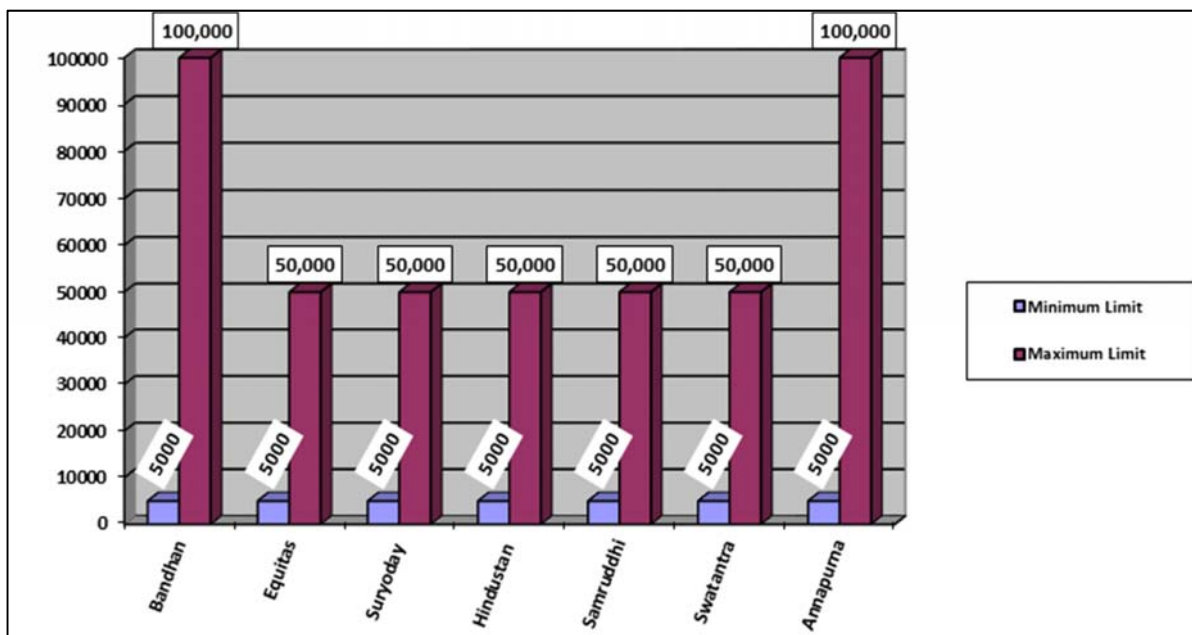
Analysis # 5 - Minimum and Maximum Monetary Limit Of Microfinance

The data collected from the respondents to know about the minimum and maximum limit of loan to be called it as microloan. The data analyzed and tabulated as follows.

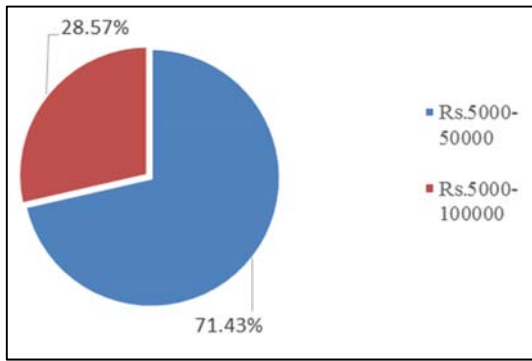
S. No.	Mode of money lending	Total
1	Rs.5,000-50,000/-	71.43%
2	Rs.5,000-Rs.1,00,000/-	28.57%

From the above observations, it was interpreted that most of the MFIs ask their borrowers to repay the loan on monthly basis except Bandhan Bank whose customers have repay the loan on weekly basis.

The graphical presentation of data analysis is given below



The data can also be represented in graphical format as follows-



From the above analysis it was observed that –

1. 28.57 % respondents said that minimum and maximum limit of microloan is Rs.5000-Rs.100000/-
2. 71.43% respondents said that minimum and maximum limit of microloan is Rs.5000-Rs.50000/-

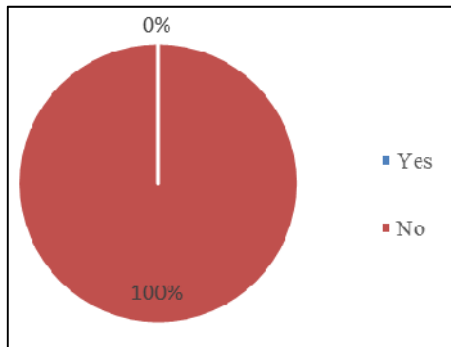
From the above observations, it was interpreted that minimum limit of microloan is Rs.5 000 for all MFIs however maximum limit is different for different MFIs as per the norms of their governing body. It Rs.1,00,000 for Annapurna MFI and Bandhan Banks and it is Rs.50,000 for rest of the MFIs.

Analysis # 6- Mortgage or Collateral from the Customers

The data collected from the respondents to know that whether these MFIs take any mortgage against loan like Banks do take. The data analyzed and tabulated as follows.

S. No.	Take Collateral or not	Total
1	Yes	0%
2	No	100%

The graphical presentation of data analysis is given below-



From the above analysis it was observed that –

1. 100% respondents said that they don't take any kind of mortgage or collateral against micro loan which they extend.
2. 0% respondents said that they take mortgage or collateral against micro loan which they extend.

From the above observations, it was interpreted that microfinance is a sector where all the loan are unsecured loan.

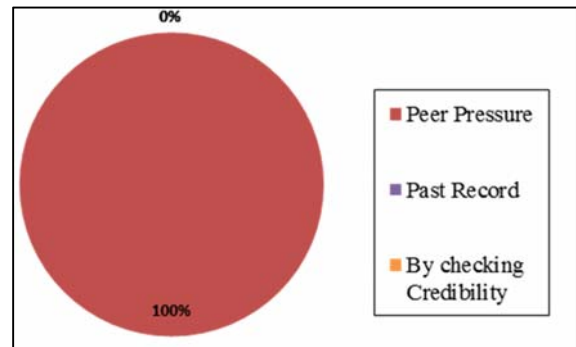
Analysis # 7- Guarantee of Repayment of the Loan or Customer Is Not a Defaulter

The data collected from the respondents to know that how do they make sure that a borrower will repay the loan or will not

default because they don't take any mortgage. The data analyzed and tabulated as follows.

S. No.	Mode of money lending	Total
1	By checking out his/her credibility	0%
2	Past records	0%
3	Peer pressure of repayment amongst the group member	100%

The graphical presentation of data analysis is given below-



From the above analysis it was observed that –

1. 100% respondents said that though we don't take any mortgage against loan, we ensure that the person will not default because of peer pressure amongst the group as the loans are extended to a group of people.
2. 0% respondents said that they check credibility of customer.
3. 0% respondents said that they check past records of customer.

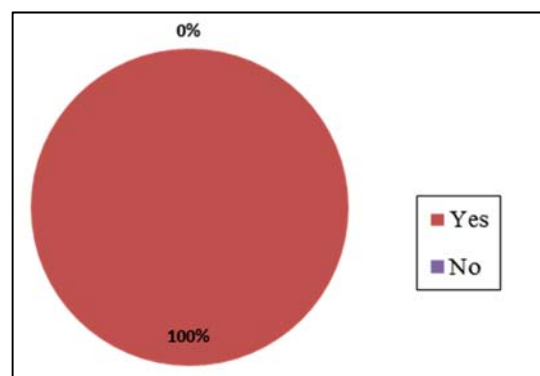
From the above observations, it was interpreted that microfinance is a sector where all the loan are unsecured loan.

Analysis # 8- Role of Micro Finance In Development Of The Society

The data collected from the respondents to know about the present status of MFIs and their role in development of poor people and ultimately society. The data analyzed and tabulated as follows.

S. No.	Take Collateral or not	Total
1	Yes	100%
2	No	0%

The graphical presentation of data analysis is given below-



From the above analysis it was observed that –

1. 100% respondents said that they believe that microfinance surely plays a vital role in development of the society.
2. 0% of respondents said that microfinance doesn't play role in development of society.

From the above observations, it was interpreted that microfinance is a key of development of the people who can't have access to formal banking system. They can borrow money from MFIs and develop their existing business or they can start a new which will lead to development of their lifestyle.

Findings of the Study

From the analysis of collected data and after having discussion with authorities from different MFIs, following are the findings-

1. As per as regulatory body of microfinance is concerned there are different norms for different MFIs. This depends on the act under which the registration of MFI has been done. The governing authority for MFI registered under NBFC category the governing authority is RBI as the analysis shows that 74.28% respondents said that and these MFIs have to follow norms set by MFIN. MFIN is the first Self-Regulatory Organization (SRO) in the financial services sector recognized by the RBI and regulates NBFC-MFIs to ensure responsible. The second governing body is Min. of Agriculture in New Delhi in addition to RBI for MFIs registered under Multi State Registration authority.
2. The finding regarding the motives of people behind borrowing microfinance is mainly for business needs i.e.74.21%. They either can start their own venture or they can use borrowed money to expand their business. However sometimes people borrow money to satisfy their personal and family needs as well.
3. The observation of study regarding lending pattern is- MFIs generally lend money to people who don't have direct access to banking facilities. So they approach MFIs for borrowing money and there are different models to lend money but the most common lending method is group lending. Group lending also has two types as follows- (A) Self-help Group model (SGH Model) and (B) Joint Liability group (JLG model). SGH model is that where people having common goal and carrying out same business, themselves make their group and approach MFIs to borrow money and in JLG MFIs form a group of people rather their clients in size of ranging from-20. But after discussing with people from MFI, JLG is most common for MFI and SGH is common for Bank linked MFIs.
4. The general minimum limit of microloan is Rs. 5000 and maximum is Rs.50000, however for Bandhan Bank the maximum limit for microloan is Rs 100000 as it has recently been converted into Bank. It is same for MFIs registered under State co-operative Act.
5. The research says that all MFIs don't take any kind of mortgage for any kind of lending as the percentage of response is 100% for not taking mortgage option. Though they don't take any mortgage however all MFIs are very sure about repayment because most of the lending is group lending so this makes it possible that all people repay the loan because of peer pressure.
6. Microfinance plays a very vital role in development of society because it reaches to the people who can't avail formal banking facility. 100% respondents are of the same

opinion. It provides financial facilities which leads to development of not only existing business of microenterprises however people can start new micro businesses with microfinance.

Recommendations

1. I want to suggest to MFIs that the awareness should be created amongst the people because what I observed is the people need money but they are still not aware about something called formal source of finance as microfinance. Still they prefer money lenders.
2. Microfinance still is not so organized sector in India but now a days Government and RBI are working on the same. So Microfinance Institutes should try to work in organized and professional manner.

Conclusion

1. After carrying out research it concluded that Microfinance is now emerging as a separate sector and there are so many players in this sector. As far as India is concerned Bandhan Bank is a major player or we can say it is market leader in microfinance sector.
2. Microfinance plays vital role in development of society as it is only microfinance which can reach to every person whoever wants to borrow money. In Indian banking system borrowing money for poor is very difficult task as it requires a lot of documentation and regular and secured source of income and microfinance has overcome this limitation which helps the micro entrepreneurs to develop.
3. The key of success of microfinance sector is group lending, may it be SGH Mode or JLG Model. Though MFIs don't take any mortgage while lending money however they bear very little risk of default. Because when people borrow money in group it is peer pressure which makes them repay the loan, as if one person defaults it makes him very difficult for him/her to face the society. One more reason is if one person defaults others have to make repayment of his/her borrowing.

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