



## Muthoot Fincorp and its micro finance

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### Abstract

Microfinance, also known as microcredit, is a financial service that offers loans, savings and insurance to entrepreneurs and small business owners who don't have access to traditional sources of capital, like banks or investors. The goal of micro financing is to provide individuals with money to invest in themselves or their business. The Muthoot Pappachan Group, with a reputation that has been shaped over decades with high quality practices, total customer satisfaction and steady growth, spanning decades in the field of business. Microfinance is a broad category of services, which includes micro credit. Microcredit is only about provision of credit services to poor clients; only one of the aspects of microfinance, and the two are often confused. In many instances, people seeking help from microfinance organizations are first required to take a basic money-management class. Lessons cover understanding interest rates, the concept of cash flow, how financing agreements and savings accounts work, how to budget, and how to manage debt. In this paper we focused establish a healthy and profitable lending business through relationships with select MFIs and Investing in building deeper and concurrent monitoring and control mechanisms to enable healthy growth of the muthoot fincorp microfinance sector.

**Keywords:** microfinance, loans, capital, muthoot fincorp

### 1. Introduction

Muthoot Fincorp Limited provides various loan products in India. It offers gold loans, business loans, housing loans, auto loans, and micro finance, as well as money transfer, foreign exchange, insurance, and wealth management services. The company also provides information technology (IT) and IT enabled services to its clients, including software solutions; and loans to purchase products, such as solar lamps, mobile phones, and water purifiers. In addition, it engages in the real estate business. The company serves retail customers, small business men, vendors, traders, farmers, and salaried individuals. It operates approximately 3,800 branches. Muthoot Fincorp Limited was incorporated in 1997 and is based in Trivandrum, India. Muthoot Fincorp Limited is a subsidiary of Muthoot Pappachan Group.

### 2. Muthoot Mahila Mitra

Muthoot Fincorp designed Muthoot Mahila Mitra (MMM) Programme in April 2010 with special emphasis for providing microfinance services to women entrepreneurs. It caters to the financial needs of unbanked. Under MMM programme, Muthoot Fincorp offers loans to economically active women for any declared legal end use, like business expansion, working capital needs, purchasing raw material, purchasing animals, marriage, education and debt consolidation. The lending norms of MMM are based on the profile of the members, their cash flows, income stability, repayment capacity, business models and group guarantee. Emphasis is laid on understanding the borrowers' weekly and monthly income, family income, household income, other expenses and the resultant installment affordability.

### 2.1 Operational Methodology

Muthoot Mahila Mitra follows Joint Liability Group (JLG) model of microfinance. Clients are organized in groups of 5-10 women and each woman takes joint liability for the other members of the group. The clients have weekly meetings where they pay back the loan installments and discuss other challenges or concerns regarding members or MMM's loan products and services. MMM has gone beyond regular lending, training and has been trying to enable entrepreneurs to either learn or enhance various skills. *Sthreejyothi* training programme has trained more than 16000 women entrepreneurs across three states in South India namely Kerala, Karnataka and Tamil Nadu. ACCION's highly competent and skilled facilitators act as "Coach" to entrepreneurs. It begins with business counseling followed by customization of programme which leads to a unique learning experience. The women entrepreneurs with business acumen are increasingly enrolling for the programme. The programme is not a classroom; it is participatory, fun-to-learn and applies best practices in business mentoring, conducted by the *Sthreejyothi* facilitators.

### 3. Sthreejyothi Training Programme

Muthoot Fincorp provides financial literacy and entrepreneurship development trainings to select MMM clients. Under this programme, women clients are trained on business acumen and entrepreneurship aspects. This is initiated by the Muthoot Pappachan Group (MPG) under its Corporate Social Responsibility in partnership with ACCION Dialogue on Business. This is one of the unique features of the Muthoot microfinance initiative. The programme is branded as "Sthreejyoti", and was started in Kerala, Karnataka and

Tamil Nadu. Sthreejyothi training programme uses interactive games and role-plays to solve real life business challenges. The workshops are participatory and reality based, rather than text book cases, thus it helps people with lower formal education to learn effectively and apply that learning in their business activities. The training modules offered are as follows: Self-Management for women

- Communication and promotion of business
- Leadership skills
- Feasibility of client’s business
- The Entrepreneur and The Management
- Savings and Investment
- Idea to business
- Cash Management
- Debt Management
- Muthoot and ACCION signed an agreement in March 2010 to design, develop, and deliver Sthreejyothi Programme for a 3 year period. Under this partnership, the role of ACCION is to provide all the training modules, train the Muthoot team, and also monitor the programme.

**3.1 Methodology**

MMM has gone beyond regular lending, training and has been trying to enable entrepreneurs to either learn or enhance various skills. Sthreejyothi training programme has trained more than 16000 women entrepreneurs across three states in South India namely Kerala, Karnataka and Tamilnadu. ACCION’s highly competent and skilled facilitators act as “Coach” to entrepreneurs. It begins with business counseling followed by customization of programme which leads to a unique learning experience. The women entrepreneurs with business acumen are increasingly enrolling for the programme. The programme is not a classroom; it is

**5. Tables and Fig related to MMM and swarnavarsham loans**

**Table 1:** MMM Clients trained

State	Mar 11	Mar 12
Kerala	2587	8563
Karnataka	1185	3051
Tamil Nadu	1220	4682
Total	4992	16296

*Source:* survey

As of March 2012, a total of 16,296 members have been trained from three different states under *Sthreejyothi* programme. This makes around 5% of the total MMM clients to be trained clients.

**Objectives of the impact assessment study**

- To understand the various activities carried out for Muthoot Mahila Mitra members.

participatory, fun-to-learn and applies best practices in business mentoring, conducted by the Sthreejyothi facilitators.

**3.2 Impact Analysis**

Under this section of the report, the findings on each indicator are analysed in detail, they include both qualitative and quantitative aspects of impact. The quantitative aspects include change in family income, savings patterns and insurance coverage, whereas the qualitative aspects include decision making, participation, leadership, and impact of IGL on enterprise.

**3.3 Advantages of MMM loan**

It is available at the doorstep

- Get gold coin as savings/investment
- Involves less paper work
- Accessible to the poor
- No corruption involved
- No involvement of middlemen

**The groups expressed that**

- The loans from MMM were far better and cheaper than borrowing from private sources
- The loans were given without delay and the entire processing was completed at their doorstep
- The repayment was also easy

**4. Swarnavarsham loan**

To understand the impact of Swarnavarsham product --one of the unique products of Muthoot Fincorp Limited, members’ feedback on was captured both in terms of its benefits and value. The findings are interesting and encouraging.

- To measure the knowledge and skills of women group members before and after the intervention.
- To measure the impact of the interventions on the target client’s managerial abilities, and if it has contributed to an improved quality of life.
- To understand other stakeholders’ view and perspective on the intervention.

**Study Phases**

**Table 2:** Study phases

S. No.	Activities	Mar '12	Mar '12	Mar '12	Mar '12	Mar '12	Apr '12	Apr '12	Apr '12	Apr '12	May '12	May '12
		Week 1	Week 2	Week 3	Week 4	Week 5	Week 1	Week 2	Week 3	Week 4	Week 1	Week 2
1	Initial Assessment and Tool Design	█	█									
2	Field interview (360 sample size with 2 ICash and 4 MUTHOOT FINCORP resources)			█	█	█	█	█	█			
3	Partner interview (other stakeholders like NABARD and ACCION)								█			
4	Data Compilation and Analysis									█		
5	Detailed Report Preparation										█	█
6	Presentation of the Report											█

Source: Survey Data

**Phase I**

In the first phase of the study three resources from INTELLECASH were directly involved in the survey. They also simultaneously trained the MMM team for the second phase of the study. During this phase total 91 questionnaires were administered.

**Table 3:** Phase I – survey sampling

State	Survey conducted
Kerala	24
Karnataka	17
Tamil Nadu	50
Total	91

Source: Survey Data

**Phase II**

MMM’s resources that were trained by Intellectcash during the first phase carried out remaining part of the survey and 269 forms were administered in the second phase of the survey.

**Table 4:** Phase II Survey sampling

State	Survey conducted
Kerala	231
Karnataka	13
Tamil Nadu	25
Total	269

Source: Survey Data

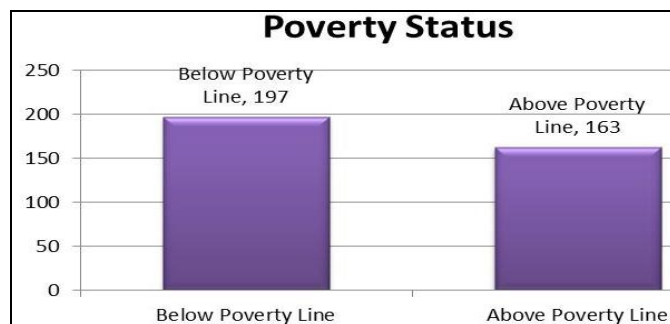
**Table 5:** Profile of the clients covered in sample

State	Clients	Trained clients	Non-trained clients	1 <sup>st</sup> cycle clients	2 <sup>nd</sup> cycle clients
Karnataka	30	22	8	19	11
Tamil Nadu	75	46	29	24	51
Kerala	255	200	55	61	194
Total	360	268	92	104	256

Source: Survey Data

As planned, the sample clearly represents mostly trained and 2nd cycle clients. However, it was noticed that around 20 members from the first cycle, who are not trained are also covered.

**Poverty Status**



Source: Survey Data

**Fig 1:** Respondents poverty status

Muthoot approach seems to be balanced in terms of client targeting with reference to their poverty status. Around 55% of the clients are represented by below poverty category. During the field visit and FGDs it was noticed that Muthoot is targeting economically active population. This confirms that Muthoot is targeting to address economically active clients and not merely focusing on their poverty status. However, keeping in view of the recent RBI guidelines on MFIs, this should be considered a major gap for Muthoot and should invite immediate policy review, especially if Muthoot wants to carry out microfinance as an NBFC MFI.

**Insurance Coverage (life, health & vaccination)**

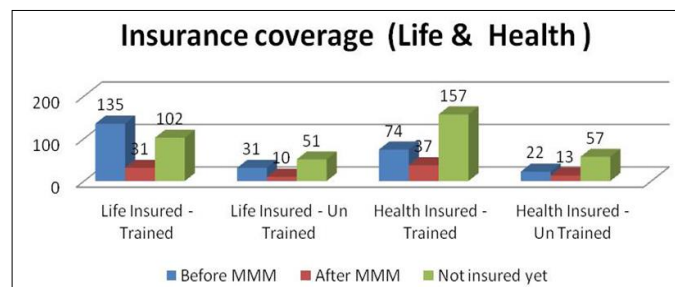
**Table 6:** Life and health Insurance coverage

Parameters	Before MMM	After MMM	Not insured yet
Life Insured – Trained	135	31	102
Life Insured – Non-trained	31	10	51
Health Insured – Trained	74	37	157
Health Insured – Non-trained	22	13	57

**Life Insurance:** The analysis on the insurance coverage under life insurance indicates that before Joining MMM programme many of the clients already accessed various kind of insurance.

However, there has been a positive impact of joining the MMM programme, nearly 11% of the clients have taken insurance for the first time after joining the MMM programme. Further, it clearly shows that the impact is more among trained (*Shreejyothi*) members. Next level of analysis shows that, post joining MMM programme, members who are trained using insurance are almost three times more than non-trained clients.

Similar trend is observed under Health insurance coverage. However it’s interesting to observe that the scope for improvement is still very high, nearly 42% of the total sample size are still not covered under insurance.



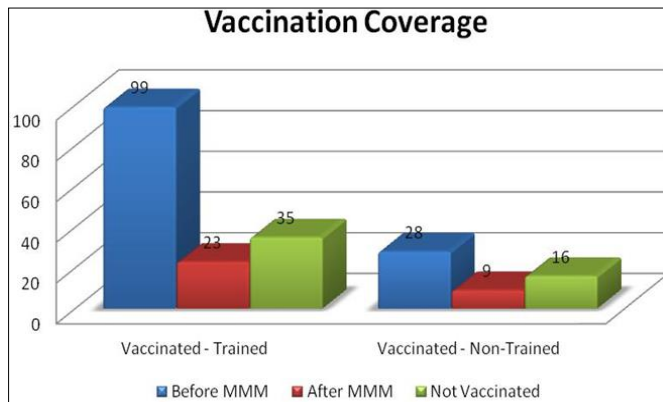
**Source:** Survey Data

**Fig 2:** Insurance coverage (life & health)

**Members’ children’ Vaccination status**

**Table 7:** Members’ children’ Vaccination status

Parameters	Before MMM	After MMM	Not vaccinated yet	NA
Vaccinated – Trained	99	23	35	111
Vaccinated – Non-trained	28	9	16	39



**Source:** Survey Data

**Fig 3:** Vaccination Coverage

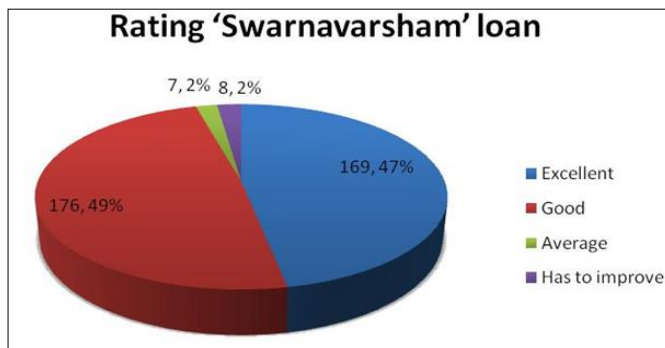
Vaccination does not apply to approx. 50% of the respondents as their children are grown ups and does not require vaccination. Out of the eligible client responses, it is observed that nearly 60% client children are vaccinated before they joined the MMM programme.

Of the total 23 clients whose children are vaccinated post MMM enrollment makes up around 15%, which is reasonable impact when compared among the trained Vs. non-trained members.

**Swarnavarsham loan**

To understand the impact of Swarnavarsham product --one of the unique products of Muthoot Fincorp Limited, members’ feedback on was captured both in terms of its benefits and value. The findings are interesting and encouraging.

**Rating Swarnavarsham loan**



**Source:** Survey Data

**Fig 4:** Rating ‘Swarnavarsham’ loan

The fig clearly shows nearly 95% of the members liked Swarnavarsham product. Out of the 2% who suggested for improvement, a majority felt that cost can be reduced.

**Feedback on the services**

**Client suggestions on Muthoot MMM Programmes**

Across the total sample of 360 clients, there was a general satisfaction with the microfinance programme of In order to analyze clients’ suggestions and feedback, we have divided their response into three broad areas: namely product, process and *Shreejyothi* training.

**Table 8:** Clients' feedback and suggestion

Product	Process	<i>Sthreejyothi</i> Training
To increase loan amount	To reduce the documentation process for secured loan	To start skill development trainings every quarter and refresher trainings
To increase repayment from 52 weeks to 60 weeks	To speed up the disbursement process at branch	To initiate medical and eye camps
To increase gold coin from 1 gram to 2 gram weight under <i>Swarnavarsham</i> loan	To be flexible with center meeting timings	To introduce market linkages programme
To introduce loan product with monthly repayments	To provide gold coin at the time of disbursement under <i>Swarnavarsham</i> loan	To start self-employment training like chocolate making, animal husbandry, jute products, poultry farming
To introduce personal loan, housing loan, two wheeler loan, rickshaw loan	To increase rented house up to 60% in a group	To provide training on value addition in their current products in terms of moving to next level.
To decrease interest rates	To give subsequent loan immediately after completion of a loan	To start Muthoot provision stores
To introduce interest free emergency loan and festival loan	To start discussions in center meetings which women can benefit from in their personal and social-life	To arrange job fairs
To introduce top up loan.	To introduce center leader incentives	To start Muthoot school and children education scholarships
To introduce education loan	To introduce <i>Swarnavarsham</i> loan without gold coin and interest	Training on sales and marketing
Individual Loan product with big ticket size loans enterprises	To organize seating arrangements and drinking water facility for the clients at branch	Awareness on farming and on women related issues like health and hygiene
To increase business loan up to 1 lakh	To start loan products with fortnightly repayment schedules	

**Source:** Survey Data

## 6. Conclusions

Based on the above findings and analysis, the following conclusions have been drawn with special focus on important impact indicators.

- Muthoot Mahila Mitra appears to have achieved most of its microfinance programme objectives. Evidence of the achievements can be seen under income increase and improved quality of life namely health, education and children's vaccination.
- In terms of financial inclusion, the results are mixed; members are fully included on credit services, but moderately included on savings and very less on Insurance services.
- Muthoot Fincorps' focus in terms of targeting client segment is also in line with its goals. However, the Socio-economic profile of the members needs to be reviewed both in terms of economic and social profile, keeping in view the regulatory aspects that govern the newly formed class of NBFC MFI's.
- Muthoot's approach of using CSR activities to complement its Microfinance programme is yielding good results. Its flagship programme "*Sthreejyothi*" is showing positive results and members perceive the programme as positive. One of the key achievements of the MMM programme is the impact on Decision Making ability of its members. The findings confirm that members have started taking equal position in the family in all major decisions. The results are more pronounced among the trained clients.
- The impact of *Swarnavarsham* is also very good. However, this is not seen as the key product but as a value added product. The demand for *Swarnavarsham*

product is quite high and members wants it to be packaged along with the regular loan and also increase quantum of the Gold coin.

- Impact of IGL product on the Business is also quite good; nearly 50% of the clients confirm that their profit and sales have increased. While 30% felt it has helped them to expand and grow their business.
- Though the employment/jobs created by members' enterprises is around 3%, it is considered as very important indicator in social performance management arena.

## 7. Recommendations

- Muthoot can review the social profile of its clients and needs to focus on socio-economically excluded segments also.
- Further, keeping in view of recent RBI guidelines on MFIs, it is imperative for Muthoot to review its client profile in terms of APL. This can be measured through below poverty line (BPL)/above, poverty line (APL), social category and status on house ownership.
- In terms of portfolio segmentation, it can diversify to agriculture and allied to mitigate the risk. This is also required keeping in view the social performance management. The proponents of SPM also judge quality of MFI based on the range of products and services that it offers to its community.
- On the products front, Muthoot can offer more flexibility in terms of tenure and frequency, especially monthly repayment options. This is also considered as one of the critical aspects of social performance management.
- Muthoot can review their current operations policy on rented house residents' eligibility and allow some rented

residents to access credit from Muthoot.

- Muthoot can focus on *Shreejyothi* with special attention on selection and screening the right clients for training. Some kind of screening can be carried out to ensure that inputs goes to the right members.
- Need based skill trainings can also be offered to clients since it is a very specific and clear demand from the clients.
- Focus on market linkages needs to be improved, especially post trainings.
- Cost-Benefit analysis can be carried out on the *Shreejyothi* programme to explore the option of institutionalizing the programme over a long term.

## **8. References**

1. Muthoot Fincorp Reports 2018