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Overview of functioning of microfinance in India

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Abstract
Microfinance is the provision of financial services to people belonging to low income or solidarity income groups. Microfinance means small savings, credit and insurance services extended to socially and economically weaker sections of the society. It becomes as a powerful tool for poverty eradication in India. This research paper outlined the current condition of the Microfinance in India since its emergence. This concept of Micro-Finance is basically followed by Self Help Groups - Banks linkage Program. Its focus is to provide a cost effective financial services to the people below the poverty line. This paper comes into light the prevailing gap in functioning of microfinance institutions such as practices in credit creation, lack of product diversification, customer overlapping and duplications, consumption and individual loan demand with lack of mitigation measures, less thrust on enterprise loans, collection of savings/loans and highest interest rate existing in micro finance sector. All these are clear syndromes, which tell us that the situation is moving without any direction. Finally paper concludes with practicable suggestions to overcome the issues and challenges associated with microfinance in India. This paper provides a brief overview of some of the important issues and challenges currently facing the microfinance institutions (MFIs) in India and finally concludes with practicable suggestions to overcome the issues and challenges associated with microfinance in India.

Keywords: Microfinance, Financial Services, Self Help Groups, Small Savings, Bank Linkage Programme etc.

Introduction

Micro Finance may be termed as creation of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi urban or urban areas, for improving their levels of income and standard of living. In current scenario a large part of micro finance activity is mainly confined to credit. Women plays a critical role as users of micro-credit and savings services. As Microfinance Institutions Group (MIG) for Financial Growth NABARD BANK approaches Microfinance by instituting specific transactions to position it as a new asset class, appealing to a broad range of investors and lenders, and expanding access to capital by bringing in the power of capital markets. Its Microfinance product consist of term loans, loan syndications and rated capital market loan products such as pool securitization, debentures, commercial paper and loan assignments, the Bank aims to catalyze the growth of the Indian microfinance industry by increasing its access to a wider network of investors and reducing the costs of funds through a mix of lower cost of funds and transaction costs to enable a scale up, thus ensuring provision of affordable, fairly priced and customized financial solutions to the Bottom-of-the-Pyramid. Microfinance Institutions Group thus is the primary channel to create an enabling macro-environment through engagements with stakeholders including MFIs, investors, rating agencies, policymakers, and government agencies. According to the United Nations, microfinance institutions can be broadly defined as provider of small-scale financial services such as savings, credit and other basic financial services to poor and low-income people. The term "microfinance institution" now refers to a wide range of organizations dedicated to providing these services and includes NGOs, credit unions, co-operatives, private commercial banks, NBFCs and parts of State-owned banks. Microfinance is a dynamic field and there is clearly no best way to deliver services to the poor and hence many delivery models services to the poor and hence many delivery models have been developed over a period of time. Access s to financial services has been recognized as a human right. Strengthening credit-delivery services and increasing their outreach has always been an important component of Indian development strategy. A large number of the poor continued to remain outside the fold of the formal banking system, in spite of the expansion of the wide network of the organized banking system deep into rural areas. Market and the government both failed to provide credit access to the poor. In fact the failure of institutional initiatives of rural credit and to the weaknesses of the exploitative informal system of credit gave birth to Microfinance institutions. No doubt, microfinance has been successful in providing credit access to the poor. But in recent times the role of microfinance has become controversial, with various sections raising objections and criticisms in this regard.

Objective of study

1. To study the status of economic empowerment of women due to efforts made by government and non-government organizations in the form of microfinance.
2. To study the relationship between contribution made by Micro finance institutions and SHG and economic empowerment of women.
3. To study the impact of financial help through the medium of micro finance on the development of productivity and efficiency of women.
4. To study the role of Self Help Groups in the economic empowerment of women through the use of Microfinance.

5. To study the impact of use of financial help provided by Microfinance institutions on the economic and social life of women.
6. To study about the benefits available to women for their economic empowerment.

Research Methodology

This research study is based on analytical research design. The data for the present study is collected from the primary and secondary sources. Various magazines, news papers, research articles, referred journals & books have been studied and used for the collection of data. The field of Microfinance is much researchable. There is a lot of literature on Microfinance is available but there is hardly any universally accepted definition of microfinance. Researchers and microfinance visionaries have not a single opinion when it comes to microfinance.

Micro Finance Institutions (MFIs)

Micro Finance Institutions play a significant role in serving the poor, access to funding sources, fair lending practices and need for self-regulation: The MFI model in India is characterised by diversity of institutional and legal forms. The first well-known MFI SEWA Bank was incorporated as an Urban Cooperative Bank in 1974 and paved the way for microfinance in India by showing that the poor were bankable. In the 1980s, a number of registered societies and trusts commenced group based savings and credit activities on the basis of grant funds from donors. The others, from the beginnings of 1990s began replicating the Grameen Bank based initially on donor funding but increasingly on funding from domestic apex financial institutions such as NABARD, SIDBI, FWWB and RMK. As the profitability of microfinance got established, the incentive to access equity capital with which to leverage the funds becoming available from the banking system grew stronger and this led to the transformation in the late 1990s of several of the larger and medium MFIs into NBFCs and Section 25 companies and one local area bank, all of which enable the MFI to attract investments as shareholder equity. The passing of MACS Acts in several states in the mid-1990s led to an increase in the number of cooperatives registered under the new Act and an increasing number of SHG federations being registered as MACS. The sector which was experiencing a fast pace of growth encountered a setback due to crisis in Andhra Pradesh, 21 MFIs - Role in serving the poor, access to funding sources, fair lending practices and need for self-regulation By P. Satish 22 National Micro Finance Conclave – 2014 first in 2006 and later in 2010. Four years since the crises in Andhra Pradesh have seen major changes relating to the sector. RBI has come out with a range of guidelines to improve the functioning of MFIs, especially the NBFC-MFIs. As such post-crises era is the new normal for microfinance sector. The pre-crises era witnessed unjustified and non-transparent pricing, over indebtedness and coercive recovery methods leading to crises. Post crises, suitable and structured regulations have given a new framework to the industry reducing the potential risks for clients as well as lenders. The code of conduct, fair practices code, etc. have brought necessary checks and balances resulting in client protection and productivity enhancement. As such, the sector is itself in a corrective mode. With the revised guidelines and categorisation, RBI has more control over the MFIs in restricting the exponential growth in portfolio, leading to a more disciplined business environment for the sector. MFIs are now more transparent in their business and overall it has brought radical change in microfinance sector. Many of the NBFC-MFIs have regained their confidence during the period as banks have started lending to the MFIs and investors have shown their interest in them. Thanks to the regulatory guidelines issued by the RBI, the sector has begun to behave in orderly fashion that brought in a fresh perspective about it as being transparent and less risky. The NGO-MFI sector also referred as the non-profit or community based microfinance sector, in which most of the institutions are small and local in terms of their operational focus is finding it difficult to attract loan funding as well as equity funding. With the rising optimism among the players and confidence in the funding and policy environments, the NBFC-MFIs appeared to have done well operationally over the last couple of years. This is explained by the overall improvement in the operational parameters in the last two financial years. The financial ratios of the two categories of MFIs, NBFCs and NGOs reveal more about the patterns in the growth experience of different sizes and classes of MFIs. In many quarters, the expectation seems to be that the sector is heading steadily for consolidation to gain from the economies of scale. It is worth noting that majority of the non NBFC-MFIs have limited outreach and moderate portfolios. The data suggests that the outreach of almost half of such MFIs is less than 10,000 clients with portfolio size in the range of Rs. 150-700 lakhs. Therefore, it is a clear indication that this subsector is on the path to recovery after the different phase that followed the unfortunate events in Andhra Pradesh. The continuation of the tendency towards settling down under the umbrella of regulatory guidelines has been observed. The flow of funds cannot be said to have smoothened but banks and financial institutions have become more accessible and responsible. However, it is disturbing to know that lopsidedness in the distribution of the microfinance facilities has continued during the years, with the south having a dominating presence in the sector. While states such as Karnataka seems to have saturated the districts with microfinance, there are other states like Bihar, Chhattisgarh, Jharkhand that are yet to have MFIs reaching their interiors. As far as NBFC MFIs are concerned, as of 31 March 2014, they have provided credit to over 28 million clients with a gross loan portfolio of Rs.279.31 billion. During 2013-14, the gross loan portfolio grew by 35 per cent for the entire industry of which NBFC MFIs grew by 51 per cent. The loan amount disbursed in the year increased by 48 per cent for the entire industry and 56 per cent for NBFC MFIs. Funding to NBFC MFIs grew by 49 per cent. The portfolio at risk for MFIs (excluding the Andhra Pradesh portfolio) remained under 1 per cent for 2013-14.

Feedback from grassroots and a number of studies reveal that despite the comparatively higher rates of interest on loans, clients prefer MFIs over branches of commercial banks, RRBs or cooperatives due the ease of procedures and documentation, fast credit decision and door step delivery of credit. In many areas MFIs are the only institutions purveying financial services. Thus, MFIs can play a vital role in bridging the gap in demand and supply of financial services if the critical challenges confronting them are addressed. These are;

1. Sustainability: The first challenge relates to sustainability. It has been documented that the MFI model is comparatively costlier in terms of delivery of financial services. This is explained by the fact that while the cost of supervision of credit is high, the loan volumes and the loan sizes are low. It has also been commented that MFIs pass on higher cost of borrowings funds from banks after 2000 when RBI allowed banks to lend to MFIs who treat such lendings as part of their priority sector funding obligations. Many banks especially the Private Sector Banks have designed innovative products to fund MFIs and have started viewing the sector as good business proposition. However, the crises in the MFI sector in Andhra Pradesh first in 2006 and later in 2010 has dampened the growing flow of funds to MFIs.

4. Capacity building of MFIs: It is now recognised that widening and deepening the outreach to the poor through MFIs has both social and commercial dimensions. Since sustainability of MFIs and as also their clients' livelihoods complement each other, it follows that the building of the capacities of the MFIs and their primary stakeholders are preconditions for successful delivery of flexible client responsive and innovative microfinance services to the poor. Efforts towards training and capacity building of MFIs and their human resources have to be upscaled from the present levels. to their clients who are not interest sensitive for small loans but may not be so as loan size increases. It is, therefore, necessary for MFIs to develop strategies for increasing the range and volume of their financial services. Besides, MFIs may also make conscious efforts to guide and educate their clients so that they make informed and judicious decisions about size and purpose of loans and their terms and conditions.

3. Lack of capital: The second area of concern to MFIs which are on the growth path is that they face the paucity of own funds. This is a critical constraint in their being able to scale up. Many of the MFIs are socially oriented institutions and do not have adequate access to financial capital. As a result, they have high Debt-Equity ratios. Presently, though the India Microfinance Equity Fund exists in SIDBI, there have to be more broad based mechanisms for meeting the equity requirements of MFIs.

4. Borrowings: In comparison with the initial years, MFIs had found it relatively easier to raise loan funds from banks after 2000 when RBI allowed banks to lend to MFIs who treat such lendings as part of their priority sector funding obligations. Many banks especially the Private Sector Banks have designed innovative products to fund MFIs and have started viewing the sector as good business proposition. However, the crises in the MFI sector in Andhra Pradesh first in 2006 and later in 2010 has dampened the growing flow of funds to MFIs.

Co- operative Development Foundation (CDF)

CDF's approach relies on the well known Credit Union model involving a savings first strategy. Found in 1975 by a group of individuals, Sahavikasa has now emerged as the leading co-operative in India. Based on women's thrift group and men's thrift group, CDF has built up a network of financial cooperatives and had convinced the Andhra Pradesh government to form legislation for proper and flexible functioning of co-operatives in the state. The legislation is known as Mutually- Aided Societies Act (MACS). The act helps the CDF to register the thrift groups promoted by CDF under it. The activities of CDF involve assisting rural women and men in the areas of operation in forming and developing self sustainable co- operatives. CDF also provide education and training to the co-operators from its work area.

Features

1. Manage Individual and Group lending
2. Multi Centre and Site Management
3. Loans and Saving Portfolio
4. Loan computation/EMI calculation/Loan Disbursement
5. Client Management
6. Security and Audit Tracking
7. Integrated Accounting and Social performance platform

Self-Help Groups (SHG)

A self-help group (SHG) is a village-based financial intermediary committee usually composed of 10–20 local women or men. A mixed group is generally not preferred. Most self-help groups are located in India, though SHGs can be found in other countries, especially in South Asia and Southeast Asia. Members make small regular savings contributions over a few months until there is enough capital in the group to begin lending. Funds may then be lent back to the members or to others in the village for any purpose. In India, many SHGs are 'linked' to banks for the delivery of micro-credit.

A self-help group may be registered or unregistered. It typically comprises a group of micro entrepreneurs having homogeneous social and economic backgrounds, all voluntarily coming together to save regular small sums of money, mutually agreeing to contribute to a common fund and to meet their emergency needs on the basis of mutual help. They pool their resources to become financially stable, taking loans from the money collected by that group and by making everybody in that group self-employed. The group members use collective wisdom and peer pressure to ensure proper end-use of credit and timely repayment. This system eliminates the need for collateral and is closely related to that of solidarity lending, widely used by micro finance institutions. To make the bookkeeping simple, flat interest rates are used for most loan calculations.

Self-help groups are started by non-governmental organizations (NGOs) that generally have broad anti-poverty agendas. Self-help groups are seen as instruments for goals including empowering women, developing leadership abilities among poor people, increasing school enrollments, and improving nutrition and the use of birth control. Financial intermediation is generally seen more as an entry point to these other goals, rather than as a primary objective. This can hinder their development as sources of village capital, as well as their efforts to aggregate locally controlled pools of capital through federation, as was historically accomplished by credit unions. One another goal of the SHG's is the stop exploitation of the women from financial crisis.

The Self Help Group (henceforth, SHG) model has evolved in the NGO sector and works on the belief that the poor can help themselves and the NGOs can provide networking and education to them. Almost 90% of the SHGs in India are female only due to the known fact that world's poorest households tend to rely more heavily on income generated by women of the house. In India, SHGs have been the most popular way to help the poor and make them bankable. An SHG is a small group of about 20 persons from a homogeneous class, who come together voluntarily to attain certain collective goals, social or economic. The group is democratically formed and elects its own leaders. The essential features of SHGs include members belonging to the same social strata and sharing a common ideology. Their aims should include economic welfare of all members. The concept of SHGs is predominantly used in the case of economically poor people, generally women, who come together to pool their small savings and then use it among themselves. The group members meet regularly (once in a week) and carry out their financial transactions. The group mobilizes savings among its members only and provides need based loans to the members only (based on the funds created by savings). The rules and norms pertaining to finance or other matters are made by the group. The internal transactions are strengthened first and after that, the NGO supporting the group links them to banks for more financial assistance. There are many disadvantages of SHG models and they have been discussed in literature, a lot. Despite that fact, the advantages of the SHG have outnumbered the disadvantages and have made the SHGs as the most popular delivery model for microfinance in India. We can gauge the popularity from the following simple fact that even the government programs have SHG as the core of their strategies Federated Self Help Group Model - Self Help Groups have been very successful in empowering women by providing direct and indirect benefits to them. However, SHGs are small in size (usually 10 - 15 members) and are limited in the types of financial services they can provide. Since Self Help Groups are a widely successful delivery model a need arises to scale them up without compromising with the success. The Federated Self Help Group model is one such way to scale up the previous model. Federation of SHGs bring together several SHGs. Compared to a single SHG, federation of SHGs have more than 1000 members. In Federated SHG model, there is a three tier structure the basic unit is the SHG, the middle tier is a cluster and the topmost unit is an apex body, which represents the entire SHG. At the cluster level, each SHG is represented by two of its members. The representatives of each SHG meet regularly. Information about the groups to the apex body and vice versa is given by the cluster unit. The apex body usually made up of 10 - 15 members and they form the link between the SHGs and the NGO supporting them. With the help of federations, an NGO with limited resources can have an impact on a large number of people. Few notable examples of Federated Self Help Group model are PRADAN, Chaitanya and SEWA.

Nabard’s Shg Bank Linkage Programme

Many self-help groups, especially in India, under NABARD's 'SHG Bank Linkage' program, borrow from banks once they have accumulated a base of their own capital and have established a track record of regular repayments.

This model has attracted attention as a possible way of delivering micro-finance services to poor populations that have been difficult to reach directly through banks or other institutions. "By aggregating their individual savings into a single deposit, self-help groups minimize the bank's transaction costs and generate an attractive volume of deposits. Through self-help groups the bank can serve small rural depositors while paying them a market rate of interest."

NABARD estimates that there are 2.2 million SHGs in India, representing 33 million members, that have taken loans from banks under its linkage program to date. This does not include SHGs that have not borrowed. "The SHG Banking Linkage Programme since its beginning has been predominant in certain states, showing spatial preferences especially for the southern region – Andhra-Pradesh, Tamil Nadu, Kerala and Karnataka. These states accounted for 57 % of the SHG credits linked during the financial year 2005–2006."

Advantages of financing through SHGs

- An economically poor individual gains strength as part of a group.
- Besides, financing through SHGs reduces transaction costs for both lenders and borrowers.
- While lenders have to handle only a single SHG account instead of a large number of small-sized individual accounts, borrowers as part of an SHG cut down expenses on travel (to and from the branch and other places) for completing paper work and on the loss of workdays in canvassing for loans.
- Where successful, SHGs have significantly empowered poor people, especially women, in rural areas.

Issues and challenges

Over the years, the SHG-Bank Linkage programme has emerged as a viable model for financial inclusion of hitherto unreached poor households particularly in rural hinterlands. Despite the laudable achievements, there are issues like skewed growth, inadequate outreach, poor credit off take and delay in credit dispensation, etc.

Major issues and challenges may be listed as follows

- Against the estimated potential for promotion of about 67.81 lakh SHGs, we have an existing stock of about 74 lakh SHGs. Four southern states of Andhra Pradesh, Karnataka, Kerala and Tamilnadu account for about 36 lakh SHGs out of 74 lakh SHGs savings linked, so far. Resource poor states like Madhya Pradesh, Uttar Pradesh, Bihar, Jharkhand, Chhattisgarh, Rajasthan account for more than 42% of the estimated potential for formation of SHGs, but account for only 18% of the SHGs formed. To address the observed skew ness and the regional imbalances the programme has witnessed in favour of southern states, greater focus of the programmes is required in lesser-endowed regions.
- Large variation in average amount of loan disbursed per SHG was observed during the last year. The variation ranged from Rs. 2.15 lakh per SHG in Andhra Pradesh to Rs.0.50 lakh per SHG in West Bengal.
- A sizeable number of the poor families of the country continue to be out of the coverage of the programme. The Committee on Financial inclusion (2008) which had attempted an analysis of the district wise gaps in financial inclusion suggested that critical exclusion (in terms of credit) is manifest in 256 districts in the country, spread across 17 States, where the credit gap is of 95% and above. Thus, poor households continue to face challenges for seeking financial services from banks because of the continued risk perception and doubt about their bankability.
- The thrust on promoting SHGs for the sake 16 National Micro Finance Conclave – 2014 of getting various benefits under Government schemes like SGSY, interest subvention / waiver, subsidized finance in certain states, and non-availability of required hand holding support to

SHGs in certain area, have resulted in 'Pancha Sutras' of SHG promotion (regular meeting, regular saving, internal lending, timely repayment, proper book keeping) not being followed in promotion of SHGs. This resulted in instances like misutilisation of bank credit, default in loan repayments, rise in NPA, etc. in certain area.

- Even though NABARD has scaled up its training interventions at retail level, due to lack of adequate thrust from the Management, the controlling offices and branches of banks do not perceive SHGs as a business proposition for the bank. Besides, frequent shifting of bank branch officials posted in rural areas has resulted in poor banker interface with rural clients and lack of sensitivity to their financial needs.
- Financial inclusion efforts have improved the outreach of banks in the rural areas. Still, the banks are not able to serve the SHGs adequately, mainly because of lack of adequate bank staff, lack of proper attitude and inability to use the BC/BF outlet properly for the purpose.
- The availability of Bulk customers for microfinance in the form of MFIs, which are at par with the SHG-BLP both in respect of Priority sector status and availability of refinance from NABARD, is gradually making SHGBLP less attractive to bank.
- The information technology could not be leveraged to the desired extent so as to improve the quality of service to the SHGs, their book keeping and also monitoring system. Interventions in this front have been sporadic without any serious efforts for upscaling. 17 National Micro Finance Conclave – 2014
- Lack of scope for pursuing income generating livelihood opportunities, has not helped the growth of income level of the majority of SHG members.
- The issue of sustainability of SHGs has attracted attention in recent past. Exit of initial support mechanism has resulted in several SHGs failing to get further credit support from banks - more so after the transfer of bank staffs initially connected in their linkages. Several NGOs/ projects have experimented with the mechanism of federations of SHGs as their exit strategy, however, even after the creation of such federations, SHGs have failed to maintain sustained credit linkages with the banks.
- The sustainability of SHGs had further been affected by the Government sponsored development programmes like SGSY, which required specific proportion of BPL families in the SHGs forcing the existing SHGs to disintegrate and form new ones to comply with the guidelines. The restructuring of SGSY into National Rural Livelihood Mission (NRLM), a flagship programme of MoRD, GoI, from 201-12, has yet to make any concrete impact, except implementation of Interest Subvention Scheme in certain districts/ states from 2013-14. In many states like Uttar Pradesh, the NRLM has so far been almost non-starter.

Strategies for Future

The SHG-Bank Linkage programme in itself is a very innovative saving led credit model. Most essential aspects of SHG-BLP linkage programme were and still are, first the "informal" nature of group not requiring any type of registration and second, the flexibility allowed in operation of SHGs and in lending methodology of the bank. The guidelines of NABARD and RBI provide the basic framework only stressing on both these aspects and also giving complete freedom to banks to design their SHG-BLP methodology so as to cater to the needs of the SHGs in the best possible mutual beneficial way. Guidelines have also explained, the way SHGs become strong and their grading methodology to support banks in their appraisal. While attempting any innovations, one needs to be careful that the basic aspects of SHG-BLP are kept intact. Large numbers of SHGs are required to be promoted and linked to bank branches, thus the role of the branch manager is extremely important. The banks need to be convinced about the fact that SHG-BLP makes business sense, and percolate this message down to the branch level. The SHG-BLP forming part of corporate plan of banks and periodical monitoring by controlling authorities may help in providing required linkages to all eligible SHGs. As regards products, largely saving bank deposit, term loan and cash credit limits have been provided to SHGs by banks. A wide range of deposit and credit products suiting to the requirements of poor need to be designed and offered by banks through SHGs. India needs a very large number of institutions/ organizations to promote and nurture SHGs. But no institution shall take up the task of promoting SHGs unless they appreciate its usefulness for themselves. These organizations can take up the task of promoting SHGs and facilitate their linkages provided they find a value in doing so. They need to be motivated, convinced, and supported to attract them to group approach which may also provide them opportunities in delivering a host of activities otherwise being undertaken by them for the rural poor. It is always more cost effective to work with groups of poor rather than dealing with individuals. Another innovation is required to ensure sustainability of SHGs, post exit of SHG promoting agencies, including GOs, NGOs and others. 18 National Micro Finance Conclave – 2014 Mostly the issue has been tried to be tackled through formation of federations of the SHGs. While most of these federations have only non-financial functions, some have been conceived as financial intermediaries. However, in both the types of institutions, there are issues of viability of federations and most of the original proponents of SHG-BLP have apprehension about the shift towards formalization of the process from a non-formal and flexible system to a rigid rule based one. They are afraid as they have experience of three-tier formal cooperative system in the country and feel that such formalization would bring political interference and SHGs will lose their participative democratic decision making capacity. Moreover, structure based formalization of developmental process is breeding ground of unfair practices. The goal of universal coverage of poor households for creating livelihood through the mechanism of SHG-BLP requires several innovations. Some of these may be attained through leveraging technology and some others would like innovations in designing the products. Accordingly, Strategies for further development of SHG-BLP may include:

- More focus on resource poor states having lower financial inclusion like Assam, Bihar, Chhattisgarh, Jharkhand, Odisha, Madhya Pradesh, Maharashtra, Rajasthan, Uttar Pradesh and West Bengal.
- The focus of the approach may shift from the State as a whole to 'Districts in a state' and 'Blocks in a district' as a unit so as to ensure that the spread and outreach of the programme is balanced and complete.

- Efforts to be undertaken in reviving the dormant SHGs through effective capacity building and hand holding supports.
- Efforts in close coordination with NRLM to be undertaken to form and nurture groups by involving NGOs, community based organizations, community resource persons, secondary level institutes, State Government Departments, etc.
- Effective steps to build capacities in financial literacy at the SHG level to be taken up simultaneously to ensure that over-indebtedness at the member level is avoided.
- Momentum created after the launch of PMJDY, to be leveraged to ensure opening of new saving accounts to expedite the process of universal financial inclusion. Convergence of SHG-BLP with FI initiatives of the Govt. of India and RBI and also other Government programmes to be ensured.
- Training and capacity building support being extended to the stake holders to be upscaled for greater appreciation of SHG-BLP and JLG mode of financing. However, focus to be on sensitizing bankers at senior level as well as branch level about the need for financing through SHG and JLG.
- Mere access to finance does not help SHG members in poverty alleviation and development of livelihood activities. Therefore, specialized investments in human capital are needed to facilitate their growth to take up larger investments, yielding adequate incomes. Hence, closer attention to be given for handholding support from specialized institutions.
- Requisite skill for undertaking livelihoods to be imparted to the matured SHG members through convergence with Skill development programmes.
- The SHG members with higher credit needs may be encouraged to graduate as members of JLGs for undertaking livelihood activities. Such JLGs / SHG members to be encouraged to aggregate into Producers' Groups.
- Efforts to be made to encourage Community Based Organizations (CBOs) as the nodal 19 National Micro Finance Conclave – 2014
- Existing training modules to be redesigned with apt training tools, case studies and appropriate field interfaces to ensure the desired impact of the training programmes.
- Digitization of microfinance sector, including that of SHG-BLP is very essential. At the SHG level, since book keeping has been an area of concern, integration of information technology will be useful for improving efficiency and monitoring. Technological interventions at different levels i.e. at SHG level, SHPI level, Bank level and at National level are envisaged. While using technology, efforts to be made to keep it simple and user friendly so as to enhance client comfort, accuracy and ease the work process at branch level.
- Alternative delivery channels and support mechanisms are to be encouraged to provide the SHG members timely banking services at a reasonable cost. The 'NABFINS" model by NABARD has proved that how an MFI can provide adequate and timely credit to SHGs at reasonable rate of interest in a transparent manner without using coercive methods of recovery and still continue to be a profitable entity. Efforts need to be undertaken to scale up this model to the other areas of the country. points for promoting livelihood activities of members of SHGs. The role of such CBOs will include identification of members of SHGs willing to take up livelihood activities and facilitate their capacity / skill building process, providing marketing facilities and a host of activities that can add value to the process.
- To enable the SHG members to reach scale of economies, it may be essential to aggregate the demand for raw material as well as produce for appropriate market intervention. Thus it is envisaged to assist the SHG members with the help of CBOs to graduate as producers so that they could be nurtured into Producers' Organizations (PO) of farm and non-farm activities. This facilitation will have to be intermediated with smaller village level collectives of SHGs.
- Studies / Action Research need to be taken up to find out reasons for dormancy, disintegration of SHGs, need for continuous hand holding for long period of time, likely support emanating from SLIs, apathy of formal credit agencies and possible convergence of SHG-BLP with development programmes of Government / Development agencies / NGOs / Philanthropic institutions. Such findings may be used for re-strategizing the approach under implementation towards holistic empowerment of rural poor.

Grameen Bank Model

The Grameen Bank model has been a case of exceptional success in Bangladesh. It turns out that many organizations in India have adopted the Grameen Bank model with little variations and good success. Some of the notable examples are SHARE Microfinance Limited, Activists for Social Alternatives (ASA) and CASHPOR Financial and Technical Services Limited. Some of the significant features of Grameen bank model are low transaction costs, no collateral (peer pressure is sufficient), repayment of loans in small and short interval and quick loan sanctions with little or no paper works and no formalities. Repayment of loans in small chunk is one of the major reasons of high loan recovery rate of a Grameen Bank. Furthermore, loans are provided for all purposes like housing loans, sanitation loans, supplementary loans etc. Also the interest rates are nominal making it easy for the poor people to repay their loans timely. Co-Operative Model- A co-operative is an organization owned by the members who use its services. This model works on the principle that every community has enough human and financial resources to manage their own financial institutions. The members who own it are the members who use its services and can come from different sections of same community like agriculture, retail, wholesale etc. By proper networking small scale local institutions scale up and become sustainable while locals maintain ownership and control over their institution.

Top Microfinance Companies in India 2014 – 2015 List

After a gap of more than five years, CRISIL-India's leading agency for microfinance ratings has released its updated list of the top microfinance companies in India titled "INDIA'S 25 LEADING MFI's" for the year2014-2015.

CRISIL has been associated with the Indian Microfinance Sector for more than a decade and it's ratings and reports about MFI's and the sector are highly valued by microfinance practitioners, analysts and the general public. As of June 2014, CRISIL has ratings or grading outstanding on more than 60 Indian MFI's which account for more than 70% of the loans outstanding in the Indian Microfinance Sector.

Since the last report was released, the microfinance sector in India has been turned upside down with many of the top MFI's from the 2009 list missing from the 2014 list, these are mainly MFI's based in the state of Andhra Pradesh who bore the brunt of the Indian Microfinance Crisis and no longer figure in the top 25.

The publication also carries an opinion piece by CRISIL on the near to medium term outlook for the microfinance sector in India. The report also includes an overview of the top 25 companies in Indian MFI space along with CRISIL's analysis of the key strengths and challenges faced by the different microfinance institutions in India.

The report ends with a list of top 25 emerging microfinance companies in India who still have a small asset base and portfolio compared to the top 25 but could scale up in the long run to join the league of big MFI's.

As per the report the top 25 Microfinance Companies in India are as follows.

(Alphabetical Order)

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. Disha Microfin Pvt Ltd
8. Equitas Microfinance Pvt Ltd
9. ESAF Microfinance and Investments Pvt Ltd
10. Fusion Microfinance Pvt Ltd
11. Grama Vidiyal 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 Kshetra Dharmasthala 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. SV Creditline Pvt Ltd
23. Swadhaar FinServe Pvt Ltd
24. Ujjivan Financial Services Pvt Ltd
25. Utkarsh Micro Finance Pvt Ltd

Other Emerging New MFI's in India

1. Adhikar Microfinance Pvt Ltd
2. ASA International India Pvt Ltd
3. Belstar Investment & Finance Pvt Ltd
4. Chaitanya India Fin Credit Pvt Ltd
5. Future Financial Services Ltd
6. Growing Opportunity Finance (India) Pvt Ltd
7. Humana People to People India
8. IDF Financial Services Pvt Ltd
9. Indian Cooperative Network for Women Ltd
10. M Power Micro Finance Pvt Ltd
11. Mahasemam Trust
12. Margdarshak Financial Services Ltd
13. Pahal Financial Services Pvt Ltd
14. Rashtriya Seva Samithi
15. Sahara Utsarga Welfare Society
16. Sahayog Microfinance Ltd
17. Saija Finance Pvt Ltd
18. Samhita Community Development Services
19. Sanghamitra Rural Financial Services
20. Sarala Women Welfare Society
21. Shikhar Microfinance Pvt Ltd
22. Uttrayan Financial Services Pvt Ltd
23. Vedika Credit Capital Ltd
24. Village Financial Services Pvt Ltd
25. YVU Financial Services Pvt Ltd

Suggestions

- Presently, there is no distinctive regulatory framework for the MFIs in India. Regulation of the MFIs is largely in the purview of the state governments. So there is a need of an exclusive regulation to regulate to MFIs in India.
- Ensure the quality of MFIs in an environment of exponential growth. Due to the fast growth of the SHG-Bank Linkage Programme, the quality of MFIs has come under stress. This is reflected particularly in indicators such as the poor maintenance of books and accounts etc.
- Proper training for the clients should be organized in an efficient way so that they could know each and every small things about their debt
- Ensure the uniform distribution of micro financing in both rural and urban areas of each states of India.

Conclusion

After study I have find that so many problems are associated with the MFIs. The Microfinance institutions are lagging behind in terms of loan and credit the real needy, regional imbalance, a proper regulation etc. Internal, external and client based challenges are prevailing from starting of the MFIs in India. Finally in my view MFIs in India have so many lacunas in their running, though the MFIs paid an important role in the poverty alleviation and enhancing the living standards of the poor. If the above shortcoming will be eliminate from the MFIs, it would have positive results on the economy, lead to greater efficiency and improvement of living standards of the thousands of poor.

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