

**MICROFINANCE IN INDIA:
A CASE STUDY OF GUJARAT REGION**



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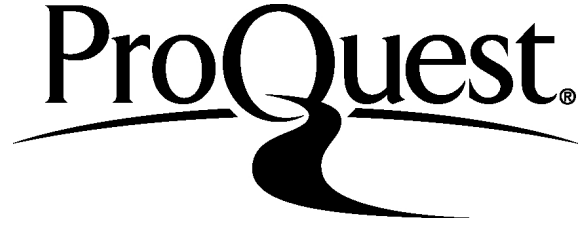
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Place: Vadodara

Date: 04/02/2014

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Place: Vadodara

Date: 4/2/2014



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*TO MY BELOVED
FAMILY*

To indulge me in this nerve testing task

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LIST OF ABBREVIATION

AMC	Asset Management Company
AP	Andhra Pradesh
ARDC	Agricultural and Development Corporation
AS	Assam
ATM	Automated Teller Machine
B.C.	Before Christ
BLO	Borrowers per Loan Officer
BR	Bihar
BRI	Bank Rakyat Indonesia
BRWR	Borrower
BS	Banksathi
CDFI	Community Development Finance Institutions
CL	Capitalization Urban Loan
CPB	Cost per Borrower
CPL	Cost per Loan
d.f.	degree of freedom
DCCBs	District Central Co-operative Banks
DFI	Developmental Financial Institutions
DFL	Defaulted Loan
DL	Delhi
DLC	Daily Loan Collection
DWCRA	Development of Women and Children in Rural Areas
ECB	External Commercial Borrowings
EM	Equitable Mortgage
FO	Fixed Deposit Loan
FWWB	Friends of Women's World Banking
GJ	Gujarat
GLP	Gross Loan Portfolio
GOI	Government of India
HDFC	Housing Development Finance Corporation
HH	Hand Holder
HQ	Head Quarter
HR	Haryana
HUDCO	Housing and Urban Development Corporation Ltd.
IBM	Individual Banking Model
IFRS	International Financial Reporting Standards
IIMPS	Invest India Micro Pension Services
IRDA	Insurance Regulatory and Development Authority
IRDPA	Integrated Rural Development Programme
JH	Jharkhand
JLG	Joint Liability Group
KA	Karnataka
KL	Kerala
LAB	Local Area Bank

List of Abbreviation Contd.

LLO	Loans per Loan Officer
LLR	Loan Loss Rate
LTL	Long Term Loan
MACS	Mutually Aided Co-operative Societies
MCI	Micro Credit Institutions
M-CRIL	Micro Credit Rating International Ltd.
MFI	Microfinance Institution
MH	Maharashtra
MIX	Microfinance Information Exchange
MN	Manipur
MP	Madhya Pradesh
MTL	Medium Term Loan
MYRADA	Mysore Resettlement and Development Agency
NABARD	National Bank for Agriculture and Rural Development
NABs	Number of Active Borrowers
NBFC	Non Banking Financial Companies
NBFI	Non Banking Financial Institutions
NGO	Non Government Organization
NLO	Number of Loans Outstanding
NOF	Net Owned Fund
NPA	Non Performing Assets
OBC	Other Backward Caste
ODCC/OC	Loans on Gold Ornaments
OR	Orissa
PAR	Portfolio at Risk
PH	Paki Bhit HUDCO Loan
RBI	Reserve Bank of India
RCC	Rank Correlation Coefficient
RGVN	Rashtriya Gramin Vikas Nidhi
RIDF	Rural Infrastructure Development Fund
RJ	Rajasthan
RMK	Rashtriya Mahila Kosh
ROSCA	Rotating Savings and Credit Association
RRBs	Regional Rural Banks
SACCOs	Savings and Credit Cooperatives
SAG	Self-help Affinity Groups
SC/ST	Scheduled Caste/Scheduled Tribe
SD	Salary Deduction Loan
SE	Secured Loan
SELCO	The Solar Electric Light Company
SEWA	Self Employed Women Association
SHG	Self Help Groups
SHPI	Self help Promotion Institutions
SIDBI	Small Industries Development Bank of India

List of Abbreviation Contd.

SIP	Systematic Investment Plan
SL	Secured Loan
SN	Sanjeevani Loan
STL	Short Term Loan
SUC	Suryoday Cash
TE/A	Total Expense/Assets
TEM	Total Earning Members
TFM	Total Family Members
TL	Total Loans
TLA	Textile Labour Association
TN	Tamil Nadu
TPL	Theli Phone Loan
UA	Annapurna Loan
UK	Uttarakhand
UL	Unsecured Loan
UP	Uttar Pradesh
UR	Ujala Unsecured
US	Unsecured Loan
UTI	Unit Trust of India
VA	Voluntary Association
VL	Vima Loan
VVV	Vikas Volunteer Vahini
WB	West Bengal
WOR	Write-off Ratio

Chapter 1

INTRODUCTION

Chapter 1

INTRODUCTION

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Chapter 1

INTRODUCTION

Money always matter either for big or for small business activity. Traditionally, the formal banking institutions have been serving only the needs of commercial sector and providing loans for middle and upper income groups. These banks failed to extend their services to the informal sector and low income earners due to non-availability of collateral for the banks to use in case of default.¹

Poor people also need a diverse range of financial facilities to run their small businesses, stabilize consumption, build assets and shield themselves against risks. The basic financial services required by the poor are working capital loans, consumer credit, savings, pensions, insurance and also need money transfer services.² Finance helps the poor to catch up with the rest of the economy as it grows. Finance helps the poor and low income people to improve the quality of their lives and make them able to stand in the fast growing modern economy.

Mostly poor people access financial services through informal financial sources. Poor and low income people all over the world have been connected with money lenders who provide easy access to credit but usually at a very high cost. The cost of interest generally ranges from 36 per cent to as high as 120 per cent.³

By and large, thanks to microfinance, there is now a growing appreciation of the 'empowerment' dimension of finance of the extent to which it can give ordinary people and poor access to opportunity and the ability to escape ossified social structure.⁴ Microfinance movement has developed new contractual structures and organizational forms that reduce the riskiness and costs of making small un-collateralized and cheap loans. Though the principle of managing money on a small scale existed for years, the industry of microfinance has only in the last several decades really expanded and provided access to financial services for millions of people who might not otherwise have it.

1.1 Microfinance: A Bird's Eye View

If poor and low income people are provided access to financial services, they may be able to start or expand their micro-enterprise that will allow them to break out the vicious cycle of poverty. They may survive in the modern economy. This is the basic idea on which microfinance has been established.

Microfinance is the provision of a broad range of financial services such as deposits, loans, payment services, money transfers and insurance to poor and low income households and their micro enterprises. Microfinance is expected to play a significant role in poverty alleviation and development.⁵

1.1.1 Meaning of Microfinance

The Reserve Bank of India⁶ (RBI) and the National Bank for Agriculture and Rural Development⁷ (NABARD) have **defined** microfinance as “provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve living standards.”

Consultative Group to Assist the poor (CGAP) **defines** microfinance as “the supply of loans, savings and other basic financial services to the poor. People living in poverty like everyone else, need a diverse range of financial instruments to run their business, build assets, stabilize consumption and shield themselves against risks. Financial services needed by the poor include working capital loans; consumer credit, savings, pensions, insurance and money transfer services.”⁸

Marguerite S. Robinson* has **defined** that “microfinance refers to small scale financial services for both credits and deposits – that are provided to people who farm or fish or herd; operate small or micro enterprises where goods are produced, recycled, repaired or traded; provide services; work for wages or commissions; gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and local groups in developing countries, in both rural and urban areas.” She further clarified that definitions could be narrower and more focused, depending on the topology of lending that “microfinance refers to all types of financial services provided to low-income households and enterprises.”⁹

International Labour Organization **claimed** that “financial market tends to discriminate against people who need smaller transactions.” While Banking in Ghana viewed microfinance as “Provision of financial services in the form of savings and loan to low income earners in both the rural and urban centers.”¹⁰

The term microfinance and micro-credit are often used interchangeably and treated as synonymous but microfinance is much broader in scope as that includes deposits, loans, payment services and insurance to poor.¹¹

(Note: * M S Robinson, Ph.D. from Harvard University, is the author of “The Microfinance Revolution: Sustainable Finance for the poor.” She is a social anthropologist and internationally recognized expert on microfinance.)

The Microcredit Summit 2007 defines microcredit as “the extension of small loans to entrepreneurs, too poor to qualify for traditional bank loans.”¹²

Thus Microfinance and Microcredit both are different concepts. The key implication of micro-credit is in its name itself ‘micro’. The concept of micro-credit is to provide only credit to the poor and low income people without any collateral while the concept of microfinance is very broad. Microfinance provides all types of financial facilities to the poor people including micro-credit, savings, deposits, insurances, pension and money transfer services etc.

1.1.2 Clients of Microfinance

The typical microfinance clients are low-income persons that do not have access to formal financial institutions. Microfinance clients are typically self-employed, often household-based entrepreneurs. In rural areas, they are usually small farmers and others who are engaged in small income-generating activities such as food processing and petty trade. In urban areas, microfinance activities are more diverse and include shopkeepers, service providers, artisans, street vendors, etc. Microfinance clients are poor and vulnerable non-poor who have a relatively low stable source of income.¹³ Majority of them are women. The average microfinance client across the globe is a middle aged woman, aged 35 to 45. For her, earning a living is vital. She is part of a five to six person household where the average number of income earners is three and the number of income source is about the same.¹⁴ Generally they are engaged in the business activities like retail facilities, street sale, handicraft production, agriculture, live stock production, or provision of various services.

Counting the net number of people who crossed from below the USD 1.25 a day consumption in India between 1990 and 2010, a study by India Development Foundation (IDF) shows that nearly 9 million Indian households involved in microfinance - including approximately 45 million family members moved above USD 1.25 threshold during the last two decades.¹⁵ According to a notification of RBI the loan is to be extended to a borrower whose household annual income in rural areas does not exceed ₹60,000/- while for non-rural areas it should not exceed ₹1,20,000/-.¹⁶

But financial services, particularly loans or microcredit, are not always favourable for all. They are the most appropriate for those who recognized economic opportunity for making profit, if they have access to satisfactory amount of money. Regardless of the way of loan, microfinance institutions may provide long term and stable access to money only if the clients are ready and able to respect repayment terms.

The poorest households, about 10% of them, are not traditional clients of microfinance since they do not have stable money inflow for the loan repayment. They need grants or other public sources of finance for repayment of their economic situation. That is also the most efficient form of support for them since the majority is not able to repay the loans.¹⁷

1.1.3 Difference between Corporate Finance and Microfinance

Finance is a broad field that deals with money matters, whether they pertain to private shareholders, the government, the public, individuals and even companies. Essentially, corporate finance deals with businesses, large businesses, whereas, microfinance deals with really small businesses. In other words, corporate finance is more business-focused, whereas, microfinance is more individual focused.

Traditional and/or commercial banks can easily assess loan risk through automated processes and controls of businesses in bulk, perhaps by using ERP (Enterprise Resource Planning) solutions that run complicated calculations to determine detailed risk profiles of several businesses at a time, based on factors such as annual revenue, sales forecast, dividend payout etc. However, when it comes to microfinance, each business is dealt with individually, and often records are insufficient or poorly kept, or even non-existent, in case of new applicants. In that case, bank employees have to assess risk profiles by physically visiting the entrepreneur, determining his/her social and business reputation, judging the skill level, and so on. All these are pretty difficult to quantify, hence a highly personal approach is applied and this lowers the level of efficiency in operations.¹⁸

1.2 Rationale of the study

Poverty is wide spread in India. One way to help the world's poorest comes in the form of microfinance, which brings basic banking tools to the world's most needy people. Thus, microfinance is often considered as the most effective and flexible strategies to fight against the global poverty. In last few decades the volume and scope of microfinance has expanded. Microfinance has got substantial social impacts. Number of studies are carried out to study the social impacts state wise or may be for particular MFI or group of MFIs. However, it was very difficult to find any study dealing with the financial aspects of the microfinance. Therefore, the present study is carried out to analyse the financial aspects of the microfinance.

Among all financial services of microfinance, credit is found to be the most important financial service which is given to the poor people without taking any

collateral. In microfinance, one is not abide to give any collateral for having a credit facility. But if the credit facility is given without any collateral all microfinance providers have to face credit risk. Though good repayment rate was found from the poor people, but still credit risk is there for any microfinance provider. Credit risk is the most common risk for microfinance institution. If any borrower fails to repay the credit, it creates a credit risk for microfinance provider. Therefore, the most challenging area for microfinance providers is repayment. Repayment capability of the borrowers is affected by the two major factors *i.e.* social factors and financial and/or economical factors. It is very important to identify the effects of both the factors on the level of defaults. Additionally, loan repayment is also affected by internal management system of the MFI. Thus, it is equally important to identify the factors affecting loan repayment and level of defaults from the side of the MFI. The researcher has specially focused on the same and also examined the causes of defaults from both the sides such as demand (borrowers) side and supply (MFI) side.

1.3 Objectives of the study

In the back ground discussed in 1.2 the present study intends to know the current status of microfinance in India and especially in Gujarat Region. Precisely the objectives of the study are:

1. To know the theme of microfinance, role of microfinance institutions (MFIs) and the microfinance users.
2. To analyze the development of regulatory framework for microfinance institutions in India.
3. To understand the functioning of MFIs working in different states of India and to study the important financial indicators of MFIs.
4. To examine the status of overdue loans, loans bad and doubtful of recovery and NPA in view of different types of loans as well as purposes of the loans of the SEWA Bank.
5. To understand the behaviour of the borrowers regarding loan taking and repayment of the same with sample of borrowers of SEWA Bank.
6. To study the factors affecting to defaults leading to non performing assets (NPA) in microfinance and to find out some solutions to reduce the level of defaults.
7. To understand the role of bank's frontline workers (Banksathis) and bank's facilitators (Hand Holders) regarding recommendation and monitoring of the loan to borrowers.

1.4 Organization of the Study

The study is divided into following ten chapters

1. Introduction
2. Literature Review
3. Research Design
4. Legal Framework
5. Microfinance in India: An Overview and Analysis
6. SEWA Bank and Its Financial Services
7. Data Analysis: Pilot Survey
8. Data Analysis: Borrowers
9. Data Analysis: Banksathis and Hand Holders
10. Conclusions and Recommendations

Chapter-1 gives the basic idea about the theme of microfinance, explains the rationale of the study, objectives of the study and explains the chapter scheme of the study. The major contributions of the study have also been discussed over here.

Chapter-2 gives the reviews about the books, e-books, articles published in journals, news papers and online published articles. The researcher gives some important reviews related to rate of defaults and NPAs in microfinance as the study focused on the causes of defaults and NPAs in the sector of microfinance.

Chapter-3 presents the Research design adopted for the purpose of the study starting from selection of region and organization. It further goes on to explain sample selection, data collection for three main components of microfinance *i.e.* Borrower, Bank's frontline workers (Banksathis) and Bank's facilitators (Hand Holders). The list of all hypotheses tested for the study is presented in the chapter.

Chapter-4 attempts to examine the development in legal framework of microfinance over a period of time. To regulate the MFI, numbers of initiatives are taken by RBI and NABARD. This chapter intends to present the same in logical and chronological order.

Chapter-5 gives the broad idea about the microfinance sector in India with its historical back ground. It provides the detailed discussion about Microfinance Institutions (MFIs) working in different states of India with important financial indicators by comparing the data from two different sources. (MIX market and Sa-dhan).

Chapter-6 illuminates the SEWA Bank, Ahmedabad and its financial services as the same is selected for the study. It gives the detailed idea about how SEWA got established and how successfully they are handling the poor self employed women today. Over and above this, it also presents brief about the loan portfolio of SEWA Bank over a period of time.

Chapter-7 discusses about the responses collected through the pilot survey and analyses the data. It explains the procedure of final questionnaire based on the responses received during the pilot survey.

Chapter-8 presents the detailed discussion about the responses received through final questionnaire from the borrowers of the SEWA bank. It analyzes the responses of the borrowers through the testing of hypotheses. Based on analysis certain important conclusions are drawn.

Chapter-9 shows the analysis of the responses (of the final survey) from the banksathis and hand holders of the SEWA bank. It discusses the analysis of data of the banksathis and hand holders and also discusses the results through the hypotheses testing.

Chapter-10 summarizes the major findings of the study and gives final conclusion of the research. It gives solutions for the research problem too. It provides some important recommendations based on the findings of the study. The scope of the future study is also discussed here.

This is followed by bibliography, webliography, appendixes for three questionnaires monitored on three groups of respondents, viz. borrowers, banksathis and hand holders and appendixes for list of economic activities as well as MFIs.

1.5 Contribution of the Study

The study helps to understand about the overall structure of microfinance, the concept which is noticed to be an old concept. Further, the study helps to understand the legal and regulatory frame work of microfinance.

The data relating to microfinance have been compiled and published on wide scale by two main agencies viz. MIX Market and Sa-Dhan. Many variations are observed between the published by them. Thus, the study contributes the comparative analysis of the data of both the sources and differentiates the important aspects. The study gives a comparative analysis of many financial indicators for each MFI working in different states of India. With this analysis, financial status of numerous MFI working in India could be categorized.

Microfinance being basic lending activity is also exposed to credit risk. The study mainly focuses on the same. The study helps to identify the causes of defaults according to the demand and supply side both. The study examines the causes of defaults and NPA by examining the borrowers' related factors as well as loan related factors. The study provides the comparative analysis regarding borrowings and advances between both the sides *i.e.* demand side (borrowers) and supply side (MFI). The analysis of the same helps to realize the difficulties of the borrowers regarding loan repayment. It also recognizes the effects of the behaviour of bank's frontline workers and bank's facilitator regarding loan sanctioning, loan monitoring and loan repayment. The study intends to recommend modifications in loan sanction procedure as well as modifications in certain steps for monitoring the loan to minimize the level of default. It also provides the suggestions regarding the change required in internal management system for the chain of loan recommendations (from bank's frontline workers and facilitators) to loan repayment (from borrowers). Accordingly, the credit delivery methodologies, loan repayment schedules and/or loan repayment collection methodologies can be changed by the SEWA bank to reduce the rates of defaults.



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Chapter 2

LITERATURE REVIEW

Chapter 2

LITERATURE REVIEW

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Chapter 2

LITERATURE REVIEW

Preceding chapter explains the concise idea of microfinance and presents the outline of the study includes rationale of the study, objectives of the study, organization of the thesis and contribution of the study. This chapter discusses the reviews regarding the social aspects and financial aspects of the microfinance reviewed by the Indian authors in addition to foreign authors.

As part of this research work, the researcher undertook a review of literature on microfinance on social and financial aspects. Microfinance is a significant tool for poverty alleviation. Microfinance institutions provide all types of financial facilities to the poor but among all financial facilities most important facility is micro credit to the poor without any collateral. Therefore, most challenging area for microfinance providers is repayment. The researcher specially focused on repayment capacity of microfinance borrowers. This chapter highlights the contributions made by various experts and scholars in the field of micro finance.

The chapter divided into following sections: section 2.1 covers the reviews of contributions by Indian authors and section 2.2 covers the reviews of contributions by foreign authors.

2.1 Reviews from Indian Authors

Many Indian authors have contributed their significant views in the field of microfinance. Some of the reviews has been included here as a part of the research.

2.1.1 Social Aspects

M. Anjuman and T. Alagumani¹ (2001) studied that whether the SHGs, formed by NGOs, really cater to the needs of the people in the rural areas or not? Mariamman kalangiam, the SHG located at Kodikulam village in Madurai district was selected as a sample and required information was collected by personal interview method during the period of 1997-98 to 2000-01. The purposes of the loan given by the SHG were house repairing, social obligations, medical expenses, buying assets, electricity connection, purchase of livestock, etc. The SHG helped the members to use the loan properly which resulted in 100 per cent repayment. It had increased the awareness of members for girls' education, improved outside contact and decision making skill. This case study has

clearly indicated that if the group formation was correct, this would have positive impact on all aspects.

Rekha R. Gaonkar² (2001) studied the working and the impact of Self-Help Groups (SHGs) based on data collected from five women's SHGs situated in Bardez and Bicholim talukas of Goa. The study revealed that individual loans were mostly used for productive purposes with monthly interest rate 2 to 3 per cent and recovery rate was cent per cent. In the group system decisions were to be taken after frank group discussion. Proper financial records were to be maintained by the groups. Thus, SHGs had made a lasting impact on the lives of the poor, particularly women. The quality of life of the poor had improved a lot. The paper concluded that the movement of SHGs could significantly contribute towards the reduction of poverty and unemployment in the rural sector of the economy. The SHGs could lead to social transformation in terms of economic development and the social change.

Prema Basargekar³ (2010) has analyzed the meaning and role of social capital with specific reference to microfinance programme and tries to measure its impact on social empowerment of women with the help of empirical findings. Primary data were collected of 217 women Self Help Group (SHG) members by using random sample method from the SHGs organized by Forbes Marshall Co. Ltd, a leading manufacturing company in Pune, Maharashtra, India as an initiative of corporate social responsibility. The study found that microfinance can build social capital to improve the effectiveness of desired outcome such as social empowerment of women. The activities conducted to run microfinance programmes such as conducting monthly or bi-monthly meetings, peer monitoring on individual member's financial transactions, using social network, creating a platform for collective action create social capital. Microfinance has helped creating and sustaining positive social capital where women have benefitted by enhancing their level of consciousness, awareness, decision making abilities and improvement in wellbeing through collective action.

K. Rajendran and R.P.Raya⁴ (2010) have examined the impact of microfinance on the empowerment in psychological, economic and social aspects and managerial skills of leaders of SHGs and their attitude in Vellore district (Tamil Nadu, India). Natrampali and Nemali blocks in Vellore district were selected for the study since those two blocks have similarities on number of SHGs and poverty level. 45 SHGs in each block were selected randomly, 180 leaders and animators of the groups were interviewed with the pre tested and well structured questionnaire schedule during 2008-09. Statistical tools, both average and percentage analyses were used to draw the influence of variable

in each psychological, economic and social aspects and managerial skills improvement. The study found positive impact of microfinance showing improvement in all the aspects. ANOVA test was also used to test the significance of blocks on the improvement of each of the three aspects and found that there is significant relationship between the block and the improvements in economic and social aspects, and managerial aspects of respondents. However, the study found no significant influence of the respondents' age and education on the improvements in Psychological, Economical and Social and managerial aspects. The results of the study clearly indicated that microfinance brought social mobility among women.

Naresh Singh⁵ (n.d.) made an attempt to understand the growth of microfinance at global level in general and in India in particular and how micro-finance sector can contribute significantly for building social capital. From the review of literature it has been revealed that social system and subsystems of this culture are built on exploitation. The rich are exploiting the poor by putting them into a debt-trap of money-lending system. Microfinance is an intervention based on social intermediation in which poor people can mobilize their savings, link it with credit and finally become self-employed. It resulted in building social capital. The social development approach of microfinance is based on the premise that people should earn money by investing in viable micro-enterprises. They should earn profit from their enterprises. Major share of the profit should be reinvested in enterprises for their growth. The other share of the profit should be spent on social development that is, health, education, housing, sanitation etc. Process of Social intermediation is an investment that is made for development of both human resources and institutional capital to make marginalized groups self-reliant in preparing them to engage in formal financial intermediation.

2.1.2 Financial Aspects

Jayshree Vyas⁶ (1993) discussed about the need of credit and savings facilities to poor women and their repayment capacities. SEWA Bank has begun to solve women's problem by providing them financial facilities like credit and savings. The bank had only 10% defaulters up to 1985 and 12% up to 1993. Common reasons were sickness, death in family, social customs, delay in payment of wages, husband's unemployment, anti-social influence, sheer stubbornness and vengeance against group leader or organizer etc. The paper concluded that personal and continuous contact with poor women is almost precondition while banking with them which helps the bank to understand the needs in better ways. Integrated approach of providing many supportive services over and above credit is also very important. Close coordination between

members, organizers and directors needed to keep the bank's operations flexible and dynamic.

Maitreesh Ghatak⁷ (1999) analyzed how group lending programs use joint liability to utilize local information that borrowers have about each other's projects through self-selection of group members in the group formation stage. He defined models for two types of credit contracts in this environment: individual-liability contracts and joint-liability contracts. The study concluded that group lending based on joint liability, could raise expected aggregate surplus and could achieve high repayment rates even when borrowers had no conventional collateral to offer, compared to lending based on individual liability because it was based on the fact that borrowers were asked to self-select group members and this leads to differential expected costs of borrowing to borrowers depending on their type because the types of their partners were different from the same joint-liability contract.

Maitreesh Ghatak, Timothy w. Guinnane⁸ (1999) discussed how joint-liability lending promotes screening, monitoring, state verification and enforcement of repayment and how joint liability works in practice. The study was based on the available empirical literature regarding joint liability lending and/or institutions. The study discussed with two important institutions that have successfully used joint liability: Germany's historical credit cooperatives and the Grameen Bank because these two institutions provide a basic outline of the various ways joint-liability lending can work. The study showed that joint liability can achieve better screening to contend with adverse selection, encourages peer monitoring to reduce moral hazard, gives group members incentives to enforce the repayment of loans, and reduces the lender's audit costs for cases where some group members claim not to be able to repay. The defaulters in the group were excluded from the group and threaten for not disbursing another loan to the group. This threat was less effective in individual lending. In practice there is clear evidence that joint-liability improves repayment, but these institutions use other instruments as well, and no study yet tries to apportion the reasons for success.

In (2000) **Jayshree Vyas⁹** pointed out that banking with the poor can be sustainable. If the poor are served with suitable financial services they can too become good repayers of loans. They are also economically active and can contribute to the national economy. She suggested that banking with the poor needs to be considered as a potential banking business not as a welfare activity.

K. C. Sharma¹⁰ (2001) discussed that micro financing is about provisioning of thrift, credit and other financial services and products of very small amounts to the poor

in rural semi-urban and urban areas for enabling them to raise their income levels and to improve their living standards. Usually SHGs focus on the poor especially on poor women. More than 85 per cent of the SHGs linked to bank were reported to be women. It was estimated that the outreach of formal financial institutions, *i.e.* commercial banks, co-operative banks and regional rural banks ranged between 30 to 40 per cent of the households in terms of loan account. But in terms of individuals it was much less, and in terms of saving account, this proportion was higher. It was reported that significant changes in the living standards of SHG members have taken place in terms of increase in income levels, assets, savings borrowing capacity and income generating activities. However, caution needs to be exercised to safeguard healthy growth of SHG movement in India.

D. S. Navadkar, K. S. Birari and D. V. Kasar¹¹ (2001) made an attempt to examine the micro credit funding in India and its progress in Self Help Group bank linkage programme and bank policies in micro credit funding. The study was based on secondary data. The study indicated that National Bank for Agriculture and Rural Development (NABARD) and Rashtriya Mahila Kosh (RMK) are the two important funding agencies for NGOs or SHGs. The NABARD had established good linkage covering 97.52 per cent of the total NGOs or SHGs. However, the RMK had funded 39 percent of the total micro credit sanctioned through all sources. There was a significant progress in SHG linkage programme from 1999-2000. The SHG received loans at the interest rate of 12 per cent per annum directly from the banks or NGOs. The study suggested that the SHG bank linkage should be strengthened to provide micro credit to the rural poor.

G. Srinivasan, S. Vardharaj and M. Chandrakumar¹² (2001) analyzed the comparative financial performance of rural and urban SHGs in Coimbatore district of Tamil Nadu. For the purpose of the study 50 SHGs (25 each from rural and urban area) were selected from the district. The data were concerned about total membership, total lending, total savings, total recovery, total default etc. All information was collected from the offices of selected SHGs during the period of 1999-2000. Results had been found by the following methods *i.e.* recovery index (ratio of total recovery to total lending), thrift credit ratio (ratio of total savings to total lending) and outstanding credit ratio (ratio of total outstanding to total lending). The study indicated that the average total membership, the average total savings, the average total lending and the average total defaults were found to be higher in rural SHGs than in urban SHGs. The rural SHGs showed lower average recovery index and higher average outstanding credit ratio

than the urban SHGs because of higher defaults. Only the average thrift credit ratio of urban SHGs was lower than rural SHGs. The study concluded that the overall financial performance of the urban SHGs was better than of the rural SHGs.

K. K. Kundu *et al.*¹³ (2001) have collected information about five randomly selected SHGs from Gurgaon district of Haryana. Primary data from the selected SHGs were collected by personal interviews in June 2001. The secondary data were collected from National Bank for Agriculture and Rural Development (Gurgaon) and The Gurgaon Gramin Bank. The paper attempted to study the composition and organizational structure of selected SHGs in the study area and to examine the characteristics/performance and the major constraints inhibiting the sustainability of these SHGs. The study revealed that both formal and informal SHG – bank linkage programme operated in the district with uneven block wise performance. The regional rural bank, *viz.* Gurgaon Gramin bank played an active role in the bank linkage programme so as to improve the access of the rural poor to financial services in a cost effective and sustainable manner, though commercial banks made moderate efforts. Both formal and informal SHGs were formed with homogenous groups of similar socio economic strata and involved in lively discussion with the members for determining their creditworthiness, need and exact requirement, income and repayment possibilities etc. The rural poor developed confidence in them and also cultivated the habit of thrift and utilization of collective wisdom to tackle their own problem through SHGs. It was suggested that if the rural poor were properly organized and given the proper set up, micro financing as a supplementary to the existing rural credit operations would help to ensure increased access to credit for them.

V.K. Ramacharan and Madhura Swaminathan¹⁴ (2001) gave some highlights on dealing with over dues with an Indian example of SEWA Bank. In the financial years 1996-97, 1997-98 and 1998-99, NPAs in SEWA Bank amounted to 28%, 20% and 27% respectively of total loans and advances. For the same period, 1995-96, 1996-97 and 1997-98, the RBI estimates that gross NPAs as a share of the total advances of all public-sector banks together amounted to 17.3%, 18% and 16%. SEWA Bank took measures to address the problem of overdue loans involve greater supervision and monitoring. In short, higher and better repayment requires more staff and closer monitoring.

Asif Dowla and Dewan Alamgir¹⁵ (2003) had presented the paper with the objective that how the microfinance industry in Bangladesh has evolved from its initial focus on credit, disbursing standardized loan products and collecting obligatory savings to the development of flexible savings products. Another objective of the paper was to

show that rapid escalation of savings without a proper legal framework can be problematic. By reviewing different literature the study pointed out that the microcredit programme in Bangladesh was fundamentally a savings and credit programme. The regularity of savings and attendance in group meetings were preconditions for receiving credit. MFIs didn't allow withdrawal of compulsory savings for a number of reasons. If a member fails to repay the loan, her savings are adjusted against the outstanding loan. However, some MFIs had relaxed the rules on withdrawals from compulsory saving and provided flexible savings accounts too. Now the only requirement was that a member must deposit regularly for a period of eight weeks to qualify to receive credit and his or her savings can be withdrawn any time by any amount. But one legal issue raised regarding saving mobilization was only commercial banks and Grameen bank were allowed to mobilize savings from public while other NGOs/MFIs did not have the legal mandate to collect savings. The cooperative law allowed the MFIs to accept savings from their members only. Collecting savings from non-members was completely a new dimension in financing microcredit program in Bangladesh. But there was no law to protect the deposits of the savers. It was suggested that appropriate regulation must be introduced regarding the following: (1) Every NGO/MFI should not be allowed to introduce all kinds of savings products; (2) the maximum amount of savings that can be mobilized by each type of instruments should be determined; (3) MFIs willing to introduce long-term savings products must maintain superior quality of portfolio, and better internal financial and management discipline.

The objective of **M S Sriram, Smita Parhi**¹⁶ (2004) was to understand the financial flows of the rural poor from Alisgarh, the village in Udaipur district, Rajasthan. The primary data was collected by survey method. 36 BPL (Below Poverty Line) families consulted with Seva Mandir, a large NGO working in that area, were selected as a sample. The secondary data included different views of the existing literature. It was observed that the most killing expense was health related which leads the poor into further indebtedness. There were various studies conducted to identify the factors that drag people into the poverty trap, the major findings were the overall asset-saving-income profile of the poor in that village gave comfort while compared to the indebtedness. However, the most of the assets and savings were illiquid, forcing the poor to borrow at high cost and service such loan. This study presented the results of a pilot study, conducted in Alsigarh village, was a precursor to an all-India study.

Sampati Guha and Gautam Gupta¹⁷ (2005) had presented the study based upon field level observation of a large Rosca programme in West Bengal facilitated by

JDS (Jeevika Development Society, an NGO in West Bengal). Rosca can be defined as a self-selected, voluntarily formed group of individuals who agree to save and contribute a pre-committed amount of money in every period towards the creation of a fund. This fund is then used to allot fixed amounts to each member in turn in accordance with some pre-arranged principle. Once a member has received the fund, she is excluded from any allotments until the Rosca ends, but must continue to participate in contributing to the fund. Members use this fund for different purposes. From the survey conducted by JDS of 1074 members, it was observed that about 17 per cent of the sample was engaged in income generation activities, majority of whom were following Hinduism and were from general caste. Thus, NGO failed to motivate the larger section of the scheduled caste population to join the Rosca. The loan of ₹500 was repayable in 10 equal monthly instalments. The group charged each member 1 per cent interest per month on reducing balance. It was observed that default rate was as low as 26.7 per cent. The study found that demand for loans arises from three reasons: (i) working capital for production activities, (ii) unforeseen consumption needs and (iii) repayment of previous loan borrowed at high rates of interest. It was pointed out that 12.38 per cent of members belong to the lowest income group *i.e.* ₹0 - ₹500 per month. It can be said that the extremely poor section of the population was not motivated to join the Rosca because it requires the ability to save (albeit a small amount) as well as to repay the loan. JDS model suggested that defaults might be addressed through the use of loan sequencing (raises the monitoring activity among members who receive the fund later, or their peers, who received the fund earlier) and the dissolution fund (members have to save continuously while repaying the loan and the fund is equally shared by continuing members when the group is dissolved, however, defaulting members are excluded from sharing in this fund).

Sriram M. S.¹⁸ (2005) had attempted to review the performance of formal institutional channels of microfinance and discussed the emergence of new forms of collaboration in the delivery of microfinance services. It was pointed out that in the case of commercial banks; the percentage of net bank credit deployed in the priority sector was 42 per cent in 2003 – up from 39 percent in 1999. The public sector banks and private sector banks had consistently failed to meet the target to reach weaker sections of the society. The figures of public sector banks indicated that the level of NPAs in the category of weaker section advances was 20 percent in 2003. RRBs (Regional Rural Banks) were created to offer targeted lending in rural areas but their performance over the years had not been very heartening, though the NPA of RRBs declined to ₹16.1

crores (2002) from ₹36.8 crores (1997). The district cooperative banks too did not present a rosy picture on the recovery front. In 2002, the recovery of these banks was 66 per cent. Of a total of 368 district cooperative banks, 258 were showing profits and 110 losses. One of the most successful programmes supported by the state in the microfinance sector has been the bank linkage programme. Around seven lakh groups were linked to the banks and around five lakh groups were refinanced by NABARD by 2003. Under IRDP (Integrated Rural Development Programme) scheme, bank credit to the tune of ₹1,109 crores was disbursed to around eight lakh poor people in 2001-02. It was pointed out that the experience of microfinance indicates that it is possible to have high repayment rates, if credit is dispensed appropriately.

Karuna Krishnaswamy¹⁹ (2007) focused on competition and multiple borrowing in the Indian Microfinance Sector. The study depends upon both primary and secondary data. The study considered the loan and repayment records of over 500,000 clients from seven MFIs. But from all seven MFIs, the incidences of multiple borrowings were identified and those clients were selected as sample for the study. The interviews were conducted only with a small set of clients; the results could not be generalized. All of the women interviewed indicated that they needed more loans to meet their investment needs but they did not have concern about their ability to repay. Loan officers also did not concern about the client's multiple borrowing. They concerned only about getting their weekly payments. It was observed that though multiple borrowing help majority of the clients, some of the clients would get deeper into debt. As regards competition, the sector was very concerned about client poaching, reckless lending by aggressively growing MFIs leading to multiple borrowing, repayment deterioration and over-indebtedness. It was suggested that the community almost unanimously favours the creation of a credit bureau to prevent multiple borrowing and to better assess clients' credit worthiness.

In this paper, **M P Vasimalai and K Narender²⁰** (2007), strongly argues that if micro-credit is not integrated into the larger development perspective there is a danger that it may result in over-indebtedness and financial bondage of the poor. The study was based on the kalanjiam (Tamil word, which means 'prosperity') Community Banking Programme, initiated in 1990, promoted by the DHAN foundation which is unique in terms of the building up demonstrating the viability and sustainability of the SHG-Bank Linkage model. The Centre for Research of DHAN Foundation undertook a study between August 2002 and September 2003. 240 kalanjiam members and 60 respondents from control group were selected through personal interview using structured interview

schedule. The study found that the average loan availed from the kalanjiam by a member increased as the membership in the kalanjiam increased. Moreover, the income drains in the form of paying interest at usurious rates to the informal financing system decreased as membership in kalanjiam increased. Around 51 percent (against 81 percent) kalanjiam members could completely repaid their old debts after joining the kalanjiam programme. The kalanjiam unleashed the hidden potential of the members to save. It was reported that there was an increase in family income and improvement in housing condition after intervention of the kalanjiam. The intervention of the Kalanjiam had empowered a considerable proportion of women and led to a change in the gendered roles at the household level. Many of the bankers interviewed had also reported that kalanjiam members were regular in repayment. The Kalanjiam programme has demonstrated that even while reaching the poorest of the poor, microfinance operations can be made financially sustainable.

In (2008) **Jayshree Vyas**²¹ discussed about the success of SEWA Bank and explained how to approach poor self employed women. She explained that the importance of saving for poor people and MFI because it is a method of ensuring financial discipline which results in improved repayment rates. Banking with poor and mostly illiterate requires special procedure and mechanisms suited to their culture, their needs and their economy.

Kanika Taneja²² (2009) discussed general characteristics of microfinance institutions and gave significant idea about microfinance. She selected Grameen Bank, Bangladesh for her study to explain the financial importance of microfinance as a poverty reduction tool. Grameen bank helped thousands of poor Bangladeshi women to improve their living standard by providing them small loans. By 2003, Grameen Bank had helped between 33-48% of their borrower to move above poverty line. The Grameen Bank has developed a unique financial delivery model which is being widely used in all over the world. The bank achieved up to 95% of loan repayment rate as a result of peer group pressure, and social pressure of being indebted. The Bank also helped their members to get educated by providing educational loans. With the big success in the field of microfinance Grameen Bank has accepted globally in the field of finance as a pioneer of microfinance.

Bharat Bhole, Sean Ogden²³ (2010) had compared the presence of strategic default between group lending and individual lending. Secondary data was considered for the purpose of the study. The study found out the results by developing its own statistical model. The paper concluded that unless group members could impose

sufficiently strong social sanctions on their strategically defaulting partners, or unless the bank used cross-reporting mechanisms, group lending could perform worse than individual lending. It could yield lower repayment rates, smaller bank profit or smaller borrower welfare. It was showed that when certain restrictions on the group lending contract were relaxed than group lending yields a higher welfare than individual lending even in the absence of any social sanctions or cross-reporting. The study suggested some possible explanation for some of the observed changes in the Grameen Bank of Bangladesh regarding defaults that loan to members should not depend only on group performance but also on her individual performance. The success of microfinance in countries like Bangladesh and Guatemala might be replicated in societies where social connectedness and the ability to impose social sanctions were low.

G. Naga Sridhar²⁴ (2010) discussed that the asset portfolios of microfinance institutions (MFIs) appear to be under stress with increasing reports about the alleged harassments by the recovery agents in the recent past. There are about 2,500 MFIs in the country, out of which only 20 are large. The average interest rate in the industry still remains upward of 28 per cent while it goes over 36 per cent in some cases. During September 2010, names of many big MFIs were linked with such incidents. In Andhra Pradesh alone, 25 persons committed suicide due to harassment from recovery agents/group members, while senior officials of the MFIs had not accepted that. But experts said that the surge in allegations of harassment by recovery agents and fellow-group members are indications of growing non-performing assets in the industry in general.

Anjana Chandramouly²⁵ (2010) has discussed about the critical situations of MFIs during Andhra Pradesh crisis-2010 when MFIs feared rise in customers' defaults. Accordingly banks froze fresh credit line even to those with no exposure in Andhra Pradesh. SIDBI had asked MFIs to draw up a roadmap on reduction of their interest rates. Mr. Ghosh (M.D., Ujjivan Financial Services) pointed out that most banks are in wait-and-watch mode as far as fresh loans are concerned, but there is no pressure on existing loans. Mr. Krishna (M.D., Grameen Koota) added that with banks are freezing the credit lines; our fear is that we might have repayment problems. Other issues that had cropped up include high multiple lending and collection practices, and high return on assets. To counter defaults rising, Microfinance Institutions Network (MFIN), with about 40 members, has planned to come up with a set of standards for pricing, remuneration, return of assets, and return on equity for the industry to avoid Andhra Pradesh like situations.

Suraya Hanim Mokhtar et al.²⁶ (2012) have investigated the determinants of loan repayment problems among microfinance borrowers in TEKUN and YUM institutions in Malaysia. With the aim to empirically analyze the factors affecting the YUM and TEKUN borrowers, 204 TEKUN and 268 YUM borrowers from four states (Selangor, Kedah, Kelantan and Sabah) were selected as a sample using a stratified sampling technique. The primary data were collected through survey interviews using a structured questionnaire. By using logistic regression model, the study showed that the borrower's characteristics (age and gender), business characteristics (business type) and loan characteristics (repayment period, repayment mod and repayment amount) were among the factors that influenced borrowers in repaying their loans. It was suggested that the institutions should guide borrowers to choose the most suitable mode of payment and it must be based on the borrower's revenue cycle. The study showed that lending contract had given problems to borrowers in repaying their loan thus flexibility of the lending contract was really needed in TAKUN and YUM. Overall the findings of the study showed that the loan repayment problems facing the TEKUN and YUM borrowers were not only caused by the individual borrower's characteristics and business type but also the lending system (grace periods, mode of repayment, repayment amount) imposed by the microfinance institutions.

Asif Dowla²⁷ (2012) has drawn our attention to how to deal with a default tsunami in the microfinance industry with the example of Grameen Bank, Bangladesh. He revealed that Grameen bank was in serious trouble in 1999. However, the bank and its founder received the 2006 Nobel Peace Prize. This paper discussed about how bank survived the large-scale repayment crisis and near-death experience. Even though the causes of the crises are different, Grameen's experience will be of immense use for MFIs in India. In the first move defaulting members had been classified *viz.* wilful defaulters, destitute defaulters and multiple borrowers, did not pay because they were absent, who left the area permanently and who took large loan by using others as a proxy and due to large debt burden could not repay. The special task force was appointed to rehabilitate troubled bank branches. For the multiple borrowers, the task force made them to sign a contract to repay the principle and interest within a maximum of three years and started issuing new loans equal to the amount repaid in the first six months. The task force also proposed adjusting the group fund against with the bank, even if they had been a member for less than 10 years. Staff members also had been motivated for their monthly work. To install repayment discipline among borrowers, the task force declared to give lucrative leasing loans as reward to borrowers who deposited savings, attended meetings

regularly and had perfect repayment records. Grameen Pension, Savings and Insurance program were also been introduced for borrowers to reconnect them with the bank. For wilful defaulters, the task force started issuing legal notice against them and that technique worked. At the end of December 2000, bank's condition was found improved and the bank codified into Grameen II. In the new model the loan can be repaid over three months or three years instead of 52 weeks. Instead of whole group, only borrower is liable for repayment of the loan. Borrowers facing repayment difficulties can switch to a flexible loan that extends the time of repayment and reduce the amount of instalment payments. The study suggested that MFIs have to develop organizations that can respond to changes in the market, build a culture of openness that encourages problem-solving, employ an MIS and accounting system that can identify excessive lending, develop human resources with diversified skills, and expand at a rate that is commensurate with the needs of the borrower, and use other metrics of success in addition to the repayment rate.

K. Raja Reddy *et.al*²⁸ (n. d.) examined the loan default and recovery in SHG-Bank Linkage Programme. The study looked at the issues of default in SHGs (Self Help Groups), factors contributing to it and various mechanisms to address defaults and recoveries. The data of 42 default SHGs from six bank branches in four mandals in three revenue divisions were collected by conducting personal interview and focused on group discussion from PSR Nellore district of Andhra Pradesh during 11th to 14th October 2010. It was observed that defaults in SHGs declines the functional as well as financial aspects of a group over a period. The study also focused on to understand to what extent the SHGs and their members borrowed multiple and large volume of loans from village organizations (VOs), banks and commercial microfinance institutions (MFIs). It was found that average loan size of MFIs is higher than the loans taken from other credit sources. Over loaning of SHGs by multiple sources also leads to default. The study reported the two types of reasons for default such as genuine defaulting and wilful defaulting. Genuine was because of poverty, vulnerability and risks which included an accident, illness or death in the family, crop failure etc. Wilful was related to lack of discipline in the group. The lending norms, the shortcuts in practice in order to achieve both stated and unstated ends of banks, MFIs and groups; vested interest of the political parties; poor implementation of policies; and poor systems and institutions have been significantly contributed to defaulting. It was concluded that whether it was a bank or MFI, responsible lending would alone optimize development and minimize risks of SHGs.

The studies related to social aspects revealed that micro financing can improve health, sanitation, education and living standard of the poor people. By focusing specially on women, it was observed that microfinance create social capital where their level of consciousness, awareness and decision making abilities can be improved. The studies related to financial aspects reveals that poor people are also bankable and good repayers of loans. Credit facilities given through group methods can generate good repayment record. Microfinance can increase level of income, assets, savings and borrowers capacity of the poor people through which their financial status can be improved. However, sometimes poor people defaults due to some unavoidable reasons such as sickness, unemployment, social customs, sudden expenses, delay in repayment of wages etc. But the repayment rates can be controlled with close monitoring, more staff, better internal financial and management discipline, and changing lending system according to the need of poor etc.

2.2 Reviews from Foreign Authors

Some foreign authors also shared their views regarding the area of microfinance. Some reviews found important for the purpose of the study which are included here.

2.2.1 Social Aspects

Lia CH Fernald *et al.*²⁹ (2008) focused on the effects of microcredit on levels of perceived stress and psychological functioning of participants. Microcredit programmes might improve the economic conditions of clients. It also improved lives of participants in social and health domains as well. Increased income through microcredit improves health outcomes (physical and mental) in the primary pathway. But on the other hand incurring loan debt could certainly increase financial strain and psychological stress for some poor families, especially if they struggle with repayment. Sample frame (257) was comprised of individuals (women and men) all from separate households who had applied to an individual lending organization with branches in Cape Town, Port Elizabeth, and Durban in South Africa. After analyzing the data with regression the findings suggested that one mechanism used to reduce the economic stress of extremely poor individuals could have mixed effects on their levels of psychological stress and symptomatology. The data also suggested that randomization into receiving a second chance for a small individual loan was associated with increased levels of perceived stress among the general sample, with important differences by gender. Men might benefit more than women from cash loans because they were better able to take advantage of cash alone whereas women might need the support of the group lending

mechanism. The differential effects for men and women found should also be investigated further including assessments of economic resources and psychological function at baseline.

Samuel Adams³⁰ (2010) has observed the impact of microfinance from the perspectives of maize farmers in Nkoranza in the Brong Ahafo Region of Ghana. Primary data was obtained from interviews and group discussion and secondary data obtained from Agricultural Development Bank (ADB), the managers of the Ghana government's Food Crop Development Project (FCDP). With the analysis of the data of 100 beneficiaries of the FCDP and 100 saving account holders at ADB, the study found out that microcredit positively affects on the education of beneficiaries' children, health care, housing, clothing and community obligations. Findings of the study had suggested that microfinance had a marginal effect on both the economic and social wellbeing of the recipients of the credit facility. But the discussion also showed that only microfinance is not enough to alleviate poverty. The lack of infrastructure and market for products contributed to the inability of most of the recipients to pay off their debt. Since all the recipients had other jobs apart from maize production, it means that the rural non-farm sector needs to be developed. It was suggested that microfinance could play a huge role in alleviating poverty if it helps to find ways through the market to get new opportunities to earn income by the investments in both farm and non-farm activities. There was the need to examine how, when, and what type of linkages between the non-farm and farm sectors were needed to give the desired effect on productivity.

Group lending is said to be the key factor in microfinance by mitigating information problem and therewith increasing repayment rates. In recent years, however, individual loans have also been given to the poor in developing countries. But **Helke Waelde³¹ (2011)** questioned that which type of loan would be the best for the borrower. With the reviews of past literature, a loan market is modelled where individual and group loans exist side by side. The study enriched standard economic analysis by social component, the social prestige function with an externality. When individual lending has been compared with group lending, group lending consisted of three additional mechanisms: the fee for joining a group, a payment in case her project fails and the social prestige function. The study looked at the model with no externality and with a negative externality. In general it was found out that there is too much group lending in microfinance. If there was no externality, borrowers should borrow individually only. If there was a negative externality, entrepreneurs should start with group lending if they were very poor. If a borrower possessed more than a critical level

of wealth, it was optimal for her to switch to individual borrowing. The study provided an initial theoretical explanation for the gradual replacement of group loans by individual loans in microfinance as it is being shown in developing countries today. The study suggested to support individual lending in development policy as opposed to group lending in order to increase borrower's expected utility and the welfare of the economy as a whole.

2.2.2 Financial Aspects

Monika Huppi, Gershon Feder³² (1990) carried out the review of literature and assessed factors affecting the success of rural lending groups and cooperatives. The study revealed the success of group lending ventures as follows: the homogeneous groups that were jointly liable assumed some managerial and supervisory responsibility to repay but mandatory joint liability was effective only if borrowers had strong reason to believe that their peers would also repay; in case of default made by any borrower from the group, all group member would not access future credit. However, this threat would work only as long as the lender was able to provide favourable and timely credit services in the future. The success of group lending also depend upon previous experience with group activities and a common bond other than credit. The study found important factors in the success of credit cooperatives include: bottom-up institutional development and training at the grass-roots and management levels, reliance on members' deposits rather than on outside sources for funds, the limiting of activities to financial intermediation (unless strong institutional and management capabilities exist).

Joseph E. Stiglitz³³ (1990) focused on the effects of peer monitoring in the credit market. Peer monitoring was largely responsible for the successful financial performance of the Grameen Bank of Bangladesh. The study was based on the secondary data. Different views questioned on exploitation and suggested that high rates were a result of three factors: the high rates of default, the high correlations among defaults and the high cost of screening loan applicants and pursuing delinquent borrowers. The study analyzed that peer monitoring decrease the rate of defaults because the group acts like a cooperative, if some individual was more prone to default than others, he was being subsidized. This article has illustrated in a simple way by which such peer monitoring could be implemented, but there were alternative institutional arrangements that could work as well or better. The government could lend to small lending cooperatives within a village, making each member of the cooperative collectively liable for the whole. The members of the group must be provided with incentives to monitor the actions of their peers.

Timothy Besley, Stephen Coate³⁴ (1995) presented the paper with the aim to understand the impact of two important features *i.e.* joint liability and social collateral on repayment decisions in group lending. Author had developed different models for group lending and individual lending to investigate repayment incentives. The model gave following results: if the group was formed from communities with a high degree of social connectedness, then this might constitute a powerful incentive device and hence might serve to mitigate any negative effects from group lending. If social penalties were severe enough, group lending would result in a higher repayment rate than individual lending but it should not be taken as implying that group lending was better or worse than individual lending in any broader sense than repayment rates.

Imran Matin³⁵ (1997) provided further evidence of repayment problems in group credit program of Grameen Bank borrowers using survey data collected during 1994-95 in four villages of Madhupur, Thana in Bangladesh because the area seemed to have worsened repayment problems in 1995. The researcher collected household and individual level information on 246 Grameen Bank borrowers in the study area who had an outstanding loan according to the 1995 year end statement. Besides using a formal econometric model to delineate the factors associated with loan repayment behaviour of borrowers, the study suggested the followings: the education status of the household has strong negative effect on default status irrespective of the household's income position, the total operated landholding of the household was negatively associated with default status of the borrowing household but was positively associated with default after a certain level, membership period affected positively because it build the optimum level of trust between the borrowers and the bank, intensity of the NGO participation of the borrowing household affects default probability positively, NGO competition be managed and monitored in ways that do not impair each other's repayment performance. Another most important finding was that the group collateral approach seems to be most effective when loan sizes were relatively small.

Manfred Zeller³⁶ (1998) discussed about to investigate the effects of intragroup pooling of risky assets or projects by controlling for community level and program design factors that influence the repayment rate of group loans. Random sample of 146 groups from six different lending programs in Madagascar (Implemented in four agro ecological regions) were selected for the study during 1992. Primary data was collected by interviewing randomly selected presidents of each group. The survey comprised three units of observation: households, credit groups and communities. The model was estimated by using the TOBIT maximum likelihood technique. The study finally

revealed that Groups, located in communities with a high exposure to covariate risks, had a significantly lower repayment rate than those with lower exposure. In order to cover the costs of expected higher loan default in risk-prone communities, programs could charge higher interest rates or set up member financed credit guarantee funds, which could be used to cover loan defaults. The diversification of the joint assets and enterprise portfolio among members of the same group and related risk pooling and social cohesion among members could augment the repayment performance in group-lending schemes.

Martha Alter Chen and Donald Sondgrass³⁷ (1999) had presented a working paper of a baseline survey (January-March 1998) of 900 low-income working women engaged in own-account, sub-contracting and labour activities in Ahmedabad, India. The purpose of the survey was to provide preliminary indications of the nature and magnitude of benefits resulting from participation of the microenterprise services of SEWA bank. In keeping with the framework of the Assessing the Impact of Microenterprise Services (AIMS) project, three groups of 300 respondents each were compared *viz.* current borrower from SEWA bank; savers in the bank who were not current borrowers; and a control group of non-members of SEWA. Numbers of hypothesis about possible impacts at the household, enterprise and individual levels were tested (AIMS core team 1997). These hypotheses carried out in Lima, Peru and Zimbabwe. After using basic statistical tools *viz.* frequency, percentage, mean, median, the study found the following. Household level survey concluded that participation in microenterprise services made many positive changes in members of SEWA bank as compared to the control group. Enterprise level survey informed that SEWA credit might raise the revenue earned by the borrower's own principal own account activity. Savings might increase revenues from sub-contracting activity when that is the borrower's principal economic activity. The study could not find enough evidence that participation in microenterprise services leads to increase in enterprise fixed assets. In summary, enterprise level impacts were not very strongly supported by the survey results. Individual level hypotheses pointed out that participation in microenterprise services leads to an increase in the client's control over resources and income within the household economic portfolio. It also increased self-esteem and self-confidence among the borrowers over savers and control group. Ability to deal with the future was also higher among the borrowers over the savers and control group. As SEWA bank helps its members to pay off outstanding non-SEWA debts, participation also leads to decrease in

indebtedness among SEWA members. Though impacts of the SEWA bank are positive, further research would be needed.

Jean-Jacques Laffont, Tchetché N'Guessan³⁸ (2000) focused on group lending with adverse selection of group members and examined its effect on repayment rate. The author defined two different models; for good type of borrowers *i.e.* have sure projects with return and bad types of borrowers *i.e.* have projects with zero return. The model concluded that when borrowers know each other, group lending contracts were useful even if collusion with side contracts took place. But now the optimal collusion proof group contract did better than individual contracts, but it was not efficient. If borrowers were adversely selected there was no collateral effect due to grouping.

Gwendolyn Alexander Tedeschi³⁹ (2006) presented a model of microfinance lending to individuals to show how dynamic incentives, in the form of additional loans, could reduce strategic default without relying on the group incentives. The model had been created to define the relationship between lender and borrower in two different phases: lending phase (one loan is successfully repaid, another loan is given) and punishment phase (the borrower defaults, no new loans are given). The paper showed that MFIs attempts to improve and expand upon savings and insurance products. If borrowers could be sheltered from the unplanned expenditures or loss of income, or be better able to cope with economic loss when it occurs, their ability to repay would be higher, and thus default would be lower.

Niels Hermes and Robert Lensink⁴⁰ (2007) collected literature on microfinance and found out various reasons regarding the repayment performance of joint liability group. There had been empirical evidence that repayment performance of group improved when groups had written (formal) rules stating how members should behave. Groups located in remote areas could reduce their possibilities for access to alternative sources of credit which stimulates them to ensure group repayment as much as possible in order to have future access to loans. Other important evidence showed that repayment problems increase when there were more relatives in the same group as screening, monitoring and enforcement among relatives did not take place and relatives might easily collude against the programme and delay repayment. Groups with stronger social ties showed higher repayment rates. Groups with internal rules and regulations also demonstrated better repayment rates. It was also noticed that average distance between group members negatively influence repayment performance. The quality of the group leader in running group positively affected on group repayment performance. There was evidence that the homogeneity of the group in terms of their ethnicity, occupation,

income etc. reduced their repayment performance because they had lower incentives to screen, monitor, and enforce each other and/or might start to collude against the programme.

Thi Thu Tra Pham and Robert Lensink⁴¹ (2007) presented comparative study between lending policies of formal, informal and semiformal lenders with respect to household lending in Vietnam. The data were drawn from household survey standards in Vietnam, the Vietnam Living Standard Survey (VLSS). That survey was conducted by Vietnam's General Statistical Office in 1998, with financial assistance from the United Nations Development Programme (UNDP) and the Swedish International Development Agency (SIDA), and technical assistance from the World Bank. The survey covered a sample of 6,002 households from which 4,334 observations were selected from formal, informal and semiformal financial intermediaries and 111 observations were selected from unclassifiable sources. By using regression analysis the study observed that a household capable of providing collateral and/or finding a guarantor was more likely to use formal and semiformal credit. Low income households and or female borrowers had preferred informal credit. Analysis of some determinants of probability of default showed that there were some contract and borrower characteristics that are important for one type of creditor but not for the others. Formal credit institutions tend to associate the probability of default with contract-related items such as the loan interest rate and the form of loan repayment. Informal lenders, on the contrary, tend to link default risk to household-related characteristics and especially the presence of close lender-borrower relationships. Semiformal creditors perform as the combined form of the other groups, given the application of certain contracting tools and the reliance on borrower characteristics for managing risk. It was recommended to lenders of all sorts to exert tighter monitoring over such loans.

Erica Field and Rohini Pande⁴² (2008) collected data from a field experiment, between April to September 2006, from a leading MFI 'Village welfare Society', Kolkata to examine whether repayment frequency affects loan default and delinquency on first-time borrowers. The experiment formed one hundred groups consisting of 1026 first time borrowers while group size ranged from 8 to 13 members. Least square regression method was used for testing statistically significant differences in repayment behaviour between the experimental arms: (a) weekly repayment schedule at weekly meetings, (b) monthly repayment schedule at monthly meeting and (c) a monthly repayment schedule at weekly meetings which required to attend weekly meeting for the first three months after loan disbursement, after which point borrowers had been

graduated to a monthly meeting schedule. The study found the following: switching from weekly to monthly instalments did not affect client repayment capacity while most of microfinance practitioners believe that more frequent repayment schedules improve client repayment rates. The result suggested that switching to lower frequency repayment schedules could allow MFIs operating in comparable settings to save dramatically on the transaction costs of instalment collection facing virtually no added risk of default. No evidence to prove that lower frequency repayment schedules encourage irresponsible repayment behaviour among first-time borrowers receiving small loans. As instalments were collected in group meeting it is suggested that less frequent repayment schedules did not increase per meeting transaction cost of collection.

Erica Field, Rohini Pande, John Papp⁴³ (2009) had analyzed the effect of repayment flexibility on entrepreneurial behaviour and loan default. The study was focused on a central feature of the classic “Grameen Bank” contract: repayment in small instalments starting immediately after loan disbursement. The study provided rigorous evidence that both client investment and repayment behaviour was sensitive to when repayment obligations start. The study was based on primary data collected from the MFI, “Village Welfare Society” (VWS), in the West Bengal. The secondary data was collected from VWS officers. Total 845 clients were selected as a sample. The baseline surveying was conducted between April and August 2007 and endline surveying between January and November 2008. The study found out that average level of default and delinquency rise when clients were offered a grace period before repayment begins while delayed repayment encourages more profitable, though riskier investment. The study found 3% default rate for clients without a grace period and 11% default rate for the clients with a grace period. It was suggested that VWS would have to increase its annual interest rate (from 22% to 33%) to cover the additional default. Of course, the higher interest rate might itself cause a yet higher default rate if moral hazard or adverse selection were significant, so the new interest rate should have been taken as a minimum.

Jessica Schicks⁴⁴ (2012) had worked with a unique dataset from a survey among micro borrowers in Accra, Ghana. In cooperation with the Independent Evaluation Department of the German development bank KfW and with the Smart Campaign hosted by ACCION International, 531 structured interviews were conducted among microfinance borrowers at the end of 2010. Logistic regression analysis was used to identify how poverty, adverse shocks, loan returns and financial literacy relate to over-indebtedness. The study concluded that micro borrowers were more likely to be over-indebted when they were living on lower incomes and lower assets. MFIs might be able

to reduce over-indebtedness by reducing credit to poorer borrowers, lending smaller amounts, or choosing to not lend to the poorest borrowers. Adverse shocks to income and expenses represented a main cause of over-indebtedness among borrowers. MFIs should anticipate the occurrence of adverse shocks when determining creditworthiness and deciding on loan amounts and instalment schedules. The paper identified that non-productive loan use increases the risk of over-indebtedness. Low return on invested loans was related to higher over-indebtedness risks. It was showed that borrowers were more likely to be over-indebted when they lack financial literacy to understand debt products. General financial literacy seems to have an opposite effect, contradicting researcher's expectations. It was suggested that improving borrowers' financial literacy could reduce their risk of over-indebtedness. For mere numeracy, there was no statistically significant effect on over-indebtedness.

2.3 Summing Up

Various financial facilities provided by MFIs helps poor people to grow but recovery of collateral free loans is a very big concern for MFIs. Group lending was found very significant delivery channel in the field of microfinance. Group lending helps poor people to improve their social as well as financial status. Group lending also works as group collateral because in group lending all group members are jointly liable for the group loan so peer pressure was found to be the most effective tool from the point of view of repayment. However, individual lending was also found important because peer pressure do not work positively all the time. Some evidences were found that because of peer pressure some group dissolved and members started borrowing on individual level. Some common reasons found for loan defaults in individual lending were sickness, death in family, social customs, delay in payment of wages, anti-social influence, unemployment, and sometimes unwillingness to repay. Solutions to decrease default level found are as follows: Personal and continuous contacts of the members, close monitoring, understand the needs of the poor, providing proper knowledge to the poor and providing many supportive services over and above credit etc. Close coordination between members and organizers help MFIs to maintain the low level of defaults and also help members not to be trapped into indebtedness.



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Chapter 3

RESEARCH DESIGN

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Chapter 3

Research Design

To obtain accurate and relevant information for solving any research problem, methodology is an important part. This chapter presents various aspects of the research methodology. It discusses the research methodology adopted for the analysis of primary and secondary data with the detailed discussion of the collection procedure of primary and secondary data. This chapter is divided into two sections: Section 1 deals with research methodology used for analysis of secondary data to evaluate the overall performance of MFIs working in different states of India and Section 2 deals with the research methodology used for analysis of primary data to understand the effect of various variables on loan portfolio and the behaviour and experience of bank's frontline workers and bank's facilitators.

SECTION I

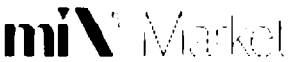
Research Methodology: For Analysis of Secondary Data

This section presents discussion on the data source and sample, methodology adopted and statistical tools applied for analysis of the secondary data. An attempt is made to present the data regarding all MFIs working in different states of India with important financial indicators to distinguish the financial status of each MFI of India.

3.1 Sources of Data

The data are collected from three different sources *viz.* MIX Market, Sa-dhan and Microfinance India: State of the Sector Report. Following paragraphs discuss the details about the sources.

3.1.1 MIX Market

 **MIX Market** is the premier source for objective, qualified and relevant microfinance performance data and analysis. Incorporated in 2002, MIX is a non-profit organization headquartered in Washington, DC with regional offices in Azerbaijan, India, Senegal and Peru. Committed to strengthening financial inclusion and the microfinance sector by promoting transparency, MIX (Microfinance Information Exchange) provides objective, qualified and relevant performance information on microfinance institutions (MFIs), funders, networks and service providers dedicated to serving the financial sector needs for low-income clients. MIX provides instant access to

financial and social performance information covering approximately 2,000 MFIs around the world. MIX's Publications, Micro Banking Bulletin and MIX Microfinance World, feature through and timely analysis based on qualified data and research. MIX access one-stop market-level summaries for 110 countries that integrate data from MIX and external sources. MIX continuously updates information with interim as well as annual financial and social performance data. MIX also awards diamond rankings to indicate the level of transparency of each MFI on MIX Market.¹

MIX presents a range of data on MFIs, from financial and operational data, to data on social performance, products and funding structure. Through a prioritization process reviewed and validated by regional microfinance experts, MIX Market displays MFI profiles from developing markets that are most representative of microfinance at each geographical level rather list all MFIs in the world. MIX collects financial and operational data from MFIs and partners using original source documents, such as audited financial statements, supported by additional questionnaires when necessary. Data collection is based on microfinance industry reporting standards and aligned with International Financial Reporting Standards (IFRS). To ensure the accuracy of submitted data, MIX's database review system conducts more than 135 quality checks. The financial data includes balance sheets, income statements and data found in the relevant notes to those statements, including detailed portfolio report information. MIX reviews data against audits and ratings and uses trend data and industry benchmarks for accuracy. Data is further reviewed against more than 150 business rules to identify potential reporting errors. All data submitted from an individual MFI can be viewed on each individual MFI's MIX Market profile. All data submitted to MIX is submitted on a voluntary basis so if one finds data is missing on an MFI's profile, it means the institution did not submit that data to MIX or the institution is no longer in operation.²

3.1.2 Sa-Dhan



Sa-Dhan Founded as the Association of Community Development Finance Institutions by SEWA Bank, BASIX, Dhan Foundation, FWWB, MYRADA, RGVN, SHARE and PRADAN in 1999, Sa-Dhan's membership has now grown to 240 with the collective loan outstanding and outreach in excess of Rs. 20,913 Crores and 2.68 crores poor, respectively. The Microfinance sector in India is still evolving and witnessing increasing entry of new players. Hence, Sa-Dhan as the designate national association of Community Development Finance Institutions (CDFIs) represents an "emerging but

rapidly growing sector”. Given the nascent nature of the sector, Sa-Dhan has a crucial role to play in increasing capacities, affecting the evolution and adoption of best practices, increasing the number of service providers and contributing to improving the policy and operational context for Microfinance in India.³

3.1.3 Microfinance India: State of the Sector Report

It is an annual publication (Ford Foundation, Sage Publication, Access Publications etc.) on the microfinance sector which measures the growth and performance based on different criteria. Additionally the report makes documents regarding recent developments, analyzes the issues, and identifies policy choices with the overall objective of understanding the microfinance sector. Moreover, the report also makes available the statistical data on growth performance, different segments of the population and expansion across regions. By going through this report, one can understand operational climate and new innovations deeply that have been adopted during the recent year. Ultimately the *Microfinance India: State of the Sector Report* is the appreciated reference document for researchers, practitioners and policy makers in the microfinance sector (Based on the reports from the year 2007 to 2012).

3.2 Methodology Adopted

From the source MIX Market, information available for 190 MFIs from the different states of India has been collected for the date 31st March 2012. Additionally for each MFI, information of 12 different financial indicators is also collected. From the source Sa-Dhan, Microfinance Map of India 2012 is available with the information of 230 MFIs having detail of two financial indicators. Those data of 230 MFIs are collected. For having an overall idea about the microfinance sector, Microfinance India State of the Sector Report, from 2006 to 2012 has been studied.

To examine the financial status of the MFIs, basic statistical tools such as proportion and average are used through the data of important financial indicators. To compare the data from various sources proportion with 100% stacked column chart is used. To have a comparative idea about the different MFIs from different sources, map of India with state wise distribution of MFIs has been presented.

3.3 Limitations of the Study

Only those MFIs, available at MIX, Sa-dhan and Microfinance India State of the Sector Report, are analyzed as part of analysis of secondary data. Hence, MFIs not reported to any of the above sources could not be included for this study.

SECTION II

Research Methodology: For Analysis of Primary Data

This section intends to discuss the research methodology adopted for analysis of primary data. Following paragraphs discuss – scope and coverage of the research study, research design of the research study, collection of primary data, sampling decision, a brief about structured questionnaires, hypotheses, methodology adopted and limitations of the study.

3.4 Sample Selection

3.4.1 Sample Selection: Organisation

Based on the study of the secondary data, it was found that SEWA Bank is the oldest microfinance provider in India and thereby also in Gujarat. The study area, **Gujarat**, is located on the western coast of India with the longest coast line of 1,600 km. Gandhinagar is the Capital of Gujarat and Ahmedabad is the Commercial Capital of Gujarat. Census Data 2011 shows that Gujarat has total population 6.03 crores (approx 4.99% of total Indian population) with literacy rate 79.31%. Urban Population of the state is 42.6% and Rural Population is 57.4%.⁴ However, in 2009-10 (Tendulkar Methodology), total 136.2 lakhs (23%) people found living below poverty line. Among them, 91.6 lakhs (26.7%) were living in Rural area while 44.6 (17.9%) lakhs were living in Urban area.⁵

Sample area, **Ahmedabad**, is the most populated **district** in Gujarat State having total population of 7,214,225. Among them 15.96% (1,151,178) is the rural population while 84.04% (6,063,047) is the urban population.⁶ The population of **Ahmedabad City** is 5,570,585.⁷ As the researcher is also located in Gujarat, it was considered most appropriate to take up detailed study of this oldest microfinance provider of India *i.e.* **SEWA Bank**.

SEWA Bank- Ahmedabad: Started in 1974 with a simple savings and a simple loan account SEWA Bank has evolved into a composite financial institution offering a variety of savings and recurring deposit accounts, fixed deposits and secured and unsecured loans. On recognizing the diversity of occupational, economic and social backgrounds of SEWA Bank members with their very different financial requirements and made group lending suboptimal in the urban context, SEWA was one of the first MFIs to take the more challenging path of individual lending.⁸

In view of the data, it was decided to take **individual lending model** (different lending models of MFIs are discussed in Chapter 5) of the SEWA bank as a sample for the purpose of the study. However, SEWA bank is working in the urban area and rural area both but individual lending model is used only in urban area of SEWA bank. Thus, only **Urban Area of the SEWA Bank** is selected as a sample for the study purpose.

It was decided to conduct informal interviews with authorities of the SEWA bank to understand the individual lending model of the SEWA Bank.

At SEWA Bank, most of the loans are given as per the model (Exhibit 3.1) where there is a chain of SEWA bank to hand holder to banksathi to borrower. Hand holder is a bank's facilitator who monitors the Banksathi. Banksathi is the bank's frontline worker. She comes from the same communities of the borrowers and lives alongside them in the same neighbourhoods. Banksathi collects the cash from the borrowers whether it is loan instalment or saving scheme instalment. There are different Hand Holders and different Banksathis for different areas of the city. Other delivery model (Exhibit 3.2) is used only in the area where Banksathi is not available. For this the loan process is like SEWA bank to Hand Holder to Borrower.

Exhibit 3.1 Lending Through Banksathis

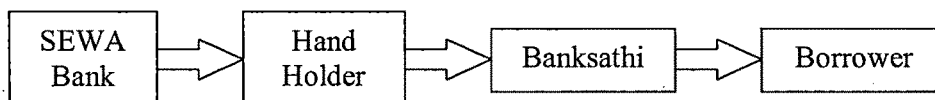
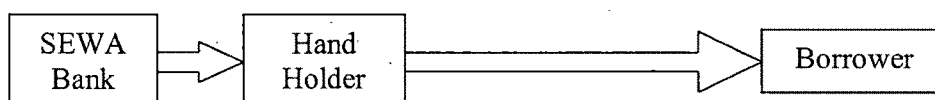


Exhibit 3.2 Lending Without Banksathis



Accordingly **Hand Holders (HH), Banksathis (BS) and Borrowers (BRWR)** are found to be the key players of the individual lending model of the SEWA bank. Hence, the three groups of people *viz.* borrowers; bank's frontline workers- *i.e.* banksathis and bank's facilitators- *i.e.* hand holders are selected as a important segment for the purpose of the research study. The primary data was collected through structured schedules as the researcher has to deal with the poor people and majority of them have been observed with low level of education.

3.4.2 Sample Selection: Components

As per the data provided by the SEWA bank (as on 13-05-2009), total number of Hand Holders, Banksathis and Borrowers were available as 17, 83 and 20,282 respectively.

3.4.3 Sampling Procedure: Pilot Survey

For data collection through questionnaire, it is always recommended to test the questionnaire. Considering that, based on informal interviews with office bearers of SEWA Bank, questionnaire was prepared. However, before going for final data collection, it was tested, by carrying out pilot survey of limited numbers of HHs, BSs and BRWRs from all 5 branches (including head office) of the SEWA bank. As per the guidance of the loan recovery officer, 5 HHs, 6 BSs and 59 BRWRs were selected as a sample for pilot survey (See Table 3.1).

Table 3.1 Branch wise Data Collection for Pilot survey

Name of The Branch	HHs	BSs	BRWRs
Head Office	1	1	10
Vasna	2	2	19
Behrampura	1	1	10
Madhupura	1	1	10
Rakhial	0	1	10
Total	5	6	59

3.4.4 Sampling Procedure: Final Survey

After analyzing the responses collected from pilot survey, the final survey was conducted with modified questionnaires. By way of the adjustment of timing with the SEWA bank, Final Survey of HHs and BSs was done during the month of February-2010 (02-02-2010 to 11-02-2010). While final survey of BRWRs was done during April 2010 to October 2010 (07-04-2010 to 10-10-2010). From this for the purpose of study, 16 Hand holders; 67 Banksathis and 484 Borrowers belonging to 5 branches (including head office) of the SEWA Bank are selected. Detailed discussion of the sample selection procedure of HHs, BSs and BRWRs is presented in the following lines.

A Hand Holders (HHs): Total 17 HHs were available from all branches (including head office) of the SEWA bank. As per the guidance of the SEWA bank, all HHs were selected as a sample for final survey. However, one HH from Madhupura branch was not available at the time of survey due to retirement from the job. Hence, data was collected from remaining 16 HHs. (See table 3.2) Thus, in the case of HH, sample selection was entire population.

Table 3.2 Final Survey: Sample Selection of Hand Holders

Name of the Branch	Total HHs/Selected HHs	Collected HHs
Head Office	2	2
Vasna	2	2
Behrampura	4	4
Madhupura	5	4
Rakhial	4	4
Total	17	16

B Banksathis (BSs): Out of total 83 available banksathis, some of them were found inactive and some of them even though active but not available. The remaining BSs were found active as well as available at the time of survey. Hence, as per the guidance of the SEWA Bank, only active and available BSs are selected as a sample. Table 3.3 shows the sample selection for the final survey.

Table 3.3 Final Survey: Sample Selection of Banksathis

Name of the Branch	Total BSs	Active & Available	Active & Not Available	Inactive
Head Office	8	8	0	0
Vasna	6	5	1	0
Behrampura	23	20	2	1
Madhupura	26	17	7	2
Rakhial	20	17	2	1
Total	83	67	12	4

- *Active & Available:* One who was in working position and available at the time of data collection of final survey.
- *Active & Not Available:* One who was in working position and/or had working experience less than one year. Time period considered for working experience was up to February 2010.
- *Inactive:* One who was not in working position at the time of final survey. Either they left the job or they were rusticated from the SEWA Bank.

Thus, in case of BSs also 100% of active and available BSs are selected as sample. Thus, for all practical purpose, it can be termed as 100% sample selection. Considering the records it is 80.72% (67/83).

C Borrowers (BRWRs): As it was very difficult to find a specific study on loan repayment behaviour, defaults in repayment and NPA, the study mainly intended to focus on the loan repayment performance of the borrowers of the SEWA Bank. For this purpose borrowers are selected from different categories of NPA. In the first step, as per the guidance of the SEWA Bank, BSs were selected as per their total number of NPA accounts. In the second step, BRWRs are selected (from different categories viz. Standard A, Standard B, Sub standard, Doubtful 1, Doubtful 2 and Doubtful 3) from those particular areas of BSs. In case of non-availability of any borrower from particular category, the borrower was replaced by other preceding category. Table 3.4 explains the procedure of selection of BRWRs in detail.

Table 3.4 Final Survey: Sample Selection of Borrowers

BSs with No. of NPA Account		No. of BRWRs Taken			
1 ≤ 50		5			
51 ≤ 100		10			
Above 100		15			
Categories of NPA	Explanation	No. of BRWRs Taken			Total BRWRs Taken for all Branches
		1 ≤ 50	51 ≤ 100	Above 100	
Standard A	Regular repayment	0	0	1	24
Standard B	Skip instalments for 0-90 days	1	2	2	65
Sub Standard	Skip instalments for 91-457 days	1	2	3	123
Doubtful 1	Skip instalments for 458-823 days	1	2	3	117
Doubtful 2	Skip instalments for 824-1554 days	1	2	3	106
Doubtful 3	Skip instalments for above 1555 days	1	2	3	49
Total		5	10	15	484

3.5 Data Collection

As mentioned in preceding para, for the purpose of data collection, structured questionnaires were prepared for all three target groups viz. Borrowers, Banksathis and Hand Holders respectively. Following para presents the logical aspects of the questions.

3.5.1 Questionnaire for Borrowers of the SEWA Bank

The questionnaire (*Appendix-1*) of borrowers included twenty one questions. Among them, question numbers one to seven contained the borrower's personal information. Question number eight, nine and ten contained the information about the borrowers' family members and their earnings. Question numbers eleven to thirteen were to know the decision making power of the borrower in her family. Question number fourteen and fifteen included the information regarding saving habits of the borrowers. Question sixteen and seventeen were asked to know the awareness about training programme. Question number eighteen was about the repayment schedule of the borrower. Question numbers nineteen and twenty included the details about borrowers' unsecured loan and secured loan. Last question was about the defaults in repayment and the reasons behind defaults.

3.5.2 Questionnaire for Banksathis of the SEWA Bank

Twenty five questions were framed in the questionnaire (*Appendix-2*) of banksathi. First eleven questions (except question 5) for banksathi were similar to the questionnaire of hand holder (*i.e.* question 1 to 10). Question number twelve was asked to know about the periodicity for collection of loan instalments. Question numbers thirteen to nineteen were again similar to question numbers eleven to sixteen of the questionnaire of hand holder. Question number twenty gathered the personal view about

the training given to the customers in the SEWA bank. Question number twenty one was asked to know the personal view if banksathi have ever been replaced with the other banksathi. Question number twenty two contained the detail about types of loan account opened by banksathi. At last, question numbers twenty three to twenty five were framed to gather the information about steps to be followed if borrower makes default, major reasons for default in repayment among borrowers and effects of defaults on the functions of the bank respectively.

3.5.3 Questionnaire for Hand Holders of the SEWA Bank

The questionnaire (*Appendix-3*) for hand holder included twenty two questions. Question one to seven included personal detail of hand holder and basic detail of her working profile in the SEWA bank. Question eight to ten were regarding loan disbursement procedure. Question number eleven and twelve contained the details about various types of loan products. Question numbers thirteen to sixteen were framed for collecting information regarding one of the loan products 'Daily Loan Collection' as a special focus. Question number seventeen was framed to know the personal view of hand holder about training given to the customers in the SEWA bank. Question numbers eighteen to twenty two were put to know personal views regarding monitoring of banksathi, steps to be followed if borrower make default, the negative effects of default on the functions of the bank and reasons for default in repayment of loan among the borrowers.

3.6 Processing of the Data and Analytical Design

The duly filled in the questionnaires were edited to detect any defect or error, to improve reliability of the analysis.

For analysis and interpretation, it was important to classify the raw data. Classification involves the distribution of collected data into different categories. As the questionnaire was structured and the response categories were pre determined, the different questionnaires for the different response categories were prepared. The structure of the questionnaire was mixed one having open ended, close ended as well as information sharing type of questions.

When a mass of data are assembled, it becomes necessary for the researcher to arrange the same in some kind of concise and logical order. This procedure is referred to as tabulation. Thus, tabulation is the process of summarising raw data and displaying the same in compact form (*i.e.* in the form of statistical tables) for further analysis.⁹ In a broader sense, tabulation is an orderly arrangement of data in columns and rows. In the

present survey, tables of three response categories have been prepared and the data collected were classified and tabulated according to socio-demographic factors, economic factors, loan related factors and factors related to financial literacy of the borrowers.

3.7 Hypotheses

To understand the repayment behaviour of BRWRs, 17 hypotheses are framed to apply chi-square test (section 3.7.1) and to understand the difference between proportions of defaults for groups, 17 hypotheses are framed to apply z-test (section 3.7.2). This resulted into 34 hypotheses. Hypotheses for BRWRs are framed covering four major factors viz. "socio-demographic factors", "economic factors", "loan related factors" and "factors related to financial literacy". Moreover, to understand the similarity of the opinions between BSs and HHs, 7 hypotheses are framed (section 3.7.3).

3.7.1 Hypotheses for Borrowers (Based on Chi-square test)

For examining the effects of different factors on level of defaults among the borrowers following factors have been tested by dividing into for different types viz. Socio Demographic Factors, Economic Factors, Loan Related Factors and Factors Related to Financial Literacy of the Borrowers.

3.7.1.1 Socio Demographic Factors

Borrowers' repayment behaviour and/or capacity are dependent on their social factors too. Accordingly, it is important to know how social factors affect on the repayment behaviour of BRWRs. For examining the association between socio demographic factors (viz. Age, Religion, Marital Status, Education Level, Household Situation, Decision to take the loan, Decision to use the loan and Decision to use the profit) with number of defaults following 8 hypotheses are tested through chi-square test.

- H₀₁** There is no relationship between borrower's age and number of defaults.
- H₀₂** There is no relationship between borrower's religion and number of defaults.
- H₀₃** There is no relationship between borrower's marital status and number of defaults.
- H₀₄** There is no relationship between the level of education and the number of defaults.
- H₀₅** There is no relationship between the varying proportion of earning members in the borrower's family and the number of defaults.
- H₀₆** There is no relationship between person making decision to take the loan and the number of default.

H₀₇ There is no relationship between person making decision to use the loan and the number of default.

H₀₈ There is no relationship between person making decision to use the profit and the number of default.

3.7.1.2 Economic Factors

This part deals with three factors *viz.* uncertainty of borrower's income, annual per capita income of the borrower and borrower's habit of regular savings. To examine the economic factors with number of defaults following 4 hypotheses were tested using chi square test.

H₀₉ There is no relationship between level of certainty of income and number of default.

H₀₁₀ There is no relationship between borrower's level of income and number of defaults.

H₀₁₁ There is no relationship between borrower's habit of regular saving (in other than SEWA Bank) and number of defaults.

H₀₁₂ There is no relationship between borrower's habit of regular saving (in SEWA Bank) and number of defaults.

3.7.1.3 Loan Related Factors

Under this head three factors have been tested to know the relationship with level of defaults such as amount of loan, purpose of the loan and frequency of borrowings. Following hypotheses were tested using chi square test.

H₀₁₃ There is no relationship between the amount of loan and number of default.

H₀₁₄ There is no relationship between purpose for which loan is taken and number of defaults.

H₀₁₅ There is no relationship between frequency of borrowings by the borrowers and number of defaults.

3.7.1.4 Factors Related to Financial Literacy of the Borrowers

This part deals with two factors *viz.* borrowers with proper training and borrowers with awareness about rates of interest charged on loan taken by them. To examine these factors with number of defaults following hypotheses were tested making use of chi square test.

H₀₁₆ There is no relationship between borrower's training and number of defaults.

H₀₁₇ There is no relationship between borrower's awareness about rates of interest and number of defaults.

3.7.2 Hypotheses for Borrowers (Based on Difference between Proportions)

For examining the difference between the proportions of defaults among various groups of factors, following hypotheses were tested using z test. Hypotheses were tested for the said major factors viz. socio demographic factors, economic factors, loan related factors and factors related to financial literacy as discussed in the preceding paras.

3.7.2.1 Socio Demographic Factors

- H₀₁₈** There is no significant difference in the proportion of default between various age groups.
- H₀₁₉** There is no significant difference in the proportion of default between borrowers following different religions.
- H₀₂₀** There is no significant difference in the proportion of default between various marital statuses of borrowers.
- H₀₂₁** There is no significant difference in the proportion of default between various education levels.
- H₀₂₂** There is no significant difference in the proportion of default between varying proportions of earning members in the borrowers' family
- H₀₂₃** There is no significant difference in the proportion of default between various groups of persons making decision to take loan.
- H₀₂₄** There is no significant difference in the proportion of default between various groups of persons making decision to use loan.
- H₀₂₅** There is no significant difference in the proportion of default between various groups of persons making decision to use profit.

3.7.2.2 Economic Factors

- H₀₂₆** There is no significant difference in the proportion of default in the loans taken by borrowers pursuing different economic activities.
- H₀₂₇** There is no significant difference in the proportion of default in loans taken by borrowers at various levels of annual per capita income.
- H₀₂₈** There is no significant difference in the proportion of default between groups of regular and irregular savers (other than SEWA bank).
- H₀₂₉** There is no significant difference in the proportion of default between groups of regular and irregular savers (in the SEWA bank).

3.7.2.3 Loan Related Factors

- H₀₃₀** There is no significant difference in the proportion of default between various levels of amount of loan.

H₀₃₁ There is no significant difference in the proportion of default between various purposes of loan.

H₀₃₂ There is no significant difference in the proportion of default between various levels of frequency of borrowing by the borrowers.

3.7.2.4 Factors Related to Financial Literacy of the Borrowers

H₀₃₃ There is no significant difference in the proportion of default between groups of trained and non-trained borrowers.

H₀₃₄ There is no significant difference in the proportion of default between groups of aware and non-aware borrowers about the rates of interest.

3.7.3 Hypotheses for Banksathis and Hand holders

To examine the similarity between opinions of Banksathis and Hand holders following common and comparative aspects have been tested such as 1) Factors to decide loan amount; 2) Reasons: Daily loan not in use; 3) Steps: If borrowers make default; 4) Reasons of defaults: BSs v/s HHs; [this aspect was also common and comparable with opinions of BRWRs. Therefore, following aspects were also tested viz. 5) Reasons of defaults: HHs v/s BRWRs and 6) Reasons of Defaults: BSs v/s BRWRs] and; 7) Effects of defaults on the bank.

To examine the above aspects seven hypotheses are framed.

H₀₁ There is no similarity of opinions between BSs and HHs regarding factors to decide loan amount.

H₀₂ There is no similarity of opinions between BSs and HHs regarding reasons for daily loan collection not in use.

H₀₃ There is no similarity of opinions between BSs and HHs regarding steps to be followed in case of default.

H₀₄ There is no similarity of opinions between BSs and HHs regarding reasons of defaults.

H₀₅ There is no similarity of opinions between HHs and BRWRs regarding reasons of defaults.

H₀₆ There is no similarity of opinions between BSs and BRWRs regarding reasons of defaults.

H₀₇ There is no similarity of opinions between BSs and HHs regarding negative effects of defaults to the bank.

3.8 Methodology Adopted

The primary data were collected, classified, computerized and tabulated. Descriptive statistics viz. frequencies, percentage and arithmetic mean are used to analyze the responses of primary data. Pie charts are used to present the data. To test the above hypotheses various statistical tools are applied. Following paragraphs discuss the same.

➔ Methodology adopted for testing of Hypotheses

For testing of hypotheses regarding responses received from the borrowers, Chi-Square test as well as z test was applied while to examine the similarity of opinions of banksathis and hand holders, Spearman's Rank Correlation Coefficient were applied.

3.8.1 Chi-square as a Non-Parametric Test¹⁰

Chi-square is an important non-parametric test and as such no rigid assumptions are necessary in respect of the type of population. One requires only the degrees of freedom (implicitly of course the size of the sample) for using this test. As a non-parametric test, Chi square can be used (i) as a test of goodness of fit and (ii) as a test of independence.

As a test of independence, χ^2 test enables one to explain whether or not two attributes are associated. Here, first the expected frequencies are calculated and then the value of χ^2 is computed. If the calculated value of χ^2 is less than the table value at a certain level of significance for given degrees of freedom, one concludes that null hypothesis stands which means that the two attributes are independent or not associated. But if the calculated value of χ^2 is greater than table value, then the inference would be that null hypothesis does not hold good which means two attributes are associated and association is not because of some chance factor but it exists in reality. It may, however, be stated that χ^2 is not measure of the degree of relationship or form of relationship between two attributes, but is simply a technique of judging the significance of such association or relationship between two attributes. χ^2 is calculated as follows for the research study.

$$\chi^2 = \sum \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

Where O_{ij} = observed frequency of the cell in i^{th} row and j^{th} column.

E_{ij} = expected frequency of the cell in i^{th} row and j^{th} column.

If two distributions (observed and theoretical) are exactly alike, $\chi^2 = 0$; but generally due to sampling errors, χ^2 is not equal to zero and as such one must know the

sampling distribution of χ^2 so that one may find the probability of an observed χ^2 being given by a random sample from the hypothetical universe. Instead of working out the probabilities, one can use ready table which gives probabilities for given values of χ^2 . Whether or not a calculated value of χ^2 is significant can be ascertained by looking at the tabulated values of χ^2 for given degrees of freedom [d.f. = (c-1) (r-1) where 'c' means the number of columns and 'r' means the number of rows] at a certain level of significance. If the calculated value of χ^2 is equal to or exceeds the table value, the difference between the observed and expected frequencies is taken as significant, but if the table value is more than the calculated value of χ^2 , then the difference is considered as insignificant *i.e.*, considered to have arisen as a result of chance and as such can be ignored.

For testing the hypotheses regarding borrowers, chi-square is calculated with the help of above formula.

3.8.2 z test for Difference between Proportion

If two samples are drawn from different populations, one may be interested in finding out whether the difference between the proportion of successes is significant or not. In such a case one takes the hypothesis that the difference between P_1 , *i.e.* the proportion of successes in one sample, and P_2 , *i.e.* the proportion of successes in another sample, is due to fluctuations of random sampling.¹¹

In case of qualitative phenomena, one has data on the basis of presence or absence of an attribute(s). With such data the sampling distribution may take the form of binomial probability distribution whose mean would be equal to $n \cdot p$ and standard deviation equal to $\sqrt{n p q}$, where p represents the probability of success, q represents the probability of failure such that $p + q = 1$ and n , the size of the sample. Instead of taking mean number of successes and standard deviation of the number of successes, one may record the proportion of successes in each sample in which case the mean and standard deviation (or the standard error) of the sampling distribution may be obtained as follows:

$$\text{Mean proportion of successes} = (n \cdot p)/n = p$$

$$\text{and standard deviation of the proportion of successes} = \sqrt{\frac{p q}{n}}$$

If n is large, the binomial distribution tends to become normal distribution, and as such for proportion testing purposes we make use of the test statistic z as under:

$$Z = \frac{\hat{p} - p}{\sqrt{\frac{p q}{n}}}$$

where \hat{p} is the sample proportion

If two samples are drawn from different populations, one may be interested in knowing whether the difference between the proportion of successes is significant or not. In such a case, one starts with the hypothesis that the difference between the proportion of success in sample one (\hat{p}_1) and the proportion of success in sample two (\hat{p}_2) is due to fluctuations of random sampling. In other words, one takes the null hypothesis as $H_0 : \hat{p}_1 = \hat{p}_2$ and for testing the significance of difference, one works out the test statistic as under:

$$Z = \frac{\hat{p}_1 - \hat{p}_2}{\sqrt{\frac{\hat{p}_1 \hat{q}_1}{n_1} + \frac{\hat{p}_2 \hat{q}_2}{n_2}}}$$

where \hat{p}_1 = proportion of success in sample one

\hat{p}_2 = proportion of success in sample two

$\hat{q}_1 = 1 - \hat{p}_1$

$\hat{q}_2 = 1 - \hat{p}_2$

n_1 = size of sample one

n_2 = size of sample two

and $\sqrt{\frac{\hat{p}_1 \hat{q}_1}{n_1} + \frac{\hat{p}_2 \hat{q}_2}{n_2}}$ = the standard error of difference between two sample

proportions .

Then, one constructs the rejection region (s) depending upon the H_a for a given level of significance and on its basis one judge the significance of the sample result for accepting or rejecting H_0 .¹²

3.8.3 Spearman's Rank Correlation Coefficient¹³

Where direct quantitative measurement of the phenomenon under study is not possible, for example, efficiency, honesty, intelligence etc., in such a case Spearman's rank correlation coefficient can be applied. In such a case one may rank or array the different items and apply the Rank Correlation for finding out the degree of correlation. The formula for computing rank correlation is as follows:

$$R = 1 - \frac{6 \sum D^2}{N(N^2 - 1)}$$

Where R denotes coefficient of rank correlation, D denotes the difference between paired ranks and N stands for the number of pairs.

The value of R always remains between -1 to +1. It is the only method of finding out relationship when ranks are given. The greatest use of the method lies in the fact that it enables us to measure the degree of relationship in case of such statistical series as

cannot be quantitatively expressed and where the coefficient of correlation cannot be used.

3.8.4 *t*-test¹⁴

It is interesting to know whether the calculated correlation coefficient of sample data is indicative of significant correlation. For this purpose one may use (in the context of small samples) normally either the *t*-test or the F-test depending upon the type of correlation coefficient. One uses the following tests for the purpose:

In case of simple correlation coefficient: One uses *t*-test and calculates the test statistic as under:

$$t = r \sqrt{\frac{n-2}{1-r^2}}$$

Where *r* denotes the correlation coefficient and (*n*-2) is degree of freedom.

This calculated value of *t* is then compared with its table value and if the calculated value is less than the table value, the null hypothesis is accepted at a given level of significance and may infer that there is no relationship of statistical significance between the two variables.

In this research study, *t*-test is applied by using above formula to know the significance of the value of rank correlation coefficient.

3.9 Limitations of the Study

1. The research study is limited only for the state Gujarat and Ahmedabad city.
2. Only urban area of Ahmedabad city is covered here.
3. This study carried out analysis of only one MFI and has studied only one model of microfinance.
4. Although, microfinance provides wide range of financial services, the study has taken only one financial facility – credit facility of the microfinance.
5. The limitation of the threat of the primary data sources employed to the research project does prevail in this research study.
6. The responses given by the respondents are subject to their personal biases and choices as the case may be.



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Chapter 4

LEGAL FRAMEWORK

Chapter 4

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Chapter 4

Legal Frame Work

Preceding chapter presents an overall idea about the research design of this study with the explanation, in detail. This chapter is going to discuss about the development in the legal frame work with reference to microfinance.

Microfinance came into existence, and it started growing, according to the need and convenience. On analyzing the data of last five years (2008-2012), the total gross loan portfolio of the MFIs has observed an up ward trend *i.e.* ₹59.54 billion (2008) to ₹175.65 (yr) billion. When MFIs are studied with their legal forms, it shows rising trend for NBFC form of organization. It increases from 9.46% (2006) to 65.57% (2012). It is the indication of boost in commercialization of microfinance over a period of time.¹⁻⁷

When the microfinance started growing by many fold, institutions also started burning their fingers from borrowers' side. Moreover, the absolute commercial approach towards funding of microfinance can equally not serve the purpose. In the light of the same, the RBI and NABARD felt a need to regulate the MFIs. The present chapter discusses the legal regulatory framework as applicable to MFIs.

India with a population of around 300 million poor people has emerged as a large potential market for the microfinance sector, which is attracting funding from various sources. To enable the country to leverage this interest and use it to progress towards the goal of financial inclusion, it is important to develop a regulatory structure for the sector, for number of reasons. First, regulation is needed to enable microfinance institutions (MFIs) to offer savings services, the lack of which is a major shortcoming of the sector. Second, with the entry of commercially-oriented participants, the need for supervision and consumer protection is even more pressing. Third, with MFIs broadening their range of services to include services such as insurance and pension products, coordinated regulation of the sector is required. Finally, given the diversity of legal forms of MFIs, a uniform regulatory framework would enable a level playing field and prevent regulatory arbitrage.⁸

4.1 Evolution of Microfinance

Microfinance is of ancient origin in India. The informal financing system can be traced to the era of Kautilya in the fourth century B.C. Since long time, traders and moneylenders have traditionally provided credit to the rural poor. The first effort in institutionalizing rural credit was made by the Government of India in the first decade of

the last century with the passing of the Cooperative societies Act in 1904 to support the country's predominantly agricultural economy. In 1950, the creation of a nationwide network of rural cooperative banks was an attempt to improve financial access for India's poor (75% rural). Government of India introduced social control in 1967 and later nationalization of major commercial banks was occurred. These banks were also directed to involve themselves in rural lending. Later in 1975, Government of India also introduced a specialized state sponsored, regionally based and rural oriented Regional Rural Banks (RRBs) with the objective of accelerating rural economic development of the identified target groups i.e., weaker sections comprising small and marginal farmers, agricultural labourers, artisans, small entrepreneurs etc. Despite having a wide network of rural bank branches in India, a very large number of poor especially women continued to remain outside from the formal banking financial system. Therefore, a need of financial inclusion was felt with alternative systems and procedures, saving and loan products, other complementary services and new delivery mechanisms, which would fulfil the requirement of the poor. The Regional Rural Banks (RRBs) were set up in 1976, especially with a view to meet the credit requirements of the weaker sections of the society. In the early 1980s, the government of India launched the Integrated Rural Development Program (IRDP), a large poverty alleviation credit program, which provided government subsidized credit through banks to the poor. It was aimed that the poor would be able to use the inexpensive credit to finance themselves over the poverty line. Then in 1981, The National Bank for Agriculture and Rural Development (NABARD) came into existence and initiated new approach in the area of rural finance. In 1982 RBI transformed its agricultural credit department into the NABARD.⁹

4.1.1 Banking with Self-Help Groups

Self-help groups (SHGs) first emerged in MYRADA (Mysore Resettlement and Development Agency) in 1985. In 1986/87 there were some 300 SHGs in MYRADA's projects. Many had emerged from the breakdown of the large cooperatives organized by MYRADA. NABARD focused on supporting NGO (Non Government Organizations) initiatives to promote SHGs and on analyzing their potential and performance. In 1987 NABARD first put funds into the SHG/SAG* movement (in response to a proposal from

Note: * = When these affinity groups emerged in MYRADA projects in 1984, largely as a result of the breakdown of the cooperative societies organized by MYRADA in its rehabilitation projects, they were called credit management groups and focused on the management rather than the provision of credit. When MYRADA entered into an agreement with NABARD to launch the research-and-development initiative related to these groups, the name was changed to self-help groups. NABARD provided MYRADA Rs 1 million in 1987 for this purpose. MYRADA continued (contd.)

MYRADA submitted in 1986). In 1987 NABARD provided MYRADA with a grant of 1 million Indian rupees to enable it to invest resources to identify affinity groups, build their capacity and match their savings after a period of 3-6 months. The grant was based on MYRADA's experience in promoting SHGs since 1985 and the initiative of the NABARD chairperson at the time, Shri P.R. Nayak.

As a result of the feedback from this initiative, in 1989 NABARD launched an action research of project in which similar grants were provided to other NGOs. After an analysis of the action research, and owing to the efforts of successive NABARD chairpersons and senior management, in 1990 RBI (The Reserve Bank of India) accepted the SHG strategy as an alternative credit model.¹⁰ In 1991¹¹ (July 24) RBI advised all scheduled Commercial Banks (excluding RRBs) to actively participate in the pilot project which would be launched by NABARD.

Accordingly NABARD launched a pilot project in 1992¹² (February 26) with the flexible guidelines to enable participating banks and field level banks. The pilot phase was followed by the Working Group of NGOs and SHGs constituted by RBI, which came out with the wide range of recommendations on internalization of the SHG concept as a potential intervention tool in the area of banking with the poor. In 1996¹³ (April 2), the RBI accepted most of the major recommendations and advised the banks to consider lending to the SHGs as part of their mainstream rural credit operations. The programme was upgraded to a regular banking program in 1996¹⁴ (October 7). Based on very successful feedback of the pilot run of the Program, NABARD in 1998¹⁵ crystallized its vision for providing access to 100 million of rural poor through linking of 1 million SHGs by 2008 (which was achieved in March 2004).

The evolution of SHG-Bank Linkage Programme could be viewed in terms of following three distinct phases:

Table 4.1 The Evolution of SHG Bank-Linkage Programme

Phase 1	Pilot testing during 1992 to 1995
Phase 2	Mainstreaming during 1996 to 1998
Phase 3	Expansion from 1998 onwards

Source: Pati A. P. (2010)¹⁶

to stress that members should be linked by affinity (mutual trust and support) and not simply because they were eligible beneficiaries. After 1999, when MYRADA realized that SHGs were being promoted without any concern for affinity and with little or no training to build their institutional capacity, MYRADA changed the name of the groups it promoted to 'self-help affinity groups' or SAGs. In the present document, the term SAG will be used throughout, except where it refers to the NABARD SHG-Bank Linkage Programme and in quotations.

4.1.2 Microcredit and Microfinance: Defined

The term “Microfinance” has been given a working definition by the Task Force on Supportive Policy and Regulatory Framework for Microfinance set up by NABARD in November 1998 as: “provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve living standards”.¹⁷ The same definition is also given by RBI for the term Microcredit (RBI notification 2000, February 18).¹⁸ However, microfinance is understood in a broader sense than that of micro credit. In fact, the MFIs (Microfinance Institutions) provide saving products, pensions, payment services, housing loans and other non-credit services as well such as capacity building, training, marketing of the products of the SHGs, micro-insurance, etc.

4.1.3 Financial Inclusion of Microfinance

C. Rangarajan (2008)¹⁹ has submitted the report giving recommendations on Financial Inclusion with the main objective of extension the scope of activities of the organized financial system to include within its ambit people with low incomes. Through graduated credit, the attempt must be to lift the poor from one level to another so that they come out of poverty. However, the primary focus of the committee had been on improving the delivery systems (supply side), both conventional and innovative. The committee also proposed the constitution of two funds with NABARD – the Financial Inclusion Promotion & Development Fund and the Financial Inclusion Technology Fund with an initial corpus of ₹500 crores each to be contributed in equal proportion by GOI/RBI/NABARD. This recommendation has already been accepted by GOI. After showing the success of SHG-Bank Linkage Scheme in rural areas, the committee has recommended amendment to NABARD Act to enable it to provide microfinance services to the urban poor also. Thus, the committee had recommended adopting the concept of Joint Liability Groups (JLGs), an up gradation of SHG model, for purveying credit. The committee felt that MFIs could play a significant role in facilitating inclusion, as they are uniquely positioned in reaching out to the rural poor. Many of them have a greater understanding of the issues specific to the rural poor. Accordingly, the committee has recommended that greater legitimacy, accountability and transparency will not only enable MFIs to source adequate debt and equity funds, but also eventually enable them to take and use savings as a low cost source for on-lending. The committee also felt a need to recognize a separate category of Micro finance-Non Banking Finance Companies (MF-NBFCs), without any relaxation on start-up capital and subject to the regulatory prescriptions applicable for NBFCs. Such MF-NBFCs could provide thrift, credit,

micro-insurance, remittances and other financial services up to a specified amount to the poor in rural, semi-urban and urban areas. Such MF-NBFCs may also be recognized as Business Correspondents of banks for providing only savings and remittance services and also act as micro insurance agents. The committee believed micro-insurance as a key element in the financial services for the people at the bottom of the pyramid. The poor face more risks than the well off. Therefore, the committee expressed the need to emphasize linking of micro credit with micro-insurance.

4.2 Legal Structure of Microfinance Institutions (MFIs)

Institutions providing all types of financial facilities under the head of microfinance are called microfinance institutions. MFIs are the institutions which have come up to fill the gap between the demand and supply of microfinance. The term MFIs was defined by the Task Force as “those which provide thrift, credit and other financial services and products of very small amounts, mainly to the poor, in rural, semi-urban or urban areas, for enabling them to raise their income level and improve living standards.”²⁰

4.2.1 Types of MFIs

This section deals with two parts A & B. Part A discusses about the MFIs classified based on the nature of organization while Part B discusses about the MFIs classified based on the size and nature of operation.

A MFIs based on the Nature of Organization²¹

Based on the nature of the organization MFIs are classified into following types such as NGO-MFIs; Non-Profit Companies as MFIs; Mutual Benefit MFIs and For Profit MFIs. Following lines explain about the same.

NGO-MFIs: There are a large number of NGOs that have undertaken the task of financial intermediation. Majority of these NGOs are registered as Trust or Society. Many NGOs have also helped SHGs to organize themselves into federations and these federations are registered as Trusts or Societies. Many of these federations are performing non-financial and financial functions like social and capacity building activities, facilitate training of SHGs, undertake internal audit, promote new groups, and some of these federations are engaged in financial intermediation. The NGO MFIs vary significantly in their size, philosophy and approach. Therefore these NGOs are structurally not the right type of institutions for undertaking financial intermediation activities, as the byelaws of these institutions are generally restrictive in allowing any commercial operations. These organizations by their charter are non-profit organizations

and as a result face several problems in borrowing funds from higher financial institutions. The NGO MFIs, which are large in number, are still outside the purview of any financial regulation. These are the institutions for which policy and regulatory framework would need to be established.

Non-Profit Companies as MFIs: Many NGOs felt that combining financial intermediation with their core competency activity of social intermediation is not the right path. It was felt that a financial institution including a company set up for this purpose better does banking function. Further, if MFIs are to demonstrate that banking with the poor is indeed profitable and sustainable, it has to function as a distinct institution so that cross subsidization can be avoided. On account of these factors, some NGO MFIs have set up a separate Non-Profit Companies for their microfinance operations. The MFI is prohibited from paying any dividend to its members. In terms of Reserve Bank of India's Notification dated 13 January 2000, relevant provisions of RBI Act, 1934 as applicable to NBFCs will not apply for Non Profit Company. Following lines presents the provisions applicable to the Non-Profit Companies.

- a) License under Section 25 of Companies Act, 1956,
- b) Providing credit not exceeding ₹50,000 for a business enterprise and ₹1,25,000 for meeting the cost of a dwelling unit to any poor person.
- c) Not accepting public deposits.

Mutual Benefit MFIs: The State Cooperative Acts did not provide for an enabling framework for emergence of business enterprises owned, managed and controlled by the members for their own development. Several State Governments therefore, enacted the Mutually Aided Co-operative Societies (MACS) Act for enabling promotion of self-reliant and vibrant co-operative Societies based on thrift and self-help. MACS enjoy the advantages of operational freedom and virtually no interference from government because of the provision in the Act that societies under the Act cannot accept share capital or loan from the State Government. Many of the SHG federations, promoted by NGOs and development agencies of the State Government, have been registered as MACS. Reserve Bank of India, even though they may be providing financial service to its members, does not regulate MACS.

For Profit MFIs: Non Banking Financial Companies (NBFC) are companies registered under Companies Act, 1956 and regulated by Reserve Bank of India. Earlier, NBFCs were not regulated by RBI, but in 1997 it was made obligatory for NBFCs to apply to RBI for a certificate of registration and for registration with RBI, NBFCs were to have minimum Net Owned funds of ₹2.5 million and this amount has been gradually

increased to ₹20.0 million w.e.f. April 21, 1999. RBI introduced a new regulatory framework for those NBFCs who want to accept public deposits. All the NBFCs accepting public deposits are subjected to capital adequacy requirements and prudential norms. Many MFIs view NBFCs more preferred legal form and are aspiring to be NBFCs.

B MFIs based on the Size and Nature of Operation²²

Regulation of MFIs depends upon their size and nature of operations. The Task Force classified MFIs as small MFIs below cut-off level of business and big MFIs above the cut-off level of business. According to the Task Force, MFIs with large area of operation and activities, need more regulation as compared to MFIs with small scale of activities. Task Force is, therefore, of the opinion that there should be a dividing line between "small" and "large" MFIs from the point of view of their operations, and more particularly mobilization of savings by them, as safety of the interests of the small savers is involved. The cut-off limit will also determine the extent of regulation and supervision requirements for the MFIs. Based on the type of financial services extended and the cut-off level of business, the MFIs can be divided into four classes for the purpose of regulation: MFIs purveying credit only; MFIs purveying credit and mobilizing savings from the clients/loanees (below cut-off limit); MFIs purveying credit and mobilizing savings from the clients/loanees (above cut-off limit); and MFIs purveying credit and mobilizing savings from the clients/loanees and general public.

Cut-off Level of Business: After examining the data from more than 350 agencies and field studies of SHGs and other types of ground level microfinance structures, it was observed by the Task Force that individual thrift per month generally does not exceed ₹50 and an MFI operating in a small geographical area and serving about 1,000 clients would require about five years to mobilize a level of aggregate savings of about ₹25 lakh. The Task Force, therefore, considers that cut-off level of business for the purpose of regulation and supervision by a regional or a national authority may be savings from the clients of the MFI and fixed at aggregate saving of ₹25 lakh.

MFIs Purveying Credit Only: The Task Force is of the view that for NGO-MFIs undertaking lending operations through a combination of their own resources, grants, and loan taken for on lending need not be governed by any elaborate regulation for the MFIs purveying credit only and not mobilizing savings in any manner. Once initial registration is done, the agencies may furnish only periodic statements. MFIs having borrowing from banks, development financial institutions or other agencies will

be monitored by the lending agencies as part of their ordinary business as lenders. Such MFIs will have to comply with suitable prudential accounting norms relating to income recognition, asset classification and provisioning. Further, auditors may be required also to check the microfinance activities and they may be required to submit a special report confirming that the agency has got registered with the competent authority or has applied for that, and is not actually mobilizing any savings.

MFIs Mobilizing Savings and Purveying Credit: On observing that small saving service to the poor (almost at their own doorstep) is one of the essential financial services, the Task Force is of the view that NGOs may be treated as corporate for the limited purpose of Sec. 45 S of the RBI Act and may be allowed to mobilize savings only from their clientele as part of the financial services provided to them. After treated as corporate body, all MFIs under this category will have to register themselves with the appropriate registration authority. If such institution mobilizes savings in **excess of the cut-off limit**, they may have to register also with the central authority at national level. Those NGO-MFIs mobilizing **savings not exceeding ₹2 lakh** at any point of time may be excluded from the regulatory norms. However, such NGO-MFIs will have to obtain registration and submit periodic information to the competent authority. For those MFIs mobilizing saving above ₹2 lakh and **below cut-off level**, the regulation may comprise a minimum reserve of 10% of the savings at the end of the second preceding quarter. The MFIs may be asked to maintain the reserve in the form of deposits with any scheduled bank in any manner and forward specified quarterly statements to the registration authority. In respect of the MFIs having savings **above the cut-off level**, the reserve requirements may be 15 % of the savings to be maintained in the form of bank deposits. Further, these MFIs may be required to comply with prudential norms regarding income recognition, asset classification and provisioning. In respect of the NGO-MFIs mobilizing **savings or deposits from people other than clients** (including those under social sector interventions), the RBI will have to take a view.

4.2.2 MFIs and Policy Framework²¹

Various initiatives are taken to develop the policy framework for MFI, over a period of time. Following para discusses the same.

Capital Requirements: NGO-MFIs, non-profit companies MFIs, and mutual benefit MFIs are regulated by the specific Act under which they are registered and not by the Reserve Bank of India. These are, therefore, not subjected to minimum capital requirements, prudential norms, etc. NGO MFIs to become NBFCs are required to have a minimum entry capital requirement of ₹20 million. As regards prudential norms,

NBFCs are required to achieve capital adequacy of 15% (w e f March 31, 2012) and maintain liquid assets of 15% on public deposits.

Foreign Investment: Foreign investment by way of equity is permitted in NBFC MFIs subject to a minimum investment of \$500,000. In view of the minimum level of investment, only a few NBFCs are reported to have been able to raise the foreign investment. However, a large number of NGOs operating in the development/empowerment of poor are receiving foreign fund by way of grants.

Deposit Mobilization: Not for profit MFIs are barred, by the Reserve Bank of India, from mobilizing any type of savings. Mutual benefit MFIs can accept savings from their members. Only those NBFCs holding a valid Certificate of Registration with authorization to accept Public Deposits can accept/hold public deposits. NBFCs authorized to accept/hold public deposits besides having minimum stipulated Net Owned Fund (NOF) should also comply with the directions such as investing part of the funds in liquid assets, maintain reserves, rating etc. issued by the Bank.

Borrowings: Initially, bulk of the funds required by MFIs for on lending to their clients were met by apex institutions like National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI), and Rashtriya Mahila Kosh (RMK). In order to widen the range of lending institutions to MFIs, the Reserve Bank of India has roped in Commercial Banks and Regional Rural Banks to extend credit facilities to MFIs since February 2000. Both public and private banks in the commercial sector have extended sizeable loans to MFIs at varying interest rates. Banks have been given operational freedom to prescribe their own lending norms keeping in view the ground realities. The intention is to augment flow of micro credit through the conduit of MFIs. In regard to external commercial borrowings (ECBs) by MFIs, not-for-profit MFIs are not permitted to raise ECB. The current policy effective from 31 January 2004, allows only corporate registered under the Companies Act to access ECB for permitted end use in order to enable them to become globally competitive players.

Interest Rates: The interest rates are deregulated not only for private MFIs but also for formal banking sector. In the context of softening of interest rates in the formal banking sector, the comparatively higher interest rates charged by the MFIs have become a controversial issue. The high interest rate collected by the MFIs from their poor clients is perceived as exploitative. It is argued that raising interest rates too high could undermine the social and economic impact on poor clients. Due to door step delivery of services to clients, transaction costs of MFIs are higher than that of the formal banking

channels. Thus, the high cost structure of MFIs would affect their sustainability in the long run.

Collateral requirements: All the legal forms of MFIs have the freedom to waive physical collateral requirements from their clients. The credit policy guidelines of the RBI allow even the formal banks not to insist on any type of Security/margin requirement for loans upto ₹1,00,000 for Agriculture loans.

4.3 Major Recommendations from RBI^{23, 24}

A High-level meeting on Micro finance was held under the Chairmanship of Deputy Governor Shri Vepa Kamesam on August 6, 2003 which was attended by senior executives of select Public sector and Private sector banks, Regional Rural Banks (RRBs), District Central Co-operative Banks (DCCBs), Microfinance institutions (MFIs), SIDBI and NABARD. Major recommendations given by the committee on issues related to: (i) Structure and Sustainability; (ii) Funding; (iii) Regulations; and (iv) Capacity Building.

(i) Structure and Sustainability Issues

1. Grant funding may be discouraged for purposes other than those defined as capacity building.
2. Interest rates on small loans from commercial banks to individuals may be de-regulated; specifically there must be total deregulation of interest rates on small loans (< ₹200,000) from commercial banks directly to individuals.
3. Banks may be allowed to partner with other agencies to offer 'third party banking' (like MFIs collecting deposits on behalf of banks), which will increase outreach without additional investments and permit flexibility in terms of location and service timings.

(ii) Funding Issues

1. An autonomous and professionally-managed National Micro Finance Equity Fund may be set up with an initial subscription of ₹200 crores (to be raised to ₹500 crores over 2-3 years) with contribution by banks which may be treated as Weaker Section lending under Priority Sector.
2. RBI should evolve special credit rating tools for MFIs in India and build up an MFI Information Bureau for providing information.
3. Commercial banks/RRBs may provide 10% of their loans to MFIs as grants for capacity building and these grants should be reimbursed by NABARD from Micro Finance Development Fund.

4. All NBFC-MFIs registered with RBI may be allowed to raise deposits subject to their obtaining minimum credit rating under the special credit rating tools developed for the MFI sector, Non-Banking Finance Companies (NBFC) or registered with RBI.
5. A separate category of NBFCs be created for attending to microfinance business with entry capital requirement of ₹25 lakhs
6. The amount of deposits mobilized by any such MFI should not exceed ₹5000/- per depositor and all such deposits may be covered by the guarantee of Deposit Insurance & Credit Guarantee Corporation (DICGC).

(iii) Regulatory Issues

• **For SHGs**

1. SHGs may not lend outside the Group.
2. SHGs may decide on some cap on borrowings per Member.
3. Group to decide on apportioning of income earned during a year.
4. Pass Books may be issued to each SHG Member.
5. A rating matrix by lender to assess SHGs while making credit decisions to be made mandatory. The rating exercise to be done by the lender (NGO/MFI/bank) on a yearly basis to ensure no slippage in the ratings.

• **For NGOs**

1. Those NGOs who opt to transform into Section 25 companies to repay the deposits and come out of the deposit portfolio.
2. Broad guidelines for a rating matrix for NGOs are devised. Each lender to evolve its own rating matrix based on these guidelines. Rating exercise to be repeated annually to avoid slippage in rating. Rating to be done by accredited agencies in case of NGOs with borrowings of above ₹2 crores.

• **For Micro Credit Institutions (MCIs)**

1. Company Law Board to allow SHGs to be members of Section 25 companies.
2. There will be no ceiling in respect of loan amount extended by Section 25 companies to SHGs; however SHGs, to provide credit not exceeding ₹50,000/- per member of the SHG. RBI may consider issuing revised instructions. For fixation of interest, costs of capacity building, cost of management/administration, cost of funds, rate of inflation and loan loss, were permitted to cover up.
3. To encourage more flow of donations/contributions, donors to be exempted from income tax under Section 11C of the IT Act.

4. All income and interest on loans to be recognized on an accrual basis.
 5. MFIs may build up loan loss reserves (2% of total assets to begin with and upto 10% over a period of 10 years); suitable exemption to be provided under IT Act for creation of loan loss reserves.
 6. Legal status of institution with details of borrowings is disclosed. Details of borrowings, details of loans and classification of loans and method of deferring and amortization to be disclosed.
 7. Institute of Chartered Accountants of India be involved in developing an effective audit mechanism.
 8. Savings of SHGs promoted by Section 25 companies be maintained with permitted organizations.
 9. Complete income tax exemption for Section 25 companies purveying micro credit (to the donor and to the receiver). Government to consider complete exemption from IT for income earned, as the main purpose of the organization is to empower the poor.
- **For Microfinance Institutions (MFIs - NBFCs)**
 1. Minimum entry-level capital requirement for micro finance NBFCs which is involved exclusively in financing SHGs be reduced to ₹25 lakhs from ₹200 lakhs at present. However, such NBFCs may not be allowed to accept deposits until their capital is raised to ₹200 lakhs.
 2. Capital adequacy norms should be more stringent compared to formal financial Institutions as all the loans provided by MFIs are collateral free loans. A minimum capital adequacy ratio of 10 % of the risk weighted assets is suggested.
 3. All income and interest on loans should be recognized on accrual basis. All accounts where interest/instalment is overdue for more than 45 days (to be moved to 30 days norm by 2007) to be treated as NPAs.
 4. The organization should provide adequate provisioning to take care of loan losses; to begin with it should be 2% on the standard assets. Exemption to be provided under IT Act for the loan loss reserves created. These guidelines to be more stringent when compared to formal institutions as all the loans provided by NBFCs are collateral free loans.

Based on the recommendations of the Advisory Committee on Flow of Credit to Agriculture and Related Activities from the Banking System (Vyas Committee), in the Annual Policy Statement for the year 2004-05, it has been announced that, in view of the

need to protect the interest of depositors, MFIs would not be permitted to accept public deposits unless they comply with the extant regulatory of the Reserve Bank.

(iv) Capacity Building Issues

1. Each bank could establish an exclusive micro finance cell to design strategies of the bank and creating an enabling environment to develop microfinance as core business of poverty lending.
2. RBI shall facilitate setting up of business incubation fund through SGSY (Swarnjayanti Gram Swarozgar Yojana) programme for providing venture capital support.
3. SHGs may be networked into community-based organization at cluster/federation level.
4. Rural Infrastructure Development Fund (RIDF) funds may also be used for SHG promotion.
5. An innovation fund for research and development may be initiated.
6. Common performance standards based on key financial and non-financial indicators may be involved.
7. Microfinance resource centres with exclusive focus on capacity building may be set up in five different regions.

4.4 Limitations of Legal Regulatory Framework

India has a large number of MFIs varying significantly in size, outreach and credit delivery methodologies. Presently, there is no regulatory mechanism in place for MFIs except for those which are registered as NBFCs with RBI. However, all NBFCs are currently regulated by Reserve Bank of India under Chapters III-B, III-C and V of the Reserve Bank of India Act. There is no separate category created for NBFCs operating in the Microfinance sector. As a result, MFIs are not required to follow standard rule and it has allowed many MFIs to be innovative in its approach, particularly, in designing new products and processes. But the flip side is that the management and governance of MFIs generally remains weak, as there is no compulsion to adopt widely accepted systems, procedures and standards. Because the sector is unregulated, not much is known about their internal health.²¹

The Association of Community Development Finance Institutions argues that an overtly commercial approach, albeit with sufficient regulation is institutionally more sustainable. This approach to microfinance in India is the establishment of a for-profit company followed by registration with the RBI as an NBFC. A number of MFIs are

considering this route and a few have either already transformed into NBFCs or are in the process of doing so. The key factor is that the RBI regulates only those microfinance institutions which are registered with it as NBFCs. Further, there is a regulatory gap between the way the RBI regulates NBFCs and normal banks. Although the registered companies cover over 80 per cent of the microfinance business, in terms of number of companies they constitute a small percentage of the total number of MFIs in the country. The RBI, however, does not prescribe lending rates for these institutions. A skepticism that exists is that registering as not-for-profit companies under Section 25 of the Companies Act 1956, is to take advantage of the RBI's exemption from registration for such companies providing microfinance services.²⁵

Additional limitation is the implementation of new RBI requirements regarding priority sector lending, particularly with regard to borrower income and borrower indebtedness. Since there are no tax-filings or credit reports for the majority of microfinance customers, the income related information is mostly reported by the customer. Thus, customers have an incentive to misrepresent their income and indebtedness in order to qualify for a loan. Without a functioning credit bureau, these customer characteristic requirements are impossible to accurately enforce. Another limitation is the universal margin and interest rate cap, which could be detrimental for the sector, since it would most likely result in the reduction of financial services in various areas and populations where returns would not justify the operating cost. Lack of diversification of funding sources is also problematic for MFIs due to the current regulation regarding access of capital.²⁶

4.5 Summary

Table 4.2 is summing up the details of existing legal framework for the financial institutions engaged directly or indirectly in providing microfinance facilities.

Table 4.2
Summary of Legal Framework for Institutions Engaging Directly or Indirectly in Microfinance

Category of Institutions	Type of Institutions	Legal Framework: Licensing	Action Allowed	Action Not Allowed	Minimum Capital Requirement
Banks	Scheduled Commercial Banks	Reserve Bank of India Act	Fully Banking services, enumerated in Section 6.	Must respect priority sector lending target (40% bank credit) of which 25% to weaker sections: local area banks may operate only in designated areas	₹100 crores

Table 4.2 Contd.

Category of Institutions	Type of Institutions	Legal Framework: Licensing	Action Allowed	Action Not Allowed	Minimum Capital Requirement
Commercial MFIs	Regional Rural Banks (RRBs)	Regional Rural Banks Act of 1970	Opening A/c, saving, lending only in rural areas	*	*
	Non Banking Finance Companies (NBFCs)	Section 45-I(f) of RBI Act NBFC rules (some registered, some not)	Only time deposits with one time maturity	Under covenants in the RBI Act, no public savings unless a satisfactory (A) rating is received; maximum allowed is 4 times net owned funds for AAA rated companies; No current, recurring or savings deposits	₹2 crores
	Local Area Banks (LABs)	Banking Regulation Act of 1949	Deposit mobilization is allowed (current, recurring, savings and time deposits). No upper limit, although in practice maximum is 10 to 12 times net owned funds	*	₹5 crores
Mutual Benefit MFIs	Urban Cooperative Banks	State of Multi-State Cooperative Societies Act	Deposits allowed with an upper limit on deposits; Can take current, recurring, savings and time deposits	*	₹50 lakhs
	Mutually Aided Cooperative Societies (MACSs)	Incorporated under AP MACS Act; RBI licenses under Banking Reg. Act and Cooperative Societies Rules of 1966	Funds from members in the form of share capital, deposits, debentures, loans and other contribution; Public savings as allowed in bye-laws	Raising share capital from government	None

Table 4.2 Contd.

Category of Institutions	Type of Institutions	Legal Framework: Licensing	Action Allowed	Action Not Allowed	Minimum Capital Requirement
Non-Profit MFIs	Section 25 Companies	Companies Act 1956	Can take current, recurring, savings and time deposits.	*	None
	NGOs	No licensing (registration under the Societies Act or Indian Trusts Act)	Lending is not allowed under these acts, but is considered on the basis of the inclusion of lending in statutes submitted as part of the registration process under these Acts	Deposit collection technically not allowed, limited by covenants under the RBI Act	None

Source: Singh H. R. & Singh N. D. (2011)²⁷ * = Data not mentioned in the source.

After discussing the existing legal regulatory framework for MFIs in this chapter, following chapter is going to present the details about the working methods of MFIs. It also provides the comparative analysis about the MFIs working in different states of India.



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Chapter 5

MICROFINANCE IN INDIA: AN OVERVIEW & ANALYSIS

Chapter 5

MICROFINANCE IN INDIA: AN OVERVIEW AND ANALYSIS

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Chapter 5

Microfinance in India: An Overview and Analysis

Preceding Chapter discussed about the legal framework about MFIs while this chapter presents the overall idea about the MFIs working in different states of India. Since the 1950s, various governments in India have experimented with a large number of grant and security based poverty alleviation programmes. Those experiment showed that these mandatory and dedicated subsidized financial programmes, implemented through banking institutions, have not been fully successful in meeting their social and economic objectives. Those programmes were often not sustainable or perpetuated the dependent status of the beneficiaries. Sometimes they were dependent ultimately on government employees for delivery. That led to misuse of both credit and subsidy. Those programmes were treated at best as poverty alleviation interventions. According to a 1995 World Bank estimate, in most developing countries the formal financial system reaches only the top 25% of the economically active population - the bottom 75% have no access to financial services apart from moneylenders. The formal financial institutions have not been able to reach the poor households, and particularly women, in the unorganized sector in India also. Structural rigidities and overheads led to high cost of making small loans. Organizational philosophy has not been oriented towards recognizing the poor as credit worthy. The problem has been compounded by low level of influence of the poor, either about their credit worthiness or their demand for savings services. All this gave rise to the concept of microfinance.¹

Briefly, this chapter is going to discuss about the history of microfinance at global level and brief history of microfinance in India. It also discusses about how microfinance works and what type of financial facilities are being provided by microfinance. This chapter gives the knowledge about the service providers of microfinance and delivery models of microfinance through which microfinance can provide financial facilities to its users. Main section of this chapter is the state wise details about microfinance institutions (MFIs) in India and particularly it gives brief historical idea about the MFIs working in Gujarat region. The data about each MFI gives an outline about current condition of microfinance in each state of India. MFIs in India are running successfully with the poor but MFIs have to face some risks. This chapter also gives a highlight on types of risks MFIs have to face. At last this chapter also points out the dark side of microfinance.

5.1 History of Microfinance: An Overview^{2,3}

Microfinance is known as a popular poverty alleviation tool, the word microfinance may be new but evidences shows that the concept of microfinance is not new. Informal credit and savings groups, for decades, have been providing those customers who were traditionally neglected by commercial banks. Some examples of these informal savings and credit groups that have been operated for centuries are the “susus” of Ghana, “chit funds” in India, “tandas” in Mexico, “arisan” in Indonesia, “cheetu” in Sri Lanka, “tontines” in west Africa, and “pasanaku” in Bolivia, as well as numerous savings clubs and burial societies found all over the world. These informal groups are also known as Rotating Savings and Credit Association (ROSCAs). ROSCAs consist of a group of men and or women who contribute to a collective fund and decide either by auction or collective decision, to contribute collected money to one of the group members. The other type of informal group is known as savings and credit cooperatives (SACCOs).

Irish Loan Fund system, initiated in early 1700s by the author and nationalist Jonathan Swift, was one of the earlier and longer-lived micro credit organizations providing small loans to rural poor with no collateral. Swift’s idea began slowly but by the 1840s it had become a widespread institution of about 300 funds all over Ireland. The principal objective of Swift’s idea was to make small loans with interest for short periods up to 20 weeks. Despite small size of the loans, from as small as 4 pounds to a maximum of 10 pounds per person, the funds constituted one the larger financial organizations in Ireland. The idea of repayment was based on ‘Social Capital’ so that if the borrower could find two other people to verify his or her trust, then they could secure the loan.

Various types of larger and more formal savings and credit institutions began to emerge in Europe in the 1800s which were primarily organized among the rural and urban poor. Those institutions were known as People’s Banks, Credit Unions and Savings and Co-operatives. The concept of the credit union was developed by Friedrich Wilhelm Raiffeisen and his supporters. From 1870, unions expanded rapidly over a large sector of the Rhine Province and other regions of the German States. Then after cooperative movement quickly spread to other countries in Europe and North America, and eventually, supported by the cooperative movement in developed countries and donors, also to developing countries. In 1895 the Indonesian People’s Credit Banks (BPR) or The Bank Perkreditan Rakyat had been opened and it became the largest

microfinance system in Indonesia with close to 9000 units. Over the years, these institutions became inefficient and widely discredited as a development intervention.

Viewed purely from a historical perspective the origin of microfinance could be traced back to the beginning of the cooperative movement in Germany, where the movement was started in 1944 in the field of co-operative based credit system by the 'Raiffeisen Societies' as well as 'Rochdale Pioneers' in England. Similarly, the enactment of the Co-operative Credit Societies Act, 1904 could be considered as the beginning of microfinance in India.

Development projects began to introduce subsidized credit programmes targeted at the specific communities in the beginning of 1950s. However rural development banks suffered massive erosion of their capital base due to subsidized lending rates and poor repayment discipline and the funds did not always reach the poor, often ending up concentrated in the hands of the better-off farmers.²

Between the 1950s and 1970s, governments and donors focused on providing agricultural credit to small and marginal farmers, in hopes of raising productivity and incomes. These subsidized schemes were rarely successful.

Meanwhile, in the starting of 1970, experimental programs in Bangladesh, Brazil and a few other countries extended tiny loans to groups of poor women to invest in micro-business. This type of microenterprise credit was based on solidarity group lending in which every member of a group guaranteed the repayment of all members. Those "microenterprise lending" programs had an almost exclusive focus on credit for income generating activities targeting very poor (often women) borrowers.

ACCION International, an early pioneer, was founded in 1961 by a US Berkeley law student named Joseph Blatchford, to address poverty in Latin America's cities. ACCION today is one of the premier microfinance organizations in the world, with a network of lending partners that spans Latin America, Asia, the United States and Africa.

In India the Self Employed Women's Association (SEWA), founded by Elaben R. Bhatt, was registered as a trade union in Gujarat state in 1972. SEWA's main objective was "strengthening its members' bargaining power to improve income, employment and access to social security." In 1974 four thousand women decided to found "a bank of their own" and contributed share capital to establish the Mahila SEWA Co-operative Bank. Since then it has been providing banking services to poor, illiterate, self-employed women and has become a viable financial venture. SEWA Bank is the first microfinance institution providing microfinance services to the poor.

In Bangladesh, Professor Muhammad Yunus addressed the banking problem faced by the poor through a programme of action-research. After completing his graduation from Chittagong University in 1976, he designed an experimental credit programme to serve the poor and his idea spread rapidly to hundreds of villages. Through a special relationship with rural banks, he disbursed and recovered thousands of loans, but having a fear of risk, the bankers refused to take over the project at the end of the pilot phase in spite of his success. In 1983 the Grameen Bank was founded through the support of donors. The initial success of Grameen Bank also stimulated the establishment of several other giant microfinance institutions like BRAC, ASA, Proshika, etc.

Through the 1980s, the policy of targeted, subsidized rural credit came under a slow but increasing attack as evidence mounted of the disappointing performance of directed credit programs, especially poor loan recovery, high administrative costs, agricultural development bank insolvency, and accrual of a disproportionate share of the benefits of subsidized credit to larger farmers. Meanwhile, microcredit programs throughout the world improved upon the original methodologies and defied conventional wisdom about financing the poor. First of all it was discovered that poor people, especially women, had excellent repayment rates among the programs, rates were better than the formal financial sectors of most developing countries. Second, the poor were willing and able to pay interest rates that allowed microfinance institutions (MFIs) to cover their costs.

In 1990s, those two features- high repayment and cost-recovery interest rates- permitted some MFIs to achieve long-term sustainability and reach large numbers of clients. Another significant movement in the sector of microfinance is the village banking unit system of the Bank Rakyat Indonesia (BRI). BRI is the largest microfinance institution in developing countries. This state-owned bank serves micro savers and also managed micro banks. The micro banks of BRI were the product of a successful transformation by the state of a state-owned agricultural bank during the mid-1980s. The 1990s saw growing enthusiasm for promoting microfinance as a strategy for poverty alleviation. The microfinance sector blossomed in many countries, lending to multiple financial services firms serving the needs of micro entrepreneurs and poor households.³

This is how microcredit programmes throughout the world improved upon original methodologies and defined conventional wisdom about financing the poor. They showed that poor people, especially women, had an excellent repayment capacity if

they were trained and given an opportunity. They also showed that poor were willing to pay the better interest rates than in the formal financial sectors that allowed MFIs to sustain.

5.2 History of Microfinance in India⁴

First phase of microfinance in India is Social Banking. The All India Rural Credit Survey report of 1954 found that informal sources accounted for 70%, while the cooperative accounted for 6.4% and commercial banks just 0.9% of rural credit usage. In 1960, India had made one the largest interventions in rural credit market and it were referred to as Social Banking Phase. Social Banking Phase was characterized by broadening the access to credit for poor and marginalized people and to section of people with no access to formal banking in India.

The All India Rural Credit Survey Committee recommended expansion of the co-operative credit system in 1954 to cater to the credit needs of the rural poor. The committee on co-operative Credit had proposed strong and stable institutional framework for strengthening of co-operatives in 1960 followed by the “Lead Bank Scheme” in 1969. In 1969, The All India Credit Survey Committee recommended the adoption of “Multi-agency Approach.” It was the first time the Government of India has accepted the fact the rural credit demand could not only be met from co-operatives along and commercial banks have to play a vital role in meeting rural credit demands. The “Lead Bank Scheme” had started district credit plans which brought about a strong reform in the rural financial sector. Another important development in the Indian financial sector came out by nationalization of 14 commercial banks in the year 1969.

The Regional Rural Banks (RRBs) were incorporated and “Agricultural Refinance and Development Corporation (ARDC) was set up in the year 1975. By mid 1970s, the banking sector was operating as a three tier system *viz.* first tier had consisted of commercial banks, second tier had consisted of RRBs and the third tier had been formed by co-operative banks. By the same period 49% of all schedule commercial banks had operated from rural areas.

In the period of 1980s, the concept of microfinance generated as a result of credit subsidization policy toward poverty-stricken farming community. During the same period, the concept of microenterprise credit arose which began with a motive to provide loans to poor people, especially women to invest in very small-scale business activities which had helped in accumulative assets and increase their household income. In 1982, the National Bank for Agriculture and Rural Development (NABARD) was set up by

realizing the importance and need for rural financial services. Loans available through micro credit scheme were more accessible to the poor people as compared to bank loans. Again in 1982, "Development of women and Children in Rural Areas (DWCRA) was started as a sub-scheme of Integrated Rural Development Programme (IRDP). Under DWCRA, Government of India had introduced the provision of revolving fund to women groups for income-generating activities. In 1988, "Service Area Approach" was adopted and in 1989, market-oriented approaches for co-operatives were taken as per the recommendation of the Khusro Committee.

The scaling up of microfinance movement in India was due to the effort led by the Self-Help Group (SHG) Movement, where poor households from rural areas are organized into homogenous groups of around 10-20 each, and pooled their money which was lent to the needy in the group in the form of credit. The major microfinance programme in India was initiated by NABARD by initiating the SHG-Bank Linkage Programme in the year 1992. By the period of mid 1990s, several mainstream banks began providing credit and savings facilities to SHGs and that had built credible financial discipline.

During early 1990s, the Non Government Organizations (NGOs) became instrumental in providing financial services to the poor and during late 1990s; many of the NGOs transformed themselves into formal micro financial institutions (MFIs) in order to provide microfinance products like saving, credit, insurance, remittances etc.

In 1993, "National Credit Fund for Women (Rashtriya Mahila Kosh)" was formed to provide credit, through NGOs, to self-employed women. An important microfinance movement had been development in Andhra Pradesh in 1995 when State Government granted autonomy to cooperatives by passing "Mutually-aided Cooperative Societies Act." In 1996, the Reserve Bank of India (RBI) has introduced the Local Area Banks (LABs). In 1998, the Small Industries Development Bank of India (SIDBI) took an important step by setting up "SIDBI Foundation for Microcredit" with an initial capital of ₹100 crores. In 2005, Government of India renamed it "Micro Finance Development and Equity Fund" with corpus fund of ₹200 crores to help in infusion of new capital to MFIs. Microfinance Institutions (MFIs) became an integral part of microfinance from the year 2000 with RBI declared that the bank lending to MFIs is a priority sector lending.

Table 5.1 Phases of Microfinance in India

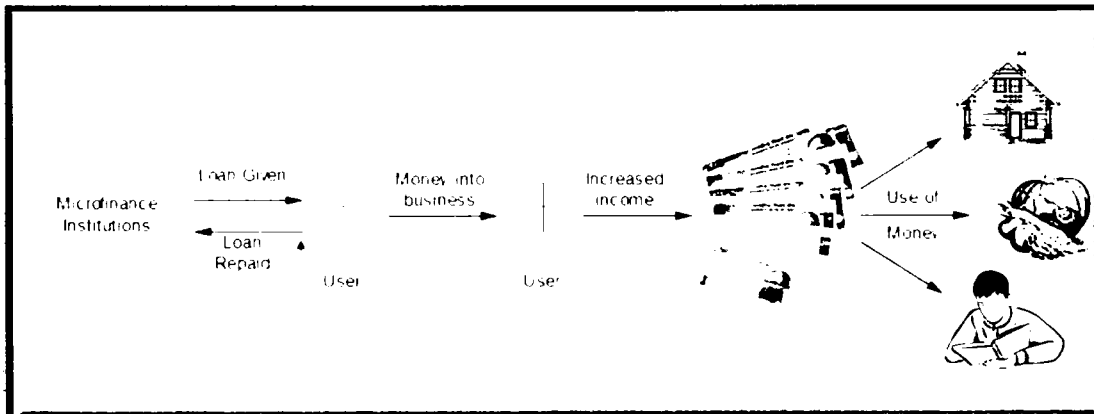
Phases	Year	Features
One: Social Banking	1960-1990	<ul style="list-style-type: none"> ◆ Nationalization of commercial banks. 14 and 8 commercial banks were nationalized in 1969 and 1980 respectively. ◆ Lead Bank Scheme was initiated with district credit plans. Expansion of the network of rural banking. ◆ RRBs were set up in 1976. ◆ NABARD was formed in 1982. ◆ Co-operative banking was structured and developed. ◆ SIDBI was established.
Two: Financial systems approach	1990-2000	<ul style="list-style-type: none"> ◆ NGO-based MFIs were developed to provide microfinance products and services on not-for-profit basis. ◆ SHG-bank linkage programmes initiated and rapidly replicated. Innovative credit lending mechanisms based on "peer pressure" and "moral collateral" were developed.
Three: Financial Inclusion	2000 onwards	<ul style="list-style-type: none"> ◆ Microfinance is seen as a business proposition and has been commercialized too. ◆ Development of for-profit MFIs like Non Banking Financial Companies (NBFCs) and Non-Banking Financial Institutions (NBFIs). ◆ NGO-MFIs are being legitimized. ◆ Customer's-centric/client-centric microfinance products and services are given importance. ◆ Policy regulations are increased.

Source: Singh H. R. & Singh HD (2011)⁴

5.3 How Microfinance Works?

Microfinance is a chain which helps poor people to come out of the deep well of poverty and debt. Microfinance provides poor people a platform to stand and survive in the society with full of respect. Microfinance works in a simple way. Exhibit 5.1 explains the simple way of Microfinance: One microfinance institution (MFI) provides credit (depends upon the need of the poor), the poor invests the credit in any type of business or in any productive activity, business improves the income of the poor, life style of the poor also improves, the poor repay the credit amount back to the MFI. This is the simple way how microfinance helps the poor to come out from the poverty trap.

Exhibit 5.1 How Microfinance Helps the Poor



5.3.1 Financial Services Provided by Microfinance Institutions (MFIs)⁵

Exhibit 4.1 presents in a very simple way one of the major function of MFI. However, the MFIs provide many other services like savings, insurance, remittances and pension. The following lines explain the various services rendered by MFIs.

1. **Credit:** Credit is the most common financial service provided by the MFIs. It is a small amount of money loaned to a client by a bank or other institution. MFIs generally give credit/loan for the productive purposes which means loan for investment in income generation activities. Credit may be availed by clients for various purposes such as agriculture, meeting working capital requirements, making capital expenditures or for consumption purposes. The basic premise is that poor clients are not able to realize the full potential of the business because they lack the capital to invest. A client may not have the financial capacity to expand the business. So possibility is that client may not grow his/her business properly or client lost his/her business.

It is also fact that low income people require finance not just for income generation but also for other purposes such as meeting medical expenses, education and social ceremonies. But here there are two different approaches. Some MFIs believes that loan should be given only for productive purposes so that low income people can repay and MFIs can avoid credit risk. However, some MFIs believe that consumption purposes such as health, education or social ceremonies are equally important for the clients and clients will have to necessarily borrow for them from some source like moneylenders who charge exorbitant interest rates from the clients. Those MFIs are of the view that if consumption loans are not provided, clients will not be free from the clutches of moneylenders. In spite of two differing views of MFIs, they have to follow certain basic principles while extending the credit.

- a. *Timely Credit:* Timelines of credit is very important in microfinance. If credit is not made available to a client when it is required, it will result in loss of business opportunity or inability to meet a personal need. Delayed credit will not be able to serve the client's purpose. An untimely credit could become a burden on the client.
 - b. *Credit at Doorstep:* One of the important reasons why formal financial institutions may not be suited for microfinance is because of their relatively limited outreach. For a small loan, clients cannot travel to far off areas, as this increases the cost of the loan. Operational costs incurred in order to avail loans either by the client or the institution that provide these services are essentially in the nature of the transaction cost. In order to reduce the transaction cost, such small credit has to be provided as close to the client as possible and recovery mechanisms should also be as close to client locations as possible. In the field of microfinance, to attract the low income/poor clients for small loan and to survive successfully, credit delivery at the doorstep of client is very important.
 - c. *Collateral:* More often, formal financial institutions do not provide loans without collateral (an asset pledge by a borrower to secure a loan or credit). The lender can take over the collateral in the event of default made by the borrower. Poor borrower cannot offer an asset as collateral for small amount of loan. Therefore MFIs provide a loan without any collateral. If the MFIs start asking for collateral it will restrict the access of microfinance to a large extent and will defeat the purpose of microfinance.
 - d. *Simple Loan Procedure:* Another important aspect of microfinance is the simple procedures and products. As majority of the microfinance clients are poor and often illiterate, the loan products as well as the procedure of availing loan and making repayments have to be made as simple as possible to make poor people understand easily. Complex method of paper work and documentation should be avoided by the MFIs.
2. **Savings:** These are deposit services that allow one to save small amounts of money for future use. Often without minimum balance requirements, these savings accounts allow households to save in order to meet unexpected expenses and plan for future investments. Saving is a very important financial service, which can help people in smoothening their cash flows and using money when it is required rather than when it is earned. It was later realized that poor too can save. Low-income people generally have volatile savings or very small savings and often do not have access to banks. The

very small volume and uncertainty about savings make them unable to use banks for depositing their savings. MFIs however, can provide them the scope for keeping their savings with suitable savings products.

Savings are equally important for clients and MFIs both. It is a good source of funds for the MFIs. The cost of funds generated through savings is generally much lower than the cost of commercial borrowings. Saving is a more certain source of funds and could be a regular source of funds for the MFI whereas mobilizing external funds is more complex and specialized activity calling for fulfilling requirements of the funders, getting credit-ratings or assessments done, providing security to funders, negotiating interest rates etc.

Some MFIs make savings mandatory for their clients these savings called 'compulsory savings'. It is seen in the case of SHG model that members have to compulsorily save internally for six months before they can be considered for bank or MFI loan. Thus, in case of SHG bank linkages, six-months of regular savings is stipulated as an essential condition. The client cannot withdraw his/her compulsory savings from the MFI as long as he has a loan outstanding. Hence, compulsory savings act as some sort of collateral. However, many MFIs also have the policy of non-withdraw ability of savings as long as the client is a member of the MFI. Withdrawal of compulsory savings marks the drop out of a client.

MFIs may also collect client savings according to their clients' convenience. Clients may deposit any amount any time with the MFI; these are called 'voluntary savings'. Under this scheme MFIs may design and offer different saving products to attract client savings but clients may or may not avail them. Voluntary savings are withdrawable but do not mean the end of client relationship. The reasons for voluntary savings may also be many. Therefore, just like bank, MFIs come out with different savings products such as recurring deposits, monthly income schemes or fixed deposits. Each product may have various features related to interest rate, withdraw ability, etc.

Some MFIs may also offer compulsory as well as voluntary saving services to their clients. However, savings are seldom a sufficient source of funds. It must be noted that most MFIs will have to borrow from commercial sources if they want to have large programme and want to expand fast. Savings, in such a case, can only be an additional source of fund and it cannot fully replace borrowings.

3. Insurance: It is a system by which people, businesses and other organizations make a payment to share risk. There are numerous uncertainties which could cause risk for individual. These risks could be sudden illness or death. Specifically in rural areas

in addition to death and illness there could be risks like crop failure or cattle loss, which can completely ruin the livelihoods of the people. To reduce vulnerability in face of such risks, insurance proves to be a great tool. Under insurance scheme in order to protect against risk or to get a cover for a risk from certain event, a client has to pay a fixed amount every year called 'premium' and insurance institutions identifies and assures that a fixed sum of money will be paid if that occurs for which insurance has been taken.

Insurance provided to low income people is commonly known as 'micro-insurance'. In India, micro-insurance schemes were earlier started by social organizations to provide securities they were working with. As the MFIs in the country evolved, they took up micro-insurance in a big way. This momentum was supported by Insurance Regulatory and Development Authority (IRDA), the regulating body for insurance companies in India. IRDA makes it mandatory for all insurance companies to extend their services to rural and social sector in the country. Insurance companies found MFIs as the ideal partners for this. Hence, insurance companies and MFIs are increasingly negotiating to provide group or standardized individual insurance schemes for the low-income people. Although the reach of such schemes is still limited, their potential is viewed to be considerable.

Regulations have forced the Insurance companies to provide insurance in rural and social sector. Therefore MFIs having good outreach in social and rural sector form good partners for insurance companies and can act as effective distribution channels. Hence, Insurance Companies are increasingly collaborating with MFIs where MFIs act as an agent to the insurance company. As a result Insurance Company can get large number of clients by getting linked to the MFI and MFI gets another source of revenue as the insurance company pays commission to the MFI for providing linkage service and the client get the risk coverage. MFI also gets the benefit that in case of unfortunate event of death of a client the MFI may first settle the outstanding loan of the client through the coverage amount paid by the insurance company and they pay the remaining amount to the family member of the client. It avoids the burden of loan amount falling on the family in case of the death of the client.

Some MFIs also provide insurance services on their own rather than collaborating with and external insurance company. However, MFIs have also realized the inherent risk of providing such a service internally. There is a regulatory risk as MFIs are legally not considered suitable to carry out insurance as business. They are not approved by IRDA. The second risk is that it increases the contingent liability of the MFI.

Contingent liability means a liability, which occurs when certain events/condition happen. In case of insurance the liability to the extent of coverage amount falls due if the event for which insurance has been taken occurs. Hence, natural disaster, outbreak of disease etc. resulting in large scale damage or loss of life may suddenly make the MFI liable for payment of large sum insured by a large number of clients. This can result in immediate insolvency of the MFI as they cannot make huge cash outflows in a very short time.

Though, micro-insurance as a financial service can complement and enhance the outcome of credit and saving services, these services together can reduce the vulnerability of the poor.

4. Remittance⁶: This service is a transfer of funds/money from people in one place to people in another, usually across borders to family and friends. Although provision of this financial service by MFI is still at a very emerging stage, there is a lot of potential for this kind of service. India is a large country with a great deal of internal migration of various type (such as seasonal/semi-permanent, rural-urban/rural-rural, within the district/state/interstate, individual/in groups, sometimes whole villages en masse, self-propelled/organized through contractors, male/female, manual/skilled/clerical workers, with/without families) and its extent is likely to grow with the emergence of high growth states and areas within states. Most kinds of migrants are likely to have a need for remittance services except short distance or seasonal migrants. Migrants need convenient, low cost and safe means of transfer their savings back to their families. The formal money transfer services offered by banks and post offices prove to be inadequate and also inconvenient for the poor. In that case MFIs are well suited to provide remittance services due to their outreach to remote areas. However, the only condition is that the MFI have a base in at least two locations, the host location where migrants are employed, as well in their home villages and districts which are mostly rural areas. But large cities in India can meet these criteria.

Adhikar an MFI based in Orissa has already successfully demonstrated the delivery of remittances by an MFI. Adhikar identified an opportunity to address, in a unique way, issues related to money remittance for Gandhidham in Gujarat. Adhikar launched "*Shramik Sahayog*" in August 2002 exclusively to look after remittance services. Shramik Sahayog has its head office in Tangi, Orissa and a project office at Gandhidham. To become a member of Shramik Sahyog it is necessary to open recurring deposit account of ₹100 per month. Workers registered as a member of Shramik Sahyog and money has been transmitted from Gandhidham to Orissa using a well-thought and

assured plan. Shramik Sahyog mobilizes the members to form a self-help groups which help members to have savings and credit facilities from the institute and also offer them remittance service with members' convenience.

5. Pensions^{7, 8}: Pension is the very useful service for the individual at the time of his/her old age. This scheme is useful for individual's retirement planning. Invest India Micro Pension Services (IIMPS) is the only social enterprise in the world focused exclusively on encouraging and enabling low income informal sector workers to accumulate micro-savings for their old age. IIMPS was promoted in late 2006. IIMPS has developed a proprietary Micro Pension model as well as a scalable and streamlined, technology-led platform capable of delivering a range of non-credit financial services to the working poor at affordable transaction cost. Through independent contract agreements, IIMPS delivers pension products co-developed by its promoters with the Government of India with UTI (Unit Trust of India), India's largest AMC (Asset Management Company).

SEWA Bank, India (Gujarat) is providing micro pension service with collaboration with UTI-AMC. Low-income people have to open a monthly pension saving account, which can be as low as ₹50. In a unique arrangement with UTI-AMC, SEWA bank collects individual contribution similar to a systematic investment plan of a mutual fund. It sends monthly contribution to UTI. The AMC open individual retirement accounts, from where the cash will be invested in debt and equity. Monthly statement will be sent to SEWA subscribers, who will not be required to pay any initiation fees for participation in this mutual fund. This is the first such Pension scheme for self employed in India. SEWA bank acts as a distributor of UTI and getting 3 % of amount collected as commission.

5.3.2 Microfinance Delivery Methodologies

MFIs around the world follow a variety of different methodologies for the provision of financial services to low-income families. These methodologies are overwhelmingly based on the principle of financial services being related to the cash flows of the low-income client groups and thus aim to facilitate relatively frequent and very small or micro-loan and savings transactions. Main focus of such services is on women because it was observed that women are more responsible than men about the loan repayment and their mobility is restricted by family responsibilities.

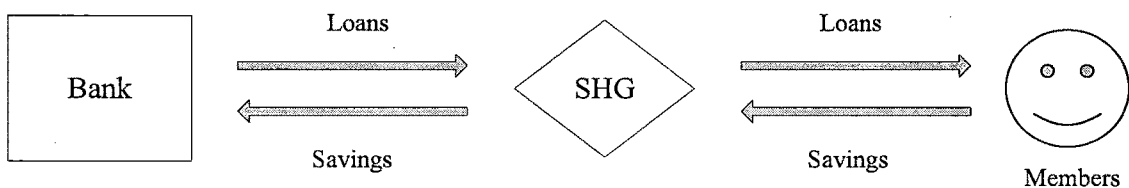
The following are the methodologies employed by MFIs for delivery of financial services to low income families:

A. Self Help Group Model (SHG Model)^{9, 10}

The SHG is the dominant microfinance methodology in India. The operations of maximum 20 members, SHGs are based on principle of revolving the members' own savings and thrift internally. The informal groups that have socially and economically homogeneous membership of poor people drawn from the same hamlet or from nearby hamlets. An SHG can be all men group, all women group or even a mixed group. However, experience shows that women's SHGs perform better in all the important activities. Mixed SHGs is not preferred in many of the places due to the presence of conflicting interests. The members are self selected, with the liberty to choose their group depending on their level of affinity with the other potential members. The group members save some amount on monthly basis that they can afford. A monthly meeting is organised, where apart from disbursement and repayment of loan, formal and informal discussions are held. The minutes of these meetings are documented and the accounts are written. The president, secretary and Treasurer are three official posts in any SHG which are elected by the group. If the SHGs are connected with some NGOs, they take part in other social activities of those NGOs. SHGs are more autonomous as they decide their own rules and regulations.

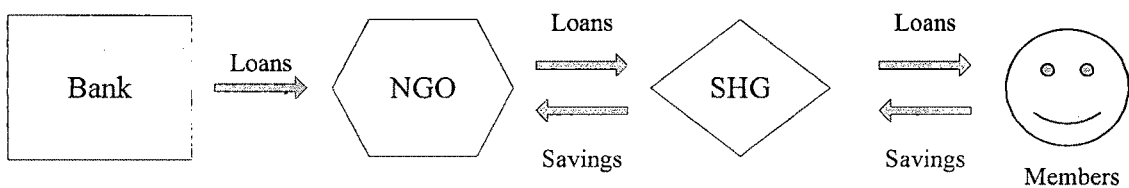
Under this model, groups are formed by different agencies known as Self Help Group Promotion Institutions (SHPI). These could be NGOs, Voluntary Associations (VAs), Government Agencies, Panchayati Raj Institutions, Vikas Volunteer Vahini (VVV) Clubs, Banks, Cooperative Societies, etc. The financial interaction takes place in the following channels.

(a) Without financial intermediation of NGOs/VAs



Source: J.C.Sharma and R.K. Thanvi (2006)¹⁰

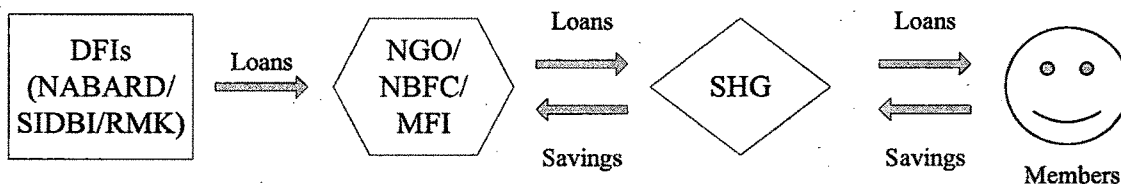
(b) With the financial intermediation of NGOs/VAs



Source: J.C.Sharma and R.K. Thanvi (2006)¹⁰

In this channel, a part of bank's work is externalized to the NGO/VA.

(c) Microfinance Institutions (MFIs)/NGO-SHG Models

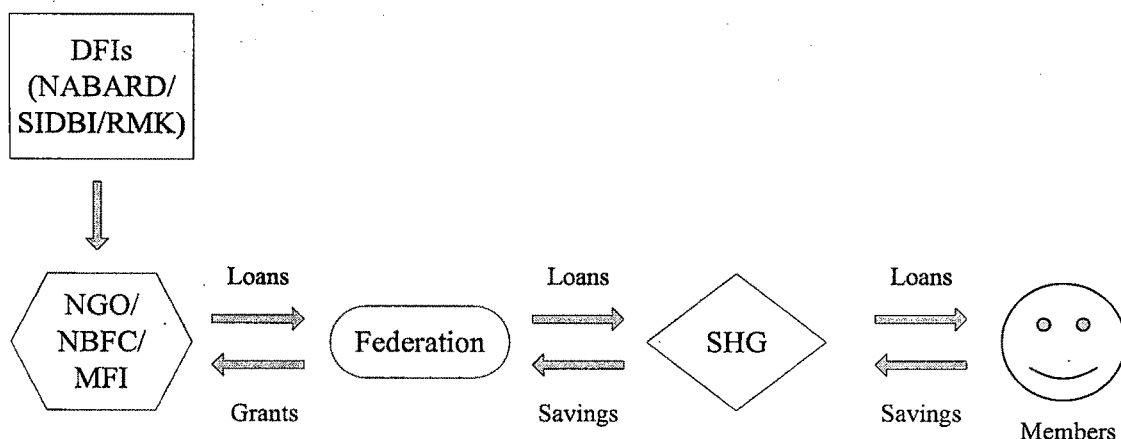


Source: J.C.Sharma and R.K. Thanvi (2006)¹⁰

This delivery model involves NGO, VAs, MFIs, NBFCs, etc., accessing funds either from banking system and/or from Developmental Financial Institutions (DFIs) like NABARD and SIDBI for giving loans to SHGs either in Group or individual mode.

(d) NGO/MFI Federation – SHG model

Here the SHGs get financial services, mostly savings and credit, with the help of federations which could be as shown under:



Source: J.C.Sharma and R.K. Thanvi (2006)¹⁰

Federations have been promoted by MFIs like Dhan Foundations, PRADAN, Chaitanya, SEWA, etc.

B. Grameen Model or Joint Liability Group (JLG) Model¹¹

This model was initially promoted by the well known Grameen Bank of Bangladesh. It is based on the concept of joint liability. Five member groups are formed and eight such groups form a Centre. All members should save regularly. There is a leader for each group and each centre. Group and Centre are jointly liability groups, which means that all members are jointly responsible for the repayment. Each borrowers' creditworthiness is determined by the overall creditworthiness of the group. Centre is the operational unit for MFI, which means that MFI deals with the centre as a whole. Loans have to be repaid in 50 installments. MFI recovers full money from

centre, if any member has defaulted; the group members have to pool in money to repay to the MFI. If group members are unable to do it, Centre as a whole has to contribute and share the responsibility. Weekly meetings also takes place at the centre level and individual groups do not meet. Group meetings take place only in front of the field staff of the MFI. A Grameen model is focused on financial transactions and other social issues are generally not discussed. In India some MFIs follow this model such as SHARE microfinance Ltd., Activities for Social Alternatives (ASA) and CASHPHOR Financial and Technical Services Ltd.

Grameen model is a particular form of joint liability group but in India there are other forms of joint liability groups (JLGs) as well. MFIs, particularly in urban areas, form JLGs of five-members. These are group of individuals coming together to borrow from the financial institution. They share responsibility and stand as a guarantee for each other. There is a group leader in such JLGs. Such JLGs do not hold periodic meetings. Typically JLG members are shopkeepers from same locality. These JLGs are somewhere between Group and Individual lending methods. While lending in such JLGs is to individual members small JLGs still provide some sort of comfort to the MFIs. Also collection can be done from a single point, generally from group leader rather than going to each individual.

3. Individual Banking Model (IBM)¹¹

Individual lending method is also in a growing stage. This is a straight forward credit lending model where micro loans are given directly to the borrower. In this model, MFIs provide loans to an individual based on his/her own personal creditworthiness. Individual lending is more prevalent with clients who generally need bigger size loans and have the capacity to produce guarantee and generate enough comfort to the MFI. MFIs generally base their decision on personal knowledge of the client, his/her reputation among peers and society, client's income sources and business position. MFIs also ask for individual guarantors, can be friends or relatives well known to the borrower, who are ready to take liability of repaying the loan if the borrower fails to repay. In some cases, if the loan is significantly larger then MFIs can also take some collateral.

Individual loans are required for lower middle class segment of clients who may not necessarily belong to the low income stratum, but still find it very difficult to borrow from formal financial institutions. MFIs with their convenient policies provide a good and efficient alternatives.

4. Co-operative Model¹²

In the case of cooperatives, all borrowers are members of the organisation either directly or indirectly by being members of primary cooperatives or associations which are members of the apex society. Creditworthiness and loan security are a function of cooperative membership within which member savings and peer pressure are assumed to be a key factor. Though the magnitude and timing of savings and loans are largely unrelated, a special effort is made to mobilise savings from members. There are now a large number of 'new generation' cooperative credit societies in India devoted specifically to provide financial services to the poor. Most of these are in Andhra Pradesh which was the first to enact a law permitting mutually-aided – as opposed to traditional government-assisted–cooperative societies. Elsewhere, a number of well known programmes such as the SEWA Bank in Ahmedabad, the Indian Cooperative Network for Women, Tamil Nadu and the Annapurna Mahila Cooperative Credit Society in Mumbai have still survived under the traditional cooperative laws.

5. Mixed or Hybrid Model¹²

Some MFIs started with the Grameen model but converted to the SHG model at a later stage. However they did not completely do away with Grameen type lending and smaller groups. They are an equal mix of SHG mix of SHG and Grameen model. Others have chosen to adapt either the Grameen or the SHG model to cater to their markets while some organizations like BASIX use a number of delivery channels and methodologies (including lending to SHGs) to provide financial services. Such MFIs are still relatively few but with increasing innovation becoming the norm in Indian microfinance, their numbers are growing. There are fast growing Grameen models and equally fast growing individual banking models.

5.3.3 Apex Microfinance Service Providers^{13, 14}

Microfinance services may be provided by any type of institution, large or small. A variety of organizations have started to deliver or support microfinance products in India including Non Governmental Organizations, private commercial banks and the non-banking financial institutions, the regional rural banks, the cooperatives, the public commercial banks and the dual structure organizations. Here, the details of apex banks supporting microfinance in India includes the following:

A. NABARD: National Bank for Agriculture and Rural Development (NABARD) is an apex refinance institution set up in 1982. It has promoted linkage of SHGs with banks since 1992. Its borrowers are NGOs, Federations of SHGs and Cooperative societies.

B. SIDBI: Small Industries Development Bank of India (SIDBI) was set up in 1990. It started micro credit scheme (a small portfolio) in March 1994. New SIDBI Foundation for Microcredit set up in November 1998. Borrowers of SIDBI are NGOs, SHG federations, Cooperative Societies and Companies (not-for-profit).

C. HDFC: Housing Development Finance Corporation (HDFC) has started giving support to micro finance initiatives in 1997. It was mainly involved in housing finance including to low income groups through NGOs since 1992. HDFC lend to NGOs, Cooperatives and Companies (not for profit).

D. RMK: Rashtriya Mahila Kosh (RMK) was set up in March 1993 with corpus of ₹310 million. The organization is working with women with the purpose of income generation. Borrowers of RMK are NGOs, Federation of SHGs and Women Development Corporation.

E. HUDCO: Housing and Urban Development Corporation Ltd (HUDCO) was set up in April 1970 with the purpose of housing improvement and construction. It came into existence to provide loan assistance for house construction/upgradation for economically weaker sections. NGOs, federation of SHGs and Co-operatives are its borrowers.

F. FWWB: Friends of Women's World Banking (FWWB), a non-profit organisation, was set up in 1982 as affiliate of Women's World Banking. It was promoted by SEWA. It lends to NGOs, Federation of SHGs, NBFCs, Cooperatives and SHGs.

G. RGVN: Rashtriya Gramin Vikas Nidhi (RGVN) was established in 1990 and headquartered in Guwahati. RGVN has been able to groom and support small community based organizations involved in various livelihood enhancement programmes. Its borrowers are NGOs, Fedarations and Association of Entreperneurs.

5.4 Microfinance Institutions (MFIs) in India: An Analysis of selected Financial Indicators

The meaning and types of MFIs has already been discussed in the second chapter. This section is divided into six sub sections. Section 5.4.1 shows the growth of MFIs with legal forms. Further, section 5.4.2 and 5.4.3 presents the detail of Indian MFIs, from MIX¹⁵, working in 17 different states and section 5.4.4 and 5.4.5 presents the detail about indian MFIs from Sa-dhan.¹⁶ MIX (Microfinance Information Exchange) Market contains the country wise information about MFIs from the whole world while Sa-dhan contains information about Indian MFIs only. Though the number of MFIs in

MIX found less than Sa-dhan, MIX has more details about MFIs in comparison to Sa-dhan. Thus, section 5.4.6 presents the comparative analysis of the MFIs from both the sources MIX and Sa-dhan. Last section 5.4.7 shows the data of MFIs working in the state of Gujarat only. As the study specially focus on the Gujarat region.

5.4.1 Trends in Legal Forms of Indian MFIs

To study the trends in legal forms of Indian MFIs, Microfinance India: State of the Sector Reports¹⁷⁻²³ from the year 2006 to 2012 have been studied and the information gathered is analysed in the following para.

Table 5.2 shows the various types of legal forms of MFIs (India) from the year 2006 to 2012. Highest number of MFIs (230) has been found in the year 2009 following with the number of 216 and 129 in the year 2008 and 2007. The years 2006, 2010 and 2011 reported the following numbers of MFIs *i.e.* 74, 76 and 82. Lowest number of MFIs were found in 2012 *i.e.* only 61.

Figure 5.1 shows constant increasing trend in the case of NBFCs. It increases from 9.46% (2006) to 65.57% (2012). It is the indication of boost in commercialization of microfinance through the years. Section 25 Company shows the average trend from 2006 to 2012. It holds the proportion of 9.46% in 2006. It went to the highest point at 10.19% only in the year 2009. In 2012 the figure was 8.20%. Trust shows the downward trend which ranges from 9.26% in 2006 to 3.28% in 2012. It increased in the year 2007 and 2008 *i.e.* 13.18% and 14.35%. But from the year 2009 to 2012 the proportion of Trust went downward (11.30% to 3.28%). In the case of Society upward trend was found but up to the year 2009 only. It was found in the range of 45.95% (2006) to 54.78% (2009). After the year 2009 the trend found decreasing from 30.26% (2010) to 16.39% (2012).

The trend of Section 25 Companies, Trusts and Societies indicates the downward trend in non-profit and/or not-for-profit MFIs. While when comparing the trend of Cooperatives the range was found 24.32% (2006) to 4.92% (2012). Sudden decline was found in the number of cooperatives in the following years *i.e.* 24.32% (in 2006), 3.10% in 2007 and 0.87% only in 2009. In 2010 boost was found to 6.58%. Afterwards number of cooperatives again found decreasing. MACSs were found in two years only *i.e.* 16.28% in 2007 but it was very less in number (2.61%) in the year 2009. From this it can be inferred that mutual benefit MFIs is not a preferred legal form. LAB shows almost average proportion in all the years except in 2008. Still there were other legal forms of MFIs were found in the following years 15.74% in 2008, 0.87% in 2009 and 3.95% in 2010.

Table 5.2 Distribution of Legal forms of Indian MFIs (2006-2012)

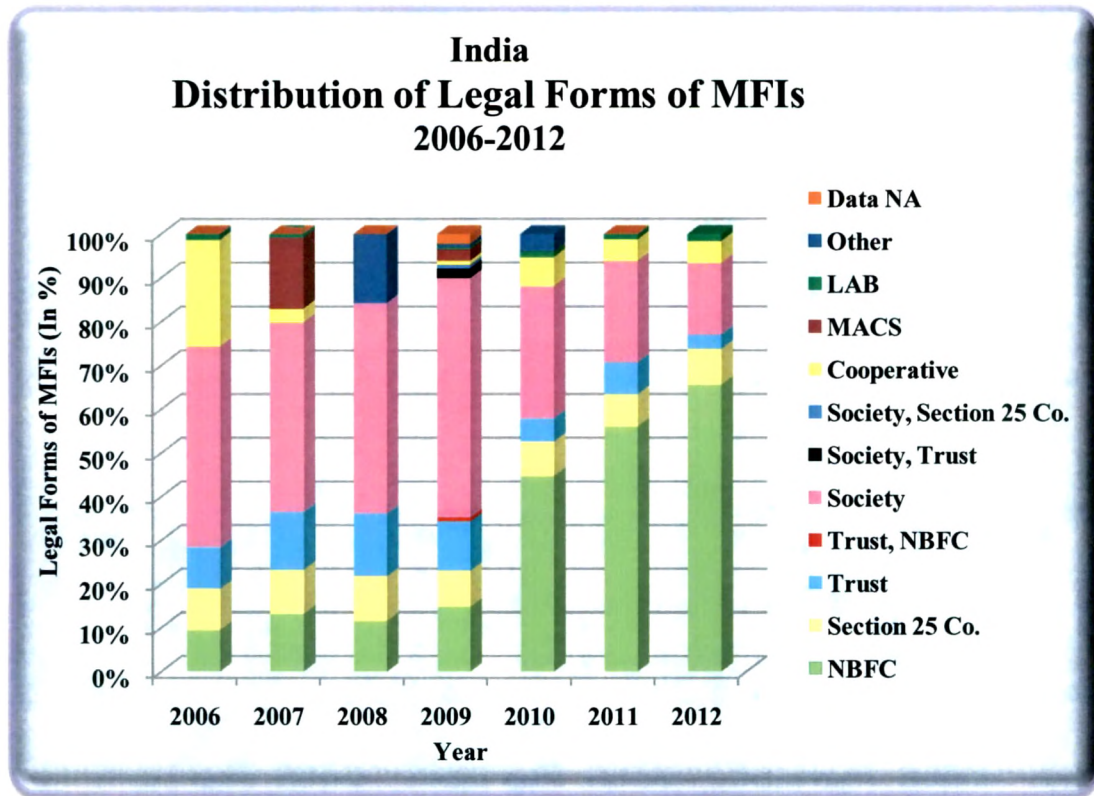
No	Legal Form of MFIs	Number of MFIs Per Year													
		2006	%	2007	%	2008	%	2009	%	2010	%	2011	%	2012	%
1	NBFC	7	9.46	17	13.18	25	11.57	34	14.78	34	44.74	46	56.10	40	65.57
2	Sec. 25 Co.	7	9.46	13	10.08	22	10.19	19	8.26	6	7.89	6	7.32	5	8.20
3	Trust	7	9.46	17	13.18	31	14.35	26	11.30	4	5.26	6	7.32	2	3.28
4	Trust, NBFC	-	-	-	-	-	-	2	0.87	-	-	-	-	-	-
5	Society	34	45.95	56	43.41	104	48.15	126	54.78	23	30.26	19	23.17	10	16.39
6	Society, Trust	-	-	-	-	-	-	5	2.17	-	-	-	-	-	-
7	Society, Sec. 25 Co.	-	-	-	-	-	-	2	0.87	-	-	-	-	-	-
8	Cooperative	18	24.32	4	3.10	-	-	2	0.87	5	6.58	4	4.88	3	4.92
9	MACS	-	-	21	16.28	-	-	6	2.61	-	-	-	-	-	-
10	LAB	1	1.35	1	0.78	-	-	1	0.43	1	1.32	1	1.22	1	1.64
11	Other	-	-	-	-	34	15.74	2	0.87	3	3.95	-	-	-	-
12	Data NA	-	-	-	-	-	-	5	2.17	-	-	-	-	-	-
	Total	74	100	129	100	216	100	230	100	76	100	82	100	61	100

Source: Compiled and Computed from Microfinance India: State of the Sector Report (various reports from 2006-2012)

Notes:

- 1) Maximum types of legal forms of MFIs found in the report of the year 2009 so those types of legal forms are taken as a base format for the all years.
- 2) Huge difference was found in the total number of MFIs per year but no reason could be found for the differing numbers of MFIs due to the limitation of the source.
- 3) - shows that data is not available for the particular year.

Figure 5.1 Distribution of Legal Forms of Indian MFIs



5.4.2 Indian MFIs with Important Financial Indicators : A Comparative Analysis between the States (MIX)

The state wise details of all Indian MFIs have been collected from the MIX which are presented here. As the study is mainly focused on causes of defaults in loan repayment and causes of increase in Non Performing Assets (NPA), some important financial indicators only have been considered for the purpose of the study. Table 5.3 shows the the data collected from MIX with some important indicators indicating the following details of MFIs: Borrowers per loan officers, cost per borrower, cost per loan, gross loan portfolio, loan loss rate, write off ratio, loans per loan officer, number of active borrowers, number of loans outstanding, portfolio at risk > 30 days, portfolio at risk > 90 days, and ratio of total expense to total assets. The information of all available indicators for all MFIs is presented in the following para.

Table 5.3 Indian MFIs with Important Financial Indicators (MIX)

Sr. No	States	No of MFIs	Gross Loan Portfolio (GLP) (in ₹)	GLP (in %)	Number of active borrowers (NAB)	NAB (in %)	Number of loans outstanding	Borrowers per loan officer	Loans per loan officer	Cost per borrower (in ₹)	Cost per loan (in ₹)	Average Percentage		Write-off ratio (in %)	Total expense/assets (in %)
												Portfolio at risk > 30 days (in %)	Portfolio at risk > 90 days (in %)		
1	AP	41	87,876,663,058	38.80	12,503,809	44.72	14,133,842	313	400	20,804.62*	848.78	22.29	22.36	17.72	55.08
2	AS	5	1,608,776,929	0.71	243,236	0.87	243,236	428	428	640.00	641.33	5.62	1.82	1.64	18.91
3	BR	4	99,592,672	0.04	20,442	0.07	20,442	250	250	984.00	1,101.00	1.65	1.65	0.06	22.47
4	DL	4	3,964,370,314	1.75	415,536	1.49	415,536	343	343	1,410.25	1,375.75	0.90	0.63	0.64	29.94
5	GJ	6	1,700,343,132	0.75	146,543	0.52	138,258	1,136	1,136	1,292.17	1,396.80	3.91	0.80	0.23	22.72
6	HR	1	563,789,384	0.25	80,583	0.29	80,583	378	378	1,256.00	1,256.00	0.92	0.83	0.12	28.10
7	JH	3	238,123,080	0.11	25,229	0.09	19,021	256	256	1,820.33	647.50	1.09	0.69	0.23	20.01
8	KA	17	34,277,122,553	15.13	2,962,911	10.60	3,462,131	602	627	1,077.47	948.29	10.73	10.81	2.51	22.36
9	KL	8	5,510,067,723	2.43	628,954	2.25	642,798	3,014	3,020	491.00	544.67	1.92	1.15	0.21	14.54
10	MP	7	335,731,463	0.15	51,824	0.19	49,381	350	351	648.67	621.80	0.50	0.47	0.38	20.04
11	MH	10	4,369,947,898	1.93	739,457	2.64	733,790	393	393	1,951.50	1,949.00	3.68	2.98	9.15	25.22
12	MN	4	166,695,146	0.07	16,024	0.06	21,260	265	296	1,563.00	1,513.00	0.90	0.38	0.00	26.36
13	OR	14	5,078,616,221	2.24	926,006	3.31	579,370	484	485	501.25	761.80	7.90	13.28	0.52	19.88
14	RJ	6	2,130,829,899	0.94	173,322	0.62	175,913	371	382	1,610.00	1,109.80	7.29	3.30	0.38	17.19
15	TN	29	21,837,082,594	9.64	3,409,188	12.19	3,565,456	556	568	829.58	779.13	4.19	2.55	1.71	25.25
16	UP	10	14,358,237,465	6.34	943,613	3.38	944,031	362	362	931.50	839.50	2.14	0.61	0.45	24.60
17	WB	21	42,366,431,487	18.71	4,671,263	16.71	4,648,266	293	294	498.44	616.43	7.50	7.79	1.38	20.53
	Total	190	226,482,421,018	100	27,957,940	100	29,873,314	-	-	-	-	-	-	-	-
	Avg	11.18	13,322,495,354		1,644,584.71		1,757,253.76	576	586	2,253.52	997.09	4.89	4.24	2.21	24.31

Source: Compiled and Computed from MIX Market (<http://www.mixmarket.org/>) Accessed on 11 March, 2013

*: The average CPB of AP is found to be very high as one MFI of AP (CSF) was found with CPB of ₹6.84.615. If this value is omitted, the average CPB of AP comes to ₹689.15.

Therefore, average CPB of India will be at ₹1,070.25.

Table 5.3 presents the detail of total 190 MFIs were found from 17 states of India. GLP % and NABs % have been calculated. Average gross loan portfolio found from 17 states was ₹133,224.95 lakhs. Average numbers of active borrowers were 1,644,585 with average number of loans outstanding ₹1,757,254. Highest number of MFIs (41) found in Andhra Pradesh (AP) and lowest number of MFI (1) was found in Haryana as per MIX market. Ten states were found with ten or less than ten MFIs working in a particular state viz. Maharashtra, Uttar Pradesh (10), Madhya Pradesh (7), Gujarat, Rajasthan (6), Assam (5), Bihar, Delhi, Manipur (4), Jharkhand (3) and Haryana (1). Following lines explain the meaning of all indicators and also presents the comparative analysis between the states of the important indicators.

➔ **Meaning of Financial Indicators²⁴**

The different types of financial indicators are used for the purpose of analysis. MIX has defined all indicators and also provided the formulas.

(a) *Gross Loan Portfolio* (GLP): “All outstanding principals due for all outstanding client loans. This includes current, delinquent, and renegotiated loans, but not loans that have been written off. It does not include interest receivable.”

(b) *Number of Active Borrowers* (NABs): “The number of individuals or entities who currently have an outstanding loan balance with the MFI or are primarily responsible for repaying any portion of the Gross Loan Portfolio. Individuals who have multiple loans with an MFI should be counted as a single borrower.”

(c) *Number of Loans Outstanding* (NLO): “Number of loan accounts associated for any outstanding loan balance with the MFI and any portion of the Loan Portfolio.” The NLO will include the loans outstanding as on date. Hence, this will include both, the loans which are granted, and outstanding and time limit for repayment is not over as well as the loans for which repayment period is over *i.e.* they are overdue but not paid till date. Thus, for the overdue loans, with risk PAR > 30 days and PAR > 90 days, can be considered as better indicators.

(d) *Borrowers per Loan Officer* (BLO): MIX has calculated them by following formula:

$$\text{Borrowers per Loan Officer} = \frac{\text{Number of Active Borrowers}}{\text{Number of Loan Officers}}$$

(e) *Loans per loan officer* (LLO): It has been calculated as follows

$$\text{Loans per Loan Officer} = \frac{\text{Number of Loans Outstanding}}{\text{Number of Loan Officers}}$$

(f) *Cost per Borrower* (CPB): CPB has been calculated by MIX as per the following formula

$$\text{Cost per Borrower} = \frac{\text{Operating Expense}}{\text{Average Number of Active Borrowers}}$$

(g) *Cost per Loan (CPL)*: Following formula has been given for the calculation of CPL

$$\text{Cost per Loan} = \frac{\text{Operating Expense}}{\text{Average Number of Outstanding Loans}}$$

(h) *Portfolio at Risk > [xx] days*: “The value of all loans outstanding that have one or more installments of principal past due more than [xx] days. This includes the entire unpaid principal balance, including both the past due and future installments, but not accrued interest. It also includes loans that have been restructured or rescheduled.” It is the most accepted measure of portfolio quality. PAR > 30 days and PAR > 90 days is the most common measurements of PAR.²⁵ MIX explains the indicator with the formula as follows:

$$\text{Portfolio at Risk > 30 days (PAR > 30 days)} = \frac{\text{Portfolio at Risk > 30 days}}{\text{Gross Loan Portfolio}}$$

$$\text{Portfolio at Risk > 90 days (PAR > 90 days)} = \frac{\text{Portfolio at Risk > 90 days}}{\text{Gross Loan Portfolio}}$$

(i) *Write offs*: “Total amount of loans written off during the period. A write-off is an accounting procedure that removes the outstanding balance of the loan from the Loan Portfolio and from the Impairment Loss Allowance when these loans are recognized as uncollectable”. Here, two indicators show the share of loss of portfolio due to bad loans. MIX has given the following formulas for calculating both the ratios:

$$\text{Loan Loss Rate (LLR)} = \frac{\text{Write offs - Value of Loans Recovered}}{\text{Average Gross Loan Portfolio}}$$

$$\text{Write-off Ratio (WOR)} = \frac{\text{Write offs}}{\text{Average Gross Loan Portfolio}}$$

(j) *Total Expense/Assets (TE/A)*: MIX has provided the following formula

$$\text{Total Expense/Assets} = \frac{\text{Financial Expense} + \text{Impairment Loss} + \text{Operating Expense}}{\text{Average Assets}}$$

➔ Comparative Analysis of the Financial Indicators

The meaning and/definitions of all the indicators has already been discussed. Further, following paragraphs has discussed about the state wise data available for all the indicators.

(A) **GLP**: AP was found with highest amount GLP of ₹878,766.63 lakhs (38.80%) and also highest number of MFIs (41) working. Second highest amount of GLP was found from West Bengal (WB) ₹423,664.31 lakhs (18.71%) with the third highest number of MFIs *i.e.* 21. Karnataka was found with the total GPL of ₹342,771.23 lakhs *i.e.* 15.13 in percentage but having 17 numbers of MFIs only which is the forth highest in rank. Second highest number of MFIs (29) with forth highest GLP of ₹218,370.83 lakhs

(9.64%) was found in the state Tamil Nadu. It indicates that GLP is less in comparison of number of MFIs. Uttar Pradesh (UP) was found with 10 MFIs and total GLP of ₹143,582.37 lakhs (having 6.34% share) while Maharashtra was also found with 10 MFIs but its total GLP was ₹43,699.48 lakhs only (having 1.93% share only) which is very less in comparison to GLP of UP.

(B) NABs and NLOs: Average NABs and NLOs from all 17 states were found as 1,644,585 and 1,757,254. Highest number of NABs and NLOs were found from AP *i.e.* 12,503,809 (44.72%) and 14,133,842 respectively. As NLO were higher than NABs, MFIs in AP need to concentrate on decreasing the NLO because higher number of loans outstanding can block the rotation of money in any financial institution. High NLO is the indication of high level of defaults also. WB was found with second highest of NAB and NLO *i.e.* 4,671,263 (16.71%) and 4,648,266 respectively. Third highest rank in NABs and NOL is found of the state TN which are 3,409,188 (with 12.19%) and 3,565,456 in numbers respectively. Karnataka was found with 2,962,911 NABs *i.e.* 10.60% and 3,462,131 NOLs at the fourth highest level in comparison with all states. Out of remaining states *viz.* AS, BR, DL and HR have been observed with the same number of NABs and NOLs. Remaining states have been reported NABs and NOLs with minor difference in numbers.

(C) BLO and LLO: It can be seen that denominator is the same in both the formula. So that some of the states are found with the same number of borrowers per loan officer and loans per loan officer. The ratio of borrowers per loan officer measures MFI's loan staff's caseload and gauge the productivity of loan staff. A higher caseload per officer means that more clients are served. However, bigger is not always better. If optimal caseload increase, delinquency and default rates also increase due to inadequate loan review and follow-up.

The ratio of loans per loan officer also gauges the productivity of loan staff. Since loans are main income generating asset, it is very important to measure the average amount of portfolio that each loan officer manages. Average BLO and LLO were found as 576 and 586 respectively. Total 7 states (AS, BR, DL, GJ, HR, JH, UP) out of 17 have been found with the same value of BLO and LLO. From remaining 10 states, KL was found highest number of BLO and LLO *i.e.* 3,014 and 3,020, indicating that Keralian MFIs are working with less number of staff but with heavy work load. MFIs in KL should try to increase their number of staff members to avoid heavy work load on staff. Second highest value of BLO and LLO were found for GJ *i.e.* 1,136. Least number of BLO and NLO was observed for the state BR *i.e.* 250

(D) CPB and CPL: These two indicators are very important from the finance point of view. CPB provides a meaningful measure of efficiency for the MFI, by determining the average cost of maintaining an active borrower. As CPB and CPL are high in any MFI, interest rates of MFIs also goes higher to cover the cost. If interest rates are high, borrowers would not be able to repay loans in time. There are more chances of increase in level of defaults. MFIs should try to minimize their CPB and also CPL to avoid defaults.

Highest value of CPB was observed in AP ₹20,804.62 which has resulted from very high CPB of one MFI in AP *i.e.* ₹6,84,615. If the amount of CPB of ₹6,84,615 is omitted, average cost of AP comes to ₹689.15. Therefore, maximum amount of CPB and CPL was observed for MH *i.e.* ₹1,951.50 and ₹1,949 respectively. Second highest value of CPB (₹1,820.33) was found for JH followed by the state MN (₹1,563). Second highest value of CPL was observed ₹1,513 for the state MN followed by the state GJ *i.e.* ₹1,396.80. Least CPB and CPL was observed for KL (₹491) and WB (₹616.43).

(E) PAR > 30 days and PAR > 90 days: Higher level of percentage of PAR > 90 days indicate higher level of defaults as well as risk for the MFI. While ratio of PAR > 30 days indicate the lower level of risk of defaults. However in both the cases MFIs need to change their instalment collection method and try to concentrate on better management that can reduce the PAR risk for the MFI.

AP was observed with the highest proportion of PAR > 30 days and PAR > 90 days *i.e.* 22.29% and 22.36% respectively. As AP has highest GLP, the risk on portfolio and level of defaults have also been recorded high. MFIs in AP should try to develop different collection methods to minimize the level of risk as well as the level of defaults. In case of KA, PAR > 30 days and PAR > 90 days were observed as 10.73% and 10.81% respectively where GLP has been recorded at third highest rank which shows the high level of risk on MFIs of KA. OR was reported with third highest share of PAR > 30 days (7.90%) and second highest share of PAR > 90 days (13.28%) but the GLP was observed only 2.24%. It indicates the low level of GLP with high level of risk. The state WB has been reported with second highest proportion of GLP but having PAR > 30 days at 7.50% and PAR > 90 days at 7.79%. Low level of PAR, from remaining states, shows lower level of defaults and good collection management in MFIs.

(F) LLR and WOR: LLR and WOR represent the percentage of the MFI's loans that has been removed from the balance of the gross loan portfolio because they are unlikely to be repaid. High ratio may be indicating a problem in the MFI's collection efforts. Writing off loans reflects prudent financial management, not a legal

acknowledgement that borrowers no longer owe you the funds. Often, collection efforts on defaulted loans continue after the loans have been written off.

Highest proportion of LLO and WOR has been spotted from AP *i.e.* 17.95% and 17.72% respectively followed by the state MH at 9.13% and 9.15% respectively. Remaining states have been noticed with the almost same and low value of LLR and WOR except Gujarat. Gujarat has been reported with 1.78% of LLR while WOR was only 0.23%.

(G) TE/A: Higher amount of ratio indicates the higher amount of expenses of MFIs in comparison with the amount of assets. MFIs having higher amount of ratio should try to reduce their level of expense and develop methods to increase the level of assets to increase their profitability. Highest amount of ratio was identified for AP 55.08% followed by DL and HR at 29.94% and 28.10% respectively. MN has been reported with 26.36% ration where GLP (0.07%) and NABs (0.06%) found very less and CPB (₹4,689) and CPL (₹4,539) found quite high. High ratio of MN indicate that Manipuri MFIs should try to reduce their level of expenses and try to increase the GLP and NABs to increase the profitability. MH and TN have been noticed with similar ratio of 25%. Remaining states have been reported with the TE/A ratio less than 25%.

On comparing all indicators, it is observed that in case of all indicators (except BLO, LLO, CPB and CPL) highest proportion was found for the state AP. It indicates that MFIs in AP covers major proportion of microfinance services in India. However, in case of GLP, NABs and NLO only, it is preferable to have highest share. For other indicators (PAR > 30 days, PAR > 90 days, LLR, WOR & TE/A) it is suggested that MFIs in AP should try to reduce the ratio of all indicators to avoid increasing number of defaults. The state KL was observed for highest share of BLO and LLO. MFIs in KL should try to increase their number of staff to reduce the heavy caseload from the staff members to avoid cases of defaults. MFIs in MH should try to control CPB as well CPL.

5.4.3 State wise Details of Each MFI with Important Financial Indicators (MIX)

In the preceding paras data available at the state level are compiled and analyzed for comparability and differences between the states. In the present para an attempt is made to analyze the details of MFIs for each state. The comparability and variation within the state and between the MFIs are examined here. Total 190 MFIs have been reported from MIX from 17 states. Among 190 MFIs, 112 MFIs have been noted down with the information as on 31st March, 2012 while remaining MFIs have been reported with different dates. However, latest available information has been presented here. Table 5.4 presents the detail for the same.

According to the table 5.4 following information have been noted down.

AP (Andhra Pradesh):

Out of 190 MFIs, AP was found with 41 MFIs. Out of the list of 41 MFIs, *Spandana* was found with the highest GLP 30.90% i.e. ₹271,523.08 lakhs. *SHARE* was found with the 24.01% proportion of GLP i.e. ₹211,022.62 lakhs. Third highest share of GLP (18.99%) was found in *SKS* with ₹166,890.40 lakhs. *AML* was found with ₹119,942.90 lakhs with the share of 13.95% GLP. Remaining MFIs have been found with very low proportion of GLP i.e. less than 3.50%. On comparing NABs and NLO, only 25 MFIs were found with the value of NLO. Highest share of NABs was found from *SKS* 34.04% (4,256,719 in numbers) with 4,296,870 NLO. *Spandana* was found with the second highest proportion of NABs with 27.55% (3,444,483 in numbers) with 4,335,712 NLO. 2,161,119 NABs were found from *SHARE* i.e. 17.28% while 2,453,519 NLO were found from *SHARE*. Forth highest share of NABs was found from *AML* but having 8.79% proportion only i.e. 1,099,177 in numbers and 1,497,159 NLO. Remaining MFIs were found with less than 5% share of NABs. For 16, MFIs NLO was not available.

Total 22 MFIs (out of 41) were found with the information about BLO and LLO. Only 1 MFI, *Trident Microfinance* was identified with (- 777) numbers of BLO i.e. with negative sign but with the 111 number of LLO. The reason could not be found for negative signed value of BLO from the source. Out of remaining 21 MFIs, 10 MFIs have been observed with the same value of BLO and LLO. Among remaining 11 MFIs, *SWAWS* was noticed with the highest numbers of BLO and LLO i.e. 925 and 1,018. However, *SWAWS* has only 0.92% share of GLP. That indicates the huge burden on the loan officers of *SWAWS*.

862 numbers of BLO and 877 numbers of LLO were observed for *FFSL* while 628 numbers of BLO and 780 numbers of LLO were observed for *Grama Siri*. In *CReSA* 458 numbers of BLO and 660 numbers of LLO have been observed. Further 7 MFIs were found with the numbers of BLO and LLO below 500. Lowest numbers of BLO and LLO was found from *SMSS* which are 44 and 47 respectively.

On examining details of CPB and CPL for each MFI of AP, for 34 MFIs detail of CPB was available and detail regarding CPL was available only for 18 MFIs. Only 1 MFI, *CSF* was recognized with the very high amount of CPB i.e. ₹684,615 while NABs of *CSF* were observed only 6. Such excessive amount of high CPB may be attributed to less active borrowers. Amount of CPL was noticed lower than the amount of CPB for each MFI. 7 MFIs were reported having same amount of both the cost. Only

Table 5.4 State wise Details of each MFI with Important Financial Indicators (MIX)

No	Name of MFIs	As of Date	Gross Loan Portfolio (₹ in Lakhs)	GLP (in %)	Number of active borrowers	NAB (in %)	Number of loans outstanding	Borrowers per loan officer	Loans per loan officer	Cost per borrower (in ₹)	Cost per loan (in ₹)	Portfolio at risk > 30 days (in %)	Portfolio at risk > 90 days (in %)	Loan loss rate (in %)	Write-off ratio (in %)	Total expense/assets (%)
1	ADAKSHA	31-03-07	120.45	0.01	1,860	0.01	NA	NA	NA	254	NA	0.54	NA	0.00	0.00	10.05
2	AML	31-03-12	119,942.90	13.65	1,099,177	8.79	1,497,159	140	378	672	474	5.58	5.52	64.81	NA	102.31
3	AMMACTS	31-03-11	1,212.66	0.14	8,646	0.07	8,646	333	333	916	NA	98.81	98.41	-0.05	0.00	10.32
4	APGSS	31-03-07	11.50	0.00	165	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
5	ASP	31-03-06	819.56	0.09	15,742	0.13	15,742	477	477	1,488	NA	9.15	3.13	0.00	0.00	31.27
6	ASSIST	31-03-06	85.14	0.01	2,556	0.02	2,556	107	107	491	NA	0.99	0.00	-2.03	0.00	14.08
7	AWS	31-03-10	1,377.94	0.16	18,930	0.15	18,930	NA	NA	452	452	0.27	0.21	0.00	0.00	14.85
8	BASIX	31-03-12	29,188.99	3.32	570,520	4.56	570,520	202	202	1,243	1,229	48.34	40.81	55.61	55.62	98.60
9	BES	31-03-01	23.46	0.00	525	0.00	NA	NA	NA	1,110	NA	0.00	NA	0.00	0.00	21.52
10	BIRDS	31-03-05	249.70	0.03	8,432	0.07	NA	NA	NA	207	NA	0.57	NA	0.15	0.15	21.85
11	CIWS	31-03-07	0.03	0.00	1,195	0.01	NA	NA	NA	0	NA	0.00	NA	0.00	0.00	0.05
12	CMML	31-03-12	356.16	0.04	4,248	0.03	4,248	354	354	587	587	5.45	2.76	0.00	0.00	NA
13	CreSA	31-03-11	2,221.71	0.25	32,503	0.26	46,879	458	660	NA	NA	92.16	85.80	1.56	1.56	NA
14	CSF	31-03-07	307.28	0.03	6	0.00	NA	NA	NA	684,615*	NA	0.00	NA	0.00	0.00	13.79
15	FFSL	31-03-12	17,810.23	2.03	212,136	1.70	215,764	862	877	635	632	21.37	0.00	0.40	0.91	42.15
16	Grama Siri	31-03-07	686.77	0.08	22,604	0.18	28,076	628	780	155	136	0.00	0.00	0.00	0.00	12.02
17	GTFS	31-03-10	129.91	0.01	1,825	0.01	2,183	304	364	1,088	909	0.00	0.00	0.00	0.00	22.99
18	Guide	31-03-05	159.55	0.02	7,382	0.06	NA	NA	NA	268	NA	0.14	NA	0.00	0.00	24.64
19	Indur MACS	31-03-12	1,576.76	0.18	13,903	0.11	13,903	322	322	NA	NA	0.94	0.48	NA	NA	NA
20	IWB	31-03-07	758.46	0.09	12,900	0.10	NA	NA	NA	100	NA	0.00	NA	0.00	0.00	2.92
21	KBSLAB	31-03-12	8,368.15	0.95	59,152	0.47	59,152	277	277	1,893	1,893	4.65	2.24	2.63	2.63	17.27
22	KRUSHI	31-03-09	2,488.57	0.28	33,158	0.27	33,158	390	390	327	327	0.00	0.00	0.00	0.00	13.45
23	MSPS	31-03-07	34.29	0.00	496	0.00	NA	NA	NA	NA	NA	0.00	NA	NA	NA	22.49
24	Nano	31-03-10	1,672.71	0.19	6,970	0.06	6,970	139	139	3,273	3,273	0.01	0.00	0.00	0.00	58.44
25	Need To India	31-03-04	1.05	0.00	367	0.00	NA	NA	NA	745	NA	0.00	NA	0.00	0.00	560.32
26	PSS	31-03-07	1,740.30	0.20	22,121	0.18	NA	NA	NA	232	NA	1.50	NA	0.00	0.00	15.19
27	PWMACS	31-03-12	1,929.75	0.22	12,388	0.10	12,388	318	318	1,835	1,835	5.92	3.92	3.25	3.25	23.86
28	RASS	31-03-11	5,407.54	0.62	59,936	0.48	59,936	NA	NA	253	253	NA	NA	0.00	NA	10.90
29	Saadhana	31-03-11	5,250.00	0.60	72,722	0.58	72,722	NA	NA	NA	NA	NA	NA	NA	NA	NA
30	Sanghatitha	31-03-07	158.00	0.02	12,600	0.10	NA	NA	NA	247	NA	142.77	NA	0.00	0.00	53.99

Table 5.4 Contd.

No	Name of MFIs	As of Date	Gross Loan Portfolio (₹ in Lakhs)	GLP (in %)	Number of active borrowers	NAB (in %)	Number of loans outstanding	Borrowers per loan officer	Loans per loan officer	Cost per borrower (in ₹)	Cost per loan (in ₹)	Portfolio at risk > 30 days (in %)	Portfolio at risk > 90 days (in %)	Loan loss rate (in %)	Write-off ratio (in %)	Total expense/assets (%)
31	SEVA Microfoundation	31-03-05	57.69	0.01	11,612	0.09	NA	NA	NA	70	NA	0.40	NA	NA	NA	NA
32	SEWA MACTS	31-03-11	1,020.20	0.12	NA	0.00	NA	NA	NA	NA	NA	NA	NA	NA	NA	15.29
33	SHARE	31-03-12	211,022.62	24.01	2,161,119	17.28	2,453,519	293	396	505	459	5.21	5.14	57.79	57.88	95.92
34	Share MACTS	31-03-11	1,051.24	0.12	NA	0.00	NA	NA	NA	NA	NA	NA	NA	0.00	NA	18.87
35	SKS	31-03-12	166,890.40	18.99	4,256,719	34.04	4,269,870	411	412	842	804	NA	NA	41.91	42.73	NA
36	SMSS	31-03-12	1,877.02	0.21	25,201	0.20	25,297	44	47	580	577	90.53	50.51	230.30	230.30	311.73
37	Spandana	31-03-12	271,523.08	30.90	3,444,483	27.55	4,335,712	311	475	565	451	6.32	5.95	49.54	49.69	100.73
38	SWAWS	31-03-12	8,125.57	0.92	114,660	0.92	126,265	925	1,018	633	605	96.91	92.78	0.00	0.00	NA
39	SWC	31-03-02	132.54	0.02	2,331	0.02	NA	NA	NA	510	NA	43.20	NA	0.00	0.00	11.53
	Trident															
40	Microfinance	31-03-12	12,879.68	1.47	161,448	1.29	243,076	-777	111	433	382	98.45	94.17	122.31	122.31	28.66
41	VSS	31-03-06	97.08	0.01	11,071	0.09	11,171	369	372	133	NA	0.00	0.00	0.00	0.00	15.63
	Total		878,766.63	100	12,503,809	100	14,133,842	-	-	-	-	-	-	-	-	-
	Average		21,433.33		320,610.49		565,353.68	313.05	400.41	20,804.62*	848.78	22.29	22.36	17.95	17.72	55.08
AS																
1	Asomi	31-03-12	3,191.27	19.84	85,329	35.08	85,329	576	576	607	607	0.36	0.27	1.05	1.10	22.49
2	Gramteen Sahara	31-03-12	1,391.39	8.65	15,915	6.54	15,915	361	361	697	697	0.35	0.29	0.07	0.07	NA
3	KMUCBL	31-03-12	145.15	0.90	572	0.24	572	261	261	NA	NA	21.42	6.48	4.60	4.60	NA
4	Nightingale	31-03-12	1,136.54	7.06	NA	0.00	NA	NA	NA	NA	NA	NA	NA	0.00	0.00	16.95
5	RGVN	31-03-12	10,223.42	63.55	141,420	58.14	141,420	512	512	616	620	0.33	0.24	2.41	2.43	17.29
	Total		16,087.77	100	243,236	100	243,236	-	-	-	-	-	-	-	-	-
	Average		3,217.55		60,809		60,809	427.50	427.50	640	641.33	5.62	1.82	1.63	1.64	18.91
BR																
1	CDDOT	31-03-11	618.04	62.06	10,595	51.83	10,595	342	342	750	NA	0.00	0.00	0.00	0.00	20.91
2	Nidan	31-03-10	97.99	9.84	1,660	8.12	1,660	119	119	16	16	0.00	0.00	0.00	0.00	2.45
3	Saija	31-03-12	237.74	23.87	5,702	27.89	5,702	124	124	2,186	2,186	0.15	0.15	0.22	0.22	44.05
4	TMS	31-03-12	42.16	4.23	2,485	12.16	2,485	414	414	NA	NA	6.43	6.43	NA	0.00	NA
	Total		995.93	100	20,442	100	20,442	-	-	-	-	-	-	-	-	-
	Average		248.98		5,110.50		5,110.50	249.75	249.75	984	1,101	1.65	1.65	0.07	0.06	22.47
DL																
1	Fusion Microfinance	31-03-12	3,724.29	9.39	36,996	8.90	36,996	587	587	1,515	1,515	0.00	0.00	0.92	0.92	NA
2	India's Capital Trust Ltd	31-03-11	1,698.27	4.28	36,934	8.89	36,934	184	184	1,839	1,701	0.16	0.09	0.00	0.00	39.02
3	Mimo Finance	31-03-12	2,206.76	5.57	35,289	8.49	35,289	254	254	1,223	1,223	2.63	2.06	1.13	1.13	30.66

*: The average CPB of AP is found to be very high as one MPFI of AP (CSF) was found with CPB of ₹6,84,615. If this value is omitted, the average CPB of AP comes to ₹689.15.

Table 5.4 Contd.

No	Name of MFIs	As of Date	Gross Loan Portfolio (₹ in Lakhs)	GLP (in %)	Number of active borrowers	NAB (in %)	Number of loans outstanding	Borrowers per loan officer	Loans per loan officer	Cost per borrower (in ₹)	Cost per loan (in ₹)	Portfolio at risk > 30 days (in %)	Portfolio at risk > 90 days (in %)	Loan loss rate (in %)	Write-off ratio (in %)	Total expense/assets (%)
4	SCNL	31-03-12	32,014.38	80.76	306,317	73.72	306,317	345	345	1,064	1,064	0.79	0.37	0.50	0.50	20.13
	Total		39,643.70	100	415,536	100	415,536	-	-	-	-	-	-	-	-	-
	Average		9,910.93		103,884		103,884	342.5	342.5	1,410.25	1,375.75	0.90	0.63	0.64	0.64	29.94
GJ	Arman Financial Services Pvt. Ltd	31-03-12	5,060.97	29.76	43,807	29.89	43,807	NA	NA	1,064	1,064	2.44	1.44	1.11	1.11	21.20
2	Disha Microfin	31-03-12	4,065.56	23.91	43,926	29.97	43,926	563	563	1,157	1,157	0.17	0.14	0.05	0.05	25.16
3	PRAYAS	31-03-12	719.59	4.23	10,537	7.19	10,537	439	439	456	456	0.61	0.26	0.00	0.00	NA
4	SEWA Bank	31-03-12	5,622.27	33.07	23,362	15.94	23,362	3,065	3,065	3,060	3,060	6.42	2.16	9.53	NA	12.99
5	SVSDF	31-03-11	1,167.79	6.87	16,626	11.35	16,626	475	475	1,247	1,247	0.00	0.00	0.00	0.00	28.62
6	Vardan	31-03-07	367.25	2.16	8,285	5.65	NA	NA	NA	769	NA	13.83	NA	0.00	0.00	25.61
	Total		17,003.43	100	146,543	100	138,258	-	-	-	-	-	-	-	-	-
	Average		2,839.91		24,423.83		1,135.50	1,135.50	1,292.17	1,396.80	3.91	0.80	0.80	1.78	0.23	22.72
HR	SVCL	31-03-12	5,637.89	100.00	80,583	100.00	80,583	378	378	1,256	1,256	0.92	0.83	0.12	0.12	28.10
	Total		5,637.89	100	80,583	100	80,583	-	-	-	-	0.92	0.83	0.12	0.12	28.10
	Average		5,637.89		80,583		80,583	378	378	1,256	1,256	0.92	0.83	0.12	0.12	28.10
JH	Ajwika	31-03-12	513.64	21.57	10,160	40.27	10,160	267	267	529	529	1.99	0.65	0.00	0.00	20.61
2	NBJK	31-03-12	729.27	30.63	8,861	35.12	8,861	244	244	766	766	1.03	0.72	0.62	0.62	21.03
3	VCCL	31-03-07	1,138.33	47.80	6,208	24.61	NA	NA	NA	4,166	NA	0.26	NA	0.08	0.08	18.38
	Total		2,381.23	100	25,229	100	19,021	-	-	-	-	-	-	-	-	-
	Average		793.74		8,409.67		9,510.50	255.5	255.5	1,820.33	647.5	1.09	0.69	0.23	0.23	20.01
KA	BSS	31-03-12	12,529.14	3.66	138,346	4.67	141,496	325	332	1,155	1,079	0.00	0.00	-0.69	0.00	20.12
2	Chaitanya	31-03-12	1,687.12	0.49	18,302	0.62	18,302	374	374	1,525	1,506	0.02	0.02	0.26	0.26	24.98
3	GFSP	31-03-12	38,126.24	11.12	313,610	10.58	462,893	344	513	1,197	785	0.32	0.29	1.22	1.38	23.83
4	IDF Financial Services	31-03-12	5,438.10	1.59	143,470	4.84	143,470	1,503	1,503	353	353	6.35	3.24	2.13	2.30	20.46
5	Janodaya	31-03-11	551.92	0.16	8,255	0.28	NA	NA	NA	1,925	NA	NA	NA	0.00	NA	32.27
6	JFSP	31-03-12	35,074.36	10.23	300,847	10.15	300,847	489	489	1,884	1,884	0.83	0.74	0.93	0.93	25.47
7	KCIP	30-06-12	1,121.89	0.33	17,836	0.60	17,836	713	713	NA	NA	NA	NA	NA	NA	24.88
8	KOPSA	31-03-10	92.65	0.03	1,284	0.04	1,284	NA	NA	739	739	99.96	99.48	0.00	0.00	21.96
9	NCS	31-03-12	237.87	0.07	6,273	0.21	6,273	784	784	1,282	1,282	0.66	0.53	0.50	0.50	27.07
10	RORES	31-03-11	13.55	0.00	41	0.00	41	NA	NA	128	128	0.00	0.00	0.00	0.00	1.53
11	ROKS	31-03-12	725.37	0.21	5,821	0.20	5,821	253	253	2,158	2,158	0.25	0.12	1.84	1.84	24.07
12	Samasta	31-03-12	3,420.72	1.00	44,093	1.49	44,093	392	392	861	861	0.45	0.36	0.71	0.71	21.14

Table 5.4 Contd.

No	Name of MFIs	As of Date	Gross Loan Portfolio (₹ in Lakhs)	GLP (in %)	Number of active borrowers	NAB (in %)	Number of loans outstanding	Borrowers per loan officer	Loans per loan officer	Cost per borrower (in ₹)	Cost per loan (in ₹)	Portfolio at risk > 30 days (in %)	Portfolio at risk > 90 days (in %)	Loan loss rate (in %)	Write-off ratio (in %)	Total expense/assets (%)
13	Samrudhi MicroFin	31-03-07	12.49	0.00	380	0.01	NA	NA	NA	NA	NA	0.00	NA	NA	NA	NA
14	Sanghamithra	31-03-12	9,223.94	2.69	120,994	4.08	120,994	1,109	1,109	287	287	1.47	1.25	2.16	2.17	15.49
15	SKDRDP	31-03-12	163,792.04	47.78	1,015,440	34.27	1,290,988	389	494	847	847	20.90	15.68	22.23	22.23	45.19
16	TBF	30-09-12	381.30	0.11	8,519	0.29	8,519	710	710	698	698	28.57	28.57	NA	NA	8.58
17	Ujjivan	31-03-12	70,342.50	20.52	819,400	27.66	899,274	438	480	1,123	989	1.20	1.06	0.36	0.36	20.71
	Total		342,771.23	100	2,962,911	100	3,462,131	-	-	-	-	-	-	-	-	-
	Average		20,163.01		174,288.88		230,808.73	601.77	626.62	1,077.47	948.29	10.73	10.81	2.26	2.51	22.36
KL	1 Bodhana	31-03-05	97.44	0.18	11,065	1.76	NA	NA	56	NA	NA	3.23	NA	1.33	1.33	13.79
	2 ESAF	31-03-12	28,134.28	51.06	335,834	53.40	357,892	391	417	981	855	1.23	0.99	0.08	0.08	23.02
	3 GSGSK	31-03-10	1,852.20	3.36	34,833	5.54	34,833	2,322	2,322	NA	NA	4.74	3.26	0.00	0.00	11.68
	4 Hope Microcredit	31-03-12	4,123.56	7.48	NA	0.00	NA	NA	NA	NA	NA	NA	NA	0.00	0.00	15.65
	5 Muthoot	31-03-12	17,890.57	32.47	202,695	32.23	202,695	438	438	665	517	0.34	0.32	0.05	0.05	NA
	6 SIFFS	31-03-07	224.01	0.41	NA	0.00	NA	NA	NA	NA	NA	NA	NA	0.00	NA	10.72
	7 WSDS	31-03-12	216.43	0.39	NA	0.00	2,851	NA	NA	NA	NA	NA	NA	0.00	0.00	NA
	8 WSE	31-03-12	2,562.19	4.65	44,527	7.08	44,527	8,904	8,904	262	262	0.04	0.03	0.01	0.01	12.40
	Total		55,100.68	100	628,954	100	642,798	-	-	-	-	-	-	-	-	-
	Average		6,887.58		125,790.80		128,559.60	3,013.75	3,020.25	491	544.67	1.92	1.15	0.18	0.21	14.54
MP	1 AMS	31-03-07	21.15	0.63	1,239	2.39	NA	NA	NA	221	NA	0.00	NA	0.59	0.59	17.66
	2 BMVS	31-03-12	171.04	5.09	2,276	4.39	2,276	228	228	954	954	0.34	0.29	0.00	0.00	18.63
	3 LBT	31-03-12	311.26	9.27	5,104	9.85	5,104	567	567	797	797	0.00	0.00	0.17	0.17	NA
	4 MCM	31-03-12	354.49	10.56	4,051	7.82	4,095	211	213	643	572	0.68	0.34	1.50	1.50	NA
	5 PMS Indore	31-03-07	53.10	1.58	1,096	2.11	NA	NA	NA	491	NA	0.00	NA	0.00	0.00	16.97
	6 SCDS	31-03-12	2,440.02	72.68	37,906	73.14	37,906	395	395	786	786	1.27	1.24	-0.03	0.00	26.90
	7 Vikas Samiti	31-03-07	6.26	0.19	152	0.29	NA	NA	NA	NA	NA	1.23	NA	NA	NA	NA
	Total		3,357.31	100	51,824	100	49,381	-	-	-	-	-	-	-	-	-
	Average		479.62		7,403.43		12,345.25	350.25	350.75	648.67	621.80	0.50	0.47	0.37	0.38	20.04
MH	1 AID Annapurna Mahila Credit Co-op Society	31-03-08	60.00	0.14	7,661	1.04	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
	2 Society	31-03-12	1,916.62	4.39	27,024	3.65	27,024	409	409	949	949	3.21	1.15	0.68	0.71	NA
	3 GMSSS	31-03-12	481.05	1.10	1,547	0.21	1,547	119	119	2,195	2,195	6.08	2.02	0.06	0.06	NA
	4 Intellcash	31-03-12	1,046.66	2.40	13,035	1.76	13,035	256	256	4,229	4,229	NA	NA	0.00	0.00	NA

Table 5.4 Contd.

No	Name of MFIs	As of Date	Gross Loan Portfolio (₹ in Lakhs)	GLP (in %)	Number of active borrowers	NAB (in %)	Number of loans outstanding	Borrowers per loan officer	Loans per loan officer	Cost per borrower (in ₹)	Cost per loan (in ₹)	Portfolio at risk > 30 days (in %)	Portfolio at risk > 90 days (in %)	Loan loss rate (in %)	Write-off ratio (in %)	Total expense/assets (%)
5	IRCED	31-03-12	157.53	0.36	1,128	0.15	1,128	282	282	1,073	1,073	0.00	0.00	0.00	0.00	NA
6	L&T Finance	31-03-12	22,366.96	51.18	495,038	66.95	495,038	756	756	NA	NA	12.33	11.50	65.44	65.44	NA
7	SSK	31-03-09	419.19	0.96	8,385	1.13	8,385	441	441	NA	NA	5.23	4.43	2.31	2.31	20.94
8	Suryoday	31-03-12	9,360.33	21.42	104,571	14.14	104,571	735	735	1,255	1,255	0.27	0.25	3.06	3.19	29.49
9	Svabhimaan	31-03-09	30.75	0.07	867	0.12	867	217	217	NA	NA	0.28	NA	NA	NA	NA
10	Svadhhaar	31-03-12	7,860.40	17.99	80,201	10.85	82,195	318	326	2,008	1,993	2.04	1.48	1.47	1.47	NA
	Total		43,699.48	100	739,457	100	733,790	-	-	-	-	-	-	-	-	-
	Average		4,369.95		73945.70		81,532.22	392.56	393.44	1,951.50	1,949	3.68	2.98	9.13	9.15	25.22
MN	1 CMM	31-03-12	275.47	16.53	5,406	33.74	7,791	208	300	1,103	953	0.00	0.00	0.00	0.00	37.77
	2 WSDS	31-03-12	216.43	12.98	NA	NA	2,851	NA	NA	NA	NA	NA	NA	0.00	0.00	NA
	3 YFS	31-03-12	238.94	14.33	2,153	13.44	2,153	359	359	1,951	1,951	2.04	0.62	0.00	0.00	20.60
	4 YVU	31-03-12	936.11	56.16	8,465	52.83	8,465	229	229	1,635	1,635	0.65	0.53	0.00	0.00	20.70
	Total		1,666.95	100	16,024	100	21,260	-	-	-	-	-	-	-	-	-
	Average		416.74		5,341.33		5,315	265.33	296	1,563	1,513	0.90	0.38	0.00	0.00	26.36
OR	1 Adhikar	31-03-12	2,659.61	5.24	53,039	5.73	53,039	482	482	NA	NA	0.72	0.36	NA	NA	NA
	2 AIR	31-03-07	24.99	0.05	2,289	0.25	NA	NA	NA	363	NA	0.00	NA	0.00	0.00	37.73
	3 Awareness	31-03-07	5,449.49	10.73	313,055	33.81	NA	NA	NA	45	NA	0.73	NA	0.00	0.00	11.61
	4 Bhoornika	31-03-07	223.74	0.44	5,328	0.58	NA	NA	NA	708	NA	NA	NA	0.00	0.00	24.34
	5 BISWA	31-03-12	31,164.85	61.36	374,194	40.41	374,194	1,579	1,579	952	952	77.70	76.02	0.00	0.00	NA
	6 CDC	31-03-07	590.20	1.16	7,355	0.79	NA	NA	NA	711	NA	0.47	NA	0.00	0.00	19.61
	7 CPSW	31-03-07	143.87	0.28	6,400	0.69	NA	NA	NA	23	NA	12.00	NA	0.00	0.00	11.62
	8 GU	31-03-12	3,773.84	7.43	48,578	5.25	48,578	301	301	1,112	1,112	0.73	0.17	0.17	0.17	22.06
	9 JFSL	31-03-10	3,504.19	6.90	93,036	10.05	93,036	245	245	432	432	1.05	0.26	0.00	0.00	19.06
	10 Mahashakti	31-03-12	418.66	0.82	6,727	0.73	6,727	269	269	560	550	1.44	0.70	0.00	0.00	20.72
	11 ODC	31-03-07	56.50	0.11	2,744	0.30	NA	NA	NA	NA	NA	0.00	NA	NA	NA	NA
	12 PF	31-03-07	154.90	0.31	5,426	0.59	NA	NA	NA	304	NA	0.00	NA	0.00	0.00	13.55
	13 Sangheer	31-03-07	117.00	0.23	4,179	0.45	NA	NA	NA	40	NA	5.59	NA	NA	NA	NA
	14 Svaayamshree	31-03-12	2,504.33	4.93	3,656	0.39	3,796	30	31	765	763	2.28	2.14	5.56	5.56	18.47
	Total		50,786.16	100	926,096	100	579,370	-	-	-	-	-	-	-	-	-
	Average		3,627.58		66,143.29		96,561.67	484.33	484.5	501.25	761.8	7.90	13.28	0.52	0.52	19.88
RJ	1 ABASS	31-03-12	155.42	0.73	1,850	1.07	2,204	154	184	976	889	20.14	9.99	0.00	0.00	0.00
	2 Arth	31-03-12	928.96	4.36	12,826	7.40	12,826	428	428	854	870	1.55	0.08	0.00	0.00	0.00

Table 5.4 Contd.

No	Name of MFIs	As of Date	Gross Loan Portfolio (₹ in Lakhs)	GLP (in %)	Number of active borrowers	NAB (in %)	Number of loans outstanding	Borrowers per loan officer	Loans per loan officer	Cost per borrower (in ₹)	Cost per loan (in ₹)	Portfolio at risk > 30 days (in %)	Portfolio at risk > 90 days (in %)	Loan loss rate (in %)	Write-off ratio (in %)	Total expense/assets (%)
3	Bazaar Global Finance	31-03-09	531.60	2.49	3,331	1.92	NA	NA	NA	3,780	NA	NA	NA	0.42	0.42	19.47
4	Humana India	31-03-12	608.07	2.85	7,760	4.48	8,725	NA	NA	1,032	806	NA	NA	0.00	NA	NA
5	Pustikar	31-03-12	9,993.50	46.90	8,376	4.83	8,376	456	456	1,721	1,721	7.10	3.09	1.04	1.04	10.80
6	Sahayata	31-03-10	9,090.75	42.66	139,179	80.30	143,782	445	459	1,297	1,263	0.35	0.05	0.84	0.84	21.31
	Total		21,308.30	100	173,322	100	175,913	-	-	-	-	-	-	-	-	-
	Average		3,551.38		28,887		35,182.60	370.75	381.75	1,610	1,110	7.29	3.30	0.38	0.46	17.19
TN	AID India	31-03-08	62.77	0.03	7,015	0.21	NA	NA	NA	50	NA	0.00	NA	2.04	2.04	5.41
2	Anisha Microfin	31-03-07	181.16	0.08	7,489	0.22	NA	NA	NA	214	NA	NA	NA	0.15	0.15	19.66
3	Asirvad	31-03-12	7,931.46	3.63	173,109	5.08	173,109	651	651	598	598	0.01	0.01	1.98	1.98	24.73
4	BWDA Finance (BFL)	31-03-12	7,871.39	3.60	152,682	4.48	152,682	743	743	440	433	1.43	1.21	5.47	5.53	19.93
5	BWDC	31-03-12	684.36	0.31	12,053	0.35	12,053	389	389	NA	NA	0.76	0.71	0.00	0.00	NA
6	CCFID	31-03-11	421.38	0.19	9,753	0.29	9,753	406	406	760	760	0.54	0.00	0.00	0.00	22.68
7	CREED	31-03-07	1.83	0.00	14,356	0.42	NA	NA	NA	40	NA	0.00	NA	0.00	0.00	NA
8	Equitas	31-03-12	72,395.71	33.15	1,193,247	35.00	1,241,453	1,000	1,041	665	621	0.46	0.40	0.30	0.59	21.79
9	GLOW	31-03-12	348.30	0.16	4,296	0.13	4,296	430	430	592	592	0.39	0.00	0.00	0.00	17.61
10	GOF	31-03-11	2,857.25	1.31	57,835	1.70	67,318	273	318	929	863	2.80	0.87	2.60	2.60	22.52
11	GV	31-03-12	52,002.54	23.81	818,146	24.00	939,798	476	547	811	755	0.11	0.11	0.25	0.25	27.31
12	GUARDIAN	31-03-12	638.68	0.29	11,944	0.35	11,944	543	543	703	703	0.20	0.20	0.00	0.00	20.10
13	HIH	31-03-12	3,808.86	1.74	68,517	2.01	68,517	151	151	3,708	790	0.71	0.65	1.03	1.03	NA
14	IASC	31-03-07	1,886.09	0.86	14,813	0.43	16,066	463	502	824	790	20.93	12.16	2.30	2.85	16.10
15	ICNW	31-03-12	1,393.60	0.64	40,067	1.18	40,067	2,063	2,063	330	330	17.23	12.68	9.79	9.79	24.26
16	IFMR Rural Channels	31-03-12	5,163.72	2.36	40,980	1.20	46,468	115	130	NA	NA	0.25	0.18	0.00	NA	NA
17	IMED	31-03-01	52.55	0.02	2,846	0.08	NA	NA	NA	1,679	NA	0.00	NA	1.81	NA	106.93
18	IMPACT	31-03-12	603.21	0.28	6,926	0.20	6,926	407	407	1,293	1,293	5.89	5.14	1.68	1.68	NA
19	LEAD	31-03-07	163.59	0.07	8,425	0.25	NA	NA	NA	NA	NA	0.00	NA	NA	NA	NA
20	Maiaseman	31-03-12	4,957.40	2.27	93,220	2.73	93,220	NA	NA	760	748	0.00	NA	0.00	NA	NA
21	MMFL	31-03-12	10,587.20	4.85	212,753	6.24	212,753	1,716	1,716	515	643	2.45	0.92	4.38	4.46	22.49
22	NDFS	31-03-08	937.03	0.43	13,012	0.38	13,012	591	591	316	NA	0.00	0.00	0.14	0.14	11.67
23	PADACU	31-08-07	16.37	0.01	198	0.01	NA	NA	NA	NA	NA	0.00	NA	NA	NA	NA
24	Repco Bank	31-03-12	17,297.91	7.92	11,310	0.33	11,310	192	192	NA	NA	36.84	15.79	NA	NA	NA

Table 5.4 Contd.

No	Name of MFIs	As of Date	Gross Loan Portfolio (₹ in Lakhs)	GLP (in %)	Number of active borrowers	NAB (in %)	Number of loans outstanding	Borrowers per loan officer	Loans per loan officer	Cost per borrower (in ₹)	Cost per loan (in ₹)	Portfolio at risk > 30 days (in %)	Portfolio at risk > 90 days (in %)	Loan loss rate (in %)	Write-off ratio (in %)	Total expense/assets (%)
25	Sangamam	31-03-08	459.91	0.21	17,384	0.51	17,384	122	122	408	NA	0.39	0.00	0.00	0.00	20.38
26	Sarvodaya Nano Finance	31-03-12	3,124.83	1.43	56,129	1.65	56,129	92	92	266	266	3.76	2.20	8.65	8.65	24.30
27	SMILE	31-03-12	21,791.56	9.98	347,477	10.19	367,615	618	654	880	839	0.06	0.06	-0.05	0.57	26.61
28	SSD	31-03-12	322.74	0.15	3,583	0.11	3,583	239	239	2,232	2,232	0.91	0.17	0.35	0.35	NA
29	TCT	31-03-05	407.44	0.19	9,623	0.28	NA	NA	NA	897	NA	12.70	NA	0.00	0.00	25.18
	Total		218,370.83	100	3,409,188	100	3,565,456	-	-	-	-	-	-	-	-	-
	Average		7,530.03		117,558.21		162,066.18	556.19	567.95	829.58	779.13	4.19	2.55	1.71	1.85	25.25
UP																
1	Cashpor MC	31-03-12	32,308.17	22.50	460,403	48.79	460,403	531	531	552	552	0.04	0.01	0.15	0.15	20.18
2	Disha	31-03-12	298.76	0.21	4,453	0.47	4,453	NA	NA	217	217	NA	NA	0.00	NA	NA
3	NEED	31-03-12	1,757.04	1.22	26,781	2.84	26,781	304	304	578	599	0.25	0.14	1.99	2.01	18.03
4	Nirmaan Bharati	31-03-08	2,563.57	1.79	45,317	4.80	45,317	387	387	879	NA	0.03	0.00	0.31	0.31	22.04
5	RISE	31-03-12	120.60	0.08	1,673	0.18	1,673	279	279	955	955	1.37	1.12	0.07	0.07	29.28
6	Sanchetra	31-03-12	237.94	0.17	3,876	0.41	3,876	258	258	1,347	1,323	2.62	1.39	0.00	0.00	33.83
7	SEIL	31-03-12	88,073.16	61.34	151,274	16.03	151,274	320	320	1,318	1,318	14.28	2.38	1.20	1.20	9.71
8	Sonata	31-03-12	10,196.39	7.10	132,760	14.07	133,178	390	392	889	888	0.54	0.41	0.50	0.50	21.59
9	Utkarsh	31-03-12	7,530.85	5.24	106,371	11.27	106,371	492	492	864	864	0.00	0.00	0.00	0.00	NA
10	VFPL	31-03-11	495.92	0.35	10,705	1.13	10,705	297	297	1,716	NA	0.16	0.05	0.26	0.26	42.10
	Total		143,582.37	100	943,613	100	944,031	-	-	-	-	-	-	-	-	-
	Average		14,358.24		94,361.30		94,403.10	362	362.22	931.50	839.50	2.14	0.61	0.45	0.50	24.60
WB																
1	ABCRDM	31-03-09	1,278.27	0.30	117,018	2.51	117,018	360	360	243	243	0.04	0.01	0.00	0.00	24.58
2	AMPL	31-03-12	220.90	0.05	5,251	0.11	5,251	81	81	829	765	1.66	0.87	0.00	0.00	NA
3	Arohan	31-03-12	5,393.71	1.27	107,612	2.30	107,612	253	253	1,032	1,032	0.72	0.40	6.10	6.10	38.67
4	ASA India	31-03-12	10,347.06	2.44	181,674	3.89	181,674	245	245	707	707	5.42	4.98	2.59	2.59	21.63
5	Bandhan	31-03-12	373,020.79	88.05	3,617,641	77.44	3,617,641	504	504	501	501	0.16	0.13	0.59	0.59	15.05
6	BIS	31-03-12	544.11	0.13	9,305	0.20	9,305	388	388	630	672	0.16	0.11	0.27	0.27	23.31
7	BSA	31-03-07	393.55	0.09	14,400	0.31	NA	NA	NA	243	NA	0.83	NA	0.00	0.00	16.16
8	EFSL	31-03-07	0.73	0.00	5,876	0.13	NA	NA	NA	1	NA	18.76	NA	0.00	0.00	4.40
9	Jagaran MF	31-03-12	3,398.72	0.80	64,863	1.39	64,863	432	432	371	371	0.24	0.15	0.00	0.00	13.95
10	Kotalipara	31-03-12	2,803.58	0.66	58,626	1.26	60,539	213	220	714	709	1.84	0.91	1.11	1.11	26.68
11	RSN	31-03-07	150.43	0.04	3,272	0.07	NA	NA	NA	3	NA	0.00	NA	0.00	0.00	0.24
12	Sahara Utsarga	31-03-12	5,439.28	1.28	93,318	2.00	93,318	166	166	813	813	2.74	2.26	2.40	2.42	24.27

Table 5.4 Contd.

No	Name of MFIs	As of Date	Gross Loan Portfolio (₹ in Lakhs)	GLP (in %)	Number of active borrowers	NAB (in %)	Number of loans outstanding	Borrowers per loan officer	Loans per loan officer	Cost per borrower (in ₹)	Cost per loan (in ₹)	Portfolio at risk > 30 days (in %)	Portfolio at risk > 90 days (in %)	Loan loss rate (in %)	Write-off ratio (in %)	Total expense/assets (%)
13	Sarala	31-03-12	4,002.64	0.94	98,145	2.10	98,145	401	401	393	393	4.41	3.78	1.15	1.15	20.29
14	Seba Rahara	31-03-12	590.30	0.14	9,763	0.21	9,763	334	334	NA	NA	99.98	99.97	0.53	0.53	NA
15	SMCBK	31-03-12	1,081.16	0.26	19,244	0.41	19,244	NA	NA	NA	NA	NA	NA	NA	NA	NA
16	SMS	31-03-07	1,635.79	0.39	39,577	0.85	39,577	350	350	186	186	0.45	0.37	0.00	0.00	14.98
17	SPEED	31-03-07	2.74	0.00	1,400	0.03	NA	NA	NA	68	NA	0.37	NA	0.53	0.53	27.46
18	SU	31-03-12	1,710.34	0.40	37,075	0.79	37,075	172	172	792	792	4.74	4.54	7.03	7.04	30.15
19	UFSPL	31-03-12	712.28	0.17	16,673	0.36	16,673	272	272	692	692	2.71	1.87	2.58	2.58	24.94
20	VFS	31-03-12	10,536.12	2.49	165,847	3.55	165,847	395	395	754	754	0.95	0.84	1.27	1.27	22.19
21	VSSU	31-03-12	401.84	0.09	4,683	0.10	4,721	128	129	NA	NA	3.78	3.41	NA	NA	NA
	Total		423,664.31	100	4,671,263	100	4,648,266	-	-	-	-	-	-	-	-	-
	Average		20,174.49		222,441.10		273,427.41	293.38	293.88	498.44	616.43	7.50	7.79	1.38	1.38	20.53

Source: Compiled and Computed from MIX Market (<http://www.mixmarket.org/>) Accessed on 11 March, 2013

Notes:

- 1) Variations in the dates can be seen in the above table as information is available as of those dates only.
- 2) NA = Not Available data
- 3) Full forms of abbreviations used in the name of MFIs has been given in the *Appendix-5*
- 4) Location of MFIs is considered as per the location state of their Head Offices

two MFIs were found with the amount of CPB < ₹100 i.e. *IWB* with ₹100 and *SEVA Microfoundation* with ₹70. Only one MFI *CJWS* was found with the CPB of ₹0. This may be an entry error at source or very difficult to understand the reason.

Only for 35 MFIs data regarding PAR > 30 days and. Out of total 35 MFIs, 11 MFIs were available with 0% of PAR > 30 days and maximum share of PAR > 30 days (142.77%) was observed for *Sanghmitra* followed by *AMMACTS* (98.81%) and *Trident Microfinance* (98.45%). For only 22 MFIs data regarding PAR > 90 days was available of which only 7 MFIs were found with 0% of PAR > 90 days.

Maximum share of PAR > 90 days (98.41%) was available for *AMMACTS* followed by *Trident Microfinance* (94.17%). *SMSS* was reported with the huge difference between PAR > 30 days (90.91%) and PAR > 90 days (50.51%) which indicates that portfolio risk is higher for 30 days than 90 days. Remaining MFIs were observed with below 50% share of PAR > 30 days and PAR > 90 days.

LLR and WOR were available for 32 MFIs only. Two MFIs *AMMACTS* and *ASSIST* were observed with the negative amount of LLR i.e. (-0.05%) and (-2.03%) respectively but with 0% of WOR however the reason could not be found for negative ratios. 21 MFIs were available with 0% of LLR and WOR which shows very good collection management in those particular MFIs. *AML* was observed with 64.81% of LLR while WOR was not available. *SHARE* (57.79% and 57.88%), *Spandana* (49.54% and 49.69%) and *SKS* (41.91% and 42.73%) were found with both the ratios (LLR and WOR) but with small amount of difference between two.

On examining 33 MFIs with the ratio of TE/A, the ratio was observed in the range of 0.05% (*CJWS*) to 560.32% (*Need To India*). Three MFIs were found with the ratio of > 100% viz. *Spandana* (100.73%), *AML* (102.31%) and *SMSS* (311.73%). Four MFIs were observed with the ratio between 50% < 100% viz. *Sanghmitra* (53.99%), *Nano* (58.44%), *SHARE* (95.92%) and *BASIX* (98.60%). Remaining MFIs were had the ratio below 50%.

AS (Assam)

Only 5 MFIs were observed working in Assam. *RGVN* was noticed with the highest amount of GLP (63.55%) of ₹10,223.42 lakhs and also with the highest numbers of NABs 141,420 with the same number of NLO. Lowest amount of GLP (0.90%) ₹145.15 lakhs with the similar numbers of NABs and NLO i.e. 572 was reported for *KMUCBL*. 4 MFIs observed with the same value of BLO and LLO in the range of 261 to 576 except the MFI *Nightingale*. CPB and CPL were available for 3 MFIs only. Among them 2 MFIs viz. *Asomi* and *Grameen Sahara* were noticed with the same

amount of CPB and CPL i.e. ₹607 and ₹697. The ratios of PAR > 30 days and PAR > 90 days were available only for 4 MFIs. *KMUCBL* was observed with highest ratio of PAR > 30 days (21.42%) and PAR > 90 days (6.48%). Remaining 3 MFIs were noticed having both the ratio below 0.40%. Out of total 5 MFIs, only *Nightingale* has reported with 0% of LLR and WOR. *KMUCBL* was available with the highest number of both the ratios i.e. 4.60%. Ratio of TE/A was available for 3 MFIs where maximum ratio was observed for *Asomi* (22.49%) and minimum ratio was observed for *Nightingale* (16.95%).

BR (Bihar)

Total 4 MFIs were available in the state Bihar. Highest amount of GLP Rs.618.04 lakhs (62.06%) with the same number of NABs and NLO i.e.10,595 was available for *CDOT*. While lowest amount of GLP Rs. 42.16 lakhs (4.23%) was available for *TMS*. Lowest NABs and NLO were available for *Nidan*. BLO and LLO were available with the same numbers. Minimum number of BLO and LLO (119) was observed for *Nidan* while maximum number of BLO and LLO (414) was observed for *TMS*. On examining CPB and CPL, highest amount of both the costs ₹2,186 was noted down for *Saija*. Lowest amount of both the costs ₹16 was reported for *Nidan*. Only *Saija* was available with 0.22% LLR and WOR. Remaining 4 MFIs were observed with 0% of both the ratios. On analyzing the ratio of TE/A, *Saija* was reported with the highest (44.05%) share of ratio and lowest (2.45%) ratio was observed for *Nidan*.

DL (Delhi)

4 MFIs were available for Delhi. *SCNL* was found with the highest share of GLP at 80.76% (₹32, 014.38 lakhs). Remaining three MFIs have been reported with the share of GLP below 10%. NABs and NLO were available with the same numbers for all MFIs. *SCNL* was observed with the maximum numbers of NABs and NLO i.e. 306,317. Minimum number (35,289) of NABs and NLO was reported for *Mimo Finance*. BLO and LLO were also observed with the similar numbers ranging from 184 (*India's Capital Trust Ltd*) to 587 (*Fusion Microfinance*). Similar amount of CPB and CPL as reported for 3 MFIs where highest amount of CPB (₹1,839) and CPL (₹1,701) was available for *India's Capital Trust Ltd*. Lowest amount of both the costs Rs. 1,064 was observed for *SCNL*. 0% ratio of PAR > 30 days and PAR > 90 days was reported for *Fusion Microfinance*. Highest proportion of PAR > 30 days (2.63%) and PAR > 90 days (2.06%) was reported for *Mimo Finance* and lowest proportion of PAR > 30 days (0.16%) and PAR > 90 days (0.09%) was reported for *India's Capital Trust Ltd*. Same proportion of LLR and WOR, ranging from 0% (*India's Capital Trust Ltd.*) to 1.13%

(Mimo Finance) was available for all MFIs. While analyzing the ratio of TE/A, highest (39.02%) ratio was reported for *India's Capital Trust Ltd.* and lowest (20.13%) ratio was reported for *SCNL*.

GJ (Gujarat)

Total 6 MFIs have been reported for the state Gujarat. *SEWA Bank* was reported with the highest share of GLP 33.07% (Rs. 5,622.27 lakhs) followed by *Arman Financial Services Pvt. Ltd* (29.76%) and *Disha Microfin* (23.91%). Remaining 3 MFIs were available with GLP below 5%. NABs and NLO were available with same numbers ranging from 8,285 (*Vardan*) to 42,926 (*Disha Microfin*). Information about BLO and LLO were available for 4 MFIs. Among them *SEWA Bank* was observed with the maximum numbers of BLO and LLO (3,065) and minimum numbers of BLO and LLO (439) was observed for *PRAYAS*. ₹3,060 of highest amount of CPB and CPL was observed for *SEWA Bank* while ₹456 of lowest amount of both the costs was noticed for *PRAYAS*. Similar amount of CPB and CPL was available for remaining 5 MFIs. Maximum proportion of PAR > 30 days i.e. 13.83% was available for *Vardan*. *SVSDF* was observed with 0% ratio of PAR > 30 days and PAR > 90 days. *SEWA Bank* has been reported 6.42% PAR > 30 days and 2.16% PAR > 90 days. *SEWA Bank* was reported with the highest proportion of LLR i.e. 9.53%. 3 MFIs viz. *PRAYAS*, *SVSDF* and *Vardan* have been observed with 0% of both the ratios LLR and WOR. While analyzing the ratio TE/A, highest share (28.62%) was reported for *SVSDF* and lowest share (12.99%) was observed for *SEWA Bank*.

HR (Haryana)

HR was available with only one MFI *SVCL*, where GLP was noted down as ₹5,637.89 lakhs. NABs and NLO was reported similar 80,583. BLO and LLO were also observed similar 378. CPB and CPL were observed similar too. PAR > 30 days and PAR > 90 days were found 0.92% and 0.83% respectively. LLR and WOR were reported at 0.12% while ratio of TE/A was available at 28.10%.

JH (Jharkhand)

3 MFIs were available for this state. Highest share 47.80% (₹1,138.33 lakhs) of GLP was available for *VCCL* and lowest share 21.57% (₹513.64 lakhs) of GLP was available for *Ajiwika*. NABs and NLO were observed similar in numbers. Lowest (6,208) NABs was available for *VCCL* while highest (10,160) NABs and NLO were available for *Ajiwika*. Only 2 MFIs were available with same numbers of BLO and LLO viz. *Ajiwika* (267) and *NBJK* (244). On examining the CPB and CPL, highest amount of CPB was reported for *VCCL* (₹4,166). Highest ratio of PAR > 30 days was noticed at

1.99% i.e. for *Ajiwika* but highest ratio of PAR > 90 days was noticed at 0.72% i.e. for *NBJK*. Ratios of LLR and WOR were available in the range of 0% (*Ajiwika*) to 0.62% (*NBJK*). For TE/A, highest proportion (21.03%) was reported for *NBJK* while lowest proportion (18.38%) was reported for *VCCL*.

KA (Karnataka)

Total 17 numbers of MFIs were available here. Highest share 47.78% of GLP (₹163,792.04 lakhs) was reported for *SKDRDP* followed by *Ujjivan* with 20.52% (₹70,342.50 lakhs). Remaining 15 MFIs have been reported with GLP below 12%. On comparing the NABs and NLO, 11 MFIs (out of 17) were available with the similar numbers of NABs and NLO. *SKDRDP* was observed with maximum number of NABs (1,015,440) and NLO (1,290,988) followed by *Ujjivan* with 819,400 NABs and 899,274 NLO.

Information about BLO and LLO were available for 13 MFIs. Among them, 9 MFIs were available with similar numbers. Maximum (1,503) number of BLO and LLO was observed for *IDF Financial Services* while minimum number of BLO (325) and LLO (332) was observed for *BSS*.

The amount of CPB was available for 15 MFIs and CPL was available for 14 MFIs. Highest amount (₹2,158) of both the costs was observed for *RORS* while lowest amount (₹128) of both the costs was observed for *RORES*. The ratios of PAR > 30 days and PAR > 90 days were available for 15 MFIs. Among them, 0% of PAR > 30 days was observed for 3 MFIs (*BSS*, *RORES*, *Samrudhi MicroFin*) while 0% of PAR 90 > days was observed for 2 MFIs (*BSS*, *RORES*). Highest ratio of PAR > 30 days (99.96%) and PAR > 90 days (99.48%) was noted down for *KOPSA*. Remaining MFIs were reported with both the ratios below 7%.

LLR and WOR were available for 13 MFIs. Only *BSS* was observed with (-0.69%) of LLR and 0% of WOR. No reason could be found for this contradictory value of LLR. *KOPSA*, *RORES* and *Janodaya* were available with 0% of LLR and WOR both. Highest value of both the ratios was noticed 22.33% for *SKDRDP*. The ratio of TE/A was observed in the range between 1.53% (*RORES*) to 45.19% (*SKDRDP*).

KL (Kerala)

The state was available with 8 MFIs. 51.06% GLP (highest share) with the amount of ₹28,134.28 lakhs has been reported by *EASF* followed by *Muthoot* with 32.47% of GLP (₹17,890.57 lakhs). Remaining 6 MFIs were found with the share of GLP below 8%. 5 MFIs were available with the information regarding NABs and NLO. Maximum NABs (335,834) and NLO (357,892) have been observed for *ESAF*.

Minimum NABs and NLO was observed for *Bodhana* and *WSDS* respectively. BLO and LLO were reported for 4 MFIs. Among them highest (8,904) numbers of BLO and LLO was observed for *WSE* followed by *GSGSK* (2,322) and *Muthoot* (438). The amount of CPB and CPL was available for 4 MFIs. Highest amount of CPB (₹981) and CPL (₹855) have been reported for *ESAF* followed by *Muthoot* i.e. CPB (₹665) and CPL (₹517). Highest share of PAR > 30 days (4.74%) and PAR > 90 days (3.26%) was observed for *GSGSK*. Lowest share of PAR > 30 days (0.04%) and PAR > 90 days (0.03%) was observed for *WSE*. On examining LLR and WOR, 4 MFIs (*GSGSK*, *Hope Microcredit*, *WSDS*, and *SIFFS*) were observed at 0% of both the ratios except *SIFFS* as *SIFFS* has 0% of LLR only. Maximum share (1.33%) of both the ratios was available for *Bodhana*. Highest proportion of TE/A at 23.02% was reported for *ESAF* while lowest proportion at 10.72% was reported for *SIFFS*.

MP (Madhya Pradesh)

Madhya Pradesh was available with 7 MFIs. Highest amount of GLP, ₹2,440.02 lakhs (72.68%), was observed for *SCDS* followed by *MCM* with ₹354.49 lakhs (10.56%). Remaining 5 MFIs have been found with GLP below 10%. 3 MFIs were available with same numbers of NABs and NLO viz. *SCDS*, *LBT* and *BMVS* (37,906; 5,104 and 2,276). 4 MFIs were reported with the numbers of BLO and LLO. Among them, 3 MFIs were observed with the similar numbers of both BLO and LLO. Minimum number of BLO (211) and LLO (213) was available for *MCM* while maximum numbers of both BLO and LLO (567) was observed for *LBT*.

The amount of CPB was available for 6 MFIs and the amount of CPL was available for 4 MFIs. 3 MFIs have been noticed with similar amount of both the costs i.e. *BMVS* (₹954), *LBT* (₹797) and *SCDS* (₹786). Lowest amount of CPB Rs. 221 was reported for *AMS* while lowest amount of CPL ₹572 was reported for *MCM*. PAR > 30 days was found in the range of 0% to 1.27% where 0% share was available for *AMS*, *LBT* and *PMS Indore*. Maximum share of PAR > 30 days (1.27%) and PAR > 90 days (1.24%) was observed for *SCDS*. 5 MFIs were observed with the same proportion of LLR and WOR. *SCDS* was available with (-0.03%) of LLR but 0% of WOR. No reason could be found for negative value of LLR. Highest share (1.50%) of LLR and WOR was available for *MCM*. The ratio of TE/A (reported by 4 MFIs only) was available in the range of 16.97% (*AMS*) to 26.90% (*SCDS*).

MH (Maharashtra)

10 MFIs were available in this state. *L&T Finance* has been observed with the highest proportion of GLP at 51.18% (₹22,366.96 lakhs) followed by *Suryoday* (21.42%)

and *Swadhaar* (17.99%). Remaining 7 MFIs were observed at below 5% of GLP. 8 MFIs were observed with the similar number of NABs and NLO. *L&T Finance* was found with the maximum numbers of NABs and NLO i.e. 495,038 while minimum numbers (867) of NABs and NLO were observed for *Swabhimaan*. BLO and LLO were available for 9 MFIs where 8 MFIs have been reported with similar numbers. Maximum number of BLO and LLO (756) was noticed for *L&T Finance* and minimum number of BLO and LLO (119) was noticed for *GMSSS*. Only 6 MFIs were available with the amount CPB and CPL, among them 5 MFIs were observed with equal amount. Highest amount of both the costs were observed ₹4,229 for *Intellcash* while lowest amount ₹949 was observed for *Annapurna Mahila Credit Cooperative Society*.

Total 8 MFIs were reported with the ratio of PAR > 30 days in the range of 0% (*IRCED*) to 12.33% (*L&T Finance*). Total 7 MFIs were reported with the ratio of PAR > 90 days in the range of 0% (*IRCED*) and 11.50% (*L&T Finance*). LLR and WOR were available for 8 MFIs where 7 MFIs were observed with equal proportion. Highest share was noticed at 65.44% for *L&T Finance* and lowest share noticed at 0% for *Intellcash* and *IRCED* both. Only two MFIs, *Suryoday* and *SSK*, were available with the ratio of TE/A i.e. 29.49% and 20.94 respectively.

MN (Manipur)

Total 4 MFIs have been reported from the state Manipur. Highest amount of GLP ₹936.11 lakhs (56.16%) was observed for *YVU*, while lowest amount of GLP ₹216.43 lakhs (12.98%) was observed for *WSDS*. In the case of NABs and NLO, 2 MFIs were observed with the same numbers i.e. *YVU* (8,465) and *YFS* (2,153). *WSDS* was available with 2,852 NLO only as NABs were not available. Two MFIs, *YFS* and *YVU*, were reported with same numbers of BLO and LLO i.e. 359 and 229. Highest amount of CPB and CPL Rs. 1,951 was available for *YFS*. Lowest amount of CPB ₹1,103 and CPL ₹953 were available for *CMM*. The ratio of PAR > 30 days was observed in the range of 0% (*CMM*) to 2.04% (*YFS*) while the ratio of PAR > 90 days was observed in the range of 0% (*CMM*) to 0.62% (*YFS*). All 4 MFIs were reported at 0% of LLR and WOR. Further, the ratio of TE/A has been reported for 3 MFIs where highest proportion was noticed at 37.77% and lowest proportion was noticed at 20.60%.

OR (Orissa)

14 numbers of MFIs were available for Orissa. Among them *BISWA* was found with the highest share of GLP 61.36% (₹31,164.85 lakhs), while *Awareness* was found with the lowest share of GLP 10.73% (₹5,449.49 lakhs). Remaining 12 MFIs were found with GLP below 8%. NABs and NLO were available with same numbers for 5

MFIs only. *BISWA* was noticed with maximum number (374,194 of NABs and NLO) followed by *Awareness* (313,055 NABs) and *JFSL* (93,096 NLO). Lowest number of NABs (2,289) and lowest number of NLO (3,796) were observed for *AIR* and *Swayamshreei* respectively.

Only 6 MFIs have been reported with the information about BLO and LLO with similar numbers. Maximum number of BLO and LLO was noticed (1,579) for *BISWA* and minimum numbers of BLO (30) and LLO (31) were observed for *Swayamshree*. The amount of CPB and CPL were available for 12 MFIs and 5 MFIs respectively. Highest amount of both the costs have been reported similar *i.e.* ₹1,112 for *GU* followed by *BISWA* with ₹952. Lowest amount of CPB (₹23) and CPL (₹432) was observed for *CPSW* and *JFSL* respectively. Ratio of PAR > 30 days was available for 13 MFIs while ratio of PAR > 30 days was available for 6 MFIs only. PAR > 30 days was observed in the range of 0% to 77.70% where 0% ratio was available for *AIR*, *ODC* and *PF* while 77.70% ratio was available for *BISWA*. The ratio of PAR > 90 days was observed in the range of 0.17% (*GU*) to 76.02% (*BISWA*). On examining LLR and WOR, similar proportion has been noticed for 11 MFIs. Among them, 9 MFIs have been noticed at 0% of both the ratios. Remaining 2 MFIs, *Swayamshree* and *GU*, were observed with the ratio at 5.56% and 0.17% respectively. The ratio of TE/A was available for 10 MFIs only where highest proportion was observed at 37.73% for *AIR* and lowest proportion was observed at 11.61% for *Awareness*.

RJ (Rajasthan)

This state was available with total 6 MFIs. Among them, highest amount of GLP ₹9,993.50 lakhs (46.90%) was available for *Pustikar* followed by *Sahayata* with GLP of ₹9,090.75 lakhs (42.66%). Remaining 4 MFIs were found with GLP below 5%. Maximum NABs (139,179) and NLO (143,782) had been reported for *Sahayata*. Two MFIs, *Arth* (12,826) and *Pustikar* (8,376), were observed with the same numbers of NABs and NLO. Minimum number of NABs (1,850) and NLO (2,204) was available for *ABASSS*. Information about BLO and LLO was available for 4 MFIs only. Maximum numbers of BLO and LLO both (456) was observed for *Pustikar* while minimum numbers of BLO (154) and LLO (184) were observed for *Sahayata*. The amount of CPB and CPL was available for 6 and 5 MFIs respectively. Uppermost amount of CPB was observed at ₹3,780 for *Bazaari Global Finance* and uppermost amount of CPL was observed at ₹1,721 for *Pustikar*. Lowest amount of CPB (₹854) was observed for *Arth* and CPL (₹806) was observed for *Humana India*. PAR > 30 days was available in the range of 0.35% (*Sahayata*) to 20.14% (*ABASSS*) and PAR > 90 days was available in the

range of 0.05% (*Sahayata*) to 9.99% (*ABASSS*). 3 MFIs were noticed at 0% of LLR and 2 MFIs were noticed at 0% of WOR. Among remaining MFIs, *Pustikar* was reported at highest share 1.04% of LLR and WOR both. TE/A was available for 3 MFIs where *Sahayata* was observed with the highest proportion (21.31%) while *Pustikar* was observed with the lowest proportion (10.80%).

TN (Tamil Nadu)

Total 29 MFIs have been spotted in Tamil Nadu. *Equitas* was observed at 33.15% (₹72,395.71 lakhs) of highest proportion of GLP followed by *GV* at 23.81% (₹52,002.54 lakhs). Remaining 27 MFIs have been reported with GLP below 10%. *Equitas* was available with the maximum share of NABs 35% (1,193,247 in numbers) followed by *GV* and *SMILE* with the share of 24% (818,146) and 10.19% (347,477). Remaining 26 MFIs were reported with the share of NABs below 7%. NLO was available for 22 MFIs. Among them 6 MFIs were observed with the numbers above 100,000 viz. *Equitas* (1,241,453); *GV* (939,798); *SMILE* (367,615); *MMFL* (212,753); *Asirvad* (173,109) and *BWDA Finance* (152,682). Remaining 16 MFIs were available with NLO below 100,000.

Total 21 MFIs were reported with number of BLO and LLO. Among them 15 MFIs were observed with the similar numbers. Highest numbers of BLO and LLO was observed for *ICNW* (2,063) followed by *MMFL* (1,716) and *Equitas* (1,000 BLO and 1,041 LLO). Lowest number (92 only) of BLO and LLO was observed for *Sarvodaya Nano Finance*. CPB was available for 24 MFIs CPL was available for 16 MFIs where 8 MFIs were observed with the same amount of both the costs. Highest amount of CPB was observed ₹3,708 for *HiH* and lowest amount of CPB was observed ₹40 only for *CREED*. Further, highest amount of CPL was observed ₹2,232 for *SSD* and lowest amount of CPL was observed ₹266 for *Sarvodaya Nano Finance*. The ratio of PAR > 30 days was available for 26 MFIs, among them following 5 MFIs were available with 0% ratio i.e. *AID India*, *CREED*, *LEAD*, *NDFS* and *PADACU*. Remaining 21 MFIs were reported with the ratio in the range of 0.01% (*Asirvad*) to 36.84% (*Repc Bank*). The ratio of PAR > 90 days was available for 21 MFIs, among them 4 MFIs were observed with 0% ratio i.e. *CCFID*, *GLOW*, *NDFS* and *Sangamam*. Remaining 18 MFIs were observed with the ratio between the ranges of 0.01% (*Asirvad*) to 15.79% (*Repc Bank*).

LLR has been reported by 25 MFIs, among them 8 MFIs observed having 0% of LLR. WOR was available for 23 MFIs, among them 7 MFIs were observed with 0% of the ratio. *SMILE* was reported with the LLR of (-0.05%) but the reason could not be found for LLR having negative ratio. Highest share (9.79%) of both the ratios was

reported for *ICNW* and lowest share i.e. 0.15% (> 0%) of both the ratios was observed for *Anisha Microfin*. TE/A was available for 19 MFIs where highest share (106.93%) was noted down for *IMED* while lowest share (5.41%) was noted down for *AID India*.

UP (Uttar Pradesh)

10 MFIs were reported in this state. *SEIL* was observed with the maximum share of GLP at 61.34% (₹88,073.16 lakhs) followed by *Cashpor MC* with 22.50% (₹32,308.17 lakhs). Remaining 8 MFIs were observed with the share of GLP below 8% only. NABs and NLO were available for 9 MFIs with the same numbers. Maximum numbers NABs and NLO were available as 460,403 for *Cashpor MC* and minimum number were observed as 1,673 only for *RISE*. Maximum number (531) of BLO and LLO both were observed for *Cashpor MC* and minimum number (258) were observed for *Sanchetna*. 6 MFIs have been reported the same amount of CPB and CPL. Highest amount (₹1,716) of CPB was available for *VFPL* while highest amount (₹1,323) of CPL was available for *Sanchetna*. Lowest amount of both the costs was reported ₹217 for *Disha*.

Highest share of PAR > 30 days and PAR > 90 days (out of 9 MFIs only) were observed at 14.28% and 2.38% respectively for *SEIL*. Lowest share of the ratio PAR > 30 days (0%) was observed for only one MFI *Utkarsh* while the ratio of PAR > 90 days at 0% was observed for two MFIs viz. *Disha* and *Utkarsh*. Further, 3 MFIs (*Disha*, *Sanchetna* and *Utkarsh*) were available at 0% of LLR, among them *Sanchetna* and *Utkarsh* were also available at 0% of WOR. Ratio of TE/A (available for 8 MFIs) was reported in the range of 9.71% (*SEIL*) to 42.10% (*VFPL*).

WB (West Bengal)

Out of available total 21 MFIs, *Bandhan* was observed with the uppermost proportion of GLP i.e. 88.05% with the amount of ₹373,020.79 lakhs. Remaining 20 MFIs have been observed with very low proportion of GLP i.e. below 3%. 15 MFIs were available with the similar numbers of NABs and NLO. Maximum number NABs and NLO were reported as 3,617,641 from *Bandhan* while lowest NABs was noticed as 1,400 for *SPED* and NLO was noticed as 4,721 for *VSSU*. The data of BLO and LLO was available for 16 MFIs where 15 MFIs was spotted with same numbers. Maximum number of BLO and LLO was observed 504 for *Bandhan* and minimum number was observed 81 for *AMPL*.

The amount of CPB and CPL was available for 14 MFIs, among them 10 MFIs were reported with the same amount. Highest amount (₹1,032) of both the costs was noticed for *Arohan*. Lowest amount of CPB was observed for *EFSL* (₹1) followed by

RSN (₹3). Lowest amount (₹243) of CPL was noticed for *ABCRDM*. Ratio of PAR > 30 days was available in the range of 0% (*RSN*) to 99.98% (*Seba Rahara*). Ratio of PAR > 90 days was available in the range of 0.01% (*RSN*) to 99.97% (*Seba Rahara*). 19 MFIs were available with the information about LLR and WOR, among them 18 MFIs have been reported with the same proportion except *Sahara Utsarga* (LLR 2.40% & WOR 2.42%). Following 7 MFIs were available with 0% of both the ratios i.e. *ABCRDM*, *AMPL*, *BSA*, *EFSL*, *Jagaran MF*, *RSN* and *SMS*. Highest proportion was observed at 7.03% for *SU* and lowest proportion (> 0) was observed at 0.27% for *BJS*. The ratio of TE/A was available in the range of 0.24% (*RSN*) to 38.67% (*Arohan*).

Table 5.5 Details of MFIs with highest and lowest values of selected indicators

No	Indicators	Highest Values	Name of MFI with State	Lowest Values	Name of MFI with State
1	Gross Loan Portfolio (₹ in Lakhs)	373,020.79	Bandhan (WB)	0.03	CJWS (AP)
2	Number of Active Borrowers	4,256,719	SKS (AP)	6	CSF (AP)
3	Number of Loans Outstanding	4,335,712	Spandana (AP)	41	RORES (KA)
4	Borrowers per Loan Officer	8,904	WSE (KL)	30	Swayamshree (OR)
5	Loans per Loan Officer	8,904	WSE (KL)	31	Swayamshree (OR)
6	Cost per Borrower (In ₹)	4,229	Intellcash (MH)	0	CJWS (AP)
7	Cost per Loan (in ₹)	4,229	Intellcash (MH)	16	Nidan (BR)
8	Portfolio At Risk > 30 days (in %)	142.77	Sanghatitha (AP)	0	Total 34 MFIs found
9	Portfolio At Risk > 90 days (in %)	99.97	Seba Rahara (WB)	0	Total 22 MFIs found
10	Loan Loss Rate (in %)	230.30	SMSS (AP)	0	Total 80 MFIs found
11	Write-off Ratio (in %)	230.30	SMSS (AP)	0	Total 72 MFIs found
12	Total Expense/Assets (In %)	560.32	Need To India (AP)	0.05	CJWS (AP)

Following sections, 5.4.4 and 5.4.5, discusses the detail about total 230 MFIs available from Sa-dhan.

5.4.4 Indian MFIs with Important Financial Indicators: A Comparative Analysis between States (Sa-dhan)

While comparing the number of MFIs as per MIX and Sa-dhan substantial difference is observed. As consequential effect of the same naturally high difference is found in GLP and NAB between the two sources.

Table 5.6 presents the state wise detail regarding number of MFIs, GLP and NABs. More over, to have a comparative idea about the states, GLP and NABs are also presented in terms of percentage.

Sa-dhan has provided the data of total 230 MFIs working in 17 different states with total GLP of ₹2,046,619.87 lakhs and total NABs 28,470,440. Average GLP of 17 states found ₹120,389.40 lakhs and average NABs found 1,674,731.76. Numbers of MFIs have been reported in the range 2 – 33 but on an average 13 numbers of MFIs have been observed for each state. Out of 230 MFIs, maximum number (33) of MFIs was found from AP while 25 MFIs were found from TN. OR and WB were found with 23 and 21 numbers of MFIs respectively. Following states have been reported with number of MFIs above 10 viz. BR-20, KA-17, UP-15, GJ and KL 10. Remaining states were found having number of MFIs below 10.

Table 5.6 Indian MFIs (Sa-dhan)

No	States @ Sa-dhan	No of MFIs	Gross Loan Portfolio (GLP) 31-03-2012 (₹In Lakhs)	GLP (In %)	Number of Active Borrowers (NABs)	NABs (In %)
1	AP	33	786,407.90	38.42	12,729,755	44.71
2	AS	5	12,173.89	0.59	176,179	0.62
3	BR	20	1,800.93	0.09	87,395	0.31
4	DL	6	34,991.71	1.71	342,590	1.20
5	GJ	10	11,234.28	0.55	114,682	0.40
6	JH	9	6,310.73	0.31	81,651	0.29
7	KA	17	326,591.06	15.96	3,575,039	12.56
8	KL	10	45,990.46	2.25	640,564	2.25
9	MP	9	12,223.09	0.60	222,729	0.78
10	MH	13	9,727.19	0.48	877,425	3.08
11	MN	2	440.48	0.02	5,092	0.02
12	OR	23	51,102.75	2.50	886,163	3.11
13	RJ	8	16,126.15	0.79	281,418	0.99
14	TN	25	174,740.26	8.54	3,028,953	10.64
15	UP	15	138,730.27	6.78	939,744	3.30
16	UK	4	2,303.08	0.11	46,768	0.16
17	WB	21	415,725.64	20.31	4,434,293	15.58
	Total	230	2,046,619.87	100	28,470,440	100
	Average	13.52	120,389.40		1,674,731.76	

Source: Sa-dhan Microfinance Map 2012 (<http://www.sa-dhan.net/files/Sa-dhan-indian-map.htm>) Accessed on: 11-03-2013

Highest share of GLP at 38.42% (₹786,407.90 lakhs) and NABs at 40.66% was reported for AP followed by WB (GLP 20.31% and NABs 16.72%) and KA (GLP 15.96% and NABs 13.48%). Further, the state TN was observed with the GLP of ₹174,740.26 (8.54%) and NABs 3,028,953 (11.42%). GLP of ₹138,730.27 lakhs (6.78%) and NABs 939,744 (3.54%) have been available for UP. Remaining states were found with GLP below 5% where NABs found below 3.50%. Lowest share (0.02%) of GLP (₹440.48 lakhs) and NABs (5,092) was observed for MN. After comparing the share of GLP and NABs for all states, AP was observed as a strong player while MN was observed as a weak player.

5.4.5 State wise detail of each MFI (Sa-dhan)

Sa-dhan has also provided the information regarding each MFI working in 17 different states of India. Following table 5.7 has been prepared to present the details of each MFI from each state with two indicators GLP and NABs. According to the table, total 230 numbers of MFIs were reported from the source Sa-dhan which is going to be discussed further on. The data was available as on 31st March, 2012. Sa-dhan has provided the information about Gross Loan Portfolio in term of Rs. in lakhs and Number of Active Borrowers in terms of numbers. With the purpose to compare the GLP and NABs of the different MFIs for each state, the GLP and NABs have been presented in the term of percentage too. Location of MFIs shows the head quarter state of the respective MFI. Discussion of each MFI for all the states has been presented in the following lines (See table 5.7).

AP (Andhra Pradesh)

The state AP was reported with total 33 MFIs. Among them *Spandana Spoorty Innovative Financial Services Limited* was found with the highest share of GLP 34.53% with the amount ₹271,523.07 lakhs. While in that MFI NABs found with the second highest share 27.06% (3,444,483). Highest share of NABs (33.47%) 4,256,719 has been acquired by *SKS Microfinance Pvt. Ltd.* but with the GLP only 9.72% (₹76,476.50 lakhs) however GLP ₹166,890.44 lakhs has been noted down from the source MIX. Although the data from both the sources was available as on 31st March, 2012 no reason could be found for these contradictory values of GLP. *Share Microfin Ltd.* has been found with GLP of ₹211,029.89 lakhs (26.83%), and 2,160,997 NABs which was observed as second highest proportion of GLP and NABs both. Third highest proportion of GLP (15.25%) and NABs (8.83%) has been found from *Asmitha Microfin Ltd. i.e.* ₹119,942.42 lakhs and 1,123,538 respectively. Remaining 29 MFIs have found with GLP and NABs below 5.50%.

AS (Assam)

Total 5 MFIs have been reported from Assam. *RGVN* was found with 83.98% of GLP (₹10,223.42 lakhs) with 80.27% of NABs (141,420) which holds highest proportion of GLP and NABs both. *Grameen Sahara* was found with second highest share of GLP and NABs but comparatively low in percentage *i.e.* 11.41% (₹1,388,63) and 9.03% (15,915). Lowest GLP was found 0.40% with ₹1,388.63 lakhs and NABs as 1% (1,755 in numbers).

Table 5.7 State wise Details of Each MFI (Sa-dhan) as on 31-03-2012

	No	Name of the MFI	GLP (₹ In lakhs)	GLP %	Number of Active Borrowers (NAB)	NAB %
AP	1	Adarsha Welfare Society	2,687.52	0.34	55,250	0.43
	2	Ashajyothi Mahilabhyudaya Society (AMS)	116.39	0.01	2,579	0.02
	3	Asmitha Microfin Ltd	119,942.42	15.25	1,123,538	8.83
	4	Bhartiya Samruddhi Finance Limited (BASIX)	29,162.82	3.71	570,520	4.48
	5	Camel Mahila MACTS Ltd	316.51	0.04	4,199	0.03
	6	Centre for Rural Reconstruction Through Social Action / CRESA	2,168.03	0.28	31,373	0.25
	7	Chritian Association for Medicalmission and Peoplesdevelopment (CAMP)	33.02	0.00	8,337	0.07
	8	Development Organization for Village Environment (DOVE)	631.57	0.08	8,328	0.07
	9	Future Financial Services Ltd	17,982.57	2.29	217,308	1.71
	10	Grama Siri	1,002.12	0.13	72,799	0.57
	11	Guide	103.46	0.01	6,610	0.05
	12	Hope Integrated Rural Development Society	190.58	0.02	2,438	0.02
	13	Indur Intideepam Macs Federation Ltd	960.83	0.12	13,903	0.11
	14	Institute of Womens Banking (IWB)	1,150.54	0.15	46,005	0.36
	15	Krishna Bima Samruddhi Local Area Bank (KBSLAB)	8,368.15	1.06	59,052	0.46
	16	Krushu	2,553.56	0.32	58,653	0.46
	17	Mother Teresa Mahila MACCS Ltd	349.08	0.04	5,000	0.04
	18	Peoples Activity and Rural Technology Nurturing Ecological Rejuvenation (PARTNER)	173.12	0.02	2,552	0.02
	19	Pragathi Seva Samiti	2,755.75	0.35	17,618	0.14
	20	Rashtriya SevaSamithi (RASS)	4,807.97	0.61	34,725	0.27
	21	Roshan Vikas Foundation	236.08	0.03	17,077	0.13
	22	Saadhana Microfin Society	4,872.22	0.62	69,572	0.55
	23	Samarthan Weakling Development Foundation	49.47	0.01	912	0.01
	24	Sanghatitha Mahila Macs Federation Ltd	394.22	0.05	30,864	0.24
	25	Share Microfin Limited	211,029.89	26.83	2,160,997	16.98
	26	Siri Microfin Society	904.58	0.12	16,408	0.13
	27	SKS Microfinance Pvt. Ltd	76,476.50	9.72	4,256,719	33.44
	28	Social Education and Voluntary Action (SEVA)	382.91	0.05	11,566	0.09
	29	Spandana Spoorty Innovative Financial Services Limited	271,523.07	34.53	3,444,483	27.06
	30	Star Microfin Service Society(SMSS)	1,876.71	0.24	25,201	0.20
	31	SWAWS Credit Corporation India Private Ltd	8,125.56	1.03	114,479	0.90
	32	The Payakaraopeta Women's Mutually Aided Cooperative Thrift and credit Limited	2,201.00	0.28	12,388	0.10
	33	Trident Microfin Private Limited	12,879.68	1.64	228,302	1.79
		Total	786,407.90	100	12,729,755	100
		Average	23,830.54		385,750.15	
AS	1	Grameen Sahara	1,388.63	11.41	15,915	9.03
	2	Manab Sewa Sangh	48.59	0.40	1,755	1.00
	3	Prochesta	259.28	2.13	9,427	5.35
	4	RGVN-Credit & Savings Program (CSP)	10,223.42	83.98	141,420	80.27
	5	Social Action for Appropriate Transformation and Advancement in Rural Areas (SATRA)	253.97	2.09	7,662	4.35
		Total	12,173.89	100	176,179	100
		Average	2,434.78		35,235.80	

Table 5.7 Contd.

	No	Name of the MFI	GLP (₹ In lakhs)	GLP %	Number of Active Borrowers (NAB)	NAB %
BR	1	Arunabhashree Society	47.50	2.64	21,800	24.94
	2	Batika	450.00	24.99	3,000	3.43
	3	Bihar Development Trust	115.88	6.43	2,494	2.85
	4	Bureau of Obligate and Accompanier for Rural Development (BOARD)	2.40	0.13	432	0.49
	5	Centre For Development Orientation & Training	701.91	38.97	10,089	11.54
	6	Centre for Promoting Sustainable Livelihood (CPSL)	54.57	3.03	22,231	25.44
	7	Creation Welfare Society	21.58	1.20	1,776	2.03
	8	Harijan Adivasi Shikshan Prashikshan Kalyan Sansthan	5.10	0.28	650	0.74
	9	Jan Vikas Samiti	0.68	0.04	2,730	3.12
	10	Jeevan Jyoti Kala Kendra	41.25	2.29	1,493	1.71
	11	Mansi	1.90	0.11	1,788	2.05
	12	Mass Care International	20.86	1.16	7,150	8.18
	13	Nidan	26.98	1.50	3,510	4.02
	14	Saija Finance Private Limited	239.05	13.27	5,702	6.52
	15	Samajik vikas Sansthan	2.66	0.15	100	0.11
	16	Samta Jan Kalyan Parisad (SJKP)	6.76	0.38	1,115	1.28
	17	Societal Upliftment and Rural Action for Job and Empowerment (SURAJE)	14.91	0.83	202	0.23
	18	Society for Intergrated Devlopment of Riverine Belt (SIDRIB)	3.78	0.21	264	0.30
	19	Trust Microfin Services	42.16	2.34	849	0.97
	20	Vikash Deep	1.00	0.06	20	0.02
		Total	1,800.93	100	87,395	100
		Average	90.05		4,369.75	
DL	1	Deepalaya	728.87	2.08	9,016	2.63
	2	Humana People to People India	607.31	1.74	7,760	2.27
	3	Planned Social Concern	367.66	1.05	5,381	1.57
	4	Satin Creditcare Network Limited	32,014.37	91.49	306,317	89.41
	5	Shikhar Development Foundation	1,268.99	3.63	14,084	4.11
	6	Society for the Promotion of Youth & Masses (SPYM)	4.51	0.01	32	0.01
			Total	34,991.71	100	342,590.00
		Average	5,831.95		57,098.33	
GJ	1	Arman Financial Services Limited	4,323.31	38.48	46,381	40.44
	2	Kushal Manch	72.02	0.64	4,600	4.01
	3	PRAYAS (Organization for Sustainable Development)	721.25	6.42	10,492	9.15
	4	PRAYAS Juvenile Aid Center (PRAYAS JAC)	84.66	0.75	1,001	0.87
	5	Saath Charitable Trust (Ekta)	72.86	0.65	3,015	2.63
	6	Saath Charitable Trust (Sakhi)	529.14	4.71	8,067	7.03
	7	Samerth Trust	0.00	0.00	0	0.00
	8	SEWA Bank	5,169.06	46.01	30,293	26.41
	9	Sri Vardhan Socio Development Foundation	54.65	0.49	833	0.73
	10	Vikas Center for Development	207.33	1.85	10,000	8.72
		Total	11,234.28	100	114,682	100
		Average	1,123.43		11,468.20	

Table 5.7 Contd.

	No	Name of the MFI	GLP (₹ In lakhs)	GLP %	Number of Active Borrowers (NAB)	NAB %
JH	1	Ajiwika Society	513.63	8.14	10,143	12.42
	2	Aman Microfin	15.67	0.25	1,196	1.46
	3	Jan Sewa Parishad	453.08	7.18	8,679	10.63
	4	Mahila Kalyan Samiti	35.00	0.55	459	0.56
	5	Nav Bharat Jagriti Kendra (NBJK)	729.26	11.56	8,861	10.85
	6	Samarthan Weaking Development Foundation	49.47	0.78	912	1.12
	7	Srijan Foundation	0.53	0.01	5,246	6.42
	8	Support	62.10	0.98	1,283	1.57
	9	Vedika Credit Capital Ltd	4,451.99	70.55	44,872	54.96
			Total	6,310.73	100	81,651
		Average	701.19		9,072.33	
KA	1	Agricultural Science Foundation	684.95	0.21	11,600	0.32
	2	BSS Microfinance Private Limited	12,529.14	3.84	138,346	3.87
	3	Chaitanya Institute for Youth and Rural Development (Chinyard)	221.26	0.07	2,765	0.08
	4	Grameen Financial Services Pvt. Ltd	38,126.24	11.67	313,610	8.77
	5	IDF Financial Services Private Limited	5,438.09	1.67	143,470	4.01
	6	Janalakshmi Social Services	35,074.35	10.74	300,847	8.42
	7	Janodaya Public Trust	699.63	0.21	9,988	0.28
	8	Navachetana Microfin Services Limited	916.72	0.28	14,850	0.42
	9	Nirantara Community Services	237.28	0.07	5,273	0.15
	10	Outreach	369.62	0.11	15,608	0.44
	11	Prakruthi Foundation	171.75	0.05	2,723	0.08
	12	Rores Micro Entrepreneur Development Trust	725.36	0.22	5,821	0.16
	13	Samrudhi Microfin Society	54.92	0.02	500	0.01
	14	SAMUHA	849.92	0.26	12,044	0.34
	15	Sanghamithra Rural Financial Services	9,223.93	2.82	120,994	3.38
	16	Sri Kshetra Dharmasthala Rural Development Project (SKDRDP)	151,414.90	46.36	1,657,200	46.35
	17	Ujjivan Financial Services Private Limited	69,853.00	21.39	819,400	22.92
		Total	326,591.06	100	3,575,039	100
		Average	19,211.24		210,296.41	
KL	1	Bharat Sevak Samaj (BSS)	4,244.36	9.23	78,420	12.24
	2	Brain Society	11.74	0.03	842	0.13
	3	Evangelical Social Action Forum (ESAF)	28,134.27	61.17	335,834	52.43
	4	Forum for Rural Environment and Economic Development (FREED)	948.11	2.06	10,314	1.61
	5	Hope Foundation	4,728.16	10.28	112,324	17.54
	6	Payyavoor Community Development Project	112.50	0.24	4,212	0.66
	7	Rural Agency for Social and Technical Advancement (RASTA)	69.89	0.15	2,618	0.41
	8	Sevashram	322.46	0.70	6,985	1.09
	9	Shalom Trust	4,862.66	10.57	44,488	6.95
	10	Welfare Services Ernakulam	2,556.31	5.56	44,527	6.95
		Total	45,990.46	100	640,564	100
		Average	4,599.05		64,056.40	

Table 5.7 Contd.

	No	Name of the MFI	GLP (₹ In lakhs)	GLP %	Number of Active Borrowers (NAB)	NAB %
MP	1	Action for Social Advancement (ASA)	10,347.06	84.65	182,287	81.84
	2	Aparajita Mahila Sangh	169.54	1.39	6,121	2.75
	3	Bal Mahila Vikas Samiti - VAMA	171.03	1.40	2,276	1.02
	4	Lok Biradari Trust	311.25	2.55	5,104	2.29
	5	Parath Samiti	428.28	3.50	6,208	2.79
	6	Priyasakhi Mahila Sangh	396.90	3.25	9,800	4.40
	7	Sambhav Micro Finance Institute	269.52	2.21	5,605	2.52
	8	Unnati Mahila Sangh	95.22	0.78	4,315	1.94
	9	Yukti Samaj Sewa Society (YSSS)	34.29	0.28	1,013	0.45
			Total	12,223.09	100	222,729
		Average	1,358.12		24,747.67	
MH	1	Fullerton India Credit Co ltd	7,124.41	73.24	88,328	10.07
	2	Gram Swaraj Seva Trust	16.98	0.17	396	0.05
	3	Grameen Mahila Syamsiddha Sangh (GMSS)	378.13	3.89	16,016	1.83
	4	Hindushtan Cooperative Credit Society Ltd.	614.33	6.32	8,171	0.93
	5	Institute of Rural Credit and Entrepreneurship Development (IRCED)	104.15	1.07	926	0.11
	6	Krushi Vikas Gramin Prashikshan Sanstha	8.22	0.08	1,194	0.14
	7	MAVIM (Mahila Arthik Vikas Mahamandal Ltd)	0.00	0.00	655,000	74.65
	8	Navchetna- Yavatmal	7.35	0.08	2,609	0.30
	9	Sakhi Samudaya Kosh	509.39	5.24	8,014	0.91
	10	Samagra Gram Vikas Sanstha "Sagras"	141.78	1.46	2,405	0.27
	11	Sampada Trust	803.68	8.26	11,475	1.31
	12	Sanjivani Mahila Bachat Sangh	10.91	0.11	2,690	0.31
	13	Swadhaar Finserve Private Limited	7.86	0.08	80,201	9.14
		Total	9,727.19	100	877,425	100
		Average	748.25		67,494.23	
MN	1	Volunteers for Village Development (VVD)	224.24	50.91	2,241	44.01
	2	WSDS- Institute of Innovative Technology Transfer & Environment	216.24	49.09	2,851	55.99
		Total	440.48	100	5,092	100
		Average	220.24		2,546	
OR	1	Adarsa	35.00	0.07	5,150	0.58
	2	Adhikar	1,788.77	3.50	42,209	4.76
	3	Banki Anchalika Dibasi Harijan	110.07	0.22	5,300	0.60
	4	Bharat Integrated Social Welfare Agency (BISWA)	31,164.84	60.98	341,146	38.50
	5	Bright Association for Noble & Decent Human Understanding (BANDHU)	105.16	0.21	10,012	1.13
	6	Budhhanath Jubak Sangha	100.45	0.20	6,300	0.71
	7	Centre for Action and Rural Reconstruction (CARR)	6.62	0.01	154	0.02
	8	Centre for Youth & Social Development (CYSD)	130.17	0.25	18,350	2.07
	9	Credible Microfinance Pvt. Ltd	3,781.05	7.40	56,831	6.41
	10	Darbar Sahitya Sansad(DSS)	54.57	0.11	7,035	0.79
	11	Gram Utthan	3,740.64	7.32	48,578	5.48
	12	Jagannatha Financial Services Limited	2,769.91	5.42	92,816	10.47
	13	Khandagiri Madhyamika Mahila Samabaya Sangha Ltd.	66.89	0.13	60,180	6.79
	14	Mahashakti Foundation	418.65	0.82	6,727	0.76

Table 5.7 Contd.

	No	Name of the MFI	GLP (₹. In lakhs)	GLP %	Number of Active Borrowers (NAB)	NAB %
	15	Mahila Vihās Prathamika Sanchaya Samabaya Ltd.	20.88	0.04	242	0.03
	16	Organisation for Development Coordination (ODC)	152.94	0.30	5,850	0.66
	17	Orissa Rural Infrastructure Development Association (ORIDA)	13.65	0.03	300	0.03
	18	Peoples Forum	3,577.37	7.00	51,605	5.82
	19	Sanginee Secondary Co-operative Ltd.	425.03	0.83	13,070	1.47
	20	Social Welfare Agency & Training Institute (SWATI)	18.95	0.04	3,962	0.45
	21	Swayamshree Micro Credit Services (SMCS)	2,568.74	5.03	108,082	12.20
	22	Utkal Mahila Swayam Sahayak Samabaya Ltd. (UMaSS)	50.00	0.10	1,784	0.20
	23	Youth Council for Development Alternatives (YCDA)	2.40	0.00	480	0.05
		Total	51,102.75	100	886,163	100
		Average	2,433.46		42,198.24	
RJ	1	Adarsh Shiksha Samiti	6.29	0.04	267	0.09
	2	Arth Finance	928.97	5.76	12,826	4.56
	3	Bazaari Global finance Ltd	529.79	3.29	2,894	1.03
	4	Bhoruka Charitable Trust	3.54	0.02	70	0.02
	5	Dar Credit & Capital Limited	1,153.00	7.15	1,970	0.70
	6	Pushtikar Laghu Vyaparik Pratishthan Bachat and Sakh Sahakari Samiti	643.88	3.99	4,779	1.70
	7	Sahayata (Shree Hari Fintrade Pvt. Ltd)	12,649.54	78.44	250,631	89.06
	8	Seva Mandir	211.14	1.31	7,981	2.84
		Total	16,126.15	100	281,418	100
		Average	2,015.77		35,177.25	
TN	1	Arasan Rural Development Society	61.24	0.04	490	0.02
	2	ARCOD (Association for Rural Community Development)	33.71	0.02	9,500	0.31
	3	BWDA Finance Limited (BFL)	7,871.39	4.50	152,682	5.04
	4	Community Development Centre	1,022.18	0.58	20,120	0.66
	5	Community Services Trust	100.55	0.06	954	0.03
	6	Ecumenical Church Loan Fund of India (ECOLOF)	501.57	0.29	8,652	0.29
	7	Equitas Micro Finance India Pvt. Ltd.	72,395.71	41.43	1,193,247	39.39
	8	Grama Vidiyal Microfinance Limited	52,002.54	29.76	818,146	27.01
	9	Growing Opportunity Finance	2,230.71	1.28	41,252	1.36
	10	Guidance Society for Labour Orphans and Women (GLOW)	351.84	0.20	4,296	0.14
	11	Indian Association for Savings and Credit (IASC)	2,699.37	1.54	34,321	1.13
	12	Innovative Microfinance for Poverty Alleviation and Community Transformation (IMPACT)	603.20	0.35	7,027	0.23
	13	Kurinji Social Welfare Society	187.37	0.11	5,517	0.18
	14	Mahasemam	4,368.26	2.50	93,220	3.08
	15	Manidham Grameen Savings Cum Credit Services (MGSCS)	704.96	0.40	17,645	0.58
	16	New Life	96.53	0.06	23,954	0.79
	17	Oazoane - The Society for Development of Human Activities and Environment	509.67	0.29	7,231	0.24

Table 5.7 Contd.

	No	Name of the MFI	GLP (₹ In lakhs)	GLP %	Number of Active Borrowers (NAB)	NAB %
	18	Omalar Block Women Welfare Uplift Organisation (OBWWUO)	24.43	0.01	0	0.00
	19	Peoples Action for Development and Credit Union (PADACU)	1,397.78	0.80	28,512	0.94
	20	Peoples Action for Transformation	810.76	0.46	15,348	0.51
	21	Peoples Voluntary Integral Service Organization (PEVISO)	0.00	0.00	9,000	0.30
	22	Sangamam Women's Multipurpose Thrift and Credit Society	514.76	0.29	76,262	2.52
	23	Sarva Jana Seva Kosh Ltd (SJSK)	1,321.86	0.76	38,267	1.26
	24	Sarvodaya Nano Finance Limited	3,138.32	1.80	48,533	1.60
	25	Semam Microfinance Investment Literacy & Empowerment Ltd (SMILE)	21,791.55	12.47	374,777	12.37
		Total	174,740.26	100	3,028,953	100
		Average	6,989.61		121,158.12	
UP	1	Bhartiya Micro Credit	636.72	0.46	9,452	1.01
	2	Cashpor Micro Credit	32,308.16	23.29	460,403	48.99
	3	Disha India Micro Credit	298.95	0.22	4,453	0.47
	4	Grameen Development Services (GDS)	253.29	0.18	14,100	1.50
	5	Ishara Foundation for Finance and Rural Development	547.28	0.39	8,974	0.95
	6	Jaago Samajik Arthik & Harit Vikas Sangathan	125.99	0.09	2,716	0.29
	7	Margadarshak Development Services	1,961.05	1.41	26,639	2.83
	8	Network of Entrepreneurship and Economic Development (NEED)	1,575.03	1.14	26,781	2.85
	9	Nirmaan Bharati Samajik And Arthik Vikas Sangathan	1,755.26	1.27	81,988	8.72
	10	Parmarth Samaj Sevi Sansthan	0.00	0.00	0	0.00
	11	Peoples Action for National Integration (PANI)	298.40	0.22	5,445	0.58
	12	Rural and Urban Innovative Social Entrepreneurship	195.67	0.14	4,632	0.49
	13	S. E. Investments Ltd	88,073.15	63.49	151,274	16.10
	14	Shramik Bharti	551.35	0.40	10,127	1.08
	15	SONATA Finance Private Ltd (SONATA)	10,149.97	7.32	132,760	14.13
		Total	138,730.27	100	939,744	100
		Average	9,248.68		62,649.60	
UK	1	Indian Institute of Community Development	3.08	0.13	10,395	22.23
	2	Mimoza Enterprises Finance Pvt Ltd	2,206.76	95.82	35,289	75.46
	3	Pahal	43.24	1.88	579	1.24
	4	Uttarakhand Micro Finance and Livelihood Promotion Co-operative Institution	50.00	2.17	505	1.08
		Total	2,303.08	100	46,768	100
		Average	575.77		11,692	
WB	1	Agradut Polly Unnayan Samity	232.46	0.06	4,721	0.11
	2	Arohan Financial Services Ltd	5,476.81	1.32	110,231	2.49
	3	Bajukul Sports Association	314.56	0.08	15,990	0.36
	4	Bandhan	373,021.00	89.73	3,617,641	81.58
	5	Belgharia Janakalyan Samity	544.11	0.13	9,305	0.21
	6	Dibakar (An Organisation - Hope for needy poor people)	185.85	0.04	5,957	0.13

Table 5.7 Contd.

No	Name of the MFI	GLP (₹ In lakhs)	GLP %	Number of Active Borrowers (NAB)	NAB %
7	Human Development Centre	619.69	0.15	8,467	0.19
8	Kalighat Society for Development Facilitation (KSDF)	407.88	0.10	7,726	0.17
9	Kotalipara Development Society (KDS)	2,305.28	0.55	95,138	2.15
10	Liberal Association for Movement of People (LAMP)	968.30	0.23	33,120	0.75
11	Rajapur Seva Niketan	148.66	0.04	7,525	0.17
12	Sahara Utsarga Welfare Society	5,273.53	1.27	93,318	2.10
13	Sahara Uttarayan	1,710.33	0.41	37,075	0.84
14	Sarala Women Welfare Society	4,002.64	0.96	98,145	2.21
15	Seba Rahara	590.29	0.14	9,763	0.22
16	Society for Model Gram Bikash Kendra	1,081.15	0.26	19,248	0.43
17	Sreema Mahila Samity	1,705.69	0.41	28,826	0.65
18	Ullon Social Welfare Society	119.63	0.03	1,807	0.04
19	Village Financial Services Put Ltd	10,536.11	2.53	165,847	3.74
20	Village Micro-Credit Services (VMCS)	2,348.44	0.56	59,755	1.35
21	Vivekananda Sevakendra-o-Sishu Uddyan (VSSU)	4,133.23	0.99	4,688	0.11
	Total	415,725.64	100	4,434,293	100
	Average	19,796.46		211,156.81	

Source: Compiled and Computed from Sa-dhan Microfinance Map 2012

(<http://www.sa-dhan.net/files/Sa-dhan-indian-map.htm>) Accessed on: 11-03-2013

Note: Location of MFIs is considered as per the location state of their Head Offices.

BR (Bihar)

Out of total 20 MFIs, *Centre for Development Orientation & Training* was found with the highest amount of GLP ₹701.91 lakhs (38.97%) but with the third highest value of NABs i.e. 10,089. Highest value of NABs found 22,231 (25.44%) from *CPSL* but having very low share of GLP 3.03% only. *Batika* was found with second highest amount of GLP ₹450 lakhs (24.99%) with 3.43% of NABs only. While second highest share of NABs found 24.94% (21,800 in numbers) from *Arunabhashree Society* but with 2.64% of GLP only. Third highest GLP was found at 13.27% with the amount of ₹239.05 lakhs. Lowest amount of GLP was found ₹0.68 lakhs from *Jan Vikas Samiti* and lowest NABs was found 20 only i.e. 0.02% from *Vikash Deep*.

DL (Delhi)

Only 6 MFIs found working in Delhi. *Satin Creditcare Network Limited* has found with the Maximum amount of GLP (91.49%) Remaining MFIs were found with GLP and NABs below 5% where lowest proportion of GLP and NABs was found 0.01% from *SPYM* i.e. ₹4.51 lakhs of GLP and only 32 NABs.

GJ (Gujarat)

In Gujarat, total 10 MFIs were found. Among them *SEWA Bank* was found with highest share GLP ₹5,169.06 lakhs (46.01%) and with the second highest share of NABs 30,293 (26.41%). Maximum value of NABs was found 46,381 (40.44%) from *Arman Financial Services Ltd.*, however second highest share of GLP ₹4,323.31 lakhs (38.48%) found from the same MFI. However, MIX has provided following data for *SEWA Bank* (GLP: ₹5,622.27 lakhs and NABs: 23,362) and *Arman Financial Services Ltd* (GLP: ₹5,060.97 lakhs and NABs: 43,807) which does not match with each other though the date of the information is same. Remaining 8 MFIs have been found with below 10% of GLP and NABs both.

JH (Jharkhand)

This state was found with total 9 MFIs. *Vedika Credit Capital Ltd.* has been reported with maximum value of GLP (70.55%) and NABs (54.96%) i.e. ₹4,451.99 lakhs and 44,872 respectively. Second highest share of GLP was found 11.56% only with the amount ₹729.26 lakhs from the MFI *NBJK*. However, *Ajiwika Society* was found with 11.42% (10,143) share of NABs which was found second highest value.

KA (Karnataka)

This state has been reported with 17 MFIs. Top four MFIs as per the share of GLP and NABs were found as per the following: *SKRDP* (46.36% and 46.35%), *Ujjivan Financial Services Pvt. Ltd.* (21.39% and 22.92%), *Grameen Financial services Pvt. Ltd.* (11.67% and 8.77%) and *Janlakshmi Social Services* (10.74% and 8.42%). However, according to MIX the different data has been observed for GLP of *SKRDP*. Remaining 13 MFIs have been found with below 5% of GLP and NABs.

KL (Kerala)

Out of total 10 MFIs, huge difference has been noted down between the highest and second highest proportion of GLP and NABs. Highest GLP was found 61.17% with the amount ₹28,134.27 lakhs (*ESAF*) while second highest was found 10.57% with the amount ₹4,862.66 lakhs (*Shalom Trust*). Maximum NABs was found at 52.43% for *ESAF* while second highest of NABs found at 17.54% for *Hope Foundation*.

MP (Madhya Pradesh)

This state has been reported with total 9 MFIs. Only one MFI, *ASA*, has been found with very high proportion of GLP and NABs i.e. 84.65% (₹10,347.06 lakhs) and 81.84% (182,287 in numbers) respectively. However, MIX did not provide any data regarding *ASA* while the data from Sa-dhan indicates the *ASA* as the major player of MP. Remaining 8 MFIs have reported below 5% of GLP and NABs.

MH (Maharashtra)

Total 13 MFIs have been reported from Maharashtra. Maximum amount of GLP ₹7,124.41 lakhs (73.24%) was found for *Fullerton India Credit Co Ltd*. However, NABs were found only 10.07% i.e. 88,328 in numbers. Maximum NABs was found 655,000 (74.65%) but with 0% of GLP i.e. ₹0 from *MAVIM*. As NABs were very high, GLP of ₹0 is not acceptable amount. No reason could be traced for such contradictory observation and MIX has also not provided any record for *Fullerton India Credit Co Ltd* and *MAVIM*. Remaining MFIs have been reported with below 10% of GLP and NABs.

MN (Manipur)

Only 2 MFIs have been reported from Sa-dhan for the state Manipur. *VVD* has been reported with maximum amount of GLP ₹222.24 lakhs (50.91%). Maximum share of NABs 55.99% (2,851 in numbers) has been obtained by *WSDS*.

OR (Orissa)

Total 21 MFIs found working in the state Orissa. *BISWA* has been found with highest proportion of GLP (₹31,164.84 lakhs) and NABs (341,146) both i.e. 60.98% and 38.50%. However, as per the records of MIX, the NABs have been observed higher as 374,194 while amount of GLP was observed same from Sa-dhan and MIX both. The reason could not be traced for the dissimilarity in NABs. Remaining 20 MFIs have been found with GLP below 8%.

RJ (Rajasthan)

The state has been reported with 8 MFIs. *Sahayata* was found with highest amount of GLP ₹12,649.54 lakhs (78.44%) and NABs 250,631 (89.06%). Remaining 7 MFIs was found with GLP below 8% while NABs with below 5% only. MIX does not have any information regarding *Sahayata*.

TN (Tamil Nadu)

Total 25 MFIs were found working in this state. The researcher has found top three MFIs in the share of GLP and NBAs both. Among them first MFI was *Equitas Micro Finance India Pvt. Ltd.* at 41.43% of GLP (₹72,395.71 lakhs) and NABs with 39.39% (1,193,247 in number). Second MFI was *Grama Vidiyal Microfinance Ltd.* at 29.76% GLP (₹52,002.54 lakhs and NABs with 27.01% (818,146 in number). Third MFI was *SMILE* at 12.47% GLP (₹21,791.55 lakhs) and NABs at 12.37% (347,777 in number). Remaining 22 MFIs were found with 5% or below of GLP and NABs both. For two MFIs the observation was quite disturbing. For *PEVIS*, GLP was ₹0 but NABs were 9,000 and for *OBWWUO* GLP was ₹24.43 lakhs but NABs were 0. No reason could be traced for this observation.

UP (Uttar Pradesh)

UP has been reported with 15 MFIs. The MFI, *S.E. Investments Ltd.* has been observed with the highest amount of GLP ₹88,073.15 lakhs (63.49%) but with the second highest share of NABs at 16.10% (151,274 in number). *Cashpor Micro Credit* was found with maximum share of NABs 48.99% (460,403 in numbers) but with the second highest share of GLP *i.e.* 23.29% (₹32,308.16 lakhs). Third highest proportion of NABs has found at 14.13% *i.e.* 132,760 but with low proportion of GLP, *i.e.* 7.32% (₹10,149.97) only, has found from *SONATA*. Remaining MFIs have found with GLP below 3% and NABs below 10% of the total share.

UK (Uttarakhand)

This state has been reported with 4 MFIs from Sa-dhan. *Mizoma Enterprises Finance Pvt. Ltd.* was found with highest share of GLP 95.82% with the amount of ₹2,206.76 lakhs. Maximum share of NABs (75.46%) was also found from the same MFI *i.e.* 35,289 in numbers. *Indian Institute of Community Development* has been reported with 22.23% share of NABs (10,395) but having only 0.13% of GLP (₹3.08 lakhs) which was the lowest share of GLP.

WB (West Bengal)

The state has been found with 21 numbers of MFIs but only 1 MFI, *Bandhan*, was found with 89.73% share of GLP (₹373,021 lakhs) and 81.58% share of NABs (3,617,641 in numbers). Remaining 20 MFIs have been reported with below 5% share of GLP and NABs both. Among them lowest share of GLP (0.03%) found ₹119.63 lakhs and lowest share of NABs (0.04%) found 1,807 from *Ullon Social Welfare Society*.

On summarizing the data for all 230 MFIs, *Bandhan* from WB was found with highest amount of GLP ₹373,021. However, maximum share of NABs was reported from *SKS Microfinance* from AP *i.e.* 4,256,719.

5.4.6 Comparative Analysis between Details of Indicators as per MIX and

Sa-Dhan

The information about each MFI (total 190) from 17 different states in India from the source MIX Market has already discussed in the section 5.4.2 and section 5.4.3. The information of MFIs from 17 different states from another source Sa-dhan has also been collected and reported with total 230 MFIs is discussed in section 5.4.4 and 5.4.5. Two indicators, GLP and NABs, have been noticed common from both the sources but the values are not found to be similar. Accordingly, in this section a comparative analysis has been carried out to identify the difference between the information available from both the sources. Table 5.8 presents the comparative data regarding number of MFIs

prevalent for each state as per 2 different sources. Table 5.9 shows the comparative data regarding different states with total number of MFIs, the amount of GLP and NABs available for each state. The amount of GLP and NABs were computed in the term of percentage to present appropriate comparative idea for both the sources.

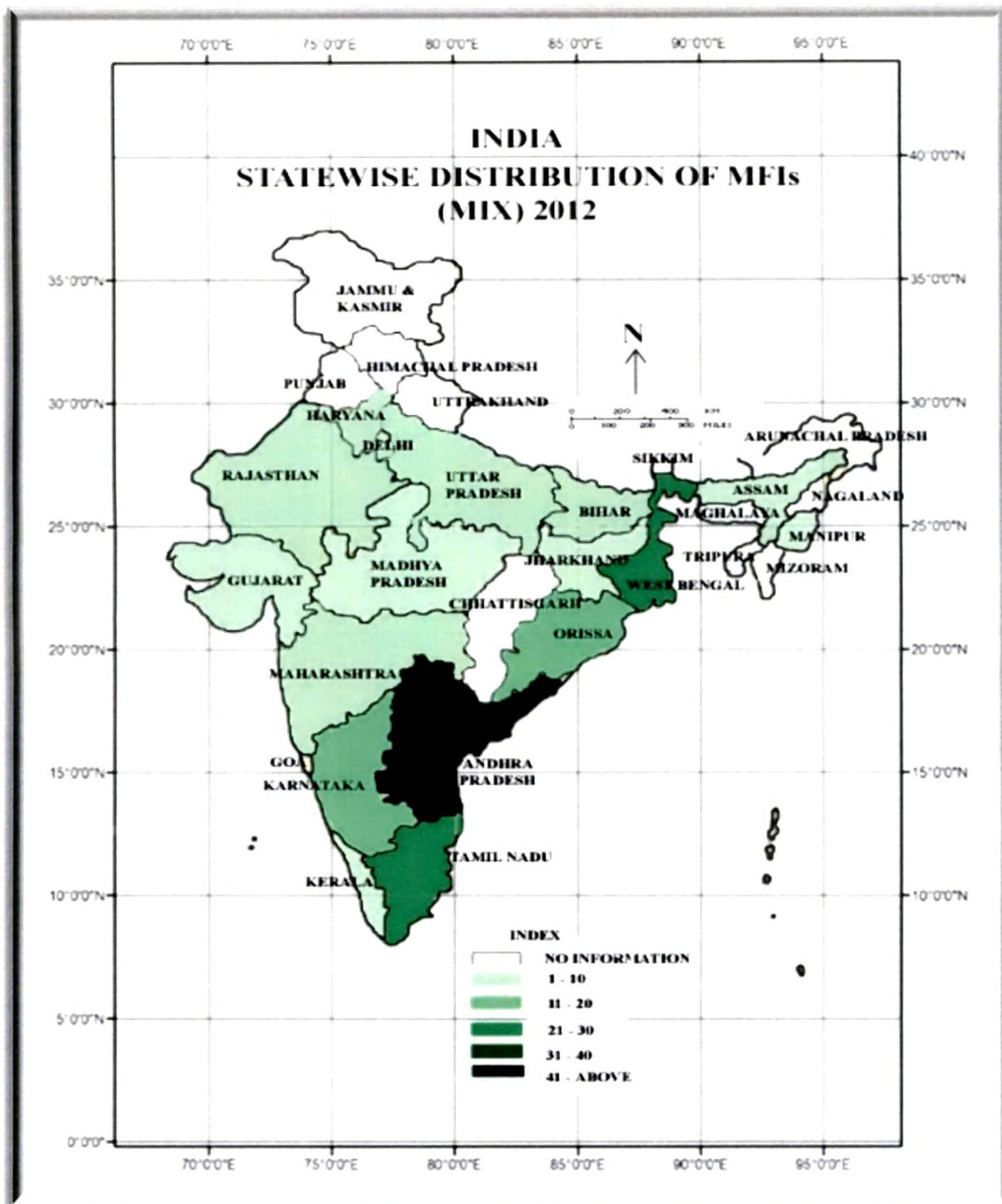
Table 5.8
Comparison of No. of MFIs between MIX Market and Sa-Dhan

Sr. No.	No. of MFIs Within the State	No. of States Available	
		MIX	Sa-dhan
1	1 to 10	12	9
2	11 to 20	2	4
3	21 to 30	2	3
4	31 to 40	0	1
5	41 & above	1	0
Total		17	17

The maximum difference is observed in numbers of states with MFIs between 1 to 10. MIX (12) and Sa-dhan (9) both have provided maximum number of states from the same group of numbers of MFIs. It can be observed from both the sources that minimum numbers of MFIs are available for maximum numbers of states. From MIX, no state was available for the 31-40 numbers of MFIs while from Sa-dhan no state was available for 41 & above numbers of MFIs. Though both the sources have the information for the similar numbers (17) of total states the difference in numbers of MFIs can be observed. Further, to show the concentration of MFI in various states as per MIX data and Sa-dhan data, the details are put up in the MAP of India in figure 5.2 and figure 5.3.

With reference to the Table 5.9, 190 MFIs and 230 MFIs have been reported from MIX and Sa-dhan respectively. However, only 103 MFIs were observed between both the sources. On an average, 11 MFIs and 13 MFIs per state can be observed from MIX and Sa-dhan respectively. Information about UK was not available at MIX while information about HR was not available at Sa-dhan. As per MIX, number of MFIs have been sighted in the range of 1 (HR) to 41 (AP) while as per Sa-dhan number of MFIs have been sighted in the range of 2 (MN) to 33 (AP). The state AP was found with maximum numbers of MFIs from both the sources, however, only 22 MFIs were found common between two sources *i.e.* MIX and Sa-Dhan. Second highest (MIX: 29 & Sa-dhan: 25) numbers of MFIs were available for TN followed by two states WB (MIX: 21) and OR (Sa-Dhan: 23).

Figure 5.2 State wise Distribution of MFIs (MIX)

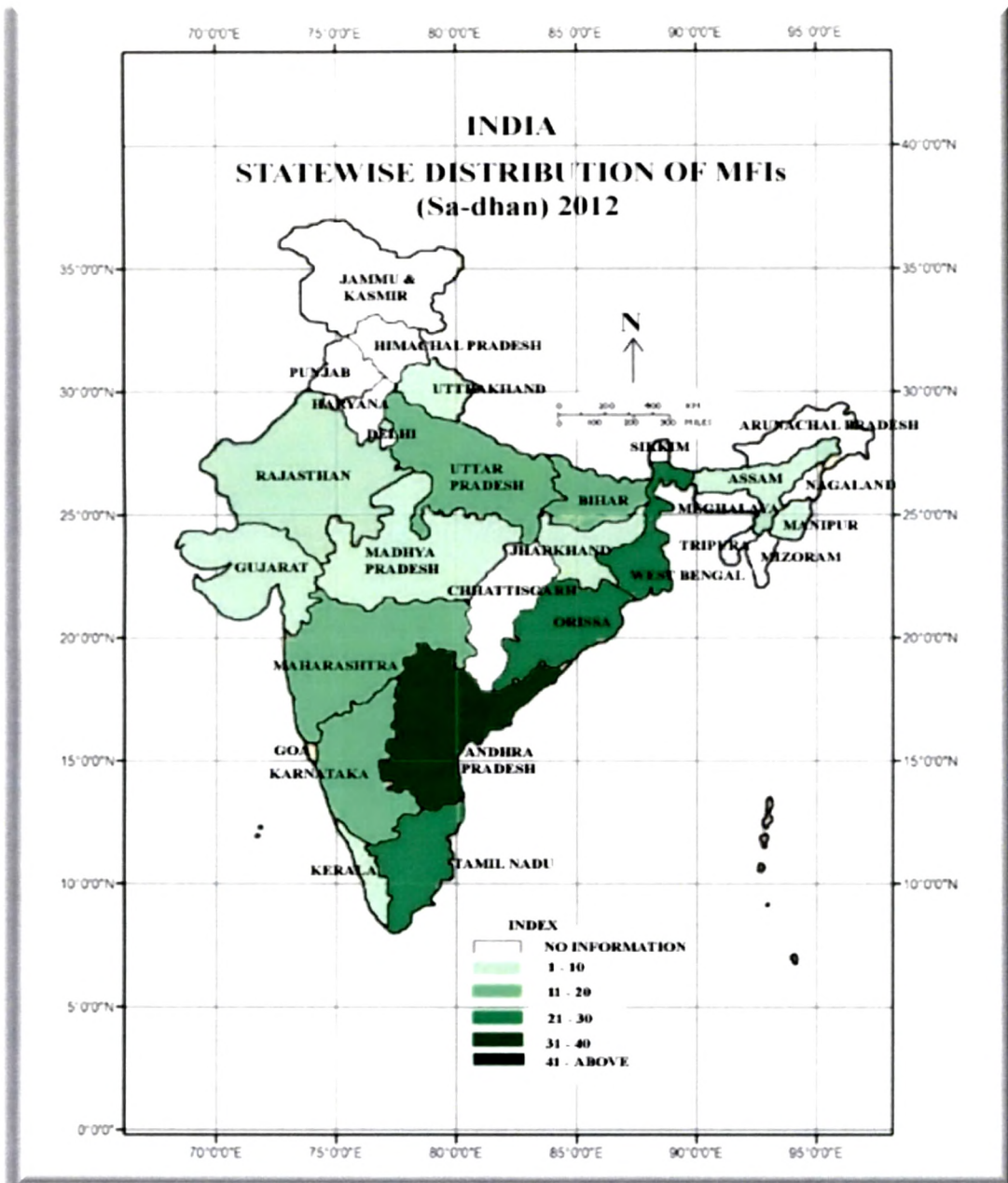


Source for the Map:

http://www.google.co.in/imgres?q=map+of+india&um=1&hl=en&biw=1280&bih=666&tbn=isch&tbnid=Cw5GICq33tL5M:&imgrefurl=http://www.indiaonestop.com/politicalmapofindia.htm&docid=ZFwWOWMUMRAhYM&imgurl=http://www.indiaonestop.com/images/politicalmapofindia.htm_txt_map_india.gif&w=539&h=600&ej=7-_kUbfON4LJkwWZuYFw&zoom=1&ved=1t:3588,r:36,s:0,i:201&iact=rc&page=2&tbnh=176&tbnw=158&start=14&ndsp=28&tx=54&ty=53, Accessed on 24 July, 2013

Source for the data: MIX Market (<http://www.mixmarket.org/>), Accessed on 11 March, 2013

Figure 5.3 State wise Distribution of MFIs (Sa-dhan)



Source for the Map:

http://www.google.co.in/imgres?q=map+of+india&um=1&hl=en&biw=1280&bih=666&tbn=isch&tbnid=Cw5GICq33tL5M:&imgrefurl=http://www.indiaonestop.com/politicalmapofindia.htm&docid=ZFwWOWMUMRAhYM&imgurl=http://www.indiaonestop.com/images/politicalmapofindia.htm_txt_map_india.gif&w=539&h=600&ej=7-kUbfON4LJkwWZuYFw&zoom=1&ved=1t:3588,r:36,s:0,i:201&iact=rc&page=2&tbnh=176&tbnw=158&start=14&ndsp=28&tx=54&ty=53, Accessed on 24 July, 2013

Source for the data: Sa-dhan: Microfinance Map of India 2012 (<http://www.sa-dhan.net/files/Sa-dhan-indian-map.htm>)
 Accessed on 11 March, 2013

Table 5.9 Comparison of States between MIX Market and Sa-Dhan

No.	States	No. of MFIs*		No of Common MFIs between MIX & Sa-dhan	Gross Loan Portfolio (GLP) (₹ in Lakhs)		GLP (in %)		Number of Active Borrowers (NABs)		NAB (in %)	
		MIX	Sa-dhan		MIX	Sa-dhan	MIX	Sa-dhan	MIX	Sa-dhan	MIX	Sa-dhan
1	AP	41	33	22	878,766.63	786,407.90	38.80	38.42	12,503,809	12,729,755	44.72	44.71
2	AS	5	5	2	16,087.77	12,173.89	0.71	0.59	243,236	176,179	0.87	0.62
3	BR	4	20	4	995.93	1,800.93	0.04	0.09	20,442	87,395	0.07	0.31
4	DL	4	6	1	39,643.70	34,991.71	1.75	1.71	415,536	342,590	1.49	1.20
5	GJ	6	10	4	17,003.43	11,234.28	0.75	0.55	146,543	114,682	0.52	0.40
6	HR	1	NA	0	5,637.89	NA	0.25	NA	80,583	NA	0.29	NA
7	JH	3	9	3	2,381.23	6,310.73	0.11	0.31	25,229	81,651	0.09	0.29
8	KA	17	17	10	342,771.23	326,591.06	15.13	15.96	2,962,911	3,575,039	10.60	12.56
9	KL	8	10	3	55,100.68	45,990.46	2.43	2.25	628,954	640,564	2.25	2.25
10	MP	7	9	4	3,357.31	12,223.09	0.15	0.60	51,824	222,729	0.19	0.78
11	MH	10	13	4	43,699.48	9,727.19	1.93	0.48	739,457	877,425	2.64	3.08
12	MN	4	2	1	1,666.95	440.48	0.07	0.02	16,024	5,092	0.06	0.02
13	OR	14	23	9	50,786.16	51,102.75	2.24	2.50	926,006	886,163	3.31	3.11
14	RJ	6	8	4	21,308.30	16,126.15	0.94	0.79	173,322	281,418	0.62	0.99
15	TN	29	25	12	218,370.83	174,740.26	9.64	8.54	3,409,188	3,028,953	12.19	10.64
16	UP	10	15	7	143,582.37	138,730.27	6.34	6.78	943,613	939,744	3.38	3.30
17	UK	NA	4	0	NA	2,303.08	NA	0.11	NA	46,768	NA	0.16
18	WB	21	21	13	423,664.31	415,725.64	18.71	20.31	4,671,263	4,434,293	16.71	15.58
	Total	190	230	103	2,264,824.21	2,046,619.87	100	100	27,957,940	28,470,440	100	100
	Average	11	14	-	133,224.95	120,389.40			1,644,585	1,674,732		

Source: Compiled and Computed from MIX Market (<http://www.mixmarket.org/>) & Sa-dhan: Microfinance Map of India 2012 (<http://www.sa-dhan.net/files/Sa-dhan-indian-map.htm>)

Accessed on 11 March, 2013

*: For details of comparison of MFIs between MIX and Sa-dhan, refer *Appendix 6 & Appendix 7*.

Highest proportion of GLP was observed at 38.80% (MIX) and 38.42% (Sa-dhan) for the state AP followed by the state WB (MIX: 18.71% & Sa-dhan: 20.31%) and KA (MIX: 15.13% & Sa-dhan: 15.96%). Remaining states have been reported with the proportion of GLP below 10% from both the sources.

On examining NABs in terms of percentage, highest share (MIX: 44.72% & Sa-dhan: 44.71%) was observed for the state AP followed by WB (MIX: 16.71% & Sa-dhan: 15.58%). 12.19% share of NABs was observed for UP from MIX while similar proportion 12.56% was observed for KA from Sa-dhan. Similar proportion (MIX: 10.60% & Sa-dhan: 10.64%) of NABs was also observed for two different states *i.e.* KA and TN from MIX and Sa-dhan respectively.

On analyzing both the indicators (GLP in % and NABs in %) together, it can be observed that for the state AP, GLP and NABs both found highest but NABs found higher than GLP. In case of WB and KA, GLP (%) was observed higher than NABs (%) from both the sources. For the state TN, NABs were observed higher than GLP from both the sources.

On comparing overall information from MIX and Sa-dhan, it can be concluded that though the number of MFIs differ from each other from both the sources share of GLP and NABs could not be observed with enormous difference. However, very few MFIs were found to be common between MIX and Sa-dhan.

Next section is presenting the concise detail of MFIs working in Gujarat region.

5.4.7 Outline of MFIs working in Gujarat

As the study mainly focus on Gujarat region, special emphasis has been given to the MFIs working in Gujarat. To present the outline details of MFIs working in Gujarat, Microfinance India: State of the Sector Reports 2008²⁶ and 2009²⁷ has been studied. Further, some information about MFIs has been collected from the individual website of the particular MFI. Following lines discusses the same through the table 5.10

Total 20 MFIs have been found working in Gujarat state. Among them, 14 MFIs have been spotted having head quarters (HQ) in Gujarat and remaining 6 MFIs have been reported having their branches in Gujarat. *SEWA Bank*, having HQ in Ahmedabad, found as an oldest MFI in Gujarat *i.e.* established in the year 1974. 15 MFIs found using group method for delivering financial services *i.e.* SHG, JLG and Grameen methodologies. 3 MFIs have found using Individual lending methods *viz.* *Melap Mahila Cooperative Credit Soc. Ltd.*, *AMBA* and *SE Investment Ltd.* *SEWA Bank*, *Arman Lease & Finance Ltd.* and *Vardan Trust* have been found using both the methods for delivery *i.e.* Group and Individual lending method. Majority of the MFIs have been observed

using group methodology which indicates that using group method for lending is more comfortable and profitable for MFI and a customer both.

Table 5.10 Outline of MFIs Working in Gujarat

No	Name of MFI	HQ State	HQ City (Dist.) ^s	YEAR of Establishment	Delivery Model
1	SEWA Bank*	GJ	Ahmedabad	1974	SHG, Individual Lending ^s
2	Arman Lease & Finance Ltd.*	GJ	Ahmedabad	1992	Individual Lending, JLG
3	Saath Charitable Trust (Sakhi)*	GJ	Jodhpur (Ahmedabad)	1994	JLG/SHG
4	Saath Charitable Trust (Ekta)*	GJ	Jodhpur (Ahmedabad)	1994	JLG
5	Gramotkarsh & Vikas Trust*	GJ	Lunawada, (Panchmahal)	1997	SHG, Grameen
6	Melap Mahila Cooperative Credit Soc Ltd*	GJ	NA	1998	Individual Lending
7	AMBA*	GJ	Rajkot	2000	Individual Lending
8	Cohesion Foundation Trust ^s	GJ	Ahmedabad	2002	SHG
9	Vardan Trust*	GJ	Dahod	2003	JLG, Grameen, Individual
10	Sakhi (An Organisation for Women)*	GJ	NA	2005	SHG, JLG
11	Vikas Centre for Development*	GJ	Ahmedabad	2005	SHG
12	PRAYAS*	GJ	Hadmatiya (Gandhinagar)	2006	SHG, JLG
13	Kushal Manch*	GJ	Kutch	NA	SHG
14	M-Power Microfinance Pvt. Ltd ^s	GJ	Vadodara	2009	NA
15	Share Microfin Ltd.*	AP	Hyderabad	1989 ^s	JLG
16	SKS Microfinance Pvt. Ltd.*	AP	Hyderabad	1998	JLG
17	Asmitha Microfin Ltd*	AP	Hyderabad	2002 ^s	Grameen
18	IMPACT*	AP	Chennai	2004 ^s	SHG
19	S.E. Investment Ltd.*	UP	Agra	2006	Individual Lending
20	Sakhi Samudaya Kosh*	MH	Solapur	2006 ^s	SHG

Sources: * Microfinance India State of the Sector Report 2008 and 2009

^s Individual website of the particular MFI

5.4.8 Loans Received by MFIs

MFIs provides loans to poor people but for the purpose of providing loans sometimes MFIs take loans from the banks and provide loans to poor people. Banks provide loans to MFIs with interest and MFIs provide loans to people with interest. Accordingly, poor people have to repay the loans with interest to MFIs while MFIs also have to repay the loans to the banks with interest. Therefore, defaults by poor people directly affect on the level of NPA for MFIs. Like wise MFIs cannot repay the loans back to the banks. Table 5.11 presents the data regarding loans disbursed by Banks to MFIs during year 2007-08 to year 2011-12²⁸⁻³². It also presents the details of the outstanding loans at the inception of the respective years. Moreover, the Gross NPA is

also presented. Along with each absolute amount, the numbers of MFIs are also presented. Moreover, percentages of NPA to total outstanding loan are presented in the last column. Percentage of NPA to total outstanding loan amount was observed in the range of 0.06% (2007-08) to 2.22% (2011-12). In the year 2008-09 the percentage was observed very high at 1.30% from 0.06% (2007-08) indicating poor recovery in the year 2008-09. Looking to the disbursed loan amount, for the year 2009-10 disbursed loan amount was observed above ₹10 lakhs *i.e.* of ₹1,072,849.35. However, percentage of NPA to total outstanding loan amount was observed at 0.67% indicating improvement in recovery of loans in the year 2009-10 as compared to the year 2008-09. Poorest recovery by MFIs can be seen for the year 2011-12 as percentage of NPA to total outstanding loan amount is observed at 2.22%. It indicates poor recovery by MFIs which affect on level of NPA of banks because of no repayment of loans by MFIs.

Table 5.11 Loans by Banks to MFIs and NPA

Year	Loans by Banks to MFIs during the respective year		Outstanding bank loans against MFIs at the beginning of the year		Total Gross NPA of Bank loans to MFIs		
	No. of MFIs	Disbursed Amount (₹ in lakh)	No. of MFIs	Outstanding Amount (₹ in lakh)	Amount (in ₹)	No. MFIs	% of NPA to total Outstanding loan amount
2007-08	518	197,014.88	1,109	274,884.26	154.48	NA	0.06
2008-09	581	373,232.77	1,915	500,909.23	6,555.50	169	1.30
2009-10	779	1,072,849.35	1,659	1,395,574.57	9,360.60	218	0.67
2010-11	471	844,895.60	2,315	1,373,061.56	13,252.21	113	0.97
2011-12	465	520,528.75	1,960	1,145,034.93	25,434.05	179	2.22

Source: NABARD, Status of Microfinance in India, Various Reports (2007-08 to 2011-12)²⁸⁻³²

5.5 Risks: Causes, Impact and Strategy

The dictionary meaning of risk is “The probability that an actual return on an investment will be lower than the expected return”. Thus, risk management has always been an important subject for financial institutions. There are number of risks that an MFI has to face. There are varied reasons that can be attributed to this risk. Especially the credit risk has its impact on number of aspects and MFIs have to manage these risks very carefully. The following lines discuss the types of risks, causes and impact of risk and management of the same.

5.5.1 Types of Risks³³

These risks could be of delinquencies, frauds, staff turnover, interest rate changes, liquidity, regulatory etc. But these risks can be broadly classified into two major categories *i.e.* Financial Risk and Non-Financial Risk. Financial Risk is directly of financial nature which includes two categories such as **Credit Risk** and **Market Risk**.

Non-Financial risk mainly results from human errors, system failures, frauds, natural disasters or through regulatory environment, weak board, poor strategy, etc. Non-Financial risk includes **Operational Risk** and **Strategic Risk**. However, it must be remembered that operational risk and strategic risk, as and when materialize will also translate into financial losses for the organization.

A. Credit Risk: As the MFI provides credit without any collateral, whenever an MFI lends to a client there is an inherent risk of money not coming back, *i.e.* the client turning into a defaulter, this risk is called the Credit risk.

B. Market Risk: It occurs due to fluctuations in the financial market or due to mismatch in assets and liabilities of an organization. As the MFIs become bigger in size and complex in terms of their asset and liability composition market risks become more pertinent.

C. Operational Risk: Operational risk relates to the risks emanating from failure of internal systems, processes, technology and humans or from external factors such as natural disasters, fires, etc. Basel Committee on Banking Supervision defines operational risk as “the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events”.

D. Strategic Risk: Strategic risks are risks related to weak governance, weak leadership, poor strategic decisions as well as risks due to regulatory and administrative reasons. These are high impact risks and can adversely affect the organization for a long-term.

From above all four risks, credit risk is most common in MFI. If any client fails to pay back the loan amount, it creates credit risk in MFI. This study has also focused on loan defaults and NPA. That’s why further discussion has been focused on credit risk only.

The risk is of greater significance for MFIs as it has to deal with large number of clients with limited literacy. Further, MFI provides unsecured loans, *i.e.* loans without any collateral. In case a client default the MFI does not have any asset to meet its loss, which makes the credit even riskier. Credit risk is directly related to the portfolio of the organization and is one of the most significant risks from an MFI perspective.

5.5.2 Causes of High Credit Risk³⁴

a. If an MFI does not have a good Management Information System (MIS on loan outstanding, collection etc.), it may not know how much to collect, it may not know it’s over dues or age-wise over dues. If the correct and timely information is not generated

and report the problem cannot be dealt with resulting in delinquencies getting aggravated.

b. If client with bad reputation or history of defaults are selected then it can result in delinquencies.

c. Loans given beyond repaying capacity put clients in stress situation as they do not have sufficient income to repay instalments resulting in delinquencies.

d. If the clients do not know the policies and procedures it can result in confusion and delinquencies even if clients are capable of paying.

e. MFI having strong overdue follow up system can control over dues to a large extent and also gives clear message to the clients that the MFI is serious on repayments and thus prevents the future occurrences. MFIs having weak overdue follow up give a signal that it is not serious in overdue collection. This results into imitation by other clients. If the case becomes old then the chances of recovery also goes down.

f. Delinquencies occur if the product is not suitably designed. If the repayments do not match with the cash flow of the client then it may result in delinquencies.

g. Delinquencies can also happen as an aftermath of a natural disaster such as flood, drought, earthquakes or epidemic.

h. Corruption at field staff level such as taking bribe for loans or frauds can result in delinquencies. A staff taking favor from clients cannot enforce discipline or strict repayments.

i. If the working conditions or incentive systems are not good, it will result in staff de-motivation and ultimately delinquencies.

Thus, delinquencies do not occur, exclusively on account of client related reasons. Much of it can be attributed to internal systems and policies of the MFIs. It also means that if internal reasons related to the organization are taken care of then delinquencies can be controlled to a large extent.

5.5.3 Impact of Delinquencies³⁴

a. The money given to a client by the MFI is lost if client defaults. So it is a loss of portfolio. MFI loses interest income as well. Which is the main source of income for an MFI and loss of it directly impacts its profitability and sustainability.

b. MFI having over dues has to invest lot of its time and other resources in recovering the over dues. Extra visits by staffs, to recover over dues, at various levels also add to travel costs. This diverts the focus of the MFI from expansion and growth to controlling the over dues thereby hampering its growth.

c. An MFI suffering from delinquency may lose reputation and credibility with other peer MFIs, lenders and donors. Good MFIs may focus on growth, experiment with new products and other service while the MFI struggling with over dues has to concentrate on recovering over dues. It may results in poor portfolio quality which makes investors uninterested and fund raising becomes difficult.

Thus, delinquencies have wide spread impacts and are harmful not just for the MFI but also for others. It is therefore important to manage credit risk. In order keep credit risk under acceptable limits an MFI should try to manage the same properly.

5.5.4 Managing Credit Risk³⁴

a. MFI must have clarity on its business. From visions and missions statement to the fine policies for the day- to-day operations, everything they should be clearly said/written and documented to avoid any confusion, as lack of clarity in mission can result in loss of focus.

b. MFIs should also be aware that different interventions on the field would have impact on each other. It is therefore, important to maintain clear segregations among programmes of different natures.

c. A poorly designed product puts stress on the client who may not be able to repay the amount. The products have to be designed suitable to the local livelihood context and general household cash flow of the target group.

d. MFIs should have good and strong MIS on loan outstanding and collection. A strong MIS is characterized by regular and focused record keeping and reporting system. A strong MIS is very important from the perspective of controlling risk as unless someone knows about delinquency, one cannot take actions to manage it.

e. Regular monitoring by staffs at various levels as well as an independent internal audit at regular frequency can significantly control risk.

f. As a part of credit risk, transaction risk also should be managed in a proper way by MFIs. MFIs should try to very careful while selecting a client. MFIs should be very clear and transparent about their products, policies on interest rates, fees, penalties and legal procedures. Proper checking regarding client should be done before sanctioning the loan and regular follow up should also be done after disbursing the loan. Transaction risks can be managed effectively with strong internal systems such overdue management system and MIS.

g. For managing portfolio risk it is very important that MFI diversifies its portfolio. The portfolio may be concentrated geographically or in a particular trade or with a

particular group of people. Failure or adversity with the particular parameter on which the portfolio is concentrated can seriously impact the MFI.

5.6 Dark Side of Microfinance

Microfinance is a burning topic today among development experts as well as social responsibility advocates who see it as a model of how to successfully and profitably deliver formal services at the bottom of the pyramid. Microfinance aims to reach the poorest of the poor and provides them all types of financial facilities. It has grown up widely and proved itself as one of the most significant tools for poverty reduction. However, whether microfinance could reach to the extremely poor or not is a matter of concern. David and Thankom³⁵ have told that MFIs generally reach a combination of poor and non-poor people. Rarely do they reach the poorest. Many have raised doubt about the system of microfinance and many have showed the dark side of microfinance as well as bright side of it.

Further, there are several points which were proved to be the dark side of microfinance such as very high rates of interest, harsh recovery methods and multiple lending/over supply of credit.

A. Very High Rates of Interest

The interest rates prevailing in the microfinance sector are very high and are certainly much higher than the rates of formal agencies. Even SHGs which are linked to formal banks normally charge 2 percent per month to their ultimate borrowers. With regard to MFIs, though the rates are much lower than the informal sector, they have ended up creating an interest rate structure which is only second best for the poor. At time it becomes difficult to estimate the effective rate of interest charged by the MFIs. Many MFIs do not make it clear to their borrowers what the effective rate would be. Therefore, there is a need for an alternate system, which from interest towards the upliftment of the deprived and needful at a very low cost to fulfil the expired expenses attached to such activity.³⁶

Some people including Mohammed Yunus are worried about the growing commercialization of microfinance, including the entry of profit-motivated owners and managers. Professor Yunus offers a straightforward formula for judging MFIs and their objectives. If MFIs' interest margins (the difference between the rate you charge when lending to your clients and the rate you have to pay when you borrow from your funding sources) is not more than 10% that's the 'green zone' where true micro lenders operate. Interest margin between 10-15% a big warning sign is flashing because it is a 'yellow

zone'. Anything above 15% is the 'red zone', where the true microcredit left behind and joined the loan sharks. According to MIX report, there were 75% of all MIX MFIs were in the red zone in 2008.³⁷

At the heart of the problem lies the failure of MFIs to balance social objectives with their lust for profit. Though regulations must therefore be brought in to prevent them from exploiting the poor, they are alleged to have charged interest rates as high as 32-42 per cent to provide finance to the poorer sections of the society when they themselves borrow funds from banks at 9-14 per cent.³⁸

B. Harsh Recovery Methods and Suicide Cases

Despite the Supreme Court judgment that banks cannot use force to recover overdue loans, many banks are adopting the same tactics, often turning a blind eye to strong-arm tactics by hired agents.³⁹ In addition, MFIs use strong-arm tactics employed to recover the loans that triggering the crisis. MFI field staff has treated clients badly, encouraging them to take on bigger and bigger loans and then disgracing indebted clients in public and threatening them psychologically and physically. In India, politicians and newspapers claim this has led to scores of "microfinance suicides".³⁵ Harsh recovery methods includes: (i) adjusting over dues against the security deposit, (ii) holding the weekly meeting in front of the defaulter's house, (iii) MFI staff sitting in front of the defaulter's house, (iv) offensive language used by group leaders or staff, (v) putting up a loan overdue notice in front of a defaulter's house etc. Sometimes recovery of large individual loans have been made by using signed blank cheques, legal action to enforce blank promissory notes and physical force by group leaders. There is huge pressure on all members because of joint liability. No one gets another loan until all repayments are made. People are reported to have had to borrow from moneylenders in order to repay MFIs. Other borrowers have "absconded", migrated or at times tragically committed suicide. This is linked to abusive collection practices that MFIs sometimes resort to.⁴⁰

A report prepared by the Gender Unit of SERP (Society for Elimination of Rural Poverty), listing out the victims of MFIs in Andhra Pradesh. Out of the 123 alleged cases of harassment that the report lists out, there are 54 death cases. In most of the suicide cases, the report claimed that borrowers were subjected to unbearable harassment by MFIs. The reasons for most of the suicide cases listed out were harassment by MFIs with filthy vulgar language.⁴¹ Yunus addressed these suicide cases in India and said "Whatever they do, is certainly not micro-credit. They are on the wrong path. No matter how fast you grow, you need not give up on the basic principles".⁴²

C. Oversupply of Credit / Multiple Lending / Over Indebtedness

The common problem to all lending operations is that when the volume of microfinance lending expands rapidly, there may be an oversupply of credit, encouraging clients to exceed the debt burden they can manage. Even competition between MFIs results into multiple lending. More than one MFI lends to a borrower to expand their volume of credit *i.e.* more than one loan at a time for one borrower. However, sometimes borrowers themselves take credit from more than one MFI to fulfill their credit needs as they could not get enough amount of credit from one MFI. This oversupply of credit or multiple lending results into over indebtedness for the borrower. Over indebtedness can be defined as “borrowers are over indebted if they have serious problems repaying their loans”. This definition implies a view that borrowers can be over-indebted even if they are repaying their loans.⁴³

M-CRIL examined both the factors that contributed to the crisis *i.e.* loan size, multiple lending, over indebtedness, client retention and client protection, staff working conditions and the early effects of the crisis on the performance of Indian MFIs. M-CRIL has informed that while the number of MFI loans is just over 100% of the number of eligible financially excluded families, SHG loans are actually 310% of that number. More importantly, to the extent that microfinance loans are not evenly distributed this means that there will be a significant number of financially excluded families in Andhra Pradesh that have as many 7-8 loans at one time and a number of these are SHGs loans. The report has raised the question whether it is SHG rather than MFI lending that is responsible for multiple lending. It was concluded that even if debt were distributed equally amongst all eligible families in Andhra Pradesh there would be over-indebtedness to the extent of 9% of the average income for such families – assuming that 40% is the maximum reasonable debt servicing capacity at the average level of income for financially excluded families.⁴⁴

Further more, MFIs in Bangladesh have a tool that Indian MFIs are not allowed. Bangladeshi MFIs hold compulsory savings from clients and if a client gets into difficulties with repayments, these savings provide a buffer (for the MFI and client) to manage potential defaults. The Reserve Bank of India’s (RBI) policy of not allowing MFIs to hold savings raises the risk of client default and MFI collapse. In addition, the sudden availability of multiple loans for rural people may have encouraged what Stuart Rutherford, in a personal communication with one of the authors, called the “diabetes effect”. People who could never get loans (sugar) grab as many as they can without thinking and become highly indebted.⁴⁵

5.7 Summing Up

This chapter has highlighted historical background of microfinance and gave idea about the growth of microfinance. Further more, the chapter has discussed about how microfinance works in India by providing financial facilities to the poor people such as savings, credit, insurance, pension and remittances. These facilities help the poor people to take their own stand in the society. The chapter has discussed about various delivery methods used by MFIs and also gave the brief idea about the apex microfinance service providers. Most important part of the chapter is the discussion about total 190 MFIs, from MIX, working in all over India with 12 important financial indicators. The indicators are given for each MFI from different 17 states of India to analyze the financial condition of each MFI. Total 230 MFIs (from 17 different states of India), from Sa-dhan, were also discussed with 2 financial indicators. It also includes the status of legal forms of MFIs from India which covers the duration of seven years (2006-2012).

The growth of microfinance is coupled with various types of risks that MFIs have to face such as credit risk, market risk, operational risk and strategic risk. However, as the study mainly focused on loan defaults and NPA, only credit risk was discussed in detail with the information of how credit risk can be managed. The chapter also shows the negative aspects of the microfinance sector, viz. very high rates of interest, over lending, over indebtedness and forceful recovery methods etc. Thus, the chapter gives the over all idea about the structure of microfinance in India.



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Chapter 6

SEWA BANK & ITS
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Chapter 6

SEWA Bank & Its Financial Services

Previous chapter discussed about the all MFIs working in different states of India. After having the overall idea about all MFIs in India, this chapter gives highlight about the sample MFI, SEWA Bank-Ahmedabad (Gujarat). This chapter presents the detail of the SEWA Bank starting from its history to the current status.

SEWA (Self Employed Women Association) Bank is the oldest and first microfinance provider in India. It was set up as an urban cooperative bank in Ahmedabad, the largest city of the Indian state Gujarat.¹ Recognizing that the diversity of occupational, economic and social backgrounds of SEWA Bank members, with their very different financial requirements, made group lending suboptimal in the urban context, SEWA was one of the first MFIs to take the more challenging path of individual lending.²

Everyone, from the field of microfinance, knows about the popularity of Grameen Bank Bangladesh. Grameen Bank is the brain child of Prof. Mohammed Yunus, who is known as the father of the microfinance and pioneer of the Microfinance Movement. But Bhagwati Jagdish³ has argued that the true pioneer of microfinance is remarkable women from Ahmedabad (Gujarat, India), Ela R. Bhatt, a follower of Gandhi who established SEWA (Self Employed Women's Association) as a bank in April 1974, two years before Yunus founded his Grameen bank Project in Jobra, Bangladesh. This brings forth the pioneering role played by SEWA, in the field of microfinance.

SEWA bank was founded by Ela R. Bhatt with the mission to reach to maximum number of poor women workers engaged in the unorganized sector and provide them suitable financial services for their socio-economic empowerment and self development, through their own management and ownership. SEWA started its journey in 1972 and today SEWA is the largest single trade union in the country with a membership of over 10,00,000 women. SEWA bank stands out as the only bank of its kind in the country and is still growing by attempting to reach out to the maximum number of poor women engaged in the unorganized sector.⁴

Elaben⁵ defined self employed women as “women who earn a living through their own small business or through their own labour. Unlike workers in the organized sector they do not obtain regular salaried employment”. She broadly classified the self employed women into three categories *viz.*

1. Hawkers and Vendors;

2. Home based workers like weavers, garment workers, food processors and craft people;
3. Manual labour and service providers like agricultural labourers, construction workers, paper pickers, domestic workers, minor forest produce gatherers, cart pullers and the like.

Broadly this chapter discusses about the beginning of the SEWA, objectives of the SEWA Bank, clients of the SEWA bank and the financial services given by the SEWA Bank. SEWA bank's services are broadly separated into two areas *i.e.* urban area and rural areas. This chapter includes majority of the details about SEWA bank's urban as well as rural area services.

6.1 Conceptualization and Establishment of SEWA^{6,7}

The SEWA was born in 1972 as a trade union of self employed women. It grew out of the Textile Labour Association (TLA). TLA, India's oldest and largest union of textile workers founded in 1920 by a woman named Ansuya Sarabhai. The union was inspired by Mahatma Gandhi who led a successful strike of textile workers at Ahmedabad (Gujarat) in 1917. TLA created their separate wing for women in 1954 with the purpose to assist women belonging to households of mill workers and its work was focused largely on training and welfare activities. By 1968, classes in sewing, knitting embroidery, spinning, press composition typing and stenography were established in centres throughout the city for the wives and daughters of mill workers. The scope of its activities expanded in the early 1970's when a survey was conducted to probe complaints by women tailors about exploitation by contractors. The survey brought out other instances of exploitation of women workers and revealed that the large numbers of women workers found untouched by unionization government legislation and policies. In 1971, a small group of migrant women working as cart-pullers in Ahmedabad's cloth market came to the TLA with their labour contractor. They were sent to see Ela Bhatt, the Head of Women's Wing. Ela had talk with them and she went with them also to the areas where they were living and to the market area where they were working.

Accordingly, Ela wrote an article for the local newspaper and detailed the problems of the head-loaders. Soon word of this effective ploy spreaded and a group of used garment dealers approached the Women's Wing with their own grievances. A public meeting of used garment dealers was called and over hundred women attended. During the meeting in a public park, a women from the crowd suggested they form an association of their own. Thus, on an appeal from the women and at the initiative of the

leader of the Women's Wing, Ela Bhatt, and the president of the TLA, Arvind Buch, the Self-Employed Women's Association (SEWA) was born in December 1971. After a long-drawn official battle SEWA was registered as a trade union in April 1972. Main objective of SEWA was "strengthening" its members' bargaining power to improve income, employment and access to social security". SEWA sees itself not merely as a workers' organization, but as a movement.

Self employed women workers and producers were economically very active and contribute to the growth of the economy. They were mainly involved in production, trading and the service sector. However, in spite of their hard work and their contribution to the country's gross domestic product, they did not have access to financial services, which could help them to upgrade their own work and productivity. Self employed women were facing two major financial problems *i.e.* lack of working capital and non-ownership of assets. As a result a big portion of their meager goes towards interest on working capital and rent on trade equipment. Terms of borrowing from money lenders were very exploitative and the formal banking sector was not usually responsive to the special needs of informal sector women workers, in terms of providing appropriate banking services.

Thus, in order to address this problem and free themselves from the vicious cycle of eternal debt, the members of SEWA came forward with their own solution, in a meeting in December 1973: "a bank of their own", where they would be accepted in their own right and not to be made feel inferior. "We may be poor", they said "but we are so many", and indeed 4,000 women contributed share capital of ₹10/- each to establish the MAHILA SEWA CO-OPERATIVE BANK. In May 1974, the SEWA Bank was registered as a co-operative bank under the dual control of The Reserve Bank of India and The State Government. Since then it has been providing banking services to poor, illiterate self-employed women and has become a viable financial venture.

6.2 Objectives of the SEWA Bank⁸

Empowering women was the primary objective of the SEWA bank with which SEWA movement began. SEWA bank aims at providing an integrated set of banking services which make it a multi-service organization that has deviated from the general pattern of cooperative banks. The objectives of the SEWA bank, an outcome of practical experience, are as follows:

1. Providing facilities for savings and fixed deposit accounts. Thus, inculcating thrift in the women, managing their savings and ensuring safe custody of the cash the women receive as loans.
2. Providing credit to further the productive, economic and income-generating activities of the poor and self-employed.
3. Providing integrated insurance services covering death, sickness and asset loss – as a form of social security protection to informal sector women workers.
4. Extending technical and management assistance in production, storage, producing, designing and sale of goods and services. This includes services to buy raw materials, equipment, tools and implements establishing direct links with industries, wholesaler and producers from where the borrowers buy rags, scrap iron and wood, vessels, bamboo, yarn, vegetables and waste paper; guidance in marketing their goods; accounting services to members individually and to women's group.
5. Providing facilities to rescue their jewellery from pawn-brokers and private money-lenders and giving loans against jewellery.
6. Adopting procedures and designing schemes suitable to poor self-employed women, like collecting daily savings from their places of business or houses, or providing saving boxes and giving training and assistance in understanding banking procedures.

6.3 Client Profile of SEWA Bank⁸

SEWA bank's account holders are made up of around 80 per cent urban and 20 per cent rural self-employed women. The majority of these women are also members of SEWA Trade Union. The urban female depositors of SEWA bank are engaged in three predominant activities: As vendors, as labourers or small service providers and as home based workers. The average monthly income of a member of SEWA bank is ₹1,500 where as the average income of her whole family (5-7 members) is ₹3,000 per month.

SEWA bank's clients come to the bank through three main sources which can be classified as follows:

- Through SEWA organizers who work in the field and are in personal contact with self-employed women, on a day to day basis,
- Through existing members of SEWA and SEWA bank,
- Through word of mouth.

6.4 Services of the SEWA Bank

SEWA bank provides a range of services which includes savings options, loans and insurance products, financial counselling, business counselling/advice/literacy for self employed poor women, training programmes on opening and effectively using a bank account etc.

In the words of Jayshree Vyas⁸ (Managing Director of SEWA bank), “We are a bank focusing on the life cycle needs of our members. Our products reflect their needs”. SEWA bank does not think only about tomorrow but even beyond. SEWA bank designs its own service products by focusing on their members’ life cycle needs. All products of the SEWA bank is the reflection of the needs of its members.

SEWA bank has developed different types of services for its members belonging from different areas *i.e.* urban areas and rural areas. Three types of financial services have been developed by SEWA bank till date, through various schemes, to broadly meet these different financial needs.

Table 6.1 Types of Financial Services with their purposes⁹

Savings-For	Credit-For	Insurance-For
Education of children	Repayment of old debts	Sickness
Marriage of children	Rescue mortgaged/pledged assets	Accidents
Celebrating festivals	Working capital for business	Death
Pilgrimages	Buying trade equipments	Widowhood
Old age needs	Repairing, extending house	Maternity
Emergencies like sickness, accident etc	Adding services in the house	Losses in riots/flood/cyclone/fire etc.
Repairing, extending house	Buying new house	
Adding services in the house		

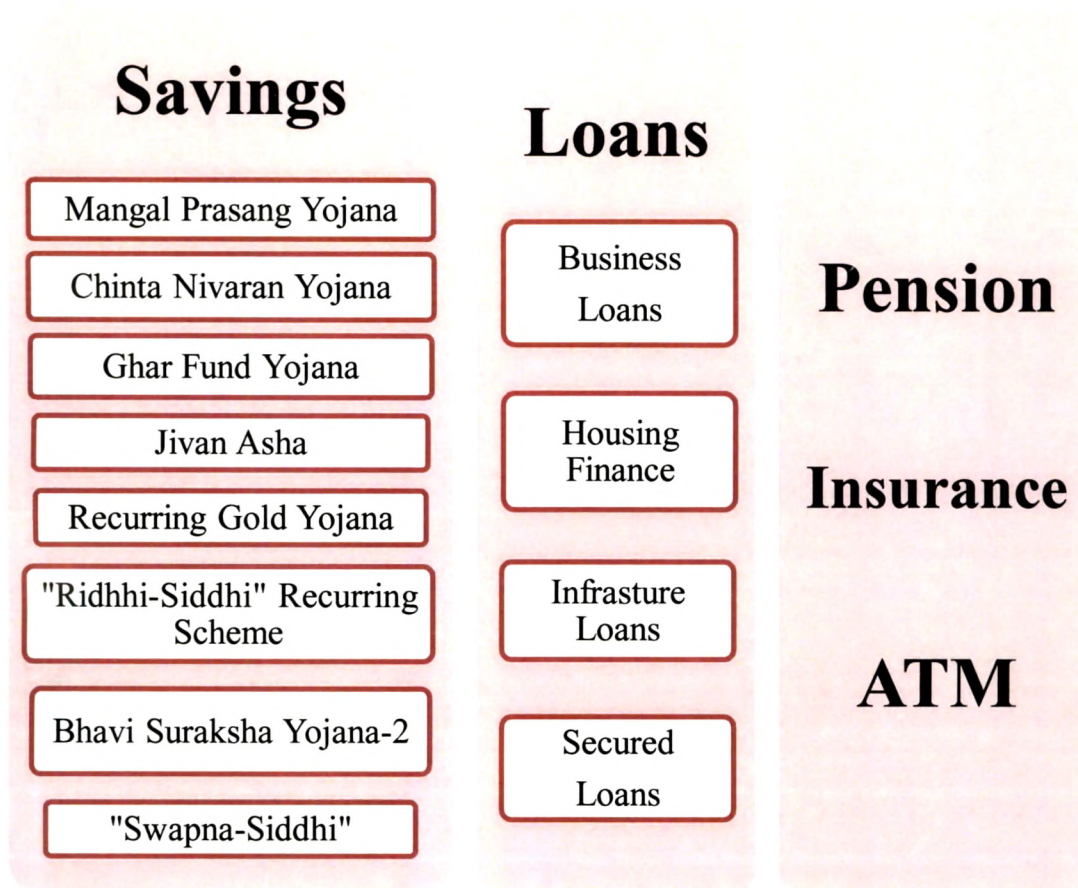
6.4.1 Financial Services in Urban Area

Services in urban area include savings, loans, UTI SEWA bank pension, insurance and ATM. Among them savings is the most significant service providing by the SEWA bank. Figure 6.1 gives brief idea about financial services provided in urban area.

A Savings¹⁰: Savings are greatly emphasized by SEWA Bank, more so when its all clients are self employed and with low income. In response to demand from members for a variety of savings needs, SEWA bank has developed a range of savings products and schemes. All savings products were designed according to the cash flow and needs of the members. At SEWA bank it is believed that women do have an instinct for

savings if motivated. All schemes of the bank keep in mind the capacity of members to save.

Figure 6.1 Financial Services: Urban Area



Mangal Prasang Yojana (Special Occasion Scheme)¹⁰: This scheme was launched in 1999. This is a five year saving scheme with depositing the amount of ₹200/- and its multiple *i.e.* ₹200/-, ₹400/-, ₹600/- etc. Primary aim of the scheme is to help the members during the weddings of their sons and daughters. This can avoid unnecessary loan taking process from informal moneylenders. Under this scheme, money is to be deposited by the members on a monthly basis for 5 years. At the end of the period amount with interest will be given to her. Every year there will be a draw for 5 years. The prize winner can collect a gift article which can be also useful for any special occasion. If the member does not want the item, then he will get a fixed deposit equal to the amount of the gift article.

Chinta Nivaran Yojana (Worry Riddance Scheme)¹¹: To meet small difficulties and overcome worries this scheme was launched in 1999, the year SEWA

bank celebrated its silver jubilee. The amount of ₹40, ₹80 and ₹120 can be deposited per month for five years. Membership to this scheme can be obtained by

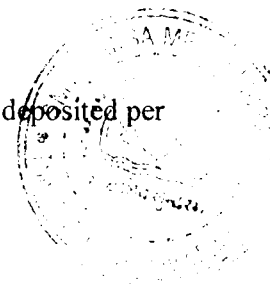
- Any person in his/her name
- On Signature of the mother or the father
- In the name of the child who is above 18 years.

An illiterate person can also open an account in the presence of a witness. After one year of joining the scheme, in the case of an emergency, member can get a loan (need based) up to ₹5000/- in lieu of the savings kept with the bank. If any member wants to withdraw any amount before due date, then he/she have to submit the required application seven days before such withdrawal. If he/she has given the instalments for 6 months and more, then he/she will get the amount with the interest of 4%.

Ghar Fund Yojana (House Fund Scheme)¹⁰: The scheme was also launched in 1999 to enable the members to have their own house and particular in their own name. Deposits of ₹250/-, ₹500/- or ₹750/- are made on monthly basis for five years or more. The amount returned with interest after five years can help women to build their house. If the bank finds it confirming with its conditions, the bank may grant a loan of the amount so saved after 5 years or the stipulated period.

Jivan Asha (Daily Savings Scheme)¹⁰: This savings scheme was formulated by the Board of Directors and started in May 2000. Members can open an account with Rs 10. It has been very popular especially amongst daily wage earners. The scheme is designed for women who earn a small amount of money on daily basis and it is ideal for vegetable vendors, seamstresses, bidi (indigenous cigarettes) and agarabati (incense sticks) workers and milk producers. If they save on daily basis, they would stand to benefit, else there is a possibility that the earned money would be easily spent. Jivan Asha is one of the popular schemes of the bank and it has proved to be a boon and lighted up many homes when in urgent need.

Recurring Gold Yojana (Buying Gold Scheme)¹⁰: The scheme started in 2004 with the aim to meet expenses towards buying gold and gold ornaments during the wedding of members' offspring. It motivates members to save for a special occasion. And gold ornaments are also an asset of a member and thus it is also a saving. Members can join with this scheme with the amount of ₹50 and in multiples of that. With this scheme members need not have to borrow from moneylenders to buy gold. Members can prevent themselves from inviting debt. Through this scheme, small savings made gradually or accumulated gold can be used for future occasion and members can



celebrate any future occasion without tensions. By joining this scheme, one can not only avoid stress but can also look forward to the savings in an emergency.

“Ridhhi – Siddhi” Recurring Scheme¹¹: The scheme is a medium term recurring scheme which women normally use for planning their children’s marriage, education and house repairs – extension. It is a five years saving scheme and savings per month increases every year e.g. Year 1: ₹50 p/m; Year 2: ₹100 p/m; Year 3: ₹150 p/m; Year 4: ₹200 p/m; Year 5: ₹250 p/m. Women get lump sum money after five years with interest. One can open a saving account starting with ₹50/- and the amount of its multiple.

Bhavi Suraksha Yojana-2 (Secured Future Scheme)¹¹: This is a long term secure saving scheme. This scheme is intended as an old age benefit scheme where women save regularly for a period of 10, 15 or 20 years. They get a lump sum cash back at the end of savings term or they have option of getting monthly income as interest and the lump sum saved amount remains with the bank as a fixed deposit in the name of the women. This is also known as SEWA Bank’s savings linked old age “Pension” scheme and is very popular among women. Many women also use this scheme in their planning to buy their own house.

“Swapna Siddhi” (Dream Fulfilment Scheme)¹¹: This is a medium as well as long term saving scheme. Under this scheme a lump sum amount is put in the bank as fixed deposit for a particular period of 3, 5,7,10 years and more and compound interest is credited in the deposit account. Women get a lump sum amount at the time of maturity. This scheme is being used by women for planning marriage of children.

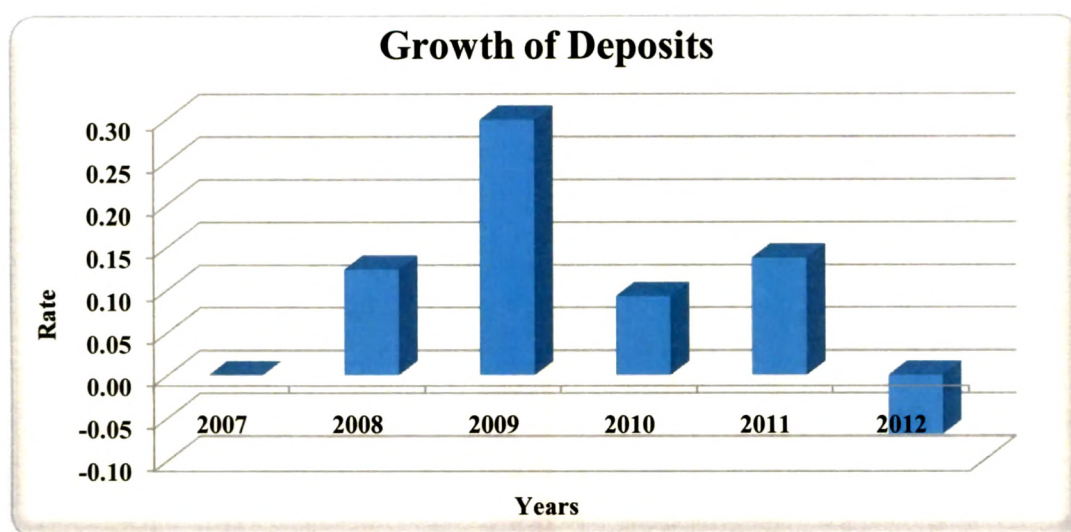
Table 6.2 Annual Growth of Deposits of the SEWA bank

As on 31 st March	Amount Deposited (₹in Crores)	Growth Rate
2007	65.86	-
2008	74.00	0.12
2009	96.15	0.30
2010	105.05	0.09
2011	119.48	0.14
2012	111.26	-0.07

Source: MIX Market¹² & computations

With reference to the table 6.2, the highest growth of deposits (0.30%), with the amount of ₹96.15 crores, was observed for the year 2008-2009. It was followed by 0.14% for the year 2010-2011 with amount of ₹119.48 crores. In the year 2011-2012, the deposits have declined to ₹111.26 crores having negative growth rate of 0.07%. Figure 6.2 presents graphically the annual growth rate of deposits.

Figure 6.2 Annual Growth of Deposits of the SEWA Bank



B Loans¹³

Though savings are most important for self employed women, loans are also needed by self employed women for variety of purposes *i.e.* to buy assets, raw materials, finished goods for resale, redeem old debts, upgrade their homes, buy transportation such as pedal cart or a hand cart, or to put in infrastructure in their homes, such as water or electric connections. The SEWA Bank has been providing a wide range of loan products to meet the productive credit needs of its clients.

In the beginning, from 1973 to 1977, first the SEWA union and then SEWA bank were providing credit to their members from the nationalized banks. In that period about 6,000 members had borrowed an amount of nearly ₹25,00,000. The interest rate charged by the nationalized banks varied from 9 per cent to 16 per cent p/a in the beginning but later it was reduced to a uniform 4 per cent as a result to SEWA's lobbying with its government to obtain cheap credit for the urban poor. The loan applications were made through the SEWA organizers or by members directly and the same procedure which was prevalent prior to setting up the SEWA bank was followed to get the loans.

In 1976, the SEWA bank has started advancing loans to the depositors from its own funds and gradually withdrew from the arrangement of credit from the nationalized banks. Application for loans was made by members directly or through the field staff. The bank staff did the scrutiny and processing of the loans which were available only for economic activity and not for personal use or to meet expenses on social occasions. Information about the applicant's income generating ability, financial status, soundness of working conditions and ability to repay were carefully scrutinized by the bank staff

and then loan committee discussed about those information and put up to the board for sanctioning the loan to the members.

Every year about 50 per cent of the funds advanced, had been repaid by the members, which then become available for further advances. Interest was charged at the rate of ranging from 12 per cent to 16.5 per cent p/a and loan had to be repaid within 36 monthly instalments.

Over a period of time SEWA Bank has streamlined the terms and conditions for advancing the loan. The terms and conditions prevalent during the year 2012 are as follows:

❖ **Terms and Conditions of Loans from SEWA Bank¹⁴**

1. Members should have a saving account in the SEWA bank.
2. For eligibility of loan, members have to maintain their saving account on regular basis at least for six months.
3. Members' record of regular savings has been taken as collateral for the loan.
4. Each loan is sanctioned following a pre-loan check at the women's home and working place by SEWA bank field worker.
5. Unsecured loans have been sanctioned by two guarantors only, one can be a family member and another should be government employee.
6. The amount sanctioned depends mainly on the base of field worker's recommendations, as field worker is deemed to know the client best.
7. Term of loan is 3 to 5 years
8. Interest rate charged is ranging between 14.5% to 17%
9. Counting method of interest is Diminishing Balance Method
10. Maximum loan amount given is ₹50,000 for unsecured loan. Amount of secured loan is depends upon the valuation of customers' assets.

Types of Loan¹⁴

SEWA bank provides two types of loans classified as unsecured loans and secured loans. Unsecured loans include business loans, housing finance and infrastructure loan. Following para explains the same.

Business Loans: Self-employed women in the informal sector, mainly vendors, home based workers' or small service providers are economically very active. They require credit for a variety of productive purposes. SEWA Bank requires the following details before sanctioning the unsecured loan:

- Full name of Member
- Full address

- Photo
- Proof of residence (Electric bill/Ration card)
- Cost quotation of stock, machine, vehicle etc. to be purchased
- Regular savings for 1 year or more at SEWA Bank

Loans sanctioning from SEWA Bank is called 'Sanjivani' (meaning 'rebirth'). It is a special product designed for the wives of ex-mill workers who have been laid off due to the closure of the many textile mills based in Ahmedabad. Most of these families have now become female headed households. "Sanjivini" loans from SEWA Bank coupled with business counselling from the bank and marketing services from SEWA help those women to start new business or expand existing ones.

Housing Finance: Financial institutions have been reluctant to give women housing loans, as housing loans are not seen as productive loans which will lead to an increase in income. However, housing is a productive asset for millions of women who are poor and work out of their homes. Thus, access to housing finance at long-term, affordable rates is a prime necessity. SEWA bank started its housing and infrastructure finance activities from 1976.

SEWA bank has found that as the economic security of the members of SEWA bank increases, the demand for housing loans and housing related services also increases. But most importantly and as a rule, loans for a new house are sanctioned only if the house be bought in the name of women borrower only, thereby creating an asset for the women.

SEWA Bank has given loans also for housing purposes to replace a roof, wall, floor or door, for monsoon proofing, adding a room or kitchen, upgrading as well as loans that could be used as deposits for rent and to buy or build a new house. Loans were also sanctioned for infrastructural facilities such as water or electricity connections, building toilets and paved approach roads to the houses.

Infrastructure Loans: Improved infrastructure is a pressing need for SEWA members of Ahmedabad city. Many self-employed women like garment-stitchers, weavers, bidi (tobacco) rollers use their home as their workplace. Women who work outside the home, such as vendors and rag pickers, also use their home to store, sort and process their products. Furthermore, the availability of infrastructure affects the productivity of all workers and producers who use their home as a workplace. The provision of improved housing and infrastructure for poor women forms an important part of the overall development strategy of SEWA.

The rationale behind addressing the housing and infrastructure-related needs of members of SEWA bank includes the following:

- keeping SEWA members and their families out of homelessness;
- helping them to upgrade their home, thereby improving their productivity and quality of life;
- improving access to water, sanitation and other basic infrastructure services; and
- providing an asset to increase their economic security.

Secured Loans: Gold is seen as an investment and a form of insurance against bad times. Even the poorest woman owns some jewellery, usually given to her at the time of her marriage. SEWA bank has designed a secured loan product based on jewellery as collateral. This was developed in response to demand from clients, who wanted instant loans against their jewellery as collateral. This prevents clients from having to go to exploitative pawnbrokers or money lenders who exploit them by taking usurious rates of interest and often reclaim jewellery (selling it to a third party) before the loan due date.

SEWA bank provides secured loans not only against gold but also against clients' fixed deposits and/or savings account balance. SEWA bank sanctions the loan amount up to 80 per cent of value of jewellery/ fixed deposits/ savings account balance. Realizing the importance of gold as an investment, the bank has started giving loans for buying gold too.

C UTI SEWA bank Pension (Micro Pension)¹⁵

SEWA bank broke new record with India's first Micro-pension (UTI Retirement Benefit Pension Fund) Scheme. In April of 2006, SEWA members were granted permission to join a SEBI approved pension plan that offers no assured returns but allow up to 40% collection to be invested in the Indian stock market. In a unique arrangement with Unit Trust of India Asset Management Company (UTI - AMC), SEWA Bank collects individual contribution similar to a systematic investment plan (SIP) of a mutual fund. It sends the monthly contribution, which can even be ₹50, to UTI. The asset management company has opened individual retirement accounts, from where the cash will be in debt and equity. This is the first such pension scheme for self-employed in India. This is a government of India notified Pension Fund. One can invest up to ₹1 lakh for tax benefit under Section 80C of the IT Act, 1961.

Under this customized arrangement, SEWA Bank members will contribute small amounts every month towards this scheme up to the age of 55 years so as to enable them to receive pension in the form of periodical income / cash flow after they reach the age of

58 years. The minimum amount of investment under this arrangement is ₹50/- and in multiples of ₹50/- thereafter. The scheme invests minimum 60% and maximum 100% in debt and balance in equity.

D SEWA Insurance (Micro Insurance)¹⁶

Poor women live their life full of struggles. They work hard for long hours for the whole life in poor condition. But when they cannot work because of biological crisis (sickness, pregnancy, accidents), economic crisis (unemployment, debt) and natural or man made disasters (flood, fire, riots, drought, earthquake) it results in loss of work, income and assets too. Many times they have to sell their assets and even borrow money at high interest rates. This leads poor women into the vicious cycle of poverty.

Thus, with an objective to give buffer in times of crisis, in 1992 SEWA started an integrated insurance programme for its members. It was started with the objective of providing a support to poor women in times of calamities. It is a collaborative effort of SEWA, SEWA Bank and the nationalized insurance companies. Currently, SEWA has its own insurance unit called Vimo SEWA which insures women for life, health, assets, widowhood and accidents in Gujarat. Today SEWA's programme is being a group insurance package linked with the insurance companies, as mentioned earlier. There are three different packages according to the needs and affordability of the members. Women have an option to insure their husbands' lives and health by giving additional premium. Starting with 7,000 members, it has reached more than 70,000 women in 11 districts of Gujarat state. The total number of insured, women and men, is 90,000.

E ATM¹⁷ (Automated Teller Machine)

SEWA Bank recognized that women need finances for different purposes throughout their life. These needs could be personal or for business, short term or long term. Needs could be classified also as consumption needs and production needs. As SEWA bank's objective is to act as a lifetime friend and not as a short term provider of funds, hence SEWA bank has focused towards designing its services, products and mechanism as per the need of the women. SEWA bank provides ATM facility to its clientele who are poor self-employed women, not necessarily literate. By providing ATM facility, SEWA bank scores their members' willingness to learn, grow and reach out. This makes SEWA bank different from other institutions providing ATM facility.

6.4.2 Other Services in Urban Area¹⁸

SEWA bank provides not only financial services but also other types of services to their members which includes financial counselling, business counselling, amrut zarnu and energy services portfolio.

Financial Counselling: Along with empowering women, information is crucial to the empowerment if long term benefits are to accrue. SEWA Bank trains financial counsellors at the grassroots level and financial literacy specialists in different aspects of financial planning ultimately to benefit women workers in arriving at sound financial discipline. Financial discipline thus arrived at through financial counselling helps take care of exigencies in future, gives a feeling of security, inculcates a feeling of economic independence and encourages them to plan for the future. Financial decision-making based on an informed choice after attaining knowledge about all services, available to the client, leads to wiser, more sustainable decision making.

Business Counselling: Business Counselling Training idea was conceptualized under Sanjivani project. This project was taken up with the main aim of helping women members and their families who were affected by the closure of major textile mills in Ahmedabad. The main objective of Business Counselling under Sanjivani Project to these self employed women members is to help them select the right path which will make them self confident and self reliant. Through this trainings SEWA Bank aims to impart basic knowledge and information to women members to not only start their own business but also how to expand their existing business and be successful. The training consists of 5 modules such as Business & Entrepreneur, Business Cycle, Cost Components, Basic Accounting, Selling and Marketing, making a Business Plan and Game.

Amrut Zarnu: This programme was launched in October-2005. The ultimate objective of the "Zarna" is to increase outreach of SEWA Bank services to more and more poor women and spread Financial literacy and Business education of poor women at their door-steps. Amrut Zarnu was designed considering special needs of illiterate women, which consists of Television Shows, a Video and Audio cassettes giving information about different schemes, in a mobile van. This mobile van goes in a slums or a chawls, shows videos, encourage dialogues and discussion. It also gives information about different programmes of SEWA Bank. All the activities of SEWA Bank (mainly schemes) are explained in the Zarna. Motive of this activity is to reach more and more people who do not know about the SEWA Bank and its services.

Energy Services Portfolio: Exposure Dialogue Program of SEWA Bank shows that many members of the bank do not have good facility for cooking at their home and lighting at their home and especially at their work place. Most of member are using kerosene for fuel and kerosene lantern at their work place as kerosene is very expensive and not available very easily. Imagine standing for two hours in a queue just

to get a bottle of kerosene or walking ten kilometres a day to collect wood sticks for cooking purpose. Majority of India's population suffers from chronic shortage of cooking fuel, reliable lighting and electric power to undertake income generation activities and run small businesses. SEWA has found that the availability of a reliable energy source leads to better education, better working conditions and increased income leading to quality life for poor households.

After research, SEWA bank had found that solar and biogases were the only sources of reliable and affordable energy available for underprivileged sections. SEWA bank initiated the project Urja in 2006 with the partnership between SEWA bank, Existing clients of SEWA bank, SELCO (The Solar Electric Light Company, India) and Sister Organizations of SEWA bank. Under this project SEWA bank and SELCO has aimed to value add to the existing technology, develop more customized products and reduce transaction cost. The potential technologies under the SEWA bank energy portfolio are as follows: Solar lighting, Biogas systems (Night soil base and Cow dung based), Cooking (Individual, Community based), Drying and Drip Irrigation (Small holders, Large holders). SEWA bank provides energy loans to its members and has proved that there can be a direct linkage between energy services and income generation.

6.4.3 Services in Rural Area^{19,20}

SEWA has started organizing rural agricultural labourers in 1977 as a union, but soon discovered that in the rural areas there was more need for developmental activities. Women need credit as the rates from private moneylenders were very high and the women had no access to banks. Unfortunately RBI had not allowed SEWA bank to extend its activities to the rural members. So while rural women continued to organize into the cooperatives, produced groups and union, their activities could not be supported by credit of SEWA bank. Finally in 1994 SEWA bank was allowed to extend its activities to five rural districts. Expansion in the rural districts was through village level groups. Those groups were unregistered but had formed a district level registered Savings and Credit Association.

Functioning of the group is very interesting. Once motivated by SEWA bank's staff, those women elect their own leader and also give a name to their group. Then the group formulates rules and regulations as to membership, savings, loans and management. SEWA bank also trains the group in matters of administration, accounting and management.

After one year or at least for six months of regular savings, the group becomes eligible for borrowing from the bank. The loan sanctioned is in the name of the group

and is in direct proportion to its savings. The group is free to decide the disbursement of the individual including the loan amount, interest and repayment schedule. The bank also provides support for releasing mortgaged land and other productive assets; meeting working capital needs; acquiring assets and for creating productive infrastructure. The groups may rotate their own savings as loan. The whole purpose of this exercise is to strengthen them at the grassroots level it self and make them the owners, user and managers.

SEWA bank covers 10 districts of Gujarat and has been instrumental in not only cultivating the habit of saving amongst its members, but bringing out leadership qualities in them as well. 10 districts of Gujarat are Ahmedabad, Kheda, Gandhinagar, Banaskantha & Patan, Vadodara, Surendranagar, Mehsana, Sabarkantha and Kutch.

6.5 Amount of Advances and NPA: An Analysis

This section presents the discussion on analysis of amount of advances and NPA of the SEWA bank. The analysis was done in two parts. Part one deals with the detailed data of NPA gathered from the SEWA bank before commencement of primary data collection. The data was collected on 13-05-2009. As SEWA bank updates its data on daily basis, primary data for NPA is available as on 13-05-2009. Part two deals with comparative analysis of advances, overdue and bad and doubtful of recovery for the period of 2007 to 2012 based on the balance sheet data available from MIX market¹².

6.5.1 Analysis of NPA: Primary Data

To understand the status of NPA, the data was gathered in four different perspective viz. branch wise status of NPA, credit size wise status of NPA, purpose wise status of NPA and loan type wise status of NPA. Following paras explain the same.

Branch wise Status of NPA: Here the data are collected for loans disbursed by head office and three branches. In addition to this data are also gathered about NPA A/C, as well as amount to know the NPA status for different branches of SEWA bank. Table 6.3 shows that highest share of NPA A/Cs in a branch to total No. of NPA loan A/C (52.28%) as well as share of NPA A/Cs to total number of loans (32.20%) were observed for Head office followed by Madhupura branch *i.e.* 22.57% and 19.19% respectively. Looking to the outstanding amount of NPA loans, highest share of NPA outstanding in a branch to total amount of loans outstanding (27.12%) and share of NPA outstanding to total amount of loans outstanding (52.25%) were also observed for Head office followed by Madhupura branch *i.e.* 17.52% and 22.12% respectively.

It is very interesting to note that head office is controlling highest number of Loan A/Cs (36.38%) as well as having highest amount of loan outstanding (37.39%). Moreover, when NPA A/C and NPA amount proportion for head office is examined to total number of NPA A/C and amount it was observed to be 52.28% and 52.25% respectively. This necessarily indicates that for head office NPAs are more than proportionate. Where as, for all other branches NPA a/c and amount are found to be less than proportionate.

Credit Size wise Status of NPA: It is equally interesting to note that highest proportion (33.73%) of loan also is in the range (₹10,000 - ₹25,000) and highest (39.26%) proportion of NPA a/c are also in the same range. However, when proportion of NPA a/c to loan a/c in a given range is examined it is observed to be highest for the lowest size of loan *i.e.* less than ₹5,000 (29.82%) even when amount of NPA to loan outstanding is examined here also it is the highest proportion (33.22%) is found. However, when one examines the proportion of NPA amount to total NPA amount is 2nd lowest. The highest proportion of NPA (in a given range) to total NPA amount is found on credit size of ₹25,000-₹50,000. This is almost at par with proportion of loan outstanding. Thus, this is the size of credit which requires close monitoring (See table 6.4).

Loan Purpose wise Status of NPA: From the data it was observed that loans were given by the SEWA bank for variety of purposes. Table 6.5 shows the status of NPA for top ten purposes (out of 123 purposes) of loan as those purposes covered maximum share of number of loans (11408 out of 21970). Highest share of percentage of NPA A/Cs in a purpose to total number of NPA A/Cs was observed at 25.12% for the purpose of building repairing followed by 23.61% for the purpose of debt repayment. However, on examining the percentage of NPA A/Cs to total number of loans, it was observed that highest share was found for the loans taken for business purpose (74.74%) followed by purpose of building repairing (43.84%). Looking to the proportion of NPA amount outstanding in a purpose to total amount of loans outstanding highest proportion was found at 27.62% for purpose of debt repayment followed by 23.78% for the purpose of building repairing. On examining the percentage of NPA amount outstanding to total amount of loans outstanding, highest proportion was observed at 77.03% for the purpose of business followed by 46.20% for the purpose of building repairing.

This necessarily indicates that when the loans are granted for business purpose it requires very close monitoring because, both ways number of accounts as well as for amount, it is the highest proportion of loan a/c and loan amount for the business purpose.

Table 6.3 Branch wise Status of NPA

Branch	No of Loan a/c	No of Loan a/c (%)	No of NPA Loan a/c	% of NPA A/Cs in a branch to total No. of NPA A/C	% of NPA A/Cs to total no. of Loans	Loan Amt. Outstanding (₹)	Loan Amt. Outstanding (%)	NPA Amt. Outstanding (₹)	% of NPA Amt. outstanding to total amt. of Loans outstanding	% of NPA Amt. outstanding in a branch to total amt. of loans Outstanding
Head office	7,373	36.35	2374	52.28	32.20	134,868,791	37.39	36,573,009	52.25	27.12
Behrampur	3,668	18.09	615	13.54	16.77	68,694,530	19.04	9,808,819	14.01	14.28
Rakhial	3,901	19.23	527	11.61	13.51	68,795,392	19.07	8,133,168	11.62	11.82
Madhupura	5,340	26.33	1025	22.57	19.19	88,351,654	24.49	15,480,875	22.12	17.52
TOTAL	20,282	100	4541	100	22.39	360,710,367	100	69,995,871	100	19.41

Source: Computed from basic Primary Data collected as on 13-05-2009

Table 6.4 Credit Size wise Status of NPA

Credit Size	No of Loan a/c	No of Loan a/c (%)	No of NPA Loan a/c	% of NPA A/Cs in a range to total No. of NPA A/C	% of NPA A/Cs to total no. of Loans	Loan Amt. Outstanding (₹)	Loan Amt. Outstanding (%)	NPA Amt. Outstanding (₹)	% of NPA Amt. outstanding to total amt. of Loans outstanding	% of NPA Amt. outstanding in a range to total amt. of loans Outstanding
Less than 5,000	2,183	10.73	651	14.26	29.82	7,058,961	1.95	2,344,758	3.33	33.22
Between 5,000 and 10,000	4,783	23.52	1078	23.62	22.54	30,448,355	8.43	7,366,116	10.45	24.19
Between 10,000 and 25,000	6,860	33.73	1792	39.26	26.12	89,881,015	24.88	24,414,735	34.62	27.16
Between 25,000 and 50,000	5,329	26.20	966	21.17	18.13	149,674,993	41.43	29,814,629	42.28	19.92
Between 50,000 and 75,000	612	3.01	27	0.59	4.41	31,770,963	8.80	1,461,549	2.07	4.60
Greater than 75,000	569	2.80	50	1.10	8.79	52,399,689	14.51	5,112,394	7.25	9.76
TOTAL	20,336	100	4564	100	22.44	361,233,976	100	70,514,181	100	19.52

Source: Computed from basic Primary Data collected as on 13-05-2009

However, when the share of NPA amount to total NPA amount outstanding in a purpose to total amount of loans outstanding for a given purpose is examined then debt repayment has got the highest share. Thus, from view point of controlling NPA, these types of loans also requires a very close monitoring.

Loan Type wise Status of NPA: Most widely used loan products of the SEWA bank were observed SN (Sanjeevani Loan), PH (Paki Bhit HUDCO loan) and US (Unsecured Loan). 18,110 numbers of women out of 21970 were observed for these three types of loans viz. SN-7,217 women; PH-5,311 women; US-5,582 women. SN loans were given for business purpose, PH loans were given for housing purpose and US loans were given for debt repayment. Table 6.6 presents the detail of SN, PH and US regarding number of women with overdue amount.

In case of SN loans, maximum numbers of women out of standard category was found 73.98% (3,934 out of 5,318 women). For NPA category, maximum numbers of women were found at 61.08% (1,160 out of 1,899 women) for sub standard category followed by 18.64% (354 out of 1,899) for Doubtful 1 category. Overdue amount for NPA category, maximum proportion of overdue was observed at 40.81% (₹8,886,851 out of ₹21,776,447) followed by 27.10% (₹5,901,669) for sub standard category and Doubtful 1 category respectively.

In case of PH loans, maximum numbers of women from NPA category were observed at 62.33% (412 women out of 661) with maximum percentage of overdue at 37.78% (₹1,970,365 out of ₹5,214,900) followed by 16.34% (108 out of 661) numbers of women with overdue at 23.34% (₹1,217,220 out of ₹5,214,900) from Doubtful 1 Category.

In case of US loans, on examining the NPA category, maximum numbers of women observed at 42.16% (527 out of 1,250) from substandard category followed by 37.84% (473 out of 1,250) from Doubtful 3 category. Accordingly, maximum amount of overdue was observed at 84.81% (₹4,422,952 out of ₹11,462,312) from sub standard category followed by 50.52% (₹2,634,322) from Doubtful 3 category.

Table 6.5 Loan Purpose wise Status of NPA

Top 10 Purposes	No of Loan A/c	No of NPA Loan a/c	% of NPA A/Cs in a purpose to total No. of NPA A/C	% of NPA A/Cs to total no. of Loans	Loan Outstanding (₹)	NPA Amt. Outstanding	% of NPA Amt. outstanding in a purpose to total amt. of loans Outstanding	% of NPA Amt. outstanding to total amt. of Loans outstanding
Debt Payment	4945	843	23.61	17.05	87,136,893	15,326,910	27.62	17.59
Building Repair	2046	897	25.12	43.84	28,567,668	13,197,233	23.78	46.20
Cloth Business	1033	351	9.83	33.98	15,329,099	5,168,385	9.31	33.72
Business	950	710	19.88	74.74	13,166,781	10,142,630	18.28	77.03
Sewing Machine	890	165	4.62	18.54	10,604,130	1,858,442	3.35	17.53
Social work	450	133	3.72	29.56	10,400,095	3,667,354	6.61	35.26
Readymade	429	111	3.11	25.87	7,881,647	1,707,509	3.08	21.66
Rickshaw	334	138	3.86	41.32	5,138,462	2,045,335	3.69	39.80
Kariyana	331	100	2.80	30.21	6,729,720	1,320,539	2.38	19.62
Vegetable	300	123	3.44	41.00	3,293,853	1,057,742	1.91	32.11
Total	11708	3571	100	30.50	188,248,347	55,492,079	100	29.48

Source: Computed from basic Primary Data collected as on 13-05-2009

Table 6.6 Loan Type wise Status of NPA

Categories	No. of Women	%	%	Overdue Amt	%	Outstanding Amt	%	%
Sanjeevani Loans								
SN								
Standard A	3,934	73.98	54.51	0	0.00	61,509,137	72.81	54.31
Standard B	1,384	26.02	19.18	2,138,583	100.00	22,967,803	27.19	20.28
Sub Total	5,318	73.69	73.69	2,138,583	8.94	84,476,940	74.59	74.59
Sub Standard	1,160	61.08	16.07	8,886,851	40.81	15,473,803	53.76	13.66
Doubtful 1	354	18.64	4.91	5,901,669	27.10	6,320,772	21.96	5.58
Doubtful 2	240	12.64	3.33	4,122,876	18.93	4,123,256	14.33	3.64
Doubtful 3	145	7.64	2.01	2,865,052	13.16	2,865,052	9.95	2.53
Sub Total	1,899	26.31	26.31	21,776,447	91.06	28,782,883	25.41	25.41
Total	7,217	100	100	23,915,030	100	113,259,823		100
Paki Bhit Hudco Loan								
PH								
Standard A	4,024	86.54	75.77	0	0.00	74,013,697	82.92	73.59
Standard B	626	13.46	11.79	810,694	100.00	15,246,731	17.08	15.16
Sub Total	4,650	87.55	87.55	810,694	13.45	89,260,428	88.75	88.75
Sub Standard	412	62.33	7.76	1,970,365	37.78	6,885,260	60.86	6.85
Doubtful 1	108	16.34	2.03	1,217,220	23.34	21,761,448	19.24	2.16
Doubtful 2	92	13.92	1.73	1,123,683	21.55	1,343,700	11.88	1.34
Doubtful 3	49	7.41	0.92	903,632	17.33	907,533	8.02	0.90
Sub Total	661	12.45	12.45	5,214,900	86.55	11,312,638	11.25	11.25
Total	5,311	100	100	6,025,594	100	100,573,066		100
Unsecured Loans								
US								
Standard A	3,328	76.82	59.62	0	0.00	54,475,938	73.41	54.17
Standard B	1,004	23.18	17.99	1,499,519	100.00	19,726,907	22.10	19.61
Sub Total	4,332	77.61	77.61	1,499,519	11.57	74,202,845	82.11	73.78
Sub Standard	527	42.16	9.44	4,422,952	84.81	8,854,398	54.77	8.80
Doubtful 1	141	11.28	2.53	2,319,283	44.47	2,590,592	16.02	2.58
Doubtful 2	109	8.72	1.95	2,085,755	40.00	2,087,498	12.91	2.08
Doubtful 3	473	37.84	8.47	2,634,322	50.52	2,634,322	16.29	2.62
Sub Total	1,250	22.39	22.39	11,462,312	88.43	16,166,810	17.89	16.07
Total	5,582	100	100	12,961,830	100	90,369,655		90

Source: Computed from basic Primary Data collected as on 13-05-2009

6.5.2 Advances and Overdue: An Analysis (2007-2012)

To study the problems regarding the loans of the SEWA Bank, the data of overdue of loan as well as bad and doubtful of recovery of loans for the year 2007 to 2012 were studied. Moreover, from the balance sheet of SEWA bank, details are also taken about the 'Overdue' and 'Bad and doubtful of recovery', for each category of advances viz. short term loans, medium term loans and long term loans. From the figures available in the balance sheet, an attempt is made here to examine, the overall percentage of 'Overdue' and 'Bad and doubtful of recovery' for all loans taken together and for each category separately. These analysis throws light on movement of these problematic loans over a period of time and category of loans, where more focused attempts are required for the purpose of recovery.

As per the data displayed in the table 6.7, maximum share (19.23%) of total overdue was observed for the year 2010-2011 as a percentage of total advances. However, for 2011-2012 the proportion of total overdue has fallen down to 3.96%. Maximum proportion (15.20%) of total bad and doubtful loans was observed for the year 2009-2010 as a proportion of total advances which was found at 4.53% for the year 2011-2012. It indicates improvement in recovery for the year 2011-2012. As the details regarding the amount of overdue and bad and doubtful loans was not available for the year 2008-2009, the same is not presented in the table.

Figure 6.3 and 6.4 presents the data of table 6.7 in line chart form to show at a glance, the type of the loans, where the proportion of overdue and/or bad and doubtful for recovery is higher or lower than the overall percentage.

Figure 6.3 Amount of Overdue (2007-2012)

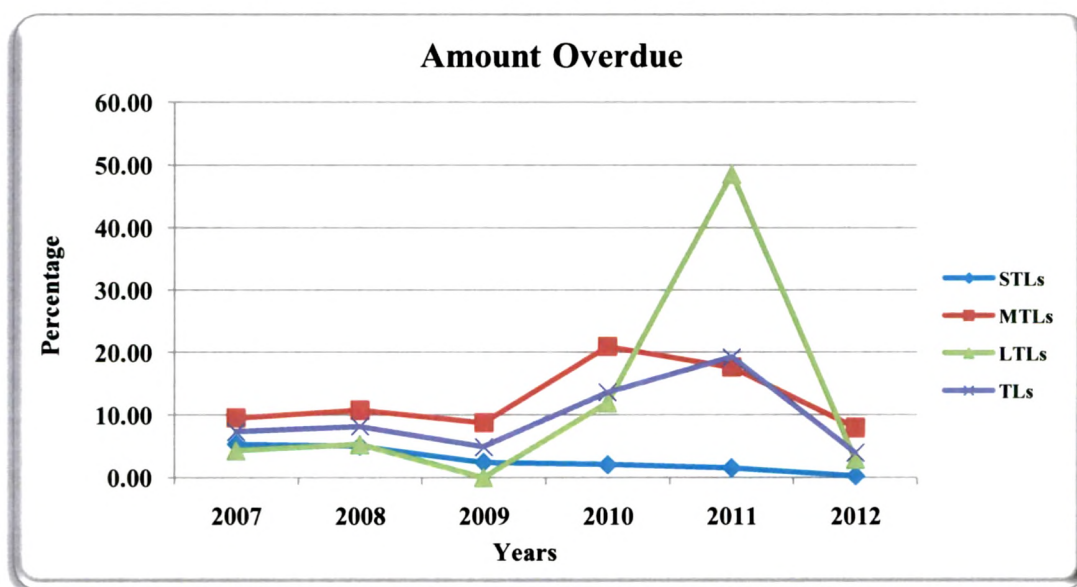


Table 6.7 Detail of Overdue as well as Bad and Doubtful of recovery of loans of the SEWA Bank (2007-2012)

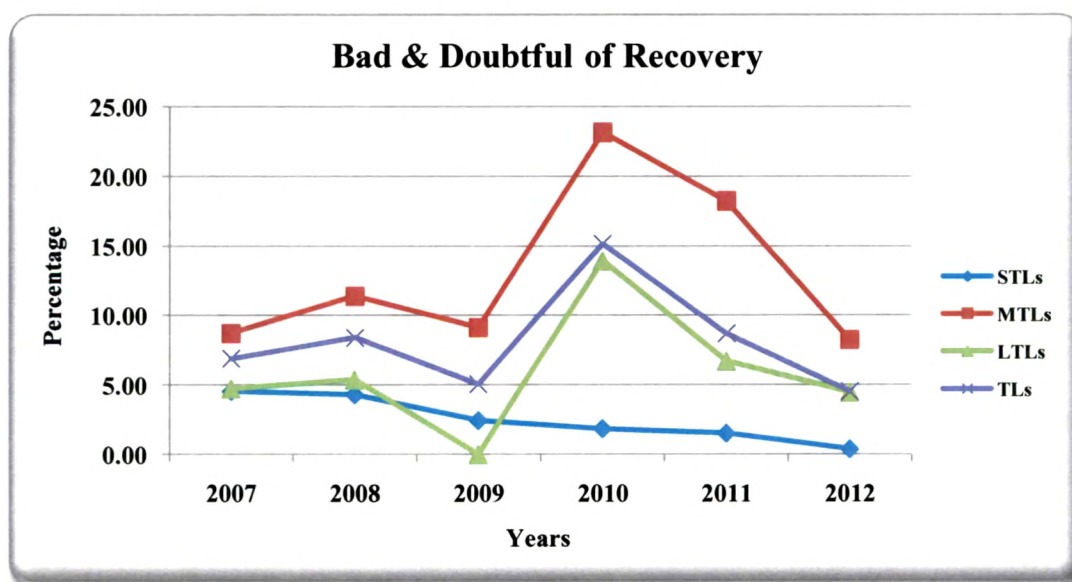
As on 31st March	2006-2007			2007-2008			2008-2009		
	Advances (1)	Amount Overdue (2)	Bad and Doubtful of recovery (3)	Advances (1)	Amount Overdue (2)	Bad and Doubtful of recovery (3)	Advances (1)	Amount Overdue (2)	Bad and Doubtful of recovery (3)
Total	302,973,829.83	22,234,674.00	20,960,219.00	324,546,514.24	26,526,055.09	27,337,763.18	439,966,639.80	21,560,243.01	22,348,918.77
%	100.00	7.34	6.92	100.00	8.17	8.42	100.00	4.90	5.08
Short Term Loans	42,206,683.37	2,244,564.00	1,927,472.00	54,606,421.85	2,724,358.00	2,365,265.62	101,129,166.43	2,471,676.12	2,496,099.31
%	13.93	5.32	4.57	16.83	4.99	4.33	22.99	2.44	2.47
Medium Term Loans	167,217,349.13	15,957,306.00	14,581,448.00	173,371,230.16	18,697,253.62	19,762,727.76	217,623,788.13	19,088,566.89	19,852,819.46
%	55.19	9.54	8.72	53.42	10.78	11.40	49.46	8.77	9.12
Loan Term Loans	93,549,797.33	4,032,804.00	4,451,299.00	96,570,862.23	5,104,443.47	5,209,769.80	121,213,685.24	NA	NA
%	30.88	4.31	4.76	29.76	5.29	5.39	27.55	NA	NA
As on 31st March									
	2009-10			2010-2011			2011-2012		
	Advances (1)	Amount Overdue (2)	Bad and Doubtful of recovery (3)	Advances (1)	Amount Overdue (2)	Bad and Doubtful of recovery (3)	Advances (1)	Amount Overdue (2)	Bad and Doubtful of recovery (3)
Total	466,491,389.70	63,632,643.82	70,903,506.90	516,906,439.24	99,397,568.40	45,034,292.26	562,227,199.08	22,274,936.00	25,490,322.00
%	100.00	13.64	15.20	100.00	19.23	8.71	100.00	3.96	4.53
Short Term Loans	109,963,607.42	2,263,795.48	2,049,170.57	203,594,566.69	3,143,604.06	3,145,525.66	196,038,653.68	506,528.00	793,246.00
%	23.57	2.06	1.86	39.39	1.54	1.54	34.87	0.26	0.40
Medium Term Loans	207,878,891.48	43,575,855.34	48,137,070.97	180,874,199.97	31,899,015.11	33,002,589.82	221,247,942.39	17,589,577.00	18,205,941.00
%	44.56	20.96	23.16	34.99	17.64	18.25	39.35	7.95	8.23
Loan Term Loans	148,648,890.80	17,792,993.00	20,717,265.36	132,437,672.58	64,354,949.23	8,886,176.78	144,940,603.01	4,178,831.00	6,491,135.00
%	31.87	11.97	13.94	25.62	48.59	6.71	25.78	2.88	4.48

Source: MIX Market¹² & computations

From the figure 6.3, it can be observed that share of overdue of STLs was found in down words trend *i.e.* 5.32% (2007) to 0.26% (2012). For MTLs, amount of overdue was observed at 9.54% in 2007 which was observed at 20.96% in 2010. However, in 2012, the share of overdue was observed very low at 7.95%. In case of LTLs, the share of overdue was observed very high at 48.59% for the year 2011. However, for the year 2012, the share of overdue was observed extreme low at 2.88%. On comparing STLs, MTLs and LTLs the recovery of STLs was observed good and safe as the proportion of overdue is comparatively low. It is consistently observed that the medium term advances has the highest percentage of overdue, except year 2010, where LTL is found to have highest percentage of overdue.

According to the figure 6.4, bad and doubtful loans of recovery of STLs were observed in decreasing trend *i.e.* 4.57% (2007) to 0.40% (2012). MTLs and LTLs were observed in up-down trend. MTLs were observed in the range of 8.72% (2007) to 8.23% (2012). However, for the year 2010, the share of amount bad and doubtful of recovery was observed very high at 23.16% which was found reduced to 18.25% in 2011. The share of bad and doubtful loans was also observed high at 13.94% (2010) for LTLs which was observed extreme low at 6.71% in 2011 followed by 4.48% in 2012. The data indicate that the amount of bad and doubtful of recovery was observed to be highest for MTLs followed by LTLs. Recovery of STLs was found good in comparison to MTLs and LTLs. On comparing the data for Total loans (TLs), the proportion of overdue as well as bad and doubtful loans for 2012 has reduced substantially indicating improvement in recovery over a period of time.

Figure 6.4 Amount of Bad & Doubtful Loans of recovery (2007-2012)



6.6 Summing Up

The Self Employed Women Association (SEWA) and the Mahila SEWA Sahakari Bank Ltd. (SEWA Cooperative Bank) is the reward of Ela R. Bhatt to India. Initially registered as a trade union, SEWA bank is currently working as an urban cooperative bank. SEWA bank has developed the unique structure of operation. All the staff members are women even if some of the women are not literate and/or not have any official degree. Success of the SEWA bank has proved that even if being poor or self employed or illiterate, women can successfully run a bank with profit. The amount of profit¹² has been observed increased ₹0.54 crores (2007) to ₹0.94 crores (2012). SEWA bank has four centres viz. Vasna branch, Behrampur Branch, Madhupura Branch and Rakhial Branch. SEWA bank offering various financial facilities viz. variety of savings and recurring deposit accounts, fixed accounts, insurance, pension, secured and unsecured loan.

SEWA bank has broken the vicious circle of indebtedness and dependence on middlemen and traders, and this has increased the bargaining power of the women. Self employed women can now organize themselves, bargain for better prizes and form their own economic units such as cooperatives. However, the SEWA bank has not only enabled its members to come out of the clutches of money lenders, but also to develop the skills necessary to deal with formal financial and other institutions. At SEWA bank, members are being trained in the habit of banking and this inculcates a sense of thrift which can help them to learn how to make more money productive and how to use money properly. This process makes self employed women more confident and independent. The SEWA bank is providing the badly needed banking infrastructure which help self employed women to grow financially and socially. SEWA bank enables its members to stand confidently in the social structure.

As on 31st March, 2012, number of depositors of the SEWA bank is 3,71,108 with the deposits of ₹1,112,623,288. Number of active borrowers of the SEWA bank is 23,362 with the gross loan portfolio of ₹562,227,199.²¹

Next chapter is going to discuss about the responses received from pilot survey. It analyzes the responses of pilot survey and explains modifications in the questionnaire to shape the same as final questionnaires.



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Chapter 7

DATA ANALYSIS:

PILOT SURVEY

Chapter 7

DATA ANALYSIS: PILOT SURVEY

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Chapter 7

Data Analysis: Pilot Survey

After presenting the information of the SEWA Bank from its beginning to current status in the previous chapter, this chapter is going to discuss about the responses received through the pilot survey.

Data plays a very significant role for any type of research study. This study is based on primary data collected from the SEWA bank. As per the discussion in chapter 3, primary data are collected with the help of three different Questionnaires for three different types of category of people. One questionnaire is prepared for the 'Borrowers' of the SEWA bank; second questionnaire is made for SEWA bank's facilitator (called as 'Hand Holders' at SEWA) and third questionnaire is prepared for field workers of the SEWA bank (called as 'Banksathis' at SEWA). All three questionnaires were pre tested by carrying out the pilot survey and final questionnaire was modified as per the need felt after experiencing the pilot survey. This chapter presents the analysis of pilot survey and modifications made in final questionnaires.

Analysis of pilot survey is carried out in three parts *viz.* borrowers, hand holders and banksathis. After analyzing responses for each questionnaire, modifications made for preparation final questionnaires are discussed.

7.1 Analysis of Responses by Borrowers

Total 21 questions were set in the questionnaire of the pilot survey for total 59 borrowers. First seven questions relate to borrower's personal information such as name, age, address, religion, caste, educational attainment and marital status. Following responses were received.

7.1.1 Demographic Profile of Respondents

The responses received regarding the demographic profile are tabulated, in Table 7.1. The discussion on the same is presented in the following lines. With reference to the table 7.1, following observations have been noted down.

Age: The borrowers' age was found in the range of 20 to 60. Maximum numbers of borrowers were belonging to the age group of 31-40 *i.e.* 25 (42.37%).

Religion and Caste: The respondents were divided only in two religions *viz.* Hindu (64.41%) and Muslim (35.59%). Out of 59 respondents, 21 were unaware about

their caste and hence the classification could be made only for 38 respondents where 12 were belonging to SC/ST, followed by General (9) and OBC (7).

Educational Profile & Marital Status: On analyzing the educational profile, it is observed that majority of the borrowers (21) are uneducated *i.e.* 35.59% while 20 borrowers were found with primary education *i.e.* 33.90%. Few of them have Secondary/Higher Secondary education. This shows very low level of education among borrowers. On examining marital status, it is observed that most of them (86.44%) are married.

Table 7.1 Demographic Profile of Borrowers

Sr. No	> Age (in years)	Frequency	Percentage
1	0-20	2	3.39
2	21-30	8	13.56
3	31-40	25	42.37
4	41-50	17	28.81
5	51-60	7	11.86
	Total	59	100
	> Religion		
1	Hindu	38	64.41
2	Muslim	21	35.59
	Total	59	100
	> Caste		
1	SC/ST	12	20.34
2	General	9	15.25
3	OBC	7	11.86
4	Marvadi	5	8.47
5	Vankar	3	5.08
6	Marathi	1	1.69
7	Jain	1	1.69
8	Don't Know	21	35.59
	Total	59	100
	> Educational Attainment		
1	Never attended school	21	35.59
2	Primary 1 to 7	20	33.9
3	Secondary 8 to 10	13	22.03
4	Higher Secondary 11 to 12	1	1.69
5	Collage 1 to 3 years	3	5.08
6	Post Graduate	1	1.69
	Total	59	100
	> Marital Status		
1	Married	51	86.44
2	Widowed	5	8.47
3	Unmarried	3	5.08
	Total	59	100

Source: Prepared from responses

7.1.2 Saving Habits and Training

Total six questions have been asked to know about borrowers' views regarding habit of savings and involvement in training programme provided by SEWA bank. According to the table 7.2 out of total 59, only 17 borrowers have been found with saving habit. Among 17, 15 borrowers were found with the habit of monthly savings. Only 2 borrowers had replied that they save money on daily basis *i.e.* ₹330 and ₹100. Out of total 15 borrowers who saved on monthly basis, 4 borrowers reported to save an amount of ₹0 to ₹100. 3 borrowers saved in between ₹101 to ₹200.

Table 7.2 Saving Habit

Sr. No	Responses	Frequency	Percentage
1	Yes	17	28.81
2	No	42	71.19
	Total	59	100
	➤ If Yes...		
1	Daily	2	11.76
2	Monthly	15	88.24
	Total	17	100
	➤ If Monthly..... Amount		
1	₹0-₹100	4	26.67
2	₹101-₹200	3	20.00
3	₹201-₹300	1	6.67
4	₹301-₹400	0	0
5	₹401-₹500	2	13.33
6	₹501-₹600	2	13.33
7	₹601-₹700	0	0
8	₹701-₹800	0	0
9	₹801-₹900	1	6.67
10	₹901-₹1000	1	6.67
11	above ₹1000	1	6.67
	Total	15	100

Source: Prepared from responses

Borrowers were also asked whether banksathi explain them about importance of saving or not. 47 borrowers have replied positively (12 replied negatively) with different types of explanations how banksathis counsel them about the importance of saving. However, majority of the borrowers could not say properly that how banksathis counsel them (see table 7.3). There were two explanations reported from 8 borrowers each. One explanation was "banksathis explain about all types of saving schemes available at SEWA bank and also explain how saving is important". Other explanation was reported that "regular saving can reduce the burden of interest and loan can be repaid easily without any default".

Table 7.3 Counselling to Improve Saving Habits

Sr. No	Explanations	Frequency	Percentage
1	Explain about all saving schemes and importance about saving	8	17.02
2	Regular saving can reduce the burden of interest and loan can be repaid easily without any default	8	17.02
3	Saving can save your future	2	4.26
4	Regular saving in small amount can help in accidental needs	1	2.13
5	Regular saving can help in your business	1	2.13
6	Saving can makes your children's future safe	1	2.13
7	No Response	26	55.32
	Total	47	100

Source: Prepared from responses

Further, borrowers were also asked whether banksathis explain them about training programme provided by SEWA bank or not. Borrowers were asked about type of training they have taken. Out of 59 borrowers, 32 replied that banksathis explain them about training while 18 (out of 59) borrowers reported that they have taken different types of training at SEWA bank. Total five types of training programme have been reported. The borrowers reported about under going more than one type of training programme simultaneously. Therefore, the response for training is more than number of borrowers who have undergone this training programme. (See table 7.4).

Table 7.4 Views about Training

Sr. No	► Responses: Explanation about Training from Banksathis	Frequency	Percentage
1	Yes	32	54.24
2	No	27	45.76
	Total	59	100
	► Responses: Training Taken		
1	Yes	18	30.51
2	No	41	69.49
	Total	59	100
	If Yes...		
	► Types of Training Taken		
1	Business Counselling	12	27.27
2	Financial-Long term training	12	27.27
3	Financial-Short term training	11	25.00
4	Amrut Zaranu	7	15.91
5	Educational training	1	2.27
6	Don't know/No response	1	2.27
	Total	44	100

Source: Prepared from responses

7.1.3 Involvement in Loan Facilities

Further more, an attempt is made to find out types of loans taken by the borrowers, purpose of loan and the amount of loan. SEWA bank provides both unsecured and secured types of loan with different types of loan products. Table 7.5

shows the details of unsecured loans. Total 161 numbers of unsecured loans were reported from 59 borrowers because majority of the borrowers were found with more than one loan, while only 17 numbers of secured loans were reported. Amongst the loan products, Sanjeevani loan is found to be most popular with 41.61% of responses. Amongst the purpose of loans, it is observed that majority of the loans 62.11% are taken for business purpose. Highest amount of loans had been reported in the range of ₹5,001 to ₹25,000 *i.e.* 92 (57.14%). 18 loans were found with the amount upto ₹5000. 4 loans had been found with the highest range of amount of ₹85,001 to ₹1,05,000.

Table 7.5 Detail of Unsecured Loans

Sr. No	➤ Name of the Product	Frequency	Percentage
1	Sanjeevani Loan	67	41.61
2	Unsecured Loan	37	22.98
3	Pakhi Bhit Loan	35	21.74
4	Daily Loan Collection	11	6.83
5	Capitalization Urban Loan	6	3.73
6	Not remember	5	3.11
	Total	161	100
	➤ Purposes of the Loan		
1	Business	100	62.11
2	To build house	22	13.66
3	House repairing	18	11.18
4	Pay debt	8	4.97
5	Education	2	1.24
6	Medical Expenses	1	0.62
7	Personal expenses	1	0.62
8	Social Expenses	1	0.62
9	No response	8	4.97
	Total	161	100
	➤ Amount of Loan		
1	Up to ₹5,000	18	11.18
2	₹5,001-₹25,000	92	57.14
3	₹25,001-₹45,000	26	16.15
4	₹45,001-₹65,000	19	11.8
5	₹65,001-₹85,000	2	1.24
6	₹85,001-₹1,05,000	4	2.48
	Total	161	100

Source: Prepared from responses

For secured loans only two types of loans had been reported (Table 7.6). Out of total 17 borrowers, 16 borrowers had taken FO (on the basis of Fixed Deposits) loan. Maximum numbers of loans (6) were also taken for the purpose of business. Highest numbers of loans (12) have been reported in the range of amount ₹5,001 to ₹25,000.

Table 7.6 Detail of Secured Loans

Sr. No	➤ Name of the Product	Frequency	Percentage
1	FO	16	94.12
2	ODCC	1	5.88
	Total	17	100
	➤ Purposes of the Loan		
1	Business	6	35.29
2	Personal Expenses	4	23.53
3	Pay debt	4	23.53
4	Housing	1	5.88
5	No response	2	11.76
	Total	17	100
	➤ Amount of Loan		
1	Up to ₹5,000	2	11.76
2	₹5,001-₹25,000	12	70.59
3	₹25,001-₹45,000	2	11.76
4	₹45,001-₹65,000	0	0
5	₹65,001-₹85,000	0	0
6	₹85,001-₹1,05,000	1	5.88
	Total	17	100

Source: Prepared from responses

7.1.4 Modifications in Preliminary Questionnaire based on Responses

Total 21 questions were set in the final questionnaire (*Appendix 1*). First seven questions relate to information about demographic characteristics and have been retained as it is. In the pilot questionnaire, questions 8, 9, 10 and 11 were asked to know about the total family members and their economic activities to know about the repayment capacity of the borrower. Various types of economic activities were reported from 59 borrowers. Thus individual income as well as family income of the borrower had been reported different. *As this information is significant for the study purpose, these four questions had been put in the final questionnaire.*

Question 12 relates to head of borrower's family. On asking directly that who is the head of your family, almost all female borrowers replied that their husbands are the head. Thus this question had been dropped out. *However, the researcher wanted to know the effect of gender on decision making so this question has been modified and the new question is generated.*

Questions 13, 14 and 15 were asked to know about the saving habit of the borrower. These questions were also asked in the final questionnaire but in the two different parts *viz. savings other than from the SEWA bank and savings within the SEWA bank*. Thus, the amount of savings and habit of savings of the borrowers in both the cases could be found out. Questions 16, 17 and 18 had been asked to know about the involvement of borrowers in the training programme of the SEWA bank. Those

questions are continued in the final questionnaire. In addition to this, the borrowers are asked about the reasons not taking any type of training from the SEWA bank. *Based on pilot survey it was felt that to know the regularity in repayment it will be useful to know way of repayment. Hence, this question was added in the final questionnaire.*

Questions 19 and 20 of the pilot questionnaire, inquired about details of loans taken by the borrowers, this is continued as it is.

Question 21 was asked to know if borrowers made any default and for what reason they defaulted. If any borrower did not make any default, she was also asked how she had managed to repay the loan without any default. Considering significance of this question, it has been retained as it is.

Thus, even though most of the questions were retained as it is, based on pilot survey certain significant modifications could be carried out.

7.2 Analysis of Responses by Banksathi

Banksathis are the bank's frontline worker. Opinion of banksathis is also very important for the purpose of the study because banksathi plays a very important role in the loan procedure of the SEWA bank. The banksathi first assesses the applicant. She makes notes on creditworthiness of the borrower and then recommends the bank to give the loan to a particular borrower. Banksathi also takes the responsibility of the collection of the loan instalments from the borrower. Hand holders (bank facilitator) follow up banksathi's recommendations and also keep monitoring on banksathis and their work in the bank and in the field also. 28 questions were framed for 6 banksathis selected for pilot survey. The questions were divided into five sections *viz.* basic profile of banksathis, procedural, loan products, daily loan collection and views regarding monitoring and defaults. The following para *viz.* 7.2.1 to 7.2.6 analyses the responses of banksathis.

7.2.1 Basic Profile

In this section seven questions had been asked about name, age, branch name, hand holder's name, experience with SEWA bank (in years), working areas and number of accounts they have opened in the year 2007-08 and 2008-09. The responses are as follows.

Table 7.7 presents the responses regarding age, experience and number of accounts opened. *Age of banksathis was found in the range of 31 to 60. Experience of banksathis with SEWA bank had been found in the range of 9 to 11 years. On inquiring*

about the number of accounts opened by each banksathi, this ranged in between 60 to 720.

Table 7.7 Basic Profile of Banksathis

Sr. No	➤ Age (in years)	Frequency	Percentage
1	31 to 40	3	50.00
2	41 to 50	1	16.67
3	51 to 60	2	33.33
	Total	6	100
	➤ Experience (in years)		
1	9	1	16.67
2	10	3	50.00
3	11	2	33.33
	Total	6	100
	➤ No. of Accounts Opened (2008-09)		
1	60	1	16.67
2	180	1	16.67
3	300	1	16.67
4	360	1	16.67
5	360 to 420	1	16.67
6	600 to 720	1	16.67
	Total	6	100

Source: Prepared from responses

7.2.2 Procedural

In this section, 5 questions were asked regarding the loan procedure of the SEWA bank. Question 8 was asked to know the limits of loan amount for the first time loan and second time loan. Each banksathi was found with different opinion about both types of loan *i.e.* unsecured and secured loan. In case of the secured loan 3 banksathis did not know the exact amount of the limits. (See table 7.8)

Table 7.8 Limits of Loan Amount

Sr. No.	Unsecured Loan		Frequency	Percentage
	Min. Amt. (in ₹)	Max. Amt. (in ₹)		
1	5,000	10,000	1	16.67
2	5,000	15,000	1	16.67
3	5,000	25,000	1	16.67
4	5,000	1,00,000	2	33.33
5	10,000	20,000	1	16.67
Total			6	100
	Secured Loan			
	Min. Amt. (in ₹)	Max. Amt. (in ₹)		
1	15,000	50,000	2	33.33
2	20,000	35,000	1	16.67
3	don't know	3 times of saving a/c balance	1	16.67
4	don't know	4 times of saving a/c balance	1	16.67
5	don't know	Depends upon borrower's saving a/c balance	1	16.67
Total			6	100

Source: Prepared from responses

Banksathis were asked to share preconditions if the loan is given for the second time to the same borrower. One banksathi had shared more than one condition. Thus total 19 preconditions had been reported from 6 banksathis. 6 banksathis had believed that regularity and maintenance of saving account should be checked first. Record of previous loan had also been given preference by 5 banksathis. (See table 7.9)

Table 7.9 Preconditions for second time loan to the same borrower

Sr. No	Preconditions	Frequency	Percentage
1	Regularity and Maintenance of saving a/c	6	31.58
2	Record of previous loan	5	26.32
3	Repayment capacity of borrower	3	15.79
4	Repayment capacity of family	2	10.53
5	Number of accounts have been opened in another saving scheme	1	5.26
6	Legal ownership of the borrower's house	1	5.26
7	Willingness to repay	1	5.26
	Total	19	100

Source: Prepared from responses

Banksathis were requested to rank the factors considered to decide the loan amount. Multiple responses were received by banksathis (Table 7.10). Based on the responses by banksathis, average rank was calculated for each factor to find out the exact rank for each factor. Table 7.11 shows that regularity and maintenance of saving a/c by the borrower was given the first rank followed by borrower's income and borrower's record of previous loan.

Table 7.10 Factors to Decide Loan Amount

Sr. No	Factors to decide Loan Amount (For Unsecured/Secured loan)	Rank							
		1	2	3	4	5	6	7	8
1	Income	1	1	0	0	0	0	0	0
2	Record of Previous loan	0	2	0	0	0	0	0	0
3	Repayment capacity of the borrower	0	0	1	0	0	0	0	0
4	Condition of the house	1	0	0	0	0	0	0	0
5	Nature of business income	0	1	0	0	0	0	0	0
6	Household expenses	0	0	1	0	0	0	0	0
7	Regularity and Maintenance of saving a/c	4	0	0	1	0	0	0	0
8	Relationship of the borrower with the bank	0	0	1	0	0	0	0	0

Source: Prepared from responses

Table 7.11 Factors by Average Rank

Sr. No	Factors to decide Loan Amount (For Unsecured/Secured loan)	Average Rank
1	Regularity and Maintenance of saving a/c	1
2	Income	2
3	Record of Previous loan	3
4	Condition of the house	4
5	Nature of business income	5
6	Repayment capacity of the borrower	7
7	Household expenses	7
8	Relationship of the borrower with the bank	7

Source: Prepared and computed from responses

Banksathis were also asked to tell about duration of the different types of loans. As the duration of the unsecured and secured loans has been fixed by the SEWA bank, proper responses could not be received from banksathis. Thus, this question could not be analyzed.

Collection of loan instalments was found as the responsibility of banksathis. Thus, in the opinion of all banksathis, they used to do cash collection on daily basis through the personal visit. They decide different dates for the different areas as per the borrower's convenience.

7.2.3 Loan Products

Three questions were asked, relating to loan products. Banksathis were asked to inform the year of commencement of the all type of loan products (Unsecured and Secured both). None of banksathis knew about the same. Next question related to the loan products in use. From 6 banksathis, 5 responded that daily loan collection is not in use and 1 responded that daily loan collection is in use. Further for daily loan collection not in use, multiple reasons could be observed (Table 7.12). 41.67% of response was attributed to cause banksathis had to take responsibility as a guarantor for daily loan. 25% of response relates to irregularity in daily payment.

Table 7.12 Reasons for Why Daily Loan Collection not in Use

Sr. No.	Reasons	Frequency	Percentage
1	Banksathi had to take responsibility as a guarantor	5	41.67
2	Irregularity in daily payment	3	25.00
3	Borrowers could not repay within the loan duration (i.e. 12 months)	1	8.33
4	High amount of instalments	1	8.33
5	High interest rate charged as compared to other loan products	1	8.33
6	Banksathis were blamed for not paying cash regularly in the bank	1	8.33
	Total	12	100

Source: Prepared from responses

7.2.4 Daily Loan Collection

This section was specially focused on daily loan collection. Total 5 questions had been asked. All 6 banksathis had replied that they all were at SEWA bank when daily loan collection got started. Thus, all banksathis were expected to know more about the daily loan collection.

Banksathis had been asked if they ever felt daily collection as a boring task. The response was equally divided between, boring task and otherwise. On inquiring about to whom it is boring again it was found to be boring in equal proportion to all banksathis, borrowers and to both. On further inquiring the reason the same was also responded

(See table 7.13). On inquiring whether borrowers repaid their loan instalment daily regularly or not, equal response was found for regular payment and otherwise.

Table 7.13 Views about Daily Cash Collection

Sr. No	➤ Responses: Boring or Otherwise	Frequency	Percentage
1	Yes	3	50.00
2	No	3	50.00
	Total	6	100
	➤ Responses (If Yes...)		
1	To Banksathi	1	33.33
2	To Borrower	1	33.33
3	To Both	1	33.33
	Total	3	100
	➤ Reasons - Why it is boring?		
	To Banksathi...		
	Mismatch of timing of banksathi and borrower		
	To Borrower...		
	Borrowers do not like daily visit of banksathi		

Source: Prepared from responses

Further banksathis were asked to share their views about demand of daily loan among borrowers. Banksathis were also asked to tell proper reasons for demand of daily loan. If there were a negative response for daily loan then banksathis had to share their views to increase the demand of daily loan collection. According to table 7.14, out of 6 banksathis, 4 banksathis opined that daily loan was in high demand among borrowers and 4 banksathis agreed that daily payment in small instalments can reduce the burden of interest and debt so daily loan was in high demand. While 2 banksathis were disagree with the demand of daily loan. Those 2 banksathis had been asked to share their views to increase the volume of daily loan but both of them did not want to increase the volume of daily loan collection.

Table 7.14 Demand of Daily Loan Collection

Sr. No	➤ Responses	Frequency	Percentage
1	Yes	4	66.67
2	No	2	33.33
	Total	6	100
	➤ Reasons		
	If Yes.....		
1	Daily payment in small instalments can reduce the burden of interest and debt	4	66.67
2	Bank goes to the borrower to give a loan at their place	1	16.67
3	No requirement of government employee as a guarantor	1	16.67
	Total	6	100
	If No.....		
1	They could not maintain proper record of their daily paid instalments	1	50.00
2	Borrowers do not like banksathis to visit their place daily	1	50.00
	Total	2	100

Source: Prepared from responses

7.2.5 Views regarding Monitoring and Defaults

This section is divided into two sub parts viz. banksathi's views about training and other views. To find out banksathis' views about training given to the borrowers, total 3 questions had been asked.

→ *Views about Training and Saving*

The researcher wanted to know whether banksathis recommend borrowers for loans without giving any type of training or not (table 7.15). 5 banksathis had positively replied that they recommend borrowers and gave more than one reason for that. Among them 3 banksathis had informed that closure of one day business is not affordable for borrowers. Only one banksathi gave negative answer and suggested 4 types of training to be given to the borrowers before sanctioning a loan. Banksathis had been asked to tell whether they explain importance of saving to the borrowers or not. None of banksathis had given negative response.

Table 7.15 Loan Recommendation without any Type of Training

Sr. No	➤ Responses	Frequency	Percentage
1	Yes	5	83.33
2	No	1	16.67
	Total	6	100
	➤ Reasons		
	If Yes.....		
1	Closure of one day business is not affordable	3	60.00
2	Inconvenient training timing	1	20.00
3	Tired of telling but they are not ready	1	20.00
	Total	5	100
	If No.....		
1	Financial training	1	25.00
2	Business Counselling	1	25.00
3	Calculation of interest	1	25.00
4	Amrut Zarnu	1	25.00
	Total	4	100

Source: Prepared from responses

→ *Other Views*

Total five questions were asked in this section. To know the effect on borrowers, if any, banksathi has been replaced with other banksathi, banksathis had been asked the question whether they had ever been replaced with other banksathi or not and what type of response had been received by borrowers from new area. According to table 7.16, 3 banksathis had been found replaced with other banksathi in the new area. Three banksathis had shared their experience in new area with multiple responses. Majority of them agreed that borrowers gave them positive response.

Table 7.16 New Areas and Borrowers' Responses

Sr. No	➤ Responses	Frequency	Percentage
1	Yes	3	50.00
2	No	3	50.00
	Total	6	100
	➤ Responses from Borrowers		
1	Got positive response	3	50.00
2	Borrower put trust on banksathi	2	33.33
3	Hand holders or any other person from the bank, known with that particular area, went with banksathi to cover new areas easily.	1	16.67
	Total	6	100

Source: Prepared from responses

Replaced banksathis were also asked which type of accounts they had opened in the new area. All 3 banksathis replied that they had opened all types of account *i.e.* saving account and account for unsecured as well as secured loans.

Further, banksathis were requested to share the steps to be followed by them on finding any borrower with default. 6 banksathis gave four steps for recovery. However, these steps were differing, in the action to be followed. This resulted in total 8 different actions for recovery of loan amount. Based on responses, average rank for these eight actions is derived. Table 7.17, presents these steps in sequential order. 'Personal visit to borrower' stood as the first step, followed by 'inform hand holder about the defaulted borrower' (second step), 'Visit to borrower along with hand holder' (third step) and 'inform about defaulted borrower to the bank by hand holder' as the forth step.

Table 7.17 Steps by Average Rank-by Banksathis

Sr. No	Responses	Rank
1	Personal visit of borrower	1.5
2	Inform hand holder about borrower	1.5
3	Visit borrower's place along with hand holder	3.5
4	Hand holder inform about borrower to the bank	3.5
5	Personal visit of guarantor	5.0
6	Send notice to borrower and to her guarantor	6.0
7	The case has been transferred to the court	7.0
8	Bank takes visit of borrower	8.0

Source: Prepared and computed from responses

Banksathis were also asked to inform their views regarding the reasons behind borrower's default. Six banksathis informed more than one reason for default. Highest response (6) is received about illness as a cause of non payment. 4 banksathis informed that due to loss of business/job borrowers could not repay. 3 banksathis considered that borrowers' unwillingness to pay was the cause for default. (See Table 7.18)

Table 7.18 Reasons of Default

Sr. No	Major reasons for defaults	Frequency	Percentage
1	Illness	6	28.57
2	loss of business / job	4	19.05
3	Unwillingness to repay	3	14.29
4	Death of family member(s)	2	9.52
5	Borrow money from non-bankers/private money lenders with high interest rate	2	9.52
6	Sudden expenses	2	9.52
7	Expenses in excess of income	1	4.76
8	Social expenses	1	4.76
	Total	21	100

Source: Prepared from responses

On inquiring whether defaults make loss to the bank or not, 5 banks this opined that defaults make loss to the bank. Those 5 banks this had been reported with multiple reasons how defaults make a loss to the bank. 2 banks this had believed that bank cannot give higher amount of loan due to unpaid instalments of loan while other 2 banks this had believed that income of bank decreases. (See table 7.19)

Table 7.19 Defaults make a loss to the bank

Sr. No	Responses	Frequency	Percentage
1	Yes	5	83.33
2	No	1	16.67
	Total	6	100
	Reasons		
	If Yes....		
1	Bank cannot give more amount of loan due to unpaid instalments of loan	2	33.33
2	Income of bank decreases	2	33.33
3	Bank has to reserve an amount equivalent to amount of NPA	1	16.67
4	Expenses of Bank increase	1	16.67
	Total	6	100
	If No....		
1	Bank will get its money back at time at any cost	1	100
	Total	1	100

Source: Prepared from responses

7.2.6 Modifications in Preliminary Questionnaire based on Responses

After getting the results from pilot survey, total number of questions had been reduced i.e. 29 in pilot survey and 25 in final survey (Appendix 2). Most frequent responses were put in the final questionnaire in particular question whenever needed. Five sections have remained as it is in the final questionnaire too. In introduction section only one question is added i.e. qualification of the banksathi. In second section, procedural section, first three questions are kept same. As the duration of the unsecured and secured loans is fixed by the SEWA bank, this information is decided to take directly

from the SEWA bank. This was not an opinion type question so it (*question 11*) had been dropped out from the final questionnaire. Periodicity of collection of loan instalments was found to be the same for any of the loan product. Thus, *the question 12 had been set in the final questionnaire by changing its format.*

In third section, *question 13 was found irrelevant.* As banksathi were not aware about the year of commencement of the loan products of the SEWA bank, this information has been decided to take directly from the SEWA bank. This was not an opinion type question so it had been dropped out from the final questionnaire. Other two questions (14 & 15) are kept same in the final questionnaire. Forth section is kept same in the final questionnaire.

Section five is divided into two subsections. In the first subsection questions regarding training had remained same while *questions regarding savings had been dropped out from the final questionnaire* because everybody gave positive responses and found it irrelevant. In the second subsection, first two questions continued to be as it is. For *question 26 (in the pilot questionnaire), one standard sequence of the steps had been prepared* from the responses of the pilot survey. Thus, this question is kept same but set in the final questionnaire with the standard sequence. Last two questions are also continued to be same in the final questionnaire.

7.3 Analysis of Responses by Hand Holder

Hand holders (bank facilitator) follow up banksathi's recommendations and also keep monitoring on banksathi and their work in the bank and in the field also. Thus, opinions of hand holders are also important. Total 28 questions, divided into five sections, were set for 5 hand holders in the pilot survey. The discussion is as follows.

7.3.1 Basic Profile

Total six questions were put up to know the basic profile of Hand holders in terms of name, age, branch name, experience with SEWA bank (in years), working areas and number of accounts they have opened in the year 2007-08 and 2008-09. The responses are as follows.

On analyzing the response it was observed that 3 out of 5 hand holders interviewed were within the age group of 41-50 whereas one each was found in the age group of 21-30 and 31-40.

Experience with SEWA bank was found in the range of 2 to 8 years. 2 hand holders have the experience of 2 years while other 3 hand holders were found with 3, 5, and 8 years respectively.

On asking how many accounts they had opened, none of the hand holders were able to give exact number for the year 2007-08. However, the average number of accounts they used to open per year was responded. (See table 7.20)

Table 7.20 Number of Accounts had been opened

Sr. No	No. of Accounts Opened (2008-09)	Frequency	Percentage
1	1200	2	40
2	480	1	20
3	180	1	20
4	NA	1	20
	Total	5	100

Source: Prepared from responses

7.3.2 Procedural

Total 6 questions were put regarding the loan procedure of the SEWA bank. Question 8 was to know the limits of loan amount for first time loan and second time loan. Each hand holder was found with different opinion about both type of loans *i.e.* unsecured and secured loan. (See table 7.21)

Table 7.21 Limits of Loan Amount

Unsecured Loan				
Sr. No.	Min. Amt. (in ₹)	Max. Amt. (in ₹)	Frequency	Percentage
1	5,000	10,000	1	20
2	5,000	10,000 to 15,000	1	20
3	5,000	15,000	1	20
4	5,000	1,00,000	2	40
Total			5	100
Secured Loan				
	Min. Amt. (in ₹)	Max. Amt. (in ₹)		
1	6,000 to 7,000	15,000 to 20,000	1	20
2	10,000 to 15,000	50,000	1	20
3	15,000	50,000	1	20
4	don't know	4 times of saving a/c balance	1	20
5	don't know	3 times of saving a/c balance	1	20
Total			5	100

Source: Prepared from responses

Hand holders were asked to share preconditions if the loan is given for the second time to the same borrower. Multiple responses were received from single respondent and thus, from five respondents totally 16 responses were received. As per the table 7.22, majority of the hand holders (37.50%) had given preference to the borrower's regularity and maintenance of saving account and second highest preference (31.25%)

was given to the borrower's record of previous loan. 2 hand holders (12.50%) believed that opinion of banksathi regarding borrower is important too.

Table 7.22 Preconditions for second time loan to the same borrower

Sr. No	Preconditions	Frequency	Percentage
1	Regularity and Maintenance of saving a/c	6	37.50
2	Record of previous loan	5	31.25
3	Opinion of Banksathi regarding borrower	2	12.50
4	Borrower's relationship with bank	1	6.25
5	Find the purpose of the loan and visit borrower's place personally	1	6.25
6	Make them ready to open recurring and pension account to secure bank's future	1	6.25
	Total	16	100

Source: Prepared from responses

Question 9 was about the interest rates charged for the types of unsecured and secured loan. As the rates were fixed and hand holders did not have any idea about the exact rates. Further, hand holders were asked to inform (by giving ranks) which factors they consider to decide loan amount. The hand holders had given multiple responses. (See table 7.23). Based on the responses by hand holders, average rank was calculated for each factor to find out the exact rank for each factor. Table 7.24 shows that regularity and maintenance of saving a/c by the borrower was given the first rank followed by borrower's record of previous loan and level of borrowers' family income.

Table 7.23 Factors to Decide Loan amount

Sr. No	Factors to decide Loan Amount (For Unsecured/Secured loan)	Rank						
		1	2	3	4	5	6	7
1	Regularity and Maintenance of saving a/c	4	0	0	0	0	0	0
2	Level of Family Income	1	1	1	0	0	0	0
3	Inquire about the condition or legal status of the house	0	2	1	0	0	0	0
4	Opinion from neighbours regarding borrower	0	0	0	1	0	0	0
5	Record of Previous loan	0	2	1	1	0	0	0
6	Inquire about borrower's business	1	0	1	0	0	0	0
7	Recommend borrowers to open recurring and pension a/c	0	0	0	0	0	0	0

Source: Prepared from responses

Table 7.24 Factors by Average Rank

Sr. No	Factors to decide Loan Amount (For Unsecured/Secured loan)	Average Rank
1	Regularity and Maintenance of saving a/c	1
2	Record of Previous loan	2
3	Level of Family Income	3
4	Inquire about the condition or legal status of the house	4
5	Inquire about borrower's business	5
6	Opinion from neighbours regarding borrower	6

Source: Prepared and computed from responses

Hand holders had been asked to inform about the duration of loan. As the duration of the unsecured and secured loans has been fixed by the SEWA bank, hand

holders could not give proper response. Thus, the analysis could not be done. Hand holders had also been asked to tell about the periodicity of collection of loan instalment. However, they could not give proper response to this question as collection of loan instalments was the responsibility of the banksathi. Therefore, the analysis could not be done for the same.

7.3.3 Loan Products

Three questions were put up in this part. First question had been asked to tell the year of commencement. However, hand holders were not aware about the year of commencement of the different types of loan products of the SEWA bank. Further hand holders were asked to tell whether any of the loan products was in use or not. From 5 hand holders, 3 said daily loan collection is not in use and 2 said daily loan collection is in use. On inquiring about the reasons why daily loan collection was not in use, 3 hand holders had reported multiple responses *i.e.* five different reasons for why daily loan collection was not in use (See table 7.25).

Table 7.25 Reasons why daily loan collection was not in use

Sr. No.	Reasons	Frequency	Percentage
1	High Fluctuation in daily income of borrowers	1	20
2	Mismatch of timing of banksathi and borrower	1	20
3	High interest rate charged as compared to other loan products	1	20
4	Irregularity of borrowers in daily payment	1	20
5	Borrowers put a blame on banksathi that they did not deposit our instalments in the bank	1	20
	Total	5	100

Source: Prepared from responses

7.3.4 Daily Loan Collection

Five questions were set in this section. Hand holders had been asked whether they were with SEWA bank or not when daily loan had been started. None of the hand holders had been found at the SEWA bank when daily loan got started. Further the collection of loan instalment was not the responsibility of hand holders so they could not give proper response to question 17. However, hand holders could say whether borrowers pay their loan instalments regularly or not. Out of total 5, only 1 hand holder opined that borrowers paid their instalments regularly. Other 4 hand holders had replied negatively. Further hand holders were asked to share the views about the demand of daily loan among the borrowers. According to the table 7.26, out of 5, 3 hand holders had replied that daily loan collection was in high demand while 2 hand holders opined otherwise. The hand holders were further requested to provide the reason about the daily loan collection having been in high demand or otherwise.

Table 7.26 Demand of Daily Loan Collection

Sr. No	➤ Responses	Frequency	Percentage
1	Yes	3	60
2	No	2	40
	Total	5	100
	➤ Reasons		
	If Yes.....		
1	By paying a small amount daily regularly borrowers can reduce the burden of interest	3	60
	If No.....		
1	Daily payment is convenient to daily wage earners only	1	20
2	Borrowers were used to pay daily in the starting period but then they had preferred to pay weekly or monthly as they could not keep perfect record of their paid instalments	1	20
	Total	5	100

Source: Prepared from responses

Two hand holders, who informed that daily loan was not in high demand, were asked to share their ideas to increase the volume of daily loan. Two of them had told that daily service should be given to the borrowers at their convenient time.

7.3.5 Views regarding Monitoring and Defaults

This section is divided into two sub parts viz.; hand holder's views about training and saving, and other views. To find out hand holders' views about training given to the borrowers, total 3 questions had been asked.

➔ Views about training and saving

At outset here an attempt is made to know the importance assigned to training for the purpose of sanctioning the loan. Through responses it could be observed that the loans are sanctioned, even without training. (Table 7.27)

Table 7.27 Loan Recommendation without any Type of Training

Sr. No	➤ Responses	Frequency	Percentage
1	Yes	5	100
2	No	0	0
	Total	5	100
	➤ Reasons (If Yes...)		
1	Closure of one day business is not affordable	3	60
2	Inconvenient training timings	1	20
3	No need to give them special training, because hand holders give all the information about loan at the time of personal visit of the borrower's place	1	20
	Total	5	100

Source: Prepared from responses

To know the views about saving, hand holders had been asked whether they explain importance of saving to the borrowers or not. All 5 hand holders replied positively.

→ *Views Regarding Monitoring and Defaults*

Hand holders had been asked to share their ideas to monitor activities of banksathi. Multiple responses had been reported from total 5 hand holders. (See table 7.28)

Table 7.28 Ways to Monitor Banksathis

Sr. No	Monitoring of banksathis by hand holders	Frequency	Percentage
1	Randomly visit banksathi's place to check their slip book and cash scroll	5	38.46
2	Inquire with borrower through personal visit about regularity of banksathi and issuance of receipt on payment by borrower	4	30.77
3	Go with them	2	15.38
4	Inquire about the previous loan record	1	7.69
5	Check whether banksathi deposit cash (borrowers' instalment) in the bank regularly or not	1	7.69
	Total	13	100

Source: Prepared from responses

Further hand holders were asked to give proper sequence of steps to be followed for recovery in case of default by the borrower. All hand holders had agreed that by following maximum four steps the loan instalment could be recovered. However, different hand holders suggested different steps.

Table 7.29 presents the average rank based on the responses of hand holders for the steps to be followed to recover loan amount in case of default. First step was informed as to ask banksathi first about the defaulted borrower. Personal visit of borrower was informed as second step. In the third step, majority of hand holders explained borrowers to pay the instalment even in small amount to avoid the burden of interest. In the fourth step borrowers are threatened by hand holders about possible consequences from the bank on making default.

Table 7.29 Steps by Average Rank-by Hand Holders

Sr. No	Responses	Rank
1	Ask banksathi first that whether they visit the borrower regularly	1
2	Personal visit of borrower	2
3	Explain borrowers to pay even in small amount to avoid the burden of interest	4
4	Threaten defaulters about possible consequences from the bank on making default	4
5	Send a notice to the borrower on skipping one instalment and send a notice to the defaulter's guarantor on skipping second instalment by borrower	4
6	Personal visit of defaulter's guarantors	6
7	The case is sent to the court	7

Source: Prepared and computed from responses

Based on their experience, hand holders were requested to tell about major reasons of default. Hand holders had given multiple responses and total ten different types of reasons had been reported. Majority of hand holders opined that due to illness

borrowers could not repay the instalments on time. Table 7.30 shows the other reasons of default.

Table 7.30 Major Reasons of Default

Sr. No	Reasons	Frequency	Percentage
1	Illness	4	25.00
2	Social expenses	2	12.50
3	Expenses in excess of income	2	12.50
4	Borrowers used to borrow money from non-bankers with higher interest rate which they prefer to repay first and SEWA's loan prefer to repay second	2	12.50
5	Meeting with an accident	1	6.25
6	Death of family member(s)	1	6.25
7	Delay in salary	1	6.25
8	Loss in business	1	6.25
9	Loss of business	1	6.25
10	Give loan amount to other person to use	1	6.25
	Total	16	100

Source: Prepared from responses

The researcher also wanted to know hand holders views that whether defaults make losses to the bank or not. Out of 5 hand holders, 4 hand holders replied positively. Only one hand holder believed that defaults do not make loss to the bank. Hand holders also gave their views that how defaults make loss to the bank.

On inquiring regarding whether the default leads to loss to bank or not, 4 out of 5 hand holders had affirmative answer and for this 5 different reasons were attributed viz. wastage of travel expenses, bank cannot pay salary to the employees, bank cannot pay dividend, income of bank decreases and bank has to make reserve fund for NPA in RBI. One respondent who believed that default does not result into loss was of the opinion that bank recovers the amount at any cost.

Hand holders were requested to give suggestions to stop overdue. Hand holders gave multiple suggestions. Thus, total 11 different types of suggestions were given by 5 hand holders. The table 7.31 shows the suggestions given by hand holders to stop the overdue.

Table 7.31 Efforts should be done to stop overdue

Sr. No	Efforts should be done	Frequency	Percentage
1	Regular monitoring should be done through personal visit and/or by checking records after disbursement of the loan	4	25.00
2	Proper checking regarding borrower should be done before sanctioning the loan	2	12.50
3	Hand holders should visit the borrower on skipping the instalments to find out the problem	2	12.50
4	Compulsory training should be given	1	6.25
5	Banksathi should visit borrower on skipping one instalment and try to explain them how they can manage	1	6.25

Table 9.31 Contd.

6	Monthly reporting of borrower and banksathi should be done by hand holder	1	6.25
7	Weekly meetings of hand holders and banksathis with bank managers and loan recovery officer should be arranged	1	6.25
8	Banksathi should try to match the timings with borrowers' conveniences	1	6.25
9	Initiate legal action on guarantors and borrowers by bank	1	6.25
10	Notice should be sent to the borrower and her guarantor	1	6.25
11	Banksathis and hand holders should give proper explanation and knowledge to the borrowers	1	6.25
	Total	16	100

Source: Prepared from responses

7.3.6 Modifications in Preliminary Questionnaire based on Responses

After getting the results from pilot survey, total number of questions had been reduced *i.e.* 28 in pilot survey and 22 in final survey (*Appendix 3*). For the open ended questions in the questionnaire of the pilot survey, the most frequent response received are already included in the indicative responses, to speed up the process of data collection and to facilitate the respondent, by putting tick marks. Over and above this, an open ended question was also put up at last. Five sections have been continued in the final questionnaire. *In introduction section one question was added relating to qualification of the hand holder. In second section, procedural section, question 9 which related to the interest rates charged for the types of unsecured and secured loan, was dropped from the final questionnaire as rates are fixed by SEWA. Other two questions which were found to have no bearing on study are dropped. In the remaining section also question 13 and 17 which were not found of significant importance are dropped.*

7.4 Major Findings of the Pilot Survey

Findings of the pilot survey had been used for finalizing the final questionnaire. Major findings are as follows.

7.4.1 Borrowers

Total 59 borrowers were surveyed in pilot survey. Out of total 59 borrowers, following major findings are observed.

1. Majority (25) of the borrowers were from the age group of 31-40. Majority (38) of the borrowers were with Hindu religion. Maximum 21 borrowers did not know their caste. However, 12 borrowers were from SC/ST caste. Education level among borrowers was observed to be very low. Highest numbers (21) of

- them were found uneducated *i.e.* never attended school. While 20 borrowers were with primary level education. Majority (51) of the borrowers were married.
2. Out of 59, only 17 borrowers were with the habit of regular savings. 15 borrowers were found with regular monthly savings. Amount of savings was found in the range of ₹10 – ₹1,000 and above. 4 borrowers were found with the regular monthly savings of below ₹100.
 3. 47 borrowers opined that banksathis had explained them about importance of savings. Maximum borrowers opined that banksathis explained about all saving schemes. They also taught that regular savings in small amount can reduce the burden of interest and loan can also be repaid without defaults. That shows that banksathis were doing their job well and by explaining borrowers about regular savings, they can reduce the level of defaults.
 4. 41 borrowers out of 59 had not undergone training. However, remaining borrowers were found with more than one type of training *viz.*: business counselling (12), financial long term training (12) and financial short term training (11).
 5. 67 (out of 161) numbers of unsecured loans were *Sanjeevani Loan*. 100 (out of 161) unsecured loans were for the purpose of business. Amount of the loans was found up to ₹1,05,000/-. 92 (out of 161) unsecured loans had been found in the range of ₹5,001 - ₹25,000.
 6. Out of 17 secured loans, 16 loans were FO (Fixed Deposit) loans. 6 (out of 17) secured loans were for business purpose. 12 (out of 17) secured loans had been reported with ₹5,001 – ₹25,000.

7.4.2 Banksathis

Total 6 banksathis were interviewed during pilot survey. Followings are the major findings.

1. 3 banksathis were found in the age group of 31-40 and 3 banksathis were with working experience of 10 years.
2. 2 banksathis opined that while sanctioning unsecured loans minimum amount should be ₹5,000 and maximum amount should be ₹1,00,000/-. While in case of secured loans 2 banksathis opined that minimum amount should be ₹15,000 and maximum amount should be ₹50,000.
3. As per the opinions of banksathis borrowers should fulfil more than one precondition while taking second time loan. 6 responses were for maintaining

regularity in saving account. 5 responses were for good record for the previous loan.

4. Regularity and maintenance of saving account by the borrowers was considered as the main factor to decide the loan amount to be sanctioned to the borrower. Record of previous loan of the borrower was given second priority to decide the loan amount.
5. Majority of banksathis told that daily loan collection was not in use because in daily loan collection banksathis had to take responsibility as a guarantor for the borrower.
6. Due to mismatch of timings majority of the banksathis and also borrowers felt that daily collection of instalments is a boring task.
7. Majority of banksathis believed that daily loan collection was in high demand among the borrowers when it was in use because daily payment of instalments in small amount can reduce the burden of interest and debt.
8. Maximum numbers of banksathis had given the opinion that they recommend their borrowers for taking the loan even if they had not taken any type of training. As closure of one day business is not affordable, borrowers had not preferred to come to the bank and take part in the training programme.
9. Majority of the banksathis had informed that if any borrower made defaults then first they visit the borrower's place personally. There after banksathis visit the borrower's place along with hand holders. Further, they visit guarantor's place personally. Majority of banksathis had opined that due to illness and loss of business / job borrowers could not repay the instalments on time. Maximum numbers of banksathis had suggested that defaults make loss to the bank because bank cannot give more amount of loan due to unpaid instalments of loans. While some of them had opined that due to more number of defaults income of bank decreases.

7.4.3 Hand Holders

Total 5 hand holders were asked to give their suggestions for pilot survey.

Following observations are made from survey.

1. All hand holders had given the different opinion for minimum and maximum limit of loan amount, indicating limits of loan amount differ from each hand holders.

2. Highest numbers of responses (6) were regarding to 'regularity and maintenance of saving account' followed by (5 responses) 'records of previous loan' before sanctioning the second time loan to the same borrower.
3. While deciding the loan amount to be sanctioned to the borrower proper record of saving account of the borrower should be given the first preference. Second preference should be given to the record of previous loan and legal status of the borrower's house.
4. Majority (3) of hand holders opined that daily loan collection was in high demand because by paying a small amount of instalments daily borrowers can reduce the burden of interest.
5. All hand holders informed that they recommended the borrower for taking the loan even if they had not taken any type of training, as closure of one day business is not affordable for the borrowers and they did not come to the bank to take part in the training programme.
6. Maximum hand holders monitored their banksathis by visiting their place randomly and check their slip book and cash scroll (5 responses). Accordingly, hand holders could have an idea about banksathis work. Majority of hand holders visit borrower's place personally when they made any default. Second they prefer to visit defaulter's guarantor personally to recover the default. Majority of hand holders believed illness is the major reason of defaults among the borrowers. Social expenses, expenses in access of income borrowing money from private money lenders were given equal weightage by hand holders as reasons for defaults in repayment of loan by the borrowers. Majority of hand holders opined that default affects negatively to the banks as income of bank decreases. Maximum hand holders suggested that by monitoring regularly through personal visit, level of defaults can be kept under control. Proper checking should also be done before sanctioning the loan.

After the discussion of analysis of responses of pilot survey from borrowers, banksathis and hand holders in this chapter, preceding chapter is going to discuss about the analysis of responses of final survey from borrowers.



Chapter 8

DATA ANALYSIS:

BORROWERS

Chapter 8

DATA ANALYSIS: BORROWERS

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Chapter 8

Data Analysis: Borrowers

The preceding chapter discussed about the pilot survey and data analysis for the same. It also discussed the modifications carried out in the questionnaire of pilot survey. After preparation of the final questionnaire, the survey was carried out of the borrowers. This chapter discusses the analysis of final survey of the borrowers. It shows the results reported from the information of final survey of the borrowers (section 8.1). Further, different factors affecting to the level of defaults have been identified and classified into four parts *i.e.* socio-demographic factors, economic factors, loan related factors and financial literacy of the borrowers (section 8.2). Accordingly total 34 hypotheses as mentioned in the chapter of Research Design are tested here (section 8.3 and section 8.4). Results found from testing of hypotheses are discussed in detail. By showing major findings based on primary data collection, this chapter also shows the comparison of the results between pilot survey and final survey.

8.1 Analysis of the Responses by Borrowers

Following responses are observed in the final survey. Borrowers were selected as per their categories of NPA. At the time of data collection, 20,282 borrowers were with the SEWA Bank. Among them total 484 borrowers were selected from total five branches of the SEWA bank including head office of the SEWA bank. The highest number of borrowers were interviewed from Madhupura branch [166 (34.30%)] while the lowest number of borrowers were interviewed from Vasna branch [55 (11.36%)]. Highest 123 (25.41%) numbers of borrowers were found from sub standard category followed by 117 (24.17%) borrowers from Doubtful 1 category and 106 (21.90%) borrowers from Doubtful 2 category. (See table 8.1)

Table 8.1 Category Wise Borrowers from Different Branches

No.	Category	Branch Name					Total	%
		Head Office	Vasna	Behrampura	Madhupura	Rakhial		
1	Standard A	3	0	7	10	4	24	4.96
2	Standard B	8	11	11	21	14	65	13.43
3	Sub Standard	15	15	31	40	22	123	25.41
4	Doubtful 1	18	12	29	38	20	117	24.17
5	Doubtful 2	12	10	29	38	17	106	21.90
6	Doubtful 3	9	7	7	19	7	49	10.13
	Total	65	55	114	166	84	484	
	%	13.43	11.36	23.55	34.30	17.36		

Source: Prepared from Responses

Total 21 questions, dividing into seven sections, were set in the final questionnaire (*Appendix 1*). Section one collected personal information of the borrowers.

8.1.1 Socio Economic Information

This section deals with two parts - part A and B. Part A presents the information regarding borrower's name, age, address, religion, caste, marital status and educational status while part B presents the detail of economic activities of the borrowers and family income of the borrowers.

A Social Factors

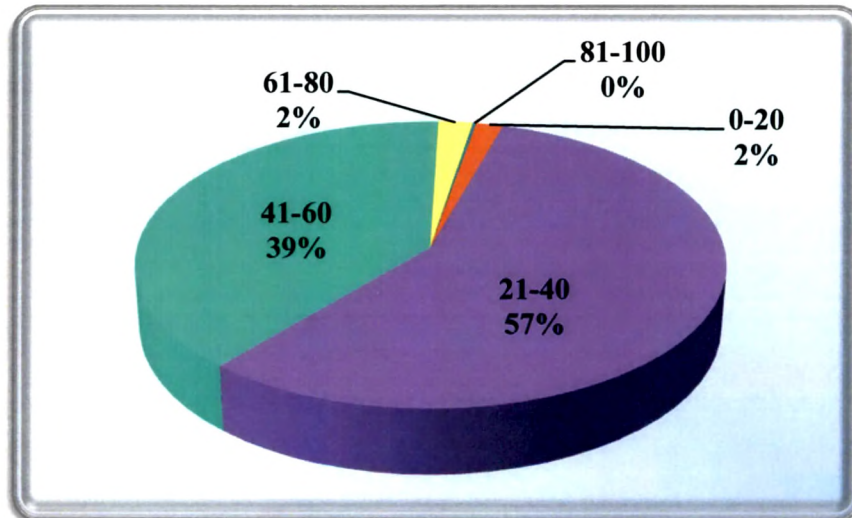
Age: Maximum 275 (56.82%) numbers of borrowers are observed from the age group of 21-40 followed by 190 (39.26%) borrowers from the age group of 41-60. Total 11 borrowers were found from the age above 60. (Table 8.2)

Table 8.2 Age of the Borrowers

No.	Age	Frequency	Percentage
1	0-20	8	1.65
2	21-40	275	56.82
3	41-60	190	39.26
4	61-80	10	2.07
5	81-100	1	0.21
	Total	484	100

Source: Prepared from Responses

Figure 8.1 Age of the Borrowers



Religion & Caste: 76% (368) of borrowers were found Hindu followed by 24% (115) of Muslim borrowers. 236 (48.76%) borrowers were unaware about their caste. Out of the balance of 248 (484 - 236), 123 were from OBC caste. The proportion of the General caste was very low at 10.12% and SC/ST was 14.05%. The remaining belong to

other caste classified as Rajput, Marathi, Bengali, Keralian, Marvadi and Sindhi as displayed in Table 8.3

Table 8.3 Religion and Caste of the Borrowers

No.	➤ Religion	Frequency	Percentage
1	Hindu	368	76.03
2	Muslim	115	23.76
3	Jain	1	0.21
	Total	484	100
	➤ Caste		
1	OBC	123	25.41
2	SC/ST	68	14.05
3	General	49	10.12
4	Marathi	3	0.62
5	Rajput	1	0.21
6	Bengali	1	0.21
7	Keralian	1	0.21
8	Marvadi	1	0.21
9	Sindhi	1	0.21
10	Not known	236	48.76
	Total	484	100

Source: Prepared from Responses

Figure 8.2 Religion

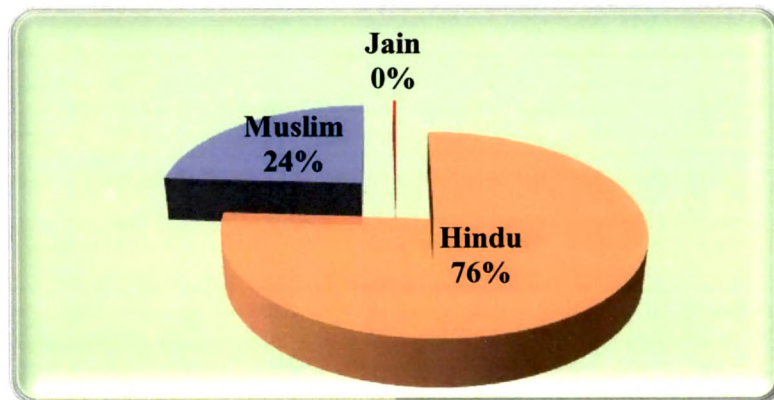
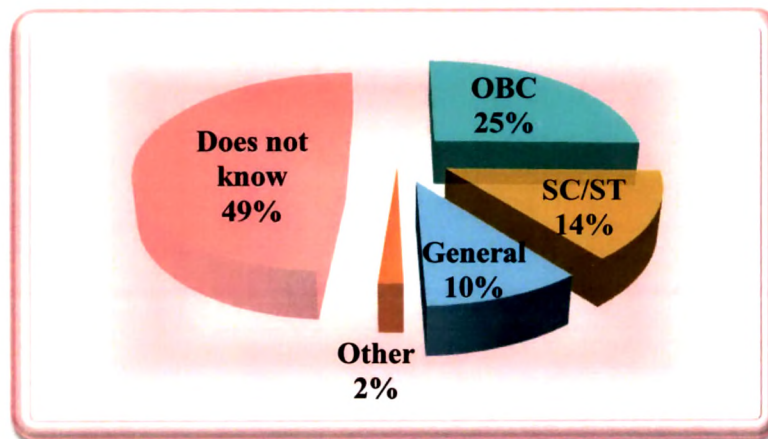


Figure 8.3 Caste



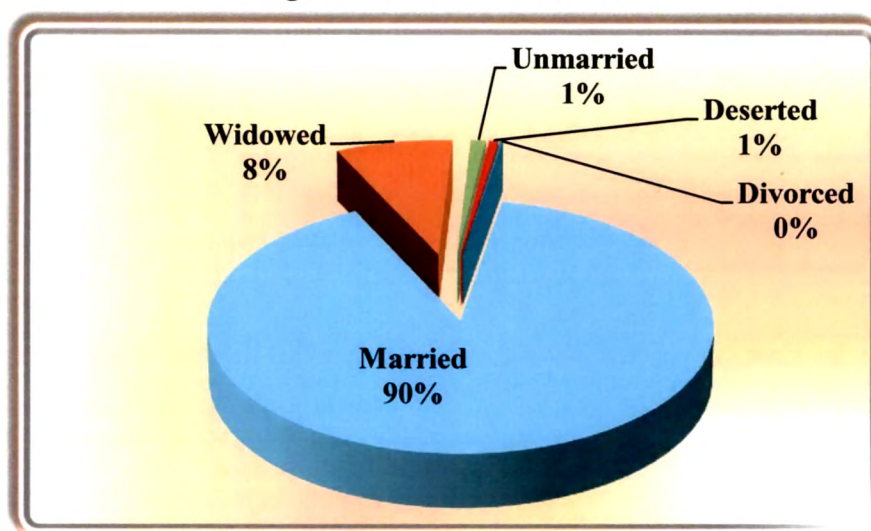
Marital Status: Table 8.4 presents that out of total 484 borrowers, 436 (90.08%) borrowers were married followed by 39 (8.06%) widow borrowers.

Table 8.4 Marital Status

No.	Marital Status	Frequency	Percentage
1	Married	436	90.08
2	Widowed	39	8.06
3	Unmarried	5	1.03
4	Deserted	3	0.62
5	Divorced	1	0.21
	Total	484	100

Source: Prepared from Responses

Figure 8.4 Marital Status



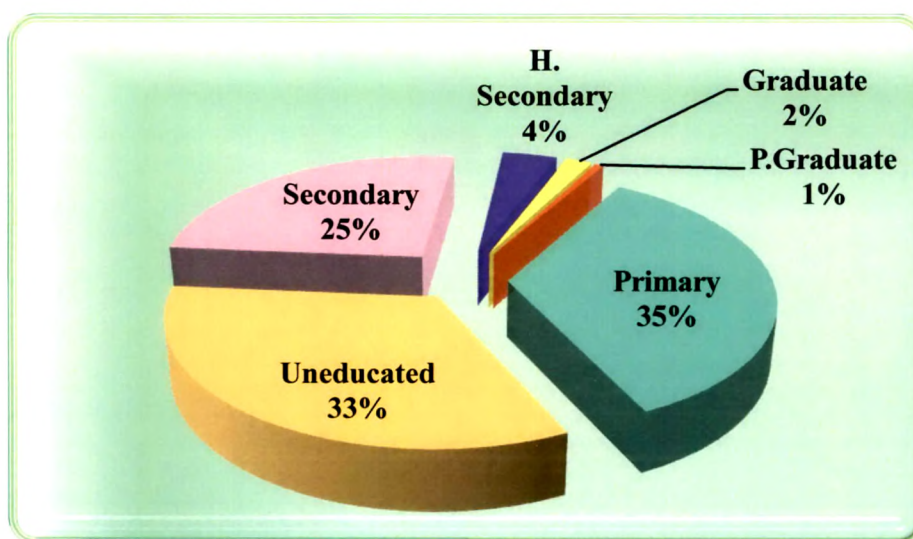
Educational Status: Collection of information regarding borrowers' education shows that 168 (34.71%) borrowers were with the primary education. 161 (33.26%) borrowers were uneducated. 124 (25.62%) borrowers were with secondary education. It indicates very low level of education among the sample borrowers. (See table 8.5).

Table 8.5 Educational Status of Borrowers

No.	Educational Attainment	Frequency	Percentage
1	Primary 1-7	168	34.71
2	Uneducated	161	33.26
3	Secondary 8-10	124	25.62
4	Higher Secondary 11-12	19	3.93
5	Graduate	9	1.86
6	Post Graduate	3	0.62
	Total	484	100

Source: Prepared from Responses

Figure 8.5 Educational Status of Borrowers



B Economic Activities

Total three questions were asked to know the financial capability of the borrowers. Through this section the information was sought regarding total family members of the borrower, earning members of the family, economic activities of earning members and their annual income.

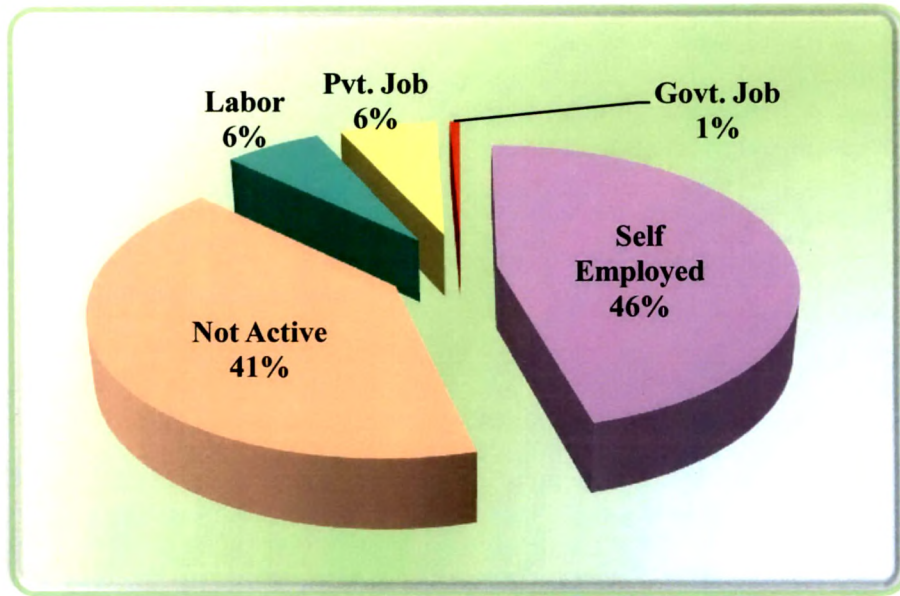
Total 246 types of economic activities (*Appendix 4*) were recorded from total earning family members of all 484 borrowers. Accordingly, economic activities were broadly divided into 5 different types. 484 borrowers were observed with Total 2625 family members (including borrowers themselves) where 1552 members were observed inactive followed by 589 self-employed borrowers. Looking to individual borrowers (Table 8.6), 45.87% (222) borrowers found self-employed followed by 41.12% (199) inactive borrowers. Labourers and Private Job workers were found in equal proportion (6.20%). Only 3 borrowers were Govt. employees.

Table 8.6 Types of Economic Activities

No.	Type of Activity	Frequency	Percentage
1	Self Employed	222	45.87
2	Not Active	199	41.12
3	Labour	30	6.20
4	Pvt. Job	30	6.20
5	Govt. Job	3	0.62
	Total	484	100

Source: Prepared from Responses

Figure 8.6 Types of Economic Activities



The nature of economic activity, family income and per capita income plays very vital role on the repayment capacity of the borrower. Hence, from the data collected, grouping was made regarding, TFM and TEM. 50 groups emerged out of this analysis (Table 8.7). Column (2) shows the groups as with given family members, what are the numbers of earning members. Column (3) shows the percentage of earning members in the family. Column (4) presents the frequency of the borrowers from each group members. Maximum (63) number of borrowers are found with TFM 4, TEM 2 (50% earning members). 59 borrowers were found with TFM 5, TEM 2 (40% earning members). 100% earning members were observed for 16 borrowers. 2 borrowers were found with 0% earning members in the family.

Table 8.7 Earning Members in the Borrower’s Family

No of Groups (1)	TFM,TEM (2)	% of Earning Members in Family (3)	Frequency (4)
1	1,0	0.00	1
2	1,1	100.00	3
3	2,1	50.00	12
4	2,2	100.00	3
5	3,1	33.33	21
6	3,2	66.67	21
7	3,3	100.00	2
8	4,1	25.00	24
9	4,2	50.00	63
10	4,3	75.00	12
11	4,4	100.00	5
12	5,1	20.00	41
13	5,2	40.00	59
14	5,3	60.00	30

Table 8.7 Contd.

No of Groups (1)	TFM,TEM (2)	% of Earning members in Family (3)	Frequency (4)
15	5,4	80.00	3
16	5,5	100.00	3
17	6,0	0.00	1
18	6,1	16.67	14
19	6,2	33.33	29
20	6,3	50.00	14
21	6,4	66.67	7
22	6,5	83.33	5
23	7,1	14.29	11
24	7,2	28.57	19
25	7,3	42.86	12
26	7,4	57.14	5
27	7,5	71.43	2
28	7,6	85.71	1
29	8,1	12.50	5
30	8,2	25.00	6
31	8,3	37.50	4
32	8,4	50.00	7
33	8,5	62.50	2
34	9,1	11.11	2
35	9,2	22.22	3
36	9,3	33.33	5
37	9,4	44.44	6
38	9,5	55.56	1
39	10,2	20.00	1
40	10,3	30.00	5
41	10,4	40.00	3
42	10,5	50.00	1
43	11,3	27.27	3
44	11,4	36.36	1
45	11,5	45.45	1
46	12,5	41.67	1
47	13,3	23.08	1
48	14,1	7.14	1
49	14,5	35.71	1
50	17,1	5.88	1
Total			484

Source: Prepared from Responses

8.1.2 Gender and Decision Making

Decision maker controls the taking / non-taking of loan, its use and in case where loan is used for productive purpose about application of the profit.

Decision to Take the Loan: For taking the loan, basically the borrower herself has to decide. However, many a times their spouse/relatives are playing a decisive role. During the course of survey, various responses are received. Even though the highest percentage (41.12%) was attributable to the self-decision making, the borrower took

decision in consultation of spouse in 33.26% situations. 19.01% of situations were found, wherein the spouse alone decided, should the loan be taken or not. Thus, self, self & spouse and spouse alone were major decision makers (93.37%). In very few situations decisions were taken by others (Table 8.8)

Table 8.8 Borrower's Decision to Take the Loan

No.	Responses	Frequency	Percentage
1	Self	199	41.12
2	Self & Spouse	161	33.26
3	Spouse	92	19.01
4	Son	7	1.45
5	Mother	5	1.03
6	Self, Son	4	0.83
7	Father	3	0.62
8	Mother-in-law	2	0.41
9	Brother	2	0.41
10	Self, Mother-in-law	1	0.21
11	Self, Sister-in-law	1	0.21
12	Spouse, Mother-in-law	1	0.21
13	Self & Spouse, Son	1	0.21
14	Self & Spouse, Sister-in-law	1	0.21
15	Brother-in-law	1	0.21
16	Daughter-in-law	1	0.21
17	Daughter	1	0.21
18	Sister-in-law	1	0.21
	Total	484	100

Source: Prepared from Responses

Decision to Use the Loan: Borrowers herself has to decide how to use the loan she has taken. However, habitually their spouse and/relatives plays a decisive role. Even if the highest percentage (38.02%) was attributable to the self-decision making, the borrower took decision in consultation with spouse in 33.88% situations. 21.69% of situations were found, wherein the spouse alone had decided, how the loan be used. Thus, self, self & spouse and spouse alone were major decision makers (93.59%). In very few situations, others (Table 8.9) took decisions.

Decision to Use the Profit: In case where loan is used for productive purpose, 44.63% of the borrowers took the decision about application of profit themselves. However, borrowers' spouse and/relatives also plays a decisive role. In 26.65% situations, borrowers took the decision in consultation with their spouse. 22.93% situations were observed wherein the spouse took the decision only. Accordingly, self, self & spouse and spouse alone were major decision makers (94.21%). In very few situations, others (Table 8.10) took the decisions.

Table 8.9 Borrower's Decision to Use the Loan

No.	Responses	Frequency	Percentage
1	Self	184	38.02
2	Self & Spouse	164	33.88
3	Spouse	105	21.69
4	Son	7	1.45
5	Self, Son	6	1.24
6	Mother	5	1.03
7	Father	3	0.62
8	Mother-in-law	2	0.41
9	Brother	2	0.41
10	Sister-in-law	2	0.41
11	Spouse, Mother-in-law	1	0.21
12	Self & Spouse, Son	1	0.21
13	Brother-in-law	1	0.21
14	Daughter	1	0.21
	Total	484	100

Source: Prepared from Responses

Table 8.10 Borrower's Decision to Use the Profit

No.	Responses	Frequency	Percentage
1	Self	216	44.63
2	Self & Spouse	129	26.65
3	Spouse	111	22.93
4	Self, Son	7	1.45
5	Son	5	1.03
6	Father	3	0.62
7	Mother-in-law	3	0.62
8	Spouse, Mother-in-law	2	0.41
9	Brother-in-law	2	0.41
10	Mother	2	0.41
11	Self & Spouse, Son	1	0.21
12	Son, Daughter-in-law	1	0.21
13	Daughter-in-law	1	0.21
14	Brother	1	0.21
	Total	484	100

Source: Prepared from Responses

8.1.3 Views about Savings and Training

Saving habit of the borrowers plays a very crucial role in overall economic health of the borrower. As it provides support for repayment of the loan, views about savings were inquired. Borrowers were asked to share their views about savings within the SEWA bank and other than SEWA bank. To know about the popularity of various savings scheme of SEWA bank, the information is also gathered about the same. SEWA bank provides various types of training programme. The trained borrowers are likely to use their funds properly, save regularly and repay the same regularly. Therefore, the borrowers were also asked to share their views regarding their involvement in different

types of training programmes of the SEWA bank. Hence, this section is specially set in the questionnaire to find out the effects of savings and training on the level of loan defaults.

Savings in other than SEWA Bank: Out of total 484 borrowers, 419 (87%) borrowers were found without savings while 65 (13%) borrowers were found with more than one type of savings with other than SEWA bank. Table 8.11 indicates seven different types of savings modes. However, borrowers do not save regularly. Maximum 22 (31.43%) responses were observed for *Vishi* followed by LIC with 14 (20%) responses.

Table 8.11 Borrower's Savings in other than SEWA Bank

No.	Responses	Frequency	%	Regular Savers	Total Amount p/a (in ₹)	%
1	<i>Vishi</i>	22	31.43	21	429,500	42.85
2	LIC	14	20.00	14	295,604	29.49
3	Money at home	11	15.71	9	59,825	5.97
4	Private company	10	14.29	9	138,000	13.77
5	Post office savings	8	11.43	8	45,600	4.55
6	Savings & Credit group	3	4.29	3	21,850	2.18
7	Provident Fund	1	1.43	1	12,000	1.20
8	No Response	1	1.43	0	0	0
	Total	70	100	65		

Source: Prepared from Responses

Savings within SEWA Bank: Borrowers were asked whether they know about saving schemes of SEWA bank or not. Positive respondents were further asked to state the source of information about SEWA's schemes, while negative respondents were asked to share the reasons. The purpose behind asking the source and reasons to the borrowers was to cross verify the punctuality of the staff members of the SEWA bank. If staff members of the SEWA bank do their job well and inform the borrowers properly then borrowers can save enough and it can also affect the level of default.

The Table 8.12 shows that 413 (85.33%) borrowers were found with the knowledge of SEWA bank's saving schemes. 71 (14.67%) borrowers did not know about the schemes of SEWA bank. In case of positive response (from 413 borrowers), five different types of sources were reported, and some of the borrowers had more than one source of information. Thus, frequency of sources was found to be 445 from 413 borrowers. Major source of information was banksathi (75.28%). It indicates that banksathis had done a good job in the field and provided proper information to the borrowers. In case of negative response from the 71 borrowers, 17 borrowers had not responded about the reason. This resulted in 54 responses. Totally, 5 reasons came to

light. Major reason (49.30%) found was, borrowers were not interested in opening saving account with SEWA bank. Only 18.31% responses were found with the reason that banksathi never informed borrowers.

Table 8.12 Knowledge about Saving Schemes of SEWA Bank

No.	Responses	Frequency	Percentage
1	Yes	413	85.33
2	No	71	14.67
	Total	484	100
	➤ If Yes....Source of Information		
1	Your banksathi	335	75.28
2	SEWA bank	75	16.85
3	Hand holder	12	2.7
4	Your banksathi & hand holder	9	2.02
5	Neighbour	9	2.02
6	No Response	5	1.12
	Total	445	100
	➤ If No....Reasons		
1	Are you not interested in opening account with SEWA?	35	49.30
2	Have you ever asked to your banksathi?	13	18.31
3	Have you ever inquired with bank directly?	4	5.63
4	No communication by SEWA to customers	1	1.41
5	No enough money to save	1	1.41
6	No Response	17	23.94
	Total	71	100

Source: Prepared from Responses

Further, borrowers with the knowledge of saving schemes of the SEWA bank were asked to tell type of saving scheme in which they invested. Here also borrowers reported having more than one saving scheme of the SEWA bank but among them all of them were not regular savers. This indicates that borrowers opened more than one saving account in the SEWA bank but not all of them save the money regularly. Table 8.13 shows that borrowers reported 10 different saving schemes. However, total 483 responses were reported by 413 borrowers while only 131 borrowers (out of 483) are found with regularity in saving. Maximum number of responses were reported for the *Chinta Nivaran Yojana* scheme i.e. 109 (22.57%) with 9 borrowers to be regular. This was followed by *Pension Scheme* where 105 (21.74%) borrowers were making savings but 42 borrowers were found to be regular. On examining the amount of saving, maximum amount of ₹7,16,970/- (76.02%) was invested in *Fixed Deposit* scheme by 50 respondents in the SEWA bank, of which only 34 were found to be regular. Second highest amount of saving was found from *Jivan Asha* scheme ₹67,370/-. 83 respondents were reported with the account of *Jivan Asha* scheme in the SEWA bank but only 11 respondents had been found regular.

Table 8.13 Savings in the SEWA Bank

No.	Saving Schemes	Frequency	%	Regular customer	Total Amount p/a (in ₹)	%
1	Chinta Nivaran Yojana	109	22.57	9	9,120	0.97
2	Pension scheme	105	21.74	42	63,400	6.72
3	Jivan Asha	83	17.18	11	67,370	7.14
4	Kishori Gold Yojana	56	11.59	14	19,320	2.05
5	Fixed Deposit	50	10.35	34	716,970	76.02
6	Mangal Prasang Yojana	36	7.45	6	14,400	1.53
7	Recurring account	17	3.52	5	24,600	2.61
8	Saving account	11	2.28	7	14,000	1.48
9	Ghar Fund Yojana	10	2.07	1	12,000	1.27
10	SEWA Vimo	6	1.24	2	2,000	0.21
	Total	483	100	131		

Source: Prepared from Responses

Knowledge about Training Programme: To know the effects of training on the level of borrowers' loan defaults, questions in this section were set. The researcher also tried to know the different types of training provided by the SEWA bank and how many borrowers had taken the training.

Table 8.14 Knowledge about Training Programme

No.	➤ Responses	Frequency	Percentage
1	Yes	269	44.42
2	No	215	55.58
	Total	484	100
	➤ If yes....Source of Information		
1	Your banksathi	212	74.39
2	SEWA bank	54	18.95
3	Your banksathi & hand holder	13	4.56
4	Neighbour	3	1.05
5	Hand holder	2	0.7
6	No Response	1	0.35
	Total	285	100
	➤ If No....Reasons		
1	Have you ever asked to your banksathi?	151	63.71
2	Are you not interested in training with SEWA?	59	24.89
3	Have you ever inquired with bank directly?	15	6.33
4	No communication by SEWA to customers	3	1.27
5	Have you ever asked to your Hand holder?	2	0.84
6	No Response	7	2.95
	Total	237	100

Source: Prepared from Responses

From the table 8.14 it can be observed that 269 borrowers were found with the knowledge of training programme while 215 borrowers did not know about training programme. All positive borrowers were further asked to inform the source of information. Total five different types of sources were found from 269 borrowers. But due to multiple responses found from 269 borrowers, total 284 responses were reported

for five types of sources. Major source of information was found banksathi *i.e.* 74.39%. In the case of 215 borrowers without having knowledge of training programmes, five different types of reasons were reported. But borrowers selected multiple reasons; total 230 responses were received from 215 borrowers. Major reason of not knowing about the training programme was also banksathi *i.e.* 63.71%. It means either banksathis did not inform about training programme to the borrowers or borrowers themselves never tried to ask banksathis about training. 59 responses (24.89%) were for the reason that borrowers were not interested in training programme of the SEWA bank. Here source of knowledge about training and reason for not knowing training programme was found common. It can be inferred that all banksathis are not consistent about information sharing.

Borrowers with/without Training: Having known about the training programme, taking training is very important. Table 8.15 indicates that only 161 (33.26%) borrowers had taken the training at SEWA bank. 323 (66.74%) borrowers had not undergone any type of training programme. Total five types of training programmes were reported. Many borrowers had taken multiple types of training; therefore, 245 responses are reported from 161 borrowers. Majority of the responses are found for the *short term financial counselling i.e.* 77 (31.43%). Minimum number of responses are found 28 (11.43%) from the training programme of *calculation of Interest*.

Table 8.15 Borrowers with Training

No.	Responses	Frequency	Percentage
1	Yes	161	33.26
2	No	323	66.74
	Total	484	100
	➤ If Yes....Type of Training		
1	Financial Counselling (Short term training)	77	31.43
2	Business Counselling	58	23.67
3	Financial Counselling (Long term training)	52	21.22
4	Amrut Zaranu	30	12.24
5	Calculation of interest	28	11.43
	Total	245	100
	➤ If No....Reasons		
1	You are not interested	156	42.98
2	Closure of one day business is not affordable	83	22.87
3	No communication by SEWA to customers	57	15.70
4	Very inconvenient training timings	47	12.95
5	Your banksathi provide you proper knowledge	7	1.93
6	Your hand holder provide you proper knowledge	1	0.28
7	No Response	12	3.31
	Total	363	100

Source: Prepared from Responses

On inquiring about the reason for not taking any type of training at SEWA, out of 323 borrowers, responses were received from 311 borrowers, of whom few had attributed more than one reason. Six different types of reasons are recorded. Due to multiple reasons, total 351 responses are reported from 311 borrowers. Maximum 156 (42.98%) number of responses are found with the reasons that borrowers were not interested in taking training at SEWA bank. 83 (22.87%) responses are reported with the reason that closure of one day business is not affordable for the borrowers so they could go to the bank to take the training. It indicates that majority of the borrowers could not take training even if they want. SEWA bank should modify the schedule of training programme (Table 8.15).

8.1.4 Modes for Collecting Loan Instalments

Repayment mode is important from both the side *i.e.* from the borrower's side and from the bank's side. Collection of loan instalments from the borrowers' place is the responsibility of banksathi. Thus, if borrowers had to go to the bank they might not repay regularly. Loan repayment is an important task for the bank as well as borrowers.

Table 8.16 Mode of Repayment

No.	➤ Responses	Frequency	Percentage
1	Through your banksathi	409	82.13
2	Personally go to the bank	70	14.06
3	Through your hand holder	19	3.82
	Total	498	100
	➤ If go to the bank personally....Reasons		
1	Convenient to borrowers	34	47.22
2	Banksathi/hand holder is not trustworthy	14	19.44
3	Banksathi/hand holder do not come to you regularly	8	11.11
4	No response	16	22.22
	Total	72	100

Source: Prepared from Responses

Table 8.16 shows three different types of sources as found from 484 borrowers. Some of the borrowers have chosen more than one source. Accordingly, total 498 responses are recorded from 484 borrowers. Maximum number of responses *i.e.* 409 (82.13%) were reported for collecting loan instalments through banksathis. It can be said that banksathis are quite particular in their work and much active in the field. Only 70 (14.06%) responses were reported with the source to go personally to the bank and repay. Those 70 respondents were further asked to tell the reason to go to the bank personally, of whom only 54 responded for reason. Three different reasons are reported from them and some of the borrowers have shared more than one reason for going personally to the bank to repay. Thus, total 56 responses are recorded from 54

respondents. Major responses *i.e.* 34 (47.22%) are found with the reason of convenience of borrowers. Only 8 (11.11%) responses are reported with the reason that banksathi/hand holder did not go to the borrower's place regularly to collect the instalments. Banksathi should try to adjust their schedule with the convenience of borrowers.

8.1.5 Involvement in Loan Facilities

This section covered very important part of the survey. It presents the details of loans taken by the borrowers. This section helps to know about the detail of different loan products, purpose of loan, amount of loan, rate of interest of loan and detail of number of defaults out of total numbers of loans. Borrowers found with both type of loans *i.e.* unsecured and secured loan. Table 8.17 presents the detail of loan products of the SEWA bank with their meaning and/or purposes. 11 types of unsecured loans and 4 types of secured loans are observed from the respondent borrowers.

Table 8.17 Description of Loan Products of the SEWA Bank

No.	Loan Products	Description	Duration of Loan	Type of Loan
1	SN	Sanjeevani Loan (For business purpose)	3 Years (1095 days)	Unsecured
2	US	Unsecured Loan (To pay old debts)	3 Years (1095 days)	Unsecured
3	PH	Paki Bhit HUDCO Loan (Housing purpose)	5 Years (1825 days)	Unsecured
4	DLC	Daily Loan Collection	1 Year (365 days)	Unsecured
5	UA	Annapurna Loan	1 Year (365 days)	Unsecured
6	CL	Capitalization Urban Loan	1 Year (365 days)	Unsecured
7	TPL	Theli Phone Loan (to buy telephone/mobile)	1 Year (365 days)	Unsecured
8	SUC	Suryoday Cash	1 Year (365 days)	Unsecured
9	SD	Salary Deduction Loan	3 Years (1095 days)	Unsecured
10	VL	Vima Loan	3 Years (1095 days)	Unsecured
11	UR	Ujala Unsecured	1 Year (365 days)	Unsecured
12	FO	Fixed Deposit (on the basis of amount of FD)	1 Year (365 days)	Secured
13	SE	Secured Loan	1 Year (365 days)	Secured
14	ODCC/OC	Ornaments (on the basis of valuation of gold)	1 Year (365 days)	Secured
15	EM	Equitable Mortgage (to buy a new house)	1 Year (365 days)	Secured

Source: Prepared from Responses

Analysis of the responses revealed that 484 respondent borrowers were disbursed 1335 loans. Among them, 1309 loans were unsecured and 26 were secured loans. Among them, 869 loans were found paid while 466 loans were found outstanding. According to the responses of the borrowers, 460 borrowers (out of 484) have informed that they had made defaults. The higher proportion of default by the borrowers is mainly attributable to the method followed for the data collection, as the study intended to focus on the loan default and NPA.

Date wise data were gathered regarding disbursement of the loan and payment of the last instalment of the loan from the borrowers. As per the loan repayment terms of

the SEWA bank for different types of loan products (as mention in Table 8.17), the actual repayment duration for each loan was counted. From screening of each loan, 197 numbers of loans were observed to have default out of 1335. In case of 197 defaulted loans, 76 (38.58%) cases were found from paid loans while 121 (61.42%) were found from outstanding loans. 30 cases were found as multiple loans where 83.33% loans were observed for paid loans even if sanctioning of multiple loans are not allowed to the same borrower until the borrower repays the previous loan (one loan at one time). 11 (36.67%) loans were observed defaulted out of 30 multiple loans. (See table 8.18)

Table 8.18 Number of Loans with Detail Description

		Total Loans	1335	Unsecured Loans	1309	98.05%
				Secured Loans	26	1.95%
Total Loans	1335	Paid	869 (65.09%)	Unsecured Loans	845	97.24%
				Secured Loans	24	2.76%
		Outstanding	466 (34.91%)	Unsecured Loans	464	99.57%
				Secured Loans	2	0.43%
Total Loans	1335	Total Defaults	197 (14.76%)	Paid Loan	76	38.58%
				Outstanding Loan	121	61.42%
Total Loans	1335	Multiple Loans	30 (2.25%)	Paid Loan	25	83.33%
				Outstanding Loan	5	16.67%
		Multiple Loans	30	Default	11	36.67%
				No Default	19	63.33%

Source: Prepared from Responses

Amount wise Detail of Loans: As presented in Table 8.19, loan amount was found in the range of ₹1,000 to ₹2,50,000. Maximum 433 (32.43%) numbers of total loans were found in the range of ₹1,000 to ₹10,000. Among them 421 (32.16%) loans were unsecured loans and 12 (46.15%) loans were secured. Minimum 44 (3.30%) numbers of total loans were observed from the range of amount ₹51,000 and above. Among them 41 (3.13%) loans were found unsecured and only 3 loans were found secured.

Table 8.19 Amount of the Loans (Unsecured & Secured)

No.	Amount (in ₹)	Unsecured Loans	Unsecured (%)	Secured Loans	Secured (%)	Total Loans	Total Loans (%)
1	1,000-10,000	421	32.16	12	46.15	433	32.43
2	11,000-20,000	280	21.39	5	19.23	285	21.35
3	21,000-30,000	274	20.93	3	11.54	277	20.75
4	31,000-40,000	124	9.47	1	3.85	125	9.36
5	41,000-50,000	169	12.91	2	7.69	171	12.81
6	51,000 and above	41	3.13	3	11.54	44	3.3
	Total	1309	100	26	100	1335	100

Source: Prepared from Responses

Product wise Detail of Loans: Table 8.20 presents the product wise details of all 1335 loans. Looking to the unsecured loans, maximum numbers 575 (43.93%) loans were reported from *Sanjeevani Loan (SN)* with the disbursed amount of ₹14,820,000/- (47.37%). SN loans were given to the borrowers for the purpose of business by the SEWA bank. Thus, it can be said that borrowers had taken the maximum numbers of loans for productive purpose.

328 (25.06%) numbers of loans were found from the product *Unsecured Loans (US)*. SEWA bank sanctioned the US loans to the borrowers targeting the payments of borrower's old debts. Total amount disbursed was ₹8,300,200/- .

238 (18.18%) numbers of loans were recorded from the product *Paki Bhit HUDCO Loan (PH)* with the total disbursed amount of ₹6,291,000/-. PH loans are sanctioned by the SEWA bank for the housing purpose. SN, US and PH were observed as widely used loan products of the SEWA bank among borrowers of the SEWA bank as 87.17% of loans of respondents was covered by these three products.

Table 8.20 Product wise Detail of Loans

No.	Products	Frequency	%	Amount Disbursed (in ₹)	Amt. (in %)
	> Unsecured				
1	SN	575	43.93	14,820,000	47.37
2	US	328	25.06	8,300,200	26.53
3	PH	238	18.18	6,291,000	20.11
4	DLC	126	9.63	1,144,000	3.66
5	CL	13	0.99	535,000	1.71
6	UA	11	0.84	36,000	0.12
7	SUC	8	0.61	12,000	0.04
8	SD	4	0.31	120,000	0.38
9	TPL	3	0.23	15,000	0.05
10	VL	2	0.15	4,600	0.01
11	UR	1	0.08	7,000	0.02
	Total	1309	100	31,284,800	100
	> Secured				
1	FO	12	46.15	324,900	42.62
3	ODCC/OC	7	26.92	102,000	13.38
2	SE	6	23.08	85,500	11.21
4	EM	1	3.85	250,000	32.79
	Total	26	100	762,400	100
Total		1,335		32,047,200	

Source: Prepared from Responses

Looking to the secured loans, maximum 12 (46.15%) numbers of loans were found for *Fixed Deposit (FO)* followed by 7 (26.92%) loans found for ODCC. FO loan was sanctioned on the basis of the amount of their fixed deposit in the SEWA bank while ODCC loan was sanctioned on the basis of the valuation of gold.

Purpose wise Detail of Loans: 12 different types of purposes were observed for unsecured loans while 3 different purposes were observed for secured loans. Data in Table 8.21 shows that for 306 (23.38%) unsecured loans and 22 secured loans, no purpose was communicated. However, total amount disbursed to those loans were ₹6,617,800 (21.15%) and ₹4,40,700 (57.80%) respectively.

Out of remaining 76.62% of unsecured loans, 67.61% proportion was observed for the purposes of business, housing and repay debt. 574 (43.85%) loans were taken for business purpose followed by 183 (13.98%) loans taken for housing purpose and 128 (9.78%) loans taken for repayment of old debt. Loans taken for the productive/business purpose were disbursed maximum amount ₹14,192,000/-. However, looking to the secured loans, only 2 (7.69%) loans with disbursement of ₹70,000/- were taken for productive/business purpose, out of 15.38% of loans for which purpose was communicated.

Table 8.21 Purpose wise Detail of Loans

No.	Purposes	Frequency	%	Amount Disbursed (in ₹)	Amt. (in %)
	➤ Unsecured				
1	Business	574	43.85	14,192,000	45.36
2	Housing	183	13.98	4,721,000	15.09
3	Pay Debt	128	9.78	3,148,000	10.06
4	Social Expense	64	4.89	1,679,000	5.37
5	Medical Expense	25	1.91	549,000	1.75
6	Educational Expense	8	0.61	135,000	0.43
7	Grains	8	0.61	16,000	0.05
8	Household Expense	6	0.46	97,000	0.31
9	Buy Telephone	2	0.15	10,000	0.03
10	Shop Repairing	2	0.15	45,000	0.14
11	To go Abroad	2	0.15	50,000	0.16
12	Social Work	1	0.08	25,000	0.08
13	No Response	306	23.38	6,617,800	21.15
	Total	1309	100	31,284,800	100
	➤ Secured				
1	Business	2	7.69	70,000	9.18
2	Social Expense	1	3.85	1,700	0.22
3	Buy new house	1	3.85	250,000	32.79
4	No Response	22	84.62	440,700	57.80
	Total	26	100	762,400	100
Total		1,335		32,047,200	

Source: Prepared from Responses

On examining *Awareness about Rates of Interest* (Table 8.22) the borrowers responded 7 different rates. For 863 (65.93%) unsecured loans out of 1309 loans it was responded that rates are not known to them and for 22 (84.62%) secured loans out of 26 loans it was responded that the interest rates are not known to them. Thus, it was inferred that the level of awareness is very poor. Tiwari, Khandelwal, and Ramji (2008)

have also found that microfinance clients in India think about their loans in terms of how much they owe on a weekly basis but know very little about their interest rate or total interest expenses.¹

Out of remaining 34.07% (1309-863) of unsecured loans, for 291 (22.23%) loans it was responded that the rate is 1.5% p/m while for 29 (2.22%) loans it was responded that the rate is 18% p.a. According to the terms of the SEWA bank, both the rates viz. 1.5 % p.m. and 18% p.a. are correct. Hence, it can be recognized that in 24% cases (out of 34.07%) the respondents were perfectly aware about rates of interest. However, looking to 69 (5.27%) loans it was responded that no need to know the rates because they trusted the SEWA bank and whatever the rates are charged by them is correct. Looking to the 15.38% of secured loans (26-22) who responded to the rates of interest for 2 (7.69%) loans correct interest rate was responded at 1.5% p.m.

Table 8.22 Awareness of Rates of Interest

No.	Interest Rates	Frequency	Percentage
	➤ Unsecured		
1	1.5% p/m	291	22.23
2	Trust	69	5.27
3	2% p/m	35	2.67
4	18% p/a	29	2.22
5	1% p/m	14	1.07
6	1.75% p/m	4	0.31
7	3% p/m Compound	4	0.31
8	Don't know	863	65.93
	Total	1309	100
	➤ Secured		
1	1.5% p/m	2	7.69
2	13% Approx	1	3.85
3	1% p/m	1	3.85
4	Don't know	22	84.62
	Total	26	100
Total		1335	

Source: Prepared from Responses

8.1.6 Reasons of Defaults in Loan Repayment

This section presents very important information for the purpose of the study. Borrowers were asked whether they had made any default in loan repayment or not. According to the Table 8.23, 460 (95.04%) borrowers had made defaults while only 24 (4.96%) borrowers found without making any default. Borrowers were asked to share the reasons for making defaults and borrowers without any defaults were asked to inform how they manage to repay. Total 23 different reasons were reported from defaulted borrowers and total 8 different reasons were reported from regular borrowers. As majority of borrowers assigned more than one reason for default in loan repayment, 1418

responses were received from 460 defaulted borrowers while total 89 responses were received from 24 regular borrowers. Thus, defaulted borrowers are more.

Table 8.23 Borrowers with Reasons of Defaults

No.	➤ Responses	Frequency	Percentage
1	Yes	460	95.04
2	No	24	4.96
	Total	484	100
	➤ If Yes.... Reasons		
1	High fluctuation in income	216	15.23
2	Illness	188	13.26
3	Sudden expenses	165	11.64
4	Borrow money from non-bankers with high interest rate	141	9.94
5	Expenses in excess of income	114	8.04
6	Social expenses	92	6.49
7	Heavy debt	73	5.15
8	Son/Husband is not earning	69	4.87
9	Loss of business	54	3.81
10	Paying another loan other than from SEWA	51	3.60
11	Loss of job	50	3.53
12	Death of family member(s)	48	3.39
13	Loss in business	48	3.39
14	Educational expenses	41	2.89
15	Not satisfied with bank & its services	21	1.48
16	Expenses of children	10	0.71
17	Bought a new house	9	0.63
18	Out of town for some days	7	0.49
19	Loan had been given to other person to use	7	0.49
20	Loan had been given to other in the family	6	0.42
21	Unwillingness to repay	5	0.35
22	Gave away loan to another person	2	0.14
23	Father is not earning	1	0.07
	Total	1418	100
	➤ If No.... Reasons		
1	Regular saving	21	23.60
2	Regular income	18	20.22
3	Economize their spending	16	17.98
4	All family members are earning	14	15.73
5	Pay loan instalment first from salary	11	12.36
6	Regularity of banksathi in collection of cash	4	4.49
7	Member of all saving schemes of SEWA	3	3.37
8	Proper knowledge is being provided by banksathi/hand holder	2	2.25
	Total	89	100

Source: Prepared from Responses

By analyzing the views from defaulted borrowers (Table 8.23), it can be noted that major reason for defaulting the loan was high fluctuation in income of the borrowers, as the highest number (216 – 15.23%) of responses are observed for this reason. 188 (13.26%) responses are attributed to the reason illness among the borrowers. 165 (11.64%) responses were found with the reason of unexpected (sudden) expenses.

141 (9.94%) responses were attributed to the reason that they had borrowed money from non-bankers with high interest rate. Thus, to repay the loans with high interest rate first, borrowers had made default in the loan of the SEWA bank. 92 (6.49%) responses were observed for the reason social expenses. 73 (5.15%) responses are for default due to heavy debt. They could not repay SEWA bank's loan as they were already suffering from the condition of heavy debt. Hence, by covering 69.75% of the total proportion, following reasons can be considered as major reasons of defaults viz. high fluctuation in income, illness, unexpected (sudden) expenses, borrowed from non-bankers, expenses in excess of income, social expenses and heavy debt. Reddy K² also pointed out that because of unexpected incidences such as illness, accident and death of member or earning members in the households, the SHG members made defaults.

Regular borrowers had also shared their ideas how they managed to repay on time regularly. 21 (23.60%) responded that on account of regular saving they could repay. 18 (20.22%) responses were found with the reason of regular income of the borrowers. Borrowers had believed in economizing their spending. Thus, 16 (17.98%) responses were attributed to this reason. 14 (15.73%) responses were reported with the reason that all family members were earning. Therefore, borrowers could repay easily. 11 (12.36%) responses were attributed to priority of payment of loan instalment from the salary to avoid any default. Above six reasons emerged as very important reasons explaining 89.89% of reasons for regularity in repayment of loan.

8.1.7 Frequency of borrowing and Loan Category

One of the important purposes of the study is to find out the causes of defaults made by the borrowers. For that purpose, various factors are indentified. To begin with 484 respondent borrowers are grouped by their frequency of borrowings (unsecured loan and secured loan both). Thus, the data regarding one time borrowers to ten time borrowers are classified.

Looking to the response data, for unsecured loans, the information for 8th time borrowers were not found while for secured loans, the information for 4, 5, 7, 8, and 9th time borrowers were not observed. Numbers of defaults are counted for each loan. Accordingly, borrowers with total number of unsecured and secured loan with total number of defaults are derived.

Table 8.24 Category wise Total Borrowers with Total Number of Loans and Defaults

➤ Unsecured Loans								
Frequency of Borrowings by Borrowers		NPA Categories						Total
		Standard A	Standard B	Sub Standard	Doubtful 1	Doubtful 2	Doubtful 3	
0 time	TB	1	0	0	0	0	0	1
	TL	0	0	0	0	0	0	0
	DFL	0	0	0	0	0	0	0
	%	0	0	0	0	0	0	0
1 time	TB	0	12	21	26	28	19	106
	TL	0	12	21	26	28	19	106
	DFL	0	0	6	9	11	7	33
	%	0	0	28.57	34.62	39.29	36.84	31.13
2 time	TB	2	20	29	37	38	20	146
	TL	4	40	58	74	76	40	292
	DFL	0	5	7	9	20	12	53
	%	0	12.50	12.07	12.16	26.32	30.00	18.15
3 time	TB	8	13	31	31	25	5	113
	TL	24	39	93	93	75	15	339
	DFL	1	2	5	16	16	4	44
	%	4.17	5.13	5.38	17.2	21.33	26.67	12.98
4 time	TB	5	7	19	14	10	5	60
	TL	20	28	76	56	40	20	240
	DFL	3	1	11	8	10	3	36
	%	15.00	3.57	14.47	14.29	25.00	15.00	15.00
5 time	TB	3	6	13	6	4	0	32
	TL	15	30	65	30	20	0	160
	DFL	0	0	3	3	3	0	9
	%	0	0	4.62	10.00	15.00	0	5.63
6 time	TB	4	5	6	1	1	0	17
	TL	24	30	36	6	6	0	102
	DFL	0	2	3	0	0	0	5
	%	0	6.67	8.33	0	0	0	4.90
7 time	TB	0	2	2	2	0	0	6
	TL	0	14	14	14	0	0	42
	DFL	0	0	0	1	0	0	1
	%	0	0	0	7.14	0	0	2.38
8 time	TB	NIL						
	TL							
	DFL							
	%							
9 time	TB	0	0	2	0	0	0	2
	TL	0	0	18	0	0	0	18
	DFL	0	0	2	0	0	0	2
	%	0	0	11.11	0	0	0	11.11
10 time	TB	1	0	0	0	0	0	1
	TL	10	0	0	0	0	0	10
	DFL	1	0	0	0	0	0	1
	%	10.00	0	0	0	0	0	10
Total	TB	24	65	123	117	106	49	484
	TL	97	193	381	299	245	94	1309
	DFL	5	10	37	46	60	26	184
	%	5.15	5.18	9.71	15.38	24.49	27.66	14.06

Table 8.24 Contd.

➤ Secured Loans								
Frequency of Borrowings by Borrowers		NPA Categories						Total
		Standard A	Standard B	Sub Standard	Doubtful 1	Doubtful 2	Doubtful 3	
0 time	TB	21	63	120	115	105	46	470
	TL	0	0	0	0	0	0	0
	DFL	0	0	0	0	0	0	0
	%	0	0	0	0	0	0	0
1 time	TB	2	1	2	2	0	1	8
	TL	2	1	2	2	0	1	8
	DFL	0	0	2	2	0	0	4
	%	0	0	100.00	100.00	0	0	50.00
2 time	TB	0	1	1	0	1	0	3
	TL	0	2	2	0	2	0	6
	DFL	0	1	0	0	1	0	2
	%	0	50.00	0	0	50.00	0	33.33
3 time	TB	1	0	0	0	0	1	2
	TL	3	0	0	0	0	3	6
	DFL	0	0	0	0	0	2	2
	%	0	0	0	0	0	66.67	33.33
4 & 5 time	TB	NIL						
	TL							
	DFL							
	%							
6 time	TB	0	0	0	0	0	1	1
	TL	0	0	0	0	0	6	6
	DFL	0	0	0	0	0	5	5
	%	0	0	0	0	0	83.33	83.33
7,8,9 & 10 time	TB	NIL						
	TL							
	DFL							
	%							
Total	TB	24	65	123	117	106	49	484
	TL	5	3	4	2	2	10	26
	DFL	0	1	2	2	1	7	13
	%	0	33.33	50.00	100.00	50.00	70.00	50.00

Source: Prepared from Responses

Table 8.24 shows the category wise detail of all 484 borrowers with 1335 loans and number of defaults for each type of loan. Out of 1309 unsecured loans, 184 loans were observed with default. 26 secured loans are found with 13 (50%) numbers of default. It can be seen that proportion of default is higher in case of secured loans in comparison to unsecured loans.

In case of unsecured loans, 381 loans (out of total 1309) were found for sub standard category with 37 (9.71%) number of defaults. Naturally, maximum proportion of defaults was observed at 28% for doubtful 3 category *i.e.* 26 defaults out of 94 loans. However, among doubtful 3 category, major proportion of defaults was found at 37% (7 defaults out of 19 loans) for 1-time borrowers. Standard A category observed at 5.15%

(5 defaults out of 97 loans) defaults. Among them, 15% (3 defaults out of 20 loans) defaults were observed for 5-time borrowers.

In case of unsecured loans, looking to the frequency of borrowings, major proportion (31.13%) of defaults was observed for 1st time borrowers followed by 18.15% (2 time borrowers) and 15% (4 time borrowers). Minimum proportion of defaults was observed at 2% for 7th time borrowers. The table indicates that borrowers made more defaults in the initial stage of borrowings. As the frequency of borrowings increased the number of defaults decreased.

In case of secured loans, 10 loans (out of total 26) were found for doubtful 3 category with 70% (7 defaults out of 10 loans) of defaults. 100% (2 defaults out of 2 loans) of defaults was observed for doubtful 1 category. Minimum proportion was observed at 0% (0 defaults out of 5 loans) defaults for standard A category.

In case of secured loans, looking to the frequency of borrowings, maximum proportion *i.e.* 83% of defaults were observed for 6th time borrowers (category doubtful 3) *i.e.* 5 defaults out of 6 loans followed by 50% defaults for 1st time borrowers. Among 1st time borrowers, sub standard and doubtful 1 categories was observed for 100% defaults. Minimum number of defaults observed at 33% for 2 time and 3 time borrowers each.

8.2 Factors Affecting to Loan Default

As one of the important aspects of the study is to identify and understand the reasons for loan defaults, the factors are divided mainly into 4 groups *viz.* socio-demographic factors, economic factors, loan related factors, and financial literacy.³ After that taking various factors, an attempt is made to examine the status of default with reference to various factors and the frequency of borrowing. Following para presents discussion on the same.

8.2.1 Socio-Demographic Factors

This group deals with the following factors of the borrowers such as age, religion, caste, marital status, education level, gender and decision making and borrowers' household situation. An attempt is made to classify the social factors and frequency of borrowings and loan defaults.

A. Age of the Borrowers: According to the Table 8.1, 10 borrowers were found from the age group of 61-80. Maximum (28.57%) share of DFL for UL was observed for the age group of 61-80 where 37.5% DFL was found from 2nd time borrowers. 25% DFL was observed for the group of 81-100 from 4th time borrowers. It can be seen that

Table 8.25 Age of the Borrowers and Defaults

Frequency of Borrowings by Borrowers	Age Group																	
	0-20			21-40			41-60			61-80			81-100			Total		
	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%
1 time	UL	2	2	100.00	69	25	36.23	33	4	12.12	2	2	0	0	0	106	33	31.13
	SL	0	0	0	4	2	50.00	4	2	50.00	0	0	0	0	0	8	4	50.00
2 time	UL	8	0	0	168	25	14.88	108	25	23.15	8	3	37.50	0	0	292	53	18.15
	SL	0	0	0	2	0	0	4	2	50.00	0	0	0	0	0	6	2	33.33
3 time	UL	3	1	33.33	198	21	10.61	138	22	15.94	0	0	0	0	0	339	44	12.98
	SL	0	0	0	6	2	33.33	0	0	0	0	0	0	0	0	6	2	33.33
4 time	UL	0	0	0	124	19	15.32	100	13	13.00	12	3	25.00	4	1	240	36	15.00
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5 time	UL	0	0	0	50	2	4.00	110	7	6.36	0	0	0	0	0	160	9	5.63
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6 time	UL	0	0	0	54	2	3.70	42	3	7.14	6	0	0	0	0	102	5	4.90
	SL	0	0	0	6	5	83.33	0	0	0	0	0	0	0	0	6	5	83.33
7 time	UL	7	0	0	28	1	3.57	7	0	0	0	0	0	0	42	1	2.38	
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8 time	UL																	
	SL																	
9 time	UL	0	0	0	0	0	0	18	2	11.11	0	0	0	0	0	18	2	11.11
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10 time	UL	0	0	0	10	1	10.00	0	0	0	0	0	0	0	10	1	10.00	
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	UL	20	3	15.00	701	96	13.69	556	76	13.67	28	8	28.57	4	1	1309	184	14.06
	SL	0	0	0	18	9	50.00	8	4	50.00	0	0	0	0	26	13	50.00	

Source: Prepared from Responses

borrowers above the age of 60 made more number of defaults. Looking to the age group of 21-40 and 41-60, share of DFL of UL and SL both was observed almost same *i.e.* 13.67% (13.69%) and 50% respectively. However, highest TL was found 701 (UL) and 18 (SL) for the age group of 21-40 where total number of borrowers were 275 (Table 8.1). For the age group of 21-40, maximum 36.23% of DFL (UL) was found from 1st time borrower while for the age group of 41-60, maximum 23.15% of DFL (UL) was found from 2nd time borrowers. It can be inferred that borrowers with the age below 60 took more numbers of loans and made less numbers of defaults on the other hand they made highest number of defaults in initial stages of loans.

B. Religion of the Borrowers: Maximum numbers of borrowers, 368 (out of 484), were observed for Hindu religion. Accordingly, highest 975 ULs and 18 SLs were taken by the 368 Hindu borrowers. 14.46% of DFL (UL) and 55.56% of DFL (SL) were also observed from Hindu borrowers where 32.56% DFL (UL) was found from 1st time borrowers. Muslim borrowers (115 out of 484) were found at 12.95% of DFL (UL) where 25% of DFL was found from 1st time borrowers. Highest proportion of defaults was observed from initial stage of loan taken by the borrowers. (See table 8.26)

Table 8.26 Religion of Borrowers and Defaults

Frequency of Borrowings by Borrowers		Religion											
		Hindu			Muslim			Jain			Total		
		TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%
1 time	UL	86	28	32.56	20	5	25.00	0	0	0	106	33	31.13
	SL	5	2	40.00	3	2	66.67	0	0	0	8	4	50.00
2 time	UL	222	42	18.92	68	11	16.18	2	0	0	292	53	18.15
	SL	4	1	25.00	2	1	50.00	0	0	0	6	2	33.33
3 time	UL	249	35	14.06	90	9	10.00	0	0	0	339	44	12.98
	SL	3	2	66.67	3	0	0	0	0	0	6	2	33.33
4 time	UL	180	25	13.89	60	11	18.33	0	0	0	240	36	15.00
	SL	0	0	0	0	0	0	0	0	0	0	0	0
5 time	UL	115	6	5.22	45	3	6.67	0	0	0	160	9	5.63
	SL	0	0	0	0	0	0	0	0	0	0	0	0
6 time	UL	84	3	3.57	18	2	11.11	0	0	0	102	5	4.90
	SL	6	5	83.33	0	0	0	0	0	0	6	5	83.33
7 time	UL	21	0	0	21	1	4.76	0	0	0	42	1	2.38
	SL	0	0	0	0	0	0	0	0	0	0	0	0
8 time	UL	NIL											
	SL												
9 time	UL	18	2	11.11	0	0	0	0	0	0	18	2	11.11
	SL	0	0	0	0	0	0	0	0	0	0	0	0
10 time	UL	0	0	0	10	1	10.00	0	0	0	10	1	10.00
	SL	0	0	0	0	0	0	0	0	0	0	0	0
Total	UL	975	141	14.46	332	43	12.95	2	0	0	1309	184	14.06
	SL	18	10	55.56	8	3	37.50	0	0	0	26	13	50.00

Source: Prepared from Responses

C. Caste of the Borrowers: Table 8.27 shows that highest number of defaults was observed for other caste. Total 8 borrowers (out of 484) were found with 21 ULs where DFLs are observed 5 (23.81%). Among them 66.67% of DFL was observed from 1st time borrowers. 14.74% of UL defaults were observed for borrowers who do not know their caste. Total 236 (out of 484) borrowers were found with 624 ULs and 13 SLs, where 26% of defaults of ULs were found from 1st time borrowers. Looking to the SLs, out of total 61.54% of defaults, 83% DFLs were found from 6th time borrowers.

D. Marital Status of the Borrowers: Table 8.28 reveals that maximum share (21.82%) of UL defaults was observed for widow borrowers. Total 39 (out of 484) widow borrowers were found with 110 ULs and 2 SLs. Among them 37.50% UL defaults was found from 1st time borrowers while 50% of SL defaults was found from 2nd time borrowers. Out of 484 respondent borrowers, 90% (436) borrowers were married. Therefore, naturally highest 1170 ULs and 24 SLs were observed for married borrowers. However, 13.42% of UL defaults and 50% of SL defaults were found from married borrowers. Among them 30.93% of UL defaults was found from 1st time borrowers while 83.33% SL defaults was found from 6th time borrowers.

E. Education Level of the Borrowers: Reference to the Table 8.5, indicates that out of 484 borrowers 161 (33.26%) and 168 (34.71%) belong to category of uneducated and primary education. However, Table 8.29 reveals that, highest 18.34% (73) of UL defaults were made by the uneducated borrowers where total 398 ULs were observed. Among them 32.61% of UL defaults was found from 1st time borrowers. Primary educated borrowers were observed with highest number of ULs (467) and SLs (8) where UL defaults was observed at 14.13% (33% were 1st time borrowers) and SL defaults was observed at 87.50% (83% were 6th time borrowers). It can be inferred that borrowers with low level of education made more number of defaults.

F. Gender and Decision Making: Decision making power of women borrowers regarding three financial situations had been checked in the survey. First situation was decision to take the loan, Second situation was decision to use the loan and third situation was decision to use the profit. Following lines discusses the same.

Decision to Take the Loan: From the Table 8.8 it can be observed that out of 484 borrowers 199 (41.12%) borrowers were observed self-decision makers. According to the Table 8.30, naturally, highest 561 ULs and 14 SLs were observed for self decision makers with 16.04% UL defaults and 71.43% SL defaults. Looking to the UL defaults, 31.25% defaults was found from 1st time borrowers while 83.33% SL defaults was found from 6th time borrowers. Only 32 (out of 484) borrowers were observed with 76 ULs

Table 8.27 Caste of the Borrowers and Defaults

Frequency of Borrowings by Borrowers	Caste																			
	General						SC/ST			OBC			Other			Don't Know			Total	
	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%	DFL	%
1 time	UL	13	3	23.08	13	5	38.46	27	10	37.04	3	2	66.67	50	13	26.00	106	33	31.13	
	SL	0	0	0	2	1	50.00	3	1	33.33	0	0	0	3	2	66.67	8	4	50.00	
2 time	UL	32	6	18.75	36	7	19.44	64	15	23.44	4	0	0	156	25	16.03	292	53	18.15	
	SL	0	0	0	0	0	0	0	0	0	2	1	50.00	4	1	25.00	6	2	33.33	
3 time	UL	30	3	10.00	51	5	9.80	87	10	11.49	3	1	33.33	168	25	14.88	339	44	12.98	
	SL	3	0	0	0	0	0	3	2	66.67	0	0	0	0	0	0.00	6	2	33.33	
4 time	UL	16	3	18.75	36	4	11.11	80	10	12.50	0	0	0	108	19	17.59	240	36	15.00	
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
5 time	UL	20	0	0	25	1	4.00	40	3	7.50	5	0	0	70	5	7.14	160	9	5.63	
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
6 time	UL	6	0	0	30	0	0	18	0	0	6	2	33.33	42	3	7.14	102	5	4.90	
	SL	0	0	0	0	0	0	0	0	0	0	0	0	6	5	83.33	6	5	83.33	
7 time	UL	0	0	0	7	0	0	14	0	0	0	0	0	21	1	4.76	42	1	2.38	
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
8 time	UL																			
	SL																			
9 time	UL	0	0	0	0	0	0	9	1	11.11	0	0	0	9	1	11.11	18	2	11.11	
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
10 time	UL	10	1	10.00	0	0	0	0	0	0	0	0	0	0	0	0	10	1	10.00	
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total	UL	127	16	12.60	198	22	11.11	339	49	14.45	21	5	23.81	624	92	14.74	1309	184	14.06	
	SL	3	0	0	2	1	50.00	6	3	50.00	2	1	50.00	13	8	61.54	26	13	50.00	

Source: Prepared from Responses

Table 8.28 Marital status of the Borrowers and Defaults

Frequency of Borrowings by Borrowers	Marital Status																					
	Unmarried			Married			Divorced			Deserted			Widowed			Total						
	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%				
1 time	UL	0	0	0	97	30	30.93	0	0	0	0	0	0	0	0	8	3	37.50	106	33	31.13	
	SL	0	0	0	8	4	50.00	0	0	0	0	0	0	0	0	0	0	0	8	4	50.00	
2 time	UL	2	1	50.00	266	46	17.29	2	0	0	2	1	50.00	20	5	25.00	292	53	18.15	53	18.15	
	SL	0	0	0	4	1	25.00	0	0	0	0	0	0	0	2	1	50.00	6	2	33.33	2	33.33
3 time	UL	3	0	0	312	39	12.50	0	0	0	0	0	0	0	0	24	5	20.83	339	44	12.98	
	SL	0	0	0	6	2	33.33	0	0	0	0	0	0	0	0	0	0	0	6	2	33.33	
4 time	UL	8	1	12.50	200	28	14.00	0	0	0	0	0	0	0	0	32	7	21.88	240	36	15.00	
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
5 time	UL	0	0	0	135	5	3.70	0	0	0	5	0	0	0	0	20	4	20.00	160	9	5.63	
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
6 time	UL	6	0	0	90	5	5.56	0	0	0	0	0	0	0	0	6	0	0	102	5	4.90	
	SL	0	0	0	6	5	83.33	0	0	0	0	0	0	0	0	0	0	0	6	5	83.33	
7 time	UL	0	0	0	42	1	2.38	0	0	0	0	0	0	0	0	0	0	0	42	1	2.38	
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
8 time	UL	NIL																				
	SL	NIL																				
9 time	UL	0	0	0	18	2	11.11	0	0	0	0	0	0	0	0	0	0	0	18	2	11.11	
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
10 time	UL	0	0	0	10	1	10.00	0	0	0	0	0	0	0	0	0	0	0	10	1	10.00	
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total	UL	19	2	10.53	1170	157	13.42	2	0	0	8	1	12.50	110	24	21.82	1309	184	14.06	184	14.06	
	SL	0	0	0	24	12	50.00	0	0	0	0	0	0	2	1	50.00	26	13	50.00	26	13	

Source: Prepared from Responses

Table 8.29 Education Level of Borrowers and Defaults

Frequency of Borrowings by Borrowers	Educational Attainment																				
	Uneducated			Primary			Secondary			H. Secondary			Graduate			Post Graduate			Total		
	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%
1 time	UL	46	15	32.61	30	10	33.33	25	7	28.00	4	1	25.00	0	0	0	0	0	106	33	31.13
	SL	2	1	50.00	2	2	100.00	4	1	25.00	0	0	0	0	0	0	0	0	8	4	50.00
2 time	UL	94	21	22.34	106	20	18.87	74	11	14.86	4	0	0	12	1	8.33	2	0	292	53	18.15
	SL	4	1	25.00	0	0	0	2	1	50.00	0	0	0	0	0	0	0	0	6	2	33.33
3 time	UL	105	19	18.10	120	15	12.50	93	7	7.53	15	2	13.33	3	1	33.33	3	0	339	44	12.98
	SL	0	0	0	0	0	0	6	2	33.33	0	0	0	0	0	0	0	0	6	2	33.33
4 time	UL	76	11	14.47	104	15	14.42	52	10	19.23	4	0	0	4	0	0	0	0	240	36	15.00
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5 time	UL	30	2	6.67	55	4	7.27	55	2	3.64	15	1	6.67	5	0	0	0	0	160	9	5.63
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6 time	UL	24	3	12.50	36	1	2.78	30	1	3.33	12	0	0	0	0	0	0	0	102	5	4.90
	SL	0	0	0	6	5	83.33	0	0	0	0	0	0	0	0	0	0	0	6	5	83.33
7 time	UL	14	1	7.14	7	0	0	7	0	0	14	0	0	0	0	0	0	0	42	1	2.38
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8 time	UL	NIL																			
	SL	NIL																			
9 time	UL	9	1	11.11	9	1	11.11	0	0	0	0	0	0	0	0	0	0	0	18	2	11.11
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10 time	UL	0	0	0	0	0	0	10	1	10.00	0	0	0	0	0	0	0	0	10	1	10.00
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	UL	398	73	18.34	467	66	14.13	346	39	11.27	68	4	5.88	24	2	8.33	6	0	1309	184	14.06
	SL	6	2	33.33	8	7	87.50	12	4	33.33	0	0	0	0	0	0	0	0	26	13	50.00

Source: Prepared from Responses

and 12 SLs from the category of decision makers consulting other than self and/or spouse. However, 15.79% (27% were 2nd time borrowers) of UL defaults and 66.67% (3rd time borrowers) SL defaults were observed for the same category of borrowers. Looking to the situation where the decision is taken by spouse only total UL defaults was noticed at 14.41% (26.09% were 1st time borrowers) while situation where decision was taken by consulting the spouse the UL defaults was noticed decreased at 11.06% (42.86% were 1st time borrowers).

The data indicates that if decision was taken by borrowers themselves only, the numbers of defaults are high but if borrowers made decision by consulting their spouse the number of defaults decreased as borrower's spouse also felt equal responsibility to repay the loan (See Table 8.30).

Table 8.30 Decision to Take the Loan and Defaults

Frequency of Borrowings by Borrowers	Person Making Decision to Take the Loan															
	Self			Spouse			Self & Spouse			Other than Self &/or Spouse			Total			
	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%	
1 time	UL	48	15	31.25	23	6	26.09	28	12	42.86	7	0	0	106	33	31.13
	SL	4	3	75.00	3	1	33.33	1	0	0	0	0	0	8	4	50.00
2 time	UL	98	23	23.47	62	14	22.58	110	10	9.09	22	6	27.27	292	53	18.15
	SL	4	2	50.00	0	0	0	2	0	0	0	0	0	6	2	33.33
3 time	UL	138	22	15.94	60	5	8.33	114	13	11.40	27	4	14.81	339	44	12.98
	SL	0	0	0	0	0	0	3	0	0	3	2	66.67	6	2	0
4 time	UL	100	18	18.00	36	5	13.89	84	11	13.10	20	2	10.00	240	36	15.00
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5 time	UL	85	6	7.06	15	2	13.33	60	1	1.67	0	0	0	160	9	5.63
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6 time	UL	60	4	6.67	12	1	8.33	30	0	0	0	0	0	102	5	4.90
	SL	6	5	83.33	0	0	0	0	0	0	0	0	0	6	5	83.33
7 time	UL	14	0	0	21	0	0	7	1	14.29	0	0	0	42	1	2.38
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8 time	UL	NIL														
	SL	NIL														
9 time	UL	18	2	11.11	0	0	0	0	0	0	0	0	0	18	2	11.11
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10 time	UL	0	0	0	0	0	0	10	1	0	0	0	0	10	1	0
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	UL	561	90	16.04	229	33	14.41	443	49	11.06	76	12	15.79	1309	184	14.06
	SL	14	10	71.43	3	1	33.33	6	0	0	3	2	66.67	26	13	50.00

Source: Prepared from Responses

Decision to Use the Loan: Decision to take the loan is not only important but decision to use the loan is equally important. Where to invest the loan amount is very important as that affects the level of defaults. If the amount of loan is not used properly, it will not give proper return to the borrower and borrower will make default. Here Table 8.31 shows the similar results as per the previous Table (8.30). With reference to the Table 8.9, out of 484 borrowers highest 184 (38.02%) borrowers were observed self-decision makers. Table 8.31 reveals unsurprisingly that highest 523 ULs and 14 SLs

were observed for self decision makers with 16.44% UL defaults and 71.43% SL defaults. Looking to the UL defaults, 30.95% defaults was found from 1st time borrowers while 83.33% SL defaults was found from 6th time borrowers. Only 31 (out of 484) borrowers were observed with 75 ULs and 3 SLs from the category of decision makers consulting other than self and/or spouse. However, 16% (27% were 2nd time borrowers) of UL defaults and 66.67% (3rd time borrowers) SL defaults were observed for the same category of borrowers. Looking to the situation where the decision is taken by spouse only total UL defaults was noticed at 15.02% (30% were 1st time borrowers) while in situation where decision was taken by consulting the spouse the UL defaults was noticed decreased at 10.48% (39.29% were 1st time borrowers).

Table 8.31 Decision to Use the Loan and Defaults

Frequency of Borrowings by Borrowers		Person Making Decision to Use the Loan														
		Self			Spouse			Self & Spouse			Other than Self &/or Spouse			Total		
		TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%
1 time	UL	42	13	30.95	30	9	30.00	28	11	39.29	6	0	0	106	33	31.13
	SL	4	3	75.00	2	1	50.00	2	0	0	0	0	0	8	4	50.00
2 time	UL	92	21	22.83	70	14	20.00	108	12	11.11	22	6	27.27	292	53	18.15
	SL	4	2	50.00	0	0	0	2	0	0.00	0	0	0	6	2	33.33
3 time	UL	132	23	17.42	69	6	8.70	111	11	9.91	27	4	14.81	339	44	12.98
	SL	0	0	0	0	0	0	3	0	0	3	2	66.67	6	2	33.33
4 time	UL	96	18	18.75	36	6	16.67	88	10	11.36	20	2	10.00	240	36	15.00
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5 time	UL	75	6	8.00	15	2	13.33	70	1	1.43	0	0	0	160	9	5.63
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00
6 time	UL	54	3	5.56	12	1	8.33	36	1	2.78	0	0	0	102	5	4.90
	SL	6	5	83.33	0	0	0	0	0	0	0	0	0	6	5	83.33
7 time	UL	14	0	0	21	0	0	7	1	14.29	0	0	0	42	1	2.38
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8 time	UL	NIL														
	SL	NIL														
9 time	UL	18	2	11.11	0	0	0	0	0	0	0	0	0	18	2	11.11
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10 time	UL	0	0	0	0	0	0	10	1	10.00	0	0	0	10	1	10.00
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	UL	523	86	16.44	253	38	15.02	458	48	10.48	75	12	16.00	1309	184	14.06
	SL	14	10	71.43	2	1	50.00	7	0	0	3	2	66.67	26	13	50.00

Source: Prepared from Responses

Decision to Use the Profit: Borrowers were asked to share their views about decision maker for the application of profit (of the business for which loan is taken). Borrowers can pay their loan instalments from the amount of profit. Thus, use of profit can also affects the level of defaults. Table 8.10 indicates that 28 decision makers consult other than spouse. However, according to the Table 8.32, those borrowers were found with 74 ULs and 7 SLs having 16.22% (27% were 2nd time borrowers) UL defaults. Maximum 604 (from 216 borrowers) ULs and 17 SLs were observed from self decision makers with 15.40% UL defaults and 70.59% SL defaults. Among them 26.53% UL

defaults were found from 1st time borrowers while 83.33% SL defaults were found from 6th time borrowers.

Looking to the situation where decision was taken by spouse alone the UL defaults were found at 13.38% followed by 11.88% (decision was taken by consulting the spouse). Results from the Tables 8.30, 8.31 and 8.32 reveal that consulting spouse increases the chances of better repayment and reduces the chances of default. Thus, it can be recommended that borrower should not act upon, the decision taken by third party, *i.e.* other than self and/or spouse.

Table 8.32 Decision to Use Profit and Defaults

Frequency of Borrowings by Borrowers		Person Making Decision to Use the Loan														
		Self			Spouse			Self & Spouse			Other than Self &/or Spouse			Total		
		TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%
1 time	UL	49	13	26.53	29	9	31.03	25	11	44.00	3	0	0	106	33	31.13
	SL	4	3	75.00	2	1	50.00	0	0	0	2	0	0	8	4	50.00
2 time	UL	120	24	20.00	76	14	18.42	74	9	12.16	22	6	27.27	292	53	18.15
	SL	4	2	50.00	0	0	0	0	0	0	2	0	0	6	2	33.33
3 time	UL	144	25	17.36	81	5	6.17	90	11	12.22	24	3	12.50	339	44	12.98
	SL	3	2	66.67	0	0	0	0	0	0	3	0	0	6	2	33.33
4 time	UL	104	20	19.23	40	6	15.00	76	8	10.53	20	2	10.00	240	36	15.00
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5 time	UL	95	6	6.32	10	1	10.00	50	1	2.00	5	1	20.00	160	9	5.63
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6 time	UL	60	3	5.00	12	1	8.33	30	1	3.33	0	0	0	102	5	4.90
	SL	6	5	83.33	0	0	0	0	0	0	0	0	0	6	5	83.33
7 time	UL	14	0	0	21	0	0	7	1	14.29	0	0	0	42	1	2.38
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8 time	UL	NIL														
	SL															
9 time	UL	18	2	11.11	0	0	0	0	0	0	0	0	0	18	2	11.11
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00
10 time	UL	0	0	0	0	0	0	10	1	10.00	0	0	0	10	1	10.00
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	UL	604	93	15.40	269	36	13.38	362	43	11.88	74	12	16.22	1309	184	14.06
	SL	17	12	70.59	2	1	50.00	0	0	0	7	0	0	26	13	50.00

Source: Prepared from Responses

G. Borrower's Family and Earning Members: Borrower's family and earning members play a vital role to understand the repayment capacity of the borrower. More number of earning members in the borrower's family can reduce the risk of defaults. To understand the same, borrower's total family members (TFM) and total earning members in the family (TEM) are identified and 50 groups of (TFM, TEM) emerged as total family members and earning members with number of defaults in each group (Table 8.7). Table 8.33 shows that in case of ULs, 100% default (2 defaults out of 2 loans) was observed for the group (14,1) followed by the group (14,5) with 50% default (1 default out of 2 loans). The group (8,2) was observed at 36.36% default (4 defaults out of 11 loans) followed by the groups (9,5) and (8,5) with default at 33.33%.

Table 8.33 Earning Family Members and Defaults

No.	TFM,TEM	Earnings in %	1 time		2 time		3 time		4 time		5 time		6 time		7 time		8 time		9 time		10 time		Total			
			UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL
1	1,0	0	TL	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	
			DFL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2	1,1	100	TL	1	0	0	0	3	0	0	0	5	0	0	0	0	0	0	0	0	0	0	0	9	0	
			DFL	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	2	0	
			%	0	0	0	0	0	0	0	0	40	0	0	0	0	0	0	0	0	0	0	0	22.22	0	
3	2,1	50	TL	3	0	4	2	3	0	24	0	0	0	0	0	0	0	0	0	0	0	0	34	2		
			DFL	1	0	0	1	1	0	5	0	0	0	0	0	0	0	0	0	0	0	0	7	1		
			%	33	0	0	50	33	0	21	0	0	0	0	0	0	0	0	0	0	0	0	20.59	50.00		
4	2,2	100	TL	1	0	2	0	0	0	4	0	0	0	0	0	0	0	0	0	0	0	0	7	0		
			DFL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
			%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
5	3,1	33.33	TL	3	0	18	0	12	0	12	0	10	0	0	0	0	0	0	0	0	0	0	55	0		
			DFL	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0		
			%	0	0	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1.82	0		
6	3,2	66.67	TL	3	1	18	0	15	0	0	0	10	0	0	0	0	0	0	0	0	0	0	62	1		
			DFL	1	1	6	0	2	0	0	0	1	0	0	0	0	0	0	0	0	0	0	11	1		
			%	33	100	33	0	13	0	0	0	10	0	0	0	0	0	0	0	0	0	0	17.74	100.00		
7	3,3	100	TL	0	0	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4	0		
			DFL	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0		
			%	0	0	25	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25.00	0		
8	4,1	25	TL	6	0	16	0	21	0	8	0	0	0	0	0	0	0	0	0	0	0	0	58	0		
			DFL	1	0	2	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	4	0		
			%	17	0	13	0	0	0	13	0	0	0	0	0	0	0	0	0	0	0	0	6.90	0		
9	4,2	50	TL	9	1	42	0	45	0	24	0	35	0	24	0	7	0	0	0	0	0	0	186	1		
			DFL	4	0	2	0	2	0	4	0	2	0	1	0	1	0	0	0	0	0	0	16	0		
			%	44	0	5	0	4	0	17	0	6	0	4	0	14	0	0	0	0	0	0	8.60	0		
10	4,3	75	TL	2	0	10	0	9	0	4	0	5	0	0	0	0	0	0	0	0	0	0	30	0		
			DFL	0	0	4	0	1	0	1	0	1	0	0	0	0	0	0	0	0	0	0	7	0		
			%	0	0	40	0	11	0	25	0	20	0	0	0	0	0	0	0	0	0	0	23.33	0		

Source: Prepared from Responses

Table 8.33 Contd.

No.	TFM,TEM	Earnings in %	1 time		2 time		3 time		4 time		5 time		6 time		7 time		8 time		9 time		10 time		Total			
			UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL		
11	4.4	100	TL	0	0	8	0	0	0	0	0	5	0	0	0	0	0	0	0	0	0	0	0	13	0	
			DFL	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0
			%	0	0	13	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7.69	0
12	5.1	20	TL	8	0	32	0	33	0	12	0	15	0	0	0	0	0	0	0	0	0	0	100	0	0	
			DFL	3	0	5	0	3	0	3	0	1	0	0	0	0	0	0	0	0	0	0	0	15	0	
			%	38	0	16	0	9	0	25	0	7	0	0	0	0	0	0	0	0	0	0	0	15.00	0	0
13	5.2	40	TL	20	3	22	0	42	0	36	0	10	0	12	0	0	0	0	0	0	0	0	142	3	0	
			DFL	9	1	3	0	9	0	4	0	1	0	0	0	0	0	0	0	0	0	0	0	26	1	
			%	45	33	14	0	21	0	11	0	10	0	0	0	0	0	0	0	0	0	0	0	18.31	33.33	0
14	5.3	60	TL	6	0	18	0	15	0	20	0	10	0	6	0	7	0	0	0	0	0	0	91	0	0	
			DFL	0	0	2	0	1	0	4	0	0	0	0	0	0	0	0	0	0	0	0	0	8	0	
			%	0	0	11	0	7	0	20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8.79	0
15	5.4	80	TL	1	0	0	0	0	0	4	0	5	0	0	0	0	0	0	0	0	0	0	10	0	0	
			DFL	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	
			%	100	0	0	0	0	0	25	0	0	0	0	0	0	0	0	0	0	0	0	0	20.00	0	0
16	5.5	100	TL	0	0	0	0	6	0	0	0	0	0	0	0	7	0	0	0	0	0	0	13	0	0	
			DFL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
			%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17	6.0	0	TL	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	
			DFL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18	6.1	16.67	TL	9	0	4	0	0	0	8	0	0	0	6	0	0	0	0	0	0	0	0	27	0	0	
			DFL	3	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	4	0	0	
			%	33	0	0	0	0	0	0	0	0	0	0	17	0	0	0	0	0	0	0	14.81	0	0	
19	6.2	33.33	TL	7	0	14	2	21	3	20	0	5	0	6	0	0	0	0	0	0	0	0	83	5	0	
			DFL	4	0	5	0	3	0	4	0	0	0	0	0	0	0	0	0	0	0	0	17	0	0	
			%	57	0	36	0	14	0	20	0	0	0	0	0	0	0	0	0	0	0	0	0	20.48	0	0
20	6.3	50	TL	2	1	8	0	12	0	8	0	10	0	0	0	0	0	0	0	0	0	0	40	1	0	
			DFL	0	1	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	1	0	
			%	0	100	13	0	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5.00	100.00	0	0

Table 8.33 Contd.

No.	TFM,TEM	Earnings in %	1 time		2 time		3 time		4 time		5 time		6 time		7 time		8 time		9 time		10 time		Total	
			UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL
21	6.4	66.67	TL	1	0	6	2	3	0	0	0	5	0	6	0	0	0	0	0	0	0	0	21	2
			DFL	1	0	2	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4	1
			%	100	0	33	50	33	0	0	0	0	0	0	0	0	0	0	0	0	0	0	19.05	50.00
22	6.5	83.33	TL	0	0	2	0	6	0	4	5	0	0	0	0	0	0	0	0	0	0	17	0	
			DFL	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	
			%	0	0	0	0	33	0	0	0	0	0	0	0	0	0	0	0	0	0	0	11.76	0
23	7.1	14.29	TL	2	0	8	0	6	3	4	5	0	6	0	0	0	0	0	0	0	0	31	3	
			DFL	1	0	3	0	1	2	1	0	1	0	0	0	0	0	0	0	0	0	7	2	
			%	50	0	38	0	17	67	25	0	20	0	0	0	0	0	0	0	0	0	22.58	66.67	0
24	7.2	28.57	TL	4	1	16	0	12	0	4	0	0	6	0	7	0	0	0	0	0	0	49	1	
			DFL	1	0	3	0	3	0	1	0	0	0	1	0	0	0	0	0	0	0	9	0	
			%	25	0	19	0	25	0	25	0	0	0	17	0	0	0	0	0	0	0	18.37	0	0
25	7.3	42.86	TL	4	0	4	0	15	0	0	5	0	0	0	0	0	0	0	0	0	0	28	0	
			DFL	1	0	1	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	5	0	
			%	25	0	25	0	20	0	0	0	0	0	0	0	0	0	0	0	0	0	17.86	0	0
26	7.4	57.14	TL	1	0	4	0	0	0	4	0	0	6	0	0	0	0	0	0	0	0	15	0	
			DFL	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	
			%	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6.67	0	0
27	7.5	71.43	TL	0	0	2	0	0	0	0	0	0	6	0	0	0	0	0	0	0	0	8	0	
			DFL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
			%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
28	7.6	85.71	TL	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	
			DFL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
			%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29	8.1	12.5	TL	2	0	0	0	3	0	8	0	0	0	0	0	0	0	0	0	0	0	13	0	
			DFL	1	0	0	0	1	0	2	0	0	0	0	0	0	0	0	0	0	0	4	0	
			%	50	0	0	0	33	0	25	0	0	0	0	0	0	0	0	0	0	0	30.77	0	0
30	8.2	2.5	TL	2	0	6	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	11	0	
			DFL	0	0	3	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	4	0	
			%	0	0	50	0	33	0	0	0	0	0	0	0	0	0	0	0	0	0	36.36	0	0

Table 8.33 Contd.

No.	TFM,TEM	Earnings in %	1 time		2 time		3 time		4 time		5 time		6 time		7 time		8 time		9 time		10 time		Total			
			UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL		
31	8.3	37.5	TL	2	0	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6	0	
			DFL	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0
			%	0	0	25	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	16.67	0
32	8.4	50	TL	0	0	2	0	9	0	4	0	5	0	6	0	0	0	0	0	0	0	0	0	26	0	
			DFL	0	0	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1	0	
			%	0	0	0	0	0	25	0	4	0	0	0	0	0	0	0	0	0	0	0	0	3.85	0	
33	8.5	62.5	TL	0	0	2	0	0	0	4	0	0	0	0	0	0	0	0	0	0	0	0	0	6	0	
			DFL	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	
			%	0	0	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	33.33	0	
34	9.1	11.11	TL	1	0	0	0	3	0	0	0	0	0	0	6	0	0	0	0	0	0	0	4	6	0	
			DFL	0	0	0	0	1	0	0	0	0	0	0	5	0	0	0	0	0	0	0	0	1	5	
			%	0	0	0	0	33	0	0	0	0	0	0	83	0	0	0	0	0	0	0	0	25.00	83.33	
35	9.2	22.22	TL	1	0	2	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6	0	
			DFL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
			%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
36	9.3	33.33	TL	0	0	2	0	12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	14	0	
			DFL	0	0	1	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4	0	
			%	0	0	50	0	25	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	28.57	0	
37	9.4	44.44	TL	2	1	2	0	3	0	4	0	0	0	6	0	0	0	0	0	0	0	0	17	1		
			DFL	0	1	0	0	1	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	3	1	
			%	0	100	0	0	33	0	0	0	33	0	0	0	0	0	0	0	0	0	0	17.65	100.00		
38	9.5	55.56	TL	0	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	0		
			DFL	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0		
			%	0	0	0	0	33	0	0	0	0	0	0	0	0	0	0	0	0	0	0	33.33	0		
39	10.2	20	TL	0	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	0		
			DFL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
			%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
40	10.3	30	TL	1	0	4	0	3	0	4	0	0	0	0	0	0	0	0	0	0	0	0	12	0		
			DFL	0	0	1	0	1	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	3	0	
			%	0	0	25	0	25	0	25	0	25	0	0	0	0	0	0	0	0	0	0	0	25.00	0	

Table 8.33 Contd.

No.	TFM,TEM	Earnings in %	1 time		2 time		3 time		4 time		5 time		6 time		7 time		8 time		9 time		10 time		Total	
			UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL	UL	SL
41	10.4	40	0	0	0	0	0	3	0	0	0	10	0	0	0	0	0	0	0	0	0	0	13	0
			DFL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
42	10.5	50	TL	0	0	0	0	0	0	0	0	0	0	6	0	0	0	0	0	0	0	0	6	0
			DFL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
43	11.3	27.27	TL	0	0	0	0	9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	9	0
			DFL	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0
			%	0	0	0	0	22	0	0	0	0	0	0	0	0	0	0	0	0	0	0	22.22	0
44	11.4	36.36	TL	0	0	0	0	0	0	4	0	0	0	0	0	0	0	0	0	0	0	0	4	0
			DFL	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1	0
			%	0	0	0	0	0	0	25	0	0	0	0	0	0	0	0	0	0	0	0	25.00	0
45	11.5	45.45	TL	0	0	0	0	0	0	4	0	0	0	0	0	0	0	0	0	0	0	0	4	0
			DFL	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1	0
			%	0	0	0	0	0	0	25	0	0	0	0	0	0	0	0	0	0	0	0	25.00	0
46	12.5	41.67	TL	0	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	0
			DFL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
47	13.3	23.08	TL	0	0	0	0	0	0	4	0	0	0	0	0	0	0	0	0	0	0	0	4	0
			DFL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
48	14.1	7.14	TL	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0
			DFL	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0
			%	0	0	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	100.00	0
49	14.5	35.71	TL	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0
			DFL	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0
			%	0	0	50	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	50.00	0
50	17.1	5.88	TL	0	0	0	0	0	0	4	0	0	0	0	0	0	0	0	0	0	0	0	4	0
			DFL	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1	0
			%	0	0	0	0	0	0	25	0	0	0	0	0	0	0	0	0	0	0	0	25	0
			TL	106	8	292	6	339	6	240	0	160	0	102	6	42	0	0	0	0	0	0	2500	26
			DFL	33	4	53	2	44	2	36	0	9	0	5	5	1	0	0	0	0	0	1309	13	
			%	31.13	50.00	18.15	33.33	12.98	33.33	15.00	0	5.63	0	4.90	83.33	2.38	0	0	0	0	0	10.00	0	14.06
			Total																					50.00

The group (8,1) was found at 30.77% default (4 defaults out of 13 loans). Maximum numbers (186) of ULs were taken by the group (4,2) with 8.60% default followed by the groups (5,2) and (5,1) with 142 and 100 ULs where defaults were observed at 18.31% and 15% respectively. 91 ULs were observed for the group (5,3) with default at 8.79% followed by 83 ULs (by group 6,2) with 20.48% default. In addition to that numbers of ULs up to 50, three groups viz. (3,2), (4,1) and (3,1) were observed with 62, 58 and 55 ULs respectively wherein defaults were observed at 17.74%; 6.90% and 1.82%. The above data shows more numbers of defaults in case of less number of earning members in the borrower's family.

Looking to the SLs, 100% default (1 default out of 1 loan) was observed for three groups viz. (3,2), (6,3), and (9,4) where only one loan was taken by each group and had not repaid timely. 6 SLs were taken by the group (9,1) with 83.33% default followed by 3 SLs taken by the group (7,1) with 66.67% default. 50% default was observed for two groups viz. (2,2) and (6,4) where 2 SLs were taken.

Based on this it can be inferred that high proportion of earning member to family members can increase the repayment capacity of the borrower and also help to reduce the chances of default.

8.2.2 Economic Factors

Borrower's annual per capita income, uncertainty of income and habit of regular savings are three main factors considered here.

A. Per Capita Income of Borrowers: Annual per capita income of the borrowers is collected and divided into three parts viz. low level of income, medium level of income and high level of income. Accordingly, income and number of defaults are indentified and the following results are found. For respondent borrowers, the highest level of annual income observed is ₹1,50,000/-. Hence, income in between ₹0 to ₹50,000 is considered as low level of income. Income between ₹50,001 to ₹1,00,000 is considered as medium level of income and income of ₹1,00,001 to ₹1,50,000 is considered as high level of income. Table 8.34 reveals that 454 numbers of ULs were sanctioned to the income group of ₹10,001 to ₹20,000 followed by 260 ULs for the income group of ₹0 to ₹10,000. However, defaults were observed highest at 18.46% for the group ₹0 to ₹10,000 followed by 16.7% for the group of ₹10,001 to ₹20,000. 241 ULs with 11.62% defaults were observed for income group of ₹20,001 to ₹30,000 while 164 ULs and 9.15% defaults were observed for income group of ₹30,001 to ₹40,000. For the income group of ₹40,001 to ₹50,000, 82 ULs with 9.76% defaults were observed. It can be easily observed that low income borrowers are the major borrowers as they are found

Table 8.34 Per Capita Income of Borrowers and Defaults

Frequency of Borrowings by Borrowers	Per Capita Income of Borrowers (in ₹)																							
	0-10,000			10,001-20,000			20,001-30,000			30,001-40,000			40,001-50,000			50,001-60,000			60,001-70,000			70,001-80,000		
	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%
1 time	UL	37	16	43.24	40	9	22.5	17	6	35.3	8	1	12.5	2	0	0	0	1	0	0	0	0	0	0
	SL	2	2	100.00	1	0	0	2	1	50	2	0	0	0	0	0	0	1	1	100	0	0	0	0
2 time	UL	64	12	18.75	100	23	23	70	11	15.7	28	3	10.7	12	2	16.7	2	0	0	0	0	6	1	16.7
	SL	2	0	0.00	2	1	50	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	1	50
3 time	UL	72	9	12.50	102	19	18.6	81	6	7.41	39	5	12.8	12	2	16.7	12	2	16.67	12	0	0	0	0
	SL	0	0	0.00	3	2	66.7	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0
4 time	UL	48	9	18.75	100	17	17	44	4	9.09	16	1	6.25	16	3	18.8	8	0	0	0	0	4	1	25
	SL	0	0	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5 time	UL	20	2	10.00	45	3	6.67	5	0	0	50	3	6	20	1	5	10	0	0	0	5	0	0	0
	SL	0	0	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6 time	UL	12	0	0.00	42	3	7.14	24	1	4.17	6	0	0	6	0	0	6	1	16.67	0	0	0	0	0
	SL	6	5	83.33	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7 time	UL	7	0	0.00	7	0	0	0	0	0	7	1	14.3	14	0	0	0	0	0	0	0	0	0	0
	SL	0	0	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8 time	UL																							
	SL																							
9 time	UL	0	0	0.00	18	2	11.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	SL	0	0	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10 time	UL	0	0	0.00	0	0	0	0	0	0	10	1	10	0	0	0	0	0	0	0	0	0	0	0
	SL	0	0	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	UL	260	48	18.46	454	76	16.74	241	28	11.62	164	15	9.15	82	8	9.76	39	3	7.69	27	2	7.41	20	1
	SL	10	7	70.00	6	3	50.00	2	1	50.00	5	0	0	0	0	0	1	1	100.00	2	1	50.00	0	0

NIL

Table 8.34 Contd.

Frequency of Borrowings by Borrowers	Per Capita Income of Borrowers (in ₹)															Total									
	80,001-90,000			90,001-1,00,000			1,00,001-1,10,000			1,10,001-1,20,000			1,20,001-1,30,000			1,30,001-1,40,000			1,40,001-1,50,000			TL	DFL	%	
	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%	
1 time	UL	1	100.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	106	33	31.1		
	SL	0	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8	4	50		
2 time	UL	0	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	292	53	18.2		
	SL	0	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6	2	33.3		
3 time	UL	6	16.67	0	0	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0	339	44	13		
	SL	0	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6	2	33.3		
4 time	UL	0	0.00	4	1	25	0	0	0	0	0	0	0	0	0	0	0	0	0	0	240	36	15		
	SL	0	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
5 time	UL	0	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	160	9	5.63		
	SL	0	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
6 time	UL	6	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	102	5	4.9		
	SL	0	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6	5	83.3		
7 time	UL	0	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	42	1	2.38		
	SL	0	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
8 time	UL																								
	SL																								
9 time	UL	0	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	18	2	11.1		
	SL	0	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
10 time	UL	0	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10	1	10		
	SL	0	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total	UL	13	2	15.38	4	1	25.00	0	0	0	0	0	0	0	0	0	0	0	0	0	1309	184	14.06		
	SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	26	13	50.00		

NIL

Source: Prepared from Responses

with 92% (1201 ULs out of 1309) proportion of total ULs. Additionally, it can also be observed that as income increases the defaults decreases. This is because with rise in level of income, the repayment capacity improves. Medium income borrowers were observed with 7.87% proportion of ULs while high-income borrowers were found with 0.38% proportion of ULs. High-income group borrowers were found with 0% defaults for both UL and SL.

Looking to the SLs, major (88%) proportion of TLs was observed for the group of low-income borrowers where defaults are also found in decreasing trend viz. 70% (₹0 to ₹10,000), 50% (₹10,001 to ₹20,000), 50% (₹20,001 to ₹30,000) and 0% (₹30,001 to ₹40,000). The data clearly indicates that with low level of income numbers of defaults are high and with high level of income numbers of defaults are very low.

B. Uncertainty of Borrower's Income: Borrowers were found with the varieties of economic activities (Refer Table 8.6). An attempt is made here to examine the level of default with reference to each broad group of economic activities. Their activities are broadly classified as certain and uncertain income. Inactive and self-employed workers are considered with uncertain level of income while job workers are considered as certain level of income. With reference to the Table 8.6, out of 484 borrowers 222 were

Table 8.35 Uncertainty of Income of Borrowers and Defaults

Frequency of Borrowings by Borrowers		Type of Economic Activity											
		Not Active			Self Employed			Job Workers			Total		
		TL	DFL	%	TL	DFL	%	TL	DFL	%	TL	DFL	%
1 time	UL	53	13	24.53	49	19	38.78	4	1	25.00	106	33	31.13
	SL	2	1	50.00	6	3	50.00	0	0	0	8	4	50.00
2 time	UL	118	20	16.95	148	29	19.59	26	4	15.38	292	53	18.15
	SL	2	1	50.00	4	1	25.00	0	0	0	6	2	33.33
3 time	UL	147	17	11.56	171	24	14.04	21	3	14.29	339	44	12.98
	SL	6	2	33.33	0	0	0	0	0	0	6	2	33.33
4 time	UL	92	12	13.04	124	21	16.94	24	3	12.50	240	36	15.00
	SL	0	0	0	0	0	0	0	0	0	0	0	0
5 time	UL	40	3	7.50	110	6	5.45	10	0	0	160	9	5.63
	SL	0	0	0	0	0	0	0	0	0	0	0	0
6 time	UL	24	2	8.33	72	3	4.17	6	0	0	102	5	4.90
	SL	0	0	0	6	5	83.33	0	0	0	6	5	83.33
7 time	UL	14	0	0	28	1	3.57	0	0	0	42	1	2.38
	SL	0	0	0	0	0	0	0	0	0	0	0	0
8 time	UL	NIL											
	SL	NIL											
9 time	UL	0	0	0	18	2	11.11	0	0	0	18	2	11.11
	SL	0	0	0	0	0	0	0	0	0	0	0	0
10 time	UL	10	1	10.00	0	0	0	0	0	0	10	1	10.00
	SL	0	0	0	0	0	0	0	0	0	0	0	0
Total	UL	498	68	13.65	720	105	14.58	91	11	12.09	1309	184	14.06
	SL	10	4	40.00	16	9	56.25	0	0	0	26	13	50.00

Source: Prepared from Responses

found self-employed and 199 were found inactive. As per the Table 8.35, the self-employed borrowers (222) took 720 ULs and 16 SLs where defaults were also observed highest at 14.58% and 56.25% respectively. 498 ULs and 10 SLs were found for non active borrowers (199) with 13.65% and 40% defaults respectively. Job workers were observed with 91 ULs and default was at 12.09%. On comparing two groups of borrowers viz. uncertain source income (not active & self employed) and certain source of income (job workers) it can be easily observed that borrowers with certain source of income made low level of defaults.

C. Habit of Regular Savings: To understand, whether the habit of regular savings and defaults are related or not, data are classified accordingly. Savings are divided into two parts *i.e.* savings-other than SEWA bank and savings-with SEWA bank.

The data displayed in Table 8.36, presents the detail of savings (other than SEWA bank). Maximum numbers of ULs (1125) and SLs (25) were observed for non-savers. However, borrowers with no habit of savings were found with 14.84% (32.99% were 1st time borrowers) of UL defaults and 48% (83.33% were 6th time borrowers) of SL defaults. In case of regular savers, 184 ULs were observed with 9.24% (18.75% were 4th time borrowers) defaults.

Table 8.36 Habit of Savings (in other than SEWA Bank) and Defaults

Frequency of Borrowings by Borrowers		Savings not in SEWA Bank								
		Yes			No			Total		
		TL	DFL	%	TL	DFL	%	TL	DFL	%
1 time	UL	9	1	11.11	97	32	32.99	106	33	31.13
	SL	1	1	100.00	7	3	42.86	8	4	50.00
2 time	UL	36	5	13.89	256	48	18.75	292	53	18.15
	SL	0	0	0	6	2	33.33	6	2	33.33
3 time	UL	36	4	11.11	303	40	13.20	339	44	12.98
	SL	0	0	0	6	2	33.33	6	2	33.33
4 time	UL	32	6	18.75	208	30	14.42	240	36	15.00
	SL	0	0	0	0	0	0	0	0	0
5 time	UL	35	1	2.86	125	8	6.40	160	9	5.63
	SL	0	0	0	0	0	0	0	0	0
6 time	UL	36	0	0	66	5	7.58	102	5	4.90
	SL	0	0	0	6	5	83.33	6	5	83.33
7 time	UL	0	0	0	42	1	2.38	42	1	2.38
	SL	0	0	0	0	0	0	0	0	0
8 time	UL	NIL								
	SL									
9 time	UL	0	0	0	18	2	11.11	18	2	11.11
	SL	0	0	0	0	0	0	0	0	0
10 time	UL	0	0	0	10	1	10.00	10	1	10.00
	SL	0	0	0	0	0	0	0	0	0
Total	UL	184	17	9.24	1125	167	14.84	1309	184	14.06
	SL	1	1	100.00	25	12	48.00	26	13	50.00

Source: Prepared from Responses

Looking to the borrowers (Table 8.37) having savings with SEWA Bank, 1037 ULs and 18 SLs were observed for non-savers of the SEWA bank. However, 16.68% of UL defaults and 66.67% of SL defaults were found from the same borrowers. In case of borrowers with habit of regular savings, 272 ULs and 8 SLs were observed where UL default was found at 4.04% while SL default was found at 12.50%.

Table 8.37 Habit of Savings (in SEWA Bank) and Defaults

Frequency of Borrowings by Borrowers		Savings in SEWA bank								
		Yes			No			Total		
		TL	DFL	%	TL	DFL	%	TL	DFL	%
1 time	UL	11	2	18.18	95	31	32.63	106	33	31.13
	SL	3	1	33.33	5	3	60.00	8	4	50.00
2 time	UL	32	3	9.38	260	50	19.23	292	53	18.15
	SL	2	0	0	4	2	50.00	6	2	33.33
3 time	UL	54	2	3.70	285	42	14.74	339	44	12.98
	SL	3	0	0	3	2	66.67	6	2	33.33
4 time	UL	36	3	8.33	204	33	16.18	240	36	15.00
	SL	0	0	0	0	0	0	0	0	0
5 time	UL	55	0	0	105	9	8.57	160	9	5.63
	SL	0	0	0	0	0	0	0	0	0
6 time	UL	60	0	0	42	5	11.90	102	5	4.90
	SL	0	0	0	6	5	83.33	6	5	83.33
7 time	UL	14	0	0	28	1	3.57	42	1	2.38
	SL	0	0	0	0	0	0	0	0	0
8 time	UL	NIL								
	SL									
9 time	UL	0	0	0	18	2	11.11	18	2	11.11
	SL	0	0	0	0	0	0	0	0	0
10 time	UL	10	1	10.00	0	0	0	10	1	10.00
	SL	0	0	0	0	0	0	0	0	0
Total	UL	272	11	4.04	1037	173	16.68	1309	184	14.06
	SL	8	1	12.50	18	12	66.67	26	13	50.00

Source: Prepared from Responses

On comparing results of both the Tables (8.36 & 8.37), the data clearly indicate that if borrowers save money regularly the number of defaults decreases. It also shows that habit of regular savings can help to reduce the risk of defaults.

8.2.3 Loan Related Factors

The loan related factors are divided into three different parts viz. amount of the loan, purpose of the loan and loan taking frequency.

A. Amount of the Loan: The survey revealed that the loan amount ranged, between ₹1,000 to ₹2,50,000/-. An attempt is made to understand the relation between loan amount and loan defaults. The data from the Table 8.38 revealed that loan amount does not have a remarkable effect on the proportion of defaults. In case of ULs, maximum numbers of (421) defaults were observed for the loan amount of ₹1,000 –

₹10,000 with defaults at 14.01% followed by 13.21% (₹11,000 – ₹20,000) defaults with 280 loans. However, 16.42% defaults (274 loans) and 16.13% defaults (124 loans) were observed for the amount of ₹21,000 – ₹30,000 and ₹31,000 – ₹40,000 respectively. The data shows that the proportion of defaults increases with the increase in loan amount even though marginally.

Looking to the SLs, the rates of defaults found consistently increasing with the higher amount of loan. Minimum proportion (58.33% with 12 loans) of defaults was observed for loan amount of ₹1,000 – ₹10,000 while maximum proportion (100% with 1 loan) was observed for amount of ₹31,000 – ₹40,000.

Table 8.38 Amount of Loan and Defaults

No.	Amount (in ₹)	Unsecured			Secured			Total		
		TL	DFL	%	TL	DFL	%	TL	DFL	%
1	1,000-10,000	421	59	14.01	12	7	58.33	433	66	15.24
2	11,000-20,000	280	37	13.21	5	3	60.00	285	40	14.04
3	21,000-30,000	274	45	16.42	3	2	66.67	277	47	16.97
4	31,000-40,000	124	20	16.13	1	1	100.00	125	21	16.80
5	41,000-50,000	169	23	13.61	2	0	0	171	23	13.45
6	51,000 and above	41	0	0	3	0	0	44	0	0
	Total	1309	184	14.06	26	13	50.00	1335	197	14.76

Source: Prepared from Responses

B. Purpose of the Loan: Borrowers may take more than one loan for varied purposes. Purpose of the loan is very important from the repayment point of view. If loan does not generate income for the borrower, the borrower cannot repay the loan easily. Purposes of the loan were divided into three major parts viz. consumption, debt/loan repayment and production. Table 8.39 presents the same.

When the loans were taken for production purpose, as unsecured loan out of 574 loans default was observed for 80 loans, i.e. for 13.94% which was marginally lower in case of consumption loans. In situations where loans were taken for repayment of loan, the rate of default is found to be little higher at 18.75%. The data indicates that loans taken for the productive purpose can help to reduce the proportion of defaults. However, it totally depends upon the borrower how they use the loan and how they repay.

Table 8.39 Purpose of the Loan and Defaults

No.	Purposes	Unsecured			Secured			Total		
		TL	DFL	%	TL	DFL	%	TL	DFL	%
1	Production	574	80	13.94	2	0	0.00	576	80	13.89
2	Consumption	302	41	13.58	2	0	0.00	304	41	13.49
3	Debt/Loan Repayment	128	24	18.75	0	0	0.00	128	24	18.75
4	No Responses	305	39	12.79	22	13	59.09	327	52	15.90
	Total	1309	184	14.06	26	13	50.00	1335	197	14.76

Source: Prepared from Responses

C. Frequency of Borrowings of the Borrowers: Frequency of borrowings means how many number of times loans are taken by one borrower. If the borrower had taken only one loan she is considered as 1 time borrower. Borrowers were observed up to 10 time borrowings. An attempt is made here to examine, the effect of times of borrowing on the default in repayment of loan.

Reference to the Table 8.40, 95% (1239 loans out of 1309) proportion of total ULs and 100% share of SLs were found for the borrowers up to 6th time borrowing. On examining the rates of UL defaults, the rates were observed in opposite trend. Lower the frequency of borrowing higher the rate of default. Maximum rate of default was found at 31.13% (106 loans) for 1st time borrowers followed by 18.15% with 292 loans (2nd time borrowers) and 12.98% with 339 loans (3rd time borrowers). In case of 4th time borrowers the default rate was observed at 15% but the rate was found with sudden fall at 5.63% for 5th time borrowers and 4.90% for 6th time borrowers. Looking to SLs, highest default was observed 83.33% for 6th time borrowers with 6 loans, followed by 50% (8 loans) default rate for 1st time borrowers and 33.33% (6 loans) for 2nd time borrowers and 3rd time borrowers both. The data indicate the higher level of defaults from the borrowers in the initial stage of borrowing.

Table 8.40 Frequency of Borrowings of the Borrowers and Defaults

Frequency of Borrowings	Unsecured Loans			Secured Loans			Total		
	TL	DFL	%	TL	DFL	%	TL	DFL	%
1 time	106	33	31.13	8	4	50.00	114	37	32.46
2 time	292	53	18.15	6	2	33.33	298	55	18.46
3 time	339	44	12.98	6	2	33.33	345	46	13.33
4 time	240	36	15.00	0	0	NA	240	36	15.00
5 time	160	9	5.63	0	0	NA	160	9	5.63
6 time	102	5	4.90	6	5	83.33	108	10	9.26
7 time	42	1	2.38	0	0	NA	42	1	2.38
8 time	NIL								
9 time	18	2	11.11	0	0	NA	18	2	11.11
10 time	10	1	10.00	0	0	NA	10	1	10.00
Total	1309	184	14.06	26	13	50.00	1335	197	14.76

Source: Prepared from Responses

8.2.4 Financial Literacy of the Borrowers

For knowing borrower's financial literacy, two aspects are considered viz. (i) obtaining proper financial training and (ii) awareness about the rate of interest charged on loan taken by them. An attempt is made here to understand the status of proportion of defaults with reference to financial literacy.

A. Training: Table 8.15 indicated that 161 borrowers had undergone the training of the SEWA bank out of 484 respondent borrowers. Data displayed in the Table 8.41

shows that total 520 ULs and 8 SLs were taken by the 161 (with training) borrowers. Borrowers without training were observed with high rate of defaults for both types of loans viz. 15.08% (ULs) and 61.11% (SLs). This was found at 12.50% for ULs and 25% for SLs for borrowers with training. The data clearly indicates that trained borrowers made low level of defaults as compared to the borrowers without training.

Table 8.41 Training of the Borrowers and Defaults

Frequency of Borrowings by Borrowers		Training Taken by the Borrowers								
		Yes			No			Total		
		TL	DFL	%	TL	DFL	%	TL	DFL	%
1 time	UL	19	8	42.11	87	25	28.74	106	33	31.13
	SL	5	2	40.00	3	2	66.67	8	4	50.00
2 time	UL	86	15	17.44	206	38	18.45	292	53	18.15
	SL	0	0	0	6	2	33.33	6	2	33.33
3 time	UL	120	16	13.33	219	28	12.79	339	44	12.98
	SL	3	0	0	3	2	66.67	6	2	33.33
4 time	UL	104	15	14.42	136	21	15.44	240	36	15.00
	SL	0	0	0	0	0	0.00	0	0	0
5 time	UL	80	4	5.00	80	5	6.25	160	9	5.63
	SL	0	0	0	0	0	0	0	0	0
6 time	UL	48	3	6.25	54	2	3.70	102	5	4.90
	SL	0	0	0	6	5	83.33	6	5	83.33
7 time	UL	35	1	2.86	7	0	0	42	1	2.38
	SL	0	0	0	0	0	0	0	0	0
8 time	UL	NIL								
	SL									
9 time	UL	18	2	11.11	0	0	0	18	2	11.11
	SL	0	0	0	0	0	0	0	0	0
10 time	UL	10	1	10.00	0	0	0	10	1	10.00
	SL	0	0	0	0	0	0	0	0	0
Total	UL	520	65	12.50	789	119	15.08	1309	184	14.06
	SL	8	2	25.00	18	11	61.11	26	13	50.00

Source: Prepared from Responses

B. Awareness of Rate of Interest: Borrowers should know about the exact rates of interest they pay on the loans. With proper knowledge of interest rates borrowers can manage to repay. Awareness about interest rates shows the transparency regarding terms of the loan of the SEWA Bank towards the borrowers and it is also an important aspect from the point of repayment. Table 8.22 indicated that 24% (320 out of 1309) borrowers of UL were aware about the rates while in case of SLs only two borrowers were found to be aware about the rate of interest.

According to the Table 8.42, total 321 ULs and 3 SL borrowers were aware about the rate of interest. The rates of defaults were found at 10.59% for ULs and 66.67% for SLs. Among them 33.33% (UL) and 66.67% (SL) proportion of defaults were observed for 1st time borrowers. Looking to the situation where borrowers were not aware about

the interest rates; for 988 ULs (15.18%) default was found. It can be easily identified that borrowers without awareness of the interest rate made defaults at a higher rate as compared to borrowers with awareness of rates in case of unsecured loan.

Table 8.42 Awareness of Rates of Interest and Defaults

Frequency of Borrowings by Borrowers		Awareness of Interest Rates								
		Yes			No			Total		
		TL	DFL	%	TL	DFL	%	TL	DFL	%
1 time	UL	15	5	33.33	91	28	30.77	106	33	31.13
	SL	3	2	66.67	5	2	40.00	8	4	50.00
2 time	UL	48	7	14.58	244	46	18.85	292	53	18.15
	SL	0	0	0.00	6	2	33.33	6	2	33.33
3 time	UL	96	12	12.50	243	32	13.17	339	44	12.98
	SL	0	0	0.00	6	2	33.33	6	2	33.33
4 time	UL	68	6	8.82	172	30	17.44	240	36	15.00
	SL	0	0	0.00	0	0	0.00	0	0	0.00
5 time	UL	50	3	6.00	110	6	5.45	160	9	5.63
	SL	0	0	0.00	0	0	0.00	0	0	0.00
6 time	UL	30	1	3.33	72	4	5.56	102	5	4.90
	SL	0	0	0.00	6	5	83.33	6	5	83.33
7 time	UL	14	0	0.00	28	1	3.57	42	1	2.38
	SL	0	0	0.00	0	0	0.00	0	0	0.00
8 time	UL	NIL								
	SL									
9 time	UL	0	0	0.00	18	2	11.11	18	2	11.11
	SL	0	0	0.00	0	0	0.00	0	0	0.00
10 time	UL	0	0	0.00	10	1	10.00	10	1	10.00
	SL	0	0	0.00	0	0	0.00	0	0	0.00
Total	UL	321	34	10.59	988	150	15.18	1309	184	14.06
	SL	3	2	66.67	23	11	47.83	26	13	50.00

Source: Prepared from Responses

Results of both the Tables (8.41 & 8.42) reveal that borrowers with proper financial literacy can help them to reduce the risk of defaults, as they can understand the circumstances of defaults. Financially literate borrowers can easily understand the burden of interest of the loan. Accordingly, it can be said that financial literacy among the borrowers can help to reduce the level of defaults.

8.3 Testing of Hypotheses (Chi-Square Test)

Testing of hypotheses had also been done in the four parts *viz.* socio-demographic factors, economic factors, loan related factors and financial literacy. Socio demographic factors, economic factors and financial literacy are related with total numbers of borrowers (484). Accordingly, chi square test has been run on the data of defaults per borrowers. Borrowers are classified as defaulters and no defaulters. Loan related factors are related with total numbers (1335) of loan reported from total borrowers. Thus while

calculating chi square test, total numbers of defaults per total numbers of loans has been considered. By using chi square test total 17 hypotheses have been tested. 8 hypotheses are tested in the group of 'socio demographic factors', 4 hypotheses are tested in the group 'economic factors', and in the 'loan related factors' also 3 hypotheses are tested. For examining association between 'financial literacy' and 'defaults', 2 hypotheses are tested. Table 8.43 presents the details of factors with the value of chi square and it also shows the significance of the various hypotheses.

Table 8.43 Results of Testing of Hypotheses (Chi-square Test)

Hypotheses	Factors	Calculated values of χ^2	Table values of χ^2	Decision for Null Hypotheses
Socio-Demographic Factors				
H ₀₁	Age	7.30**	5.99	Rejected
H ₀₂	Religion	0.01	3.84	Accepted
H ₀₃	Marital status	5.58	5.99	Accepted
H ₀₄	Education level	6.93**	5.99	Rejected
H ₀₅	Household situation	13.26**	9.49	Rejected
H ₀₆	Decision to take loan	7.73	7.82	Accepted
H ₀₇	Decision to use loan	10.04**	7.82	Rejected
H ₀₈	Decision to use profit	5.30	7.82	Accepted
Economic Factors				
H ₀₉	Uncertainty of Income	3.65	5.99	Accepted
H ₀₁₀	Per Capita Income	6.77	12.59	Accepted
H ₀₁₁	Regularity of Savings (not in SEWA bank)	2.05	3.84	Accepted
H ₀₁₂	Regularity of Savings (in SEWA bank)	16.17*	6.64	Rejected
Loan Related Factors				
H ₀₁₃	Amount of loan	533.02*	9.21	Rejected
H ₀₁₄	Purpose of loan	2.29	5.99	Accepted
H ₀₁₅	Frequency of Borrowings	49.53*	15.09	Rejected
Financial Literacy				
H ₀₁₆	Lack of Training	0.03	3.84	Accepted
H ₀₁₇	Lack of Awareness of rates of Interest	0.72	3.84	Accepted

* Significant at 1% level of significance;

** Significant at 5% level of significance

8.3.1 Socio Demographic Factors

Total 8 hypotheses are tested here. All socio demographic factors except caste of the borrowers are tested. 236 borrowers did not know their caste. Thus, for the purpose of finding the relation of caste with defaults it was not considered appropriate to apply the chi-square.

H₀₁ There is no relationship between borrower's age and number of defaults.

For the purpose of the calculation of chi square borrowers age had been divided in three groups only *i.e.* below 40, 40-60 and above 60. For each age group defaults and no defaults are taken. On computation of chi-square, the value of chi-square is found to

be higher than the table value of chi-square at 5% level of significance. Thus, *null hypothesis* of having no relationship is *rejected*. Thus, it indicated that age and level of defaults are related.

H₀₂ There is no relationship between borrower's religion and number of defaults.

For the application of chi-square, religion was divided into two parts *viz.* Hindu and Muslim. On computation of chi-square, the value of chi-square is found lower than the table value of chi-square at 5% level of significance. Hence, *null hypothesis* of having no relationship is *accepted*.

H₀₃ There is no relationship between borrower's marital status and number of defaults.

Looking to the response data, the marital status is divided in 3 parts for application of chi-square, married, unmarried and married but single. On running chi-square test, it is observed that computed value of chi-square is lower than the table value of chi-square at 5% level of significance. Hence, the *null hypothesis* of having no relationship is *accepted*.

H₀₄ There is no relationship between the level of education and the number of defaults.

Looking to the responses, the education level is divided in 3 parts for application of chi-square, uneducated, primary level and above primary level. On applying the chi-square test, it is observed that calculated value of chi-square is higher than the table value of chi-square at 5% level of significance. Thus, the *null hypothesis* of having no relationship is *rejected*. Thus, level of education and number of defaults are found to be related with each other.

H₀₅ There is no relationship between the varying proportion of earning members in the borrower's family and the number of defaults.

Chi-square is applied on the basis of percentage of earning members in the family. Percentages of earning members of the family are classified into five groups (with class interval of 20%). On running the chi-square test, the computed value is observed higher than the table value of chi-square at 5% level of significance. Thus, the *null hypothesis* of having no relationship is *rejected*. Thus, the proportion of earning members in the borrower's family and number of defaults are related.

H₀₆ There is no relationship between person making decision to take the loan and the number of defaults.

With reference to the response data, persons making decisions are divided in 4 parts for application of chi-square, self, spouse, self & spouse, other than self &/or spouse. On applying chi-square test, it is observed that computed value of chi-square is lower than the table value of chi-square at 5% level of significance. Hence, the *null hypothesis* of having no relationship is *accepted*.

H₀₇ There is no relationship between person making decision to use the loan and the number of defaults.

Looking to the response data, persons making decisions are divided in 4 parts for application of chi-square, self, spouse, self & spouse, other than self &/or spouse. On running chi-square test, it is observed that computed value of chi-square is higher than the table value of chi-square at 5% level of significance. Hence, the *null hypothesis* of having no relationship is *rejected*. Thus, person making decision to use the loan and number of defaults are related.

H₀₈ There is no relationship between person making decision to use the profit and the number of defaults.

According to the response data, persons making decisions are divided in 4 parts for application of chi-square, self, spouse, self & spouse, other than self &/or spouse. While applying chi-square test, it is observed that calculated value of chi-square is lower than the table value of chi-square at 5% level of significance. Therefore, the *null hypothesis* of having no relationship is *accepted*.

8.3.2 Economic Factors

Under this head three factors are tested with number of defaults *viz.* uncertainty of borrower's income, annual per capita income of the borrowers and borrower's habit of regular savings.

H₀₉ There is no relationship between level of certainty of income and number of defaults.

Looking to the response data, for calculating chi-square, economic activities of the borrowers are classified as not active borrowers, self employed borrowers, and job workers. On running chi-square test, the calculated value of chi-square is found lower than the table value of chi-square at 5% level of significance. Thus, the *null hypothesis* of having no relationship is *accepted*.

H₀₁₀ There is no relationship between borrower's level of income and number of defaults.

With reference to the response data, the annual per capita income of the borrower is classified into 7 classes with class interval of 10,000 up to ₹50,000; ₹50,001 – ₹1,00,00 and ₹1,00,001 and above. While running chi-square test, it is observed that the computed value of chi-square is lower than the table value of chi-square at 5% level of significance. Hence, the *null hypothesis* of having no relationship between per capita income and number of default is *accepted*.

H₀₁₁ There is no relationship between borrower's habit of regular saving (not in SEWA Bank) and number of defaults.

For applying chi-square test, borrowers are divided in two group viz. regular savers and non-savers. After applying chi-square test, the computed value of chi-square is observed lower than table value of chi-square at 5% level of significance. Thus, the *null hypothesis* of having no relationship is *accepted*.

H₀₁₂ There is no relationship between borrower's habit of regular saving (in SEWA Bank) and number of defaults.

Looking to the response data, for applying chi-square test, borrowers are divided in two parts viz. regular savers and non-savers. On running the chi-square test, it is observed that calculated value of chi-square is higher than table value of chi square at 1% level of significance. Hence, the *null hypothesis* of having no relationship is *rejected*. Thus, the habit of regular savings (in SEWA bank) and number of defaults are related.

8.3.3 Loan Related Factors

Under this section three factors are tested to know the relationship with the number of defaults such as amount of the loan, purpose of the loan and frequency of borrowing by the borrowers. As total 1335 numbers of loans are reported by 484 borrowers, the value of chi-square is calculated by indentifying total defaulted loans and non defaulted loans out of total 1335 loans. The numbers of unsecured loans are higher than secured loans. The testing is carried out on the basis of total number of loans.

H₀₁₃ There is no relationship between the amount of loan and number of defaults.

Looking to the response data, to run the chi-square test, the loan amount is divided in three parts viz. Rs. 1,000 to 20,000; Rs. 21,000 to 40,000 and above 40,000. On running chi-square test it is found that computed value of chi-square is higher than the table value of chi-square at 1% level of significance. Hence, the *null hypothesis* of

having no relationship is *rejected*. Thus, the loan amount and number of defaults are related.

H₀₁₄ There is no relationship between purposes for which loan is taken and number of defaults.

Looking to the responses for 327 loans, purpose of loan was not communicated. Thus, while applying chi-square test 1008 (1335-327) loans were considered with three parts of the purposes *viz.* production, consumption and debt/loan repayment. On applying chi-square test, calculated value of chi-square is found lower than the table value of chi-square at 5 % level of significance. Accordingly, the *null hypothesis* of having no relationship is *accepted*.

H₀₁₅ There is no relationship between frequency of borrowings by the borrowers and number of defaults.

Looking to the response data, the frequency of the borrowings by the borrowers is divided in six parts *i.e.* up to more than 5 time of borrowing. While running chi-square test, it is observed that computed value of chi-square is higher than the table value of chi-square at 1% level of significance. Hence, the *null hypothesis* of having no relationship is *rejected*. Thus, frequency of borrowings and number of defaults are related.

8.3.4 Financial Literacy of the Borrowers

Two factors *viz.* borrowers with proper training and borrowers with the awareness about rates of interest are tested in this section with the number of defaults.

H₀₁₆ There is no relationship between borrower's training and number of defaults.

For the application of chi-square, borrowers with training and without training are classified. On applying chi-square test it is observed that the calculated value of chi-square is lower than the table value of chi-square at 5% level of significance. Thus, the *null hypothesis* of having no relationship is *accepted*.

H₀₁₇ There is no relationship between borrower's awareness of rates of interest and number of defaults.

Looking to the response data, for running chi-square test, the data are divided in two parts *viz.* perfect awareness and unawareness. On running chi-square test it is observed that the computed value of chi-square is lower than the table value of chi-square at 5% level of significance. Hence, the *null hypothesis* of having no relationship is *accepted*.

8.4 Testing of Hypotheses (Difference between Proportions)

To study the difference in proportions of defaults between various groups, z test is applied. 17 hypotheses are tested under four major factors viz. 'socio-demographic factors', 'economic factors', 'loan related factors' and 'financial literacy of the borrowers'. z test was run on two proportions of defaults out of total number of loans (1335) for each major factor. As 98% (1309) of total loans were observed unsecured, z test was applied on total numbers of loans. As the attempt here is to examine difference in proportion of default, each variable is divided into more than one group. Here for 17 variable 74 groups are made. Out of total 74 groups for 28 groups significant difference in proportion was observed rejecting null hypotheses. Table 8.44 presents the details about the value of calculated z for each group and shows the results of hypotheses testing.

Table 8.44 Results of Testing of Hypotheses (z test)

Hypothesis	Factors	Calculated value of z	Decision regarding Null Hypotheses
	Socio demographic Factors		
H₀₁₈	Age		
(a)	Below 40 years v/s Above 40 years	0.16	Accepted
H₀₁₉	Religion		
(a)	Hindu v/s Muslim	0.81	Accepted
H₀₂₀	Marital Status		
(a)	Unmarried v/s Married	0.51	Accepted
(b)	Unmarried v/s Married but Single	1.35	Accepted
(c)	Married v/s Married but Single	1.86	Accepted
H₀₂₁	Education Level		
(a)	Uneducated v/s Primary	1.25	Accepted
(b)	Uneducated v/s Above Primary	3.23*	Rejected
(c)	Primary v/s Above Primary	2.10**	Rejected
H₀₂₂	Household Situation/Proportion of Earning Members of Family		
(a)	0% to 20% v/s 21% to 40%	1.64	Accepted
(b)	0% to 20% v/s 41% to 60%	3.25*	Rejected
(c)	0% to 20% v/s 61% to 80%	0.23	Accepted
(d)	0% to 20% v/s 81% to 100%	2.55**	Rejected
(e)	21% to 40% v/s 41% to 60%	2.30**	Rejected
(f)	21% to 40% v/s 61% to 80%	1.19	Accepted
(g)	21% to 40% v/s 81% to 100%	1.59	Accepted
(h)	41% to 60% v/s 61% to 80%	2.59*	Rejected
(i)	41% to 60% v/s 81% to 100%	0.32	Accepted
(j)	61% to 80% v/s 81% to 100%	2.18**	Rejected
H₀₂₃	Decision to Take Loan		
(a)	Self v/s Spouse	0.97	Accepted
(b)	Self v/s Self & Spouse	3.00*	Rejected

Table 8.44 Contd.

Hypothesis	Factors	Calculated value of z	Decision regarding Null Hypotheses
(c)	Self v/s Other than Self &/or Spouse	0.07	Accepted
(d)	Spouse v/s Self & Spouse	1.36	Accepted
(e)	Spouse v/s Other than Self &/or Spouse	0.63	Accepted
(f)	Self & Spouse v/s Other than Self &/or Spouse	1.50	Accepted
H₀₂₄	Decision to Use Loan		
(a)	Self v/s Spouse	1.15	Accepted
(b)	Self v/s Self & Spouse	3.48*	Rejected
(c)	Self v/s Other than Self &/or Spouse	0.02	Accepted
(d)	Spouse v/s Self & Spouse	1.87	Accepted
(e)	Spouse v/s Other than Self &/or Spouse	0.54	Accepted
(f)	Self & Spouse v/s Other than Self &/or Spouse	1.67	Accepted
H₀₂₅	Decision to Use Profit		
(a)	Self v/s Spouse	1.27	Accepted
(b)	Self v/s Self & Spouse	2.22**	Rejected
(c)	Self v/s Other than Self &/or Spouse	0.50	Accepted
(d)	Spouse v/s Self & Spouse	0.66	Accepted
(e)	Spouse v/s Other than Self &/or Spouse	0.26	Accepted
(f)	Self & Spouse v/s Other than Self &/or Spouse	0.68	Accepted
	Economic Factors		
H₀₂₆	Uncertainty of Income		
(a)	Not Active v/s Self Employed	0.65	Accepted
(b)	Not Active v/s Job Workers	0.55	Accepted
(c)	Self Employed v/s Job Workers	0.93	Accepted
H₀₂₇	Per Capita Income		
(a)	₹0-₹10,000 v/s ₹10,001-₹20,000	1.06	Accepted
(b)	₹0-₹10,000 v/s ₹20,001-₹30,000	3.26*	Rejected
(c)	₹0-₹10,000 v/s ₹30,001-₹40,000	3.50*	Rejected
(d)	₹0-₹10,000 v/s ₹40,001-₹50,000	2.59*	Rejected
(e)	₹0-₹10,000 v/s Above ₹50,000	2.79*	Rejected
(f)	₹10,001-₹20,000 v/s ₹20,001-₹30,000	2.69*	Rejected
(g)	₹10,001-₹20,000 v/s ₹30,001-₹40,000	2.95*	Rejected
(h)	₹10,001-₹20,000 v/s ₹40,001-₹50,000	1.99**	Rejected
(i)	₹10,001-₹20,000 v/s Above ₹50,000	2.17**	Rejected
(j)	₹20,001-₹30,000 v/s ₹30,001-₹40,000	1.30	Accepted
(k)	₹20,001-₹30,000 v/s ₹40,001-₹50,000	0.64	Accepted
(l)	₹20,001-₹30,000 v/s Above ₹50,000	0.68	Accepted
(m)	₹30,001-₹40,000 v/s ₹40,001-₹50,000	0.20	Accepted
(n)	₹30,001-₹40,000 v/s Above ₹50,000	0.29	Accepted
(o)	₹40,001-50,000 v/s Above ₹50,000	0.03	Accepted
H₀₂₈	Savings (Other than SEWA Bank)		
(a)	Regular Savers v/s Irregular Savers	2.40**	Rejected
H₀₂₉	Savings (In SEWA Bank)		
(a)	Regular Savers v/s Irregular Savers	4.68*	Rejected
	Loan Related Factors		
H₀₃₀	Amount of Loan		
(a)	₹1,000 to ₹20,000 v/s ₹21,000 to ₹40,000	0.94	Accepted
(b)	₹1,000 to ₹20,000 v/s Above ₹40,000	1.92	Accepted

Table 8.44 Contd.

Hypothesis	Factors	Calculated value of z	Decision regarding Null Hypotheses
(c)	₹21,000 to ₹40,000 v/s Above ₹40,000	2.95*	Rejected
H₀₃₁	Purpose of Loan		
(a)	Production v/s Consumption	0.05	Accepted
(b)	Production v/s Debt Loan Repayment	0.96	Accepted
(c)	Consumption v/s Debt Loan Repayment	1.30	Accepted
H₀₃₂	Frequency of Borrowings		
(a)	1 time v/s 2 time	2.84*	Rejected
(b)	1 time v/s 3 time	2.74*	Rejected
(c)	1 time v/s 4 time	3.53*	Rejected
(d)	1 time v/s 5 time & above	5.59*	Rejected
(e)	2 time v/s 3 time	1.78	Accepted
(f)	2 time v/s 4 time	1.07	Accepted
(g)	2 time v/s 5 time & above	4.23*	Rejected
(h)	3 time v/s 4 time	0.57	Accepted
(i)	3 time v/s 5 time & above	1.25	Accepted
(j)	4 time v/s 5 time & above	3.06*	Rejected
	Financial Literacy		
H₀₃₃	Lack of Training		
(a)	Trained v/s Non-Trained	1.76	Accepted
H₀₃₄	Lack of Awareness of Rates of Interest		
(a)	Aware v/s Non-Aware	2.30**	Rejected

* $z = 2.58$ at 1% level of significance; ** $z = 1.96$ at 5% level of significance

8.4.1 Socio Demographic Factors

This section considers the factors such as age, religion, marital status, education level, household situation, decision to take loan, decision to use loan, and decision to use profit. 8 hypotheses are tested. Maximum numbers (637) of loans were taken by the borrowers who did not know their caste and naturally the proportion of defaults were also found high. Hence, the z test was not applied for caste. For all the remaining aspects z -test is applied. The results are discussed in the following lines.

H₀₁₈ There is no significant difference in the proportion of default between various age groups.

For the purpose of calculation of z the borrowers are divided into two age groups viz. loans by borrowers having age below 40 and age above 40. On computation of z , the value of z was found to be lower than the table value at 5% level of significance. Thus, the *null hypothesis* of having no significant difference in the proportions of default between these two age groups was *accepted*.

H₀₁₉ There is no significant difference in the proportion of default between borrowers following different religions.

On computation of *z*-value, it was found to be lower than the table value at 5% level of significance. Hence, the *null hypothesis* of having no significant difference in the proportions of default between Hindus and Muslims was *accepted*.

H₀₂₀ There is no significant difference in the proportion of default between various marital statuses of borrowers.

To examine the difference in proportion on the above aspect 3 groups were formed. Accordingly, for the purpose of comparison, 3 groups were compared (Table 8.44). On computing *z*-value, it was observed to be lower than the table value at 5% level of significance for each group. Therefore, the *null hypothesis* of having no significant difference between the proportions of defaults was *accepted*.

H₀₂₁ There is no significant difference in the proportion of default between various education levels.

To examine the difference if any, in proportions of defaults in the loans taken by borrowers having different level of education, here also *z*-test is applied. For the purpose of analysis, loans of various borrowers are divided in 3 groups. Thus, for the purpose of comparison, it resulted in 3 comparisons (Table 8.44). On computation of *z*, the value of *z* was found to be higher than the table value at 1% level of significance in case of group (b) and *z*-value was found to be higher than the table value at 5% level of significance in case of group (c). Thus, *null hypothesis* for those two groups was *rejected* and alternate hypothesis of having significant difference between proportions of defaults was accepted. This indicates that the level of education does affect to the proportion of default.

H₀₂₂ There is no significant difference in the proportion of default between varying proportions of earning members in the borrowers' family.

To examine the significant difference if any, between varying proportion of earning members in the borrowers' family, various range of the percentage of the earning members of the borrowers' family were formed (in 10 groups) and for each such range proportion of default to the total loan was found. Based on this the *z* value is computed. It was observed that the values of *z* were found to be higher than table value of *z* at 5% level of significance for five groups *viz.* (d), (e), and (j) while the value of *z* was observed to be higher than the table value of *z* at 1% level of significance for two groups *viz.* (b) and (h). Hence, *null hypothesis* for these five groups was *rejected* indicating significant difference in the proportions of default between certain groups. It indicates

that the proportion of default can be reduced with more number of earning members in the borrowers' family.

H₀₂₃ There is no significant difference in the proportion of default between various groups of persons making decision to take loan.

To examine the difference in proportion of person making decision to take the loan on the rates of default 4 groups were framed. For the purpose of computation, thus it resulted in 6 comparative groups (Table 8.44). On computation of z value for each group, the value of z was found to be higher than the table value of z at 1% level of significance for one group only *i.e.* (b) indicating that the proportion of default reduces when decision to take loan is taken by self in consultation with spouse.

H₀₂₄ There is no significant difference in the proportion of default between various groups of persons making decision to use loan.

To examine the difference in proportion of default on account of frequency of loan, 4 groups were framed. For the purpose of computation, thus it resulted in 6 comparative groups (Table 8.44). On applying z test for each group, the value of z was found to be higher than the table value of z at 1% level of significant for one group only *i.e.* (b) indicating that the proportion of default reduces when decision to use loan is taken by self in consultation with spouse.

H₀₂₅ There is no significant difference in the proportion of default between various groups of persons making decision to use profit.

For the purpose of examining the difference in proportion on the above aspects, 4 groups were framed. For the purpose of computation, thus it resulted in 6 comparative groups (Table 8.44). On calculating z for each group, the value of z was found to be higher than the table value of z at 5% level of significant for one group only *i.e.* (b). It indicates that the proportion of default reduces when decision to use profit is taken by self in consultation with spouse.

8.4.2 Economic Factors

This part deals with three different factors *viz.* uncertainty of income of the borrowers, annual per capita income of the borrowers and borrowers' habit of regular savings. Following four hypotheses were tested.

H₀₂₆ There is no significant difference in the proportion of default in the loans taken by borrowers pursuing different economic activities.

For the purpose of examining difference in proportion on the above aspects, 3 groups were framed. For the purpose of comparison, thus it resulted in 3 comparisons (Table 8.44). On examining the z value for each group, the values of z were found to be

lower than the table value of z at 5% level of significance in case of each grouping. Thus, *null hypothesis* of having no significant difference in the proportions of defaults was *accepted* for each group. It indicates that borrowers' economic activities do not have any effect on the proportion of defaults.

H₀₂₇ There is no significant difference in the proportion of default in loans taken by borrowers at various levels of annual per capita income.

To study the difference in the proportions of defaults on account of level of per capita income 6 groups were framed. For the purpose of comparison, thus it resulted in 15 comparisons (Table 8.44). On computation of z -value, it was found to be higher than the table value at 1% level of significance in case of 8 groups *viz.* (b), (c), (d), (e), (f) and (g). Moreover, for the groups (h) and (j) the values of z were found to be higher than the table value at 5% level of significance. Therefore, the *null hypothesis* for those groups was *rejected*. It indicates that the proportion of default reduces with the high level of per capita income of the borrowers.

H₀₂₈ There is no significant difference in the proportion of default between groups of regular and irregular savers (other than SEWA bank).

To study the difference in proportion of default on account of saving habit, 2 groups (regular savers and irregular savers) were compared. On computing z , the value of z was found to be higher than the table value at 5% level of significance. Thus, the *null hypothesis* was *rejected*. Thus, it is inferred that regular saving at other than SEWA bank, leads to reduction in proportion of default.

H₀₂₉ There is no significant difference in the proportion of default between groups of regular and irregular savers (in SEWA bank).

For the purpose of examining difference in proportion of default on account of saving habit, 2 groups (regular savers and irregular savers) were compared. On computation of z , it was observed that the calculated value of z was higher than the table value of z at 1% level of significance. Thus, the *null hypothesis* was *rejected* indicating that the proportion of default reduces in case of the regular savers of the SEWA bank. Thus, regular saving in the SEWA bank, leads to reduction in proportion of default.

8.4.3 Loan Related Factors

This section presents the hypotheses tested for three factors such as amount of loan, purpose of loan and frequency of borrowings by the borrowers. Following three hypotheses were tested.

H₀₃₀ There is no significant difference in the proportion of default between various levels of amount of loan.

To study the difference in proportion on the above aspects, 3 groups were framed. For the purpose of comparisons, thus it resulted in 3 comparisons (Table 8.44). On examining the z value, it was observed to be higher than the table value of z at 1% level of significance for one group *i.e.* (c). Therefore, the *null hypothesis* for that one group was *rejected* indicating that the amount of loan does matter for proportion of default. It indicates that as the amount of loan decreases, the proportion of default loan increases.

H₀₃₁ There is no significant difference in the proportion of default between various purposes of loan.

For the purpose of examining the difference in proportion on the above aspects, 3 groups were framed which resulted in 3 comparisons (Table 8.44). On examining the value of z , the calculated values of z were found to be lower than the table value (at 5% level of significance) of z in case of all groups. Thus, *null hypothesis* of having no significant difference in the proportion of default was *accepted* for each group. It shows that purpose of the loan do not have any effect on the proportion of default.

H₀₃₂ There is no significant difference in the proportion of default between various levels of frequency of borrowing by the borrowers.

To study the difference in proportions of default on account of frequency of loan, 5 groups were formed. For the purpose of comparison, thus it resulted in 10 comparisons (Table 8.44). On computation the z value, it was found to be higher than the table value of z at 1% level of significance in case of six groups *viz.* (a), (b), (c), (d), (g) and (j). Hence, the *null hypothesis* was *rejected* for these six groups. This necessarily indicates that more the number of times, the borrower is granted loan, the chances of default in loan repayment reduces.

8.4.4 Financial Literacy of the Borrowers

In this section, factors regarding financial literacy of the borrowers were examined *viz.* lack of training and lack of awareness of rates of interest. Following two hypotheses were tested.

H₀₃₃ There is no significant difference in the proportion of default between groups of trained and non-trained borrowers.

To understand the difference in proportions on the above aspects, 2 groups were formed. On applying z test, it was observed that the calculated value of z was lower than the table value of z at 5% level of significance. Therefore, the *null hypothesis* of having

no significant difference in proportion of default was *accepted* indicating that giving training to the borrowers does not have any effect on the proportion of default.

H₀₃₄ There is no significant difference in the proportion of default between groups of aware and non-aware borrowers about the rates of interest.

To study the difference in proportion on the above aspect, 2 groups were formed with the objective of comparison. On computation of z-value, it was found to be higher than the table value of z at 5% level of significant. Thus, the *null hypothesis* was *rejected*. It indicates that awareness of the borrowers regarding rates of interest can reduce the level of default.

8.5 Major Findings

Total 484 borrowers, from all five branches (including head office) of the SEWA bank, were selected as sample. Responses of the sample are analyzed by applying two type of tests *i.e.* chi-square test and z-test. Hence, following major findings are observed.

8.5.1 Based on Chi-square test

1. 56.82% (275 out of 484) borrowers were found from the age group of 21-40 with maximum numbers of loans (719 loans out of 1335). However, maximum 28.57% default was observed for the age group of 61-80. It is observed that borrowers above the age 60 made more numbers of defaults. Significant relationship was found between the age of the borrowers and number of defaults (**H₀₁**).
2. Hindu borrowers were observed at 76.03% (368 out of 484) of the total borrowers. Looking to the caste, 48.76% (236) borrowers were not aware about their caste while 25.41% (123) borrowers were found for OBC caste. Share of defaults was at 15.21% (UL-14.46% & SL-55.56%) for Hindu borrowers. Though the major proportion of loans (993 out of 1335) as well as defaults was observed for Hindu borrowers, no significant relationship was found between religion of the borrower and number of default (**H₀₂**).
3. Maximum 436 (90.08%) borrowers (out of 484) were found married with maximum numbers (1194 out of 1335) of loans. However, maximum proportion of defaults was observed at 22.32% (UL-21.82% & SL 50%) for widowed borrowers. No significant relationship could be observed between the marital status of the borrower and number of defaults (**H₀₃**).
4. Borrowers were found with low level of education as 34.71% borrowers were observed having primary level education followed by uneducated borrowers with

33.26% share. Highest numbers of loans are observed for borrowers with primary education (475 out of 1335) followed by uneducated borrowers (404 out of 1335). However, highest share of default was observed at 18.56% (UL-18.34% & SL-33.33%) for uneducated borrowers followed by primary level educated borrowers at 15.37% (UL-14.13% & 87.50%). The rates of defaults were observed in down ward trend in relation to high level of education. Significant association is observed between education level of the borrower and number of default (**H₀₄**). It indicates that high level of education can help to reduce the number of defaults.

5. Out of 484 borrowers, 184 (38.02%) borrowers were observed with 21 - 40% earning members in their family. It was observed that borrowers with more numbers of earning members in their family can help to reduce the level of defaults. Accordingly, significant relationship was found between number of earning members in the borrower's family and number of defaults (**H₀₅**).
6. In most of the situations (decision to take the loan, decision to use the loan and decision to use the profit) decisions were taken by borrowers themselves. 41.12% (199 out of 484) borrowers were observed taking decision to take the loan while 38.02% (184 out of 484) borrowers were found taking decision to use the loan. In the situation to decide the usage of profit, 44.63% (216 out of 484) borrowers were observed. On examining the rate of defaults for all situations, for taking the decision to take the loan (17.72%) and use the loan (17.95%), the highest rates of default were observed for the borrowers taking decisions by consulting other than self &/or spouse. But in the situation of taking decision to use the profit, the highest default was observed at 16.91% for the self decision takers. The data shows that in the situations where borrowers took the decisions alone or by consulting other than self and/or spouse, the numbers of defaults are high. No significant relationship is observed between person making decision to take the loan and to use profit and number of default (**H₀₆** & **H₀₈**), while significant relationship is found between the person making decision to use the loan and number of defaults (**H₀₇**).
7. 484 borrowers were observed with 2625 family members where 1552 family members were economically inactive and 589 were self employed. Looking to the individual borrowers, out of 484 borrowers, 45.87% (222) were observed self employed followed by 41.12% inactive borrowers. Highest numbers (736 out of 1335) of loans were taken by the self-employed borrowers with 15.49% (UL-

- 14.58% & SL-56.25%) share of defaults. Borrowers with uncertain income were observed with marginally high level of defaults. However, no significant relationship is found between level of uncertainty of income and number of default (**H₀₉**).
8. Out of 484 borrowers, 63 borrowers were found with 50% earning members (TFM 4, TEM 2) in the family. Maximum 454 (out of 1335) numbers of loans were taken by the borrowers with the per capita income of ₹10,001-20,000 and defaults was observed at 16.74%. No significant association was observed between borrower's per capita income and numbers of defaults (**H₀₁₀**).
 9. Saving habit of the borrowers were gathered in two parts viz. borrower's savings in other than SEWA bank and borrower's savings in the SEWA bank. Out of 484 borrowers, 60 were observed regular savers in other than SEWA bank while 79 were observed regular savers in SEWA bank. 31.43% (22 responses out of 70) responses were received for the source of savings in other than SEWA bank is *Vishis* while 22.57% (109 responses out of 483) responses received for the source of savings in the SEWA bank is *Chinta Nivaran Yojana*. However, highest numbers of loans (out of total 1335 loans) were taken by the borrowers without habit of regular savings in both the parts viz. 1150 for savings in other than SEWA and 1055 for savings in SEWA bank. Highest share of defaults was also observed at 15.57% (UL-14.84% & SL-48%) and 17.54% (UL-16.68% & SL-66.67%) respectively. The data shows that habit of regular savings can help to reduce the number of defaults. In case of savings in other than SEWA bank, no significant relationship is found between regular savings and number of defaults (**H₀₁₁**). But significant relationship is found between regular savings by borrowers in SEWA bank and number of default (**H₀₁₂**).
 10. Total 1335 (1309 ULs & 26 SLs) numbers of loans were recorded as disbursed to the 484 borrowers. 421 ULs and 12 SLs were found with the amount in range of ₹1,000 to ₹10,000. 41 ULs and 3 SLs had been found having amounted of ₹51,000 and above. Highest level of defaults were observed for the loan amount ranging from ₹1,000 to ₹20,000. Significant relationship was observed between the amount of loan and number of defaults (**H₀₁₃**).
 11. Out of 1335 loans, 43.15% (576) loans were taken for productive purposes. Among them 574 loans were unsecured and 2 were secured. For 327 loans (24.49%) the purpose was not communicated by the borrowers where 305 loans were unsecured and 22 were secured. Only 9.59% proportion of total loans

- (1335) were observed for the purpose of debt/loan repayment but the rate of default was observed highest at 18.75%. The data shows that more number of defaults for the loan taken for non-productive purposes but no significant relationship was found between purpose of the loan and number of default (**H₀₁₄**).
12. On examining the frequency of the borrowings by the borrowers, majority 95% (1265 out of 1335) of the total proportion of loans were observed for the borrowers up to 6 time borrowings. The number of defaults were observed in decreasing trend towards the increasing number of frequency of borrowings. Highest proportion of default was observed at 32.46% (UL-31.13% & SL-50%) for 1st time borrowers. Significant relationship was observed between frequency of borrowings by the borrowers and number of default (**H₀₁₅**).
 13. Majority of the borrowers (66.74% *i.e.* 323 out of 484) had not undergone through any type of training programme of the SEWA bank. For 42.98% (out of 363 responses) of responses, it was observed that borrowers were not interested in taking training at SEWA bank. However, out of remaining responses, 22.87% responses were observed that borrowers could not take training, as closure of one day business was not affordable for them. The borrowers took maximum numbers of loans (807 out of 1335) without having training. Accordingly, 16.11% (UL-15.08% & SL-61.11%) default was observed for the same borrowers. Even if high level of default was observed for the borrowers without training, no significant relationship was found between having training and number of default (**H₀₁₆**).
 14. Out of 484 borrowers, only 105 borrowers were having correct awareness about the rate of interest they are charged for taking the loan. 379 borrowers were found unaware. However, majority numbers (1011 out of 1335) of loans were taken by the unaware borrowers and share of default was found to be 15.92% (UL-15.18% & SL-47.83%). On examining relationship if any between awareness of rate of interest and rate of default, it was found to be absent (**H₀₁₇**).
 15. Out of total 1335 loans, 869 (65.09%) loans were observed fully repaid while 466 (34.91%) loans were found outstanding of repayment. Out of 1335, 197 (14.76%) loans were found defaulted. Among them 76 (38.58%) loans were observed in case of paid loans while 121 (83.33%) were observed in case of outstanding loans. 30 cases, out of 1335 loans, were observed in case of multiple loans, among them 11 (36.67%) loans were found defaulted.

16. On examining the causes of defaults, 1418 responses were received from 460 (95.04% out of 484) borrowers who informed about their default. Out of 1418 responses, majority of the loans had not been repaid on time because of high fluctuation of income of the borrowers (15.23% responses), illness (13.26% responses) among the borrowers and sudden expenses (11.64% responses) of the borrowers. Some borrowers were found with other borrowings (9.94% responses) from private money lenders with high rate of interests. Other major reasons found were: Expenses in excess of income (8.04% responses), social expenses (6.49% responses), heavy debt (5.15% responses) and son/husband not earning enough (4.87% responses).
17. Total 89 responses were received from 24 (4.96% out of 484) borrowers who did not make any default. Out of 89 responses, major reasons of loans repaid regularly, includes regular savings of the borrowers (23.60% responses), regular income of the borrowers (20.22% responses), habit of economizing the spending (17.98% responses) among the borrowers and all family members are earning (15.73% responses).

8.5.2 Based on z test – Difference between Proportions

1. No significant difference was found between proportions of defaults between the age groups of below 40 and above 40 (H_{018}). No significant difference was observed between proportion in defaults of two religion groups *i.e.* Hindus and Muslims (H_{019}). No significant difference was observed in proportion of any group of marital status of the borrowers and the proportion of default. (H_{020}). No significant difference was found for the group of uneducated borrowers and primary level educated borrowers. However, significant difference was observed for two groups *viz.* (b) uneducated *v/s* above primary and (c) primary *v/s* above primary (H_{021}). Thus, with granting loan to educated borrowers, the risk of default reduces.
2. When, the difference between groups was examined, for proportion of default and proportion of earning members in the family, significant difference was observed for 5 groups *viz.* (b) 0% to 20% *v/s* 41% to 60%; (d) 0% to 20% *v/s* 81% to 100%; (e) 21% to 40% *v/s* 41% to 60%; (h) 41% to 60% *v/s* 61% to 80% and (j) 61% to 80% *v/s* 81% to 100% (H_{022}). Thus, with rising proportion of earning members in the family, the proportion of default reduces.
3. Difference between proportions of defaults for person making decision to take the loan, decision to use the loan and decision to use profit was found to be

- significant for one group only *i.e.* (b) self *v/s* self & spouse (**H₀₂₃**, **H₀₂₄**, **H₀₂₅**). Thus, the proportion of default reduces when the decision is taken by borrower in consultation with spouse.
4. No significant difference was observed for the various groups of economic activities (**H₀₂₆**). On observing per capita income of the borrowers' and defaults, significant difference was found in case of 8 various levels of annual per capita income of borrowers such as (b) ₹0-₹10,000 *v/s* ₹20,001-₹30,000; (c) ₹0-₹10,000 *v/s* ₹30,001-₹40,000; (d) ₹0-₹10,000 *v/s* ₹40,001-₹50,000; (e) ₹0-₹10,000 *v/s* above ₹50,000; (f) ₹10,001-₹20,000 *v/s* ₹20,001-₹30,000; (g) ₹10,001-₹20,000 *v/s* ₹30,001-₹40,000; (h) ₹10,001-₹20,000 *v/s* ₹40,001-₹50,000; and (i) ₹10,001-₹20,000 *v/s* above ₹50,000 (**H₀₂₇**). Thus, with the rising proportion of per capita income of the borrower, the proportion of default reduces.
 5. Significant difference was found for the groups of regular savers *v/s* irregular savers in both the cases *i.e.* savings other than SEWA bank (**H₀₂₈**) and savings in the SEWA bank (**H₀₂₉**). Regular savings of the borrower, leads to reduction in proportion of default.
 6. On comparing various levels of amount of loan with proportion of default, significant difference was found for the group (c) ₹21,000 to ₹40,000 *v/s* above ₹40,000 (**H₀₃₀**). However, on comparing purposes of the loans and proportion of default no significant difference was observed for any group of purposes of the loan (**H₀₃₁**). Moreover, in case of comparison of frequency of borrowings with proportion of default, significant difference in proportion of defaults was observed for the following six groups *viz.* (a) 1 time *v/s* 2 time; (b) 1 time *v/s* 3 time; (c) 1 time *v/s* 4 time; (d) 1 time *v/s* 5 time & above; (g) 2 time *v/s* 5 time & above; and (j) 4 time *v/s* 5 time & above (**H₀₃₂**). More the number of times, the borrower is granted loan, the chances of default in loan repayment reduces.
 7. Even though the training had not helped in reducing the level of default (**H₀₃₃**), the awareness about the interest rate has helped in reducing the proportion of default (**H₀₃₄**).

The next chapter presents the analysis of responses received from banksathis, hand holders and comparative analysis for the responses of the common questions.



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Chapter 9

DATA ANALYSIS:

BANKSATHIS &

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Chapter 9

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Chapter 9

Data Analysis: Banksathis and Hand Holders

In the preceding chapter analysis of the responses of the borrowers was carried out. This chapter presents the analysis of the responses by the banksathis and hand holders. It also presents the comparative analysis of the responses of banksathis and hand holders.

Banksathis are the SEWA bank's frontline workers. They come from the same communities as the customers and live alongside them in the same neighbourhoods. A capable banksathi can serve around 400 borrowers of the bank. The banksathi assist the applicant to take the loan and/or opening a saving account in the SEWA bank. Hand holders (bank's facilitator) monitor banksathis. Banksathis and hand holders play very important role in the loan procedure. Banksathis first assesses the loan applicant and make notes on applicant's financial and social status. Hand holders then follow up on the recommendations of banksathis and make notes on applicant's entrepreneurial skills, her financial capability and her participation in the bank's savings programmes. Banksathis were also asked to explain all the rules and regulations regarding loan and repayment procedure to the applicant. Then only the loan is sanctioned to the applicant by the Bank.¹ Thus, sanctioning the loan to the borrowers is dependent on recommendation of banksathi as well as hand holders. Accordingly, opinions of banksathis and hand holders are very important for the study.

This chapter is divided in four sections. Section 1 deals with the analysis of data collected from Banksathis while Section 2 deals with the analysis of data collected from Hand Holders. Section 3 presents the comparative analysis of the opinions of Banksathis and Hand Holders and Section 4 presents the major findings. Following paragraphs discusses the same.

Section I Banksathis

9.1 Analysis of data collected from Banksathis

Total 83 numbers of banksathis were reported from the SEWA bank but all banksathis were not found in active condition. Some of them were less active and/or inactive. Thus, for the purpose of the study only active and available banksathis were included in final sample. According to the SEWA bank 67 banksathis were active and

available. However, at the time of data collection 66 banksathis were available. Thus, all the banksathis are included for the study. The distribution of 66 banksathis was as mentioned in Table 9.1. It can be noted from the table that Behrampura had highest number of banksathis (20) and Vasna had lowest number of banksathis (5).

Table 9.1 Branch wise data of Banksathis

No.	Name of Branch	Frequency	Percentage
1	Head Office	7	10.61
2	Vasna	5	7.58
3	Behrampura	20	30.30
4	Madhupura	17	25.76
5	Rakhial	17	25.76
	Total	66	100

Source: Prepared from Responses

Total 25 questions, divided into six sections, were asked to 66 banksathis. The Questionnaire is appended at the end as *Appendix-2*.

9.1.1 Demographic Profile

Basic information regarding age, education and experience of the banksathis was inquired. In addition to this, the loan accounts opened by each banksathi were also inquired. Following paragraphs discuss the analysis of the same.

Age & Education: Table 9.2 shows the age wise educational status of banksathis. Age of the banksathis was found in the range of 21-55. Majority of banksathis (19, 28.79%) were found between the age group of 36-40. From angle of education majority of banksathis (28, 42.42%) were observed with the secondary level education of which 9 banksathis were observed for the age group of 36-40. 15 (22.73%) banksathis were found primary level educated. Only 8 (12.12%) and 9 (13.64%) banksathis had higher secondary and graduate level education respectively. Education level is observed considerably low among banksathis, however, definitely it is better than borrowers.

Table 9.2 Age wise Education of Banksathis

Age	Education					Total	%
	Primary 1-7	Sec. 8-10	Higher Sec. 11-12	Graduation	NA		
21-25	1	0	0	0	0	1	1.52
26-30	0	3	2	1	0	6	9.09
31-35	2	5	0	3	1	11	16.67
36-40	4	9	3	1	2	19	28.79
41-45	3	4	1	1	1	10	15.15
46-50	4	6	0	1	0	11	16.67
51-55	1	1	2	2	2	8	12.12
Total	15	28	8	9	6	66	
%	22.73	42.42	12.12	13.64	9.09		

Source: Prepared from Responses

Age & Experience: Table 9.3 presents the age wise working experience of banksathis. Maximum 26 banksathis were found with experience of 4 to 6 years, of which 9 banksathis were reported in the age group of 36-40. 19 banksathis were found with the experience of 10 to 12 years. Among them 5 banksathis were reported in the age group of 31-35 and 51-55 each. Only 1 (age group 36-40) banksathi was recorded with the experience of 13 to 15 years.

Table 9.3 Age wise Experience of Banksathis

Age	Experience (In Years)					Total	%
	1 to 3	4 to 6	7 to 9	10 to 12	13 to 15		
21-25	0	0	1	0	0	1	1.52
26-30	0	4	2	0	0	6	9.09
31-35	1	3	2	5	0	11	16.67
36-40	2	9	5	2	1	19	28.79
41-45	1	3	3	3	0	10	15.15
46-50	0	6	1	4	0	11	16.67
51-55	1	1	1	5	0	8	12.12
Total	5	26	15	19	1	66	
%	7.58	39.39	22.73	28.79	1.52		

Source: Prepared from Responses

Number of Accounts opened: To have an idea about the involvement of banksathis in opening accounts, the number of loan accounts opened by banksathis during 2007-08 and 2008-09 were inquired. As the primary data collection was carried out commencing from May 2009, the years selected for the question were 2007-08 and 2008-09. From the summary data presented in Table 9.4, it can be observed that during the year 2008-09 the number of banksathis opening accounts between 51-300 has gone up and between 0-50 has gone down. This necessarily implies that banksathis were more active in the year 2008-09 in comparison of the year 2007-08.

Table 9.4 Number of Loan Accounts Opened by Banksathis

No.	No of Accounts opened	2007-08	2008-09
1	0-50	60	5
2	51-100	1	24
3	101-150	1	18
4	151-200	0	6
5	201-250	0	7
6	251-300	1	2
7	301-350	0	0
8	351-400	2	3
9	401-450	0	0
10	451-500	0	0
11	501-550	0	0
12	551-600	1	1
	Total	66	66

Source: Prepared from Responses

9.1.2 Procedural

Total five questions regarding sanctioning the loan and periodicity of collection of loan instalments were asked in this section. Banksathis work in the area of customers. Customers ask them to open saving account or to take any type of loan. Then banksathis recommend that customer to the bank for sanctioning the loan and hand holder follow up the loan procedure. Banksathis get the commission on the basis of loan amount sanctioned to the customers who come to the bank for loan with the reference of banksathis. Majority of banksathis had tried to sanction the higher amount of loan to their customers with the purpose of taking higher amount of commission. It might affect directly or indirectly on the level of defaults because some times customers may not be able to repay the loan within the loan term. So opinions of banksathis, regarding loan amount for the first time and or second time loan given to the same borrower, were also collected for the purpose of the study. Majority of them had given the same opinions for all types of unsecured loans (UL) given for the first time. While for secured loans (SL), banksathis had given same opinions for the first time loan and second time loan.

Minimum & Maximum limit of Amount for 1st Time: Banksathis were asked to share their opinions regarding minimum and maximum limit of loan amount for all products of UL and SL loans. Some of banksathis gave different opinions for different products while some banksathis gave same opinions for all products. Thus, due to multiple responses total 119 responses were recorded from 66 banksathis (Table 9.5). Looking to the responses given to all UL products, it was observed that 56 and 51 responses indicates specific amount for minimum limit and maximum limit respectively. Among them 46 responses were observed at ₹5,000 for minimum limit while 22 responses were observed at ₹10,000 for maximum limit. For remaining responses, banksathis did not communicate any particular amount for minimum and/or maximum limit for the first time loan.

Looking to the responses given to SLs, similar opinions were observed for all type of SLs as well as for minimum and maximum limit of loan amount where no banksathi communicated any specific amount for minimum/maximum limit of loan. For Fixed Deposit, maximum 23 responses were observed for 80% of FD for minimum and maximum limit of loan amount.

Minimum & Maximum limit of Amount for 2nd Time: Table 9.6 shows the opinions of banksathis about minimum and maximum loan amount for the second time loan given to the same borrower. In case of all ULs, 39 responses were observed for definite amount for minimum limit of amount while 36 responses were observed for

definite amount for maximum limit of amount. 17 responses were recorded for minimum amount of ₹15,000 for all types of ULs while 9 responses were observed for the maximum amount of ₹25,000. However, 14 responses were found for maximum

Table 9.5 Views about minimum and maximum amount of loan for the 1st time

No.	Loan Type	Minimum Amt	Freq	No.	Loan Type	Maximum Amt	Freq
	* Unsecured				* Unsecured		
1	Paki Bhit Loan	5,000	1	1	Paki Bhit Loan	100,000	1
2	All Products	2,000	1	2	All Products	10,000	22
3		3,000	1	3		15,000	14
4		5,000	46	4		20,000	3
5		7,000	1	5		25,000	5
6		10,000	7	6		30,000	1
				7		50,000	5
				8		2 times of savings	2
7		2-3 times of savings	1	9		2-3 times of savings	2
				10		3 times of savings	3
8		3-4 times of savings	1	11		3-4 times of savings	1
9		4 times of savings	1	12		4 times of savings	2
				13		5 times of savings	1
10		Depends upon borrower	1	14		Depends upon borrower	1
				15		Depends upon savings	1
11		Bank decides	1	16		Bank decides	1
12		Don't know	4	17		Don't know	1
	* Secured				* Secured		
1	Fixed Deposit	65% of FD	1	1	Fixed Deposit	65% of FD	1
2		70% of FD	3	2		70% of FD	3
3		70-80% of FD	4	3		70-80% of FD	4
4		75% of FD	1	4		75% of FD	1
5		75-80% of FD	1	5		75-80% of FD	1
6		80% of FD	23	6		80% of FD	23
7		80-85% of FD	3	7		80-85% of FD	3
8		80-90% of FD	2	8		80-90% of FD	2
9		85% of FD	2	9		85% of FD	2
10		90% of FD	1	10		90% of FD	1
11		133% of FD	1	11		133% of FD	1
12	NSC loan	As per the term of NSC	1	12	NSC loan	As per the term of NSC	1
13	ODCC/OC loan	60% of Valuation of Gold	1	13	ODCC/OC loan	60% of Valuation of Gold	1
14		70% of Valuation of gold	5	14		70% of Valuation of gold	5
15		70-80% of Valuation of gold	1	15		70-80% of Valuation of gold	1
16		75% of Valuation of gold	1	16		75% of Valuation of gold	1
17		80% of Valuation of gold	2	17		80% of Valuation of gold	2

Source: Prepared from Responses

Table 9.6 Views about minimum and maximum amount of loan for the 2nd time

No.	Loan Type	Minimum Amt	Freq	No.	Loan Type	Maximum Amt	Freq
	* Unsecured				* Unsecured		
1	Paki Bhit Loan	3 times of savings	1	1	Paki Bhit Loan	3 times of savings	1
2	All	10,000	6	2	All	15,000	2
3		15,000	17	3		20,000	3
4		20,000	6	4		25,000	9
5		25,000	7	5		30,000	6
6		30,000	1	6		35,000	4
7		35,000	1	7		40,000	2
8		50,000	1	8		50,000	6
				9		80,000	1
				10		100,000	3
				11		2 times of savings	1
9		2-3 times of savings	1	12		2-3 times of savings	2
				13		3 times of savings	14
10		3-4 times of savings	1	14		3-4 times of savings	2
11		4 times of savings	1	15		4 times of savings	2
				16		5 times of savings	1
12		Depends upon borrower	1	17		Depends upon borrower	1
13		Depends upon savings	2	18		Depends upon savings	4
14		Don't know	19	19		Depends upon Savings & previous record	1
	* Secured				* Secured		
1	Fixed Deposit	65% of FD	1	20	Fixed Deposit	65% of FD	1
2		70% of FD	3	21		70% of FD	3
3		70-80% of FD	4	22		70-80% of FD	4
4		75% of FD	1	23		75% of FD	1
5		75-80% of FD	1	24		75-80% of FD	1
6		80% of FD	23	25		80% of FD	23
7		80-85% of FD	3	26		80-85% of FD	3
8		80-90% of FD	2	27		80-90% of FD	2
9		85% of FD	2	28		85% of FD	2
10		90% of FD	1	29		90% of FD	1
11		133% of FD	1	30		133% of FD	1
12	NSC loan	As per the term of NSC	1	31	NSC loan	As per the term of NSC	1
13	ODCC/OC loan	60% of Valuation of Gold	1	32	ODCC/OC loan	60% of Valuation of Gold	1
14		70-80% of Valuation of gold	1	33		70-80% of Valuation of gold	1
15		70% of Valuation of gold	5	34		70% of Valuation of gold	5
16		75% of Valuation of gold	1	35		75% of Valuation of gold	1
17		80% of Valuation of gold	2	36		80% of Valuation of gold	2

Source: Prepared from Responses

amount as 3 times of savings of the borrowers. 19 banksathis responded that they do not know the minimum amount limit. For SL products, all banksathis shared same opinions for minimum and maximum limit of loan amount as they shared for the first time loan.

Preconditions for second time loan to the Same Borrower: When any borrower is sanctioned the loan from the SEWA bank, some preconditions are required to be fulfilled by the borrower. All banksathis were asked to give their views about preconditions (Table 9.7). This was an open ended question. 5 conditions were already prompted in the questionnaire and respondents were free to give reason other than those 5. Accordingly, 9 different types of conditions are received from banksathis. 182 responses were found from 66 banksathis because of multiple responses. Maximum 63 (34.62%) responses are received for the condition of regularity/maintenance of saving account of the borrowers. 61 (33.52%) responses are received for borrower's record of previous loan. 32 (17.58%) responses are received for borrowers' good relationship with the bank. 20 (10.99%) responses were about the government employee should be there as a guarantor.

Table 9.7 Preconditions for Sanctioning the Second Time Loan

No.	Preconditions	Frequency	Percentage
1	Regularity/Maintenance of Savings	63	34.62
2	Record of previous loan	61	33.52
3	Customer's relationship with bank	32	17.58
4	Government Guarantor	20	10.99
5	Increase savings with the loan	2	1.10
6	Financial Condition and income of borrower	1	0.55
7	Link with other saving schemes	1	0.55
8	Repayment capacity of the family	1	0.55
9	Legal status of the house	1	0.55
	Total	182	100

Source: Prepared from Responses

Factors to Decide Loan Amount: An attempt is made to know the important factors considered to decide the loan amount at the time of sanctioning. Accordingly, banksathis were asked to state those factors which are important according to them. This was an open ended question. 11 factors were already prompted in the questionnaire and respondents were free to give reason other than those 11. Accordingly, total 14 types of different factors were responded by banksathis. Thus, to understand the maximum preferred factors average rank was given to each factor. As data displayed in the Table 9.9, factors are presented in the ascending order of their average rank. Looking to the top five most preferable factors, first most preferable factor observed is borrower's regularity/maintenance of savings followed by borrower's record of previous loan.

Borrower's linkage with other saving schemes of the SEWA bank is given third rank. Repayment capacity of the borrower and borrower's family is given forth and fifth rank respectively.

Table 9.8 Factors to Decide the Loan Amount

No.	Factors	Ranks														
		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	Regularity/Maintenance of savings	0	33	16	9	3	0	0	0	0	0	0	0	0	0	0
2	Record of previous loan	0	7	18	13	7	1	0	0	0	0	0	0	0	0	0
3	Repayment capacity of the borrower	0	14	8	6	5	4	0	0	0	0	0	0	0	0	0
4	Repayment capacity of the family	0	2	6	8	8	2	1	0	0	0	0	0	0	0	0
5	Condition of the house	0	0	1	0	0	3	1	0	0	0	0	0	0	0	0
6	Legal ownership of the house	0	1	0	0	3	2	0	0	0	0	0	0	0	0	0
7	Nature of business income	0	2	4	5	8	4	1	0	0	0	0	0	0	0	0
8	Household expenses	0	0	0	1	1	1	0	0	0	0	0	0	0	0	0
9	Link with another saving schemes	0	5	11	15	4	8	6	0	0	0	0	0	0	0	0
10	Involvement in police cases	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0
11	Sign of any addiction	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0
12	Needs and/or purpose of the borrower for taking the loan	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0
13	Borrowers' relation with the bank	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0
14	Borrower should be determinant	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0
15	Don't Know	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: Prepared from Responses

Table 9.9 Factors by Average Rank

No.	Factors	Average Rank
1	Regularity/Maintenance of savings	1
2	Record of previous loan	2
3	Link with other saving schemes	3
4	Repayment capacity of the borrower	4
5	Repayment capacity of the family	5
6	Nature of business income	6
7	Legal ownership of the house	7
8	Condition of the house	8
9	Household expenses	9
10	Needs and/or purpose of the borrower for taking the loan	10
11	Involvement in police cases	11
12	Borrowers' relation with the bank	12
13	Sign of any addiction	13.5
14	Borrower should be determinant	13.5

Source: Prepared from Responses

Periodicity of Collection of Loan Instalments: One of the duties of banks is to collect the cash of instalments from the borrower by going personally to the

borrower's place. Banksathis were asked to tell the periodicity of instalment collection from the borrowers. The data from Table 9.10 shows that 93.94% banksathis (62) had collected instalments on daily basis. 3.03% banksathis (2) had followed daily and monthly routine while other 3.03% banksathis (2) had collected on the basis of daily-weekly and monthly. Time convenience of customers was the first preference of all banksathis.

Table 9.10 Periodicity of Collection of Instalments

No.	Periodicity	Frequency	Percentage
1	Daily	62	93.94
2	Daily-Monthly	2	3.03
3	Daily-Weekly-Monthly	2	3.03
	Total	66	100

Source: Prepared from Responses

9.1.3 Loan Products: Not in Use

In this section banksathis were asked to inform with reasons, if any, of the loan products currently not in use. There were five different types of loan products available at the SEWA bank. From the Table 9.11, it can be observed that 64 (96.97%) banksathis informed that daily loan collection was not in use. All banksathis shared more than one reason for daily loan collection not in use. This was an open ended question. 9 reasons were already listed in the Questionnaire. Banksathis were free to give reason other than those 9.

Table 9.11 Loan Products not in Use

No.	➤ Loan Products	Frequency	Percentage
1	Daily Loan Collection	64	96.97
2	Don't know	2	3.03
	Total	66	100
	➤ Reasons.... Daily Loan Not In Use		
1	Irregularity in daily payment	34	25.00
2	High fluctuation in daily income of borrower	30	22.06
3	Banksathi had to take responsibility as a guarantor	18	13.24
4	Mismatch of timing of banksathi and customer	18	13.24
5	Borrowers could not pay within the loan duration	11	8.09
6	Higher amount of instalments	8	5.88
7	Higher interest rate	4	2.94
8	Increase in number of defaults	2	1.47
9	Very difficult for banksathi to go in daily visit	2	1.47
10	Banksathis were blamed by the borrowers for not depositing cash in the bank regularly	1	0.74
11	Borrowers prefer other institutions to take daily loan other than SEWA bank	1	0.74
12	Don't Know	7	5.15
	Total	136	100

Source: Prepared from Responses

Total 136 responses were recorded from 66 banksathis. Majority 34 (25%) responses indicate that borrowers were very irregular in daily payment. 30 (22.06%) responses indicate that daily income of the borrowers had highly fluctuated. 18 (13.24%) responses report that for daily loan collection banksathis had to take responsibility as a guarantor and other 13.24% responses indicate that there were mismatch of timings (for daily collection at customer's place) of banksathis and customers.

9.1.4 Daily Loan Collection

This section specially focused on the product daily loan collection. On inquiring whether the banksathi was member of SEWA bank at a time of commencement of daily loan collection scheme or not, it is observed that 53 (80.30%) banksathis were the member of the SEWA bank.

Cash Collection on Daily Basis: Most important point about daily loan collection product was banksathis collect loan instalments daily from the borrowers. Accordingly, banksathis were asked to share their views with reasons whether daily collection was a boring task for them and/or borrowers or not. Results from the Table 9.12 shows that 46 (69.70%) banksathis informed that daily collection was not a boring task but 20 (30.30%) banksathis informed that daily collection was a boring task. Among 20 banksathis 9 banksathis believed that it was a boring task for them because

Table 9.12 Daily Cash Collection: Boring or Not

No.	Responses	Frequency	Percentage
1	Yes	20	30.30
2	No	46	69.70
	Total	66	100
	➤ If Yes.... To whom?		
1	To Banksathi	9	45.00
2	To Borrowers	8	40.00
3	To Both	3	15.00
	Total	20	100
	➤ To Banksathi.... Reasons		
1	Mismatch of timing of banksathi and borrower	9	100.00
	Total	9	100
	➤ To Borrowers.... Reasons		
1	Borrowers do not like daily visit of banksathi	6	66.67
2	Mismatch of timing of banksathi and borrower	2	22.22
3	No Response	1	11.11
	Total	9	100
	➤ To Both.... Reasons		
1	Mismatch of timing of banksathi and borrower	3	50.00
2	Borrowers do not like daily visit of banksathi	3	50.00
	Total	6	100

Source: Prepared from Responses

mismatch of timings of banksathi and borrower. While 8 banksathis opined that it was boring task for borrowers because majority of borrowers did not like daily visit of banksathis at their place. 3 banksathis opined that it was a boring task for both *i.e.* banksathis and borrowers.

Regularity of Payment of Instalment for Daily Loan Collection: On inquiring with banksathis about regularity in payment of instalment on daily basis it was observed that 46 banksathis (69.70%) had given positive response. But 20 (30.30%) banksathis told that borrowers had not paid their instalments on daily basis regularly.

The study also tried to find out the demand for daily loans. Banksathis were asked to share their views whether daily loans were in high demand by the borrowers or not. With reference to the Table 9.13 following information were found. 48 (72.73%) banksathis informed that daily loans were in high demand while 18 (27.27%) banksathis told that daily loan was not in high demand by the borrowers. All banksathis were asked to give specific reasons for their reply.

Table 9.13 Demand of Daily Loan Collection

No.	➤ Responses	Frequency	Percentage
1	Yes	18	27.27
2	No	48	72.73
	Total	66	100
	➤ If yes.... Reasons		
1	Daily payment in small instalments can reduce the burden of interest and debt.	11	55.00
2	No requirement of government employee as a guarantor	6	30.00
3	Bank goes to the customer to give the loan at their place	1	5.00
4	Due to small amount of interest	1	5.00
5	No response	1	5.00
	Total	20	100
	➤ If No.... Reasons		
1	Convenient to daily wage earners only.	43	74.14
2	Borrowers do not like banksathi to visit their place daily	7	12.07
3	Borrowers could not maintain proper record of their daily paid instalments	5	8.62
4	Bank stopped to give daily loan	1	1.72
5	Borrowers prefer to take daily loan from another banks	1	1.72
6	No response	1	1.72
	Total	58	100
	➤ Suggestions to Increase the Demand		
1	Banksathis do not want to increase the volume	29	53.70
2	Daily service should be given to the borrowers at their convenience	10	18.52
3	Loan should be given to daily wage earners only	7	12.96
4	Borrowers never demand	1	1.85
5	No response	7	12.96
	Total	54	100

Source: Prepared from Responses

Accordingly, three open ended questions were asked to banksathis regarding reasons for high demand of daily loan and suggestions to increase the demand for the same. Banksathis gave multiple reasons. Thus, total 20 responses were reported from 18 banksathis (with positive reply) and total 58 responses were reported from 48 banksathis (with negative reply). Among responses from positive respondents, 11 responses indicated that daily payment in small instalments can reduce the burden of interest and debt. While among responses from negative respondents, 43 responses indicate that daily loan was convenient to daily wage earners only. Therefore, it was not in high demand. On asking for giving suggestions to increase the demand of daily loan collection, banksathis had given 5 different types of suggestions and they had selected multiple suggestions. 29 responses shows that banksathis did not want to increase the volume of daily loan collection. However, 10 responses were for daily service to be given to the customers at their convenience.

9.1.5 Views regarding Loan Sanction and Monitoring

This section analyses the important aspects regarding loan sanctioning to the borrower, working areas of banksathis and monitoring of the borrowers regarding regularity in repayment of the loan.

Loan Sanctioning and Training An attempt is made to know whether banksathis recommend borrowers for loans without giving any type of training or not. As majority of the borrowers found with low level of education, giving training is very important task for the bank. However, Table 9.14 shows that maximum 40 (61%) banksathis had informed that they recommend borrowers even if they found without training. While only 26 (39%) banksathis did not recommend borrowers for loan without training. 40 banksathis with positive reply were reported with 5 different types of reasons. As banksathis selected multiple reasons, total 65 responses were recorded from 40 banksathis. Majority 29 (45%) responses indicate that because closure of one day business is unaffordable for borrowers they do not prefer to come to the bank and take training. 22 (34%) responses indicate that training timings were inconvenient for borrowers.

26 banksathis who were of the opinion that the loan should not be recommended without training, were further asked about the type of training they prefer to give to their borrowers before recommending the loan. For total 5 different types of training, total 120 responses were received because all banksathi had chosen multiple options. Majority of banksathis informed that they prefer to give almost all type of training.

Table 9.14 Loan Recommendation to Borrower without Training

No.	Responses	Frequency	Percentage
1	Yes	40	60.61
2	No	26	39.39
	Total	66	100
	➤ If Yes.... Reasons		
1	Closure of one day business is not affordable	29	44.62
2	Inconvenient training timings	22	33.85
3	Thorough knowledge regarding loan is provided by hand holders at the time of personal inquiry before loan approval.	11	16.92
4	Tired of telling but customers are not ready to come	2	3.08
5	Borrowers are ready to come but due to less number of staff training is not given in now-a-days	1	1.54
	Total	65	100
	➤ If No.... Type of Training		
1	Financial Counselling - Long term training	25	20.83
2	Business Counselling	25	20.83
3	Financial Counselling - Short term training	24	20.00
4	Calculation of interest	23	19.17
5	Amrut Zaranu	23	19.17
	Total	120	100

Source: Prepared from Responses

Views about Working Areas: Working areas of each banksathis are fixed. But sometimes some banksathis had been suspended from the bank and other banksathis had been replaced in that area. Accordingly, an attempt is made to inquire the effect of new banksathis on the borrowers. Further, it was also attempted to know whether it was directly or indirectly connected to the level of defaults.

Table 9.15 Banksathis Ever Replaced in Other's Area

No.	Responses	Frequency	Percentage
1	Yes	16	24.24
2	No	50	75.76
	Total	66	100
	➤ If Yes.... Responses		
1	Banksathis get positive response	14	50.00
2	Borrowers put trust on banksathis	14	50.00
	Total	28	100
	➤ If Yes.... Product Name (Type of Loan)		
1	Paki Bhit Loan (Unsecured)	16	16.49
2	Sanjeevani Loan (Unsecured)	16	16.49
3	Unsecured Loan (Unsecured)	16	16.49
4	Capitalization Urban Loan (Unsecured)	16	16.49
5	Fixed Deposits (Secured)	11	11.34
6	ODCC Loan (Secured)	9	9.28
7	NSC loan (Secured)	5	5.15
8	Daily Loan Collection (Unsecured)	4	4.12
9	Equitable Mortgage (Secured)	4	4.12
	Total	97	100

Source: Prepared from Responses

Table 9.15 shows that only 16 banksathis had been replaced in the new area. Two reasons are indicated for the same. As almost all banksathis responded to both the reasons, the total responses received are 28 for 16 respondents. The reasons indicated are: banksathis get positive response and borrowers put trust on banksathis. Majority of banksathis had given all types of loan products in the new area. It can be interpreted that if borrowers put trust on new banksathis, there would not be any effect on repayment of instalments and indirectly on the level of defaults. However, if borrowers do not trust the new banksathis, they might not give their instalments to banksathis and indirectly borrowers make defaults.

Steps followed by banksathis in case of default by borrower: Collection of loan instalments from borrowers is the responsibility of banksathis. Therefore, in a situation when the borrowers are making any default, it is the responsibility of the banksathi to collect the amount. To know, what are the steps followed by banksathis in case of default the question was included in the questionnaire. According to banksathis, maximum 4 steps were required to be followed. The banksathis were required to enlist them. However, there were no such rigidly defined steps. Therefore, this resulted in to 10 such steps. Based on frequency of responses, average is derived and they are arranged in the order, in which they be followed. The details are presented in Table 9.16

Table 9.16 Standard Sequence of Steps followed on the time of Default

No.	Steps to be Followed by Banksathis	Average
1	Personal visit of borrower to inquire the problems and explain them	1.00
2	Inform Hand holder	1.50
3	Personal visit of borrower with hand holder	2.00
4	Personal visit of guarantor with hand holder	2.00
5	Inform bank about the borrower	2.50
6	Personal visit of guarantor	2.56
7	Warn borrowers of possible consequences from the bank for default in repayment	2.78
8	Send a notice to borrower and/or guarantor on skipping of one instalment	2.82
9	Commencement of court proceedings	3.80
10	Ask bank to visit government guarantor	4.00

Source: Prepared from Responses

From the data of Table 9.16 top four steps can be identified as follows. Step 1: Personal visit of customer to inquire the problems and explain them; Step 2: Inform hand holder; Step 4 Personal visit of customer with hand holder; Step 4: Personal visit of guarantor with hand holder.

Views about Reasons of Defaults: The study had tried to know banksathis' opinion regarding reasons of defaults. Total 312 responses were received including 14 different types of reasons due to multiple responses from banksathis.

Table 9.17 shows reasons of defaults. Looking to top five reasons, the first reason of default in payment of loan as responded by banksathis was illness of borrowers, followed by loss of business/job of the borrowers. 29 (9.29%) responses indicate that borrowers have unwillingness to repay. This was followed by sudden expenses, social expenses and expenses in excess of income as reason of default having equal percentage of response at 8.65%. Fifth positions were loss in business and borrowers borrow money from non bankers with high rate of interest rates, having equal level of response at 7.69%.

Table 9.17 Reasons of Defaults according to Banksathis

No.	Reasons for Defaults	Frequency	Percentage
1	Illness	56	17.95
2	Loss of business/job	48	15.38
3	Unwillingness to repay	29	9.29
4	Sudden expenses	27	8.65
5	Social expenses	27	8.65
6	Expenses in excess of income	27	8.65
7	Loss in business	24	7.69
8	Borrow money from non-bankers with higher interest rate	24	7.69
9	Death of family member(s)	20	6.41
10	Customers give away the loan to another person	11	3.53
11	Meeting with an accident	10	3.21
12	Delay in salary	6	1.92
13	Husband is not earning enough	2	0.64
14	Bought a new house	1	0.32
	Total	312	100

Source: Prepared from Responses

9.1.6 Effects of Defaults

An attempt is made here to know the mentality of banksathis that what they think regarding how defaults affects to the bank. If banksathi knows the negative effects of defaults to the bank they always try to reduce the level of defaults. But if banksathis do not see defaults as a negative factor for the bank, they indirectly increase the level of defaults because they do not take the number of defaults seriously.

The results of the Table 9.18 show that 62 (93.94%) banksathis opined that defaults affects negatively to the bank. Total 14 different types of reasons are received from the banksathis who opined that defaults affects negatively to the bank. As banksathis had selected multiple reasons, total 130 responses are received from 62 banksathis. Highest number of response (32) stands for constraint on bank for sanctioning higher amount of loan. Next highest response (28) indicates income of bank will decrease on account of defaults. The next in line is that in case of defaults 'Bank has to reserve an amount equivalent to amount of NPA' and 'Bank cannot pay salary'.

Total 5 different types of reasons were recorded from banksathis who had believed that defaults did not affect negatively to the bank. Due to selection of multiple reasons, total 7 responses were reported from 4 banksathis. 3 (42.86%) responses indicate that bank will recover its loan at times at any cost. For other three reasons single response for each one is received, such as bank pay less interest on saving account to recover the loss; bank take compound interest on loan to recover the loss; it is a loss to banksathis not to the bank.

An attempt should be made by the SEWA bank to explain such banksathis regarding effect of defaults on bank/bank functioning/bank's profitability etc. Thus, they will become informed banksathis and they can take proper care for recovery.

Table 9.18 Defaults Affect Negatively to the Bank

No.	Responses	Frequency	Percentage
1	Yes	62	93.94
2	No	4	6.06
	Total	66	100
	➤ If Yes.... Reasons		
1	Bank cannot give higher amount of loan	32	24.62
2	Income of bank decreases	28	21.54
3	Bank has to reserve an amount equivalent to amount of NPA	16	12.31
4	Bank cannot pay salary	16	12.31
5	Wastage of travel expenses	7	5.38
6	Reputation of bank goes down	6	4.62
7	Bank would be closed one day	5	3.85
8	Capital of bank would be blocked	5	3.85
9	Bank cannot pay dividend	4	3.08
10	Bank cannot pay interest to other customers	4	3.08
11	Commission of banksathi is delayed by the bank	3	2.31
12	Wastage of stationary etc. expenses	2	1.54
13	Amount of NPA increases	1	0.77
14	Affects negatively on other borrowers of the bank	1	0.77
	Total	130	100
	➤ If No.... Reasons		
1	Bank will recover its loan at times at any cost	3	42.86
2	Bank pay less interest on saving a/c to recover loss	1	14.29
3	Bank take compound interest on loan	1	14.29
4	It's a loss to banksathis not to the bank	1	14.29
5	No Response	1	14.29
	Total	7	100

Source: Prepared from Responses

Section II Hand Holders

9.2 Analysis of data collected from Hand Holders

Total 17 hand holders were reported to be working at SEWA bank (including all branches). Among them 16 HHs were interviewed for the final survey because one hand holder was not available at the time of final survey. Table 9.19 shows the branch wise

details of hand holders surveyed. Total 22 questions were asked in the final survey and questions were divided into five sections (*Appendix 3*).

Table 9.19 Branch wise Detail of Hand holders

No.	Branch name	Frequency	Percentage
1	Head Office	2	12.50
2	Vasna	2	12.50
3	Behrampura	4	25.00
4	Madhupura	4	25.00
5	Rakhial	4	25.00
	Total	16	100

Source: Prepared from Responses

9.2.1 Demographic Profile

Basic information regarding age, education, experience of the hand holders was inquired. In addition to this, the loan accounts opened by each hand holder were also inquired. Following paragraphs discuss the analysis of the same.

Age & Education: On inquiring about the age and education of hand holder, the matrix as presented in Table 9.20 emerged. The table reveals that 15 hand holders out of 16 surveyed are up to age of 50 years, conveying that their fitness to work must be good and with reference to education also encouraging information is received, indicating that 10 out of 11 (as 5 has not responded) are graduates or post graduates.

Table 9.20 Age and Education of Hand Holders

Age	Education				Total	%
	Higher Secondary	Graduation	Post Graduation	No Response		
26-30	0	0	1	1	2	12.50
31-35	0	2	1	1	4	25.00
36-40	0	2	0	0	2	12.50
41-45	1	2	0	2	5	31.25
46-50	0	1	0	1	2	12.50
51-55	0	0	0	0	0	0.00
56-60	0	0	1	0	1	6.25
Total	1	7	3	5	16	
%	6.25	43.75	18.75	31.25		

Source: Prepared from Responses

Age & Experience: Further Table 9.21 shows the detail of age of the hand holders with their working experience with the SEWA bank. Maximum 7 hand holders were found with the experience of 6 to 10 years. Among them 2 hand holders each were reported for the age group of 31-35 and 41-45 respectively. Only one hand holder was reported with the experience of 16 to 20 years who belongs to the age group of 41-45.

Number of Loan Accounts Opened: As the final survey was carried out in 2010, hand holders were asked about number of accounts they had opened during previous two years (2007-08 and 2008-09). Numbers of accounts opened by the hand holders

(including number of loans given) were found in the range of 101 to 1200. As per the Table 9.22, 3 hand holders opened the accounts in the range of 601-700. The information shows that hand holders were more active in the year 2008-09 in comparison of the year 2007-08.

Table 9.21 Age and Working Experience of Hand Holders

Age	Working Experience (in Years)				Total	%
	1 to 5	6 to 10	11 to 15	16 to 20		
26-30	2	0	0	0	2	12.50
31-35	1	2	1	0	4	25.00
36-40	0	1	1	0	2	12.50
41-45	1	2	1	1	5	31.25
46-50	1	1	0	0	2	12.50
51-55	0	0	0	0	0	0.00
56-60	0	1	0	0	1	6.25
Total	5	7	3	1	16	100.00
%	31.25	43.75	18.75	6.25		

Source: Prepared from Responses

Table 9.22 Number of Accounts opened by Hand Holders

No.	No. of Accounts	2007-08	2008-09
1	101-200	1	2
2	201-300	0	2
3	301-400	0	2
4	401-500	1	2
5	501-600	0	0
6	601-700	0	3
7	701-800	0	0
8	801-900	0	1
9	901-1000	0	0
10	1001-1100	0	0
11	1101-1200	2	2
12	No response	12	2
	Total	16	16

Source: Prepared from Responses

9.2.2 Procedural

Three questions were asked in this section regarding the loan procedure. Banksathis recommend the customer for loan. It's the job of hand holders to make notes on financial capability and literacy of customers before making the final report of the status of the borrowers. On the basis of the report of the hand holder, the bank sanctions the loan to the customer. Amount of the loan disbursed to the customer was decided on the basis of the report of the hand holder regarding the customer.

All hand holders were asked to share their opinions regarding minimum and maximum limit of loan amount of all products of UL and SL loans. Some of hand holders gave different opinions for different products while some hand holders gave

similar opinions for all products. Thus, due to multiple responses total 42 responses are recorded from 16 hand holders. Majority of them gave the same opinions for all types of unsecured loans (UL) given for the first time. While for secured loans (SL), banksathis gave same opinions for the first time loan and second time loan.

Minimum & Maximum limit of Amount for 1st Time: Looking to the responses (Table 9.23) it was observed that some of hand holders opined specific amount for minimum and maximum limit of amount. In case of responses given to all UL products, it was observed that 11 and 8 responses indicates specific amount for minimum limit and maximum limit respectively. Among them 10 responses were observed at ₹5,000 for minimum limit for the 1st time loan while 3 responses were observed for ₹10,000 as well as ₹15,000 for maximum limit. Remaining responses were observed for opinions of banksathis regarding minimum and maximum limits as they did not communicate any

Table 9.23 Views about minimum and maximum amount of loan for the 1st time

No.	Loan Type	Minimum Amt	Freq	No.	Loan Type	Maximum Amt	Freq
	* Unsecured				* Unsecured		
1	Paki Bhit Loan	5,000	2	1	Paki Bhit Loan	10,000	1
2	All products	5,000	10	2		1,00,000	1
3		10,000	1	3	All products	15,000	3
				4		10,000	3
				5		20,000	1
				6		10,000-15,000	1
4		3 times of saving a/c	1	7		3 times of saving a/c	2
5		Depends upon saving a/c balance	2	8		Depends upon saving a/c balance	4
	* Secured				* Secured		
1	Fixed Deposit	70 % of FD	2	1	Fixed Deposit	70 % of FD	2
2		80% of FD	7	2		80% of FD	7
3		80-85% of FD	1	3		80-85% of FD	1
4		80-90% of FD	1	4		80-90% of FD	1
5		85% of FD	2	5		85% of FD	2
6	NSC loan	80-85% of valuation of NSC by bank	1	6	NSC loan	80-85% of valuation of NSC by bank	1
7		Bank decides	1	7		Bank decides	1
8	ODCC/OC loan	As per the valuation of gold by bank	3	8	ODCC/OC loan	As per the valuation of gold by bank	3
9		70% of valuation of gold by bank	1	9		70% of valuation of gold by bank	1
10		75% of valuation of gold by bank	1	10		75% of valuation of gold by bank	1
11	Equitable Mortgage	Depends upon valuation of the house	1	11	Equitable Mortgage	Depends upon valuation of the house	1
12		Bank decides	2	12		Bank decides	2
13	All products	Bank decides	3	13	All products	Bank decides	3

Source: Prepared from Responses

particular amount for minimum/maximum limit for the first time loan. For SL product Fixed Deposit maximum 7 responses had been given to the option that minimum and/or maximum amount should be 80% of fixed deposit of the borrowers. However, for majority of remaining products responses indicate that the amount is decided by the bank only.

Minimum & Maximum limit of Amount for 2nd Time: The responses for this aspect are presented in Table 9.24. It can be observed that 8 responses show the specific amount for the minimum limit of amount for 2nd time loan while for maximum limit all

Table 9.24 Views about minimum and maximum amount of loan for the 2nd time

No.	Loan Type	Minimum Amt	Freq	No.	Loan Type	Maximum Amt	Freq
	* Unsecured				* Unsecured		
1	Paki Bhit Loan	10,000-15,000	1	1	Paki Bhit Loan	50,000	1
2		3 times of saving a/c	1	2		3 times of saving a/c	1
3	All Products	6,000-7,000	1	3	All products	15,000-20,000	1
4		10,000	2	4		20,000	1
5		15,000	4	5		25,000	1
6		25,000	1	6		35,000	1
				7		50,000	1
				8		1.5 times of saving a/c balance	1
7		3 times of saving a/c	1	9		3 times of saving a/c	2
8		4 times of saving a/c	2	10		4 times of saving a/c	1
9		Depends upon saving a/c balance	3	11		Depends upon saving a/c balance	5
	* Secured				* Secured		
1	Fixed Deposit	70% of FD	2	1	Fixed Deposit	70% of FD	2
2		80% of FD	7	2		80% of FD	7
3		80-85% of FD	1	3		80-85% of FD	1
4		80-90% of FD	1	4		80-90% of FD	1
5		85% of FD	2	5		85% of FD	2
6	NSC loan	80-85% of valuation of NSC by Bank	1	6	NSC loan	80-85% of valuation of NSC by Bank	1
7		Bank Decides	1	7		Bank Decides	1
8	ODCC/OC loan	70% of valuation of gold by bank	1	8	ODCC/OC loan	70% of valuation of gold by bank	1
9		75% of valuation of gold by bank	1	9		75% of valuation of gold by bank	1
10		As per the valuation of gold by bank	3	10		As per the valuation of gold by bank	3
11	Equitable Mortgage	Bank Decides	2	11	Equitable Mortgage	Bank Decides	2
12		Depends upon valuation of the house	1	12		Depends upon valuation of the house	1
13	All Products	Bank Decides	3	13	All Products	Bank Decides	3

Source: Prepared from Responses

specific amounts received equal response. For all UL products maximum 4 responses are showing that minimum amount should be ₹15,000 while 5 responses are showing that maximum amount should be depended upon balance of borrower's saving account. For SL products, all hand holders shared same opinions for minimum and maximum limit of loan amount as they shared for the first time loan. Thus, discussion would be same for both the Table 9.23 and 9.24.

Preconditions for second time loan to the Same Borrower: Decision of loan amount is dependent upon some preconditions and some factors. Total 37 responses were received from 16 hand holders due to selection of multiple options. This was an open ended question. Table 9.25 presents the opinions of hand holders regarding preconditions. Six factors emerged as factors deciding loan for the second time. Out of six factors regularity/maintenance of saving (43.23% responses out of 37) and record of previous loan (40.54% responses out of 37) turned out to be major deciding factors. 8% responses were received for borrower's relationship with bank. Remaining conditions received similar proportion of responses (2.70%).

Table 9.25 Preconditions for Sanctioning the Second Time Loan

No.	Preconditions	Frequency	Percentage
1	Regularity / Maintenance of saving	16	43.24
2	Record of previous loan	15	40.54
3	Borrower's relationship with bank	3	8.11
4	Opinion of banksathi regarding borrower	1	2.70
5	Willingness to repay	1	2.70
6	Make borrower ready to open more number of recurring account	1	2.70
	Total	37	100

Source: Prepared from Responses

Factors to Decide Loan Amount: Preconditions help to decide the eligibility of the borrower for the second time loan while to decide the loan amount for the second time loan to the same borrower bank has to consider some factors. Hand holders were asked to share their opinions regarding those factors by giving ranks to each factor. This was also an open ended question. 11 factors were already prompted in the questionnaire and the respondents were free to give reason other than those 11 factors. Total 13 factors emerged based on responses. Table 9.26 presents 13 different types of factors responded by the hand holders. In view of that, on the basis of the responses, the average rank (Table 9.27) for all the factors was computed. Top five factors identified were: regularity/maintenance of savings; repayment capacity of the borrower; record of previous loan; repayment capacity of the borrower's family; and borrower's linkage with other saving schemes of SEWA.

Table 9.26 Factors to Decide Loan Amount

No.	Factors	Ranks												
		1	2	3	4	5	6	7	8	9	10	11	12	13
1	Regularity/Maintenance of savings	8	3	0	0	1	0	0	0	0	0	0	0	0
2	Record of previous loan	2	6	1	1	1	0	0	0	0	0	0	0	0
3	Repayment capacity of the borrower	2	0	7	2	1	0	0	0	0	0	0	0	0
4	Repayment capacity of the family	1	0	3	3	1	0	0	0	0	0	0	0	0
5	Condition of the house	0	2	1	0	0	0	0	0	0	0	0	0	0
6	Legal ownership of the house	0	2	0	2	2	0	1	0	0	0	0	0	0
7	Nature of business income	1	0	2	3	1	0	0	0	0	0	0	0	0
8	Household expenses	0	0	0	1	0	1	0	0	0	0	0	0	0
9	Link with other saving schemes	2	3	1	1	0	0	0	0	0	0	0	0	0
10	Involvement in police cases	0	0	0	1	0	0	0	0	0	0	0	0	0
11	Reputation of the borrower according to her neighbour	0	0	0	0	1	0	0	0	0	0	0	0	0
12	Other debts	0	0	0	0	0	0	0	1	0	0	0	0	0
13	Purpose of the loan must be productive	0	0	0	0	1	0	0	0	0	0	0	0	0

Source: Prepared from Responses

Table 9.27 Factors by Average Rank

No.	Factors	Average Rank
1	Regularity/Maintenance of savings	1
2	Repayment capacity of the borrower	2
3	Record of previous loan	3
4	Repayment capacity of the family	4
5	Link with other saving schemes	5
6	Nature of business income	6
7	Legal ownership of the house	7
8	Condition of the house	8
9	Household expenses	9
10	Involvement in police cases	10
11	Reputation of the borrower according to her neighbour	11.5
12	Purpose of the loan must be productive	11.5
13	Other debts	13

Source: Prepared from Responses

9.2.3 Loan Products: Not in Use

An attempt was also made to know unsecured loan products in operation at the time of final survey. Table 9.28 indicates that 10 (63%) hand holders informed that daily loan collection was not in use, 2 (13%) hand holders were unaware and 4 (25%) hand holders did not give any response. 10 hand holders had been asked to assign reasons for daily loan not in use. This was an open ended question. 9 reasons were already prompted in questionnaire and hand holders were free to give reason other than those 9. Respondents have not given any reason beyond these 9 reasons. As all hand holders selected more than one reason, total 21 responses were received from 10 hand holders. 6 (22%) respondents informed that borrowers were very irregular in payment of daily instalments. 5 (19%) respondents informed that due to mismatch of timing of banksathi

and borrowers, borrowers could not regularly pay the instalments. Remaining responses were found with less than 10% proportion.

Table 9.28 Loan Products not in Use

No.	Product not in Use	Frequency	Percentage
1	Daily loan collection	10	62.50
2	Don't Know	2	12.50
3	No response	4	25.00
	Total	16	100
	➤ Reasons... Daily not in use		
1	Irregularity in daily payment	6	22.22
2	Mismatch of timing of banksathi and borrower	5	18.52
3	Higher interest rate	2	7.41
4	High fluctuation in daily income of borrowers	2	7.41
5	Customers could not pay within the loan duration	2	7.41
6	Banksathi had to take responsibility as a guarantor	1	3.70
7	Banksathis were blamed by the borrowers for not depositing cash in the bank regularly	1	3.70
8	Daily going is little problematic	1	3.70
9	Banksathis did not go daily	1	3.70
10	Don't Know	6	22.22
	Total	27	100

Source: Prepared from Responses.

9.2.4 Daily Loan Collection

This section is specially focused on daily loan collection because it was observed during the pilot survey that only daily loan collection was not in operation. On inquiring whether hand holders were the employee of the SEWA, when Daily loan collection was introduced, it is observed that 50% of hand holders were employees at the time of introduction (Table 9.29). On inquiring about the regularity in payment of daily instalments 9 hand holders out of 16, had negative response, 5 had positive response and 2 had indicated ignorance.

An attempt was also made to know the demand of daily loan collection from the borrower's side. It was not in use from the side of the bank but whatever was needed by the borrowers is equally important. Accordingly, three open ended questions were asked to hand holders regarding reasons regarding high demand of daily loan and suggestions to increase the demand for the same. Table 9.29 also presents the detail regarding opinions of hand holders about the demand of daily loan by borrowers with proper reasons. 9 (56.25%) hand holders informed that daily loan was not in high demand by the borrowers but 7 (43.75%) hand holders opined that it was in high demand. 9 hand holders gave 3 different reasons but selected more than one reason. Hence, 10 responses were received from them. Among them 6 (60%) responses indicated that daily loan was convenient to daily wage earners only. All 9 hand holders were asked to give their

suggestions to increase the demand/volume of daily loan. 3 different types of suggestions were received with 8 responses. Among them 3 (30%) responses indicated that daily service should be given to the borrowers at their convenience while other 3 (30%) responses indicated that it is not possible to increase the demand/volume of daily loan. However, 2 hand holders were of the opinion that banksathi were not ready to increase the demand of daily loan.

7 hand holders were asked to share the reasons of why daily loan was in high demand by the borrowers. Hand holders were agreed with two types of reasons only. All hand holders opined that daily payment in small instalments can reduce the burden of interest and debt while one of the hand holders opined that daily loan is useful to daily wage earners for buying goods to sale.

Table 9.29 Views about Daily Loan Collection

No.	Employees at the time of introduction of Daily loan	Frequency	Percentage
1	Yes	8	50.00
2	No	8	50.00
	Total	16	100
	➤ Regularity in Payment of Daily instalments		
1	Yes	5	31.25
2	No	9	56.25
3	Don't Know	2	12.50
	Total	16	100
	➤ Demand of Daily Loan Collection		
1.	Yes	7	43.75
2	No	9	56.25
	Total	16	100
	➔ If Yes.... Reasons		
1	Daily payment in small instalments can reduce the burden of interest and debt	7	87.50
2	Useful to Daily wage earners for buying goods to sale	1	12.50
	Total	8	100
	➔ If No.... Reasons		
1	Convenient to daily wage earners only	6	60.00
2	Borrowers s could not maintain proper record of their daily paid instalments	3	30.00
3	Borrowers do not like banksathi to visit their place daily	1	10.00
	Total	10	100
	➔ Suggestions		
1	Daily service should be given to the borrowers at their convenience	3	30.00
2	Not possible to increase	3	30.00
3	Banksathis do not want to increase the volume	2	20.00
4	No response	2	20.00
	Total	10	100

Source: Prepared from Responses

9.2.5 Views regarding Loan Sanction and Monitoring

This section analyses the important aspects regarding loan sanctioning to the borrower, monitoring of banksathi's work and the borrowers regarding regularity in repayment of the loan.

Loan Sanctioning and Training: On inquiring about hand holders' opinion about recommending loan without training, it was observed that most of the hand holders (13 out of 16), process the loan without training the borrower. Four different reasons emerged from 13 hand holders, with total 21 responses on account of multiple responses. Among them majority 8 (36%) responses related to the reason "closure of one day business is unaffordable for borrowers". 6 responses were attributed to reason "inconvenient training timings". 5 responses indicated that there is no need of training for borrowers as "thorough knowledge regarding loan is provided by hand holders at the time of personal inquiry before loan approval" (Table 9.30).

Table 9.30 Loan Recommendation without Training

No.	➤ Responses	Frequency	Percentage
1	Yes	13	81.25
2	No	3	18.75
	Total	16	100
	➤ If Yes.... Reasons		
1	Closure of one day business is not affordable	8	36.36
2	Inconvenient training timings	6	27.27
3	Thorough knowledge regarding loan is provided by hand holders at the time of personal inquiry before loan approval	5	22.73
4	Tired of telling but borrowers are not ready to come	2	9.09
5	No Response	1	4.55
	Total	22	100
	➤ If No.... Type of training		
1	Financial Counselling Short term training	3	27.27
2	Financial Counselling Long term training	2	18.18
3	Business Counselling	2	18.18
4	Calculation of interest	2	18.18
5	Amrut zaranu	2	18.18
	Total	11	100

Source: Prepared from Responses

Monitoring of Banksathis as well as Loans: This section discusses about how hand holders keep monitoring on banksathis, steps to be followed if borrowers make default, reason of defaults, how defaults affects to the bank, and efforts to reduce the level of defaults.

Banksathis play very important role in the whole chain of loan - from recommendation of loan for a borrower to repayment of loan by the borrowers. But monitoring of banksathis is the duty of hand holders. Hand holders were asked to share

their views about how they monitor their banksathis. Table 9.31 shows five different types of views reported from the hand holders. As they selected multiple views, total 43 responses were recorded from all hand holders. Majority 15 (34.88%) responses indicated that hand holders randomly check the slip book and cash scroll of banksathis. 14 (32.56%) responses indicated that hand holders check whether banksathis deposit cash properly in the bank or not. 11 (25.58%) responses reveal that hand holders make inquiry through personal visit of a customer's place and ask customers about regularity of banksathis and issuance of receipt on payment by customer. Remaining views were observed with less than 5% proportion.

Table 9.31 Views about Monitoring on Banksathis

No.	Monitoring Views	Frequency	Percentage
1	Random checking of their slip book and cash scroll	15	34.88
2	Check whether they deposit cash properly or not	14	32.56
3	Inquire with borrower through personal visit about regularity of banksathi and issuance of receipt on payment by borrower.	11	25.58
4	Go with them	2	4.65
5	Inquire about the previous loan record	1	2.33
	Total	43	100

Source: Prepared from Responses

Steps followed in case of Default: An attempt is made to know steps followed by the hand holder in case of default by the borrower. Each hand holders were required to give 4 steps for recovery of loan in case of default. The respondents were to mention the steps. This resulted into 6 different steps. An average sequence of these steps was derived. Thus, steps to be followed in case of default were derived as presented in Table 9.32. Top four steps from the standard sequence are as follows. (1) ask banksathi first whether they visit borrower's place regularly or not; (2) personal visit of borrower to inquire the problem and explain them about risk of defaults; (3) personal visit of guarantor; (4) send notice to borrower and/or guarantor (Table 9.32).

Table 9.32 Standard Sequence of Steps followed on the time of Default

No.	Steps to be followed	Average Rank
1	Ask banksathi first that whether they go to the borrower regularly or not	1.00
2	Personal visit of borrower to inquire the problems and explain them	1.30
3	Personal visit of guarantor	2.60
4	Send a notice to borrower and/or guarantor on skipping of one instalment	3.00
5	Warn borrowers of possible consequences from the bank for default in repayment	3.25
6	Commencement of court proceedings	4.00

Source: Prepared from Responses

Reasons for Defaults: Hand holders responded 12 reasons for default in repayment of loans by borrowers (Table 9.33). Total 70 responses are received from 16

hand holders because of multiple reasons from each hand holder. Top three major reasons for default as responded by hand holders are illness (18.57%), loss of business/job (15.71%) and expenses in excess of income (11.43%). This was followed by the reasons 'loss in business'; 'social expenses'; 'borrow money from non-bankers with higher interest rate' and 'unwillingness to repay' which were observed at 8.57%.

Table 9.33 Reasons of Defaults according to Hand Holders

No.	Reasons	Frequency	Percentage
1	Illness	13	18.57
2	Loss of business/job	11	15.71
3	Expenses in excess of income	8	11.43
4	Loss in business	6	8.57
5	Social expenses	6	8.57
6	Borrow money from non-bankers with higher interest rate	6	8.57
7	Unwillingness to repay	6	8.57
8	Sudden expenses	5	7.14
9	Death of family member(s)	3	4.29
10	Meeting with an accident	2	2.86
11	Delay in salary	2	2.86
12	Borrowers give away the loan to another person	2	2.86
	Total	70	100

Source: Prepared from Responses

9.2.6 Effects of Defaults

An attempt is made to collect opinions of hand holders regarding the way in which defaults affect negatively to the bank. If hand holders consider the defaults as negative effect to the bank she always tries to control the level of defaults and ultimately the overall level of NPA can be controlled. It was observed that 100% hand holders think that defaults affects negatively to the bank.

Table 9.34 Negative Effects of Defaults

No.	Responses	Frequency	Percentage
1	Income of bank decreases	11	35.48
2	Bank has to reserve an amount equivalent to amount of NPA	7	22.58
3	Bank cannot give higher amount of loan	3	9.68
4	Wastage of travel expenses	3	9.68
5	Bank cannot pay salary	2	6.45
6	Bank cannot pay dividend	2	6.45
7	Bank itself fall in debt	1	3.23
8	Bank's credit decreases	1	3.23
9	Don't know	1	3.23
	Total	31	100

Source: Prepared from Responses

As presented in the Table 9.34, total 8 reasons are attributed by 30 responses from 16 hand holders on account of multiple responses. Majority 11 (35.48%) responses indicated that on account of default, income of bank decreases. 7 (22.58%) responses

29 relate to requirement of reserve of an amount equivalent to amount of NPA, leading to the blockage of money for the bank. Remaining reasons were observed with less than 10% proportion. Thus, it can be concluded that all hand holders were aware about the negative effects of defaults on the bank and accordingly they all were concerned about the level of defaults. Thus, they always try to control the level of defaults which reduces the risk of NPA of the bank.

Efforts done to Reduce the Level of Defaults: If all hand holders are concerned about the level of defaults and NPA, they all do some efforts to control the level of defaults. Therefore, all hand holders were asked to share the views regarding type of efforts required to control and/or to reduce the level of default. Table 9.35 presents the views of hand holders. Total 14 types of responses are received, from 16 hand holders totalling to 43 responses because of multiple responses about efforts to reduce the level of defaults.

Table 9.35 Efforts to reduce the Level of Defaults

No.	Responses	Frequency	Percentage
1	Regular monitoring after disbursement through personal visit or record checking	13	30.23
2	Proper checking regarding borrower before sanction of the loan	7	16.28
3	Initiate legal action on guarantors and borrower	4	9.30
4	Hand holder should meet the borrower on making default	3	6.98
5	Banksathi and hand holder should provide adequate knowledge to borrowers	3	6.98
6	Monthly reporting of banksathi and borrower should be done by hand holder/bank	2	4.65
7	A notice should be sent to the borrower and her guarantor	2	4.65
8	Facility of loan renewal should be given	2	4.65
9	Guarantors should be strictly pressurized	2	4.65
10	Compulsory training	1	2.33
11	Banksathi should meet the borrower on skipping one instalment	1	2.33
12	Weekly meeting of hand holders and banksathis with bank managers and loan recovery officer should be arranged	1	2.33
13	Proper checking regarding guarantor before sanction of the loan	1	2.33
14	Advanced cheque should be taken from guarantors	1	2.33
	Total	43	100

Source: Prepared from Responses

Out of 16, 13 (30.23%) hand holders are of the opinion that regular monitoring of the borrowers after disbursement of loan through personal visit or record checking can help to reduce the level of defaults. 7 (16.28%) responses are for proper checking about borrowers before sanctioning the loan. 4 (9.30%) responses are for initiation of legal action on guarantor and borrower, if the level of defaults went high as it would control level of default for other borrowers also. 3 (6.98%) responses each, were found for 'hand holders should meet personally on default by borrower' and 'banksathi and hand

holder should provide adequate knowledge to borrowers regarding benefits of regular repayment as well as risk of default'. Remaining efforts are found with less than 5 % proportion. As hand holders work in the field with/without banks and know each borrower personally, their opinions should be considered important by the bank to reduce and/or control the level of defaults. Moreover, the level of defaults directly affects to the level of NPA and high level of NPA can damage the functions as well as profitability of the bank. Therefore, it is necessary to control the level of default.

Section III Comparative Analysis

9.3 Comparative Analysis of Opinions of Banks and Hand Holders

As BSs and HHs work in the field and directly deal with the borrowers, BSs and HHs were asked certain similar questions. In this section an attempt is made to compare the responses of BSs and HHs on various aspects. In most of the questions it related to certain reasons or steps to be followed etc. Hence, for the purpose of comparing responses of these 2 different groups, the frequencies were converted to rank, by assigning rank 1 to highest response and so on. Thereafter, as mentioned in Chapter 3 'Research Design', for comparison Rank Correlation Coefficient (RCC) is applied.

9.3.1 Opinions of Banks and Hand Holders: A comparison

If BSs and HHs follow same approach the variations are avoided and the task becomes smooth. An attempt is made to know the similarity between the opinions of BSs and HHs. Following paragraphs explain the same.

Preconditions to Sanction the 2nd time loan to the Same Borrower: On comparing the opinions of BSs (9 preconditions) and HHs (6 preconditions), 3 preconditions were observed comparable. It was observed that equal preference was given to those 3 preconditions by BSs and HHs both. It indicates that in case of three preconditions to sanction the loan for the 2nd time loan to the same borrower, opinions of BSs and HHs in the same order of importance (Table 9.36). Hence, there was no need to apply RCC.

Table 9.36 Opinions: Preconditions

No.	Preconditions	BSs		HHs	
		Freq	%	Freq	%
1	Regularity/Maintenance of Savings	63	34.62	16	43.24
2	Record of previous loan	61	33.52	15	40.54
3	Borrower's relationship with bank	32	17.58	3	8.11

Source: Prepared from Responses

Factors to Decide Loan Amount: BSs reported 14 different factors for deciding loan amount and HHs reported 13 factors. Among them 10 factors are found common. Average ranks given to the factors on the basis of responses of BSs and HHs were compared here. Table 9.37 shows that out of 10 factors, 5 factors were observed with similar rank.

Table 9.37 Opinions: Factors to Decide Loan Amount

No.	Factors	BSs	HHs
1	Regularity/Maintenance of savings	1	1
2	Record of previous loan	2	3
3	Link with other saving schemes	3	5
4	Repayment capacity of the borrower	4	2
5	Repayment capacity of the family	5	4
6	Nature of business income	6	6
7	Legal ownership of the house	7	7
8	Condition of the house	8	8
9	Household expenses	9	9
10	Involvement in police cases	11	10

Source: Prepared from Responses

Reasons for Daily Loan not in Use: 11 reasons were reported by BSs and 10 reasons were reported by HHs for reasons of daily loan not in use. Among them 8 reasons are found common between BSs and HHs. As data presented in Table 9.38, irregularity in daily payment was observed with highest proportion for BSs and HHs.

Table 9.38 Opinions: Reasons for Daily Loan not in Use

No.	Reasons	Banksathis		Hand Holders	
		Freq	%	Freq	%
1	Irregularity in daily payment	34	25	6	22.22
2	High fluctuation in daily income of borrower	30	22.06	2	7.41
3	Banksathi had to take responsibility as a guarantor	18	13.24	1	3.70
4	Mismatch of timing of banksathi and borrower	18	13.24	5	18.52
5	borrowers could not pay within the loan duration	11	8.09	2	7.41
6	Higher amount of instalments	8	5.88	0	0.00
7	Higher interest rate	4	2.94	2	7.41
8	Banksathis were blamed by the borrowers for not depositing cash in the bank regularly	1	0.74	1	3.70

Source: Prepared from Responses

Demand of Daily Loan Collection among Borrowers: BSs and HHs were asked to share the views about whether the daily loan collection was in high demand by the borrowers or not. Total 5 (BSs) and 4 (HHs) different types of reasons were recorded from positive respondents. Among them only one reason was found comparable. While total 6 (BSs) and 3 (HHs) different types of reasons had been recorded from negative respondents. Among them three opinions were found similar. Negative respondents reported different types of suggestions viz. 5 from BSs and 4 from HHs. But only 2

suggestions were found common (Table 9.39). Because of this type of response structure RCC could not be applied.

Table 9.39 Opinions: Demand of Daily Loan Collection

No.	Reasons: Daily Loan in High demand	BSs		HHs	
		Freq	%	Freq	%
1	Daily payment in small instalments can reduce the burden of interest and debt.	11	55.00	7	87.50
	Reasons: Daily Loan not in High demand				
1	Convenient to daily wage earners only.	43	74.14	6	60.00
2	Borrowers do not like banksathi to visit their place daily	7	12.07	1	10.00
3	Borrowers could not maintain proper record of their daily paid instalments	5	8.62	3	30.00
	Suggestions to Increase the Demand of Daily Loan				
1	Banksathis do not want to increase the volume	29	53.70	2	20.00
2	Daily service should be given to the borrowers at their convenience	10	18.52	3	30.00

Source: Prepared from Responses

Recommendation of Loan with/without Training: Views about sanctioning of the loan to the borrowers, with/without training, were received from BSs and HHs. BSs and HHs who recommend the borrower for loan without training were found with different types of 4 reasons. All 4 reasons were observed with similar proportion.

Table 9.40 Opinions: Loan with/without Training

No.	Reasons: Recommending the Loan Without Training	BSs		HHs	
		Freq	%	Freq	%
1	Inconvenient training timings	22	33.85	6	27.27
2	Closure of one day business is not affordable	29	44.62	8	36.36
3	Tired of telling but borrowers are not ready to come	2	3.08	2	9.09
4	Thorough knowledge regarding loan is provided by hand holders at the time of personal inquiry before loan approval.	11	16.92	5	22.73
	If No.... Type of Training				
1	Financial Counselling - Long term training	25	20.83	2	18.18
2	Financial Counselling - Short term training	24	20.00	3	27.27
3	Business Counselling	25	20.83	2	18.18
4	Calculation of interest	23	19.17	2	18.18
5	Amrut Zaranu	23	19.17	2	18.18

Source: Prepared from Responses

However, for BSs and HHs of the opinion that they do not recommend the borrower for sanctioning the loan without training, it is observed that all BSs and HHs were of the opinion that they preferred to give all 5 types of training. For total 5 types of training programmes, opinions were also found in similar proportion. Hence, RCC could not apply here. (Table 9.40)

Steps followed in case of Default: To compare the similarity between steps followed by BSs and HHs in case of default, the standard sequence of steps for BS and HHs was compared. BSs were reported with 10 steps while HHs were reported with 6

steps. Among them 5 steps were found similar. Out of 5, 3 steps were observed with similar ranks. (Table 9.41)

Table 9.41 Opinions: Steps to be followed to Cover Defaults

No.	Steps to be Followed	BSs	HHs
1	Personal visit of borrower to inquire the problems and explain them	1.00	1.30
2	Personal visit of guarantor	2.56	2.60
3	Warn borrowers of possible consequences from the bank for default in repayment	2.78	3.25
4	Send a notice to borrower and/or guarantor on skipping of one instalment	2.82	3.00
5	Commencement of court proceedings	3.80	4.00

Source: Prepared from Responses

Reasons of Defaults: Major reasons of defaults were gathered not only from BSs and HHs but also from borrowers (BRWRs). Hence, major reasons for defaults were compared for BSs, HHs and BRWRs. BSs reported 14 reasons and HHs reported 12 reasons while BRWRs reported 23 reasons. Among them 10 reasons were found to be common between BSs and HHs and BRWRs. As per Table 9.42, illness among borrowers was found with highest proportion for BSs, HHs and BRWRs.

Table 9.42 Opinions: Reasons of Defaults

No.	Reasons	BSs		HHs		BRWRs	
		Freq	%	Freq	%	Freq	%
1	Illness	56	17.95	13	18.57	188	13.26
2	Loss of business/job	48	15.38	11	15.71	104	7.33
3	Unwillingness to repay	29	9.29	6	8.57	5	0.35
4	Sudden expenses	27	8.65	5	7.14	165	11.64
5	Social expenses	27	8.65	6	8.57	92	6.49
6	Expenses in excess of income	27	8.65	8	11.43	114	8.04
7	Loss in business	24	7.69	6	8.57	48	3.39
8	Borrow money from non-bankers with higher interest rate	24	7.69	6	8.57	141	9.94
9	Death of family member(s)	20	6.41	3	4.29	48	3.39
10	Borrowers give away the loan to another person	11	3.53	2	2.86	2	0.14

Source: Prepared from Responses

Effects of Defaults: BSs and HHs were asked to share the views about whether defaults affect negatively to the bank or not. BSs responded 14 effects of defaults to the bank while HHs responded 9 reasons. Among them 8 reasons are common (Table 9.43). BSs also reported 5 different types of reasons indicating that defaults do not affect negatively on the bank while no HHs agreed that defaults do not affect negatively on the bank. Thus, no comparison could be carried out for BSs and HHs for the reasons of defaults that do not affect negatively on the bank.

Table 9.43 Opinions: Negative Effects of Defaults on the Bank

No.	Reasons	BSs		HHs	
		Freq	%	Freq	%
1	Bank cannot give higher amount of loan	32	24.62	3	9.68
2	Income of bank decreases	28	21.54	11	35.48
3	Bank has to reserve an amount equivalent to amount of NPA	16	12.31	7	22.58
4	Bank cannot pay salary	16	12.31	2	6.45
5	Wastage of travel expenses	7	5.38	3	9.68
6	Bank cannot pay dividend	4	3.08	2	6.45
7	Reputation of bank goes down/Bank's credit decreases	6	4.62	1	3.23
8	Bank would be closed one day/Bank itself fall in debt	5	3.85	1	3.23

Source: Prepared from Responses

9.3.2 Testing of Hypotheses

In case of 8 situations, opinions of BSs and HHs were found to be comparable. Accordingly, to know the extent of relationship between the opinions of BSs and HHs Rank Correlation Coefficients are computed. Seven hypotheses were framed as mentioned in the Chapter 3 'Research Design'.

For testing of hypotheses Spearman's Rank Correlation Coefficient was applied followed by *t*-test. Table 9.44 presents the values of Rank Correlation Coefficients and values of *t* with the results of hypotheses testing.

Table 9.44 Results of Testing of Hypotheses

No.	Compared Aspects	Value of RCC	Calculated Value of <i>t</i>	Table Value of <i>t</i>	Result of null hypotheses
H ₀₁	Factors to decide loan amount	0.94	7.79*	3.36	Rejected
H ₀₂	Reasons: daily loan not in use	0.61	1.89	2.45	Accepted
H ₀₃	Steps: if borrower's make default	0.90	3.58**	3.18	Rejected
H ₀₄	Reasons of defaults: BS v/s HH	0.83	4.21*	3.36	Rejected
H ₀₅	Reasons of defaults: HH v/s BRWR	0.56	1.91	2.31	Accepted
H ₀₆	Reasons of defaults: BS v/s BRWR	0.52	1.72	2.31	Accepted
H ₀₇	Effects of defaults on the bank	0.70	2.40	2.45	Accepted

* Significant @ 1% level of significance

** Significant @ 5% level of significance

H₀₁ There is no similarity of opinions between BSs and HHs regarding factors to decide loan amount.

On applying rank correlation, it was observed that opinions of BSs and HHs were strongly positively correlated. On running *t*-test, it was observed that calculated value of *t* was higher than the table value of *t* at 1% level of significance. Hence, *null hypothesis* of having no similarity was *rejected*.

H₀₂ There is no similarity of opinions between BSs and HHs regarding reasons for daily loan collection not in use.

On computing rank correlation, the value of RCC indicates positive correlation between the opinions. On applying *t*-test, the calculated value of *t* was found lower than

29the table value of t at 5% level of significance. Thus, *null hypothesis* of having no similarity between the opinions was *accepted*.

H₀₃ There is no similarity of opinions between BSs and HHs regarding steps to be followed in case of default.

Rank correlation was applied on average ranks given to the different steps to be followed in case of default. As a result, positive correlation was found. On running t -test, it was observed that calculated value of t was higher than the table value of t at 5% level of significance. Hence, the *null hypothesis* of having no similarity is *rejected* and alternate hypothesis of having similarity between opinions of BSs and HHs was *accepted*.

H₀₄ There is no similarity of opinions between BSs and HHs regarding reasons of defaults.

On computing rank correlation, strong positive correlation was found between the opinions. On running t -test, it was observed that calculated value of t was higher than the table value of t at 1% level of significant. Thus, *null hypothesis* of having no similarity was *rejected*, indicating that opinion about reasons of default between BSs and HHs go hand in hand.

H₀₅ There is no similarity of opinions between HHs and BRWRs regarding reasons of defaults.

On applying rank correlation, it was observed that opinions of hand holders and borrowers were positively correlated. On running t -test, calculated value of t was found lower than the table value of t at 5% level of significance. Hence, *null hypothesis* of having no similarity between opinions was *accepted*.

H₀₆ There is no similarity of opinions between BSs and BRWRs regarding reasons of defaults.

While computing rank correlation between opinions of banksathis and borrowers, opinions are found positively related. On applying t -test, it was observed that computed value of t was lower than table value of t at 5% level of significance. Thus, *null hypothesis* of having no similarity was *accepted*.

H₀₇ There is no similarity of opinions between BSs and HHs regarding negative effects of defaults to the bank.

Here, the opinions of banksathis and hand holders were found positively correlated. On running t -test, it was observed that computed value of t -test was lower than the table value of t at 5% level of significance. Hence, the *null hypothesis* of having no similarity between opinions was *accepted*.

Section IV Major Findings

9.4 Major Findings

From the analysis carried out in this chapter, following major findings are observed. The findings are presented here in three sub parts viz. banksathis; hand holders; comparison of banksathis and hand holders.

9.4.1 Banksathis

The major findings based on the analysis of responses of 66 banksathis are summarized as follows:

1. 19 (28.79% out of 66) banksathis are found from the age group of 36-40. 28 (42.42%) banksathis out of 66 were observed having undergone of secondary level education. 39.39% banksathis (26 out of 66) were found with the working experience of 4 to 6 years. Banksathis are found to be more active during the year 2008-09 in comparison to the year 2007-08 as more numbers of loans accounts are opened in the year 2008-09 as 24 (out of 66) responses were received for 51 to 100 numbers of accounts and 18 responses were found for number of accounts 101 -150.
2. For unsecured loans, for the first time, majority of the banksathis had opined that the minimum amount should be ₹5,000 and maximum amount should be ₹10,000. For unsecured loans, for the second time, majority of them had believed that minimum amount should be ₹15,000 and maximum amount should depend upon the balance of saving account of the borrower. While for secured loans majority of banksathis had informed that the amount was decided by the bank only.
3. For preconditions to sanction the second time loan, majority of banksathis had given the preference to regularity/maintenance of savings of the borrowers (34.62% responses out of 182) while sanctioning the loan for second time to the same borrower. Same factor had been given the first preference (1st rank out of 14 factors) to decide the loan amount at the time of loan sanction to the borrower.
4. Cash collection seems to be the responsibility of banksathis. Majority of banksathis preferred to collect instalments from borrowers on daily basis (93.94% out of 66). Loan instalments were collected by banksathis at the convenient time of borrowers.
5. Looking to the responses, only daily loan collection was found inactive (96.97% out of 66). With reason to that, majority of banksathis informed that borrowers

were very irregular in payment of daily loan collection (25% responses out of 136 responses) and the daily income of the borrowers was highly fluctuating (22.06% responses out of 136). Majority of banksathis (72.73%) opined that daily loan collection was not in high demand because it was convenient to daily wage earners only, while 11 responses out of 20 responses indicated that daily loan was in high demand because daily payment of small instalments can reduce the burden of interest and debt. On asking to give suggestion to increase the demand/volume of daily loan, maximum banksathis (29 responses out of 54) had informed that they do not want to increase the volume because ultimately daily loans create burden on banksathis, as banksathis have to take responsibility as a guarantor (for daily loan collection) of the borrower.

6. Regarding loan recommendation, 60.61% banksathis recommended the borrower for the loan even if they had not undergone any type of training. The reason attributable was, closure of one day business was not affordable for borrowers. Hence, they do not prefer to come to the bank for training.
7. Proper follow up was required in case of default. Most preferable steps followed by banksathis in case of defaults are as follows: 1) Personal visit of borrower to inquire the problems and explain them to pay the instalment as early as possible; 2) Inform hand holder; 3) Personal visit of borrower with hand holder; 4) Personal visit of guarantor of the borrower along with hand holder.
8. As per the opinions of banksathis, major reasons of default (out of 312 responses) were identified. According to them 5 major reasons for defaults are as follows: (1) illness among the borrower (17.95%); (2) loss of borrower's business/job (15.38%); (3) unwillingness to repay the loan (9.29%); (4) sudden expenses, social expenses, expenses in excess of income (8.65%); (5) loss in business (7.69%).
9. The negative effect of defaults on the bank responded are as follows: (1) bank cannot give higher amount of loan because of no recovery of previous loans (24.62% responses); (2) income of bank decreases (21.54% responses); (3) bank has to reserve an amount equivalent to amount of NPA (12.31% responses). It will create blockage of money of the bank; and bank cannot pay salary (12.31% responses); (5) wastage of travel expenses (5.38% responses).

9.4.2 Hand Holders

Based on responses of 16 hand holders following conclusion can be drawn:

1. Maximum 5 (31.25%) of hand holders were from the age group of 41-45. 7 (43.75%) hand holders were graduated. 43.75% (7) hand holders have the working experience of 6 to 10 years. Hand holders are found more active during the year 2008-09 in comparison to the year 2007-08 as more numbers of loans accounts are opened in the year 2008-09.
2. Minimum amount of the unsecured loan to be given for the first time was informed ₹5,000 (10 responses out of 42) and maximum amount was informed to be dependent on the balance of saving account of the borrower (4 responses). For second time unsecured loan, majority responses (4 responses) were for ₹15,000 and maximum limit was to depend on the balance of savings of the borrowers (5 responses). For secured loans, majority of the responses indicated that either for the first time or for the second time loan the minimum and maximum limit should be decided by the bank only. However, for secured loans on fixed deposit, minimum and maximum limit should be 80% of fixed deposit of the borrower (7 responses).
3. For sanctioning the loan to the borrower for 2nd time, most preferable preconditions were observed as follows: Regularity/maintenance of savings by the borrowers (43.24% responses out of 37) and record of previous loan (40.54%). Looking to the factors to decide the loan amount, most important factors (by rank) were observed as follows: regularity/maintenance of savings by the borrower, repayment capacity of the borrower, record of previous loan and repayment capacity of the family.
4. Looking to the responses, only daily loan collection (unsecured loan product) was found inactive at the time of data collection (62.5% out of 16 hand holders). Major reason (22.22% responses out of 27) was found irregularity of borrowers in daily payment. Maximum hand holders agreed that borrowers had not paid loan instalments daily regularly. Maximum hand holders (56.25%) informed that daily loan was not in high demand among the borrowers as daily loan was convenient to daily wage earners only (60% responses out of 10). On inquiring suggestions to increase demand of daily loan, out of 10 responses, 30% respondents suggested that daily service should be given to the borrowers at their convenience, but other 30% respondents informed that it is impossible to increase the demand of daily loan collection.

5. For the views of recommendation of loan to the borrower without training, 81.25% (13 out of 16) hand holders were in favour of recommending the borrower for loan without training because closure of one day business was not affordable for borrowers who earns on daily basis (36.36% responses out of 22).
6. For the purpose of monitoring banksathi, hand holders were carrying out random checking of banksathi's slip book and cash scroll (34.88%) followed by checking whether banksathi deposit cash (loan instalment) properly or not (32.56%).
7. The most preferred sequence of steps to recover the loan in case of defaults according to HHs was: 1) Ask banksathi first that whether they visit the borrower's place regularly or not; 2) Personal visit of customer to inquire the problems and explain them to pay the instalments as early as possible to avoid the burden of interest; 3) personal visit of guarantor; 4) send a notice to customer and/or guarantor.
8. On inquiring the reasons for defaults, hand holders gave 12 different reasons. Among them top three reasons (above 10% proportion) are: (1) illness among the borrowers (18.57%); (2) loss of business/job (15.71%); (3) Expenses in excess of income (11.43%).
9. All 16 hand holders were of the opinion that defaults affect negatively to the bank. The negative impacts of default as pointed out by hand holders (total 31 responses) were: (1) income of bank decreases (35.48%); (2) bank has to create reserve of an amount equivalent to amount of NPA (22.58%); (3) bank cannot give higher amount of loan and wastage of travel expenses (9.68% each).

9.4.3 Comparison of Banksathis and Hand Holders

As mentioned in para 9.3, the comparative analysis between the opinion and approaches of banksathis and hand holders is carried out, to know about consistency. The major findings of this comparative analysis are summarized below.

1. On comparing the age, maximum (28.79%) banksathis are found between the age group of 36-40 while maximum (31.25%) hand holders are found from the age group of 41-45. It shows that major group of banksathis are younger than the group of hand holders. Education level was found higher for the hand holders. Majority (42.42%) of banksathis were educated upto secondary level while hand holders (43.75%) were up to graduate level. Working experience is also found higher for the hand holders (43.75%) as 6 to 8 years while banksathis (39.39%) are found with experience of 4 to 6 years. Banksathis and hand holders both were found to be more active during the year 2008-09.

2. According to the both minimum amount of unsecured loans should be ₹5,000. While as per banks this maximum amount should be ₹10,000 while hand holders believed it should be dependent on the balance of saving account of the borrowers. Banks this had informed that minimum amount should be ₹15,000 for the second time unsecured loan to the same borrower. In case of maximum limit of unsecured loan both of them opined that the amount should be dependent on the balance of savings of the borrower. In case of secured loans both of them were of the opinion that loan amount should be decided by the bank only.
3. Regularity/maintenance of savings and record of borrower's previous loan were found with equal preference as the preconditions to sanction the loan and also as factors to decide the loan amount. On applying rank correlation on opinions regarding factors to decide the loan amount strong positive correlation was observed at 5% of significance (H_{01}).
4. According to both (BSs and HHs), only daily loan collection (a loan product) was not in use. Major reason found was borrowers were irregular in payment of daily instalments. Positive relation was observed between opinions of both even though insignificant (H_{02}).
5. With reference to opinions of both, it can be seen that daily loan was not in high demand among the borrowers because it was convenient to daily wage earners only. Banks this had informed that they do not want to increase the demand/volume of the daily loans while hand holders had believed that if daily service is provided to the borrower's place the demand/volume could be increased.
6. Both of them had informed that they recommend the borrower for the loan even if borrower had not taken any type of training because closure of one day business was not affordable for borrowers. As majority of borrowers were daily wage earners, they would not prefer to come to the bank even for one day for having training.
7. Top five steps have been recorded to recover the default. Among them common steps according to both noted down as follows: 1) Personal visit of borrower to inquire the problems and explain them to pay the instalments as early as possible to avoid the burden of compound interest; 2) personal visit of guarantor. Strong positive correlation was observed and significant relationship was found between the opinions of both (H_{03}).

8. As per the opinions of both *i.e.* banksathis & hand holders, most common reasons of defaults out of top five reasons are found as follows: 1) Illness among the borrowers; 2) loss of borrower's business/job; 3) expenses of income; 4) social expenses; 5) loss in business. The opinions are found significantly correlated with strong positive correlation (H_{04}). On comparing the opinions of "hand holders v/s borrowers" and "banksathis v/s borrowers" regarding major reasons of defaults, no significant relationship was observed (H_{05} , H_{06}). For H_{05} and H_{06} , it can be inferred that, even though the relation is found, but it is not significant. This is likely to be on account of the fact that the borrower is the party concerned for default and the BSs and HHs are on the other hand, monitoring the loan. Hence, there is likely to be difference in perception or the degree of perception. Therefore, even though this is not a significant relationship, but at least there is no negative RCC, should be considered favourable for the purpose of proper follow up and monitoring by BSs and HHs.

1. If defaults affect negatively to the bank, some of the impacts found common in between the opinions of banksathis and hand holders. If top five major reasons are compared, following common reasons have been recorded. 1) Bank cannot give higher amount of loan because of no recovery of previous loans; 2) income of bank decreases; 3) bank has to reserve an amount equivalent to amount of NPA. Positive correlation was observed between opinions of both, even though insignificant (H_{07}).

It can be concluded that opinions of banksathis and hand holders differ for some of the questions. However, in case of major reasons of defaults and steps to be followed when any borrower make default, opinions of banksathis and hand holders are found to be similar and have also shown significant rank correlation. It helps the bank to control and/or reduce the level of defaults and NPA as proper care is taken regarding recovery of loan by hand holders and banksathis.



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Chapter 10
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Chapter 10

CONCLUSIONS AND SUGGESTIONS

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Chapter 10

Conclusions and Suggestions

Microfinance plays a role of light in the darkness of poverty. It allows poor people to have benefits of financial facilities and put them in the category of bankable people. MFIs feel the gap between demand side (beneficiaries) and supply side (microfinance providers and/or MFIs). Looking to the financial facilities of microfinance, loans are given without any collateral. Accordingly, repayment of loan without any defaults is a very big concern for MFIs. Repayment of loans is very essential for MFIs as repayment generates income for MFIs. Looking to the financial aspects of microfinance and importance of repayment in microfinance, this study tried to examine the causes of defaults and NPA from demand side (borrowings) and supply side (advances) both.

For the purpose of the study, both primary data as well as secondary data are used. To analyze the repayment behaviour of microfinance borrower primary data by using structured scheduled are gathered. To know the status of MFIs in India secondary data are used. This chapter derives conclusion based on the study. For the purpose of systematic presentation, the chapter is divided into 8 sections. Section 10.1 presents the growth of microfinance sector with special focus on SEWA bank. It also concludes the important findings based on study regarding microfinance sector especially with reference to lending function. Section 10.2, 10.3 and 10.4 concludes the major findings with key results of the analysis carried out in the study. Section 10.5, 10.6 and 10.7 presents the valuable suggestions based on the analysis. Last section 10.8 deals with the suggestions for future research and policy framework.

As part of this research work, the researcher undertook a review of literature on microfinance on social and financial aspects. During the course of literature review the major focus was on the finance area. Within the financial aspects of microfinance, less ventured area was defaults. Based on literature review following remarks are made: The studies of V.K. Ramacharan and Madhura Swaminathan¹, Sampati Guha and Gautam Gupta², Sriram M. S.³, and Anjana Chandramouly⁴ are mainly focused on overdues, defaults rate as well as rates of NPA. Jayshree Vyas⁵, Karuna Krishnaswamy⁶, G. Naga Sridhar⁷, Erica Field, Rohini Pande, John Papp⁸ and Jessica Schicks⁹ have concluded that in case of multiple borrowings, high interest rates and forceful recovery are responsible for the high rates of defaults. However, borrowers also make defaults because of

sickness, unemployment, low level of income, sudden expenses, delay in payment of wages etc. With solutions to that, the studies of Jayshree Vyas¹⁰, K. K. Kundu *et al.*¹¹, Niels Hermes and Robert Lensink¹², Thi Thu Tra Pham and Robert Lensink¹³, and Erica Field and Rohini Pande¹⁴ have suggested that repayment rates can be controlled with close monitoring, more number of staff members, better internal financial and management discipline and by changing lending system.

10.1 Growth of Microfinance

Microfinance is of ancient origin of India. The informal financing system can be traced to the era of Kautilya in fourth century B.C. The first effort in institutionalizing rural credit was made by the Government of India in the first decade of the last century with the passing of the Cooperative Societies Act in 1904 to support the country's predominantly agricultural economy. In 1950, the creation of a nationwide network of rural cooperative banks was an attempt to improve financial access for India's poor. Government of India introduced social control in 1967 and later nationalization of major commercial banks occurred. In 1975, Government of India also introduced a specialized state sponsored, regionally based rural oriented Regional Rural Banks (RRBs). The RRBs were set up in 1976, with the objective to meet the credit requirements of the weaker sections of the society. In the early 1980s, the government of India launched the IRDP, a large poverty alleviation program, which provided government subsidized credit through banks to the poor. In 1981, NABARD came into existence and initiated new approach in the area of rural finance. In 1982 RBI transformed its agricultural credit department into the NABARD.¹⁵

Microfinance actually came into forefront in 1992 when NABARD launched pilot project for SHG Bank-Linkage Programme. Pilot testing was carried out by NABARD between 1992 to 1995. The pilot phase was followed by the Working Group of NGOs and SHGs constituted by RBI, which came out with the wide range of recommendations on internalization of the SHG concept as a potential intervention tool in the area of banking with the poor. Accordingly, during 1996 to 1998 mainstreaming of pilot project was done by NABARD. From 1998 onwards the expansion of SHG-Bank Linkage Programme commenced. In November 1998 NABARD defined the term "Microfinance" and the same definition was also given by RBI in 2000.

Microfinance came into existence, and it started growing, according to the need and convenience. On analyzing the data of last five years (2008-2012), the total gross loan portfolio of the MFIs has been observed in up ward trend *i.e.* ₹59.54 billion (2008)

to ₹175.65 billion. When MFIs are studied with their legal forms, it shows constant increasing trend for the form NBFCs. It increases from 9.46% (2006) to 65.57% (2012). It is the indication of boost in commercialization of microfinance over a period of times.¹⁶⁻²² Various types of MFIs provide numerous financial facilities such as savings, credit, insurance, pension and remittance etc. MFIs have developed different types of lending models specially for providing credit facility.

Looking to the historical background of MFIs, though microfinance came to forefront in 1992 through NABARD, SEWA Bank is observed as the oldest and first microfinance provider in India. It was set up as an urban cooperative bank in Ahmedabad, Gujarat.²³ Established by Ela R. Bhatt in 1974, SEWA bank was one of the first MFIs to take the more challenging path of individual lending.²⁴ Success of the SEWA bank has proved that even if being poor or self employed or illiterate, women can successfully run a bank with profit. The amount of profit²⁵ has increased from ₹0.54 crores (2007) to ₹0.94 crores (2012). SEWA bank has four branches viz. Vasna branch, Behrampura Branch, Madhupura Branch and Rakhial Branch. SEWA bank offers various financial facilities viz. variety of savings and recurring deposit, fixed deposits, insurance, pension, unsecured loan as well as secured loan.

10.2 Major Findings: Secondary Data

Based on the secondary data collected from MIX Market and Sa-dhan following major findings can be summarised. MIX Market contained details of 190 MFIs of India. From this, details about 12 financial indicators are gathered. Those financial indicators were GLP, NAB, NLO, BLO, LLO, CPB, CPL, PAR > 30 days, PAR > 90 days, LLR, WOR and TE/A. The data were gathered as on 31st March, 2012. Sa-Dhan contains details of 230 MFIs working in different states of India. From these details about two financial indicators viz. GLP and NAB were taken available as on 31st March, 2012.

10.2.1 Findings: MIX (Indian MFIs with Important Financial Indicators)

Information of 17 states of India is analyzed for all financial indicators discussed in above para. Table 10.1 presents detail of all states with the average figures of all indicators. Accordingly, average 11 MFIs were observed per 17 states of India. The state AP was observed as a major microfinance service provider in India since maximum numbers of MFIs (41) as well as maximum values of 8 (out of 12 indicators) indicators were found for this state. Highest amount of GLP was found ₹ 21,433.33 lakhs with NABs 320,610 and NLOs 565,354 for AP. All five ratios were observed highest for AP viz. 22.29% (PAR > 30 days), 22.36% (PAR > 90 days), 17.95% (LLR),

Table 10.1 Indian MFIs with Average of Important Financial Indicators

No	States	No of MFIs	GLP (₹ in Lakhs)	NABs	NLO	BLO	LLO	CPB (in ₹)	CPL (in ₹)	PAR>30 days (%)	PAR>90 days (%)	LLR (%)	WOR (%)	TE/A (%)
1	AP	41	21,433.33	320,610	565,354	313	400	20,804.62*	848.78	22.29	22.36	17.95	17.72	55.08
2	AS	5	3,217.55	60,809	60,809	428	428	640.00	641.33	5.62	1.82	1.63	1.64	18.91
3	BR	4	248.98	5,111	5,111	250	250	984.00	1,101.00	1.65	1.65	0.07	0.06	22.47
4	DL	4	9,910.93	103,884	103,884	343	343	1,410.25	1,375.75	0.90	0.63	0.64	0.64	29.94
5	GJ	6	2,833.91	24,424	27,652	1,136	1,136	1,292.17	1,396.80	3.91	0.80	1.78	0.23	22.72
6	HR	1	5,637.89	80,583	80,583	378	378	1,256.00	1,256.00	0.92	0.83	0.12	0.12	28.10
7	JH	3	793.74	8,410	9,511	256	256	1,820.33	647.50	1.09	0.69	0.23	0.23	20.01
8	KA	17	20,163.01	174,289	230,809	602	627	1,077.47	948.29	10.73	10.81	2.26	2.51	22.36
9	KL	8	6,887.58	125,791	128,560	3,014	3,020	491.00	544.67	1.92	1.15	0.18	0.21	14.54
10	MP	7	479.62	7,403	12,345	350	351	648.67	621.80	0.50	0.47	0.37	0.38	20.04
11	MH	10	4,369.95	73,946	81,532	393	393	1,951.50	1,949.00	3.68	2.98	9.13	9.15	25.22
12	MN	4	416.74	5,341	5,315	265	296	1,563.00	1,513.00	0.90	0.38	0.00	0.00	26.36
13	OR	14	3,627.58	66,143	96,562	484	485	501.25	761.80	7.90	13.28	0.52	0.52	19.88
14	RJ	6	3,551.38	28,887	35,183	371	382	1,610.00	1,109.80	7.29	3.30	0.38	0.46	17.19
15	TN	29	7,530.03	117,558	162,066	556	568	829.58	779.13	4.19	2.55	1.71	1.85	25.25
16	UP	10	14,358.24	94,361	94,403	362	362	931.50	839.50	2.14	0.61	0.45	0.50	24.60
17	WB	21	20,174.49	222,441	273,427	293	294	498.44	616.43	7.50	7.79	1.38	1.38	20.53
	Grand Average	11	7,390.29	89,411	116,065	576	586	2,253.52	997.09	4.89	4.24	2.28	2.21	24.30

Source: Computed from MIX Data

*: The average CPB of AP is found to be very high as one MFI of AP (CSF) was found with CPB of ₹6,84,615. If this value is omitted, the average CPB of AP comes to ₹689.15. Therefore, average CPB of India will be at ₹1,070.25.

17.72% (WOR) and 55.08% (TE/A). It shows the high level of risk for the MFIs in AP. Looking to the average of BLO and LLO, the state KL was found with the maximum numbers *i.e.* 3,014 and 3,020 respectively. This indicates heavy work load for the staff of MFIs in KL. Least numbers of BLO and LLO was observed at 250 for the state BR. Maximum amount of CPB and CPL was observed ₹1,951.50 and ₹1,949 for the state MH. Lowest amount of CPB ₹419 and CPL ₹544.67 was found for state KL.

10.2.2 Findings: MIX (Analysis of each MFI based on Financial Indicators)

This section presents the summary of NLO, BLO, LLO, CPB, CPL PAR > 30 days, PAR > 90 days, LLR, WOR and TE/A based on MIX data. Results of GLP and NAB were compared with Sa-dhan. However, for these ten indicators, data are not available in Sa-dhan, hence, comparatives are not presented. Following para explains the same.

NLO: The NLO will include the loans outstanding as on date. Hence, this will include both, the loans which are granted, and outstanding and time limit for repayment is not over as well as the loans for which repayment period is over *i.e.* they are overdue but not paid till date. Thus, for the overdue loans, with risk PAR > 30 days and PAR > 90 days, can be considered as better indicators. Table 10.2 presents the summary about the NLOs of 190 MFIs by classifying NLO into various groups so as to indicate the size and intensity. From the Table 10.2 it can be seen that maximum share of MFIs (12.11%) had NLO between 10,000-20,000 followed by 11.58% (20,000-50,000) and 11.05% (1,000-5,000). *SEWA Bank* was observed with NLO of 20,000-50,000. In case of 48 MFIs the details of NLO was not available. 54 MFIs were observed with NLO above 50,000. Highest NLO were found for AP at 14,133,842 where it was found to be 4,296,870 for *SKS Microfinance*.

Table 10.2 Classification of MFIs based on NLO

No.	NLO	No. of MFIs	%
1	Below 1,000	3	1.58
2	1,000 - 5,000	21	11.05
3	5,000 - 10,000	19	10.00
4	10,000 - 20,000	23	12.11
5	20,000 - 50,000	22	11.58
6	50,000 - 1,00,000	16	8.42
7	1,00,000 - 2,00,000	16	8.42
8	2,00,000 - 10,00,000	15	7.89
9	Above 10,00,000	7	3.68
10	Not Available	48	25.26
	Total	190	100

Source: Prepared from Secondary data (MIX)

BLO & LLO: These two ratios measures MFI's loan staff's caseload and gauge the productivity of loan staff. Increasing ratios indicates positive trend of MFIs. Table 10.3 shows that for the range of 200-400 highest number of MFIs for BLO and LLO was observed at 30.69%, and 28.95%. In case of BLO and LLO between 400-2000 25.40% and 27.37% number of MFIs were observed. Highest (8,904) numbers of BLO and LLO was observed for *WSE* followed by *GSGSK* (2,322) and *Muthoot* (438). *SEWA bank* was found with BLO and LLO above 2000 i.e. 3,065. In case of 60 MFIs the numbers of BLO and LLO was not available while for BLO one case was found negative thus, it was excluded here.

Table 10.3 Classification of MFIs based on BLO and LLO

No.	Particulars	No. of MFIs			
		BLO	%	LLO	%
1	Less than 100	4	2.12	4	2.11
2	100 - 200	15	7.94	15	7.89
3	200 - 400	58	30.69	55	28.95
4	400 - 2,000	48	25.40	52	27.37
5	Above 2,000	4	2.12	4	2.11
6	Not Available	60	31.75	60	31.58
	Total	189	100	190	100

Source: Prepared from Secondary data, MIX

CPB & CPL: CPB and CPL are generally high in any MFI. As a consequence interest rates of that MFI are also likely to be high to cover the cost. If interest rates are high, borrowers would not be able to repay loans in time and chances of defaults will also increase. Decreasing cost shows positive trend for MFIs. MFIs should try to minimize their CPB and also CPL to avoid defaults.

Table 10.4 Classification of MFIs based on CPB and CPL

No.	Cost (in ₹)	No. of MFIs			
		CPB	%	CPL	%
1	Less than 100	12	6.35	1	0.53
2	100 - 200	5	2.65	3	1.58
3	200 - 400	22	11.64	12	6.32
4	400 - 600	21	11.11	19	10.00
5	600 - 800	29	15.34	26	13.68
6	800 - 1,000	21	11.11	18	9.47
7	1,000 - 1,500	24	12.70	17	8.95
8	1,500 - 2,000	12	6.35	10	5.26
9	Above 2,000	11	5.82	7	3.68
10	Not Available	32	16.93	77	40.53
	Total	189	100	190	100

Source: Prepared from Secondary data, MIX

Table 10.4 shows that for the cost of ₹600-₹800, maximum numbers of MFIs were observed at 15.34% for CPB and 13.68% for CPL. In case of CPB 68 MFIs were

found with high amount of cost above ₹800 while in case of CPL 52 MFIs were found with cost above ₹800. Accordingly, highest CPB was found at ₹4,166 for *VCCL (JH)* while highest CPL was observed for *SEWA Bank i.e. ₹3,060* (CPB was also ₹3,060). That indicates very high CPL for the *SEWA Bank*. For 32 MFIs CPB was not available while for 77 MFIs CPL was not available. In case of CPB one MFI was observed with unacceptable amount of cost thus, it was excluded here (Refer note to Table 10.1).

PAR > 30 Days & PAR > 90 Days: High level of ratios shows the high level of risk of defaults for the MFIs. Therefore, the loans exposed to risk, for PAR > 30 days and PAR > 90 days is required to be monitored and controlled. Data displayed in Table 10.5 shows that 17.99% MFIs were observed risk free from PAR > 30 days while 11.58% MFIs were observed risk free from PAR > 90 days as they are found with 0% ratio. The ratio between 0.01%-0.50% were found for maximum numbers of MFIs viz. 21.16% (PAR > 30 days) and 21.58% (PAR > 90 days). The ratio above 5% was observed for 39 MFIs (PAR > 30 days) and 22 MFIs (PAR > 90 days). Highest ratio of PAR > 30 days (99.98%) and maximum ratio of PAR > 90 days (98.97%) was found for *Seba Rahara (WB)*. *SEWA bank (GJ)* falls into the category of 5% - 10% for PAR > 30 days (6.42%) and for PAR > 90 days it falls into the category of 2% - 5% (*i.e.* 2.16%). In case of one MFI (*Sanghatitha* from AP) the ratio of PAR > 30 days was found above 100% (*i.e.* 142.77%) thus, it was excluded.

**Table 10.5 Classification of MFIs based on Ratios for
PAR > 30 days & PAR > 90 days**

No.	Ratio (in %)	No. of MFIs			
		PAR > 30 Days	%	PAR > 90 Days	%
1	0	34	17.99	22	11.58
2	0.01 - 0.50	40	21.16	41	21.58
3	0.50 - 1.00	22	11.64	16	8.42
4	1.00 - 2.00	15	7.94	10	5.26
5	2.00 - 5.00	18	9.52	19	10.00
6	5.00 - 10.00	15	7.94	7	3.68
7	10.00 - 20.00	7	3.70	5	2.63
8	20.00 - 100.00	17	8.99	10	5.26
9	Not Available	21	11.11	60	31.58
	Total	189	100	190	100

Source: Prepared from Secondary data, MIX

LLR & WOR: In case of LLR and WOR lower ratios indicate favourable situation for MFIs. Write-offs are the greatest threat to an MFI because they result in reduction in MFI's asset and its current and future earning potentials. Table 10.6 presents that highest numbers of MFIs 40.98% (LLR) and 38.30% (WOR) were

observed with 0% ratio followed by 15.85% (LLR) and 14.36% (WOR) numbers of MFIs with the ratio of 0.01% - 0.50%. Highest ratio of LLR and WOR was found at 65.44% for *L&T Finance* (MH). *SEWA bank* was observed with the LLR between 5% - 10% (*i.e.* 9.53%) and the WOR was not available for *SEWA bank*. In case of 7 MFIs and 8 MFIs, LLR and WOR respectively were observed very high between 20% - 100%. In case of LLR, 5 MFIs were reported with negative ratio and 2 MFIs were observed with ratio above 100% while in case of WOR, 2 MFIs were observed with ratio above 100%. Hence, those MFIs were excluded here.

Table 10.6 Classification of MFIs based on LLR and WOR

No.	Ratio (in %)	No. of MFIs			
		LLR	%	WOR	%
1	0	75	40.98	72	38.30
2	0.01 - 0.50	29	15.85	27	14.36
3	0.50 - 1.00	10	5.46	13	6.91
4	1.00 - 2.00	19	10.38	17	9.04
5	2.00 - 5.00	15	8.20	16	8.51
6	5.00 - 10.00	7	3.83	6	3.19
7	10.00 - 20.00	0	0.00	0	0.00
8	20.00 - 100.00	7	3.83	8	4.26
9	Not Available	21	11.48	29	15.43
	Total	183	100	188	100

Source: Prepared from Secondary data. MIX

TE/A: Higher ratio indicates the higher expenses of MFIs in relation to value of assets. Lower ratio is desirable. It can be seen from the Table 10.7 that 33.16% of MFIs were observed with the ratio between 20% to 30% followed by 23.68% MFIs with ratio ranging between 10% to 20%. In case of 5 MFIs the ratio was observed very high *i.e.* above 100% followed by 4 MFIs with the ratio between 50% - 100%. Highest ratio was found at 560.32% for *Need To India* (AP). *SEWA bank* was observed with the ratio between 10% to 20% (*i.e.* 12.99%), this can be considered positive aspect for *SEWA*.

Table 10.7 Classification of MFIs based on TE/A

No.	TE/A (in %)	No. of MFIs	%
1	Below 10	9	4.74
2	10 to 20	45	23.68
3	20 to 30	63	33.16
4	30 to 50	13	6.84
5	50 to 100	4	2.11
6	Above 100	5	2.63
7	Not Available	51	26.84
	Total	190	100

Source: Prepared from Secondary data. MIX

10.2.3 Findings: Comparison of MIX and Sa-Dhan based on GLP and NAB

MIX Market has provided details of 190 MFIs in India while Sa-dhan has provided details of 230 MFIs in India. Two indicators GLP and NAB were found common from both the sources. Comparison of GPL and NAB from MIX and Sa-dhan is presented in following para.

GLP: Portfolio measures the health of loan outstanding in terms of its risk of being default in repayment. Table 10.8 gives the over all idea of MFIs in India with detail of GLP. Looking to the MFIs from Sa-dhan, in case of 4 MFIs (out of 230) the value of GLP was found ₹0 so those MFIs were excluded. Major proportion of number of MFIs in MIX (15.26%) were observed for GLP ₹200-₹500 lakhs while in Sa-dhan it was (18.58%) observed for GLP of below ₹50 lakhs. MFIs can be classified into four categories based on portfolio size as (a) small (less than ₹100 million), (b) medium (₹100-₹500 million), (c) large (₹500-₹1,000 million) and (d) mega (more than ₹1,000 million).²⁶ On examining the MFIs from MIX, it is observed that 48.95% (93 out of 190) MFIs fall into small category while 65.49% (148 out of 226) MFIs from Sa-dhan fall into small category. For medium category of MFIs, 25.26% of MFIs were observed for MIX and 19.03% of MFIs were observed for Sa-dhan. Looking to the large MFIs, 10.53% of MFIs were observed for MIX while only 3.98% was observed for Sa-dhan for large category of MFIs. Highest amount of GLP was found at ₹373,020.79 lakhs (Mega Category) for *Bandhan* (WB). *SEWA Bank* (GJ) falls into large category (₹5,622.27 lakhs) in both (MIX & Sa-dhan).

Table 10.8 Number of MFIs based on size of GLP (31-03-12): MIX and Sa-dhan

No.	GPL (Rs. in Lakhs)	No. of MFIs			
		MIX	%	Sa-Dhan	%
1	Below 50	16	8.42	42	18.58
2	50 - 200	27	14.21	38	16.81
3	200 - 500	29	15.26	33	14.60
4	500 - 1,000	21	11.05	35	15.49
	Small	93	48.95	148	65.49
5	1,000 - 2,000	26	13.68	16	7.08
6	2,000 - 5,000	22	11.58	27	11.95
	Medium	48	25.26	43	19.03
7	5,000 - 10,000 (Large)	20	10.53	9	3.98
8	10,000 - 50,000	19	10.00	16	7.08
9	50,000 - 1,00,000	4	2.11	5	2.21
10	Above 1,00,000	6	3.16	5	2.21
	Mega	29	15.26	26	11.50
	Total	190	100	226	100

Source: Prepared from Secondary data

NABs: On examining NABs for MIX, NABs were not available in case of 7 MFIs. In Sa-dhan, NABs were observed zero for 3 MFIs. Therefore, these 3 MFIs were excluded for analysis. It was observed that maximum share of numbers of MFIs were observed at 17.89% (MIX) and 21.15% (Sa-dhan) for the range of NABs between 5,000-10,000 followed by category of 1,000-5000 with 16.32% (MIX) and 19.38% (Sa-dhan). On comparing categories of NABs below 1000, the proportion of numbers of MFIs was found with big difference i.e. 5.79% for MIX and 11.45% for Sa-dhan. Highest NABs was found from *SKS (AP)* i.e. 4,256,719. *SEWA Bank (GJ)* falls into the category of NABs of 20,000-50,000 (i.e. 23,362).

Table 10.9 Number of MFIs based on NAB: MIX and Sa-dhan

No.	NABs	No. of MFIs			
		MIX	%	Sa-Dhan	%
1	Below 1,000	11	5.79	26	11.45
2	1,000 - 5,000	31	16.32	44	19.38
3	5,000 - 10,000	34	17.89	48	21.15
4	10,000 - 20,000	29	15.26	29	12.78
5	20,000 - 50,000	23	12.11	27	11.89
6	50,000 - 1,00,000	16	8.42	19	8.37
7	1,00,000 - 2,00,000	17	8.95	13	5.73
8	2,00,000 - 10,00,000	15	7.89	14	6.17
9	Above 10,00,000	7	3.68	7	3.08
10	Not Available	7	3.68	0	0
	Total	190	100	227	100

Source: Prepared from Secondary data

10.2.4 Key Results

One of the objectives of the study is to acquire an idea about all MFIs working in different states of India and to study the important financial indicators of MFIs. Following key results are observed from MIX and Sa-dhan data.

- a. On comparing state wise data, 11 MFIs were observed on an average for 17 states of India. The state AP was found for maximum number of MFIs (41). Maximum average of GLP, NABs and NLO was found for AP indicating that AP is the major microfinance service provider in India. However, maximum average of CPB, PAR > 30 days, PAR > 90 days, LLR, WOR and TE/A was also observed for the state AP indicating high level of risk for the MFIs in AP. Highest average of BLO and NLO was found for the state KL indicating maximum case load on the staff members of the MFIs in KL. Maximum average of CPL was found for MH.
- b. On examining NLO, maximum numbers of MFIs were found for the group of 10,000-20,000. *SEWA Bank (GJ)* was observed with NLO of 20,000-50,000.

- c. On examining BLO and LLO, majority of MFIs were found from the group of 200-400. *SEWA bank* was found with BLO and LLO above 2000.
- d. On examining CPB and CPL, highest numbers of MFIs were found with the cost between ₹600 to ₹800. *SEWA Bank* was found with CPB and CPL above ₹2,000.
- e. On examining PAR > 30 days and PAR > 90 days, majority of MFIs were found with the ratio between 0.01 to 0.50%. *SEWA bank* (GJ) falls into the category of 5% - 10% for PAR > 30 days and for PAR > 90 days it falls into the category of 2% - 5%.
- f. On examining LLR and WOR, majority of MFIs were found with the ratio at 0%. *SEWA bank* was observed with the LLR between 5% to 10% and the WOR was not available for *SEWA bank*.
- g. On examining TE/A, majority of MFIs were found with the ratio between 20% to 30%. *SEWA bank* was observed with the ratio between 10% to 20%.
- h. On comparing GLP for MIX and Sa-dhan, majority of MFIs were found with the amount of GLP between ₹200-₹500 lakhs for MIX while majority of MFIs were found with the amount of below ₹50 lakhs for Sa-dhan. For both the sources, majority of MFIs fall into small category based on size of GLP. *SEWA Bank* (GJ) is fall into large category in both (MIX & Sa-dhan).
- i. On comparing NAB for MIX and Sa-dhan, majority of MFIs were found with NABs between 5,000-10,000 for both MIX and Sa-dhan. *SEWA Bank* (GJ) falls into the category of NABs of 20,000-50,000.

10.3 Major Findings: SEWA Bank

Major findings from the analysis of the data of the SEWA bank are presented here in three different parts. Following lines explain the same.

I Findings: Based on Overdue Analysis

- a. Maximum share (19.23%) of total overdue was observed for the year 2010-2011 as a percentage of total advances.
- b. The highest share of overdue of STLs was found at 5.32% for the year 2006-07.
- c. The highest share of overdue of MTLs was found at 20.96% for the year 2009-10.
- d. In case of LTLs, the share of overdue was observed very high at 48.59% for the year 2010-11.

II Findings: Based on Analysis of Bad and Doubtful of Recovery

- a. Maximum proportion (15.20%) of total bad and doubtful of loans was observed for the year 2009-2010 as a proportion of total advances.
- b. For STLs, the proportion of loans bad and doubtful of recovery was observed to have decreasing trend *i.e.* 4.57% (2006-07) to 0.40% (2011-12).
- c. For MTLs, the proportion of loans bad and doubtful of recovery was observed to be very high at 23.16% for the year 2009-10 and low at 8.23% for the year 2011-12.
- d. For LTLs, the proportion of loans bad and doubtful of recovery was observed to be high at 13.94% (2009-10) which declined to 6.71% in 2010-11 and further to 4.48% in 2011-12.

III Findings: Based on Analysis of NPA

- a. Looking to the *branch wise data*, highest share of NPA A/Cs in a branch to total No. of NPA loan A/C (52.28%) as well as share of NPA A/Cs to total number of loans (32.20%) were observed for Head office. Highest share of NPA outstanding in a branch to total amount of loans outstanding (27.12%) and share of NPA outstanding to total amount of loans outstanding (52.25%) were also observed for Head office. It is very interesting to note that head office is controlling highest number of Loan A/Cs (36.38%) as well as having highest amount of loan outstanding (37.39%). NPAs in head office are more than proportion of NPAs of all other branches.
- b. Looking to the *credit size wise data*, highest proportion (33.73%) of loan is observed in the range (₹10,000 - ₹25,000) and highest (39.26%) proportion of NPA a/c are also in the same range. When proportion of NPA a/c to loan a/c in a given range is examined it is observed to be highest for the lowest size of loan *i.e.* less than ₹5,000 (29.82%). When amount of NPA to amount of loan outstanding is examined, here also the highest proportion (33.22%) is found for loans amount less than ₹5,000. The highest proportion of NPA (in a given range) to total NPA amount is found on credit size of ₹25,000-₹50,000.
- c. Looking to the *purpose wise data*, the highest share of percentage of NPA A/Cs in a purpose to total number of NPA A/Cs was observed at 25.12% for the purpose of building repairing. On examining the percentage of NPA A/Cs to total number of loans, it was observed that highest share was found for the loans taken for business purpose (74.74%). Looking to the proportion of NPA amount outstanding in a purpose to total amount of loans outstanding highest proportion

was found at 27.62% for purpose of debt repayment. On examining the percentage of NPA amount outstanding to total amount of loans outstanding, highest proportion was observed at 77.03% for the loans taken for the purpose of business.

- d. On examining the *loan type wise data*, in standard A category, highest number of loans were found for PH loans. For substandard category (NPA), SN loans were at highest percentage at 16.07%. Looking to the overdue amount, maximum proportion of amount was observed at 84.81% for substandard category for US loans. On comparing outstanding amount of loans, maximum amount (82.92%) was observed for standard A category for PH loans. This is a good indicator that the standard A category has highest number and amount of loans.

10.4 Major Findings: Primary Data

To understand the behaviour of borrowers, bank's frontline workers and bank's facilitators the primary data are gathered through structured schedules. As mentioned in Chapter 3, on Research Design, for the purpose of study, SEWA Bank is selected. This section presents concluding results from primary data. This section deals with six different sections. First section gives brief about the sample. Next three sections present the major findings from the analysis of BRWRs, BSs and HHs respectively. Last two sections present the key results found from the analysis of BRWRs as well as BSs and HHs.

The primary data were gathered from the three groups of people of the SEWA bank viz. BRWRs, BSs and HHs. The data for BRWRs were collected during the period from April 2010 to October 2010. The data for BSs and HHs were collected during the month of February-2010. Total 484 BRWRs were taken as sample. The data from BSs and HHs were gathered from 66 and 17 numbers of sample respondents. Following paragraphs present the major findings from the final survey.

10.4.1 Major Findings: BRWRs

One of the objectives of the study is to understand the behaviour of the borrower regarding loan taking and repayment of the same with sample of borrowers of SEWA Bank. Following lines present the major findings analyzed from the responses of BRWRs.

1. In the demographic profile of the borrowers it is observed that 56.82% are in the age group of 21-40. 48.76% were unaware about the caste and 76.03% are Hindu. 90.08% of the borrowers are married. The level of education of

- borrowers was observed to be very low at 34.71% having education only upto primary level.
2. 484 borrowers were observed with 2625 family members where 1552 family members were economically inactive and 589 were self employed. Looking to the individual borrowers, out of 484 borrowers, 45.87% (222) were observed to be self employed followed by 41.12% inactive borrowers. Uncertainty of income was found high among the sample BRWRs. On examining the earning members of the family of BRWRs, 38.02% of BRWRs were found with 21-40% earning members in their family.
 3. Out of 484 borrowers, 63 (13%) borrowers were observed with 50% earning members (TFM 4, TEM 2) in the family.
 4. In most of the situations regarding decision to take the loan, decision to use the loan and decision to use the profit, decisions were taken by borrowers themselves. 41.12% borrowers took decision to take the loan themselves and 38.02% borrowers took decision to use the loan themselves. Regarding decision to use the profit, 44.63% borrowers took self decision.
 5. Saving habit of the borrowers were gathered in two parts viz. borrower's savings in other than SEWA bank and borrower's savings in the SEWA bank. Out of 484 borrowers, 60 were observed regular savers in other than SEWA bank, while 79 were regular savers in SEWA bank. 31.43% of respondents invested in *Vishis*, when they were investing in other than SEWA bank. 22.57% of respondents made savings through *Chinta Nivaran Yojana* of SEWA bank.
 6. Majority of the borrowers (66.74%) had not undergone any type of training of the SEWA bank. 42.98% of borrowers were not interested in taking training at SEWA bank. However, out of remaining responses, 22.87% of borrowers could not take training, as closure of one day business was not affordable for them.
 7. Total 1335 (1309 ULs & 26 SLs) numbers of loans were disbursed to the 484 borrowers. 421 ULs and 12 SLs were found with the amount in range of ₹1,000 to ₹10,000. 41 ULs and 3 SLs were having amount of ₹51,000 and above. Out of 1335 loans, 43.15% (576) loans were taken for productive purposes, of which 574 loans were unsecured and 2 were secured. For 327 loans (24.49%) the purpose was not communicated by the borrowers of which 305 loans were unsecured and 22 were secured.
 8. On examining the frequency of borrowings by the BRWRs, 345 loans were found for 3rd time borrowers.

9. Awareness about rates of interest among BRWRs was found very low. Only 21.69% borrowers were having correct awareness about the rate of interest they are charged for taking the loan.
10. Major reasons of defaults were found as follows:
 - a. high fluctuation of income of the BRWRs
 - b. illness,
 - c. sudden expenses,
 - d. borrowed money from private money lenders. Other reasons were also indicated but they were in minority. Majority of the loans were not repaid in time because incomes of borrowers were very fluctuating. Reddy K²⁷ also pointed out that because of unexpected incidences such as illness, accident and death of member or earning member in the households, the SHG members made defaults.
11. Major reasons found from sample BRWRs who did not make defaults were as follows:
 - a. habit of regular savings
 - b. regular income,
 - c. habit of economizing the spending,
 - d. all family members are earning. Other reasons were also indicated but they were in minority.

10.4.2 Results Based on Testing of Hypotheses: BRWRs

As one of the objectives of the study is to examine the extent of defaults leading to non performing assets (NPA) in microfinance and to suggest some solutions to reduce the level of defaults, the effect of four major factors on the numbers of default was examined. These four factors are: socio-demographic factors, economic factors, loan related factors and financial literacy of borrowers. For this purpose 17 hypotheses are framed based on chi-square test and 17 hypotheses are framed based on difference between proportions. The important findings are summarised as follows:

A Key Results: Based on Chi-square test

Socio-Demographic Factors

1. On examining the relation between *age* of the BRWRs and number of defaults, it was observed that they *are related* to each other. (H₀₁)
2. On examining the relation between *religion* of the BRWRs and number of defaults, it was observed that they *are not related* to each other. (H₀₂)
3. On examining the relation between *marital status* of the BRWRs and number of defaults, it was observed that they *are not related* with each other. (H₀₃)

4. On examining the relation between *education level* of the BRWRs and number of defaults, it was observed that they *are related* to each other. (H₀₄)
5. On examining the relation between *proportion of earning members in the BRWR's family* and number of defaults, it was observed that they *are related* with each other. (H₀₅)
6. On examining the relation between *person making decision to take the loan* and number of defaults, it was observed that they *are not related* with each other. (H₀₆)
7. On examining the relation between *person making decision to use the loan* and numbers of defaults, it was observed that they *are related* to each other. (H₀₇)
8. On examining the relation between *person making decision to use profit* and numbers of defaults, it was observed that they *are not related* to each other. (H₀₈)

Economic Factors

9. On examining the relation between *uncertainty of income* of BRWRs and number of defaults, it was found that they *are not related* with each other. (H₀₉)
10. On examining the relation between *per capita income* of the BRWRs and number of defaults, it was found that they *are not related* to each other. (H₀₁₀)
11. On examining the relation between the *regularity of savings (in other than SEWA bank)* and number of defaults, it was found that they *are not related* with each other. (H₀₁₁)
12. On examining the relation between the *regularity of savings (in SEWA bank)* and number of defaults, it was found that they *are related* with each other. (H₀₁₂)

Loan Related Factors

13. On examining the relation between *amount of loan* and number of defaults, it was found that they *are related* with each other. (H₀₁₃)
14. On examining the relation between *purposes for which loan is taken* and number of defaults, it was observed that they *are not related* with each other. (H₀₁₄)
15. On examining the relation between *frequency of borrowings* of BRWRs and number of defaults, it was found that they *are related* with each other. (H₀₁₅)

Financial Literacy

16. On examining the relation between the *training* among the BRWRs and number of defaults, it was found that they *are not related* with each other. (H₀₁₆)
17. On examining the relation between the *awareness* of rates of interest among the BRWRs and number of defaults, it was found that they *are not related* with each other. (H₀₁₇)

B Key Results: Based on Difference between Proportions (z test)

Socio-Demographic Factors

1. *No significant* difference was found between proportions of defaults between the *age groups* of below 40 and above 40 (H₀₁₈).
2. *No significant* difference was found between proportions of defaults between *Hindus* and *Muslim* (H₀₁₉).
3. *No significant* difference was observed for any group of *marital status* of the borrowers (H₀₂₀). Maximum proportion of default was found for the group 'married but single'.
4. *Significant* difference was observed for two groups of *education level* of BRWRs viz. (b) uneducated v/s above primary and (c) primary v/s above primary (H₀₂₁). Maximum proportion of defaults was observed for the group of uneducated borrowers. It indicates that the level of education does affect to the proportion of default. As the level of education increases the proportion of default decreases.
5. When, the difference between groups was examined, for proportion of default and proportion of earning members in the family, *significant* difference was observed for 5 groups viz. (b) 0% to 20% v/s 41% to 60%; (d) 0% to 20% v/s 81% to 100%; (e) 21% to 40% v/s 41% to 60%; (h) 41% to 60% v/s 61% to 80% and (j) 61% to 80% v/s 81% to 100% (H₀₂₂). Maximum proportion of default was observed for the group of 0% to 20%. It indicates that the proportion of default can be reduced with more number of earning members in the family.
6. Difference between proportions of defaults for person making decision to take the loan, decision to use the loan and decision to use profit was found to be *significant* for one group only i.e. (b) self v/s self & spouse (H₀₂₃, H₀₂₄, H₀₂₅). Thus, the proportion of default reduces when the decision is taken by borrower in consultation with spouse.

Economic Factors

7. *No significant* difference was observed for the various groups of *economic activities* (H₀₂₆).
8. *Significant* difference between proportion of default was found in case of 8 various levels of *annual per capita income* of borrowers such as (b) ₹0-₹10,000 v/s ₹20,001-₹30,000; (c) ₹0-₹10,000 v/s ₹30,001-₹40,000; (d) ₹0-₹10,000 v/s ₹40,001-₹50,000; (e) ₹0-₹10,000 v/s above ₹50,000; (f) ₹10,001-₹20,000 v/s ₹20,001-₹30,000; (g) ₹10,001-₹20,000 v/s ₹30,001-₹40,000; (h) ₹10,001-₹20,000 v/s ₹40,001-₹50,000; and (i) ₹10,001-₹20,000 v/s above ₹50,000 (H₀₂₇).

Highest proportion of default was found for the income group of ₹0-₹10,000. It indicates that proportion of default reduces with the high level of per capita income of the borrowers.

9. *Significant* difference was found for the groups of regular savers v/s irregular savers in both the cases *i.e. savings in other than SEWA bank* (H₀₂₈) and *savings in the SEWA bank* (H₀₂₉). Maximum proportions of default were observed for irregular savers in both the cases *i.e. savings in other than SEWA bank* and *savings in the SEWA bank*.

Loan Related Factors

10. On comparing various levels of *amount of loan*, *significant* difference was found for the group ₹21,000 to ₹40,000 v/s above ₹40,000 (H₀₃₀). High proportion of default was found for the group of loan amount of ₹21,000 to ₹40,000. The proportion of default decreases as the amount of loan increases.
11. *No significant* difference between proportions of default was observed for any group of *purposes of the loan*. (H₀₃₁). It shows that purposes of the loan do not have any effect on the proportion of default.
12. For six different groups of various levels of *frequency of borrowings*, *significant* difference in proportion of defaults was observed *viz.* (a) 1 time v/s 2 time; (b) 1 time v/s 3 time; (c) 1 time v/s 4 time; (d) 1 time v/s 5 time & above; (g) 2 time v/s 5 time & above; and (j) 4 time v/s 5 time & above (H₀₃₂). Highest proportion of default was observed 1 time borrowers. This necessarily indicates that more the number of times, the borrower is granted loan, the chances of default in loan repayment reduces.

Financial Literacy

13. On examining the financial literacy of the borrowers, *no significant* difference was found for *trained borrowers and non-trained borrowers* (H₀₃₃). However, *significant* difference between proportions of default was found between borrowers who were *aware* about the rates of interest and those who were not. (H₀₃₄). The proportion of default was higher for group of borrowers who were unaware about the rate of interest. It indicates that training does not effect to the proportion of default but awareness of the borrowers regarding the rates of interest can reduce the level of default.

10.4.3 Major Findings: BSs

The second important segment for the purpose of study was bank's frontline workers *i.e.* Banksathis. The entire population of BSs (87) of SEWA bank was studied

except 16 BSs, on account of reasons mentioned in Chapter-3 (Research Design). The major findings based on data analysis are presented in the following para.

1. 28.79% of the BSs were found from the age group of 36-40. 42.42% of them were having secondary level education. 39.39% of them found with working experience of 4-6 years.
2. On examining minimum and maximum amount of loan that can be granted to BRWRs, majority of the BSs opined that for unsecured loan being sanctioned for the first time, minimum amount should be ₹5,000 and maximum limit should be ₹10,000. For second time loan minimum amount should be ₹15,000 and maximum limit should be dependent on the balance of savings of the BRWRs. In case of secured loan, for the first time and/or second time, majority of BSs opined that the amount is decided by the SEWA bank.
3. Regularity/maintenance of savings of the BRWRs was found the most important factor at the time of sanctioning the loan as well as deciding the loan amount.
4. Most of BSs collect loan instalment on daily basis at the convenient time of BRWRs.
5. Most BRWRs were not found regular in repaying the daily loan because income of BRWRs was fluctuating to a greater extent. Thus, majority of BSs opined that daily loan was not in high demand because it was suitable to daily wage earners only.
6. Majority (60.61%) of BSs recommend the BRWR for loan without undergoing any type of training because closure of one day business was not affordable for BRWRs and they avoid coming to the bank for training.
7. Based on responses of BSs to the questionnaire, the sequence of steps followed for recovery in case of default was derived. The steps are:
 - a. Personal visit to borrower to inquire the problems and explain them to pay the instalment as early as possible;
 - b. Inform hand holder;
 - c. Personal visit to borrower with hand holder;
 - d. Personal visit to guarantor of the borrower along with hand holder. Other steps were indicated but according to BSs maximum 4 steps were required to be followed for recovery in case of default.
8. Based on analysis of responses to the questionnaire following are the major reasons of defaults:
 - a. illness,

- b. loss of business/job,
 - c. unwillingness to repay,
 - d. sudden and/or social expenses in excess of income. Other reasons were indicated but they were in minority.
9. For negative effect of defaults on the bank, majority BSs opined the followings:
- a. bank will not be able to give higher amount of loan because of no recovery of previous loan,
 - b. income of bank decreases,
 - c. banks have to reserve an amount equivalent to amount of NPA and
 - e. wastage of travel expenses. Other reasons were indicated but they were in minority.

10.4.4 Major Findings: HHs

The third category of the respondents is bank's facilitators, *i.e.* Hand Holders. As discussed in Chapter-3 on Research Design, here also effectively 100% of population (16) is selected for study. Their role is very crucial in loan recommendation, monitoring of the borrowers and banks and recovery of loan. The following lines present major findings based on analysis of responses to the questionnaire, by HHs.

1. Majority (31.25%) of HHs were found from the age group of 41-45. 43.75% of HHs were found graduated and equal percentage of HHs were found having working experience of 6 to 10 years.
2. For unsecured loans to be sanctioned for the first time, for minimum amount, opinions are in favour of ₹5,000 while for maximum limit it was opined that it was dependent on balance of savings. For second time loan, majority of the HHs reported ₹15,000 as minimum amount and maximum limit was reported to be dependent on the balance of savings by most of the respondents. Majority of HHs opined that bank only decide the amount for secured loan. For loans on fixed deposit majority of them opined that the amount should be sanctioned up to 80% of FD.
3. For precondition to sanction the second time loan and factors to decide the loan amount both regularity/maintenance of savings (43.24% responses out of 37) and record of previous loan (40.54%) was found most preferable factors.
4. Looking to the responses about loan products in operation, only daily loan collection (unsecured loan product) was found inactive at the time of data collection (62.5% out of 16 hand holders) on account of irregularity of borrowers in daily payment as the main reason for the same. Maximum hand holders agreed

that borrowers had not paid loan instalments daily regularly. Maximum hand holders (56.25%) had informed that daily loan was not in high demand among the borrowers as daily loan was convenient to daily wage earners only (60% responses out of 10). On inquiring suggestions to increase demand of daily loan, out of 10 responses, 30% respondents suggested that daily service should be given to the borrowers at their convenience, but other 30% respondents informed that it is impossible to increase the demand of daily loan. 7 HHs were of the opinion that daily loan was in high demand because daily repayment in small instalments can reduce the burden of interest and debt.

5. For the views of recommendation of loan to the borrower without training, 81.25% hand holders were in favour of recommending the borrower for loan even without training because closure of one day business was not affordable for borrowers who earn on daily basis.
6. Majority of HHs monitored their BSs by randomly checking their slip book and cash scroll.
7. The most preferred sequence of steps followed in case of default was as follows:
 - a. Ask banksathi first that whether they visit the borrower's place regularly or not (inquiring with banksathi, about regular visit to borrower's place)
 - b. Personal visit to borrower to inquire the problems and explain them to pay the instalments as early as possible to avoid the burden of interest;
 - c. personal visit to guarantor;
 - d. send a notice to borrower and/or guarantor. Other steps were indicated but according to HHs maximum 4 steps were required to be followed for recovery in case of default.
8. According to HHs, major reasons for defaults are:
 - a. illness among the BRWRs,
 - b. loss of business/job and
 - c. expenses in excess of income of BRWRs. Other reasons indicated were in minority.
9. All HHs were of the opinion that defaults affect negatively on the bank as-
 - a. income of bank decreases,
 - b. bank has to reserve an amount equivalent to amount of NPA and bank cannot give higher amount of loan and,
 - c. wastage of travel expenses. Other reasons indicated were in minority.

10.4.5 Results Based on Testing of Hypotheses: BSs and HHs

This section presents the key results found through the hypotheses testing to examine the similarity of opinions of BSs and HHs with each other through RCC. Following lines presents the key results.

1. On examining the similarity between the opinions of BSs and HHs regarding *factors to decide the loan amount*, it was found that there is a *similarity* between the opinions of BSs and HHs. (H₀₁)
2. On examining the similarity between the opinions of BSs and HHs regarding *reasons of daily loan not in use*, it was found that there is *no similarity* between the opinions of BSs and HHs. (H₀₂)
3. On examining the similarity between the opinions of BSs and HHs regarding *steps followed in case of default*, it was found that there is a *similarity* between the opinions of BSs and HHs. (H₀₃)
4. On examining the similarity between the opinions of BSs and HHs regarding *reasons of defaults*, it was found that there is a *similarity* between the opinions of BSs and HHs. (H₀₄)
5. On examining the similarity between the opinions of HHs and BRWRs regarding *reasons of defaults*, it was found that there is *no similarity* between the opinions of HHs and BRWRs (H₀₅)
6. On examining the similarity between the opinions of BSs and BRWRs regarding *reasons of defaults*, it was found that there is *no similarity* between the opinions of BSs and BRWRs. (H₀₆)

For H₀₅ and H₀₆, it can be inferred that, even though the relation is found, but it is not significant. This is likely to be on account of the fact that the borrower is the party concerned for default and the BSs and HHs are on the other hand, monitoring the loan. Hence, there is likely to be difference in perception or the degree of perception. Therefore, even though this is not a significant relationship, but at least there is no negative RCC, should be considered favourable for the purpose of proper follow up and monitoring by BSs and HHs.

7. On examining the similarity between the opinions of BSs and HHs regarding *negative effects of defaults on the bank*, it was found that there is *no similarity* between the opinions of BSs and HHs. (H₀₇)

10.5 Suggestions

The study of existing legal structure for MFIs concluded that presently, there is no regulatory mechanism in place for MFIs except for those which are registered as NBFCs with RBI. It is suggested to form a suitable and precise regulatory frame work for each type of MFI which can control the increasing numbers of for profit MFIs. Interest rate cap should also be put up to control MFIs from charging usurious interest rates from the poor people. Strict rules also required regarding forceful recovery from the poor people.

10.5.1 Suggestions based on Secondary Data

One of the objectives of the study was to understand the functioning of MFIs operating in India and analyse the financial indicators of the same. The major findings are presented in this chapter in paras 10.2.1, 10.2.2 and 10.2.3. Based on this following suggestions are made to acquire an idea about all MFIs from all over India, MFIs were studied with important financial indicators and the results of that study suggest the following.

1. The State AP was observed with highest average of GLP, NABs and NLO indicating highest proportion of coverage of microfinance services in India but AP was also found with the highest ratios of PAR > 30 days, PAR > 90 days, LLR, WOR and TE/A. The MFIs in AP should try to control all the ratios as it is the indication of high level of risk for the MFI.
2. As Majority of MFIs were observed with small size of GLP, MFIs should try to increase their GLP as it indicates the health of loan outstanding. Accordingly, *SEWA Bank* can also try to increase the GLP as it falls into category of large MFIs based on size of GLP. *SEWA Bank* can increase the level of GLP upto mega MFIs.
3. The higher ratio of BLO and LLO shows the higher caseload per officer. Though more clients are served, caseload in excess of optimal caseload increases the risk of delinquency and default rates due to inadequate loan review and follow-up. MFIs either can decrease the numbers of BLO and LLO or can offer better training or incentives, or implement more efficient process for reviewing, approving, and disbursing loans. As highest numbers of BLO and LLO were found for KL, MFIs in KL should try to increase their number of staff members to avoid heavy work load on staff. *SEWA Bank* was observed with BLO and LLO

3above 2000 hence, bank should try to reduce the numbers of BLO and LLO to avoid the heavy case load on its staff members.

4. CPB and CPL informs that how much MFI incur from its each borrower and/or loan. CPB provides a meaningful measure of efficiency for the MFI, by determining the average cost of maintaining an active borrower. As CPB and CPL are high in any MFI, interest rates of MFIs also goes higher to cover the cost. If interest rates are high, borrowers would not be able to repay loans in time. There are more chances of increase in level of defaults. Therefore, MFIs should try to minimize their CPB and also CPL to avoid defaults. The state MH should try to focus on reducing CPB as well as CPL as it is observed to be quite high. *SEWA Bank* has also high amount of CPB and CPL therefore, *SEWA Bank* need to focus on reducing both, CPB and CPL.
5. Higher percentage of PAR > 90 days indicate higher level of defaults as well as risk for the MFI. While ratio of PAR > 30 days indicate the lower level of risk of defaults. However, in both the cases MFIs need to change their instalment collection method and try to concentrate on better management that can reduce the PAR risk for the MFI. As AP has the highest GLP, the risk on portfolio and level of defaults have also been recorded high. MFIs in AP should try to develop different collection methods to minimize the level of risk as well as the level of defaults. *SEWA Bank* was found with medium level of both the risks as compared to other MFIs. However, it should try to minimize both, PAR > 30 days as well as PAR > 90 days.
6. High ratio of LLR and WOR indicate a problem in the MFIs collection efforts. MFIs should try to decrease the ratio of LLR as well as WOR by developing good collection strategy. By developing special MIS (Management Information System) on recovery of loans, MFIs can manage their good repayment record. Good MIS can closely and regularly monitor each borrower and in any case of default, MIS inform MFI and quick action can be taken to recover the default. Accordingly, MFIs can reduce the risk of default which leads to NPA. The MFIs from the state AP should try to decrease the rate of LLR as well as WOR to reduce the risk of default. *SEWA Bank* should also try to reduce the ratio of LLR.
7. Higher level of ratio of TE/A indicates the higher amount of expenses of MFIs in comparison with the amount of assets. MFIs having higher amount of ratio should try to reduce their level of expense. MFIs can control their operating expenses also. MFIs should develop strategies to increase the level of assets in

comparison to expenses to increase their profitability. The MFI in state AP were observed with high proportion of TE/A. Therefore, AP should try to reduce the level of expenses to increase their profitability.

10.5.2 Suggestions for SEWA Bank

1. Additional focus is needed in case of MTLs as compared to STLs and LTLs as the proportion of overdue and bad and doubtful of recovery was observed high as compared to other loans which indicated poor recovery in case of MTLs.
2. As, the proportion of default found is highest for the credit size ranging between ₹25,000 to ₹50,000, it is suggested that for high size loan close monitoring to avoid high level of defaults be carried out.
3. When loans are granted for business purpose it requires a very close monitoring because, the proportion of default, considering loan a/c and loan amount for the business purpose is highest. On examining the share of NPA A/Cs in a purpose to total number of NPA A/Cs the purpose of building repair has got the highest share. However, when the share of NPA amount outstanding in a purpose to total amount of loans outstanding for a given purpose is examined then debt repayment has got the highest share. Thus, from view point of controlling NPA, these three types of loans- business, building repair and debt repayment require a very close monitoring.
4. From the view point of controlling NPA, SN loans requires close monitoring as highest number of women and highest proportion of overdue amount were observed for this type of loan product. Further more, it is recommended that the care which is taken prior to sanction of the loan for a definite purpose should be monitored after disbursement of the loan for the correct application of the funds.

10.5.3 Suggestions based on Primary Data for BRWRs

This section gives important suggestions based on results of primary data. Suggestions are made for BRWRs.

1. SEWA bank should avoid sanctioning the loan to the borrowers above the age 60 to reduce number of defaults.
2. SEWA bank should try to increase the proportion of loan to educated borrowers to reduce the proportion of default. However, it is not possible for SEWA bank to sanction the loan to only highly educated people as the very purpose of microfinance is to grant loan to poor people and where the people are generally uneducated. However, SEWA bank can explain each terms and conditions of loans at the time of sanctioning and can also deal with any of the family member

of BRWR with higher education. By providing proper explanation, the proportion of default can be reduced.

3. Higher the number of earning members in the family, lower the proportion of default. Hence, as a part of loan approval procedure, this should be considered as one of the important aspects. With the rising proportion of per capita income of the borrower, the proportion of default reduces. SEWA bank should try to increase the proportion of loan to borrowers with high level of per capita income.
4. The proportion of default reduces when the decision to take loan, decision to use loan and decision to use profit is taken by borrower in consultation with spouse. Therefore, as a part of loan approval procedure, the consent of spouse can be considered to reduce the proportion of default.
5. Regular saving in the SEWA bank and/or other than SEWA bank, leads to reduction in proportion of default. SEWA bank should try to focus on savings also. Regular savings are helpful for BRWRs as well as bank because savings plays a role of collateral. Savings be made mandatory pre-condition for loan sanction. Moreover, the concerned BSs and HHs be instructed to monitor the savings.
6. The lower amount of the loan should not be taken with ease by BSs and HHs. It is for lower amount of the loans that high proportions of defaults are observed. When more small amount of loans accumulates it results into high amount. Hence, for small amount of loans, separate monitoring cell, after considering cost-benefit be created.
7. BRWRs were found with high proportion of defaults in the initial stage of borrowings, extra care should be taken in sanctioning of the loan to the first time borrower. SEWA bank should make proper inquiry of BRWRs family and family members, their purpose of loan, economic activities of all family members etc. before sanctioning the loan. If any loan was not repaid regularly by the BRWR, extra care should be taken at the time of sanctioning the next new loan to the same borrower. By monitoring of each BRWR strictly the bank can reduce the number of defaults.
8. Even though the training had not helped in reducing the level of default, the awareness about the interest rate has helped in reducing the proportion of default. Hence, as a part of loan sanctioning procedure, the borrowers should be intimated about the rate of interest.

10.5.4 Suggestions based on Primary Data for BSs and HHs

This section presents the suggestions based on the comparative analysis of BSs and HHs.

1. Looking to the special case of daily loan collection, opinions of BSs and HHs were not found similar. BSs do not want to increase the volume of daily loan collection while HHs believed that if daily loan is given at the suitable time of the BRWRs daily loan accounts can be increased. Accordingly, it is suggested that SEWA bank can increase the demand of daily loans by changing the policy of daily loan collection. It is also suggested that the amount of daily loan should not cross the repayment capacity of the borrower as the payment of daily loan was done on daily basis and the amount of daily instalment is directly connected with the amount disbursed to the borrower. Recommendations of BSs and HHs should be taken into consideration while changing the terms of daily loan.
2. Looking to the reasons of defaults among the BRWRs, opinions of BSs and HHs were found significantly correlated. However, on examining the opinions of BSs and HHs with the views of BRWRs regarding defaults opinions it was found to have positive relation even though insignificant. It is suggested that as the BRWRs and BSs are generally coming from same geographic location, the close monitoring of BRWR would help to reduce the level of default.
3. Looking to the negative effects of defaults on the bank, opinions of BSs and HHs were not found significantly correlated. An attempt should be made by the SEWA bank to explain BSs and HHs regarding effect of defaults on bank/bank functioning/bank's profitability etc. Thus, they will become informed banks and hand holders and they can take proper care for recovery. If BSs and HHs are properly and in similar manner aware about the negative effects, they would try to control the level of defaults with proper knowledge which can help SEWA bank to increase the recovery of loans.
4. BSs and HHs should be given proper training to make them understand the actual strategies of SEWA bank. They should be perfectly aware about the negative effect of defaults to maintain the proper flow loan recovery and it can reduce the chances of defaults.

10.6 Suggestions for Future Research

Based on *Secondary Data*, suggestions for future research on MFIs are as follows:

- (1) MFIs generally reach a combination of poor and non-poor people. Rarely do they reach the poorest²⁸. Accordingly, the future research can be done on the MFIs in India who actually reach the poorest and can identify the actual effect of microfinance on poverty reduction. The future research can be done to understand the financial status and sustainability of those MFIs who actually reach the poorest with profit.
- (2) With the growth of commercialization of MFIs, the research can be done on the impact of commercialization of MFIs and identify its effects on the poor from all over India. Comparative study can be done to study the financial status of MFIs v/s poor people affected from commercialization of MFIs.
- (3) This study mainly focused on causes of defaults and NPA as part of credit risk for MFIs. Further, research can be done focusing especially on credit risk as well as other risks faced by MFIs and can find out best methods to manage risk for MFIs. Based on *Primary Data*, following suggestions are given for future research.
 - (1) Present study mainly focused on urban borrowers of the SEWA bank, further research can be done by focusing on rural borrowers also.
 - (2) Though the group method was found to be most successful method of recovery, the defaults were also observed in the group methods of SHG and JLG. Same type of study can be done with the sample of SHGs and JLGs to understand the loose points of recovery in group methodology which can help to achieve 100% recovery rate.
 - (3) In this study the researcher mainly analysed the defaulters of microfinance. Further the comparative research can also be carried out focusing on regular borrowers of microfinance. It gives whole idea about two sides of microfinance users.
 - (4) Present study deals with loan facilities of the SEWA bank, further research can be done on the beneficiaries of other financial facilities of the SEWA bank.
 - (5) Same type of study can also be done to understand the over indebtedness of the poor people.

Policy Suggestions: Through the results of this study, SEWA bank can know the repayment behaviour of its borrowers from NPA category. SEWA bank will also be able to understand the attitude of banks and hand holders towards defaulted borrowers and recovery of those loans. Accordingly, SEWA bank can change its policy regarding loan sanctioning, pre inquiry of loan as well as post monitoring of loan, proper follow-up of defaulted loan etc. The training policy be changed by the SEWA bank to make it easily

accessible to borrowers, without disturbing their daily earning activities. For this purposes, BSs and HHs be provided the specific guidelines. The bank can also change the strategy of loan recovery to control the rates of defaults as well as NPA.

Following Table 10.10 presents the policy suggestions for the SEWA bank to reduce the proportion of defaults regarding borrowers.

Table 10.10 Policy Suggestions for the SEWA Bank: Borrowers

Sr. No.	FACTORS	Suggestions to reduce the Proportion of Default
	<i>Socio-Demographic Factors</i>	
1	Age	Avoid sanctioning the loan to the borrowers above the age 60.
2	Education level	Try to increase the proportion of loan to educated borrowers
3	Household Situations	Sanction more number of loans to the borrowers with more number of earning family members.
4	Decision to Take Loan	As a part of loan approval procedure consent of spouse be included.
5	Decision to Use Loan	
6	Decision to Use Profit	
	<i>Economic Factors</i>	
7	Annual Per Capita Income	The amount of loan should be inline with per capita income of the BRWRs. The bank may decide the proportion and policy for the same.
8	Habit of Regular Savings	The information system and loan monitoring mechanism be so devised to inspire the regular savings by the borrowers.
	<i>Loan Related Factors</i>	
9	Amount of Loan	Lower amount of loans need close monitoring and strict follow-up
10	Frequency of Borrowings	Extra care should be taken in sanctioning of the loan to the first time borrower.
	<i>Financial Literacy of the Borrowers</i>	
11	Awareness of Rates of Interest	Rates of Interest should be clearly specified to the borrowers at the time of loan sanction

Thus, this study has tried to take the stock of development of microfinance institutions (MFIs) from the view point of legal framework as well as growth of microfinance institutions in India. The secondary data sets an alarm for need to control cost per borrower and cost per loan along with need to monitor PAR > 30 days and PAR > 90 days. The study of borrowers of the SEWA Bank reveals certain important factors affecting to the rates of default. Thus, the study is found to be topical at an appropriate point in time to direct the MFIs to help the poor, with sound lending procedures.



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QUESTIONNAIRE FOR SEWA BANK'S URBAN BORROWER

1) Name	3) Address
2) Age	

➤ Please put Please specify if other.

4) Religion	
A	Hindu
B	Muslim
C	Other

5) Caste		6) Marital Status		7) Educational Attainment	
A	General	A	Unmarried	A	Uneducated
B	SC/ST	B	Married	B	Primary 1-7
C	OBC	C	Divorced	C	Secondary 8-10
D	Does not know	D	Deserted	D	Higher Secondary 11-12
E	Any other	E	Widowed	E	College 1-3 years
				F	Post Graduate
				G	Technical Training
				H	Literacy Programme
				I	Other

8) Family Members					9) Economic Activities		10) Earnings (₹ p/a)	
A	Self							
B	Spouse							
C	Children	b	g	1				
				2				
				3				
				4				
				5				
D	Father/father-in-law							
E	Mother/mother-in-law							
F	Any other							
G	Total							

➤ Please put Please specify if other.

Questions	Self	Spouse	Self & Spouse	Self & Other	Other	No Response
11) Who took the decision to take the last loan?						
12) Who took the decision as to how to use the loan?						
13) Who took the decision what to do with profit?						

14) Do you have personal savings? Please Please specify if other

Yes No

(a) If yes in (Q.14), which type of saving do you have?

Type of Saving	<input checked="" type="checkbox"/>	Amount (Rs.)
A Money at home		
B Savings & Credit group		
C Vishi		
D Chit funded group		
E Private company		
F Post office savings		
G Savings Certificate, NSC		
H Stocks & Bonds		
I		

(b) If no in (Q.14), do you know about the saving schemes of SEWA?

Yes No

(15) If yes in (Q.14 b), what was the source of information?

Source	<input checked="" type="checkbox"/>
A Your banksathi	
B Hand holder	
C Your banksathi & hand holder	
D SEWA bank	
E	

(a) If yes in (Q.14 b), which type of saving account do you have in SEWA?

Type of Saving		<input checked="" type="checkbox"/>	Amount (Rs.)
A	Recurring account		
B	Saving account		
C	Jivan Asha		
D	Chinta Nivaran Yojana		
E	Mangal Prasang Yojana		
F	Ghar Fund Yojana		
G	Kishori Gold Yojana		
H	Fixed deposit		
I	Pension scheme		
J			

(b) If no in (Q.14 b), why?

Reasons		<input checked="" type="checkbox"/>
A	Have you ever asked to your banksathi?	
B	Have you ever asked to your Hand holder?	
C	Have you ever inquired with bank directly?	
D	Are you not interested in opening account with SEWA?	
E		

16) Do you know about the training programme being provided by SEWA?

Yes No

(a) If yes in (Q.16), what was the source of information?

Source		<input checked="" type="checkbox"/>
A	Your banksathi	
B	Hand holder	
C	Your banksathi & hand holder	
D	SEWA bank	
E		

(b) If no in (Q.16), why?

Reasons		<input checked="" type="checkbox"/>
A	Have you ever asked to your banksathi?	
B	Have you ever asked to your Hand holder?	
C	Have you ever inquired with bank directly?	
D	Are you not interested in training with SEWA?	
E		

17) Have you taken any type of training?

Yes No

(a) If yes in (Q.17), which type of training have you taken?

Type of training		<input checked="" type="checkbox"/>
A	Financial counseling a) Long term training	
	b) Short term training	
B	Business Counseling	
C	Calculation of interest	
D	Amrut zaranu	
E		

(b) If no in (Q.17), why?

Reasons		<input checked="" type="checkbox"/>
A	Very inconvenient training timings	
B	Closure of one day business is not affordable	
C	You are not interested	
D	Your banksathi provide you proper knowledge	
E	Your hand holder provide you proper knowledge	
F		

18) How you repay your loan installments?

Way to repay		<input checked="" type="checkbox"/>
A	Through your banksathi	
B	Through your hand holder	
C	Personally go to the bank	

(a) If in (Q.18 C), why?

Way to repay		<input checked="" type="checkbox"/>
A	Convenient to you	
B	Banksathi/hand holder do not come to you regularly	
C	Banksathi/hand holder is not trustworthy	

19) Please fill up the following details about Unsecured loan.

SR NO	NAME OF PRODUCT	DATE OF RELEASE OF LOAN	PURPOSE	AMOUNT OF LOAN (Rs.)	RATE OF INTEREST %	REPAYMENT TERM	LAST INSTALLMENT PAID (Rs)	OUTSTANDING AMOUNT (Rs)

20) Please fill up the following details about Secured loan.

SR NO	NAME OF PRODUCT	DATE OF RELEASE OF LOAN	PURPOSE	AMOUNT OF LOAN (Rs.)	RATE OF INTEREST %	REPAYMENT TERM	LAST INSTALLMENT PAID (Rs)	OUTSTANDING AMOUNT (Rs)

21) Are there any defaults in payment of interest or loan installment? Please put

Yes No

(a) If yes in (Q.21) why? Give a proper reason.

No	Reasons	<input checked="" type="checkbox"/>	No	Reasons	<input checked="" type="checkbox"/>
1	Illness		13	Expenses in excess of income	
2	Death of family member(s)		14	Expenses of children	
3	Loss of business		15	Not satisfied with bank & its services	
4	Social expenses		16	Heavy debt	
5	Borrow money from non-bankers with high interest rate		17	Paying another loan other than from SEWA	
6	High fluctuation in income				
7	Son/Husband is not earning				
8	Loss in business				
9	Sudden expenses				
10	Loss of job				
11	Educational expenses				
12	Bought a new house				

(b) If no (Q.21) how do you manage to pay your interest or loan installments regularly?

	Reasons	<input checked="" type="checkbox"/>		Reasons	<input checked="" type="checkbox"/>
1	Regular saving		7	Member of all saving schemes of SEWA	
2	All family members are earning		8	Economize their spending	
3	Regular income				
4	Proper knowledge is being provided by banksathi/hand holder				
5	Regularity of banksathi in collection of cash				
6	Pay loan installment first from salary				

Thank you
Vishakha Pandit

QUESTIONNAIRE FOR SEWA BANK'S BANKSATHIS

➤ **INTRODUCTION**

- 1) Name :
- 2) Age:
- 3) Qualification:
- 4) Branch Name:
- 5) Hand holder's Name:
- 6) Experience with SEWA bank:
- 7) Areas of work:

- 8) How many customers have opened loan account on an average during one year?
(Please give numbers for the following year)

2007-08 _____

2008-09 _____

➤ **PROCEDURAL**

- 9) What are the upper/lower limits for sanctioning any of the following?

Unsecured loan

FIRST TIME LOAN				SECOND TIME LOAN			
No	PRODUCT NAME	MIN Rs	MAX Rs	No	PRODUCT NAME	MIN Rs	MAX Rs
1	Daily Loan Collection			1	Daily Loan Collection		
2	Paki Bhit Loan			2	Paki Bhit Loan		
3	Sanjeevani Loan			3	Sanjeevani Loan		
4	Unsecured Loan			4	Unsecured Loan		
5	Capitalization Urban Loan			5	Capitalization Urban Loan		

Secured loan

FIRST TIME LOAN				SECOND TIME LOAN			
No	PRODUCT NAME	MIN Rs	MAX Rs	No	PRODUCT NAME	MIN Rs	MAX Rs
1	Fixed Deposits			1	Fixed Deposits		
2	NSC loan			2	NSC loan		
3	ODCC Loan			3	ODCC Loan		
4	Equitable Mortgage			4	Equitable Mortgage		

- 10) What are the preconditions for sanctioning the loan for second time to the same borrower? Please put

Unsecured loan / Secured loan

No	PRECONDITIONS	<input checked="" type="checkbox"/>
1	Regularity / Maintenance of saving	
2	Record of previous loan	
3	Customer's relationship with bank	
4	Opinion of banksathi regarding customer	
5	Willingness to repay	
6		
7		
8		
9		

- 11) Which factors you consider to decide the loan amount? (Please give rank).
Please specify if other.

Unsecured loan / Secured loan

FACTORS		RANK <input checked="" type="checkbox"/>										
No		1	2	3	4	5	6	7	8	9	10	11
1	Regularity / Maintenance of saving											
2	Record of previous loan											
3	Repayment capacity of the borrower											
4	Repayment capacity of the family											
5	Condition of the house											
6	Legal ownership of the house											
7	Nature of business income											
8	Household expenses											
9	Link with another saving schemes											
10	Involvement in police cases											
11	Sign of any addiction											

- 12) What is the periodicity for collecting loan installments? Please put

Unsecured loan/ Secured loan

- Daily
 Weekly
 Monthly

➤ **LOAN PRODUCTS**

13) Which products are currently not in use? Please put

Unsecured loan

No	PRODUCT NAME	PUT <input checked="" type="checkbox"/>
1	Daily Loan Collection	
2	Paki Bhit Loan	
3	Sanjeevani Loan	
4	Unsecured Loan	
5	Capitalization Urban Loan	

14) If any of the product is not in use, in (Q.13) please put in following reasons.
(Please specify if other)

Unsecured loan

No	REASONS	<input checked="" type="checkbox"/>
1	Irregularity in daily payment	
2	Banksathi had to take responsibility as a guarantor	
3	Higher interest rate	
4	Higher amount of installments	
5	Banksathis were blamed by the customers for not depositing cash in the bank regularly.	
6	High fluctuation in daily income of customer	
7	Mismatch of timing of banksathi and customer	
8	Customers could not pay within the loan duration	
9		
10		

➤ **DAILY LOAN COLLECTION**

15) Were you an employee of SEWA, when Daily loan collection got started?
Please put

Yes No

16) If collection of loan installments is done on daily basis, is it ever boring either to you or to borrower? Please put

Yes No

(a) If yes (for Q.16), to whom?

To you
To borrower
To both

(b) If yes (for Q.16), why? Please put (Specify if other)

To you

No	REASONS	<input checked="" type="checkbox"/>
1	Mismatch of timing of banksathi and customer	
2		
3		

To borrower

No	REASONS	<input checked="" type="checkbox"/>
1	Customers do not like daily visit of banksathi	
2		
3		

17) Do the borrowers pay their loan installments on daily basis regularly?

Yes No

18) Are the Daily loan collection in high demand by the customers/borrowers?

Yes No

(a) If yes (for Q.18), why? Please put (Please specify if other)

No	REASONS	<input checked="" type="checkbox"/>
1	Daily payment in small installments can reduce the burden of interest and debt.	
2	Bank goes to the customer to give the loan at their place.	
3	No requirement of government employee as a guarantor.	
4		
5		

(b) If no (for Q.18), why? Please put (Please specify if other)

No	REASONS	<input checked="" type="checkbox"/>
1	Customers could not maintain proper record of their daily paid installments.	
2	Customers do not like banksathi to visit their place daily	
3	Convenient to daily wage earners only.	
4		
5		

19) If no above in Q.18 (b), what can be done to increase the volume of Daily loan collection? Please put (Please specify if other)

No	REASONS	<input checked="" type="checkbox"/>
1	Daily service should be given to the customers at their convenience	
2	Banksathis do not want to increase the volume	
3		
4		

➤ **PERSONAL VIEWS**

◆ **VIEWS ABOUT TRAINING**

20) Do you recommend your customer for loans without giving any type of training?

Yes No

(a) If yes (for Q.20), why don't you prefer to provide training first before sanctioning the loan? Please put (Please specify if other)

No	REASONS	<input checked="" type="checkbox"/>
1	Inconvenient training timings	
2	Closure of one day business is not affordable	
3	Tired of telling but customers are not ready to come	
4	Thorough knowledge regarding loan is provided by hand holders at the time of personal inquiry before loan approval.	
5		
6		

(b) If no (for Q.20), which type of training do you provide? Please put

NO	TYPE OF TRAINING	PUT <input checked="" type="checkbox"/>
1	Financial counseling a) Long term training b) Short term training	
2	Business Counseling	
3	Calculation of interest	
4	Amrut zaranu	
5		

◆ **OTHER VIEWS**

21) Have you ever been replaced with the other banksathi?

Yes No

(a) If yes (for Q.21) in which areas you have been replaced?

(b) If yes (for Q.21) what type of response do people give you when you start going in new area? Please put (Specify if other)

No	RESPONSES	<input checked="" type="checkbox"/>
1	You get positive response	
2	Customers put trust on you	
3	Customers make their old account close	
4		

22) Whether the following types of loan accounts have been opened by you?

If yes, for Q.21 please put

Unsecured loan

No	PRODUCT NAME	PUT <input checked="" type="checkbox"/>
1	Daily Loan Collection	
2	Paki Bhit Loan	
3	Sanjeevani Loan	
4	Unsecured Loan	
5	Capitalization Urban Loan	

Secured loan

No	PRODUCT NAME	PUT <input checked="" type="checkbox"/>
1	Fixed Deposits	
2	NSC loan	
3	ODCC Loan	
4	Equitable Mortgage	

23) Which steps do you follow if borrower makes default?

No	STEPS	SEQUENCE
1	Ask banksathi first that whether they go to the customer regularly or not	
2	Personal visit of customer to inquire the problems and explain them	
3	Send a notice to customer and/or guarantor on skipping of one installment	
4	Personal visit of guarantor	
5	Warn customers of possible consequences from the bank for default in repayment	
6	Commencement of court proceedings	

24) According to you, what are the major reasons for default in repayment of loan?
Please put (Please specify if other)

No	REASONS	<input checked="" type="checkbox"/>
1	Illness	
2	Death of family member(s)	
3	Meeting with an accident	
4	Loss of business/job	
5	Loss in business	
6	Delay in salary	
7	Sudden expenses	
8	Social expenses	
9	Expenses in excess of income	
10	Borrow money from non-bankers with higher interest rate	
11	Unwillingness to repay	
12	Customers give away the loan to another person	

25) Do you think that default in repayment affects negatively to the functioning of the bank?

Yes No

(a) If yes (for Q.25), how? Please put (Please specify if other)

No	REASONS	<input checked="" type="checkbox"/>
1	Income of bank decreases	
2	Bank has to reserve an amount equivalent to amount of NPA	
3	Bank cannot pay salary	
4	Bank cannot pay dividend	
5	Bank cannot give higher amount of loan	
6	Wastage of travel expenses	

(b) If no (for Q. 25), why? Please put (Please specify if other)

No	REASONS	<input checked="" type="checkbox"/>
1	Bank will recover its loan at times at any cost	

Thank you
Vishakha Pandit

QUESTIONNAIRE FOR SEWA BANK'S HANDHOLDERS

➤ **INTRODUCTION**

- 1) Name :
- 2) Age:
- 3) Qualification:
- 4) Branch Name:
- 5) Experience with SEWA bank:
- 6) Areas of work:

- 7) How many customers have opened loan account on an average during one year?
(Please give numbers for the following year)

2007-08 _____ 2008-09 _____

➤ **PROCEDURAL**

- 8) What are the upper/lower limits for sanctioning any of the following?

Unsecured loan

FIRST TIME LOAN				SECOND TIME LOAN			
No	PRODUCT NAME	MIN Rs	MAX Rs	No	PRODUCT NAME	MIN Rs	MAX Rs
1	Daily Loan Collection			1	Daily Loan Collection		
2	Paki Bhit Loan			2	Paki Bhit Loan		
3	Sanjeevani Loan			3	Sanjeevani Loan		
4	Unsecured Loan			4	Unsecured Loan		
5	Capitalization Urban Loan			5	Capitalization Urban Loan		

Secured loan

FIRST TIME LOAN				SECOND TIME LOAN			
No	PRODUCT NAME	MIN Rs	MAX Rs	No	PRODUCT NAME	MIN Rs	MAX Rs
1	Fixed Deposits			1	Fixed Deposits		
2	NSC loan			2	NSC loan		
3	ODCC Loan			3	ODCC Loan		
4	Equitable Mortgage			4	Equitable Mortgage		

- 9) What are the preconditions for sanctioning the loan for second time to the same borrower Put

Unsecured loan / Secured loan

No	PRECONDITIONS	<input checked="" type="checkbox"/>
1	Regularity / Maintenance of saving	
2	Record of previous loan	
3	Customer's relationship with bank	
4	Opinion of banksathi regarding customer	
5	Willingness to repay	
6		
7		
8		
9		

- 10) Which factors you consider to decide the loan amount? (Please give rank).
Please specify if other.

Unsecured loan / Secured loan

FACTORS		RANK <input checked="" type="checkbox"/>										
No		1	2	3	4	5	6	7	8	9	10	11
1	Regularity / Maintenance of saving											
2	Record of previous loan											
3	Repayment capacity of the borrower											
4	Repayment capacity of the family											
5	Condition of the house											
6	Legal ownership of the house											
7	Nature of business income											
8	Household expenses											
9	Link with another saving schemes											
10	Involvement in police cases											
11	Sign of any addiction											

➤ **LOAN PRODUCTS**

- 11) Which products are currently not in use? Please put

Unsecured loan

No	PRODUCT NAME	PUT <input checked="" type="checkbox"/>
1	Daily Loan Collection	
2	Paki Bhit Loan	
3	Sanjeevani Loan	
4	Unsecured Loan	
5	Capitalization Urban Loan	

- 12) If any of the product is not in use, in (Q.11) please put in following reasons.
(Please specify if other)

Unsecured loan

No	REASONS	<input checked="" type="checkbox"/>
1	Irregularity in daily payment	
2	Banksathi had to take responsibility as a guarantor	
3	Higher interest rate	
4	Higher amount of installments	
5	Banksathis were blamed by the customers for not depositing cash in the bank regularly.	
6	High fluctuation in daily income of customer	
7	Mismatch of timing of banksathi and customer	
8	Customers could not pay within the loan duration	
9		
10		

➤ **DAILY LOAN COLLECTION**

- 13) Were you an employee of SEWA, when Daily loan collection got started?

Please put

Yes No

- 14) Do the borrowers pay their loan installments on daily basis regularly?

Please put

Yes No

- 15) Are the Daily loan collection in high demand by the customers/borrowers?

Please put

Yes No

(a) If yes (for Q.15), why? Please put (Please specify if other)

No	REASONS	<input checked="" type="checkbox"/>
1	Daily payment in small installments can reduce the burden of interest and debt.	
2	Bank goes to the customer to give the loan at their place.	
3	No requirement of government employee as a guarantor.	
4		
5		

(b) If no (for Q.15), why? Please put (Please specify if other)

No	REASONS	<input checked="" type="checkbox"/>
1	Customers could not maintain proper record of their daily paid installments.	
2	Customers do not like banksathi to visit their place daily	
3	Convenient to daily wage earners only.	
4		
5		

16) If no above Q.15 (b), what can be done to increase the volume of Daily loan collection? Please put (Please specify if other)

No	REASONS	<input checked="" type="checkbox"/>
1	Daily service should be given to the customers at their convenience	
2	Banksathi do not want to increase the volume	
3		
4		

➤ **PERSONAL VIEWS**

◆ **VIEWS ABOUT TRAINING**

17) Do you sanction the loan to your customer without giving any type of training?

Yes No

(a) If yes (for Q.17), why don't you prefer to provide training first before sanctioning the loan? Please put (Please specify if other)

No	REASONS	<input checked="" type="checkbox"/>
1	Inconvenient training timings	
2	Closure of one day business is not affordable	
3	Tired of telling but customers are not ready to come	
4	Thorough knowledge regarding loan is provided by hand holders at the time of personal inquiry before loan approval.	
5		
6		

(b) If no (for Q.17), which type of training do you provide? Please put

NO	TYPE OF TRAINING	PUT <input checked="" type="checkbox"/>
1	Financial counseling a) Long term training b) Short term training	
2	Business Counseling	
3	Calculation of interest	
4	Amrut zaranu	
5		

◆ **OTHER VIEWS**

18) How do you keep monitoring on your banksathi? Please put (Please specify if other)

No	YOU DO.....	<input checked="" type="checkbox"/>
1	Go with them	
2	Inquire about the previous loan record	
3	Random checking of their slip book and cash scroll	
4	Check whether they deposit cash properly or not	
5	Inquire with customer through personal visit about regularity of banksathi and issuance of receipt on payment by customer.	

19) Which steps do you follow if borrower makes default?

No	STEPS	SEQUENCE
1	Ask banksathi first that whether they go to the customer regularly or not	
2	Personal visit of customer to inquire the problems and explain them	
3	Send a notice to customer and/or guarantor on skipping of one installment	
4	Personal visit of guarantor	
5	Warn customers of possible consequences from the bank for default in repayment	
6	Commencement of court proceedings	

20) According to you, what are the major reasons for default in repayment of loan?
Please put (Please specify if other)

No	REASONS	<input checked="" type="checkbox"/>
1	Illness	
2	Death of family member(s)	
3	Meeting with an accident	
4	Loss of business/job	
5	Loss in business	
6	Delay in salary	
7	Sudden expenses	
8	Social expenses	
9	Expenses in excess of income	
10	Borrow money from non-bankers with higher interest rate	
11	Unwillingness to repay	
12	Customers give away the loan to another person	

21) Do you think that default in repayment affects negatively to the functioning of the bank? Please put

Yes No

(a) If yes (for Q.21), how? Please put (Please specify if other)

No	REASONS	<input checked="" type="checkbox"/>
1	Income of bank decreases	
2	Bank has to reserve an amount equivalent to amount of NPA	
3	Bank cannot pay salary	
4	Bank cannot pay dividend	
5	Bank cannot give higher amount of loan	
6	Wastage of travel expenses	

(b) If no (for Q. 21), why? Please put (Please specify if other)

No	REASONS	<input checked="" type="checkbox"/>
1	Bank will recover its loan at times at any cost	

22) According to you, what should be done to reduce defaults? Please put
(Please specify if other)

No	EFFORTS	<input checked="" type="checkbox"/>
1	Proper checking regarding customer before sanction of the loan	
2	Compulsory training	
3	Regular monitoring after disbursement through personal visit or record checking	
4	Banksathi should meet the customer on skipping one installment	
5	Hand holder should meet the customer on making default	
6	Monthly reporting of banksathi and customer should be done by hand holder/bank	
7	Weekly meeting of hand holders and banksathis with bank managers and loan recovery officer should be arranged.	
8	Banksathi should match timing with customer's convenience	
9	Initiate legal action on guarantors and customers	
10	A notice should be sent to the customer and her guarantor	
11	Banksathi and hand holder should provide adequate knowledge to customers	

Thank you
Vishakha Pandit

APPENDIX 4

List of Economic Activities of the Borrowers and their Family Members

No.	Economic Activities of the Borrowers and their Family Members	Freq
1	<i>Aanganvadi</i>	4
2	Adviser in <i>Rajakiy Bhavan</i>	1
3	Agent of SHARE <i>Mahila Vikas</i>	1
4	Audit Officer	1
5	Auto Rickshaw (Hired)	46
6	Auto Rickshaw (school)	2
7	Auto Rickshaw (Self Owned)	25
8	Bagger	4
9	Bangles Vendor	3
10	Barber (Shop Hair Art)	2
11	Beauty Parlour	8
12	<i>Bidi</i> Roller	4
13	Blacksmith	3
14	Business of Colour Chemicals	3
15	Business of Plastic	1
16	Business of Plastic Flowers	1
17	Business of Real estate	1
18	Business of transport	2
19	Carbon Officer in Spy Jet	1
20	Carpenter	3
21	Clerk in PTC College	1
22	Cloth Vendor	12
23	Cobbler	5
24	Compounder	1
25	Computer Designing	3
26	Computer Service	1
27	Computer typing / Data entry	3
28	Computer Work in Hospital (VS)	1
29	Contractor of Colour work	1
30	Contractor of Construction	1
31	Contractor of Labour work	1
32	Cook/Tiffin Service	6
33	Cutlery Cart	6
34	Cutlery shop	3
35	Cutting Betel-nut	3
36	Dairy Parlour	1
37	Decorator	5
38	Diamond Crafter	11
39	Driver	18
40	Electrician/Electric repairing	3
41	Factory (Owner)	1
42	Florist	8
43	Flourmill	1
44	Fold <i>Dupatta</i> (<i>Bandhani</i> work)	3
45	Food Cart	13
46	Foreman in TATA Motors	1
47	Garage (Owned)	1
48	Glass Fitting	1
49	Goldsmith	2

Appendix-4 Contd.

No.	Economic Activities of the Borrowers and their Family Members	Freq
50	Govt. Job	3
51	Govt. Job in Gutter line	1
52	Govt. Job in Construction Department Gandhinagar	1
53	Green Grocer	45
54	Grocer (Retail)	4
55	Grocery Shop	14
56	<i>Gruh Udyog of Khakhra</i>	1
57	Handloom Shop	2
58	Handicrafts	19
59	Helper in <i>Aanganvadi</i>	2
60	Helper in politics	1
61	Helper in ST	1
62	Helper in truck	2
63	Housemaid	25
64	Husband gives money but does not stay with her	1
65	In charge in Dispensary	1
66	Ironing (Pressing) Cloths	3
67	Job at cart of readymade cloths	1
68	Job at Tailor's Shop	3
69	Job in air force	1
70	Job in <i>Bachat Bhavan</i>	1
71	Job in Bank	3
72	Job in BSNL	2
73	Job in Call centre	3
74	Job in Courier Company	2
75	Job in garage	6
76	Job in GIDC	1
77	Job in Grocery store	2
78	Job in Hospital	5
79	Job in Ice-cream Agency	1
80	Job in Info city	1
81	Job in jeans factory	3
82	Job in <i>Kotak Mahendra</i>	1
83	Job in Laboratory	2
84	Job in Lath Machine	5
85	Job in Mall	3
86	Job in Maruti Tower	2
87	Job in Medical Store	2
88	Job in Military	1
89	Job in Municipal Corporation	1
90	Job in Municipal Corporation (Water Department)	1
91	Job in Municipality	8
92	Job in Municipality in <i>Majurkhata</i>	1
93	Job in Mutton Shop	1
94	Job in Nirama Factory	1
95	Job in ONGC	2
96	Job in Optical shop	4
97	Job in Petrol Pump	4
98	Job in Plastic Factory	4
99	Job in Police Department	2
100	Job in Post Office	1

Appendix-4 Contd.

No.	Economic Activities of the Borrowers and their Family Members	Freq
101	Job in primary school	1
102	Job in Printing Press	5
103	Job in PWD	1
104	Job in SEWA Vimo	1
105	Job in <i>Snan Ghar</i>	1
106	Job in ST	1
107	Job in stationary Shop	1
108	Job in STD	1
109	Job in Textile mill	2
110	Job in the company of <i>Sarri</i> Printing	1
111	Job in the Company-Ponds	1
112	Job in the department of packaging of surgical medicine	2
113	Job in the Factory (Where Factory's name is not given)	35
114	Job in the Hotel (Service Room)	2
115	Job in the Shop of Book Binding	1
116	Job in the shop of Dresses (Commission base)	2
117	Job in the shop of Toys	1
118	Job in the shop of Vegetables/Fruits	2
119	Job in the show room of Lights	1
120	Job in the show room of Tiles	1
121	Job in Torrent	1
122	Job in Transport Office	1
123	Job in Vodafone	1
124	Job in Water Plant	1
125	Job in Fire Brigade	1
126	Kite Maker	11
127	Labour Work	123
128	Labour Work (Colour Man)	4
129	Labour work (Loading)	3
130	Labour work in Factory (Garment Factory/Textile Machine)	15
131	Lawyer	1
132	LIC adviser/Job in LIC	3
133	Machine Operator in the Company of Cloth	1
134	Making an Ornaments/Items from Silver	1
135	Making Furniture	7
136	Making Handkerchief, Socks/Gloves and Bowl from Plastic	1
137	Making Incense Stick	4
138	Making paper dish	1
139	Making Rickshaw's seat cover	3
140	Making <i>Roties</i>	1
141	Making <i>roties</i> (only for <i>Samosas</i>)	2
142	Making swing and sofa from cane	2
143	Making Turbans	2
144	Marketing/Selling of Medicines	1
145	Mason	15
146	Mechanic	5
147	Mechanic in TATA Motors	1
148	Member of <i>Mahila</i> Congress	1
149	Milkman	1
150	Mutton Shop Cart	3
151	Nurse	1

Appendix-4 Contd.

No.	Economic Activities of the Borrowers and their Family Members	Freq
152	Painter	4
153	Pan Parlour	6
154	Paper Picker	4
155	Parking Stand at ST	1
156	Pedal Rickshaw	1
157	Pension (Self/Husband's/Father-in-law's)	7
158	Peon	3
159	Peon in Gujarat University	1
160	Photographer	1
161	Plumber	9
162	Priest	1
163	Printing Cloths	3
164	Private Job	54
165	Provision Store	1
166	Railway Mechanic	1
167	RCM (Network Marketing Business)	1
168	Sales Marketing in ICICI	1
169	Salesman (Marketing of Products)	6
170	Scrap Collector	8
171	Secured Life Networking	1
172	Security Man	8
173	Sells Acid	1
174	Sells CDs (Cart)	1
175	Sells Ginger-Garlic paste	3
176	Sells Imitation Jewellery	5
177	Sells Incense-Stick	1
178	Sells Kerosene	2
179	Sells Mirrors	1
180	Sells of Old Books (cart)	2
181	Sells of <i>Papad</i> in whole sale	1
182	Sells Old Clothes	7
183	Sells old utensils	1
184	Sells Plastic Items (Cart)	2
185	Sells Seasonal Items	2
186	Sells Soaps	2
187	Sells Stones (Precious Stones)	2
188	Sells Toys (Specially in Fairs)	2
189	Sells Wood	2
190	Sells Readymade Quilts	2
191	SEVA Banksathi	1
192	Shop of Cold Drinks + Mobile recharge	1
193	Shop of Dresses (Material Readymade)	4
194	Shop of Electronic Items	1
195	Shop of roasted Groundnut and Gram	2
196	Shop of <i>Samosa</i>	1
197	Shop of Scraps	1
198	Soda Cart	1
199	Stamp Maker	1
200	STD, Fax, Xerox in Court	1
201	Street Vendor	11
202	Supervisor in the Factory	1

Appendix-4 Contd.

No.	Economic Activities of the Borrowers and their Family Members	Freq
203	Sweeper (Private Shop, School, Dispensary, Hospital, Society or Municipality)	31
204	Tailoring	96
205	Tea Stall	5
206	Teacher	4
207	Teacher (Dance)	1
208	Teacher (Weaving/Tailoring)	1
209	Tempo for goods transportation / Loading Rickshaw	4
210	Tiffin Service	4
211	Traffic Home guard	2
212	Travels	2
213	Union Leader of Labour Court	1
214	Warden in Hostel	1
215	Water Cart	5
216	Welding work/Job in the shop of Welding work	4
217	Wireman	1
218	Wireman's Helper	1
219	Working with Lawyer	1
220	Not economically active	1551
221	No response	2
	Total	2625

APPENDIX-5

Abbreviations used in the name of MFIs (MIX)

Andhra Pradesh		
1	ADARSHA	-
2	AML	Asmitha Microfin Ltd
3	AMMACTS	Acts Mahila Mutually Aided Coop Thrift Society
4	APGSS	A.P. Girijana Sevak Sangh
5	ASP	Ankuram Sangamam Poram: AP Dalit-Bahujan Cooperative Societies' Federation Limited (Ankuram)
6	ASSIST	A Society for Integrated Rural Development
7	AWS	Aadarsha Welfare Society
8	BASIX	Bhartiya Samruddhi Finance Limited
9	BES	Balaji Educational Society
10	BIRDS	Bharti Integrated Rural Development Society
11	CJWS	Chaitanya Jyothi Welfare Society
12	CMML	Camel Mahila Macts Limited
13	CReSA	Cresa Financial Services Private Limited
14	CSF	Credible Securities & Finance Pvt. Ltd.
15	FFSL	Future Financial Services Limited
16	Grama Siri	Grama Siri Rural Orientation for Women
17	GTFS	Gram Tarang Financial Services Pvt. Ltd
18	Guide	-
19	Indur MACS	Indur Intideepam Mutually Aided Thrift & Credit Cooperatives' Federation Limited
20	IWB	Institute of Women's Banking
21	KBSLAB	Krishna Bhima Samruddhi Local Area Bank Limited
22	KRUSHI	-
23	MSPS	Mahila Sahakara Podupu Samithi
24	Nano	Nano Financial Services India Private Limited
25	Need to India	-
26	PSS	Pragathi Sewa Samiti
27	PWMACS	Payakaraopeta Women's Mutually Aided Co-operative Thrift and Credit Society
28	RASS	Rashtriya Seva Samithi
29	Saadhana	Saadhana Microfin
30	Sanghatitha	Sanghatitha Mahila MACS Federation
31	SEVA Microfoundation	-
32	SEWA MACTS	SEWA MACTS Federation Limited
33	SHARE	SHARE Microfin Ltd
34	Share MACTS	-
35	SKS	SKS Microfinance Limited
36	SMSS	Star MicroFin Service Society, formerly SYA
37	Spandana	Spandana Sphoorty Financial Limited
38	SWAWS	Sharada's Women's Association for Weaker Section
39	SWC	The Swayamkrushi Women's Development Mutually Aided Cooperative Thrift Society Limited
40	Trident	Trident Microfinance
41	VSS	Viveka Service Society
Assam		
1	Asomi	-
2	Grameen Sahara	Grameen Sahara Matia Goalpara
3	KMUCBL	Konakalata Mahila Urban Co-operative Bank Ltd.
4	Nightingale	Nightingale Charitable Society

Appendix-5 Contd.

5	RGVN	Rashtriya Gramin Vikas Nidh
	Bihar	
1	CDOT	Centre for Development Orientation & Training
2	Nidan	Nidan Micro Finance Foundation
3	Saija	Saija Finance Private Limited
4	TMS	Trust Microfin Services
	Delhi	
1	Fusion Microfinance	Fusion Microfinance Private Limited
2	India's Capital Trust Ltd	Capital Trust Limited
3	Mimo Finance	Mimoza Enterprises Finance Pvt. Ltd.
4	SCNL	Satin Creditcare Network Limited
	Gujarat	
1	Arman Financial Services Pvt Ltd	
2	Disha Microfin	Disha Microfin Pvt. Ltd
3	PRAYAS	Organisation for Sustainable Development
4	SEWA Bank	Shri Mahila Sewa Sahakari Bank Ltd
5	SVSDF	Srivardan Sociodevelopment Foundation
6	Vardan	Vardan Trust
	Haryana	
1	SVCL	SV Creditline (P) Ltd
	Jarkhand	
1	Ajiwika	-
2	NBJK	Nav Bharat Jagriti Kendra
3	VCCL	Vedika Credit Capital Limited
	Karnataka	
1	BSS	BSS Microfinance Pvt. Ltd
2	Chaitanya	Chaitanya India Fin Credit Privated Limited
3	GK/GFSPL (Grameen Kota)	Grameen Financial Services Pvt Ltd
4	IDF Financial Services	IDF (Initiatives for Development Foundation) Financial Services Private Limited
5	Janodaya	Janodaya Public Trust
6	JFSPL	Janalakshmi (formerly Sanghamithra urban program) Financial Pvt. Ltd.
7	KCIPL	Kaveri Credits (India) Pvt. Ltd
8	KOPSA	-
9	NCS	Nirantara FinAccess /Nirantara Community Services
10	RORES	Rores MED Trust
11	RORS	RORS FINANCE PRIVATE LIMITED
12	Samasta	Samasta Microfinance Ltd
13	Samrudhi MicroFin	Samrudhi MicroFin Society
14	Sanghamithra	Sanghamitra Rural Financial Service
15	SKDRDP	Shri Kshetra Dharmasthala Rural Development Project
16	TBF	The Bridge Finance/Opportunity Microfinance Ltd (OMI)
17	Ujjivan	Ujjivan Financial Services Pvt. Ltd
	Kerala	
1	Bodhana	Tiruvalla Social Service Society
2	ESAF	ESAF (Evangelical Social Action Forum) Microfinance and Investments (P) Ltd
3	GSGSK	Gandhi Smaraka Grama Seva Kendram
4	Hope Microcredit	Hope Microcredit Finance (India) Pvt. Ltd
5	Muthoot	Muthoot Fincorp Ltd

Appendix-5 Contd.

6	SIFFS	South Indian Federation of Fishermen Societies
7	WSE	Welfare Services Ernakulam
Madhya Pradesh		
1	AMS	Aparajita Mahila Sangh
2	BMVS	Bal Mahila Vikas Samiti
3	LBT	Lok Biradari Trust, Indore
4	MCM	Mahila Chetna Manch
5	PMS Indore	Priyasakhi Mahila Sangh, Indore
6	SCDS	Samhita Community Development Services
7	Vikas Samiti	Vikas Samiti, Chhindwara
Maharashtra		
1	AID	Asmita Institute for Development
2	<i>Annapurna Mahila Credit Co-op Society</i>	Annapurna Mahila Credit Co-op Society
3	GMSSS	Grameen Mahila Swayam Siddha Sangh
4	Intellcash	Intellcash
5	IRCED	-
6	L & T Finance	L & T Finance
7	SSK	Sakhi Samudaya Kosh
8	Suryoday	Suryoday Micro Finance Pvt Ltd
9	Swabhimaan	Swabhimaan "Antyodaya"
10	Swadhaar	Swadhaar FinServe Pvt. Ltd.
Manipur		
1	CMM	Chanura Microfin Manipur
2	WSDS - Initiate	-
3	YFS	YVU Financial Services Pvt. Ltd - YFS
4	YVU	YVU Microfin - YMF
Orissa		
1	Adhikar	-
2	AIR	Asian Institute for Rural Regeneration
3	Awareness	Awareness India
4	Bhoomika	-
5	BISWA	Bharat Integrated Social Welfare Agency
6	CDC	Cooperation Development Council
7	CPSW	COUNCIL OF PROFESSIONAL SOCIAL WORKERS
8	GU	Gram-Utthan
9	KAS/JFSL	Jagannath Financial Services Limited (Formerly KAS Foundation)
10	Mahashakti	Mahashakti Foundation
11	ODC	Organisation for Development Coordination
12	PF	People's Forum
13	Sanginee	Sanginee Secondary Cooperative Ltd.
14	Swayamshree	Swayamshree Micro Credit Services
Rajasthan		
1	ABASSS	Adivasi Bachat Avum Sakh Sahakari Samiti Ltd
2	Arth	Arth Microfinance Private Ltd
3	Bazaari Global Finance	Bazaari Global Finance Ltd
4	Humana India	Humana People to People India
5	Pushtikar	Pustikar Laghu VPBSSS Ltd
6	Sahayata	Sahayata Micro Finance Private Limited
Tamil Nadu		
1	AID India	Action in Disabilities India

Appendix-5 Contd.

2	Anisha Microfin	Anisha Microfin Association
3	Asirvad	Asirvad Microfinance Private Limited
4	BWDA Finance	BWDA Finance Ltd, Bullock-Cart Workers Development Association
5	BWDC	Bharathi Women Development Centre
6	CCFID	Community Collective Society for Integrated Development
7	CREED	Centre for Rural Education & Economic Development
8	Equitas	Equitas Micro Finance India
9	GLOW	Guidance Society For labour Orphans & Women
10	GOF	Growing Opportunity Finance
11	GV	Grama Vidiyal Microfinance Ltd.
12	GUARDIAN	Gramalaya Urban and Rural Development Initiatives and Network
13	HiH	Hand in Hand India
14	IASC	Indian Association for Savings and Credit
15	IFMR Rural Channels	-
16	ICNW	Indian Cooperative Network for Women
17	IMED	-
18	IMPACT	IMPACT (Innovative Microfinance for Poverty Alleviation and Community Transformation) - World Vision India
19	LEAD	League for Education and Development
20	Mahasemam	-
21	MFI/MMFL	Madura Microfinance Ltd. (Formerly Microcredit Foundation of India)
22	NDFS	Nanayaturabhi Development Financial Services
23	PADACU	People's Action for Development and Credit Union
24	Repcobank	-
25	Sangamam	Sangamam WMTC Society Ltd.
26	Sarvodaya Nano Finance	Sarvodaya Nano Finance Limited
27	SMILE	Semam Microfinance Investment Literacy & Empower Ltd
28	SSD	Society for Social Development
29	TCT	Thirumalai Charity Trust
	Uttar pradesh	
1.	Cashpor MC	Cashpor Microcredit
2	Disha	Disha India Micro Credit
3	NEED	Network of Entrepreneurship and Economic Development
4	Nirmaan Bharati	-
5	RISE	Rural and Urban Innovative Social Entrepreneurship
6	Sanchetna	Sanchetna Financial Services
7	SEIL	S.E. Investments Limited
8	Sonata	Sonata Finance Private Ltd
9	Utkarsh	Utkarsh Micro Finance Pvt. Ltd.
10	VFPL	Vindhyanchal Finlese Private Limited
	West Bengal	
1	AMPL	Anjali Microfin Private Limited
2	ABCRDM	All Backward Class Relief and Development Mission
3	Arohan	Arohan Financial Services Ltd
4	ASA India	ASA International India Private Limited
5	Bandhan	-
6	BJS	Belgharia Janakalyan Samity

Appendix-5 Contd.

7	BSA	Bajkul Sports Association
8	EFSL	Enn Financial Services Ltd.
9	Jagaran MF	Jagaran Microfin Private Ltd
10	Kotalipara	Kotalipara Development Society
11	RSN	Rajapur Seva Niketan
12	Sahara Utsarga	Sahara Utsarga Welfare Society
13	Sarala	Sarala Women Welfare Society
14	Seba Rahara	-
15	SMGBK	Society for Model Gram Bikash Kendra
16	SMS	Sreema Mahila Samity
17	SPED	Society For People's Education & Development
18	SU	Sahara Uttarayan
19	UFSPL	Uttrayan Financial Services Private limited
20	VFS	Village Financial Services Private Ltd
21	VSSU	Vivekananda Sevakendra-o- Sishu Uddyan

APPENDIX-6

List of MFIs from Sa-dhan (with comparison to MIX)

Notes: C = Common MFIs from MIX and Sa-dhan both; NM = MFIs not in MIX

No		Name of MFIs
(AP) Andhra Pradesh		
1	C	Adarsha Welfare Society
2	NM	Ashajyothi Mahilabhyudaya Society (AMS)
3	C	Asmitha Microfin Ltd
4	C	Bhartiya Samruddhi Finance Limited (BASIX)
5	C	Camel Mahila MACTS Ltd
6	C	Centre for Rural Reconstruction Through Social Action / CReSA
7	NM	Chritian Association for Medicalmission and Peoplesdevelopment (CAMP)
8	NM	Development Organization for Village Environment (DOVE)
9	C	Future Financial Services Ltd
10	C	Grama Siri
11	C	Guide
12	NM	Hope Integrated Rural Development Society
13	C	Indur Intideepam Macs Federation Ltd
14	C	Institute of Womens Banking (IWB)
15	C	Krishna Bima Samruddhi Local Area Bank (KBSLAB)
16	C	Krushhi
17	NM	Mother Teresa Mahila MACCS Ltd
18	NM	Peoples Activity and Rural Technology Nurturing Ecological Rejuvenation (PARTNER)
19	C	Pragathi Seva Samiti
20	C	RASHTRIYA SEVA SAMITHI (RASS)
21	NM	Roshan Vikas Foundation
22	C	Saadhana Microfin Society
23	NM	Samarthan Weakling Development Foundation
24	C	Sanghatitha Mahila Macs Federation Ltd
25	C	Share Microfin Limited
26	NM	Siri Microfin Society
27	C	SKS Microfinance Pvt Ltd
28	NM	SOCIAL EDUCATION AND VOLUNTARY ACTION (SEVA)
29	C	Spandana Spoorty Innovative Financial Services Limited
30	C	Star Microfin Service Society(SMSS)
31	C	SWAWS Credit Corporation India Private Ltd
32	NM	The Payakaraopeta Womens Mutually Aided Cooperative Thrift and credit Limited
33	C	Trident Microfin Private Limited
(AS) Assam		
1	C	Grameen Sahara
2	NM	Manab Sewa Sangh
3	NM	Prochesta
4	C	RGVN-Credit & Savings Program (CSP)
5	NM	Social Action for Appropriate Transformation and Advancement in Rural Areas (SATRA)
(BR) Bihar		
1	NM	Arunabhashree Society
2	NM	Batika
3	NM	Bihar Development Trust
4	NM	Bureau of Obligate and Accompaner for Rural Development (BOARD)
5	C	Centre For Development Orientation & Training
6	NM	Centre for Promoting Sustainable Livelihood (CPSL)
7	NM	Creation Welfare Society
8	NM	Harijan Adivasi Shikshan Prashikshan Kalyan Sansthan

Appendix-6 Contd.

No		Name of MFIs
9	NM	Jan Vikas Samiti
10	NM	Jeevan Jyoti Kala Kendra
11	NM	Mansi
12	NM	Mass Care International
13	C	Nidan
14	C	Saija Finance Private Limited
15	NM	Samajik vikas Sansthan
16	NM	Samta Jan Kalyan Parisad (SJKP)
17	NM	Societal Upliftment and Rural Action for Job and Empowerment (SURAJE)
18	NM	Society for Intergrated Development of Riverine Belt (SIDRIB)
19	C	Trust Microfin Services
20	NM	Vikash Deep
(DL) Delhi		
1	NM	Deepalaya
2	NM	Humana People to People India
3	NM	Planned Social Concern
4	C	Satin Creditcare Network Limited
5	NM	Shikhar Development Foundation
6	NM	Society for the Promotion of Youth & Masses (SPYM)
(GJ) Gujarat		
1	C	Arman Financial Services Limited
2	NM	Kushal Manch
3	C	PRAYAS (Organization for Sustainable Development)
4	NM	PRAYAS Juvenile Aid Center (PRAYAS JAC)
5	NM	Saath Charitable Trust (Ekta)
6	NM	Saath Charitable Trust (Sakhi)
7	NM	Samerth Trust
8	C	SEWA Bank
9	C	Sri Vardhan Socio Development Foundation
10	NM	Vikas Center for Development
(JH) Jharkhand		
1	C	Ajiwika Society
2	NM	Aman Microfin
3	NM	Jan Sewa Parishad
4	NM	Mahila Kalyan Samiti
5	C	Nav Bharat Jagriti Kendra (NBJK)
6	NM	Samarthan Weakling Development Foundation
7	NM	Srijan Foundation
8	NM	Support
9	C	Vedika Credit Capital Ltd
(KA) Karnataka		
1	NM	Agricultural Science Foundation
2	C	BSS Microfinance Private Limited
3	NM	Chaitanya Institute for Youth and Rural Development (Chinyard)
4	C	Grameen Financial Services Pvt Ltd
5	C	IDF Financial Services Private Limited
6	NM	Janalakshmi Social Services
7	C	Janodaya Public Trust
8	NM	Navachetana Microfin Services Limited
9	C	Nirantara Community Services
10	NM	Outreach

Appendix-6 Contd.

No		Name of MFIs
11	NM	Prakruthi Foundation
12	C	Rores Micro Entrepreneur Development Trust
13	C	Samrudhi Mircofin Society
14	NM	SAMUHA
15	C	Sanghamithra Rural Financial Services
16	C	Sri Kshetra Dharmasthala Rural Development Project (SKDRDP)
17	C	Ujjivan Financial Services Private Limited
(KL) Kerala		
1	NM	Bharat Sevak Samaj (BSS)
2	NM	Brain Society
3	C	Evangelical Social Action Forum (ESAF)
4	NM	Forum for Rural Environment and Economic Development (FREED)
5	C	Hope Foundation
6	NM	Payyavoor Community Development Project
7	NM	Rural Agency for Social and Technical Advancement (RASTA)
8	NM	Sevashram
9	NM	Shalom Trust
10	C	Welfare Services Ernakulam
(MP) Madhya Pradesh		
1	NM	Action for Social Advancement (ASA)
2	C	Aparajita Mahila Sangh
3	C	Bal Mahila Vikas Samiti - VAMA
4	C	Lok Biradari Trust
5	NM	Parath Samiti
6	C	Priyasakhi Mahila Sangh
7	NM	Sambhav Micro Finance Institute
8	NM	Unnati Mahila Sangh
9	NM	Yukti Samaj Sewa Society (YSSS)
(MH) Maharashtra		
1	NM	Fullerton India Credit Co Ltd
2	NM	Gram Swaraj Seva Trust
3	C	Grameen Mahila Syamsiddha Sangh (GMSS)
4	NM	Hindushtan Cooperative Credit Society Ltd
5	C	Institute of Rural Credit and Entrepreneurship Development (IRCED)
6	NM	Krushki Vikas Gramin Prashikshan Sanstha
7	NM	MAVIM(Mahila Arthik Vikas Mahamandal Ltd)
8	NM	Navchetna- Yavatmal
9	C	Sakhi Samudaya Kosh
10	NM	Samagra Gram Vikas Sanstha "Sagras"
11	NM	Sampada Trust
12	NM	Sanjivani Mahila Bachat Sangh
13	C	Swadhaar Finserve Private Limited
(MN) Manipur		
1	NM	Volunteers for Village Development (VVD)
2	C	WSDS- Institute of Innovative Technology Transfer & Environment
(OS) Orissa		
1	NM	Adarsa
2	C	Adhikar
3	NM	Banki Anchalika Dibasi Harijan
4	C	Bharat Integrated Social Welfare Agency (BISWA)
5	NM	Bright Association for Noble & Decent Human Understanding (BANDHU)

Appendix 6 Contd.

No		Name of MFIs
23	NM	Sarva Jana Seva Kosh Ltd (SJSK)
24	C	Sarvodaya Nano Finance Limited
25	C	Semam Microfinance Investment Literacy & Empowerment Ltd (SMILE)
(UP) Uttar Pradesh		
1	NM	Bhartiya Micro Credit
2	C	Cashpor Micro Credit
3	C	Disha India Micro Credit
4	NM	Grameen Development Services (GDS)
5	NM	Ishara Foundation for Finance and Rural Development
6	NM	Jaago Samajik Arthik & Harit Vikas Sangathan
7	NM	Margadarshak Development Services
8	C	Network of Entrepreneurship and Economic Development (NEED)
9	C	Nirmaan Bharati Samajik And Arthik Vikas Sangathan
10	NM	Parmarth Samaj Sevi Sansthan
11	NM	Peoples Action for National Integration (PANI)
12	C	Rural and Urban Innovative Social Entrepreneurship
13	C	S. E. Investments Ltd
14	NM	Shramik Bharti
15	C	SONATA Finance Private Ltd (SONATA)
(UK) Uttrakhand		
1	NM	Indian Institute of Community Development
2	NM	Mimoza Enterprises Finance Pvt Ltd
3	NM	Pahal
4	NM	Uttarakhand Micro Finance and Livelihood Promotion Co-operative Institution
(WB) West Bengal		
1	NM	Agradut Polly Unnayan Samity
2	C	Arohan Financial Services Ltd
3	C	Bajukul Sports Association
4	C	Bandhan
5	C	Belgharia Janakalyan Samity
6	NM	Dibakar (An Organisation - Hope for needy poor people)
7	NM	Human Development Centre
8	NM	Kalighat Society for Development Facilitation (KSDF)
9	C	Kotalipara Development Society (KDS)
10	NM	Liberal Association for Movement of People (LAMP)
11	C	Rajapur Seva Niketan
12	C	Sahara Utsarga Welfare Society
13	NM	Sahara Uttarayan
14	C	Saraha Women Welfare Society
15	C	Seba Rahara
16	C	Society for Model Gram Bikash Kendra
17	C	Sreema Mahila Samity
18	NM	Ullon Social Welfare Society
19	C	Village Financial Services Pvt Ltd
20	NM	Village Micro-Credit Services (VMCS)
21	C	Vivekananda Sevakendra-o-Sishu Uddyan (VSSU)

List of MFIs from MIX (with comparison to Sa-dhan)

Notes: C = Common MFIs from MIX and Sa-dhan both; NS = MFIs not in Sa-dhan

No		Name of MFIs
(AP) Andhra Pradesh		
1	NS	ADARSHA
2	C	AML
3	NS	AMMACTS
4	NS	APGSS
5	NS	ASP
6	NS	ASSIST
7	C	AWS
8	C	BASIX
9	NS	BES
10	NS	BIRDS
11	NS	CJWS
12	C	CMML
13	C	CRSA
14	NS	CSF
15	C	FFSL
16	C	Grama Siri
17	NS	GTFS
18	C	Guide
19	C	Indur MACS
20	C	IWB
21	C	KBSLAB
22	C	KRUSHI
23	NS	MSPS
24	NS	Nano
25	NS	Need To India
26	C	PSS
27	NS	PWMACS
28	C	RASS
29	C	Saadhana
30	C	Sanghatitha
31	NS	SEVA Microfoundation
32	NS	SEWA MACTS
33	C	SHARE
34	NS	Share MACTS
35	C	SKS
36	C	SMSS
37	C	Spandana
38	C	SWAWS
39	NS	SWC
40	C	Trident Microfinance
41	NS	VSS
(AS) Assam		
1	NS	Asomi
2	C	Grameen Sahara
3	NS	KMUCBL
4	NS	Nightingale
5	C	RGVN

Appendix-7 Contd.

No		Name of MFIs
(BR) Bihar		
1	C	CDOT
2	C	Nidan
3	C	Saija
4	C	TMS
(DL) Delhi		
1	NS	Fusion Microfinance
2	NS	India's Capital Trust Ltd
3	NS	Mimo Finance
4	C	SCNL
(GJ) Gujarat		
1	C	Arman Financial Services Pvt Ltd
2	NS	Disha Microfin
3	C	PRAYAS
4	C	SEWA Bank
5	C	SVSDF
6	NS	Vardan
(HR) Haryana		
1	NS	SVCL
(JH) Jharkhand		
1	C	Ajiwika
2	C	NBJK
3	C	VCCL
(KA) Karnataka		
1	C	BSS
2	NS	Chaitanya
3	C	GFSPL
4	C	IDF Financial Services
5	C	Janodaya
6	NS	JFSPL
7	NS	KCIPL
8	NS	KOPSA
9	C	NCS
10	C	RORES
11	NS	RORS
12	NS	Samasta
13	C	Samrudhi MicroFin
14	C	Sanghamithra
15	C	SKDRDP
16	NS	TBF
17	C	Ujjivan
(KL) Kerala		
1	NS	Bodhana
2	C	ESAF
3	NS	GSGSK
4	C	Hope Microcredit
5	NS	Muthoot
6	NS	SIFFS
7	NS	WSDS
8	C	WSE

Appendix-7 Condt.

No		Name of MFIs
(MP) Madhya Pradesh		
1	C	AMS
2	C	BMVS
3	C	LBT
4	NS	MCM
5	C	PMS Indore
6	NS	SCDS
7	NS	Vikas Samiti
(MH) Maharashtra		
1	NS	AID
2	NS	Annapurna Mahila Credit Co-op Society
3	C	GMSSS
4	NS	Intellcash
5	C	IRCED
6	NS	L&T Finance
7	C	SSK
8	NS	Suryoday
9	NS	Swabhimaan
10	C	Swadhaar
(MN) Manipur		
1	NS	CMM
2	C	WSDS
3	NS	YFS
4	NS	YVU
(OS) Orissa		
1	C	Adhikar
2	NS	AIR
3	NS	Awareness
4	NS	Bhoomika
5	C	BISWA
6	NS	CDC
7	NS	CPSW
8	C	GU
9	C	JFSL
10	C	Mahashakti
11	C	ODC
12	C	PF
13	C	Sanginee
14	C	Swayamshree
(RJ) Rajasthan		
1	NS	ABASSS
2	C	Arth
3	C	Bazaari Global Finance
4	NS	Humana India
5	C	Pustikar
6	C	Sahayata
(TN) Tamil Nadu		
1	NS	AID India
2	NS	Anisha Microfin
3	NS	Asirvad

Appendix-7 Contd.

No		Name of MFIs
4	C	BWDA Finance (BFL)
5	NS	BWDC
6	NS	CCFID
7	NS	CREED
8	C	Equitas
9	C	GLOW
10	C	GOF
11	C	GV
12	NS	GUARDIAN
13	NS	HiH
14	C	IASC
15	NS	ICNW
16	NS	IFMR Rural Channels
17	NS	IMED
18	C	IMPACT
19	NS	LEAD
20	C	Mahasemam
21	NS	MMFL
22	NS	NDFS
23	C	PADACU
24	NS	Repcobank
25	C	Sangamam
26	C	Sarvodaya Nano Finance
27	C	SMILE
28	NS	SSD
29	NS	TCT
(UP) Uttar Pradesh		
1	C	Cashpor MC
2	C	Disha
3	C	NEED
4	C	Nirmaan Bharati
5	C	RISE
6	NS	Sanchetna
7	C	SEIL
8	C	Sonata
9	NS	Utkarsh
10	NS	VFPL
(WB) West Bengal		
1	NS	ABCRDM
2	NS	AMPL
3	C	Arohan
4	NS	ASA India
5	C	Bandhan
6	C	BJS
7	C	BSA
8	NS	EFSL
9	NS	Jagaran MF
10	C	Kotalipara
11	C	RSN
12	C	Sahara Utsarga
13	C	Sarala

Appendix-7 Contd.

No		Name of MFIs
14	C	Seba Rahara
15	C	SMGBK
16	C	SMS
17	NS	SPED
18	NS	SU
19	NS	UFSPL
20	C	VFS
21	C	VSSU