

Economic Performance of Micro Financing Institutions

R.P. Singh* and Jai Prakash

Department of Agricultural Economics, RAC, BAU, Kanke, Ranchi, India

*Corresponding author: rp_singh48977@rediffmail.com

ABSTRACT

An attempt has been made to examine economic performance of micro financing institutions in the country over period. The analysis revealed that there is increasing change in opening of branches of micro-financing institution in which the rate of change was nearly 8 percent per annum. In respect to clients the rate of growth per year was observed to be 23% which was pronounced more in clients of small micro-financing group. The employment in micro-financing organization showed positive changes and increased at the rate 17% per annum. The gross loan portfolio of micro financing institution grew at annual rate of 75% in which rate of growth of GLP of small micro financing was higher in comparison of medium and large groups of MFIs. The loan disbursement amount further increased at a rate of 73% in which it was found higher rate in small size group of MFIs. The outstanding loan per client grew at 24% per annum which was less than rate of growth of disbursement. It was also observed that southern region of the country was a head in operating of micro-finance institutions. However, eastern region, western region and central region of the country have also made good progress in establishment of micro-financing institution. The north region and North-east are lagging behind that require special attention for development of micro-financing institution. On the whole there have been significant changes in economic performance of micro-financing institutions of the country.

Keywords: Micro finance, performance, institution

According to 2011 census data, 102 million household out of a total of 247 million in the country are not covered by the banking system. Importantly, 63% of these households are in rural areas. The coverage of rural household by banks, according to the census data is less than (54%) compared to rural household (54%). Although during 2001-2011, there was a 23% increase in the number of household services by banks. The increase was pronounced more in the rural area, where share of such houses rose from 30% to 54%. The branches expansion data revealed that during period 2007-13, one-fourth of all the new branches created in the country were in rural area or areas with population less than 10,000 (RBI 2008;

RBI 2013). Despite such encouraging signals from the population census as well as RBI statistics, the financial inclusion indices have not been favorable to India. As per the global FINDEX (2011), only 35% of adult in the country have a formal account and 8% a formal loan. Among the bottom 40% of the population in term of income only 27% have account with formal financial institution. The CRISIL inclusive (2013), through reports on improvement in the states of financial inclusion since 2009, finds that only 14% individuals access bank loan. Significantly the analysis of CRISIL shows that the bottom 50 districts have just 2% of all bank branches in the country.

Low level of financial inclusion is attributed by some to investment incapability of the formal banking system in the country to cater the distinct needs of certain regions and population groups, especially the poor one. They argue that institutions that can be mediate the flow of financial resources between the formal institution and fragmented communities of users of financial services are critical for furthering the goals of both financial inclusion and inclusive development while one section advocates the commercially oriented micro financing institution (M.F.I.) model, others put their faith on self-help groups (SHGs) and linkage banking model, as the most appropriate form of an intermediary. The SHGs and MFI models have been evolving parallel to each other since early 1990. Micro finance institutions (MFIs) are playing an important role as financial intermediaries to micro finance sector. Following RBI guidelines in its circular of 18th February, 2000, MFI are availing banks loan from banks for on lending to group and other smaller borrowers. Keeping in view of the objective of creating an orderly growth the Finance Minister introduced micro-financial sector development and regulation bill 2007, in the Lokshabha on 20th March, 2007. The bill has objectives to promote and regulate the micro finance sector and to permit MFOs to collected deposits from eligible clients. Micro financing institutions is actively involved in performing his twin objectives. Now it is pertinent to examine the economic performance of this institutions in respect to expansion of branches, strength / growth of clients (small, medium, and large) size groups, employment opportunities, disbursement of loan, net outstanding of loan, growth in the assets and also examine performance of M.F.I. in different regions of the country.

MATERIALS AND METHODS

The present study is based on secondary data collected from various sources i.e. books, journals, magazine, and internet etc. The data on different aspects i.e. number of branches, number of clients, number of employee, gross loan portfolio, loan disbursement, outstanding loan and total assets were arranged according to size i.e. small medium and large micro financing institution from 2011-12 to 2015-16. Tabular analysis was carried out in this study. The average per cent change from first year to the last year was calculated by the formula:

$$\text{Average growth per year} = \frac{(1/n)_x}{\{(Last\ year - Base\ year)_x\} \cdot 100 / Base\ year}$$

RESULTS AND DISCUSSION

The economic performance of micro finance institution in the country has spelt-out in different sub heads as discussed below:

Number of branches

The increase in branches of micro-financing institution over period has been shown in the Table 1. It was found that the maximum increase in branches was shown in branches of small financing institution during 2011-12 to 2015-16 followed by medium financing institution branches in the country. The average annual growth was estimated to be 35%, 32% and 5% in small, medium and large size branches of MFIs during 2011-12 to 2015-16. The overall growth rate was measured to be 8%. The proportion of branches of small, medium and large size micro financing institution in total number of branches during 2011-12 was 9%, 8% and 90%, while during 2015-16 the proportion of small and medium size MFIs increased to 4% and 5% respectively in total number of branches (Fig. 1).

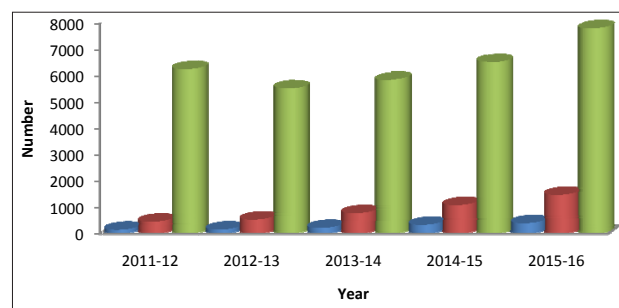


Fig. 1: No. of branches of micro finance institution

Status of clients in micro financing institutions

There has been a significant increase in number of clients in all categories of micro-financing institution (Table 2). The overall growth in all categories of clients was observed to be 23% annually in the country during 2011-12 to 2015-16.

The categories wise client figure revealed that the maximum increase was found to be 80% in clients for small micro-financing institution followed medium micro-financing (63%) and large size micro financing (21 %), respectively. The number of clients of small,

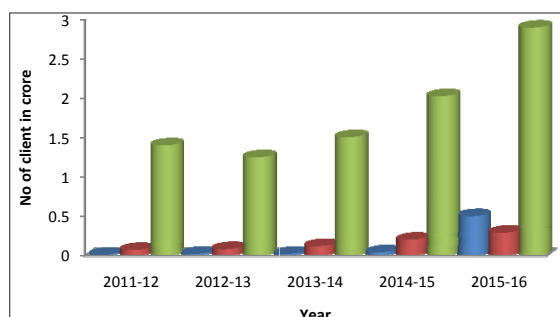
Table 1: Number of branches of micro financing institutions

Year	Small MFIs	Medium MFIs	Large MFIs	Total
2011-12	143 (2.09)	450 (6.59)	6239 (91.32)	6832 (100.00)
2012-13	151 (2.44)	529 (8.54)	5517 (89.03)	6197 (100.00)
2013-14	214 (3.00)	777 (11.50)	5841 (85.50)	6832 (100.00)
2014-15	331 (4.00)	1080 (14.00)	6521 (82.00)	7934 (100.00)
2015-16	395 (4.00)	1474 (15.00)	7800 (81.00)	9669 (100.00)
Number in crore in 2015-16 over 2011-12	252.00	904.00	1,561.00	2,717.00
Percentage increase in 2015-16 over 2011-12	176	158	75	39
Average growth per year (%)	35.00	32.00	5.00	8.00

Table 2: Clients in Micro financing Institutions (in crores)

Year	Small MFIs	Medium MFIs	Large MFIs	Total
2011-12	0.01 (1.00)	0.07 (5.00)	1.4 (94.00)	1.48 (100.00)
2012-13	0.02 (2.00)	0.08 (6.00)	1.24 (92.00)	1.34 (100.00)
2013-14	0.02 (2.00)	0.12 (8.00)	1.5 (90.00)	1.65 (100.00)
2014-15	0.04 (3.00)	0.20 (9.00)	2.02 (89.00)	2.26 (100.00)
2015-16	0.5 (3.00)	0.29 (9.00)	2.9 (89.00)	3.25 (100.00)
Number increase in 2015-16 over 2011-12	0.04	0.22	1.50	1.76
Percentage increase in 2015-16 over 2011-12	400	314	107	115.00
Average growth per year (%)	80.00	63.00	21.00	23.00

medium and large size micro-finance client was 1%, 5 % and 94% during 2011-12 to 2015-16 which increased the proportion of clients of the category of small and medium upto 3%, and 9% and reduced proportion of large size clients of micro financing upto 89% during 2015-16. The overall number of clients of small and medium micro-financing has increased significantly.

**Fig. 2: Status of clients in Micro financing Institutions**

The number of clients of small, medium, and large size micro finance reveals that clients of small micro-finance are taking interest in establishment of small business.

The average number of client of small finance increased as an annual rate of 17% during 2011-12 to 2015-16, while during the same period the average growth rate of clients of medium and large size micro finance increased at a rate of 10% and 13% respectively. The overall growth rate of clients per branch increased at a rate of 11% in the country. During 2015-16, the average number of clients per branch of small, medium and large size micro-finance was 1348, 1968 and 3723, respectively, while the number of clients of small, medium and large in the year 2011-12 per branch was only 738, 1298 and 2244 respectively. The analysis indicates that people are taking interest in establishment of business activities.

Table 3: Average clients per branch

Year	Small MFIs	Medium MFIs	Large MFIs	Total
2011-12	738 (17.26)	1294 (30.26)	2244 (52.48)	2135 (100.00)
2012-13	1237 (24.98)	1461 (29.51)	2253 (45.51)	2161 (100.00)
2013-14	1155 (21.82)	1565 (29.56)	2574 (48.62)	2415 (100.00)
2014-15	1322 (21.09)	1853 (29.56)	3094 (49.35)	2851 (100.00)
2015-16	1,348 (19.15)	1,968 (27.96)	3,723 (52.89)	3,358 (100.00)
Number in 2015-16 over 2011-12	610.00	674.00	1,479.00	1,223.00
Percentage increase in 2015-16 over 2011-12	83	52	66	57.00
Average growth per year (%)	17.00	10.00	13.00	11.00

Table 4: Strength of employees in micro financing institutions (No.)

Year	Small MFIs	Medium MFIs	Large MFIs	Total
2011-12	1135 (2.00)	3457 (7.00)	44410 (91.00)	49002 (100.00)
2012-13	1096 (3.00)	3206 (8.00)	37932 (89.00)	42234 (100.00)
2013-14	1299 (3.00)	4532 (9.00)	42285 (88.00)	48116 (100.00)
2014-15	1910 (3.00)	6308 (10.00)	54189 (87.00)	62407 (100.00)
2015-16	2580 (3.00)	9483 (11.00)	73825 (86.00)	85888 (100.00)
Number increase in 2015-16 over 2011-12	1,445.00	6,025.00	28,415.00	40,414.00
Percentage increase in 2015-16 over 2011-12	127	174	66	83.00
Average growth per year (%)	25.00	35.00	13.00	17.00

Strength of employees

There has been significantly increased in number of employee in micro finance institutions in the country. This increase was mainly due to increase in number of clients of micro-financing which increased the demand for micro finance that created an opportunity for opening new branches and demand for employee to run the institution.

The average growth in employee per year was about 17% during 2011-12 to 2015-16. The categories wise proportion of employee was 3%, 11%, and 86% of small, medium and large size branches of employee during 2015-16, while in the same categories the proportion of employee's strength was 2.0%, 7% and 91%, respectively in 2011-12. The average growth rate per year was measured to be 25%, 35% and 13%, respectively.

Gross loan portfolio (GLP)

There was a considerable change in amount of gross loan portfolio of small, and medium size micro-finance. The population of small and medium size of loan portfolio in gross loan portfolio (GLP) was 1% and 4% during 2011-12 which increased upto 2% and 9% in 2015-16. During the same period amount of large size loan in GLP reduced from 95% to 89%. (Table 5).

The average growth rate in small, medium and large size gross loan portfolio was recorded as 156%, 162% and 71%, respectively (Fig. 5).

Average gross loan portfolio per branch

The average gross loan portfolio data shows that there has been marked change in average amount of gross portfolio per branch during 2011-12 to 2015-16

(Table 6). The change was observed maximum in medium size loan as an annual rate of 50% during 2011-12 to 2015-16, while in this period the growth rate of amount of loan of large and small size finance was recorded to be 48% and 44% per annum.

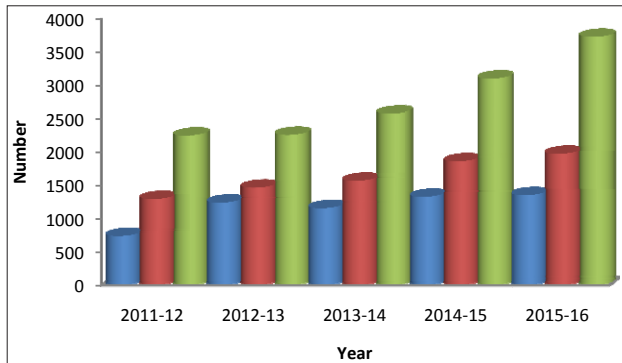


Fig. 3: Average clients per branch

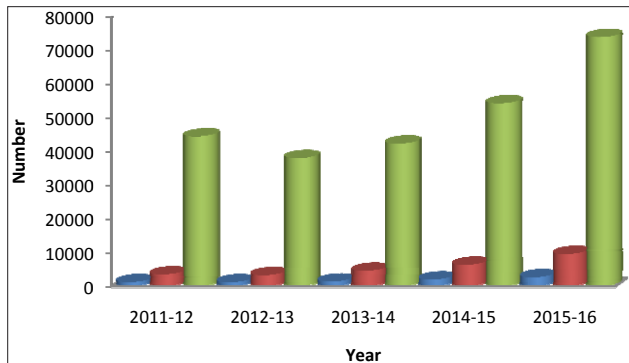


Fig. 4: Strength of employees

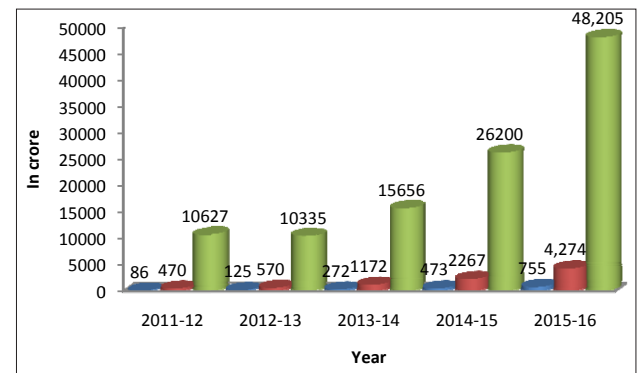


Fig. 5: Gross loan portfolio

The average amount of GLP per branch was merely 0.60 crore, 0.82 crore and 1.61 crore during 2011-12 which accounted to be 1.91 crore, 2.90 crore, and 5.51 crore during 2015-16 respectively.

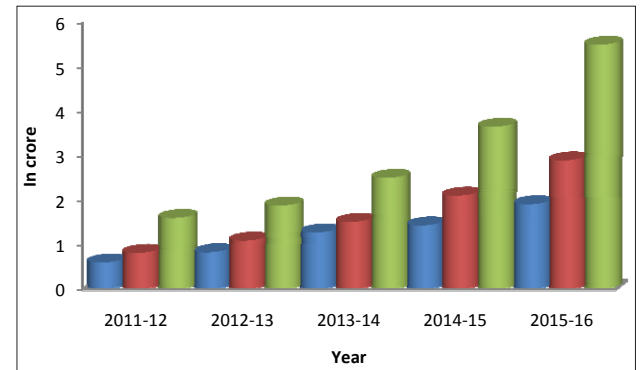


Fig. 6: Average Gross loan portfolio per branch

Table 5: Gross loan portfolio (in crore)

Year	Small MFIs	Medium MFIs	Large MFIs	Total
2011-12	86 (1.00)	470 (4.00)	10627 (95.00)	11183 (100.00)
2012-13	125 (1.00)	570 (5.00)	10335 (94.00)	11636 (100.00)
2013-14	272 (2.00)	1172 (7.00)	15656 (91.00)	17100 (100.00)
2014-15	473 (2.00)	2267 (8.00)	26200 (90.00)	28940 (100.00)
2015-16	755 (1.00)	4,274 (8.00)	48,205 (91.00)	53,233 (100.00)
Amount of increase in 2015-16 over 2011-12	669.00	3,804.00	37,572.00	42,050.00 (100.00)
Percentage increase in 2015-16 over 2011-12	778	809	354	376.00
Average growth per year (%)	156.00	162.00	71.00	75.00

Table 6: Average Gross loan portfolio per branch (in crore)

Year	Small MFIs	Medium MFIs	Large MFIs	Total
2011-12	0.6	0.82	1.61	1.61
2012-13	0.83	1.09	1.88	1.88
2013-14	1.27	1.51	2.5	2.5
2014-15	1.43	2.1	3.65	3.65
2015-16	1.91	2.90	5.51	5.51
Increase in 2015-16 over 2011-12	1.31	2.08	3.90	3.90
Percentage increase in 2015-16 over 2011-12	218	254	242	242
Average growth per year (%)	44.00	50.00	48.00	48.00

Table 7: Loan amount distributed (in crore)

Year	Small MFIs	Medium MFIs	Large MFIs	Total
2012-13	114 (1.00)	854 (5.00)	14842 (94.00)	15814 (100.00)
2013-14	439 (2.00)	1503 (6.00)	21739 (92.00)	23682 (100.00)
2014-15	696 (2.00)	2831 (7.00)	34071 (91.00)	37599 (100.00)
2015-16	1016 (2.00)	4917 (8.00)	55926 (90.00)	61860 (100.00)
Number in crore in 2015-16 over 2011-12	902.00	4,059.00	41,087.00	46,046.00 (100.00)
Percentage	2.00	9.00	89.00	100.00
Percentage increase in 2015-16 over 2011-12	791.00	472.00	277.00	291.00 (100.00)
Average growth per year (%)	198.00	118.00	69.00	73.00

Loan amount disbursed

There has been land mark increase in amount of loan disbursement through branches of micro-financing institution during 2011-12 to 2015-16 (Table 7). The amount of loan disbursed in 2011-12 was about ₹ 15814 crore through branches which increased to ₹ 37599 crore in 2014-15 and further reached to ₹ 61860 crore in 2015-16. The changes was pronounced more in case of small and medium size finance in respect to large size finance.

The share of large size finance in total amount of disbursed loan has declined during 2011-12 to 2015-16 but amount of loan has increased significantly from 2011-12. The average growth rate per year of disbursement loan was 73% which was 198% in small, 118% in medium and 69% in large size finance, respectively.

Outstanding borrowing

The gross outstanding borrowing reveals that

the share of large size micro-finance in gross outstanding borrowing was maximum (96%) in 2012-13 which was expected because the amount of loan disbursement was also much in this category of loan. The share of small, medium and large size micro finance in outstanding loan was about 1%, 8% and 91% in 2015-16. The average growth rate of outstanding loan was measured as 55% per year which was about 83%, 154% and 51%, respectively in small, medium and large size finance during 2012-13 to 2015-16.

Outstanding loan per client

The average loan per client was high on small micro-finance client in comparison to medium and large size micro-finance clients. However, the rate of growth per year in outstanding loan per client was observed high in medium and large size client. The rate of growth per year of outstanding loan per client was 15%, 26% and 23% in small, medium and large size micro-finance client (Table 9).

Table 8: Total outstanding borrowing (in crore)

Year	Small MFIs	Medium MFIs	Large MFIs	Total
2011-12	—	—	—	—
2012-13	101 (1.00)	378 (3.00)	10478 (96.00)	10966 (100.00)
2013-14	215 (1.00)	1199 (8.00)	13917 (91.00)	15331 (100.00)
2014-15	378 (2.00)	1834 (7.00)	22705 (91.00)	24917 (100.00)
2015-16	520 (1.00)	3265 (8.00)	37395 (91.00)	41180 (100.00)
Increase in 2015-16 over 2011-12	419.00	2,887.00	26,908.00	30,224.00
Percentage increase in 2015-16 over 2011-12	415.00	770.00	257.00	276.00
Average growth per year (%)	83.00	154.00	51.00	55.00

Table 9: Average loan outstanding per client (in rupees)

Year	Small MFIs	Medium MFIs	Large MFIs	Total
2011-12	8120	6367	7590	7533
2012-13	6677	7458	8796	8689
2013-14	10994	9636	10413	10364
2014-15	10813	11328	12983	12795
2015-16	14173	14732	16601	16394
Amount increase in 2015-16 over 2011-12	6,053.00	8,365.00	9,011.00	8,861.00
Percentage increase in 2015-16 over 2011-12	75.00	131.00	119.00	118.00
Average growth per year (%)	15.00	26.00	23.00	24.00

Table 10: Total assets created (in crore)

Year	Small MFIs	Medium MFIs	Large MFIs	Total
2012-13	171 (1.00)	625 (5.00)	12526 (94.00)	13322 (100.00)
2013-14	314 (2.00)	1371 (7.00)	17040 (91.00)	18705 (100.00)
2014-15	542 (2.00)	2599 (8.00)	29355 (90.00)	32496 (100.00)
2015-16	727 (1.00)	4545 (9.00)	47777 (90.00)	53039 (100.00)
Amount increase in 2015-16 over 2011-12	551.00	3,920.00	35,246.00	39,717.00 (100.00)
Percentage	1.00	10.00	89.00	100.00
Percentage increase in 2015-16 over 2011-12	222.00	627.00	281.00	298.00
Average growth per year (%)	44.00	125.00	56.00	60.00

It was found that higher the amount of loan leads to higher amount of outstanding per client. The on an average ₹ 14173, ₹ 14732 and ₹ 16601 was outstanding loan per client of small, medium and large micro-finance during 2015-16. The amount of outstanding loan showed an increasing trend over period.

Gross assets created

There was a considerable growth in assets of all categories of micro- financing institutions. However, the growth in assets of medium size micro fiancé was more than that of small and large size micro

Table 11: Status of micro financing institution in different regions (2015-16)*

Region	MFI count	Clients (lakhs)	Branches	Total loan amount	Average loan disbursement per account (₹)	Gross loan portfolio (crore)
Southern Region						
Tamilnadu	19	56.5	1352	10265	18628	8687
Karnataka	24	38.23	1198	9000	14765	7165
Kerala	10	12.23	350	3102	17886	2434
AndraPradesh	5	1.15	361	117	16500	82
Sub total	58	108.11	3261	22484	67779	18368
Per MFI		1.86	562	387.65		316.68
Western Region						
Maharashtra	32	37.11	1174	7942	17983	6329
Rajasthan	14	7.54	217	1620	19391	1259
Gujarat	19	12.34	433	2241	22946	2064
Sub total	65	56.99	1824	11803	60320	9652
Per MFI		0.88	28.06	181.58		148.5
Northern Region						
Uttarakhand	11	3.31	82	718	22182	593
Punjab	10	5.62	128	1342	20824	988
Haryana	14	4.91	169	1448	22228	1165
Sub Total	35	13.84	379	3508	65234	2746
Per MFI		0.4	10.83	100.22		78.45
Central Region						
Uttar Pradesh	19	31.27	988	6758	21276	5645
Madhya Pradesh	27	28.05	984	4973	19344	4084
Chhatisgarh	17	5.86	263	1123	19116	877
Sub total	63	65.18	2235	12854	59736	10606
Per MFI		1.1	35.48	204.03		157.23
Eastern Region						
Bihar	21	19.31	629	3920	17827	2921
Jharkhand	17	5.66	239	1253	17562	898
Odisha	13	21.35	510	4168	16694	3141
West Bengal	14	21.91	643	4379	16808	3074
Sub total	65	68.23	2021	13720	68891	10034
Per MFI		1.04	131.1	1211.1		154.4
North Eastern Region						
Tripura	5	0.34	22	68	16782	40
Assam	10	5.32	203	951	20427	773
Sub total	15	5.66	225	1019	37209	813
Per MFI		0.38	15	67.33		54.2

*Data only shown for states where five or more MFIs are operating

financing (Table 10). During 2012-13 to 2015-16, the overall growth in assets of small, medium and large size micro- finance was a tune of 222%, 62% and 281% respectively. The average annual growth rate was recorded to be 44%, 125% and 56% respectively in small, medium and large size of micro financing agencies. The proportion share of these agencies in gross assets during 2012-13 to 2015-16 was about 1%, 10% and 89% respectively.

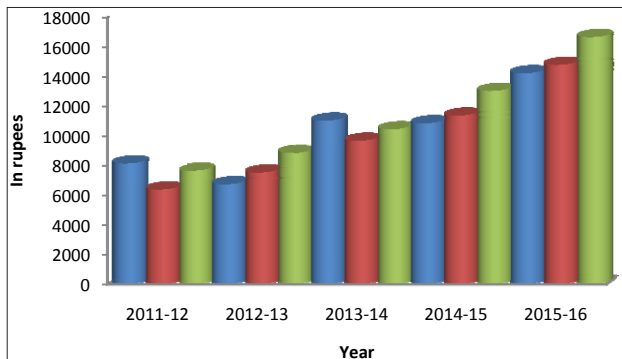


Fig. 7: Average loan outstanding per client

Status of micro-financing in various regions

The southern region, western region, central region and eastern region of the country are having five or more micro-financing institutions. In the northern region, only three states namely Uttarakhand, Punjab and Haryana are having five or more micro financing institutions.

Similarly in North-east region, five or more micro-financing institutions are operating only in Tripura and Assam. The Eastern and Western regions of the country are having maximum number (65 each) of MFIs in the country. The central and southern regions are having 63 and 58 micro financing institutions, respectively. The total number of clients were highest in southern region (1080 lakh) followed by eastern region (68 lakh), central region (65 lakh) and western region (57 lakh) and minimum in north-eastern region (6 lakh only). The average number of clients per MFIs was again high in southern region (1.90 lakh) followed by central region (1.10 lakh), eastern region (1.0lakh) and western region nearly 0.90 lakh. In case of number of branches, the southern region was also ahead than that of other regions of the country. The total number of branches of MFIs were maximum (3261) in southern state, next in

eastern regions (2821) followed by central region (2235) and western region nearly 1824 branches. It was also found that total loan disbursement was quite high in southern region which was followed by eastern region and central region of the country. The average loan disbursement per branch was also high in southern region than that of other regions of the country (Table 11). Similar trend was also observed for gross loan portfolio in the different regions of the country. Southern region is more efficient in terms of operations of micro financing institutions. However, eastern region, central region and western region are also making effort for smooth running of micro finance institutions, but northern and north-eastern regions, a lot of improvement needs to be done for achieving better results.

CONCLUSION

The analysis reveals that there is lot of changes in the number of branches, strength of clients, employment opportunity, amount of loan disbursement and creation of assets by micro financing institutions during the period between 2011-12 to 2015-16. On the basis of these economic parameters it may be concluded that economic performance of micro financing institutions is quite satisfactory and contributing significant role in economic development of the country.

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