

National Seminar on
**Women Empowerment through
Microfinance and Small Enterprises**
(11th & 12th November 2010)

organized by
Dept. of Commerce, Govt. College for Women, Begumpet, Hyderabad

Presentation on
An Overview of Microfinance in AP



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What is microfinance?

- **Microfinance includes**

(a) savings, (b) credit, (c) insurance and (d) remittances especially to the poor in rural, semi-urban and urban areas

- **What for these financial services**

a) to under take economic activities; b) mitigate vulnerabilities to income shocks; c) smoothening consumption; d) increasing savings and supporting self employment

- **Who are the players**

Govt., Banks, NGOs, NGO-MFIs, MFIs, CBOs, Insurance Companies, Networks etc.



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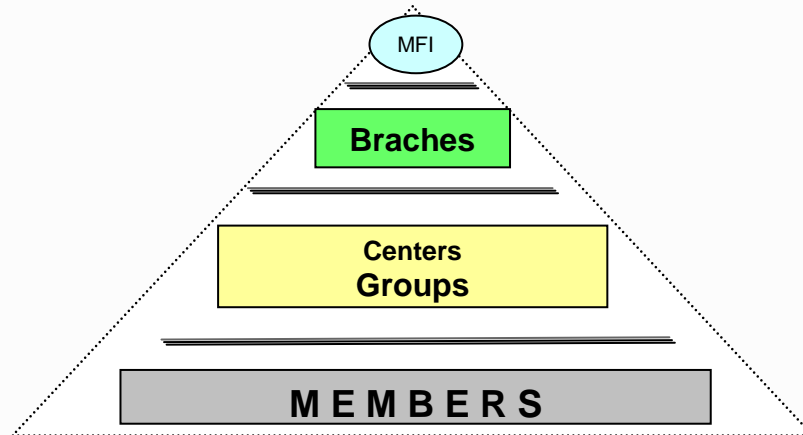
Extent of Financial Exclusion

- **51% of farmer households financially excluded**
- **27% of farmer households access to formal sources one-third from non-formal sources**
- **20% in Central, Eastern, North-Eastern regions**
- **20/66 percent of marginal farmer HH access to FI**
- **80% of non-cultivator HHs do not access credit**
- **36% of STs (SC & BC-51) indebted to Informal source**
- **95% + credit gap in 256 districts of 17 states & 1 UT**

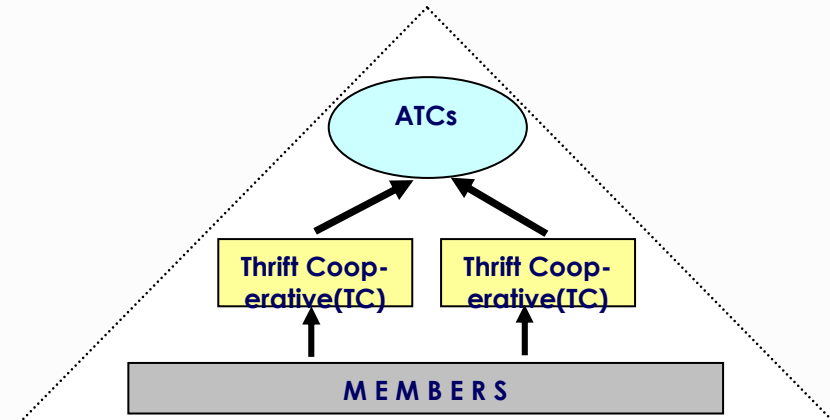


Institutional Models

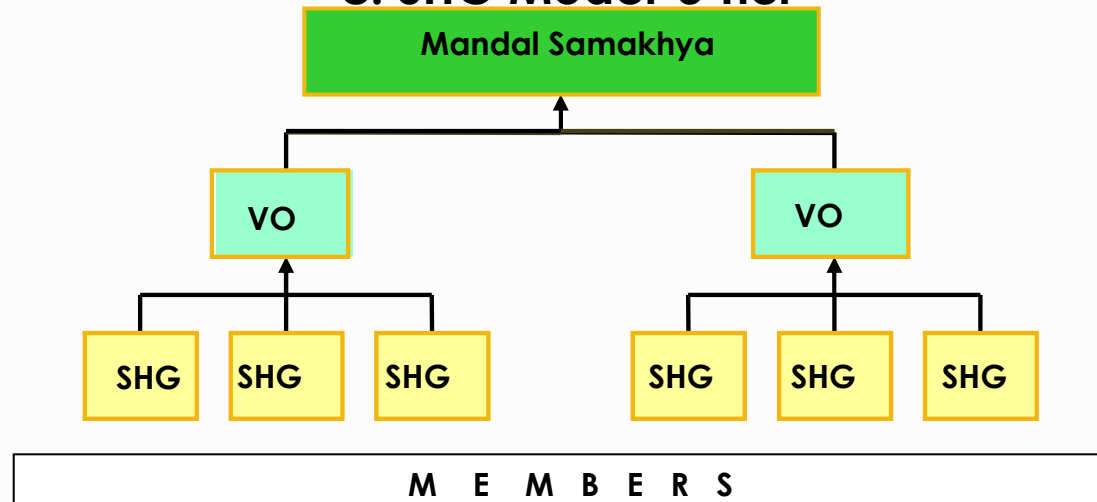
a. Grameen Model



b. Cooperative Model



c. SHG Model-3 Tier

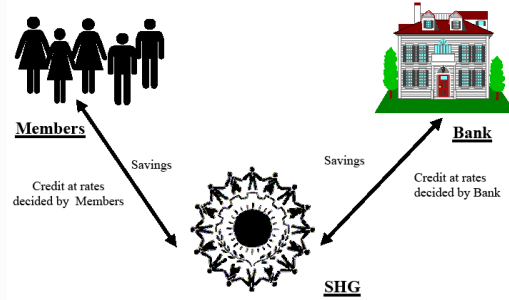




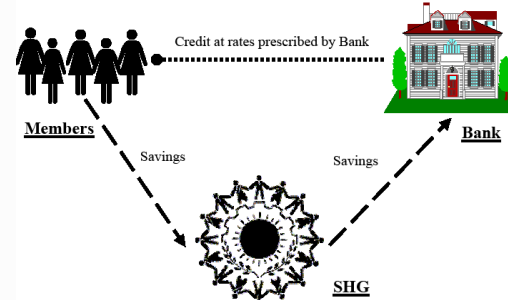
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SHG Credit Linkage Model

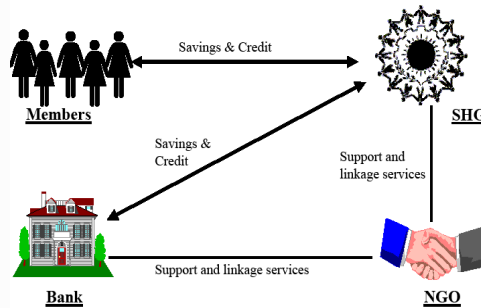
1. Linkage Model
(General Model)



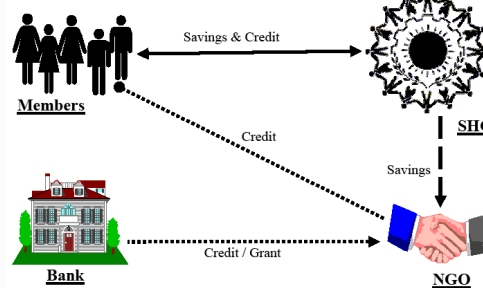
2. Modified Linkage Model
(e.g.- OBC Dehradun)



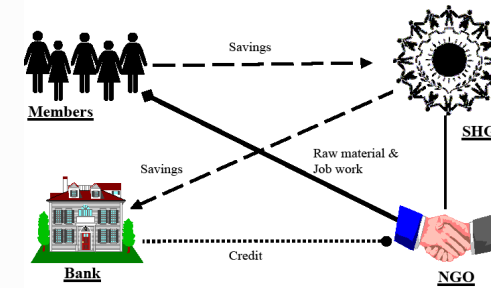
3. NGO Model
(e.g.-UPLDC, etc.)



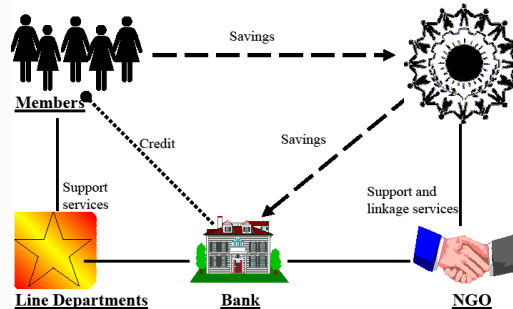
4. Modified NGO Model
(e.g.- BASIX & SHARE (AP), SEWA (Gujrat), etc.)



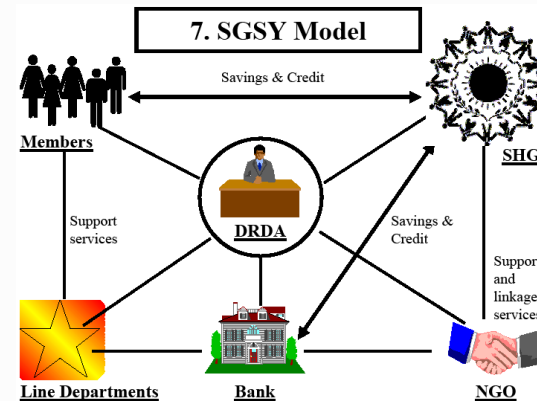
5. Indirect NGO Model
(e.g.- BOB- SEWA, Lucknow)



6. IFAD Model
(e.g.-TN, UP, Maharashtra under IFAD Project)



7. SGSY Model





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SHG Federations in India

Region	Type of federations			Total
	PF	SF	TF	
• Northern	320	39	0	359
• N. Eastern	186	16	1	203
• Eastern	65,107	2,696	72	67,875
• Central	4,781	238	2	5,021
• Western	8,269	6	0	8,275
• Southern	79,502	2,549	33	82,084
Total	158,165	5,544	108	163,817
AP	44,502	1,307	30	45,839

- RRBs have initiated Bank-Fed credit linkage
- 39 Branches disbursed Rs. 2.5 crores to 150 fed.?
- Not gained impetus-reasons are vary & multiple

PF-Primary federation; SF-Secondary Federation; TF-Tertiary Federation;



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SHG Bank Linkage Model

As on March 2010

Particulars	India	AP
• No. of SHGs -lakhs	69.53	14.48
• Amt. of savings -Rs. in lakhs	619871	125529
• Avg. savings per SHG	8914	8668
• No. of SHGs having loan O/s (lakhs)	48.51	14.71
• Bank loan outstanding Rs. in lakhs	2803828	1173954
• Recovery : > 80% (86/165)	52.12	NA
• % of NPA of O/S bank loans to SHGs	2.94	0.5

AVG-Average; OS-Outstanding; NPA-Non performing Assets



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Outreach

Particulars	AP	India
1.1 Total no. of MFIs operating	40	427
1.2 No. of districts served by MFIs	23	444
1.3 No. of poorest districts	19	244
2.1 Banks providing MF services	49	811
2.2 Total no. of SHGs under SBLP in lakhs	12.81	61.16
2.3 Total savings client outreach in lakhs	17,932,600	85,098,016
2.4 Total SHG-savings with banks in lakhs	119,193	7,341,520
3.1 Total credit-client outreach-MFIs	4,949,393	21,712,980
3.2 Total credit-client outreach-banks	17,070,354	59,074,328
4.1 Total loan outstanding MFIs in lakhs	890,217	1,824,282
4.2 Total loan outstanding SHGs in lakhs	356,528	1,589,740



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Top MFIs in India (As on Sep. 2008)

Name of the MFI	Active clients (in lakhs)	Loan outstanding (Rs. Mn)
1. SKS Microfinance Ltd (SKSMPL), AP	25.91	2,395
2. Spandana Spoorthy Fin. Ltd (SSFL), AP	16.68	11,987
3. Share Micro fin Limited (SML), AP	12.32	8,568
4. Bandan, West Bengal	8.52	3,389
5. Asmitha Microfin Ltd (AML), AP	6.94	4,944
6. SKDRDP, Karnataka	6.12	4,060
7. Bharathiya Samrudhi Fin. Ltd. (BSFL), AP	4.58	3,882
8. Cashpor Micro credit (CMC), UP	3.04	1,431
9. Grama Vidiyal Micro Fin (GVMFL), TN	2.88	1,316
10. Grameen Fin. Ser. Pvt. Ltd (GFSPL),KNK	1.53	1,287
• 74% of loan outstanding; Total outstanding Rs. 160-175 billions		



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Microfinance Trends (Est. Mar'10)

- **Almost 7 million SHGs have a bank account**
- **Almost 5 million SHGs have bank loan outstanding of Rs. 28,000 crores**
- **> 1.6 lakh SHG federations in the country**
- **MFI reach 25 million clients**
- **MFI loan outstanding Rs. 22,500 crores**



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Issues & Problems

- **Exorbitant interest rates -24% - 40% per annum**
- **Multiple membership & loans 2-5/ > Rs.50,000**
- **Loan repayment norms**
- **Default management mechanisms**
- **Non-observance of code of conduct**
- **Unhealthy competition between MFIs & SHPIs**
- **Low volume of loans from banks to SHGs**
- **Changes in patron client relations in rural areas**
- **Poor implementation of Govt. programmes**



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Why does SHG members enrolling with MFIs?

Commercial Microfinance

- More volume of loan
- Multiple loans
- Credit at door step
- No meetings/ less time
- No bribes
- Less documentation
- Individual loans
- Timely
- No savings
- No books of accounts
- Minimal role in group
- More joint responsibility
- More documentation charges
- Decision making-MFI
- Collection methods-rigid

Community Based MF

- Less volume of loan
- Mostly one large BL loan
- Long waiting period
- Many long meetings
- Cost-cash & kind
- Long procedures & doc.
- Loan to group
- Timely/Untimely
- Savings mandatory
- Complicated book keeping
- More time for group
- Less joint responsibility
- Less documentation charges
- Decision making –SHG/SHPI
- Collection methods-flexible



Impact on SHGs

- **Savings stopped**
- **Irregular repayment to banks**
- **Pressure from regular members for SHG-BL**
- **Members enrolled with MFIs**
- **Active members became passive members**
- **Less attention on SHG activities**
- **Cracks to group solidarity**
- **SHGs become defunct**



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Impact on Households

Positive

- Increase in household income
- Credit source to take up IGA
- Dependency on ML decreased

Negative

- Assets mortgaged and sold
- Pressure on women
- Food expenses reduced
- Loans borrowed due to availability
- Dependency on MFIs increased
- Loss of respect in the village
- Pushed in to debt trap - migration, IP, suicides
SERP-54/123; Eenadu and AJ-46; Total-69



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Post Crisis Scenario

- **Ordinance on MFIs by Govt. of AP**
- **RBI appointed a Sub-Committee**
- **Lot of debate on MF Ordinance**
- **Initiated lot of research on MF activities**
- **SERP-AB understanding on SHG-BL**
- **MFIs are ready to give loans on 24% IR**
- **Willful defaulting to SHGs, bank and MFIs**
- **Getting credit is a big issue**



Way Forward ...

- **Regulation on MF activities**
- **Ceiling on interest rates, and observance of code of conduct**
- **Lending based on loan absorption & repayment capacity**
- **More focus on community based microfinance**

Open for Discussion... & Thanks

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