

Interactive Session on Developments in Micro Finance Sector
Tata Institute of Social Sciences, Mumbai on 23rd September, 2017

MF Sector in Maharashtra: Few Observations

For decades, at least statistically, Maharashtra has been one of the better banked state in the country, compared to other states. Both Public and Private sector banks have significant presence in the state in terms of branches, clients served and volume of credit disbursed. It has also been on the forefront of cooperative credit movement. Even the new credit dispensation institutions, SHGs and MFIs have also registered impressive growth rates for many years.

It may be seen from the table below that share of Maharashtra in terms of presence of different credit dispensation institutions in the country is more than commensurate with its population. That does not mean that every family in the state had an easy access to adequate credit from the formal credit institutions. For example, 211 lakhs bank accounts were opened under Prime Minister Jan Dhan Yojana in the state. This underlines the fact that those many individuals did not have even simple bank account couple of years back.

	Maharashtra	India	%
Population	1,124 Lakhs	12,110 Lakhs	9%
a) Rural	616 Lakhs	8,338 Lakhs	7%
b) Urban	508 Lakhs	3,771 Lakhs	13%
No. of Bank Branches			
a) Public Sector Banks	8,600	94,094	9%
b) Private Sector Banks	2,500	23,629	10%
Co-operative Sector Networks			
a) Co-operative Banks	3755	14241	19%
b) Co-operative Credit Societies	1,96,907	6,10,020	32%
Micro Finance Initiatives			
a) Self Help Groups	7.90 Lakhs	85.77 lakhs	9%
b) Micro Finance Institutions	42 MFIs with 1029 branches	11,644	9%
Private Money Lenders	12,208		

(Source: RBI, NABARD, SADHAN)

MFIs Surging Ahead in Maharashtra

In continuation of our earlier note on "MF Sector in India: Few Observations" we further examined MFIs operations in the state of Maharashtra. We tracked four performance parameters, viz. clients, gross loan portfolio, branches and employees deployed by MFI in Maharashtra. This was compared with relevant all India figures. It is evident that MFIs have systematically stepped up its operations in Maharashtra in recent past.

MFI's Clients and Gross Loan Portfolio in Maharashtra

The table on next page compares two relevant data sets, viz., as on March 31, 2010 and 2016, for Maharashtra as also for the entire country. It provides few interesting insights.

	Maharashtra			India			Maharashtra as a % of India	
	2010	2016	CAGR %	2010	2016	CAGR %	2010	2016
Clients served (lakhs)	15	39	17	267	399	7	5.62%	9.77%
Gross Loan Portfolio Outstanding Rs Cr.	967	6,589	38	18,150	63,853	23	5.33%	10.32%
Loan Outstanding Per borrower (Rs)	6,500	16,900	17	6,800	16,000	15	NA	NA

(Source: Sa-Dhan – The Bharat Microfinance Report 2011 and 2016)

It may be seen that during these six years period:

- The clients served by MFI in Maharashtra registered a CAGR of 17% as against 7% for the country.
- The Gross Loan Portfolio for the state increased at CAGR of 38% compared to 23% for the country.
- For both these parameters the share of Maharashtra in the entire country has nearly doubled from 5.62% to 9.77% for clients served and from 5.33% to 10.32% in Gross Loan Portfolio.
- Loan outstanding per borrower in Maharashtra has increased almost 2.5 times during this period and is comparable with all India level. However what is required to be checked is whether the average family incomes of these micro borrowers has increased commensurately or not. Requisite data for this comparison could not be accessed.

MFI's Branches and Employees in Maharashtra

As regards relevant data for branches and employees of MFIs, we could access only for 2 years period, i.e., from 2014 to 2016. The table below provides the same:

	Maharashtra			India		
	2014	2016	Times	2014	2016	Times
No. of Branches	816	1174	1.43	9,780	9,669	0
No. of Employees	6,219	10,224	1.64	67,838	85,888	1.23

(Source: SADHAN)

It may be seen that during these two years

- MFIs expended their branch network by 1.43 times from 816 to 1174; whereas at all India level, branch expansion of MFIs has actually decelerated.
- MFIs also deployed more employees in these branches and increased their number by 1.64 times as against for the entire country 1.23 times.

With these developments, Maharashtra became the state with highest number of MFIs (44 no.) as also highest number of NBFC-MFIs (26 no) in the country. All the 36 districts in the state has at-least one NBFC-MFI in operation.

Recent Developments in MF Sector in Maharashtra

During last couple of years social political activists working with rural poor, particularly women, have been reporting simmering discontent among the micro borrowers. There were sporadic reactions in the form of morchas, dharanas and petitions to the district administration. There was debate in Legislative Assembly of the Maharashtra state. In response the state government, in December 2016, set up a Special Investigation Team to "look into the irregularities and violations perpetrated by microfinance companies" in the state.

English language media, print or electronic, did not pay heed to these developments. We accessed regional editions of few Marathi dailies, viz., Loksatta, Sakal, Lokmat and Divya Bharati and could locate 36 new items reporting unrest against MFIs originating from 30 locations, largely from Vidarbha and Western Maharashtra. The database was refined by deleting identical events reported by more than one newspaper.

After studying the news items, the database of 30 "events" has been classified "trigger-wise" and "district-wise". Very few news items mentioned the name of the MFI against which the borrowers were agitating; had this information been available, it would further enriched our analysis. Informal sources also mention names of Public and Private sector commercial banks.

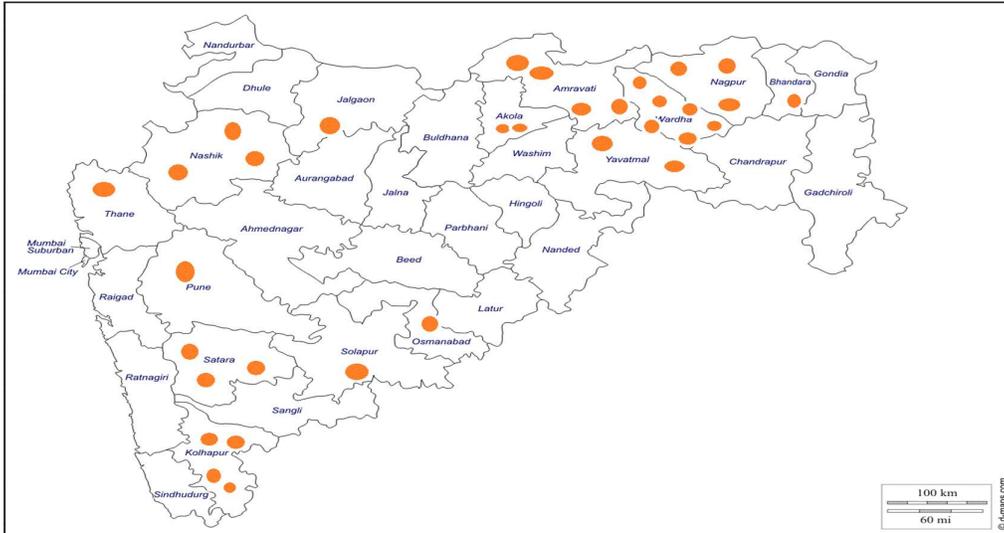
"Trigger-wise" classification of news items

It may be seen that in large number of "events" discontent was "triggered" on account of high interest rates, ruthless recovery and unwelcome behaviour by the staff of micro lenders.

Classification of Triggers for Unrest	No. of Articles
Suicide	1
High Interest, Ruthless Recovery, Misbehaviour	18
Over loaning, demand for regulation, debt waiver etc.	6
Other Miscellaneous	5
Grand Total	30

"District-wise" classification of news items

A graphical representation of the district-wise "events" occurring in the state of Maharashtra is given below. It may be seen that they are more concentrated in the region of Vidarbha and Western Maharashtra.



We have data on how many MFIs are operating in each district of the Maharashtra. The average number of MFIs operating in the 36 districts of Maharashtra is around 9, as against all India average of 6. Further, the following table also establishes that the number of districts in Maharashtra with high density of operating MFIs are the same districts from which news items about "discontent" against micro-lenders have been reported.

Name of the Districts in Vidharbha Region	No. of MFIs	Name of the Districts in Marathwada Region	No. of MFIs
Nagpur	17	Kolhapur	16
Amravati	16	Pune	13
Yavatmal	15	Ahmednagar	12
Akola	11	Satara	12
Wardha	12	Sangli	11
Osmanabad	10		
Bhandara	9		
Buldhana	6		
Washim	6		
Gondia	5		

Unanswered Questions:

- Why in Maharashtra, being one of the highly "banked" state in the country it is the "credit" at the centre of heated public debates be it on "farmers' suicide" or "discontent" against Micro Finance Institutions?
- Post AP crisis in 2010, MFIs appeared to have withdrawn from AP; in post 2010 years MFIs appeared to have stepped up their presence in the state of Maharashtra. Any relationship?

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