

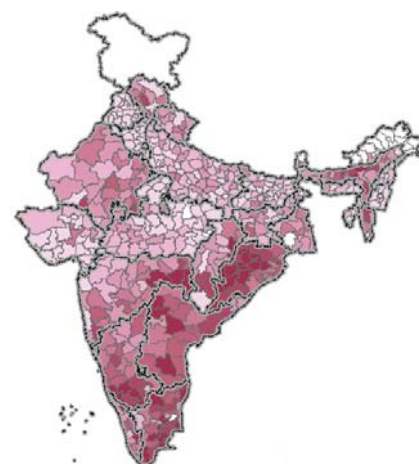
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THE GEOGRAPHIC DISTRIBUTION OF MICROFINANCE SERVICES IN INDIA 2007¹

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OVERVIEW

The microfinance sector in India has experienced explosive growth over the past five years. Unfortunately, as the last nationwide comprehensive survey of access to finance was conducted in 2001 and very few MFIs report client numbers on a district or even state level, little is known about the geographic distribution of microfinance services throughout the country beyond the most obvious characteristics. In an attempt to address this lacuna, the CMF systematically collected district-wise data on number of active borrowers and loans outstanding for several of India's largest MFIs over the last three years as part of its Map of Microfinance project sponsored by the Swiss Agency for Cooperation and Development. In this note, we analyze the data collected as a part of this exercise to paint a picture of the geographic distribution of microfinance services in India and to describe geographic trends in the growth of microfinance services across the country over the past year. The full version of the Map of Microfinance can be found online at <http://ifmr.ac.in/cmfm/map>.



DATA

The CMF collected data on the number of active borrowers, number of women active borrowers, and total loans outstanding as of March end for the past three years for several of India's largest MFIs. The CMF targeted the top twenty MFIs (ten in the first year of the exercise), as measured by total number of active borrowers, for data collection but data was accepted from all MFIs willing to provide it. The table in Appendix A lists the MFIs which provided data in each of the three years. Sixteen out of the top twenty MFIs along with an additional seven MFIs not among the top twenty reported data for both 2006 and 2007. Two MFIs – Share and Asmitha – provided data in 2005 but not in 2006 or 2007. Client numbers for these two MFIs in years 2006 and 2007 have been estimated based on information reported in 2005 and assuming a constant growth rate in all areas equal to the overall growth rate of the two MFIs. Altogether, the combined client base of these MFIs represents almost 90% of the total number of micro-credit clients of the top 40 MFIs in India.

As there is no law or regulation in India requiring organisations which provide micro-credit to formally register as microfinance institutions it is impossible to assess the share of the total market for micro-credit loans these MFIs together represent. Some observers estimate that there may be as many as 800 organisations currently providing micro-credit services in India. (Ghate, 2006) Yet, anecdotal accounts from practitioners strongly suggest that while there are a large number of organisations engaged in micro-credit activities, most of these micro-lenders are extremely small and together make up only a small portion of the overall micro-credit market. The steep drop-off in client numbers after the ten largest MFIs lends credence to this claim. The table in Appendix B lists the 40 largest MFIs in India, as measured by total number of active clients, along with whether or not data for the MFI is included in the dataset.

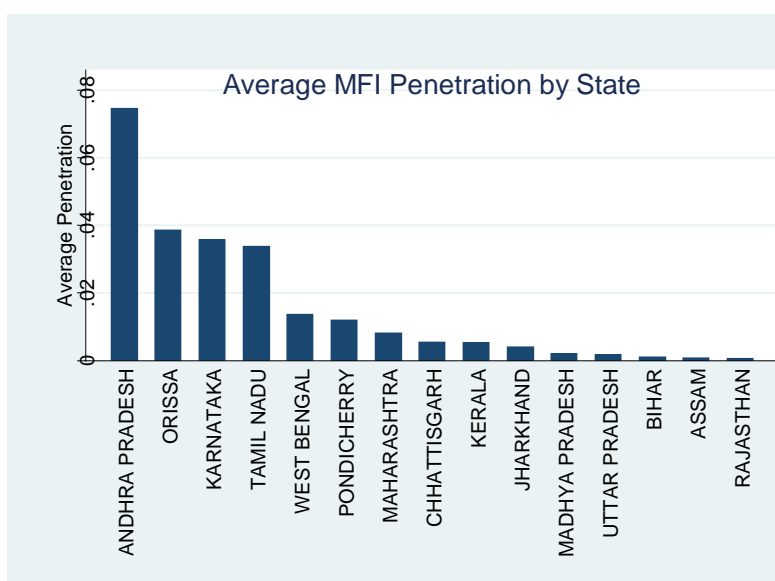
In some sections of the report, data on MFI presence is complemented with data on female population and SHG

1. The author would like to give a large thanks to all of the MFIs which took the time to report district-wise client statistics to the CMF for its annual map of microfinance. The list of which MFIs participated can be found in appendix A.

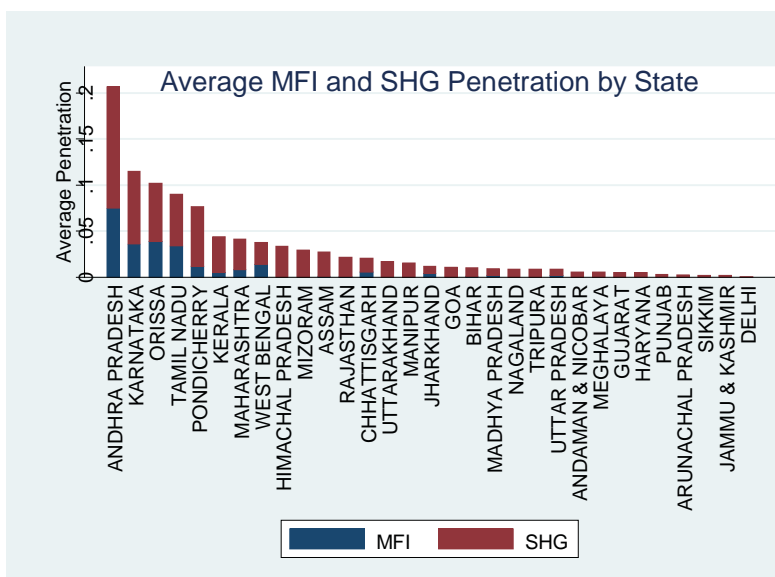
membership. District-wise statistics on female population have been estimated based on the most recent (2001) census assuming a constant gender ratio equal to that of the surrounding state in 2001 and an overall population growth rate for each district equal to that of the previous decade. Yearly SHG membership statistics have been estimated based on the total number of SHGs which have received a bank loan in each year as reported by NABARD assuming 15 members per SHG.

Throughout the report, MFI penetration has been calculated based on total number of active borrowers of all MFIs combined divided by the estimated female population. It should be noted that this may slightly overstate actual penetration levels, especially in areas with high levels of competition, as there may be some overlap in borrowers between different MFIs and SHGs. In addition, not all microfinance borrowers are women.

REGIONAL DISTRIBUTION OF MICROFINANCE SERVICES: THE SOUTH STILL DOMINATES



The most salient characteristic which emerges from initial inspection of the overall map of MFI penetration is that the South, and in particular Andhra Pradesh, still dominates in terms of MFI presence. Two of the top five states in terms of overall MFI penetration and three of the top five states in terms of MFI and SHG combined penetration (excluding Pondicherry) are all in the South. Moreover, with the notable exception of Krishna and Guntur districts in AP, growth remained strong throughout the South over the year 2006 to 2007.² Out of the top 20 districts by percentage point increase in MFI penetration from 2006 to 2007, 13 are in the South and 9 are in AP. (See graphs in this page and figures in the next page)



In addition to the southern states, Maharashtra, West Bengal and Orissa also displayed relatively high levels of penetration. Maharashtra in particular witnessed phenomenal growth in overall MFI penetration over the previous year, especially in those districts bordering AP.

PATTERNS OF EXPANSION: NOT JUST A CASE OF PILING ON

A common concern raised by those in the microfinance community is that while India has witnessed tremendous growth in access to microfinance services over the past five years the vast majority of this growth has occurred in a few select areas, primarily the South. MFIs, especially

2. In March of 2006, simmering tension between the government-supported Velugu program for SHG lending and the MFIs finally came to a head. State officials raided and shut down nearly all MFI branches operating in Krishna, one of the districts of AP with the highest penetration of microfinance. Immediately after the raids, officials spread word in Krishna and neighboring Guntur districts that borrowers need not repay their loans to the MFIs as the MFIs had engaged in various illegal practices causing massive defaults in the district. (Ghate, 2007)

Figure 1. MFI penetration, 2007

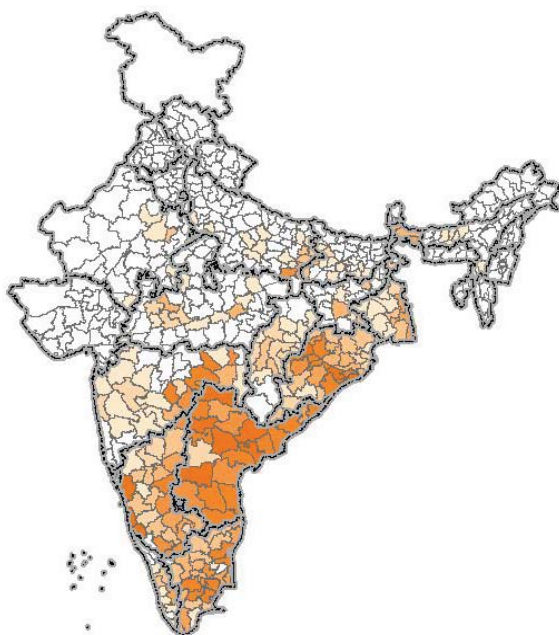


Figure 2. Percentage point increase in MFI penetration, 2006 to 2007

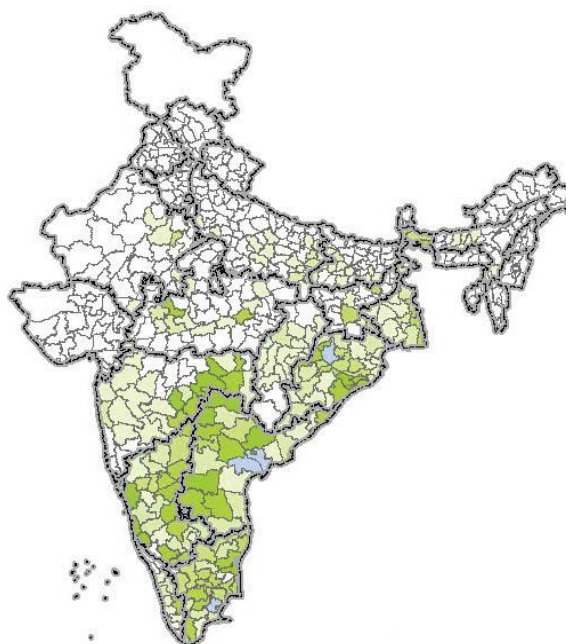
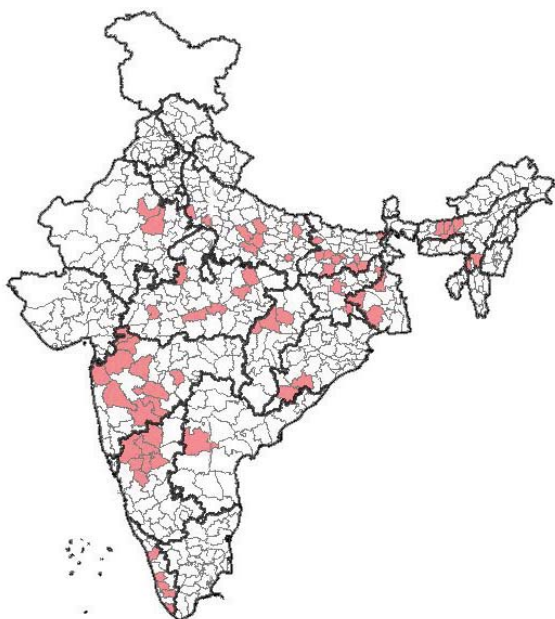


Figure 3. Districts with New Microfinance Activity



the larger ones, have been accused of adopting a strategy of “piling on” in locations in which other MFIs already have operations rather than seeking out new geographies with no previous access to microfinance. A closer look at the data collected here reveals that while the South still dominates in terms of absolute

coverage, MFIs are in fact expanding to previously un-served markets in search of clients and there is little evidence of “piling on.”

In the year from 2006 to 2007, the MFIs in the sample expanded operations to 65 districts which previously none of the sample MFIs had operations. Out of these 65 districts, only 13 were in the South and several were in states such as UP, Bihar, and Rajasthan with relatively low levels of microfinance.

Similarly, while there is still a large degree of overlap in coverage between the sample MFIs, sample MFIs tended to favour districts with relatively fewer number of other sample MFIs already operating when selecting districts for expansion. Collectively, the sample MFIs represented here expanded to 162 new districts in which they did not previously have operations in the previous year. In selecting which districts to expand to, MFIs chose districts in which none of the other sample had pre-existing operations 45% of the time and districts in which only

one other sample had operations 30% of the time.

Finally, comparing absolute growth in MFI penetration over the previous year with pre-existing MFI penetration in 2006 on a district by district basis, there is no discernible trend of higher growth occurring in those districts with high initial penetration as some have claimed. In fact, districts with the highest initial penetration in 2006 had relatively lower levels of growth than those districts with medium levels of initial penetration. This is likely the result of MFIs gradually shifting away from those districts with the highest levels of competition as a result of the crisis in AP.

DISPARITIES IN OPERATING PRACTICES BETWEEN STATES

The data gathered from MFIs reveals that states vary greatly not only in terms of penetration levels but in terms of operating practices as well. As the chart below shows, average loans sizes and the median number of clients per branch vary widely across states. To take the most extreme example, the average size of a loan to a micro-credit borrower in Kerala is over ten times that of a micro-credit borrower in Jharkhand. Care should be taken in interpreting these figures as the average age of branches and the average number of loan cycles each borrowers have been through likely varies significantly from state to state and differences in operating practices of individual MFIs may be biasing the results, yet the magnitude of the differences suggests that the practice of offering micro-credit varies greatly from state to state.

CONCLUSION

Lord Kelvin once commented that “if you can’t it, you can’t improve it.” With the Map of Microfinance project, the CMF, in collaboration with SDC and participating MFIs, has attempted to create a detailed measure of the state of access to microfinance services throughout the country over the past three years. In this supplementary note we have attempted to highlight some of the key results from this exercise. Our analysis of this data also reveals that some of the pre-conceived notions about how the Indian microfinance sector is expanding, such as whether MFIs are piling on or expanding into new territories, may not in fact be correct. The full version of the maps and data which were used for this analysis can be found online at <http://ifmr.ac.in/cmfm/map>.

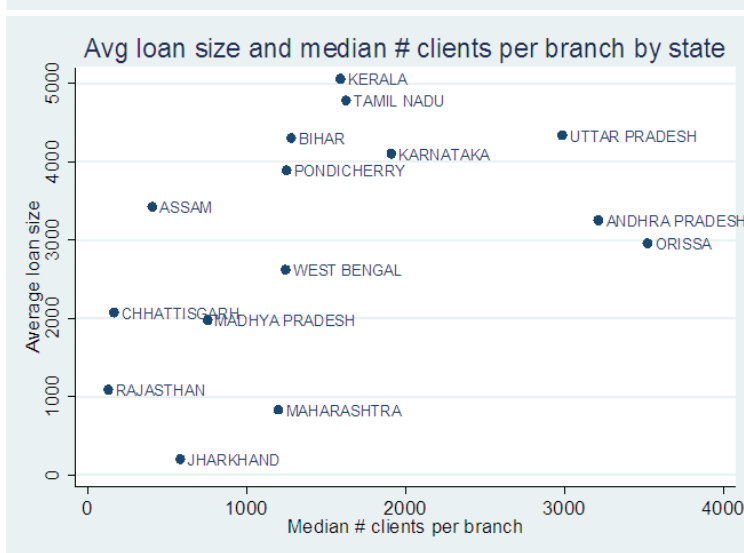
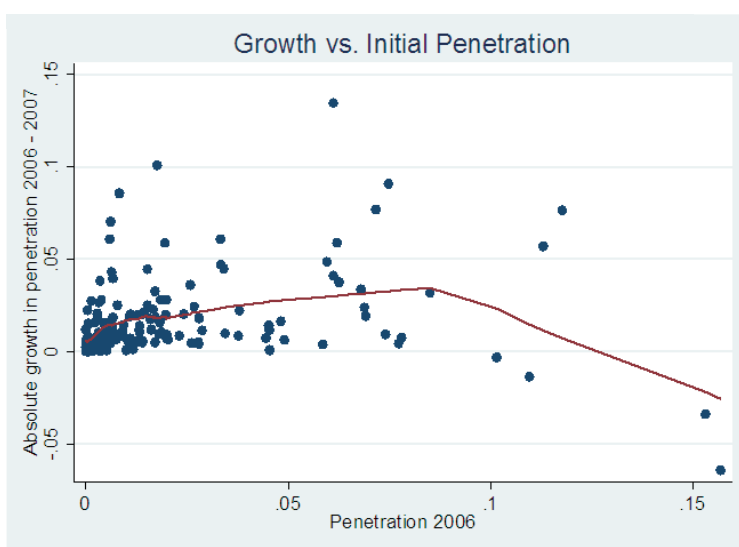
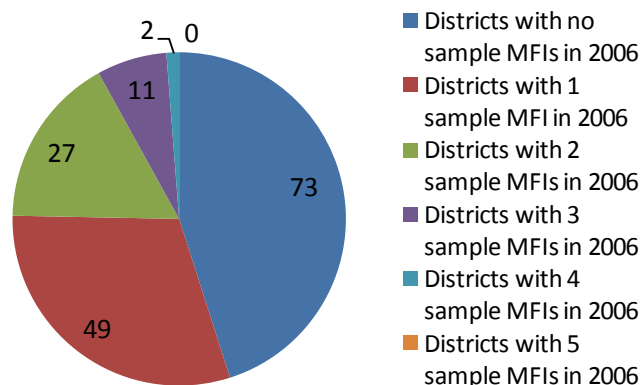
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http://microfinancenetwork.typepad.com/blog/files/sector_report1.pdf

Incidence of District Distribution



Appendix A: List of MFIs Which Contributed District-wise Client Data

2005	2006	2007
Asmitha	AMMACTS	AMMACTS
BSFL	ASA	ASA
Cashpor	Bandhan	Bandhan
KAS	BFL	BFL
Mahasemam	BISWA	BISWA
Sanghamithra	BSFL	BSFL
Share	Cashpor	Cashpor
SKS	ESAF	ESAF
SNFL	Grameen Koota	Grameen Koota
Spandana	KAS	KAS
	Kotalipara	Kotalipara
	LEAD	LEAD
	Mahasemam	Mahasemam
	Mann Deshi	Mann Deshi
	MCFI	MCFI
	Saadhana	Saadhana
	Sanghamitra	Sanghamitra
	Sharda	Sharda
	SKDRDP	SKDRDP
	SKS	SKS
	SNFL	SNFL
	Spandana	Spandana
	VWS	VWS

Appendix B: Top 40 India MFIs by Number of Active Borrowers

MFI*	Total # of Active Borrowers(2007)**	Provided data in 2005?	Provided data in 2006/07?	Included in map in 2006/07?
Spandana	916,261	Yes	Yes	Yes
Share	826,517	Yes		Yes
SKS	513,108	Yes	Yes	Yes
Bandhan	449,304		Yes	Yes
AML	416,829			Yes
Microcredit Foundation of India	410,329		Yes	Yes
KAS	394,462	Yes	Yes	Yes
Cashpor	201,692	Yes	Yes	Yes
BISWA	200,912		Yes	Yes
BASIX	198,282			
BFL	185,448		Yes	Yes
GV	181,328		Yes	Yes
Mahasemam	175,089	Yes	Yes	Yes
Sarvodaya nano finance	116,625	Yes	Yes	Yes
ESAF	110,122		Yes	Yes
Sanghamitra	104,614	Yes	Yes	Yes
SEWA	91,096			
Kotalipara	84,458		Yes	Yes
AMMACTS	83,236		Yes	Yes
GK	82,562		Yes	Yes
SWAWS	81,818			
BSS	63,315			
Sadhana	55,569		Yes	Yes
Krushu	42,242			
GU	41,353			
VWS	41,167		Yes	Yes
SMS	39,577			
Adhikar	35,210			
KBSLAB	32,498			
AWS	26,852			
SMSS	25,938			
RGVN	24,982			
RASS	23,410			
SU	22,860			
Sangamam	22,326			
CRSA	21,871			
Ujjivan	19,474			
OMI	16,779			
IASC	14,813			
BSA	14,400			
Total AB	6,408,728			
AB of reporting MFIs / total AB 2007		50.69%	67.19%	86.59%

* Out of the 23 MFIs which contributed data, 4 – BSFL, LEAD, Mann Deshi, Sharda, and SKDRP – do not rank among the 40 largest MFIs in India.

** As reported by MIX Market.

Appendix C : Top 20 Districts by MFI Penetration

State	District	Female Population	Total # Active Borrowers	MFI Penetration
	Uttara			
Karnataka	Kannada	724766	141840	19.57%
Karnataka	Udupi	6413333	124377	19.39%
	Dakshin			
Karnataka	Kannada	1042739	177315	17.00%
Orissa	Nayagarh	449832	74489	16.56%
AP	Khammam	1376397	204287	14.84%
AP	Kurnool	1873497	226325	12.08%
AP	Krishna	2237932	266049	11.89%
AP	Adilabad	1337118	158252	11.84%
Orissa	Puri	794948	92834	11.68%
Orissa	Bargarh	714886	77111	10.79%
AP	Medak	1424245	145460	10.21%
AP	Nalgonda	1725103	175081	10.15%
Orissa	Khordha	957548	95698	9.99%
AP	Guntur	2394041	235211	9.82%
Maharashtra	Wardha	660404	62060	9.40%
AP	Nizamabad	1278463	120005	9.39%
Orissa	Sambalpur	495157	45742	9.24%
Tamilnadu	Sivaganga	622631	57333	9.21%
Orissa	Boudh	199160	17626	8.85%
AP	East Godavari	2639313	225336	8.54%

Appendix D : Top 20 Fastest growing districts by absolute growth in penetration

State	District	Absolute growth in penetration
Karnataka	Uttara Kannada	13.46%
Andhra Pradesh	Adilabad	10.07%
Orissa	Nayagarh	9.08%
Maharashtra	Wardha	8.57%
Andhra Pradesh	Khammam	7.68%
Karnataka	Udupi	7.63%
Maharashtra	Parbhani	7.03%
Maharashtra	Yavatmal	6.08%
Andhra Pradesh	Nizamabad	6.06%
Andhra Pradesh	Kurnool	5.87%
Tamilnadu	Cuddalore	5.87%
Karnataka	Dakshin Kannada	5.71%
Orissa	Bargarh	4.83%
Andhra Pradesh	Cuddapah	4.70%
Karnataka	Bellary	4.47%
Orissa	Ganjam	4.44%
Andhra Pradesh	Anatapur	4.30%
Andhra Pradesh	Medak	4.09%
Maharashtra	Nanded	3.95%
Maharashtra	Bhandara	3.83%

Appendix E : MFI penetration in Top 10 Urban Areas

State	District	MFI penetration within district	MFI penetration of surrounding state	growth rate	growth rate of surrounding state
Andhra Pradesh	Hyderabad	5.159789	7.4629326	0.711432	1.9776701
Delhi	Delhi			0	
Gujarat	Ahmedabad			0	
Gujarat	Surat			0	
Karnataka	Bangalore(R)	3.272099	3.5712678	0.5000384	1.8682336
Karnataka	Bangalore(U)	0.6926764	3.5712678	0.2256826	1.8682336
Maharashtra	Mumbai			0	
Maharashtra	Mumbai(Suburban)			0	
Maharashtra	Pune	0.0026395	0.80921513	0.0026395	0.73471445
Maharashtra	Thane	0.1093399	0.80921513	0.1093399	0.73471445
Tamilnadu	Chennai	3.176365	3.3829474	2.789291	1.7011636
West Bengal	Kolkata	1.02714	1.3645169	0.6615959	0.81807405