

MICRO FINANCE INDUSTRY



To fulfill the financial needs, the poor people's are taking loans from microfinance which charged higher interest rates compared to commercial banks but lower interest rate compared to informal money lenders. The interest charged on informal loans is between 26 to 120 per cent per annum while MFIs charged interest rate of 24 to 36 percent.

Microfinance is one of the better tools for poverty alleviation, economic growth and development in emerging economies. In countries like India, the Microfinance creates a vital part of the financial system. Microfinance in India started in the early 1980s with small efforts at forming informal self help groups (SHG) to provide access to much-needed savings and credit services. From this small beginning, the microfinance sector has grown significantly in the past decades.

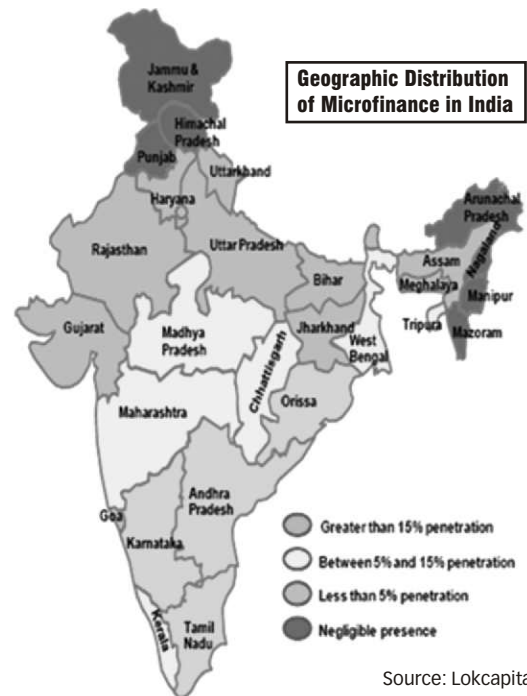
Microfinance means providing very poor families with very small loans (micro credit) to help them engage in productive activities /small businesses. The ultimate goal of microfinance is to enable the poor to build assets, increase incomes, reduce vulnerability to shocks and economic stress and improve quality of life by enabling better access to education and healthcare. Landlords, local shopkeepers, traders, suppliers, professional money lenders and relatives are the informal sources of micro-credit for the poor, both in rural and urban areas. Various financial products and services such as insurance, housing loans, savings deposits, money transfer services and pension products can be distributed through Micro Finance Institutions (MFIs).

The map of MFI dispersion in India depict that Southern state have the dominating position compared to Eastern, Western and Northern state. Importantly, in southern state, Andhra Pradesh has high penetration compared with other states.

There are two major microfinance models in India which are 'SHG model' and the 'MFI model'. The 'SHG model' are formed by formal agencies/NGOs and financed by banks. The 'MFI model' are formed and financed by the MFIs that obtain resource support from various channels. In India, majority of mirco credit activity is under the 'SHG model' (NABARD's Bank-SHG Linkage) and 10-15% of the activity is through 'MFI model'.

There are many reasons for the customers to borrow the money from MFI. The main reasons such as convenient installments, less documentation, timely loan, low interest rate compared to moneylenders etc. Typically, MFIs borrow from banks at around 12% and lend to tiny borrowers charging at least double the interest rate.

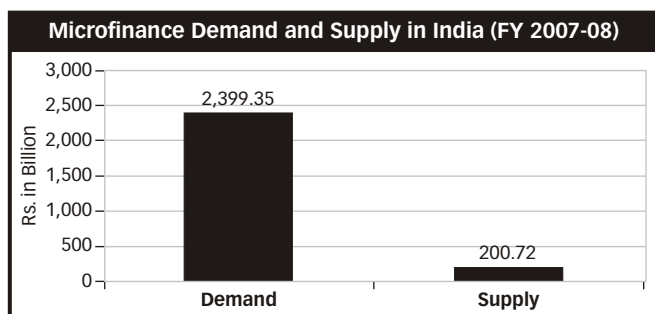
In India, banking sector is a growing sector. But yet different banks like public, private and foreign bank could not capture the rural areas. Due to the lack of bank accounts, rural peoples are mostly depends on informal money lenders. According to RBI statistics, the number of credit accounts (per 1000 persons) decreased from 64 in 1996 to 62 in 2006 in rural areas, whereas the figures for urban areas was increased from 50 in 1996 to 115 in 2006. For deposit accounts (per 1000 persons) was increased from 322 in 1996 to 325 in 2006 in rural areas, whereas the comparable figures for urban areas was 699 in 1996 to 724 in 2006. To fulfill the



Source: Lokcapital

financial needs, the poor people's are taking loans from microfinance which charged higher interest rates compared to commercial banks but lower interest rate compared to informal money lenders. **The interest charged on informal loans is between 26 to 120 per cent per annum while MFIs charged interest rate of 24 to 36 percent.** SHGs charged an effective interest rate of 24 to 28 percent.

Banks are the main source of funding for MFIs. MFIs have also raised fund with the issuance of equity to various investors including venture capital, private equity insurance agencies and financial institutions. The microfinance (Demand and supply in India FY 2007-08) chart depicts massive gap between demand and supply of money. **It is very difficult to trace the exact figure in case of microfinance due to informal demand and supply of money.**

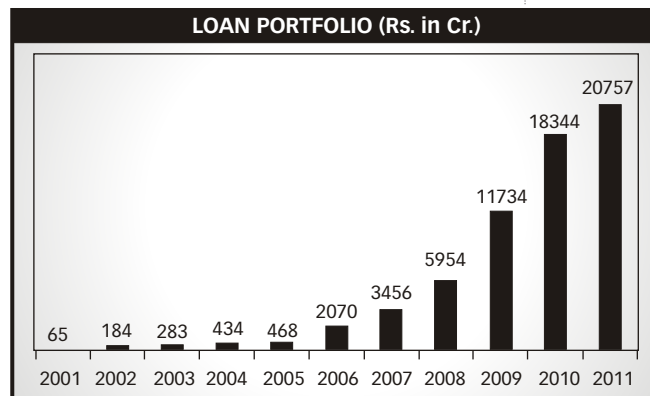
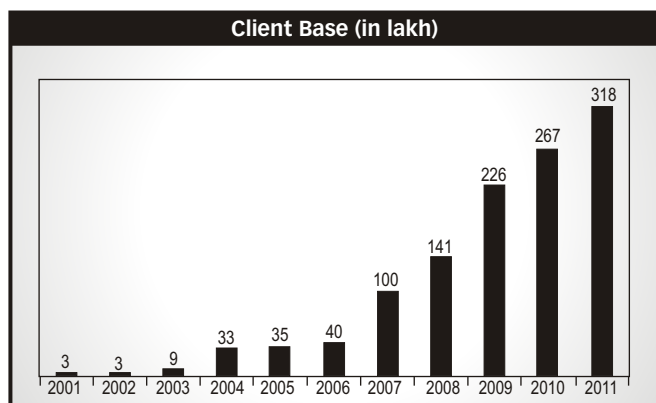


Source: Intellectap's 2008 'Inverting the Pyramid' Report

The total estimated demand for micro-credit was nearly Rs.2,399.35 billion against which there was loan disbursements of just Rs.200.72 billion. The demand is being addressed by Microfinance Institutions (MFIs) and Self Help Groups (SHGs). The total microfinance loan disbursements do not include loans made by traditional commercial rural banks and other informal money lenders.

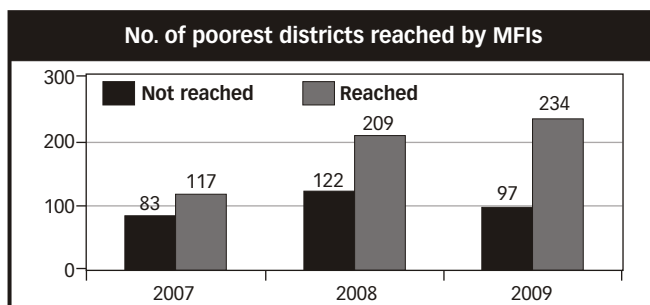
The MFI channel grew from 100 lakh clients in 2007 to 226 lakh clients in 2009, depicting a CAGR of 50.3%. The outstanding loan portfolio grew from Rs. 3456 crore in 2007 to Rs. 11734 crore in 2009, representing a CAGR of 84.3%.

MFIs seeking to obtain an NBFC license are required to have a minimum capitalization of Rs. 20 million. Recent legislation requires NBFCs to maintain a capital adequacy ratio of at least 12 percent by March 31, 2010 and 15 percent by March 31, 2011.



Source: Sa-dhan Report 2011

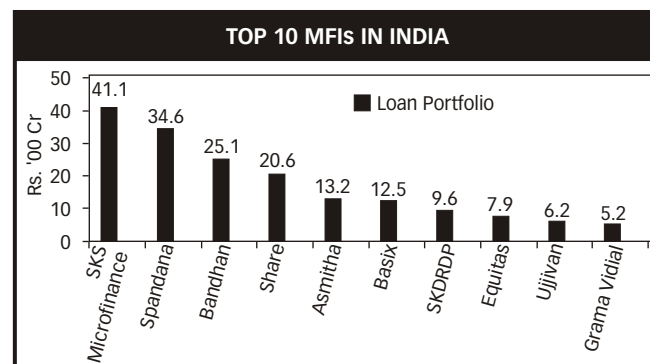
As per "Sa-Dhan 2011 Report" there were around 172 MFIs operating in India with a client outreach of 318 lakh people and a portfolio outstanding of Rs.20,757 crore. The client base recorded a 59% CAGR during 2001-2011 while the Loan portfolio recorded a 78% CAGR during the same period.



Source: Sa-dhan Quick Data Report 2009

The MFIs operating in India has covered 517 districts of which 234 districts are the poorest districts. As per 'Sa-dhan quick data report 2009' the MFIs are covering several areas of poorest district over a period of time.

The chart depict that the number of poorest district reached by MFIs is 71% in 2009 compared with 58% in 2007. The number of poorest district not reached by MFIs has decreased from 42% in 2007 to 29% in 2009.



Source: SOS Report 2011

The chart depicts the top 10 MFIs in India which have covered 76% of market share. The loan portfolio of SKS Microfinance was Rs. 4,111 crore as on March 31, 2011.

SKS is the only listed Microfinance in India which covered nearly 18% market share as on March 31, 2011. The company

sector focus

has the highest share in terms of loan portfolio and number of borrowers.

POLICY

Banks in India are obligatory to lend certain required percentage, either directly or indirectly, to specified sectors of the population and industry designated as priority sectors. In 2007, the RBI enacted rules to include microfinance loans within the purview of these mandatory priority sector bank lending requirements. Hence, these rules allowed banks to lend to SHGs and MFIs to satisfy their priority sector lending requirements.

Last year, Reserve Bank of India issued regulations to govern MFIs operating as non-banking financial companies. The RBI capped the interest rate MFIs can charge at 26% annually to the individuals and the outstanding loans of a poor borrower should not exceed Rs 50,000. The repayment tenure should be a minimum of two-year for all loans above Rs. 15,000 without any pre-payment penalties. The microfinance companies can give loans without collateral and the aggregate amount of loan given for income generation should be 75 per cent of the total advances of the micro lender.

RBI has permitted NBFC-MFIs to access external commercial borrowings (ECBs) upto US\$ 10 MM without prior approval.

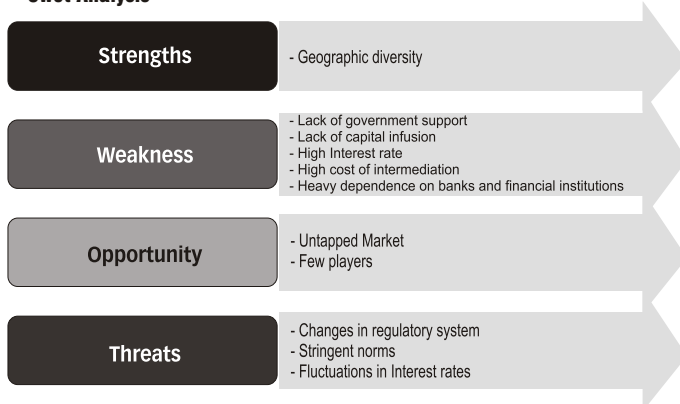
ANDHRA PRADESH MFI ACT

The expansion of microfinance industry has decelerated in the past few years on account of the falling growth in **Andhra**

Pradesh state which contributed nearly 40 percent of the industry. The Andhra Pradesh government declared AP Microfinance Ordinance in October 2010 and subsequently the Ordinance became an Act in the wake of a spate of suicides by the borrowers allegedly due to the coercive recovery practices by the MFI agents in Andhra Pradesh.

The Act mandated the MFIs to take permission from the Government before lending to borrowers and also insisted the **collection cycle to be monthly instead of weekly.** The MFI Act resulted in reduction in loan disbursement by MFIs in Andhra Pradesh from Rs. 5,035 crore in first half of FY 2011 to Rs. 8.5 crore in the second half of FY 2011. Presently, the repayment rate in Andhra Pradesh stands at 5-10% as against 96-99% in other states. Due to the crisis, banks stopped lending to MFIs.

Swot Analysis



SKS MICROFINANCE LTD



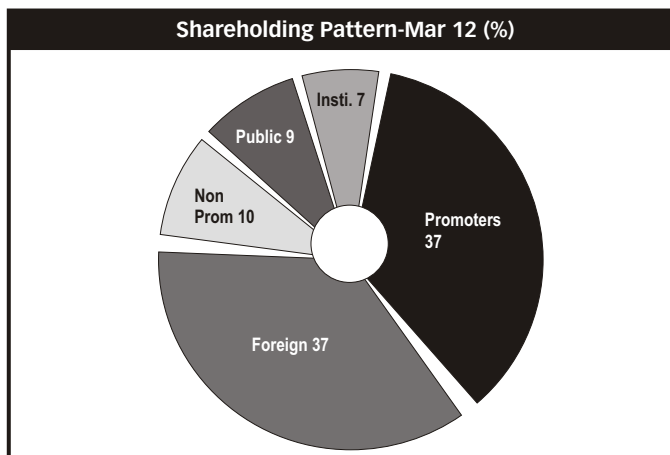
SKS Microfinance Ltd is the largest MFI in India which registered under non-banking finance company (NBFC) and regulated by the Reserve Bank of India. The main object of the company is to provide microfinance services to the women who are under the lower income section located in rural areas. The company distributes small loans in the range of Rs. 2,000 to Rs. 12,000 to poor women so that they can start simple businesses and increase their incomes.

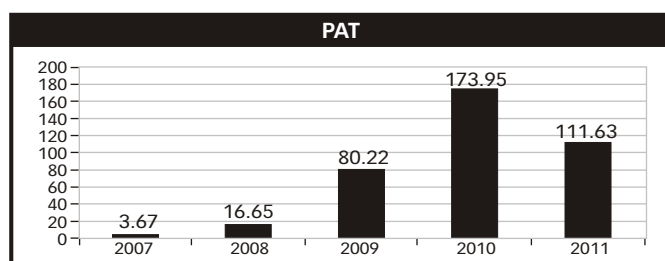
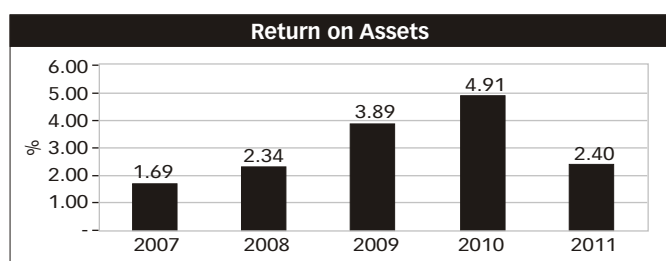
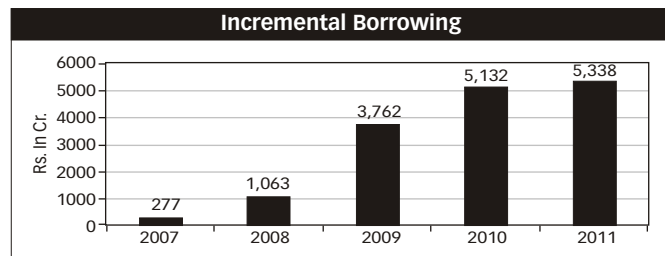
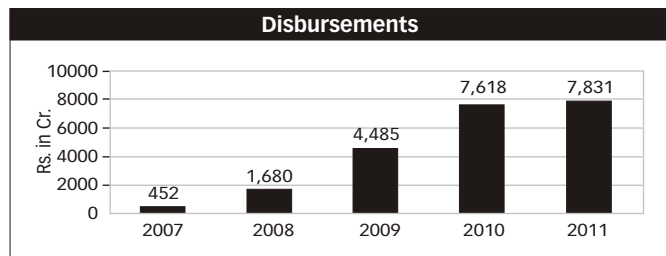
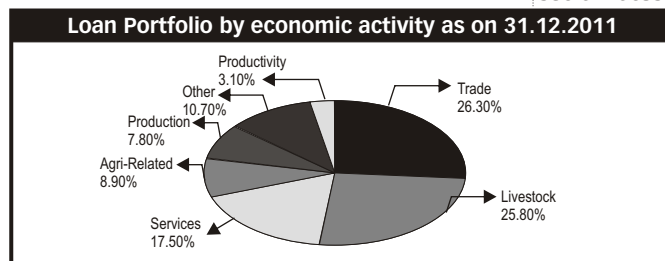
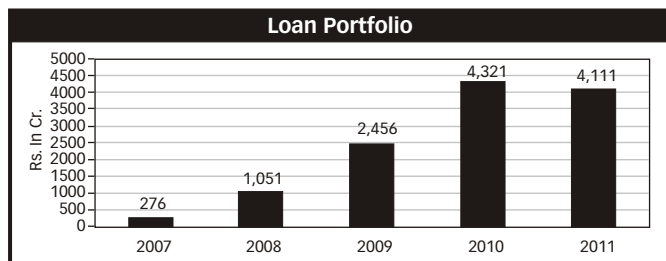
In 1997, Swayam Krishi Sangam, or SKS Society, was founded as a public society in the state of Andhra Pradesh, and it functioned as a non-governmental organization (NGO) that provided microfinance in Andhra Pradesh.

SKS Microfinance Ltd was incorporated on September 22, 2003 as a private limited company with the name as 'SKS Microfinance Pvt Ltd'. In May 2, 2009 the company was converted into a public limited company and the name was changed to 'SKS Microfinance Ltd'. The company has 2,379 branches across 378 districts in 19 states with a borrower base of 73 lakh at the end of 2010-11.

The disbursements grown at a CAGR of 104 % during FY 2007 to 2011 while the loan portfolio grown at a CAGR of 96% during the

Particulars	2008	2009	2010	2011
Branches(No.)	770	1,353	2,029	2,379
Districts (No.)	219	307	354	378
Employees (No.)	6,818	12,814	21,154	22,733
No. of Borrowers (in Lakh)	18.79	39.53	67.80	73.07
Amount Disbursed (Rs. Cr)	1,680	4,485	7,618	7,831
Loan Portfolio (Rs. Cr)	1,051	2,456	4,321	4,111





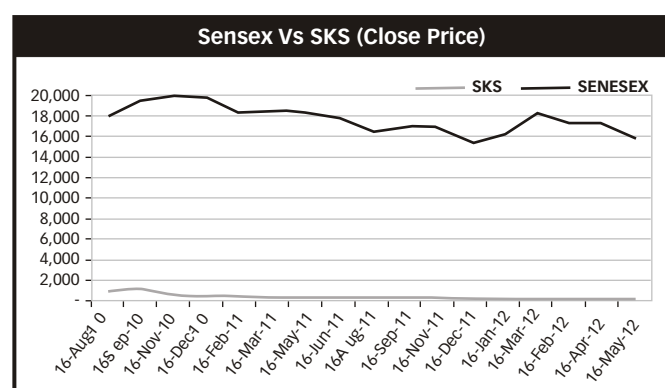
	Products				
	Particulars	Range of Loan	Tenure	Interest Rate	Benefits
F U N D B A S E D	Mid-Term Loan	Rs. 2,000 - Rs. 10,000 (Max. Rs. 14,000)	50 weeks	12.50% flat / 24.55% annual	Financial assistance for raising livestock, trades and services
	Income Generation Loans	Rs. 2,000 - Rs. 12,000 (Max. Rs. 14,000)			
	Sangam Store Loans	Rs. 2,500 - Rs. 12,500	7 days	Interest Free	Working capital loan to operate kirana stores [Launched 9,878 stores till 31.12.2011]
	Mobile Loans	Rs. 1,800 - Rs. 3,000	25 weeks	26.00% annual	Financing for mobile phones [Funded 2.4 lac mobile handsets till 31.12.2011]
	Gold Loan	Rs. 2,000 - Rs. 1,00,000	12 months	12.00% - 25.30% annual	Provides personal / business loans secured by gold jewelry (Branches - 46, Portfolio outstanding - Rs. 24 crores)
	Housing Loans	Rs. 50,000 - Rs. 1,50,000	3 - 5 years	11.90% flat / 21.00% annual	Financial access for construction of new houses / improvement & extension of existing houses
F E E	Insurance	-	5 years	-	Life Insurance

Note: Excluding processing fees and other charges

same period. The chart 'Loan Portfolio by economic activity' depict that the disbursement of loan to trade, livestock and services is higher compared to other segment. The incremental borrowing has increased from Rs. 277 crore in 2007 to Rs. 5338 crore in 2011. The return on assets decreased to 2.40% in 2011 from 4.91% in 2010.

Price Performance

SKS Microfinance Limited has successfully completed its Initial Public Offering (IPO) of 1,67,91,579 equity shares of Rs. 10/- each and has achieved a rare distinction of becoming the **first microfinance institution in India to be listed** on the BSE and the NSE on August 16, 2010.



sector focus

The company has fixed issue price at Rs 985 per share, at higher end of price band of Rs 850-985. The share has listed at Rs 1036 as against issue price of Rs 985 per share on BSE. With an impressive debut on stock exchanges, the scrip gain nearly 10.52 per cent over the issue price and closed at Rs. 1088.58. Over the period of two years, the share price has decelerated and it has reached up to a level of Rs. 81.70 on May 16, 2012. There are various reasons for the deceleration in the share price such as changes in management team, consecutive losses in quarterly result, Low recovery in Andhra Pradesh state etc.

Financial Analysis

The company has posted a net profit of Rs. 111.63 crore for the year ended March 31, 2011 as compared to Rs. 173.95 crore for the year ended March 31, 2010.

The growth in Andhra Pradesh state has hampered on account of microfinance law passed in Andhra Pradesh. At the time of **AP MFI Ordinance, the contribution of Andhra Pradesh state in company loan portfolios was 28%**.

The total income has increased by 32% to Rs. 1269.54 crore in FY 11 from Rs. 958.51 crore in FY 10 on account of increase in average gross loan portfolio by 39% and other income. The Interest income from fixed deposits has decreased by Rs. 11.00 crore in FY 2011 because of a decrease in cash and bank balances from Rs. 973.52 crore in FY 2010 to Rs. 557.91 crore in FY 2011.

The total expenditure has increased by 59% to Rs. 1080.96 crore in FY 2011 from Rs. 678.21 crore in FY 2010 on account of tremendous increase in miscellaneous expenses and write offs. The provisions and write-offs increased by 361% from Rs. 51.30 crore in FY 2010 to Rs. 236.20 crore in FY 2011, mainly due to higher provisions and write-offs made in the state of Andhra Pradesh for Rs. 129.70 crore in FY 2011. The net profit has decreased by 36% to Rs. 111.63 crore in FY 11 from Rs. 173.95 crore in FY 10.

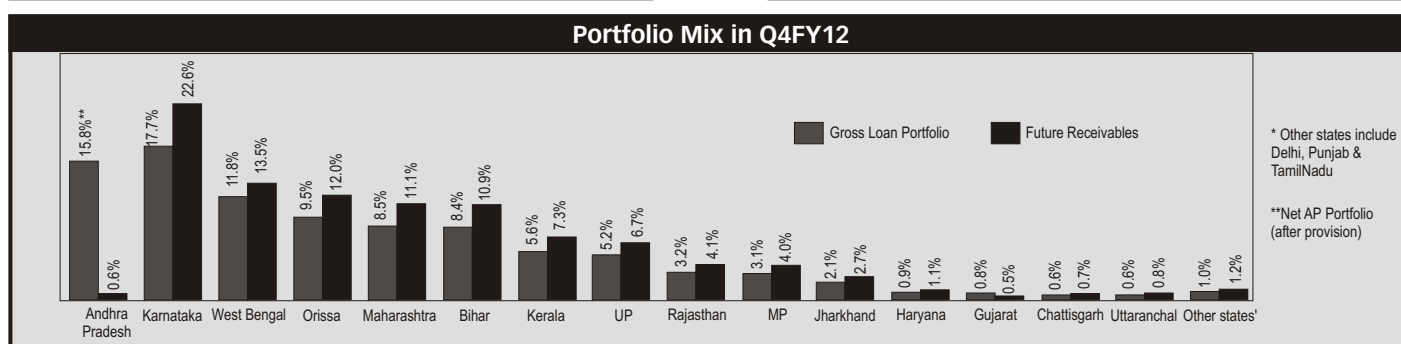
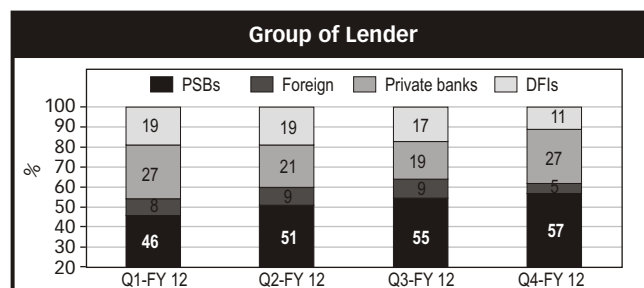
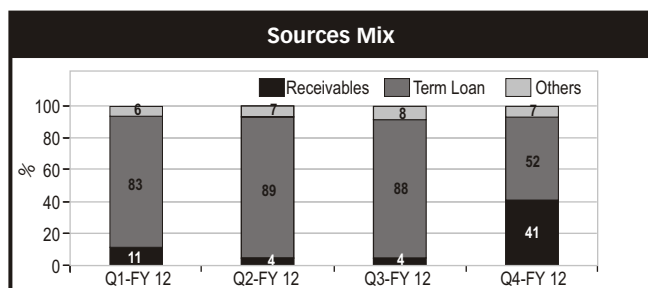
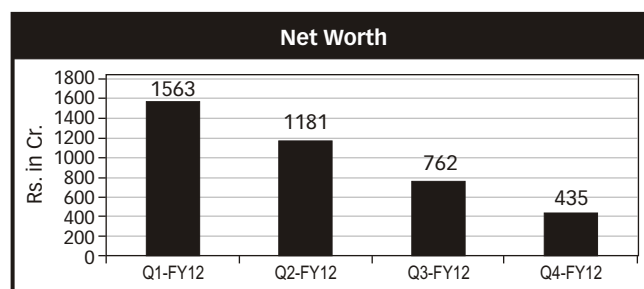
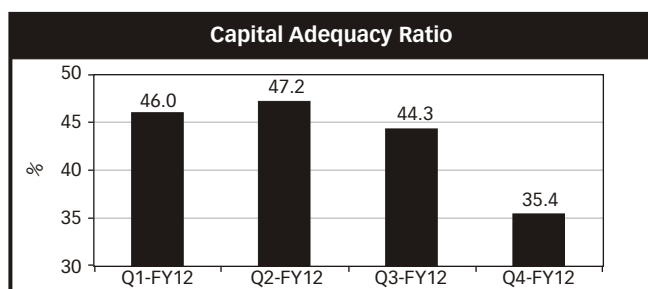
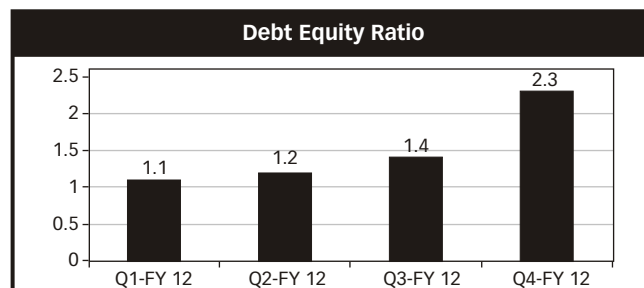
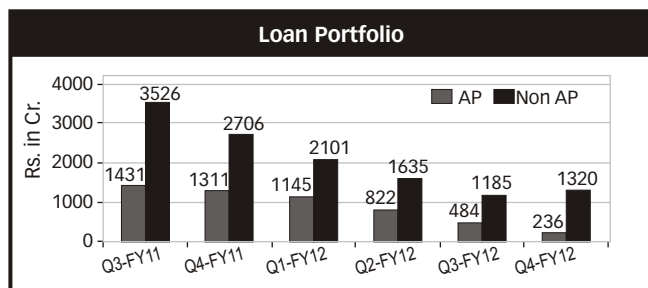
Quarterly Analysis

The total income has decreased by 63% to Rs. 71.69 crore in Q4 of FY 12 from Rs. 193.84 crore in same quarter of FY 11 due

Income Statement						(All figures in Rs. Cr, except per share data)
Particulars	Mar-11	% Change	Mar-10	% Change	Mar-09	
Net Sales	1,261.73	32%	954.96	73%	552.70	
Other Income	7.81	120%	3.55	173%	1.30	
Total Income	1,269.54	32%	958.51	73%	554.00	
Adm. Expenses	149.12	31%	114.02	60%	71.29	
Misc. Expenses	259.65	325%	61.05	196%	20.65	
Interest	347.89	21%	288.41	48%	194.43	
Employee Expense	324.30	51%	214.73	62%	132.72	
Total Expenditure	1,080.96	59%	678.21	62%	419.09	
Gross Profit	188.58	-33%	280.30	108%	134.91	
Depreciation	16.15	28%	12.60	16%	10.85	
PBT	172.43	-36%	267.70	116%	124.06	
Tax	74.25	-25%	98.97	117%	45.60	
Fringe Benefit tax	-	-	0.02	-	1.54	
Deferred Tax	(13.45)	157%	(5.24)	59%	(3.30)	
Net Profit	111.63	-36%	173.95	117%	80.22	
EPS	15.44	-	26.96	-	16.75	
BV	244.94	-	147.81	-	136.48	

QUARTERLY							(All figures in Rs. Cr, except per share data)
Particulars	Dec-10	Dec-11	% Change	Mar-11	Mar-12	% Change	
Net Sales	363.15	78.92	-78%	171.15	52.80	-69%	
Other Income	26.32	13.84	-47%	22.69	18.89	-17%	
Total Income	389.47	92.76	-76%	193.84	71.69	-63%	
Employee Expense	88.67	65.21	-26%	68.33	55.72	-18%	
Provisions	100.75	358.67	256%	106.21	277.82	162%	
Other Expenses	47.42	52.70	11%	33.85	23.03	-32%	
Total Expenditure	236.84	476.58	101%	208.39	356.57	71%	
PBIDT	152.63	(383.82)	-351%	(14.55)	(284.88)	1858%	
Interest	97.03	41.47	-57%	86.82	42.16	-51%	
PBDT	55.60	(425.29)	-865%	(101.37)	(327.04)	223%	
Depreciation	3.81	2.46	-35%	3.36	2.49	-26%	
Tax	17.64	0.04	-	(34.96)	-	-	
PAT	34.15	(427.79)	-1353%	(69.77)	(329.53)	372%	
PATM (%)	9.40	(542.06)	-	(40.77)	(624.11)	-	

Source: Cline



to decrease in interest income on portfolio loans. The total expenditure has increased by 71% to Rs. 356.57 in Q4 of FY 12 from Rs. 208.39 crore in same quarter of FY 11 mainly on account of remarkable increase in provision by 162% from Rs. 106.21 crore in Q4 of FY 11 to Rs. 277.82 crore in same quarter of FY 12. The company have written-off Rs. 272.00 crores in Q4 of FY 2012 and reduced the residual AP exposure to Rs. 236.00 crores from a high of Rs. 1,491.00 crores in October 2010.

The loan disbursement was Rs. 793.00 crores in Q4 of FY 2012 compared to Rs. 322.00 crores in Q3 of FY 2012. The Capital Adequacy Ratio stood at 35.4% in Q4 of FY 2012 against 45.4% recorded in the same quarter of last year. The debt equity ratio increased to 2.3 in Q4 of FY 2012 compared with 1.3 in Q4 of FY 2011. The book value has decreased tremendously to Rs. 60.07 in Q4 of FY 2012 compared with Rs. 246.23 in same quarter of FY 2011.

Portfolio Mix (State wise) in Q4FY12

The collections in West Bengal and Gujarat have decreased in the fourth quarter of 2011-12 compared to the third quarter. The collections dropped from 81.7 per cent to 80.2 per cent in West Bengal, while it dropped by 10 per cent from 58.5 per cent in Gujarat. In SKS portfolio, West Bengal and Gujarat accounts for 11.8 per cent and 0.8 per cent respectively.

The gross loan portfolio is high in Karnataka and Andhra Pradesh which is 17.7% and 15.8% respectively. But the Andhra Pradesh exposure on future receivable is enormously low (less than 1%). Due to Andhra Pradesh Crisis, the company is planning to increase the loan portfolio in Non AP states.

Out of its Rs.1,491 crore loan portfolio in Andhra Pradesh, the company had to write off Rs.1,120 crore. The loan portfolio excluding Andhra Pradesh is Rs.1,320 crore. The collection

sector focus

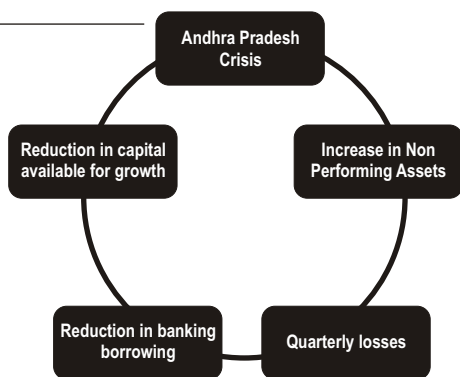
efficiency in Non-AP states has increased to 95.1% in Q4 of FY 2012 from 94.9% in Q3 of FY 2012. The collection efficiency in few non AP states like Karnataka, Kerala, Rajasthan, Jharkhand, Haryana, Chhattisgarh, Uttaranchal is 100% in Q4 FY 12.

Provision policy of Loan Portfolio

The loans are classified as Standard, Sub-standard and loss assets. In Andhra Pradesh, the frequency of the joint liability group (JLG) loan repayments has changed from **weekly to monthly** due to compliance with the AP MFI Act.

Asset Classification	Andhra Pradesh		Other States	
	Arrear Period (in days)	Provision (%)	Arrear Period (in weeks)	Provision (%)
Standard	< 180	0.25	<8	0.25 - 1
Sub-Standard	> 180 upto 720	10	>8 upto 25	50
Loss Assets	> 720	100	>25	100

Concern



Latest News

- The company planned to cut jobs and shut some branches in Andhra Pradesh state due to mounting losses. The company which employs 3,400 people in Andhra Pradesh will cut 1,200 jobs and has decided to close 78 of the 180 branches it operates in the state.
- The Andhra Pradesh High Court has issued an interim

order suspending District Rural Development Agency's (DRDA) notice to cancel the company's registration in Mahabubnagar district.

- The company has decided to shift its headquarters from Andhra Pradesh to Mumbai due to lack of business in Andhra Pradesh and the presence of many financial services in Mumbai.
- The company's shares jump 12.4 percent, a day after cabinet approved a bill to bring microlenders under the RBI's oversight.
- Recently, Mr. Vikram Akula (founder and chairman) resigned from the board and the company has appointed P H Ravi Kumar, Independent Director, as the interim non-executive chairman.

Key points of SKS Microfinance

- SKS Microfinance Ltd is the only listed microfinance company in India.
- The stock is down 94 percent from a September 2010 peak.
- The company has reported losses in last five consecutive quarters. In Q4 of FY 2012, the company has incurred a loss of Rs 329.53 crore
- Due to Andhra Pradesh situation, the recovery rate in AP has reduced dramatically whereas in non AP states the recovery rates remained relatively high
- Management struggle - Exit of its founder Vikram Akula in November 2011

Peer Comparison

SKS Microfinance Limited is the only listed microfinance company in India. There are few microfinance institutions which are noted below.

- Spandana Sphoorty Financial Ltd (SSFL)
- Bandhan
- Share Microfin Limited (SML)
- Asmitha Microfinance Ltd (AML)

Spandana Sphoorty Financial Ltd (SSFL)



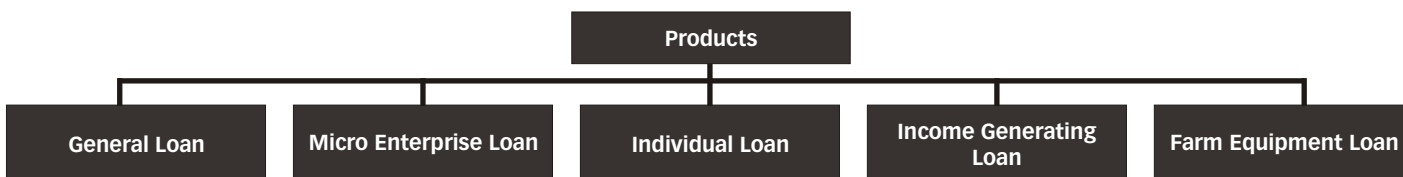
The company started its operations in 1998 under the leadership of Mrs Padmaja Reddy. The company started as an NGO, registered as a Society and then transformed into a Non-Banking Finance Company, regulated by the guidelines of Reserve Bank of India.

The number of branches has increased from 295 in 2007 to 1731 in 2011. The number of borrowers has increased tremendously from 9.16 lakh in 2007 to 41.77 lakh in 2011.

The loan portfolio has decreased to Rs. 3436 crore in 2011 from Rs. 3541 crore in 2010. The contribution of Andhra Pradesh state in company's portfolio is more than 50%. The major source of funding for the company is from private banks (more than 35%) while the contribution of public banks is less than 15%.

Spandana Spoority Financial Ltd

Particulars	2007	2008	2009	2010	2011
Branches (No.)	295	435	944	1,533	1,731
States (No.)	4	8	10	12	12
No. of Borrowers (in Lakh)	9.16	11.89	24.32	36.63	41.77
Loan Portfolio (Rs. in Cr)	398	731	1868	3541	3436

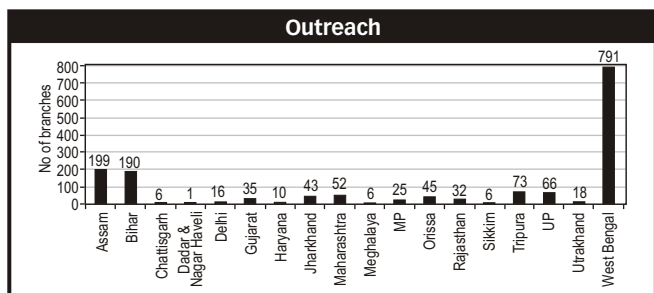


Bandhan Financial Services Private Limited (BFSPL)



The company was set up in 2001, under the leadership of Mr. Chandra Shekhar Ghoas. The company commenced group-based microfinance operations in West Bengal in July 2002. Presently, all the microfinance activities are carried under Bandhan Financial Services Private Limited (BFSPL), incorporated under the Companies Act, 1956 and also registered as a Non Banking Financial Company (NBFC) with the Reserve Bank of India.

The company has 1,614 branches across 171 districts in 18 states with a borrower base of 38 lakh as on May 2012.



The outreach chart depicts that the company has wide coverage in West Bengal (791 branches).

The company has recorded a loan outstanding of Rs. 3736 crore as on May 2012.

Along with the Loan products, the company is providing additional services like Insurance, Pension, Remittance services etc. The company has recorded a client base of 75 lakh for Insurance and above 1 lakh subscribers for New Pension System (NPS) as on May 2012.

Products	Range of Loan	Tenure (months)	Interest Rate *
Micro Loan	Rs. 1,000 - Rs. 15,000	12	22.90%
Micro Enterprise Loan	Rs. 16,000 - Rs. 50,000	24	
Micro Small & Medium Enterprise Loan	Rs. 51,000 - Rs. 3,00,000	12/18/24	20.00%
Micro Health Loan	Rs. 1,000 - Rs. 5,000	12	
Micro Education Loan	Rs. 1,000 - Rs. 10,000	12	22.90%
Fisheries	Rs. 8,000 - Rs. 40,000	12/24	

Note: *Interest rate calculated on Reducing Balance Method, excluding processing fees

Share Microfin Limited



The company started in 1989 as a not-for-profit society. It was the first microfinance institution (MFI) in India to obtain a Non Banking Financial Company (Non Deposit) licence. The company has adopted a for-profit approach to create social returns by channeling funds from development institutions and commercial banks as collateral-free loans to Joint Liability Groups (JLGs).

The company provided services to 35 lakh clients spreading across 38,190 villages in 229 districts of 19 states of India.

The loan outstanding is of Rs. 2,066 crore and the cumulative disbursed amount is of Rs. 12,498 crore as on March 2011. The repayment rate has reduced from 99.9% in March 2010 to 81.0% in March 2011.

Products

In addition to credit products, the company is providing value added services such as Life Insurance, Health Insurance, Money Remittance Services etc. to the various clients across the states.

Share Microfin Limited

Particulars	2008	2009	2010	2011
Branches (No.)	462	766	990	1,076
States (No.)	10	16	18	19
No. of Members ('000)	1,289	1,868	2,807	3,530
Amount Disbursed (Rs. in Cr)	3,249	5,314	8,945	12,498
Loan Portfolio (Rs. in Cr)	609	1,217	2,208	2,066

Products

Particulars	Range of Loan	Tenure (months)	Interest Rate*
General Loans	Rs.7,000 - Rs. 40,000	12-24	24% - 26%
Micro Enterprise Loans	Rs.21,000 - Rs.2,50,000		
Personal Loans	Rs.9,000 - Rs.99,000		

Note: *Interest rate calculated on Reducing Balance Method

The microfinance sector in India is fragmented. The efficacy of micro-finance as an instrument of poverty alleviation greatly depends on the channel through which it is delivered. At present, MFIs providing the loans for Livestock, Small business, Agriculture etc. Now a day, MFIs has come up with new products such as Insurance, Pension, Education, Housing, Mobile etc. It will be beneficial for the poor to satisfy their basic needs.

Conclusion

The Indian microfinance sector has gone through tumultuous changes since 2010. The state government of Andhra

Pradesh, which was hitherto the Mecca of microfinance, imposed an ordinance to drastically curb the operations of MFIs. The ordinance not only reduced the market size of Andhra Pradesh-based MFIs, but also altered the domestic policy environment and eroded several stakeholders' faith in the sector. Although the MFIs are facing tough times, there is a fair degree of opportunity to build long-term sustainable business around microfinance. Balancing the interests of the vulnerable borrowers as also the microfinance institutions; effective regulations, well calibrated transition time and some breathing space to the institutions could help the microfinance sector to turn around, expand and help achieve inclusive growth.

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