Progress of Microfinance Sector in India: Issues and Challenges

*** Dr. Surender Kumar Nagia**Dr. Ramesh Kumar Dhiman***Dr. Madan Lal Singla**

Microfinance is the provision of financial services to low income clients or solidarity lending groups including consumers and the self-employed, who traditionally lack access to banking and related services. Microfinance is to improve the lives of poor and marginalized populations by granting them access to financial services. Microfinance programs like the self-help bank linkage program in India have been increasingly promoted for their positive economic impact and the belief that they empower the poor. With financial inclusion emerging as a major policy objective in the country, Microfinance has occupied centre stage as a promising conduit for extending financial services to unbanked sections of population. At the same time, practices followed by certain lenders have subjected the sector to greater scrutiny and need for stricter regulation. Although the microfinance sector is having a healthy growth rate, there have been a number of concerns related to the sector, like grey areas in regulation, transparent pricing, low financial literacy etc. In addition to these concerns there are a few emerging concerns like cluster formation, insufficient funds, multiple lending and over-indebtedness which are arising because of the increasing competition among the MFIs. Microfinance sector has grown rapidly over the past few decades.

Nobel Laureate Muhammad Yunus is credited with laying the foundation of the modern MFIs with establishment of Grameen Bank, Bangladesh in 1976. Today it has evolved into a vibrant industry exhibiting a variety of business models. Microfinance Institutions (MFIs) in India exist as NGOs (registered as societies or trusts), Section 25 companies and Non-Banking Financial Companies (NBFCs). Commercial Banks, Regional Rural Banks (RRBs), cooperative societies and other large lenders have played an important role in providing refinance facility to MFIs. Banks have also leveraged the Self-Help Group (SHGs) channel to provide direct credit to group borrowers.

**** Associate Professor of Commerce, Pt.C.L.Sharma Govt. PG College, Karnal***

*****Assistant Professor of Commerce, HOD, SUS Govt. College, Matak Majri – Indri (Karnal)***

******Associate Professor of Commerce, Maharaja Aggresen College, Jagadhri (Yumananagar)***

The microfinance sector, which earlier was heralded as representing a commercially viable solution to the problems of financial inclusion, poverty reduction and female empowerment, has within a span of a few months been accused of being an obstacle in the accomplishment of these goals. The sector participants have been alleged to engage in various improprieties, such as multiple lending and coercive collection practices. These challenges have placed the Indian microfinance sector in a precarious position. Its future prospects will largely depend on how the stakeholders in the sector (regulators, MFIs, funding organizations, opinion-makers and microfinance members themselves) respond to these challenges. The main objective of the paper is to discuss and assess the recent developments affecting the microfinance sector; and examine the options for sector stakeholders to respond to the concerns raised in a manner that will enable the sector to fulfil its potential. It may be useful to begin by delineating the main characteristics of the Indian microfinance sector. This is followed by a discussion on the recent developments and an assessment of the responses by variousstakeholders. The present paper under consideration is to explore the progress of microFinance and also explain the challenges before microfinance institutions of India economy.

Evolution of microfinance in India

Indian public policy for rural finance from 1950s to till date mirrors the patterns observed worldwide. Increasing access to credit for the poor has always remained at the core of Indian planning in fight against poverty. The assumption behind expanding outreach of financial services, mainly credit was that the welfare costs of exclusion from the banking sector, especially for rural poor are very high. Starting late 1960s, India was home to one of largest state intervention in rural credit market and has been euphemistically referred to as ‘Social Banking’ phase. This trend has been the product of a long evolution of the financial sector, which can be characterized by three major events.

1. Nationalization of commercial banks
2. Integrated Rural Development Program
3. Liberalization of India’s financial system

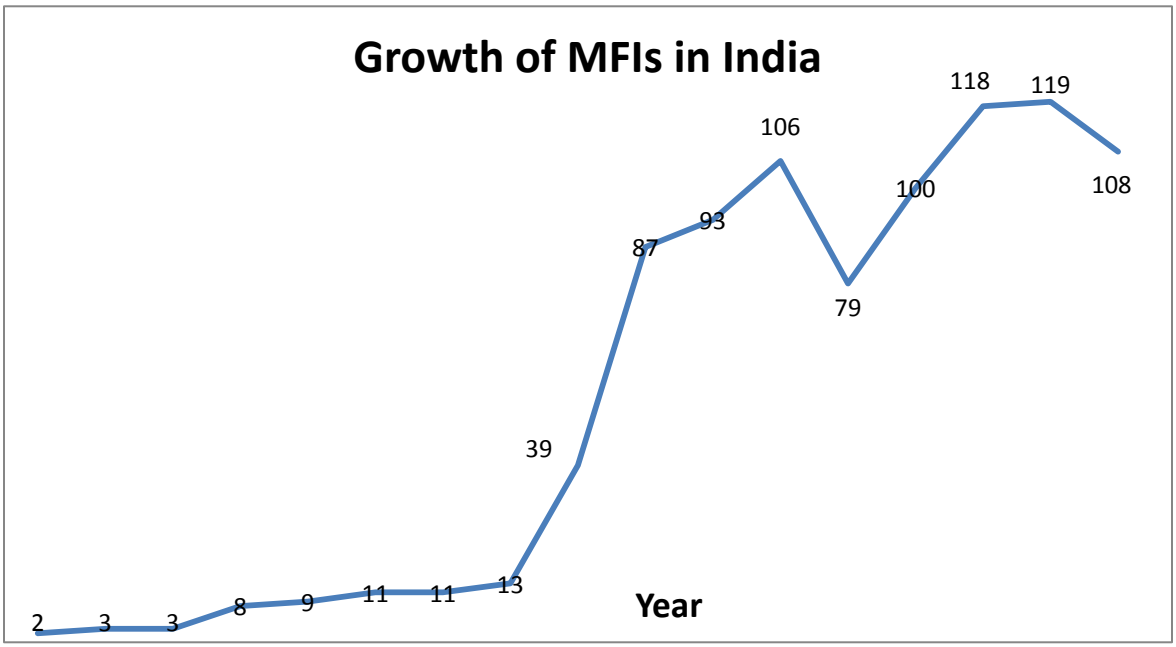
Between 1950 and 1970, the Indian Government focused on reaching out to the unbanked with subsidized agricultural credit and small loans. It also launched many initiatives including the Lead Bank Scheme, Priority Sector Advances and PMRY (Prime Minister Rural Employment Scheme) to benefit unbanked and underdevelopment regions; however, these did not penetrate as deeply as intended. In order to address this issue, the Government proposed the introduction of MFIs, to be regulated and supervised by the RBI, which would lend to the poor at subscribed interest rates. This paved the way for the entry of MFIs in the 1980s. In time, micro enterprise credit organizations - financing small businesses run by women – evolved into Non-Government Organizations, and in the 1990s transformed themselves into formal financial institutions with the express goal of creating inclusion. The World Bank says that MFIs serve around 160 million people in developing countries. India has approx. 350 million people living below the Poverty Line, most of whom are unable to avail of Government benefits because of collateral documentation and legal stipulations. In the late 1990s, institutions such as SIDBI and NABARD entered the area to assist the ailing microfinance business. Below table shows the growth of microfinance institutions in India.

Table - 1 Growth of Microfinance Institutions in India

Year	No. MFIs in India
1995	02
1996	03
1997	03
1998	08
1999	09
2000	11
2001	11
2002	13
2003	39
2004	87
2005	93
2006	106
2007	79
2008	100
2009	118
2010	119
2011	108

Table – 1 shows the no. of microfinance from 1995 to 2011 in India. MFIs in 1995 were 02 only whereas upto 13 were raised after seven years (2002). In 2003, MFIs became three times (39) as compared to the no. of 2002. However, MFIsgrew out of private initiatives. While the earliest MFI, ShriMahila SEWA (Self-Employed Women's Association) Sahakari Bank (SEWA Bank) was set up in 1974, rapid growth in the number of MFIs took place mainly after 2002. The early MFIs were set up as cooperative banks,societies or trusts. As the profitability of microcredit became established, some of them started transforming themselves into non-banking finance companies(NBFCs),so that they could access equity in order to leverage the funds increasingly becoming available from the banking system. A majority of MFIs use group-based models of lending. Either an adaptation of the Grameen Bank model (called joint liability group or the JLG model) or the SHG model is used. In 2010, MFIs reached to 119 as highest from 1995 to 2011. The below diagram shows the growth of MFIs in India

Figure - 1



Progress under Micro Finance Sector in India

An update on micro Finance as at the end of March 2012 is being presented in 3 different sections. The progress under the SHG-Bank linkage programme has been covered in the first part, while the activities of MFIs has been covered in the second part. Various innovative initiatives and support services like capacity building of all stakeholders of micro Finance programme etc. is covered in the third part. Maps detailing SHG coverage ratio in ten priority States is covered in the final part. More detailed statistical information on the progress of these activities have been presented at the end of the report.

SHG-Bank Linkage Programme

Under the SHG-Bank linkage programme, over 103 million rural households have now access to regular savings through 7.96 million SHGs linked to banks. About 27% of these SHGs are savings linked through the SGSY programme – the rural poverty alleviation programme of the Government of India where predominantly households below the poverty line are admitted as members. There has been a decline in the amount of savings balance with banks to the extent of 6.7% as compared to the previous year although the number of SHGs saving linked has shown a growth of 6.7% during the year. This decline is almost entirely attributable to the groups formed under SGSY where the decline was to the extent of 23.2%. Increasing awareness at the SHG level about the advantage of using the savings for internal loaning is also partly responsible for the decline in saving balance with banks. The number of saving linked SHGs now stands at 7.96 million with a membership of over 103 million poor households. While bulk of these savings is used for internal lending within the Group (over 70%), the balance is maintained in the savings accounts with the financing banks. Over 79% of SHGs linked to banks are exclusive women groups, which is one of the most distinguishing features of microFinance sector in the country. The balance in the savings accounts of the banks as at the end of March 2012 stood at `6551.41 crore. Among the major States, Karnataka SHGs maintain the highest S.B. balance of over `16000 per SHG followed by Punjab of nearly `12500 per SHG. Among the

Table – 2 Overall Progress under SHG-Bank Linkage for last 3 years
(Amount ` in crore/ Numbers in lakh)

Particulars		2009-10		2010-11		2011-12	
		No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount
SHG Savings with Banks as on 31st March	Total SHGs	69.53 (13.6%)	6198.71 (11.8%)	74.62 (7.3%)	7016.30 (13.2%)	79.60 (6.7%)	6551.41 (-6.7%)
	Of which SGSY Groups	16.94 (12.5%)	1292.62 (-17.3%)	20.23 (19.4%)	1817.12 (40.6%)	21.23 (5.0%)	1395.25 (-23.2%)
	% of SGSY Groups to Total	24.4	20.9	27.1	25.9	26.7	21.3
	All women SHGs	53.10 (9.18%)	4498.66 (1.46%)	60.98 (14.8%)	5298.65 (17.8%)	62.99 (3.3%)	5104.33 (-3.7%)
	% of Women Groups	76.4	72.6	81.7	75.5	79.1	77.9
Loans Disbursed to SHGs during the year	Total SHGs	15.87 (-1.4%)	14453.3 (17.9%)	11.96 (-24.6%)	14547.73 (0.01)	11.48 (-4%)	16534.77 (13.7%)
	Of which SGSY Groups	2.67 (1.0%)	2198 (9.1%)	2.41 (-9.9%)	2480.37 (12.8%)	2.10 (-12.9%)	2643.56 (6.6%)
	% of SGSY Groups to Total	16.9	15.2	20.1	17.0	18.3	16.0
	All women SHGs	16.9	12429.37 (18.1%)	10.17 (-21.4%)	12622.33 (1.6%)	9.23 (-9.2%)	14132.02 (12.0%)
	% of Women Groups	81.6	86	85	86.8	80.4	85.5
Loans Outstanding against SHGs as on 31st March	Total SHGs	48.51 (14.8%)	28038.28 (23.6%)	47.87 (-1.3%)	31221.17 (11.4%)	43.54 (-9.0%)	36340.00 (16.4%)
	Of which SGSY Groups	12.45 (27.5%)	6251.08 (6.6%)	12.86 (3.4%)	7829.39 (25.2%)	12.16 (-5.4%)	8054.83 (2.9%)
	% of SGSY Groups to Total	25.7	22.3	26.9	25.1	27.9	22.2
	All women SHGs	38.98 (18.9%)	23030.36 (23.9%)	39.84 (2.2%)	26123.75 (13.4%)	36.49 (-8.4%)	30465.28 (16.6%)
	% of Women Groups	80.3	82.1	83.2	83.7	83.8	83.8

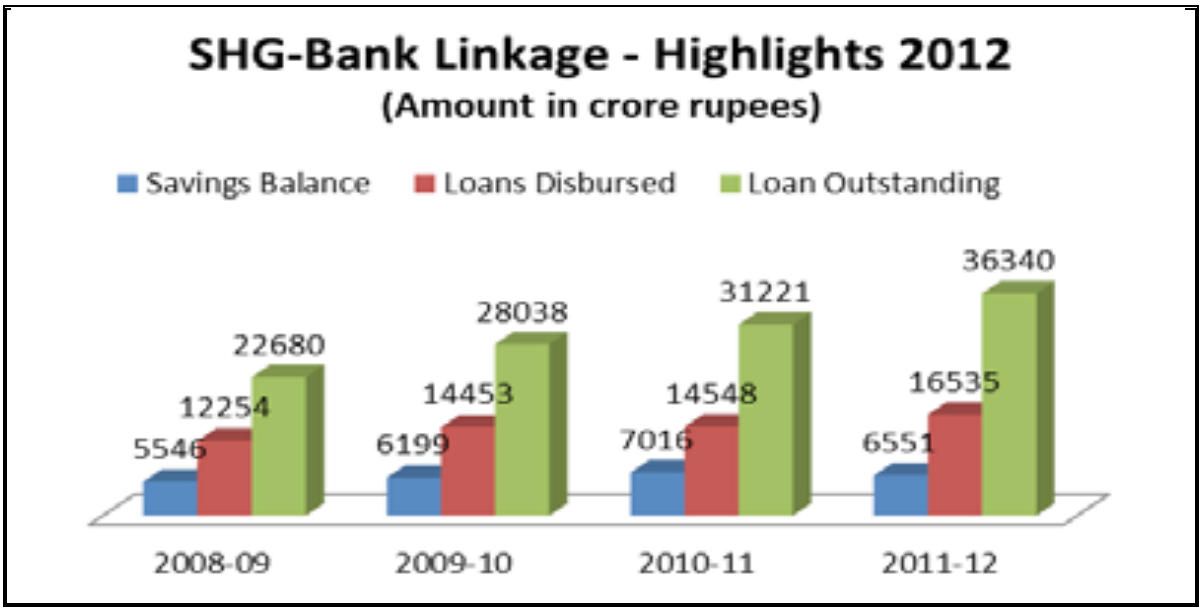
Source: NABARD ISSUES RELATED TO MICROFINANCE

regions, southern region is highest at `10080 per SHG and northeastern region recorded the lowest balance of `4159 per SHG. On an average, the SHGs maintain a balance of `8230. Commercial Banks account for 58% of the savings account maintained by SHGs and RRBs 27% and Cooperative Banks the remaining 15%.

Figures shows a graphical presentation of the savings, fresh loans and the loan outstanding of SHGs with Banks for the last 4 years

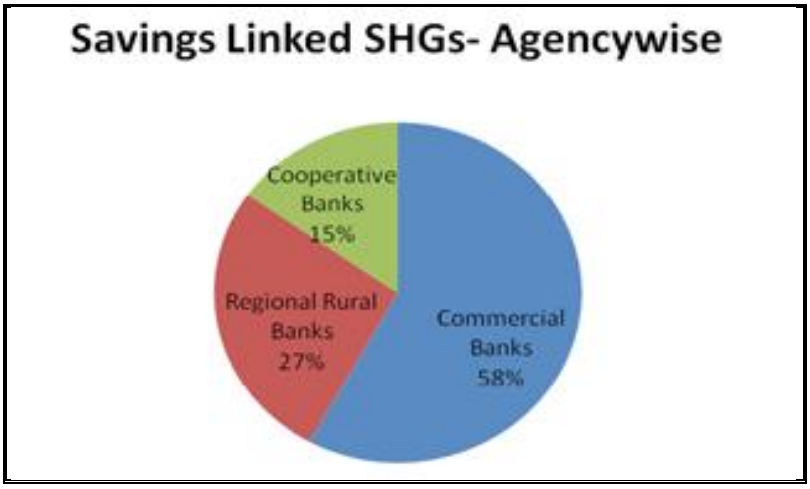
SHGs as on 31.3.2012 – Savings and Credit

Figure - 2



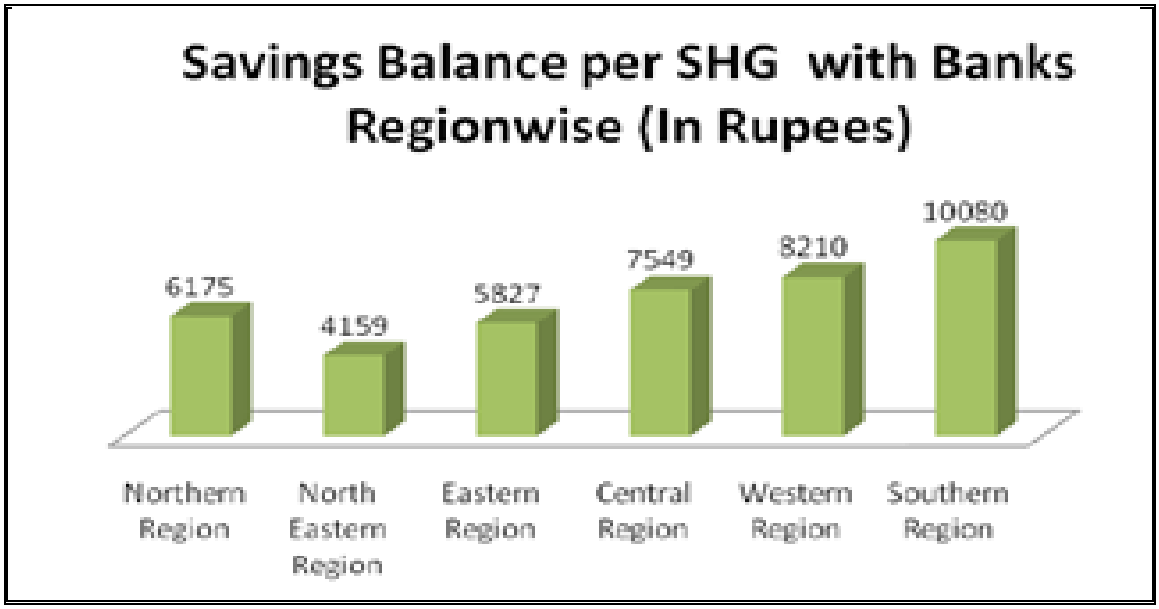
Saving Linked SHGs (Number): Agency wise

Figure – 3



Average Savings Balance of SHGs with Banks – Regionwise

Figure -4



Further, over 4.36 million SHGs have now access to direct credit facilities from the banks and the total bank loans outstanding against these groups is over `36340 crore as on 31 March 2012 i.e. an average of `83500 per group. About 1.15 million SHGs were extended fresh loans to the extent of `16535 crore during 2011-12 by all banks averaging `1.44 lakh per group. Although fresh lending to SHGs during the year showed an increase of 13.7% over last year, the steady decline in the number of SHGs being extended fresh loans by banks for the last 3 years is a matter of concern. Number of SHGs having outstanding loans with banks is also showing a decline partly due to the continued decline in the number of SHGs being extended fresh loans by banks for the last 3 years.

NABARD as Facilitator of microfinance

Besides, conceiving the SHG-Bank Linkage Programme two decades back, NABARD had assigned to itself the role of a facilitator and a mentor of the initiative. The focus was on bringing in various stakeholders on a common platform, building capacity among the stakeholders to take the movement forward while extending 100% refinance to all banks participating in the programme. A large number of seminars, workshops and training programmes were organised to create awareness about the microFinance programme among all the stakeholders – the bankers, the Government agencies, the NGO partners and more importantly the SHG members. The NGO sector who played the key role of organizing and nurturing the SHGs as the Self Help Promoting Institutions – later joined by many others including the rural financial institutions, Farmers Clubs, etc. – were encouraged by way of promotional grant assistance by NABARD for taking up such work. The phenomenal growth of SHG-Bank linkage programme during the last 20 years owe a great deal to these promotional efforts actively supported by NABARD and participated by the stakeholders. The rapid growth of the SHG linkage programme and its success in taking financial services to the poor, led to its recognition as the most important tool for financial inclusion – the main focus of the XI Five Year Plan. Simultaneously, efforts were also on to experiment innovative initiatives in improving the efficacy and reach of the programme with the involvement of all microfinance practitioners facilitated by NABARD. A glimpse of the facilitator role played by NABARD, the ICT initiatives taken, policy changes etc in this sector during 2011-12 is narrated in the following paras and text boxes:

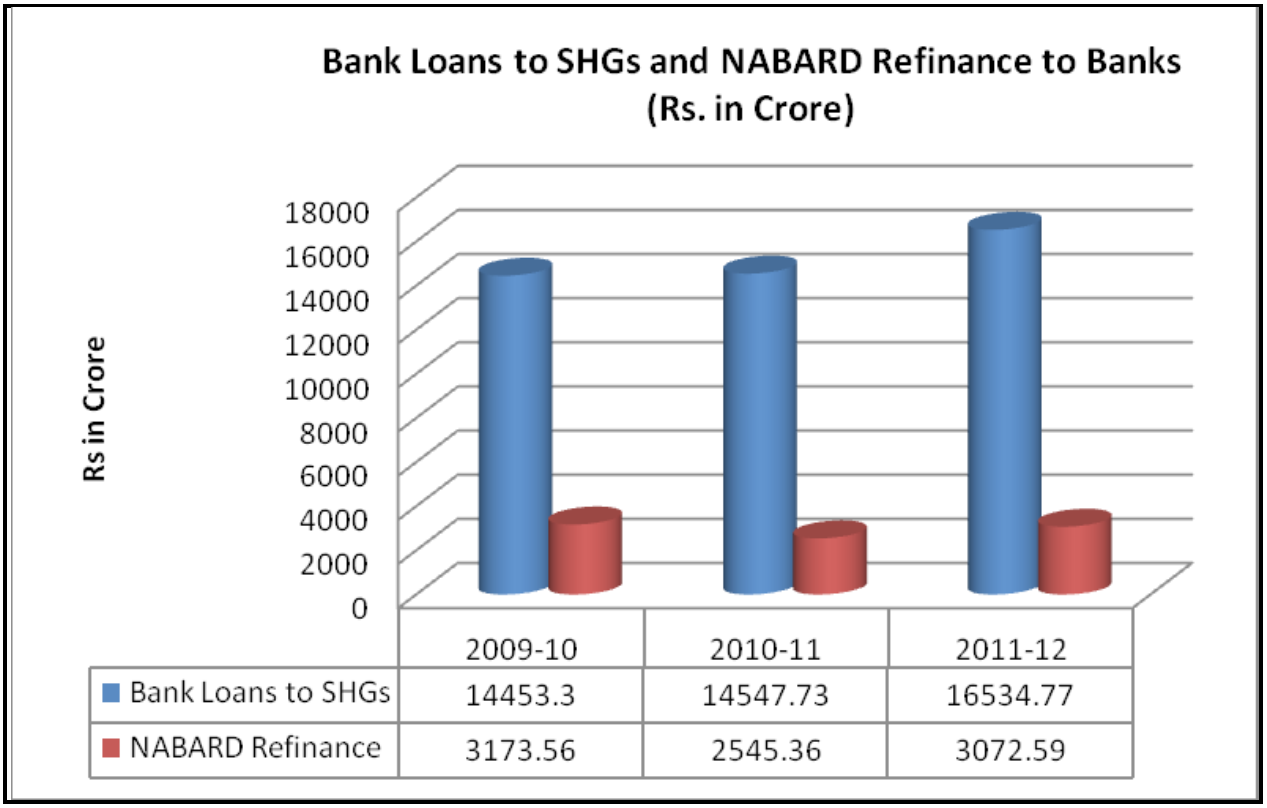
Refinance to Banks

During the initial years of the movement NABARD was extending refinance to the extent of 100% to banks for lending to SHGs since the SHG-Bank Linkage Programme was launched. Initially, this was intended to encourage the banks to actively participate in the programme. As the banks gained

onfidence in lending to SHGs and realised the business potential in extending financial services hrough SHGs, they have been increasingly deploying their own resources in a mutually beneficial relationship with the SHGs. SHGs had been instrumental in bringing in more business for the financing banks by way of improving credible client base, also promoting rural and inclusive banking. Banks have also extended other financial services like remittance, housing, insurance, etc, though in a limited way, to this segment. As a result, the banks have started "owning up" the movement, as a sound business proposition and became less dependent on promotional support from NABARD. The gap between the total loans issued by banks to SHGs and the refinance extended by NABARD for such loans started widening as a result as would be seen from the graph shown (Fig.below). The refinance support from NABARD, however, continues to supplement resource mobilization for the programme. During 2011-12, NABARD extended refinance to the extent of `3072.59 crore as against `2545.36 crore disbursed during the previous year. Cumulative disbursement of refinance by NABARD for SHG lending now stands at `18479.60 crore.

Figure - 4

Loans Issued to SHGs by Banks and NABARD Refinance



Source: NABARD ISSUES RELATED TO MICROFINANCE

Micro Finance Institutions

Those institutions which have microfinance as their main operation are known as micro finance institutions. A number of organizations with varied size and legal forms offer microfinance service. These institutions lend through the concept of Joint Liability Group (JLG). A JLG is an informal group comprising of 5 to 10 individual members who come together for the purpose of availing bank loans either individually or through the group mechanism against a mutual guarantee. The reason for existence of separate institutions i.e. MFIs for offering microfinance are as follows:

- High transaction cost – generally micro credits fall below the break-even point of providing loans by banks
- Absence of collaterals – the poor usually are not in a state to offer collaterals to secure the credit
- Loans are generally taken for very short duration periods

- Higher frequency of repayment of installments and higher rate of Default

Non-Banking Financial Companies (NBFCs), Co-operative societies, Section-25 companies, Societies and Trusts, all such institutions operating in microfinance sector constitute MFIs and together they account for about 42 percent of the microfinance sector in terms of loan portfolio. The MFI channel is dominated by NBFCs which cover more than 80 percent of the total loan portfolio through the MFI channel.

Table – 3 Microfinance Institutions and Legal Registration

Sl. No.	Type of MFI	Number	Legal Registration
Not-for Profit MFIs			
1	NGOs	400-500	Society Registration Act, 1860 Indian Trust Act, 1882
2	Non-Profit companies	20	Section-25 of Indian Companies Act, 1956
Mutual Benefit MFIs			
3	Mutual benefit MFIs – Mutually Aided Cooperative Societies (MACS)	200-250	Mutually Aided Co-operative societies, Act enacted by State Governments
For Profit MFIs			
4	Non-Banking Financial Companies (NBFCs)	45	Indian companies Act, 1956 Reserve Bank of India Act, 1934

Source: NABARD ISSUES RELATED TO MICROFINANCE

Challenges Facing the Microfinance Sector in India

In addition to the regulatory and governance challenges, the issues of multiple lending and coercive collection practices need to be addressed. Moreover, financial education for microfinance members is also important as it helps them to make more informed financial decisions and can reduce over-borrowing. Further, availability of savings products for MFI members can also help in reducing over-borrowing as loans are, at times, contracted as a means to save, in the absence of savings products.

Multiple Lending Problems

With regard to multiple lending, the desired approach is for the sector to establish a functional credit bureau. As described earlier in this section, NBFC-MFIs have come together to set up a credit bureau. However, a drawback of the MFIN initiative is that it only covers MFI-NBFCs, which account for around 70 per cent of MFI loans by value but only around 34 per cent by

number. This excludes not just MFIs accounting for the balance loans, but also microfinance groups patterned on the SHG-BL model. The above implies that only partial information will be captured by the credit bureau. This works to the disadvantage of both microfinance providers and members. The former will not be able to have a complete picture of the indebtedness of the borrowers. It is worth noting that in the two countries which have experienced repayment problems in the recent past, credit bureaus were in existence but did not cover the sector as a whole (Chen, Rasmussen and Reille, 2010). The members too will be at a disadvantage since they will have only partial credit histories. Customers served only by the SHG-BL model will not be empowered through credit history creation. An important limitation of any credit bureau in India is that at present, there is no national identification number for the citizens of India. This makes it hard for lenders to uniquely identify borrowers, particularly if they change their residential addresses. The Government of India had in January 2009 constituted the Unique Identification Authority of India (UIDAI) under the aegis of the Planning Commission, with the responsibility of implementing a scheme to issue a unique identification number (UID) to all residents of the country. The number will be linked to the person's demographic and biometric information, stored in a centralized database that can be accessed online in a cost-effective manner. UIDAI is also responsible for operating, maintaining and updating the database on an ongoing basis. The issuing of identification numbers by UIDAI has commenced. Prior to the issue of identification numbers, UIDAI conducts verification of the identities of individuals. The UIDs could help credit bureau information to be stored more uniquely and accessed morewidely.

Coercive Collection Practices

The problem of coercive collection problems needs to be addressed by putting in place regulation on the basic ground rules that can be implemented by an independent oversight board reporting to the Reserve Bank of India (RBI) with representation from various sector stakeholders overseeing the implementation of the code of conduct. These should not be in the nature of micro-management by stipulating places where meetings should be held (such as proposed by the AP MFI Act) as this would create operational problems for both MFIs as well as their customers. Since many MFIs offer their field officers incentives for forming groups as well as for collecting installments on time, they need to counterbalance these incentives with adequate training so that the incentives do not work in a socially undesirable manner. Field officers should be trained to invest time in making enquiries and to decline fresh loans to potential members

with pre-existing loans from multiple entities. They should also be provided training on acceptable collection methods. With rapid growth, many MFIs have recruited field officers with diverse backgrounds; and it is important for them to ensure that these individuals are properly trained in the MFI's organizational culture and have a good understanding of the social missions of MFIs.

Financial Education of Microfinance Members

Another important challenge for the microfinance sector is that of financial education of MFI members. Lack of financial education is an important factor why some MFI borrowers find themselves in difficult debt repayment situations. While microfinance providers claim that they train borrowers, what they impart is usually product knowledge, aimed at ensuring compliance of the borrowers with the terms of lending. Imparting financial education implies empowering the borrower to make financial decisions such as ascertaining the effective cost of loans, and the extent of debt s/he can handle. This rightfully needs to precede the provision of financial services. Currently, such education is not being routinely made available to all microfinance borrowers by any stakeholder, government or non-government. With increasing pressure on MFIs to reduce interest rates, it is unrealistic to expect them to incur additional transaction costs on financial education. Hence, this aspect will necessarily need to be addressed by socially oriented donor agencies or state-funded bodies. It is also desirable that financial education be imparted by an independent entity.

Savings Products for MFI Members

A major weakness of the MFI model is the lack of savings products for which the constraints are regulatory in nature. While the banking correspondent model is a route available for MFIs to offer such services, the incentives do not seem to have been sufficient to motivate many of the large MFIs to offer such services. Over a period of time, a superior alternative needs to be developed to encourage MFIs with a large and growing outreach to provide such services in a regulated and safe manner.

Suggestions

Recent developments have led to considerable rethinking regarding microfinance in India. This is not unexpected for a rapidly growing, dynamic sector. It is important to put in perspective the contribution that the microfinance sector has made. The most important contribution is that MFIs have managed to reach sections of the population that have for generations not been unable to access financial services. While there are state microfinance programmes that have also similarly achieved outreach, the activities of both should be viewed as complementary and not competing. Some large MFIs with advanced management information systems have convincingly demonstrated that India's low-income individuals are indeed credit-worthy. The introduction of a new Microfinance Bill that takes into account the needs of the sector could provide a decisive direction for future development, enabling the MFI sector to realize its potential. The policy course adopted will determine whether a promising avenue for enhancing financial inclusion for low-income groups in the country, particularly women, will progress towards a more mature phase or flounder. As in many other areas of public policy in India, progressing towards a culture of 'good economics is good politics' remains an imperative.

Proper Regulation: The regulation was not a major concern when the microfinance was in its nascent stage and individual institutions were free to bring in innovative operational models. However, as the sector completes almost two decades of age with a high growth trajectory, an enabling regulatory environment that protects interest of stakeholders as well as promotes growth, is needed.

Field Supervision: In addition to proper regulation of the microfinance sector, field visits can be adopted as a medium for monitoring the conditions on ground and initiating corrective action if needed. This will keep a check on the performance of ground staff of various MFIs and their recovery practices. This will also encourage MFIs to abide by proper code of conduct and work more efficiently. However, the problem of feasibility and cost involved in physical monitoring of this vast sector remains an issue in this regard.

Encourage rural penetration: It has been seen that in lieu of reducing the initial cost, MFIs are opening their branches in places which already have a few MFIs operating. Encouraging MFIs for opening new branches in areas of low microfinance penetration by providing financial assistance will increase the outreach of the microfinance in the state and check multiple lending. This will also increase rural penetration of microfinance in the state.

Complete range of Products: MFIs should provide complete range of products including credit, savings, remittance, financial advice and also non-financial services like training and support. As MFIs are acting as a substitute to banks in areas where people don't have access to banks, providing a complete range of products will enable the poor to avail all services.

Transparency of Interest rates: As it has been observed that, MFIs are employing different patterns of charging interest rates and a few are also charging additional charges and interest free deposits (a part of the loan amount is kept as deposit on which no interest is paid). All this make the pricing very confusing and hence the borrower feels incompetent in terms of bargaining power. So a common practice for charging interest should be followed by all MFIs so that it makes the sector more competitive and the beneficiary gets the freedom to compare different financial products before buying.

Technology to reduce Operating Cost: MFIs should use new technologies and IT tools & applications to reduce their operating costs. Though most NBFCs are adopting such cost cutting measures, which is clearly evident from the low cost per unit money lent (9%-10%) of such institutions. NGOs and Section 25 companies are having a very high value of cost per unit money lent i.e. 15-35 percent and hence such institutions should be encouraged to adopt cost-cutting measures to reduce their operating costs. Also initiatives like development of common MIS and other software for all MFIs can be taken to make the operation more transparent and efficient.

Alternative sources of Fund: In absence of adequate funds the growth and the reach of MFIs become restricted and to overcome this problem MFIs should look for other sources for funding their loan portfolio. Some of the ways through which MFIs can raise their fund are:

- **By getting converted to for-profit company i.e. NBFC:** Without investment by outside investors, MFIs are limited to what they can borrow to a multiple of total profits and equity investment. To increase their borrowings further, MFIs need to raise their Equity through outside investors. The first and the most crucial step to receive equity investment are getting converted to for-profit NBFC. Along with the change in status the MFI should also develop strong board, a quality management information system (MIS) and obtain a credit rating to attract potential investors.
- **Portfolio Buyout:** It is when banks or other institutions purchase the rights to future payment stream from a set of outstanding loans granted by MFIs. In such transactions MFIs are responsible for making up any loss in repayment up to a certain percentage of the portfolio and this clause is known as "first loss default guarantee". The above clause ensures that the MFI retains the correct incentive to collect these loans. To ensure security to the buying institution, MFIs are allowed to sell off as much of the outstanding portfolio as is financed by accumulated earnings or equity.
- **Securitization of Loans:** This refers to a transaction in which the repayments from a set of microloans from one or more MFIs are packaged into a special purpose vehicle, from which tradable securities are issued. As the loans from multiple MFIs can be pooled together the risk gets diversified. Though securitization of loans and portfolio buyout are similar in many ways like first loss default guarantee clause, limit to the amount of loans that can be sold off etc. The major difference between the two is that securitizations require a rating from a credit rating agency and that it can be re-sold, which makes securitized loans attract more potential buyers. Also unlike portfolio buyout, there can be multiple buyers and sellers for each transaction in case of securitization of loans as compared to single buyer and single seller in portfolio buyout. Through securitization, MFIs can tap new sources of investments because fund of certain types like mutual funds, which are barred from directly investing in MFIs, can invest through securitized loans.

****

References

David, R. (2010), "Threat of Microfinance Defaults Rises in India as SKS Plans IPO." *Bloomberg Businessweek*, 14 June.

Chen, G., S. Rasmussen, and X. Reille (2010), "Growth and Vulnerabilities in Microfinance." CGAP Focus Note No. 61, February. Consultative Group to Assist the Poor (CGAP), Washington, DC.

Gokhale, K. (2009), "A Global Surge in Tiny Loans Spurs Credit Bubble in a Slum." *Wall Street Journal*, 13 August.

IFMR Capital (2011), "View on Malegam Committee Recommendations." Available at http://www.microfinancefocus.com/content/ifmr-capital percentE2 percent80 percent99s-viewmalegam-committee-report.

Krishnamurthy, S. (2011), "Malegam Committee Report to Hurt Microfinance." *Economic Times*, 8 February. Available at http://economictimes.indiatimes.com/opinion/commentsanalysis/malegam-report-to-hurt-microfinance/articleshow/7449585.cms.

Ledgerwood, J. (1999), "*Microfinance Handbook*. Washington, DC: World Bank.
Malegam Committee Report on Issues Facing the Microfinance Sector. Available at http://indiamicrofinance.com/wp-content/uploads/2011/01/Malegam-Report-Issues-Microfinance-India.pdf.

Microfinance Insights (2010), "SRO for India's Microfinance Industry Launched." Available at https://www.microfinanceinsights.com/comments_tab.asp?id=131.

New York Times. (2010), "SKS IPO Ignites Microfinance Debate." 29 January.

Porter, M. E., and M. R. Kramer. 2011. "The Big Idea: Creating Shared Value." *Harvard Business Review*, January-February, 1–17.

RBI. 2011. "Bank Loans to Microfinance Institutions – Priority Sector Status, Requiring Registration of MFIs and Relating to Transparency Regarding Interest Rates." Circular dated 3 May. Available at http://www.rbi.org.in/scripts/BS_CircularIndex Display.aspx?Id=6381.

Shankar, Savita, and Mukul G. Asher. (2010), "Regulating Microfinance: A Suggested Framework." *Economic and Political Weekly*, 2 January–8 January, 15–18.