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INTRODUCTION
REVIEW OF LITERATURE
NEED/IMPORTANCE OF THE STUDY
STATEMENT OF THE PROBLEM
OBJECTIVES
HYPOTHESIS (ES)
RESEARCH METHODOLOGY
RESULTS & DISCUSSION
FINDINGS
RECOMMENDATIONS/SUGGESTIONS
CONCLUSIONS
LIMITATIONS
SCOPE FOR FURTHER RESEARCH
REFERENCES
APPENDIX/ANNEXURE

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- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

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PERFORMANCE ANALYSIS OF SELECTED MICROFINANCE INSTITUTIONS IN INDIA

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ABSTRACT

Millions of people in developing countries have been given access to formal financial services through microfinance programs. Nevertheless, millions of potential clients still remain un-served and the demand for financial services far exceeds the currently available supply. In order to provide financial services to poor on continuing basis microfinance business needs to be sustainable. Moreover, it is observed that microfinance organizations have had various degrees of sustainability. One such sustainability is the financial sustainability.The present study is an attempt to analyze the financial performance of 5 selected microfinance institutions operating in India. It assumes significance because it is imperative that these institutions be run efficiently given the fact that they are users of marginal and scarce capital and the intended beneficiaries are the marginalized sections of society. MFIs must be able to sustain themselves financially in order to continue pursuing their lofty objectives, through good financial performance.

KEYWORDS
microfinance, performance, productivity, profitability.

INTRODUCTION

Microfinance has been recognized as one of the major concerted development initiatives for alleviating poverty through social and economic empowerment of the poor especially the marginalized women. Micro Finance intervention refers to 'provision of access to small loans without physical collateral to the poor, especially the women, while encouraging them to save regularly in order to combine thrift and self-help for their development'. The basic idea of microfinance is that if poor people are provided access to financial assistance, including credit, they may be able to start or expand a micro-enterprise of their liking that will allow them to break out of poverty. Microfinance has become one of the most effective instruments for economic empowerment of the poor.
For the very poor, micro finance becomes a liquidity tool that helps smooth their consumption patterns and to reduce their level of vulnerability. Micro finance is a logical approach to development because it functions at the grass root level, can be sustainable, is capable of involving large segments of population and builds both human and productive capacity. Micro finance, as an alternative source of credit for the poor has received wide attention in the recent years owing to its contribution to poverty alleviation. The formation of SHGs ensures the best participation of the poor in credit programmes.
The loans provided by microfinance institutions serve the low-income population in various ways as follows:

- They provide working capital loans for business purposes.
- They provide loans for accessing necessities such as food, clothes, shelter and education.
- They serve as alternatives to the loans provided by money lenders.

In addition to various micro finance institutions, various other players contributing to provision of microcredit include banks, insurance companies, agricultural and dairy co-operatives, etc.
The main components of microfinance are as follows:

- Deposits
- Loans
- Payment services
- Money transfers
- Insurance to the poor

Majority of the population in India belong to the unbanked sector. Though India has a dense and a robust formal financial system, it has failed to reach the deprived segment of the population. Next to China, India has the highest size of unbanked population in the world. Thus, microfinance sector aims to improve the living of the poor income households thereby providing banking services to the deprived low income population. There are various forms of microfinance institutions in India with various service models and they provide products suitable to appropriate target segment which has proved successful of improving the client's economic status.

REVIEW OF LITERATURE

Ananda and Colaco (2012) overviewed the performance and prospectus and described how microfinance was effective and financial viable method of addressing sustainable rural development through provision of microcredit to rural poor for productive activities. Micro-credit had assumed a special significance in the context of increased emphasis on poverty alleviation, women empowerment and rural development in India.
Vichore and Deshpande (2012) analyzed the performance and growth of MFIs in terms of cost efficiency, cash constraints and net portfolio in India providing microfinance services to low income clients. The study was an exploratory study. It suggested that proper training should be provided to the employees of MFI's especially in disbursing loans and collection of the loan amount so that the cost per borrower could be managed efficiently
Roy (2011) examined the delivery process and profitability of MFIs. Delivery mechanism was explained in terms of four parameters namely collateral requirement, size of the loan amount, repayment time and purpose of the microfinance loan. Profitability was analyzed ROA and ROE. This study adopted simple correlation and descriptive analysis technique and found that MFIs of Assam were enjoying higher profitability.
Coleman and Oesi (2008) tried to evaluate how governance indicator impact on performance measure of profitability of MFIs. They measured profitability by only ROA. They found that governance plays a critical role in the performance of MFIs and that the independence of the board and a clear separation of the positions of a CEO and board chairperson have a positive correlation with both performance measures.

STATEMENT OF THE PROBLEM

Micro finance today has become a major credit disbursement mechanism in many parts of the world. Micro finance refers to the entire range of financial and non-financial services, including skill up-gradation and entrepreneurship development, rendered to the poor for enabling them to overcome poverty. Micro finance by providing small loans and savings facilities to those who have been excluded from commercial financial services has been promoted as a key strategy for reducing poverty in all its forms by agencies, particularly in developing countries**.** For the very poor, micro finance becomes a liquidity tool that helps smooth their consumption patterns and to reduce their level of vulnerability.

The present study is an attempt to analyze the financial performance of 5 selected microfinance institutions operating in India. It assumes significance because it is imperative that these institutions be run efficiently given the fact that they are users of marginal and scarce capital and the intended beneficiaries are the marginalized sections of society. MFIs must be able to sustain themselves financially in order to continue pursuing their lofty objectives, through good financial performance.

OBJECTIVES OF THE STUDY

1. To analyze the profitability and sustainability of selected 5 MFI's.
2. To analyze the Efficiency and Productivity of selected 5 MFI's
3. To analyze the Asset and Liability Management of selected 5 MFI's

RESEARCH METHODOLOGY

For the analysis of performance of Microfinance Institutions five institutions are selected from top 50 Microfinance Institutions in India.

DATA COLLECTION

To accomplish the objectives of the study, secondary data were used. It has been collected from various journals, published financial reports from institutions official websites and also from MIX (Microfinance Information Exchange) Market Website for a period of five years i.e. from 2009-2010 to 2013-2014.

TOOLS FOR ANALYSIS

The data collected is analyzed with the help of various financial indicators of Microfinance Institutions and statistical tool such as one way ANOVA.

DATA ANALYSIS AND FINDINGS

RATIO ANALYSIS

In this section, some important ratios are used to analyze the financial performance of selected Microfinance Institutions.

TABLE 1: OPERATIONAL SELF-SUFFICIENCY RATIO

MFI'S/YEAR	ANNAPURNA	ASIRVAD	GRAMAVIDIYAL	GRAMEEN	SATINCREDITCARE
2010	2.1988	2.3949	2.2592	1.6797	2.3598
2011	2.0961	2.3234	1.9421	1.7705	2.1781
2012	1.839	1.7632	1.8218	1.4559	2.0567
2013	2.7615	2.0761	1.7989	2.1717	2.7144
2014	2.8533	2.9812	2.0235	2.8032	3.0651

Source: Secondary Data

The Operational Self sufficiency Ratio for SatinCreditcare (3.0651) is higher when compared to all other MFI's during the year 2014. With regard to Operational Self sufficiency Satincreditcare is in better position to cover the total cost.

TABLE 2: RETURN ON ASSETS RATIO

MFI'S/YEAR	ANNAPURNA	ASIRVAD	GRAMAVIDIYAL	GRAMEEN	SATINCREDITCARE
2010	0.0096	0.0213	0.0118	0.0022	0.0058
2011	0.0070	0.0146	0.0169	0.0077	0.0027
2012	0.0115	0.0092	0.0004	0.0089	0.0022
2013	0.0073	0.0078	0.0015	0.0108	0.0030
2014	0.0094	0.0093	0.0008	0.0093	0.0053

Source: Secondary Data

Return on Asset ratio 0.0094 times for Annapurna is higher when compared to all other MFI's during the year 2013-2014 which indicates the highest return on assets. Asirvad and Gramavidiyal hold the next position i.e. 0.0093 times.

TABLE 3: RETURN ON EQUITY RATIO

MFI's/YEAR	ANNAPURNA	ASIRVAD	GRAMAVIDIYAL	GRAMEEN	SATINCREDITCARE
2010	0.0188	0.1700	1.2291	0.8902	0.1145
2011	0.0200	0.1770	1.5236	0.0867	0.0448
2012	0.034	0.0909	0.0636	0.1168	0.0391
2013	0.0655	0.1282	0.1655	0.1487	0.0964
2014	0.1105	0.0249	0.1092	0.1866	0.2288

Source: Secondary Data

Return on Equity Ratio, Gramavidiyal holds the better position when compared to all other MFI's which indicates Gramavidiyal earned more on the funds invested by its shareholders.

TABLE 4: OPERATING EXPENSE RATIO

MFI's/YEAR	ANNAPURNA	ASIRVAD	GRAMAVIDIYAL	GRAMEEN	SATINCREDITCARE
2010	0.0429	0.0838	0.0815	0.0878	0.0439
2011	0.0828	0.1212	0.1752	0.1776	0.0616
2012	0.0512	0.1634	0.1354	0.1072	0.0624
2013	0.0355	0.0877	0.1307	0.0762	0.0364
2014	0.0396	0.0609	0.1018	0.0622	0.0589

Source: Secondary Data

The Operating Expense Ratio of Gramavidiyal (0.1018) has the highest operating expense ratio so they have lowered the efficiency and Annapurna (0.0396) has the lowest operating expense ratio so they have higher the efficiency.

TABLE 5: COST PER ACTIVE BORROWER RATIO

MFI's/YEAR	ANNAPURNA	ASIRVAD	GAMAVIDIYAL	GRAMEEN	SATINCREDITCARE
2010	0.0007	0.0041	0.0058	0.0082	0.0620
2011	0.0032	0.0055	0.0079	0.0138	0.0775
2012	0.0022	0.0074	0.0065	0.0130	0.1059
2013	0.0037	0.0076	0.0065	0.0115	0.0732
2014	0.0042	0.0054	0.0069	0.0100	0.0776

Source: Secondary Data

The Cost per Active Borrower Ratio for Satincreditcare (0.0776) is higher followed by Grameen (0.0100) during the year 2013-2014. Annapurna (0.0042) has the lowest Cost per Active Borrower ratio which indicates lower cost for maintaining the active borrower and Satincreditcare has the highest Cost per Active Borrower ratio which indicates higher cost for maintaining the active borrower.

TABLE 6: PORTFOLIO TO ASSETS RATIO

MFI'S/YEAR	ANNAPURNA	ASIRVAD	GRAMAVIDYAL	GRAMEEN	SATINCREDITCARE
2010	0.4417	0.9745	1.0774	1.1139	1.6288
2011	0.7194	1.0361	1.0392	0.8952	1.4831
2012	1.9311	1.0054	1.0595	1.1728	1.3856
2013	0.9469	0.7764	0.8898	0.9606	1.2776
2014	0.7795	0.8763	0.9619	0.7629	0.9465

Source: Secondary Data

The Portfolio to Asset Ratio of Gramavidiyal (0.9619) is higher when compared to all other MFI's during the year 2014. So their allocation of assets to its lending activity is higher compared to all other MFI's.

TABLE 7: DEBT/EQUITY RATIO

MFI'S/YEAR	ANNAPURNA	ASIRVAD	GRAMAVIDYAL	GRAMEEN	SATINCREDITCARE
2010	1.9459	7.9683	103.9205	11.9327	19.4273
2011	2.8568	12.1243	89.6805	11.2636	16.0999
2012	2.9579	9.8175	87.9606	13.0868	17.1275
2013	8.8837	16.4116	108.9620	13.7649	32.0648
2014	11.7234	2.6906	135.2645	20.0528	43.0834

Source: Secondary Data

The Debt/Equity Ratio of Gramavidiyal (135.2645) is higher than other MFI's during the year 2013-2014 followed by Satincreditcare (43.0834). The ratio of Ashirvad (2.6906) had a sudden fall during the year 2014.Gramavidiyal had the highest ratio so they are financed mostly by creditors rather than its own financial sources.

TABLE 8: CURRENT RATIO

MFI'S/YEAR	ANNAPURNA	ASIRVAD	GRAMAVIDYAL	GRAMEEN	SATINCREDITCARE
2010	1.9359	2.0251	2.5336	2.1768	4.3349
2011	0.2359	1.1735	0.3213	2.2938	0.8149
2012	0.4635	0.4295	0.4541	0.0751	0.2368
2013	0.3497	0.7478	0.4152	0.2897	0.3824
2014	0.60495	0.5885	1.6563	0.6063	0.1609

Source: Secondary Data

The Current Ratio of Satincreditcare (0.8149) and Gramavidiyal (0.3213) had sudden fall during the year 2011. Gramavidiyal (1.6563) holds the higher value when compared to all other MFI's during the year 2014, so they have the better short term financial position

ANOVA (ANALYSIS OF VARIANCE)

The Analysis of Variance, popularly known as the ANOVA, can be used in cases where there are more than two groups. Analysis of variance is a statistical test to determine if all sample groups in a study are affected by the same factors, and if they are affected to the same degree. The groups are kept separate and tests are done independently on each group, but the results are then compared. The sample groups are examined to see if the average within each group is the same and how much impact different variables have on the test.

Ho: "There is no significant variation regarding Return on Equity ratio of all MFI's".

TABLE 9: RETURN ON EQUITY RATIO

RETURN ON EQUITY		S S	df	M S	F	Sig
	Between Groups	1.1748	4	0.2937	2.6846	2.8661
	Within Groups	2.1882	20	0.2937		
	Total	**3.363**	**24**			

Level of significance = 0.05

It is observed from the above table, the calculated value of F (2.6846) is less than the table value (2.8661) at 5% level of significance. Hence the hypothesis is accepted. It is inferred that there is no much variation in the Return on Equity Ratio.

Ho: "There is no significant variation regarding Operating Expense ratio of all MFI's".

TABLE 10: OPERATING EXPENSE RATIO

OPERATING EXPENSE RATIO		S S	df	MS	F	Sig
	Between Groups	0.022304	**4**	0.005576	5.16774	2.8661
	Within Groups	0.021599	**20**	0.001079		
	Total	0.043903	**24**			

Level of significance = 0.05

It is observed from the above table the calculated value of F (5.167747) is greater than the table value (2.8661) at 5% level of significance. Hence the hypothesis is not accepted. It is inferred that there is much variation in the Operating Expense Ratio.

Ho: "There is no significant variation regarding Portfolio to Asset ratio of all MFI's".

TABLE 11: PORTFOLIO TO ASSET RATIO

PORTFOLIO TO ASSET		S S	df	M S	F	Sig
	Between Groups	0.5706	**4**	0.1427	1.6346	2.8661
	Within Groups	1.7465	**20**	0.0873		
	Total	**2.3171**	**24**			

Level of significance = 0.05

It is observed from the above table the calculated value of F (1.6346) are less than the table value (2.8661) at 5% level of significance. Hence the hypothesis is accepted. It is inferred that there is no much variation in the Portfolio to Asset Ratio.

SUGGESTIONS

- The net income earned on assets is very low for Grameen and Satincreditcare. They are not properly use their assets on earning. It affects both the profit margin and efficiency of the institutions. So they should concentrate on proper usage of assets.
- The profit margin for Gramavidiyal suddenly decreases on last two years. So they have to increase their operating revenue and decrease their financial, loan-loss provision, and operating expenses for higher profit margin on future.
- The allocation of assets to its lending activity of Annapurna is very low it affects the core activity for microfinance lender. So, the Annapurna has to increase the allocation of assets to its lending activity for better performance.
- The microfinance institutions should be mandated to report their financials to the regulatory authority in order to ensure their performance and sustainability. Improved efficiency of MFIs would reduce costs and consequently reduce the interest rates, increased business volume and would thus benefit both the MFIs and the borrowers.
- The borrowers being low income rural population are often uneducated and it is required for the microfinance institutions to educate the borrowers. Educating the borrowers is important for the microfinance institutions in order to enhance their outreach. Service centres could be set up banks in the rural areas to improve the outreach of microfinance services.

CONCLUSION

The functioning of Microfinance institutions in India is playing an important role in rural areas since last two decades. The growth of the MFI's in South India is very high as compared to other parts of India. The central government and RBI should take necessary measurements to increase the performance of MFI's in other parts of India especially north and Central India. The concern state governments also take necessary measurements to create awareness among people to use the services of Microfinance institutions to strengthen their Economical status and improving their lively wood

The present study reveals the different performance determinants of five selected microfinance institutions. As MFIs are in developing stage in India, the study may be helpful in the computation of future policy formation for the growth and development.On the basis of the analysis of financial performance of selected Microfinance Institutions reveals that the institutions have shown a remarkable progress in respect of their lending activities. Hence, the institutions should concentrate and strengthen the financial resources through proper utilization and effective management policies.

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