Self Help India: Lessons from Bangladesh and Malaysia

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Abstract

Indian microfinance industry is flourishing and spreading very fast. Recently some top MFIs have shown massive growth. Some of these MFIs have shown 100 per cent returns from the loans disbursed. The growth rate of 100 per cent to 421 per cent was recorded with at least 14 MFIs. The reason behind their rapid growth and development is associated with SHGs, which have resulted as the backbone for MFIs. Heavy interest rates charged on loans by MFIs is the primary reason for their unprecedented growth, as the targeted people mostly belong from the poor and low-income class of society, who have no other means of accessing finance facility through proper channels from scheduled banks. This article makes an attempt to analyze interest rates of MFIs in India and Bangladesh. A significant difference in interest rates of MFIs within India and Bangladesh is also calculated. It is found that MFIs in Bangladesh are charging lower interest rates on loans as compared to Indian MFIs. An attempt is made study the micro financial system of Malaysia where AIM is studied and observed to be an alternative for Indian microfinance institutions with respect to their rates of Interest, which can help Indian poor, Underprivileged and unemployed people a chance to raise their living standard from existing.

Keywords: MFIs, SHGs, India, Bangladesh, Malaysia

1. Introduction

Indian, poor and underprivileged class of people knock the doors of landlords and money lenders in order to meet their financial needs. The money lenders charged exorbitant rates of interest which satisfied the timely needs of borrowers but making them debt slave in the rest of their life. In order to meet the needs of such people and avoid the extortionate rate of interest, they have organized themselves into Self-Help Groups (SHG) to be financially supported by different organizations through MFIs, in order to improve their standard of living. The main aim of microfinance is to fill the gap existing in the formal institutional networks by way of providing microcredit. SHGs are created comprising of not less than ten members, who voluntarily come together to rectify the problems related to finance and other issues. The group can be all men or all women or even a mixed group. Since 95 per cent of the SHGs have only women members. The vast majority of poor women are involved in SHGs, because of several socioeconomic factors like illiteracy, the rigidity of gender factor etc.

2. Review of Literature

“Microcredit, or microfinance, is banking the unbankable, bringing credit, savings and other essential financial services within the reach of millions of people who are too poor to be served by regular banks, in most cases because they are unable to offer sufficient collateral. In general, banks are for people with money, not for people without.” (Gert van Maanen, Microcredit: Sound Business or Development Instrument, Oikocredit, 2004) “Microcredit is based on the premise that the poor have skills which remain unutilized or underutilized. It is definitely not the lack of skills which makes poor people poor.

Unleashing of energy and creativity in each human being is the answer to poverty” (Muhammad Yunus, Expanding Microcredit Outreach to Reach the Millennium Development Goals, International Seminar on Attacking Poverty with Microcredit, Dhaka, Bangladesh, January 2003) “Microfinance means of providing a variety of financial services to the poor based on market-driven and commercial approaches”. (Christen R.P., 1997) “Microfinance is the provision of very small loans that are rapid within short periods of time, and essentially used by low-income individuals and households who have few assets that can be used as collateral”. (Bouman, ‘Small, short and unsecured informal rural finance in India’ Oxford University press, 1989) “Commercialization wasn’t “just mission drift” but that it’s “endangering the whole mission”.

Mohammed Yunus in an interview. Microfinance can also define as “the provision of small financial services in the form of credit to facilitate rural and semi-urban poor and underprivileged section of societies to raise their level of income and standard of living”. The credit is provided to Self-Help Group (SHG) members by the MFIs, NGOs, cooperatives, private commercial banks, credit unions, Non-Banking Financial Companies (NBFCs) and parts of State-owned banks. In the provision of credit, MFIs emerged as attractive sources of credit for borrowers. The credit had been used for establishing Small Business Units which in turn generate income of beneficiaries resulting as encouraging the self-sufficiency and development of entrepreneurial behavior among borrowers. Its initial beneficiaries were mostly women as women discrimination is high in Indian society and thus women empowerment has been recognized as a central issue. Thus, SHGs are also providing a platform to their participants to express their ideas and make them more interactive in order to solve their other issues apart from the financial requirement.

3. Research Gap

Several pilot literature surveys were conducted where various significant aspects of MFIs were found. Most literature related to MFIs are focusing mostly on its sources and its importance. Only very scanty studies were revealed about MFI in a national perspective. Very few studies were available with regard to the interest rates charged by MFIs. It was felt that the present study can be considered as a research gap. Based upon the research gap following research questions were framed.

1. Whether the rate of interest on loans by MFIs in India is higher than that of Bangladesh?
2. Whether MFIs in Malaysia can be an alternative to Indian microfinance in terms of interest rates?

4. Methodology and problem focus

This article attempts to uncover the practical and operational gaps of MFIs in India, Bangladesh, and Malaysia. Furthermore, it also examines whether there are differences in terms of interest rates charged by financial institutions, and to investigate the possibilities for adopting a customer-friendly micro financial system in the study area. It also tries to investigate whether annual interest rates are poor centric. Data used for the study is mostly taken from secondary sources, thus, sampling is not required. From India, top 25 MFIs were selected for study, likewise, from Bangladesh, top 10 MFIs were selected. From Malaysian MFIs, Amanah Ikhtiar Malaysia (AIM) is selected in order to identify it as a likely user-friendly and poor centric MFI for India as the administrative charge on all loans by AIM is comparatively much lesser than the interest charged by MFIs in India and Bangladesh. Data is analyzed by applying t-test to obtain statistically significant results.

5. Objectives

- ➢To analyze the interest rates of MFIs in India and Bangladesh.
- ➢To relate micro financial system abroad with India as to find it an alternative with the realities built in India.
- ➢To investigate the possibilities of adopting customer friendly and working micro financial system in the study area

6.Hypotheses

1. H_0: There is no significant difference in interest rate among MFIs in India
2. H_0: There is relationship between processing fee and interest rates in India
3. H_0: There is no significant difference in Interest rates among MFIs in Bangladesh

7. Results and discussion

Microfinance institutions have played a pivotal role in organizing these SHGs but it is transparent that these SHG members were initially paying individually to the money lenders against the credit taken from them with heavy interest annually. The point here to be understood is that these microcredit institutions are no longer better than moneylenders and even these people involved with SHGs have to pay heavy interest rates to these so called micro financial institutions as a group. The difference is that in the former system they had to pay interest individually and in the later system they have to pay in the form of group, whereas the risk is same which is not noticed so far. Reserve bank of India has clearly mentioned that a microfinance institution cannot charge rate of interest higher than 26 per cent. For relatively large MFIs the spread between the cost of money taken from banks and interest rate charged on the borrowers is kept at 10 per cent. Apart from that, these MFIs are not permitted to charge any security deposit.

It has been found that in India masquerading MFIs are also working with the help of money lenders in different parts of the country. According to a recent report of Sa-Dhan (The Association of Community Development Finance Institutions), 20 bogus MFIs operating in Mysuru (district in Karnataka state of India) were identified which are Sri Siddarameshwara Finance, Sri Chamundeshwari Finance, Sowbhagya Laxmi, Kaveri Sphoorthi Finance, Srirama Finance, Mahalaxmi Finance and many others, which levied more than 40 per cent interest and also collected a security deposit of 7 per cent on loan amount along with a service charge of 3.5 per cent. Most important aspect to be understood is the high growth rate of MFIs. In the financial year2016, there was a growth rate of 100 per cent to 421 percent with at least 14 MFIs. The MFI industry grew around 31 per cent, where the share of profit MFIs is around 88 per cent. The top 10 MFIs accounted for Rs 43,887 crore or 69 per cent of the loan portfolio. A total of 39.9 million clients were served by this industry in 2016, where the majority were served particularly by large profit based MFIs. According to 2016 report, the fastest growing MFIs included ASA International India Microfinance Pvt. Ltd 126 per cent, Village Financial Services Pvt. Ltd 126 per cent, Samasta Microfinance Ltd 128 per cent, Annapurna Micro Finance Pvt. Ltd 132 per cent, SV Creditline Pvt. Ltd 142 per cent, Sarala Development, and Microfinance Pvt. Ltd 175 per cent, Janalakshmi Financial Services Ltd 191 per cent and Hindustan Microfinance Pvt. Ltd 421 per cent. Table 1.1 shows the list of top 25 developing microfinance institutions in India during 2014-15 in terms of small asset base and portfolio compared to the top 25 but could scale up in the long run to join the league of big MFI's. Tables enclosed

Table 1.1 List of leading 25 MFIs in India with interest rate and processing fee for loans

S.No	Name of MFI (Alphabetically)	Annual ROI in per cent	Processing fee in per cent
1	Annapurna Microfinance Pvt Ltd	23	1
2	Arohan Financial Services Pvt Ltd	24.99	2
3	Asirvad Microfinance Pvt Ltd	24	2
4	Bandhan Financial Services Pvt Ltd	22.40	2
5	BSS Microfinance Pvt Ltd	25	2
6	Cashpor Micro Credit	23.94	2
7	Disha Microfin Pvt Ltd	28.50	2
8	Equitas Microfinance Pvt Ltd	22	1
9	ESAF Microfinance and Investments Pvt Ltd	22.9	1
10	Fusion Microfinance Pvt Ltd	24.5	1
11	Grama Vidiyal Micro Finance Ltd	25	1
12	Grameen Financial Services Pvt Ltd	23	1
13	Janalakshmi Financial Services Pvt Ltd	24	1
14	Madura Micro Finance Ltd	28.8	1
15	RGVN (North East) Microfinance Limited	24	1
16	Satin Creditcare Network Ltd	26	1
17	Shree Kshetra Dharmasthala Rural Development Project	25	1
18	SKS Microfinance Ltd	20	1
19	S.M.I.L.E Microfinance Ltd	25.96	1
20	Sonata Finance Pvt Ltd	23	1
21	Suryoday Micro Finance Pvt Ltd	26	1
22	SV Creditline Pvt Ltd	24.7	1
23	Swadhaar FinServe Pvt Ltd	26	1
24	Ujjivan Financial Services Pvt Ltd	21.25	1
25	Utkarsh Micro Finance Pvt Ltd	28	1
Source: India's 25 leading MFIs, CRISIL Rating, June 2014			

Table 1.1 shows that the interest rate on loan varies from a minimum of 19.75 per cent (SKS MicrofinanceLtd) to a maximum of 28.8 per cent (Madura Microfinance Ltd.), which clearly indicates a high rate of interest which is almost close to the bar level of 26 per cent. In fact, some MFIs charge as high as 28.5 per cent ROI which demonstrate the flawed practice of MFIs operating in India. With ROI, one to two per cent of the total loan amount as processing fee is also charged, affecting the poor and underprivileged class. This mode of financial support focuses on the benefit of the institution rather than upliftment of individuals. Thus, it appears, the system does not promote saving habits of the people but markets their life standard over the privilege of debts on a long run.

Despite working hard in tough environmental and social condition and even after handful earning borrowers are not able to improve their life standard and basic needs, which shows the tricky side in Pandora box of this system. From the theoretical analysis, it was clearly observed that some MFIs flawed the RBI guidelines and charge exorbitant interest rates.

Table 1.2 One-Sample Test of 25 MFIs in India with interest rate

Variables	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
ROI	57.565	24	.000	24.47760	23.6000	25.3552
PF	14.224	24	.000	1.2400	1.060	1.420

In table 1.2, statistically, it is presented that mean value of interest rate among different MFIs in India is 24.47 which is 14 per cent points higher than that of AIM. Also, there is a statistically significant mean difference among MFIs in India, hence the null hypothesis is rejected as the ρ=0.000 is greater than α=0.05. Similarly, the mean difference in processing fee is statistically significant among the MFIs in India.When the rate of interest from all MFIs in India is compared to administrative charge on loans by AIM, it is evident that all Indian MFIs are charging a high rate of interest.

Table 1.3 Relationship between Interest rates and processing fee of MFIs in India

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	23.943	1.329		18.021	.000
	PF	.431	1.013	.088	.425	.675

Table1.3 shows that there is a positive relationship between the rate of interest and processing fee. However, the relationship is not statistically significant, because the ρ-value= 0.675 is greater than the hypothesized level of the precision level (∂=0.05). Hence, the alternative hypothesis is proved to be accepted. One more critical scenario unobserved is that in the former system people who were in need of money only used to borrow it from money lenders but unfortunately being members of the SHGs who do not borrow money are obliged to pay back premium amounts in case of default by another member, otherwise the whole group will be debarred from getting any further financial assistance. In earlier day's women were able to run their families even with little income, lived with a thought that they should not borrow money from outsiders and they didn't like to live under debt. But this MFIs system is knocking the doors of the accessible household of poor and middle-class income people has pushed these women inside the debt trap resulting into the Pandora box of self-help groups.

According to Bharat Microfinancereport, 2015 top 10 MFIs in terms of branch network and gross loan portfolio in India are in Table 1.4.

Table 1.4 Top 10 MFIs of India in terms of branch Network and Gross Loan Portfolio (as on March 2015)

S. No	Name of MFI	Total no of Branches*	Name of MFI	Gross Loan Portfolio** (in Rs crore)
1	Bandhan Financial Services Ltd	2022	Bandhan	9524
2	SKS Microfinance Limited	1273	SKS	4155
3	Spandana Sphoorty Financial Limited	784	Janalakashmi	3774
4	Share Microfin Limited	618	SKDRDP	3570
5	Ujjivan Financial Services Private Limited	423	Ujjivan	3274
6	CASHPOR Micro Credit	422	Spandana	2665
7	Asmitha Microfin Limited	407	Equitas	2144
8	Equitas Microfinance Private Limited	361	Satin Credit care	2141
9	Grama Vidiyal Micro Finance Limited	270	Share Microfin	1603
10	Satin Creditcare Network Limited	267	Grameen Koota	1447

**Source: Bharat Micro finance report 2015 page no.15,*
***Source: Bharat Micro finance report 2015 page no.23,*

From the table 1.4, it is evident that the MFIs have broadened their network and few of them are turned to be as banks like Bandhan Financial services have become Bandhan bank because of highest loan portfolio among all the MFIs in 2015. The gross loan portfolio of top 10 MFIs is given in Table 1.5. As on March 2015, the total loan portfolio of MFIs has reached an all-time high of over 48882 crore rupees indicating a huge increase of about 48.89 per cent over the last year. The net loan portfolio or owned portfolio on the books of the MFIs stood at Rupees 39028 crore, which is an increase of 33 per cent over the last year. The share of NBFC-MFIs stood at 88 per cent, followed by Societies and Trusts at 9 per cent. Nearly 85 per cent of the portfolio is held by MFIs with a portfolio size above Rupees 500 crore. A very interesting trend is seen in the rural-urban focus of MFIs. The share of rural clientele which was 69 per cent in 2012 has decreased to 56 per cent in 2014 and has drastically come down to 33 per cent in 2015 representing the more control over MFIs from the urban base who already are engaged and enjoying the banking system. The total net surplus (after tax) generated by the sector is 1170 crore. In line with the 85per cent outstanding portfolio that is owned by the giant MFIs, their contribution to the net surplus is also a similar 83per cent at 976 crores. Almost the entire surplus (96 per cent), at 1118 crores of the 1170 crores is from NBFC-MFIs. It won’t be wrong to mention here that the surplus received is due to hard work and struggle of the poor and underprivileged class who are engaged in the microfinance institutions by means of self-help groups. Also, it is becoming evident that these MFIs are generating more surplus on the cost of SHGs by charging them heavy interest rates. (Sa-Dhan's “Bharat Microfinance Report- 2105”)

8. The scenario of MFI’s in Bangladesh

Muhammad Yunus - Founder of Grameen Bank and Nobel Peace Prize recipient clearly says, “I was proposing to put a right to credit. It's also a human right so that people can create their self-employment with that money. If they can create income for themselves, they can take care of right to food, right to shelter much more easily than the government can ever do it”. The roots of microfinance are from Bangladesh since it was introduced by Grameen Bank. This was the first attempt in the world financial history to have such type of microfinance. Even though Grameen Bank was initially launched as a pilot project in Bangladesh which in no doubt has succeeded as the basic aim and motive were not to earn income out of it but to uplift the poor and underprivileged class to earn a good livelihood. From the commencement of microfinance, it was considered to be as a tool to uplift the poor, low income and unemployed class in the society. Grameen Bank, officially recognized in 1983 was the first organization of its nature to disburse collateral-free microcredit to the underprivileged and poor on very small and low-interest loans by its founder. Such initial investigations into the people’s behavior into small credit showed two results. The repayment rate of loans was higher than the expected and repayment rate among women was much higher than that of men (Yunus, 1999). When the success of Grameen Bank spread in other developing countries, it gave birth to its clones of Grameen Bank followed by the commercialization of microcredit industry in the 1990s. Soon profit based microcredit institutions pumped into the microcredit industry in huge volumes which initially were much anxious towards the upliftment of poor, unemployed and underprivileged class.

Later in Bangladesh, many microcredit institutions were born to uplift the people with different skills. Table 1.5 provides a list of top 10 microcredit institutions in Bangladesh alongside their annual interest rates. Table 1.5 contains the list of ten most successful MFIs of Bangladesh based upon the number of branches.

ASA, Dhaka is having 2932 branches, which is higher than all other MFIs even Grameen Bank occupies second place in terms of branch network. Also, we can observe that there is a direct relationship between market share and number of branches. As the number of branches increases, their overall market share also increases. A processing fee of one percent is charged by all MFIs in Bangladesh. Interest rates of MFIs vary from 4.5 per cent to 27 per cent annually. It is evident that some MFIs are charging extremely high rates of interest even they have increased their branches and customer base.

Table: 1.5 Top 10 MFIs based on number of branches as of December 2015 and their annual interest Rate

Rank	Name & District of Organization	Number of branches	Market share in Percentage	Annual Rate of Interest	Processing Fee
1	ASA, Dhaka	2932	15.73	25	1
2	Grameen Bank (GB), Dhaka	2568	13.78	20	1
3	BRAC, Dhaka	2083	11.18	26	1
4	(BURO Bangladesh), Dhaka	804	4.31	27	1
5	Thengamara Mohila Sobuj Sangha (TMSS), Dhaka	622	3.34	19.73	1
6	(SFDW), Dhaka	378	2.03	27	1
7	(PMUK), Dhaka	299	1.60	4.5	1
8	Jagorani Chakra Foundation (JCF), Jessore	290	1.56	16.33	1
9	(UDDIPAN), Dhaka	287	1.54	27	1
10	Society for Social Service (SSS), Tangail	282	1.51	25	1
Source: Multiple Annual Reports and website of MFIs					

Table 1.6 represents One-sample T-test has been employed to test whether there is a statistically significant mean difference in the rate of interest rates among the MFIs in Bangladesh. Accordingly, the analysis table 1.6 shows that there is statistically significant mean differences in interest rate among the microfinance institutions since the estimated ρ-value =0.000 is less than the required level of precision(α=5%).Hence, the alternative hypothesis is accepted denoting that there is statistically significant mean difference in interest rates among MFIs.

Table 1.6 One-Sample Test of top 10 MFIs in Bangladesh with Interest rates

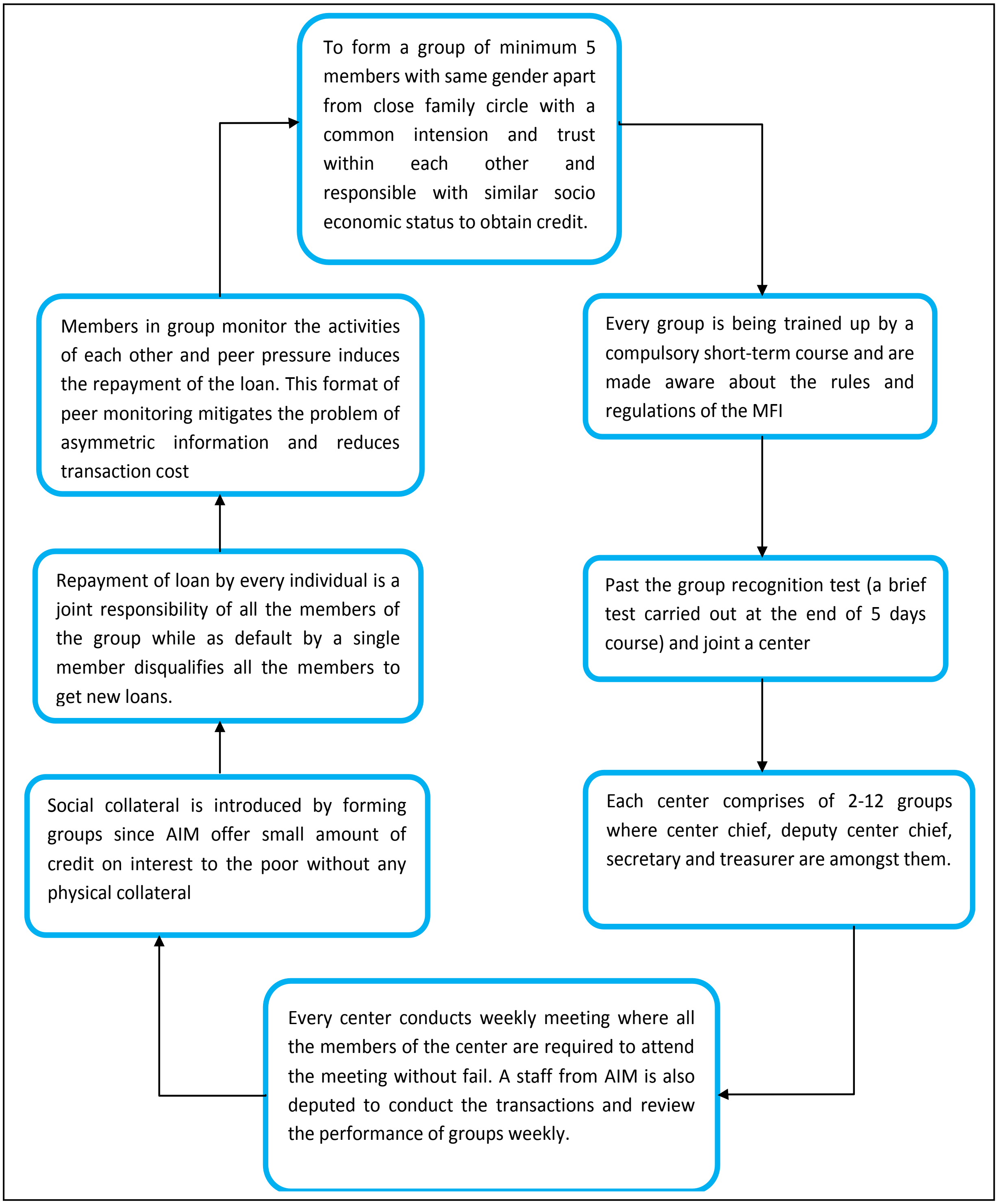
	Test Value = 0					
	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
ROI	9.666	9	.000	21.75600	16.6643	26.8477

9. Malaysia

In Malaysia, microloans term is used as a synonym to Microfinance or Microcredit. Mostlymicroloans are provided by banks itself. In Malaysia there a very less number of microfinance institutions. Microloans are mostly disbursed by Malaysian banks itself. Malaysia has four microfinance institutions, namely, Amanah Ikhtiar Malaysia (AIM), Yayasan Usaha Maju (YUM), The Economic Fund for National Entrepreneurs Group (TEKUN) and the People's Credit Cooperation (KKR). KKR is a co-operative established in 1974 for the upliftment of rubber plantation workers in the Selangor state of Malaysia. AIM and YUM were established in 1987 on the basis of Grameen Bank Model used in Bangladesh. Later in 1998 TEKUN was established. AIM is entirely Non-Government Organization (NGO) while as YUM and TEKUN lie under the banner of Ministry of Agriculture and Agro-based Industry in Malaysia. In terms of wide area coverage, disbursement of loans to poor and profit, AIM lists at the top in Malaysia. AIM is a poverty-oriented MFI that provides loans only to poor. AIM's micro-lending service have been widely offered throughout Malaysia. AIM is charging a competitive administration charge of 10 per cent annually as a management fee for all types of loans annually.

9.1 Business Process Flow in AIM

AIM has maintained its objective to uplift the poor and underprivileged class by providing the micro-loans. The mechanism can be well understood by a flow chart. The process starts with the formation of a group with a minimum of five members. They are trained up and taught how to use the credit in a better way. Along with the delivery of credit, a social responsibility is developed between the group members to look into other members business. The group members keenly observe the progress of other members also because if one member fails the pay back the loan amount, the whole group will be debarred from the getting any assistance next time from the microfinance company.



9.2 Target Groups in AIM

AIM has classified the target groups into three main categories

1. Hardcore poor
2. Poor
3. Low income

These categories are based upon the annual income earning per head. The hardcore poor people are those who are earning less than US dollar 106 or RM 457 per month. Likewise, poor people are those who belong to a group earning less than US dollar 170 or RM 773 per month.

Under the low-income group, those people are included who earn less than US dollar 722 or RM 3080 per month. It was observed in most of the microfinance institutions that more emphasis was laid upon women groups. Same is done in AIM as the women are considered to be hard working than men. It is also considered that hunger and poverty affect women and children more as compared to that of men. So they are inclined to work harder in current situations in order to safeguard their present and future generations. AIM officer identifies all the three groups and registers them for the finance. Officer identifies the area of their growth by way of providing them different opportunities where they can improve their standard of living and livelihood. Then the funds are disbursed and borrowers are monitored frequently by the officer and also by the group members. Weekly repayment system is adopted so that to ensure that there is no problem faced by any borrower. By this way, they can quickly point out that which group has less efficiency in the particular week.

9.3 Loan Disbursement Method of AIM

Table 1.7 explains the loan disbursement method adopted by AIM up to 20,000 Malaysian Ringgit (RM).

Table 1.7 Loan disbursement Method AIM 2016

S. No	Loan Amount	Repayment weeks	Processing Fee +Halal Insurance	Weekly installment
1.	RM 5,000*	Over 50 weeks	-(1 per cent Halal + Insurance)	= RM 110 Per Week
2.	RM 10,000*	Over 50 weeks	-(1 per cent Halal + Insurance)	= RM 220 Per Week
3.	RM 20,000*	Over 50 weeks	-(1 per cent Halal + Insurance)	= RM 440 Per Week
*10 per cent Administrative charge on all loans				

From the table, 1.7 it is evident that for an amount of RM 5,000, 10,000, 20,000 AIM is charging 1 percent of the loan amount as processing fee including Halal insurance. It charges 10 percent as the administrative charge which is clearly mentioned to be used in following areas:

a) Human Resources,
b) Crisis Funds,
c) Operational Risks and
d) Borrowers Training

The 10 percent administrative cost on all sort of loans is less than the rate of interest charged by microfinance institutions in Bangladesh and India especially. From the administrative charge by AIM, some portion is again used for the training and crisis fund which is entirely related the growth of borrowers and their security. AIM as microfinance institution has become more successful and is more oriented towards the upliftment of poor and underprivileged class of society. The total number of borrowers is continuously increasing since 1995 to 2015, it was just 39400 in 1995 and reached to 253000 in 2010. In 2015 it has a vast base of active borrowers which has reached up to 366000. From the year 1995 to 2000 there is an increase of 36.24 per cent. During 2000-2005 highest increase of 59.87 per cent in the number of active members is observed. In the span of two decades since 1995 to 2015 there was an increase of 89.23 per cent in the active member base of AIM.

Conclusion

The microfinance system of Malaysia is much better than the system adopted by India and Bangladesh, as we can observe from all the above data that administrative cost is much lower than the interest rates charged by MFIs in India and Bangladesh. The system adopted by Malaysia has an absolute advantage that risk factor in terms of loan repayments is very low. Malaysian people are more inclined towards the social welfare rather self-welfare.

The religious component also plays a major role as Malaysia has 61.3 per cent(2010 estimates) of the Muslim population. For Muslims trade based upon interest is unethical and involving in such activity is a major sin, but they can earn the profit. AIM as an MFI is surely better than that of MFIs in India and Bangladesh. It not only gives loans on less administrative charges but also provides training to the SHGs to improve their skill and help them out of poverty and unemployment. This component is missing especially in India. The defaults on loans from nationalized and other banks are much higher, so strict regulations are adopted by different methods. But in the case of MFIs in India, the returns on loans are very high. 14MFIs have shown 100 to 421 percent growth rate.

Most of the MFIs are gradually improving and Bandhan has emerged to be as small finance bank. Other MFIs are on the track to choose their next targets especially to get emerged as small finance banks in order to widen their operations. In spite of higher growth rates, interest rates are not decreased. Hence, poor, unemployed and underprivileged class of society who don't have enough collateral get trapped within the MFIs and pay high-interest rates on loans. The area needs to be highlighted and addressed properly.

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