

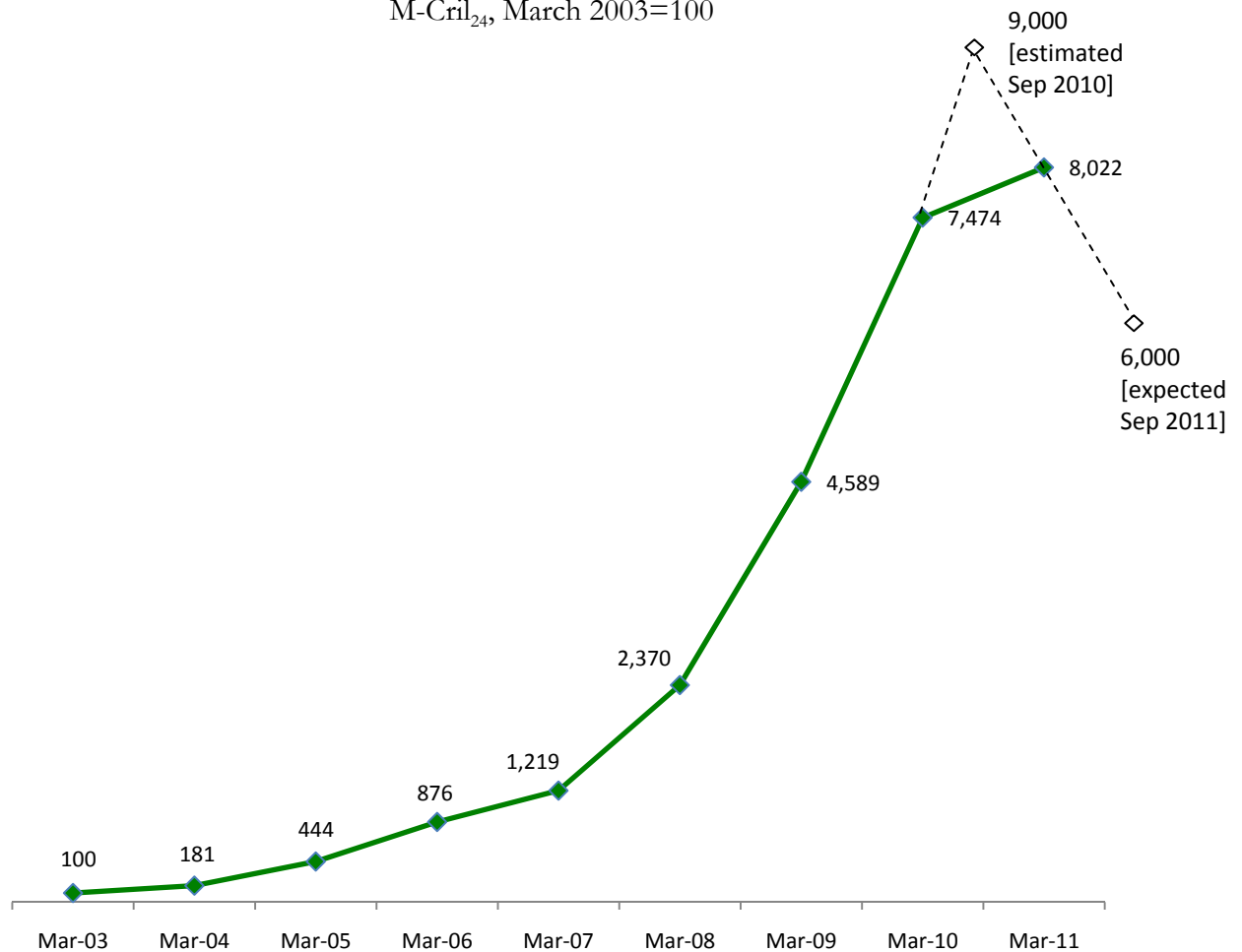
M-CRIL India Indices of Microfinance 2011

Measures of the performance of the 24 largest MFIs in the country

Growth of the largest Indian MFIs in 2010-11 has declined to a very low level

CRILEX – the M-CRIL India MFI Growth Index

M-Cril₂₄, March 2003=100

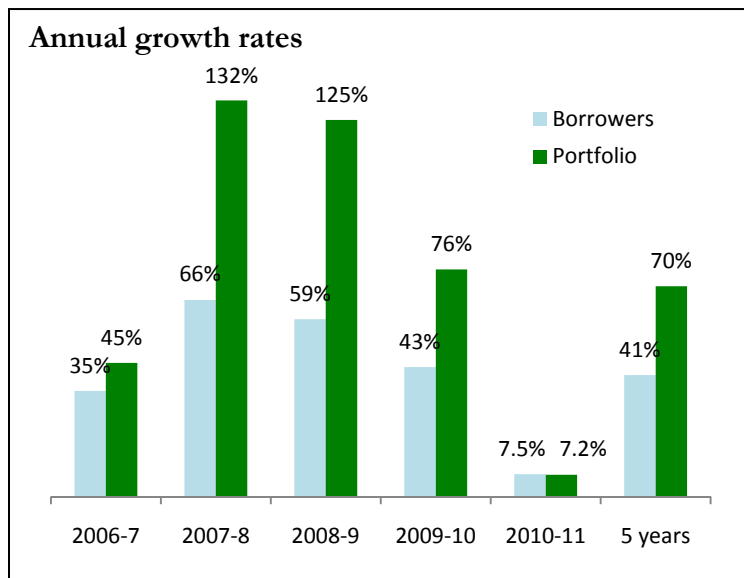


CRILEX – the M-CRIL India MFI Growth Index, a composite index of growth of microfinance institutions in India – uses information on the numbers of borrowers and the size of loan portfolio of the 24 largest MFIs (each with more than 100,000 active borrowers). It adjusts the borrower numbers for multiple lending using conservative estimates for this phenomenon by M-CRIL’s analysts – see below.

By 31 March 2011, CRILEX had reached

8,022

(March 2003=100 in the figure above)



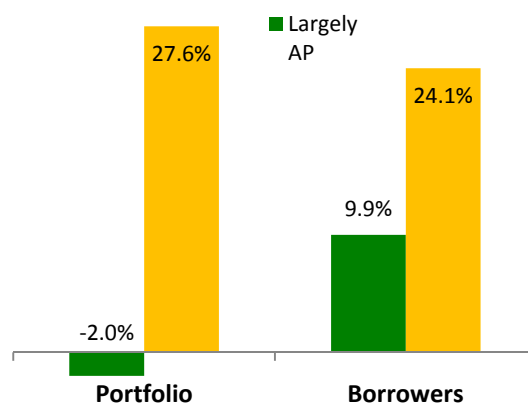
Growth in 2010-11 was just 7.5% for borrowers and 7.2% for portfolio, greatly reduced from the 43% and 76% growth respectively in the previous year after adjusting for multiple lending.

Growth has not been even; the four largest MFIs operating in AP recorded negligible growth rates for the year. Other MFIs grew at 10-15%, and a few at 40-50%.

The largest 24 institutions together serviced a portfolio of Rs19,700 crore (\$4.4 billion) by the end of March 2011 through about 18 million clients (estimated after allowing for multiple lending to the extent of 50%)

...and while the non-AP MFIs still grew fairly well (at around 25%), the six MFIs with their main portfolios in AP (but also outside the state) grew by 9% in terms of number of borrowers (all the growth being outside AP) but registered a small decline in portfolio (see figure).

Growth Rates of the largest Indian MFIs [2010-11]



Subsequent, information from some of the leading MFIs shows that **there has been a significant decline in both portfolio and outreach to clients over the past few months – since March 2011.**

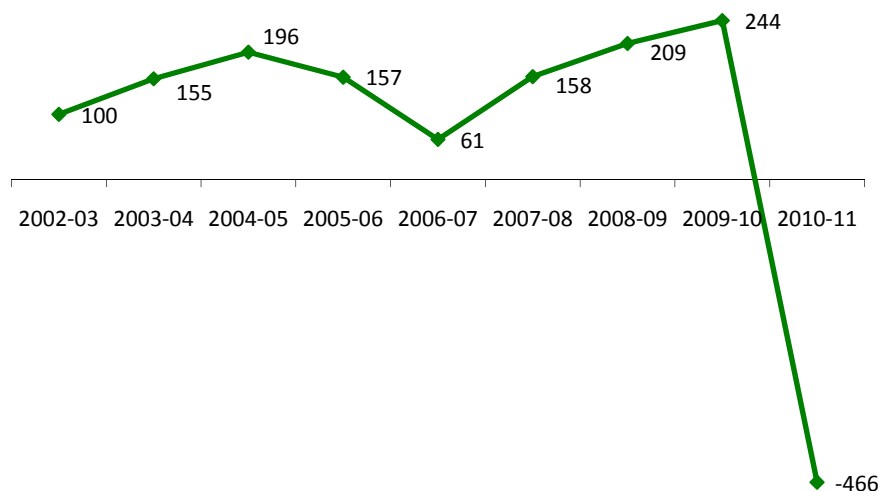
It is apparent that **the draconian AP law** against the practice of microfinance has thrown out “the baby with the bathwater” of the overindebtedness of some clients and **deprived millions of low income families in AP of the credit services** provided by MFIs. How this will be replaced with the **sustainable** provision of micro-credit services (as opposed to subsidized short term palliatives) is a question yet to be answered.

...and average financial performance has declined drastically from the highs of 2009-10

with the virtual collapse of portfolios in Andhra Pradesh. Elsewhere there has been a small decline in portfolio performance (up to 31 March 2011) but PAR₃₀ remains below 2% for most MFIs not operating in AP

FINEX – the M-CRIL India Financial Performance Index

M-Cril₂₄, March 2003=100



FINEX – the M-CRIL India Financial Performance Index is a composite index of the performance of microfinance institutions in India. It uses information on the portfolio at risk (>30 days) and the return on assets of 24 leading MFIs (based on financial information self-reported by the MFIs to the MIX)

FINEX has declined to

-466

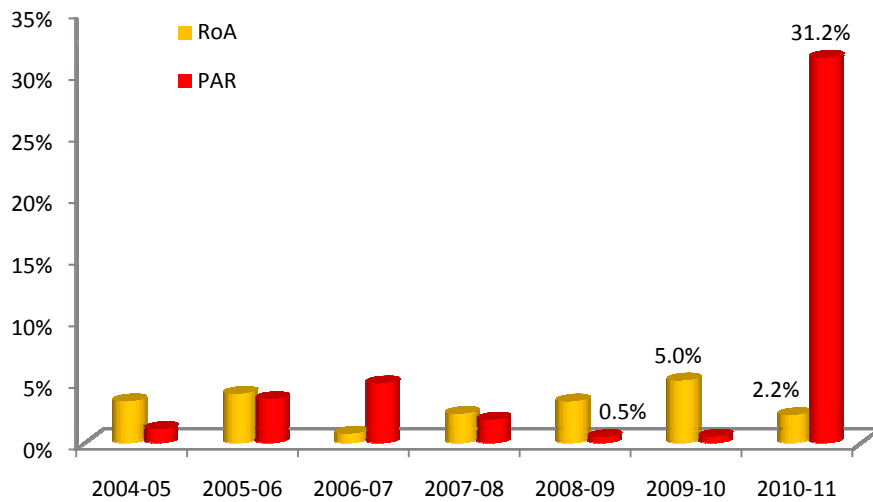
(March 2003=100 in the figure above)

compared to the 40% increase in 2008-09 and a 10% increase in 2009-10.

From the abnormal high of 5.0% in the previous year, the average reported return on assets (RoA) has fallen to a more reasonable 2.2% in 2010-11 but the composite PAR (>30 days) has risen to as much as 31% on account of the AP effect.

Excluding the 6 AP-based MFIs (5 of them in the largest 7), results in a PAR₃₀ of just 1.55% – much higher than last year’s (perhaps abnormally) low PAR below 0.5% but still at an apparently good level.

Summary Financial Performance of India’s Leading MFIs



Note: This analysis uses data reported by the largest MFIs to the MIX.

M-CRIL
19 August 2011