CHAPTER 5

MICROFINANCE INSTITUTION EVOLUTION & PROFILING

5.1 Indian Microfinance Institution: An Overview

Microfinance is seen as an important tool for poverty alleviation over the years and microfinance institutions (MFIs) over the years have helped in achieving the objective of financial inclusion. The microfinance programs were initiated by NABARD in collaboration with Banks and Non-Government Organisations (NGOs) for population in unbanked areas through Self Help Group (SHG) - bank linkage program in 1992. The sector evolved with private sector participation leading to formation of microfinance institutions (MFIs). The MFIs accessed bulk funds from banks and did on-lending to the end borrowers (either through SHG members or joint liability group (JLG) members). JLG typically consists of 5 member group where members provide mutual guarantee to the loan taken by others. There on the microfinance activities were being implemented by the two channels - MFI model and SHG-Bank linkage model. The sector has shown robust growth over the years amidst various challenges and has been able to cater to lowest strata of the society which was earlier completely dependent on money lenders. Looking at the important role being played by the MFIs in financial inclusion, RBI as a regulator has also been supporting the sector through various measures and has shown faith in the sector and chosen eight MFIs for conversion into Small Finance Banks out of the ten licenses being awarded.

5.2 MFI Evolution & Growth

Since inception the microfinance sector has seen a ups and downs in almost every vertical causes which it is currently in a complete transformed stature. The categorization of the entire period of transformation can give broader perspective of microfinance future and prospect. For our study, the journey of microfinance has divided into five broad phases –

1. Phase I: Setup different agencies and startups (till 2001)
2. Phase II: Policy interventions and inclusion into Primary Sector Lending (2001-2006)
5. Phase V: Resumed high growth with transformations (2013 – 17)
Phase I (INITIAL PHASE) had witnessed new entries in the sector wherein there was a shift in orientation with organizations moving from non-profit motive (NGOs) to for profit making (NBFCs). The purpose was to develop themselves for higher scale of operations with quality deliverable. The shift in operational efficiency and higher customer base makes them attractive destination to pool funding through equity and debt financing arrangement especially from the private equity investments. The lending activities by micro-finance institutions were arbitrary in the absence of any common regulatory framework and formal MFI set-ups. This period has registered the high growth rate of loan portfolio but was for short duration and in selected demographics. There are two notable developments in this period. Firstly in 1974 the inclusion of women bank “Shri Mahila Sewa Sahakari Bank” which has owned and managed by ‘women’ and provide financial services to ‘women’ in the unorganized sector. The advocacy of NABARD for SHG linkage for alleviation of poverty has proven as another milestone. The benefit of this phase is marginal because of absence of established regulatory agencies, social intervention and absence of political intention.

Phase II (CHANGES) development begins with two major models under micro-finance, namely, Self-Help Group-Bank Linkage (SHG-BL) and Micro-Finance Institutions (MFIs). Banks have started facilitation of SHG and enable savings and credit services directly to SHG. Upto March 2006, total numbers of SHGs financed were from this category was 20 percent (NABARD, 2006). Further, Banks are providing savings and credit linkage to SHGs which are even facilitated by NGOs or other Self Help Promoting Institutions. Upto 31st March 2006, this type of arrangement have the major share of SHGs finance with 74 percent of the total number of SHGs comes under it (NABARD, 2006). Another arrangement is based on MFIs where Banks lend to MFIs, then MFIs assist the formation of SHGs and to lend them.
March 2006, there was 6 percent SHGs linked under this arrangement (NABARD, 2006). During this period the Self-Help Group (SHG)-Bank Linkage arrangement has appeared to be an important form of micro-finance movement in the country. Upto March 2006, around 2.2 million SHGs were linked to banks with cumulative bank loans amounting to Rs.11,398 crore (RBI 2005-06). As reported by RBI 2005-06, the commercial banks involvement in financing of SHGs has increased over the years. The total number of households supported has increased from 5 million in 2001 to 24 million in 2005. The average bank loan (per SHG) increased from Rs.18,227 in 2001 to Rs.32,012 in 2005. There are some notable developments during this period. In 2002, the provisioning norm for the unsecured lending to SHG brought on par with other secured loans. In 2004, the RBI included MFI lending within the priority sector and recognized MFIs as a tool for financial inclusion. In 2006, The Government shut down branches of some microfinance companies due to allegations of high interest rates, unethical recovery practices and poaching clients from SHGs.

**Phase III (CRISIS)** 2006-10 periods was started with crises. It has not stop with Krishna district crisis. During this period, the microfinance sector reported high growth which was supported by strong loan demand from borrowers. Mostly these borrowers were abandoned by the banking system. The investors or fund managers are excited to invest corpus in the highly attractive and growing micro-finance industry. The detail reasons, consequences and inferences are depicted in figure 2 below. However, in 2010, the sector was repeated 2006 crisis and severely affected by the Andhra Pradesh crisis and the State Government promulgating an ordinance to curb the activities of microfinance companies. Some of the important developments in this period are as under:

2007: Highly Favorable regulations for Institutions, economies of scale and significant growth drew Private Equity players into the market. Micro Finance Industry loan book stood at Rs 35 billion.

2009: Microfinance Institutions Network (MFIN) was started; all NBFC-MFIs are eligible for membership.

2010: Andhra crisis unfolded — allegedly coercive debt collection practices led poor borrowers to suicide. This led to an Ordinance from the Government and significant clamp down on MFI activities.
Phase IV (CONSOLIDATE) action has started with resolving the AP crisis, with the regulatory intervention through AP ordinance adopted by state government causes sharp deterioration in asset quality of MFIs. The reason of such negative impact is due to geographic concentration of MFIs in AP. The borrowers was overleveraged and involved with multiple MFIs lending to the same borrower. This ambiguous operational mechanism causes bankruptcy of many MFIs that had created blot on Andhra Pradesh micro-finance institutions and resultant into funding constraints for the nationwide micro-finance industry. The important development in this period is adoption of Malegam Committee recommendation. In 2012, The Malegam committee recommended significant changes in the sector and the RBI issued final notifications. Thereafter, with RBI’s common regulatory framework in 2011 for NBFCs undertaking microfinance activity, the sector went into the consolidation mode for operational understanding and amended towards the new norms with operational setup and lending practices. It gives a declining trend in loan portfolio from almost Rs.20,000 crore in 2011 to Rs.14,600 crore in 2013 (CARE 2017).
Phase V (GROWTH) It is acknowledged after consolidation in operations, the sector has started with signs of growth by fresh funds infusion from the equity investors as well from the debt market. This phase is due to more stable regulatory environment; support of credit bureaus; activities of self-regulatory organizations; availability of secure funds; and rapid growth in client base and loan portfolio. There are two important steps taken during this period. Firstly, the RBI issued universal banking license to Bandhan, the largest microlender in India in terms of assets in 2014. Secondly, Micro Finance Institution Network was formally recognized by the RBI as a self regulatory organization in 2015. Thirdly, the Government of India has launched MUDRA Bank to help finance small businesses in 2015.

During this Phase V MFIs started to focus on quality operational deliverable to boost their earning and offer lower interest rates to borrowers. Indian Microfinance Industry has expanded above 60% to Rs 54,329 crore during 2015-16 as compared to the last year, as stated by Sa-Dhan in Bharat microfinance report 2016. Average loan dispersal per client has increased from Rs.8000 to Rs.16000 and number of borrowers per employee ratio has increased marginally from 351 in 2013 to 365 in 2017 (CARE 2017). The increase in loan disbursement amount along with technology intervention in certain processes and shift in collection cycles are providing the possibilities for the loan officers to work with larger credit portfolios. The micro finance industry has found another transformation by getting future prospect like small bank licenses. During this phase, some of the successful NBFC-MFIs got license to work as small finance banks/bank. Some obstacle arises with the implementation of demonetization that causes poor collections leading towards deterioration of asset quality of MFIs. Otherwise this phase has given positive outcome till the end.

5.3 Evolution of Interest Free Microfinance Model in India

A Conference was held in Amman, Jordan 11-16 October 1986 by the Council of the Islamic Fiqh Academy established in this meeting question raised about rendering a service against a reward; service fee so the Islamic Fiqh Academy was permitted that to charge a service fee for loan related service offered by an Islamic Bank. Nevertheless, service charge or service fee should be within actual expenditures and any fee in excess to actual service related expenses is prohibited. Therefore, it is permitted to charge an approximate service fee on the customer to reimburse or claim the difference at the end of the accounting period when actual administrative expenditure become exactly known. (Siddiqui, 2001) (IIBI, 2017). However, this service charge
is very low compared to the normal conventional bank interest rate and helps the community in great deal by expelling usurious moneylenders, *sahukar and mahajans*. Some of interest free microfinance institutions, like Muslim funds Najibabad, are established by Mr. Zaki against the exploitations of these moneylenders, whose family was suffered by these moneylenders. Some interest free microfinance institutions like Nagina and Bijnor Muslim funds also avoid application of interest, and taking service charge for the security deposits kept as collaterals against loans. According to Islamic law or (sharia) the term Jua’lah or Ju’ala or also known as Ju’l,J u’ala is a contract between two parties for rendering a specific service it means one party pays some amount to another party for execution a specific service in such a manner to fulfill the terms of the contract between the two parties. This contract is mostly used in consultancy, professional services and service organizations such as banks, financial agencies, insurance. In other words, according to Muslim jurists rendering a service against a reward; service fee technically applied in the model of Islamic banking. Bank charges and commission have been interpreted to be ju'alah considered as Islamic law some Islamic Banks also give loans to their customers with rendering a specific service charge. At the end of the accounting year the service fee or any service charge may be calculated accurately only after when all administrative expenditure has been calculated. (Hussain, et.al .2015)

### 5.4 States Profiling for Micro Finance Institutions

The presence of Indian micro finance is not same across the nation. The region-wide availability of micro-finance institution is given in table no 1. We have taken at least one state from each region. Such selected sample state must not be in the nascent stage in micro-finance activity. Further, the state where micro-finance has faced serious problem is not taken in sample. The study considers the districts (sample state) where enough customers of interest free micro finance are available. The proximity between districts is considered for making survey easier. Along with the language barrier causes some distress and to avoid such hindrances the help of local people have taken.

<table>
<thead>
<tr>
<th>REGION</th>
<th>STATES/UNION TERRITORIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>NORTH &amp; CENTRAL</td>
<td>Delhi (8), Haryana (14), Rajasthan (16), Punjab (9), Chandigarh (3), Himachal Pradesh (5), Jammu &amp; Kashmir (1), Madhya Pradesh (25), Uttarakhand (13), Uttar Pradesh (19), Chhattisgarh (21)</td>
</tr>
</tbody>
</table>
The selection of states for data collection is based on three filtration process. At first, the identification of top ten states have determined on the basis of loan portfolio percentage during December 2015 to February 2017. The cumulative highest loan portfolio during this period have considered for selecting top ten states. These top ten states are representing the entire population. It means every region is having an equal chance of selection. Region-wise allocations of states are as follows:

1). North & Central Region: Madhya Pradesh and Uttar Pradesh
2). Eastern & North Eastern: Bihar, Orissa, and West Bengal
3). Western Region: Gujarat and Maharashtra
4). Southern Region: Karnataka, Tamil Nadu, and Kerala

Source: MFNI 2017
Here, Uttar Pradesh has highest loan portfolio share among other north & central region states. Bihar is marginally high in the eastern and north eastern region. Maharashtra is showing highest among all other states in the western region. In the southern region, Andhra Pradesh is lowest side in loan portfolio available while Tamil Nadu is on the top.

Second step of filtration is based on average loan disbursal per account (ALDPA) among top ten states. The Quarterly data of average loan disbursal/account has collected from various reports of MFIN micrometer during 2015-16. The calculation of percentage growth of average disbursed loan per account gives clarity of top performing states among regions. It shows that the loan disbursal per account has increasing in the state. It suggests that both saving per account and recovery of loan has increasing in the state. The availability of higher leverage causes incremental shift of loan disbursal per account. On the basis of loan disbursal growth, the region wise positioning of state is as under;

1). North & Central Region: (1) Uttar Pradesh and (2) Madhya Pradesh

2). Eastern & North Eastern: (1) Bihar, (2) West Bengal, and (3) Orissa

3). Western Region: (1) Maharashtra and (2) Gujarat

4). Southern Region: (1) Karnataka, (2) Tamil Nadu, and (3) Kerala

<table>
<thead>
<tr>
<th>Table 5.2 : Loan Disbursals With Growth (%) Among Top Ten States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Ten States (2015-16)</td>
</tr>
<tr>
<td>-------------------------</td>
</tr>
<tr>
<td>Tamil Nadu</td>
</tr>
<tr>
<td>Karnataka</td>
</tr>
<tr>
<td>Maharashtra</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
</tr>
<tr>
<td>Bihar</td>
</tr>
<tr>
<td>Kerala</td>
</tr>
<tr>
<td>Orissa</td>
</tr>
<tr>
<td>Gujarat</td>
</tr>
<tr>
<td>West Bengal</td>
</tr>
</tbody>
</table>

Source: From Various Reports of MNIF 2015-16
The third filtration gives indication about speed of acquisition of new customers. The growth of total loan disbursement (TLD) reveals the capacity of state to serve higher client base. The number of clients can be calculated by dividing total loan disbursement with average loan disbursed per account. The state with higher growth in loan disbursement and relatively low average loan disburse per account growth have highest clients among regional peer group. Similarly, states with low loan disbursement growth or negative growth and relatively high percentage growth in average loan disbursed per account have lowest clients among regional peer group. The Client addition or business penetration matrix for micro-finance institution is as follows;

**Table 5.3: Matrix of Client Addition/Business Penetration for Micro Finance Institutions**

<table>
<thead>
<tr>
<th>NEW CLIENT ADDITION</th>
<th>% GROWTH IN ALDPA</th>
<th>% GROWTH IN TLD</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIGH GROWTH</td>
<td>LOW</td>
<td>HIGH</td>
</tr>
<tr>
<td>MODERATE GROWTH</td>
<td>NEGATIVE</td>
<td>LOW</td>
</tr>
<tr>
<td>LOW GROWTH</td>
<td>HIGH</td>
<td>LOW</td>
</tr>
<tr>
<td>NEGATIVE GROWTH</td>
<td>LOW</td>
<td>NEGATIVE</td>
</tr>
</tbody>
</table>

The above matrix provides the result of leading client acquisition or business penetration among the top ten states. Kerala is among the top of the chart while West Bengal is among the major looser.

**Table 5.4: Total Loan Disbursement**

<table>
<thead>
<tr>
<th>Top Ten States</th>
<th>2016</th>
<th>2015</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Karnataka</td>
<td>13857</td>
<td>9284</td>
<td>49%</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>10522</td>
<td>6943</td>
<td>52%</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>7791</td>
<td>5140</td>
<td>52%</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>7435</td>
<td>4985</td>
<td>49%</td>
</tr>
<tr>
<td>West Bengal</td>
<td>4623</td>
<td>9449</td>
<td>-51%</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>4530</td>
<td>3530</td>
<td>28%</td>
</tr>
<tr>
<td>Bihar</td>
<td>4496</td>
<td>4675</td>
<td>-4%</td>
</tr>
<tr>
<td>Orissa</td>
<td>3834</td>
<td>2869</td>
<td>34%</td>
</tr>
<tr>
<td>Kerala</td>
<td>3010</td>
<td>1467</td>
<td>105%</td>
</tr>
<tr>
<td>Gujarat</td>
<td>2334</td>
<td>1620</td>
<td>44%</td>
</tr>
</tbody>
</table>

*Source: The Bharat Microfinance Report 2016*

The consolidation of results in above all filtration tables has given inferences about selecting states from their respective regions. The selected states are highlighted with color in the below
The selected states are Uttar Pradesh (North & Central Region), Bihar (Eastern & North Eastern Region), Maharashtra (Western Region), Karnataka & Kerala (Southern Region).

5.5 Microfinance Institutions & Network Covered

The study is based on the 20 interest free organization and 20 conventional organizations across Indian states. Here, the purpose of incorporating the brief introduction about the covered institutions can enlighten the understanding about the perception of the population. The actual meeting or interview with correspondence is much higher than the actual collected questionnaires. The borrowers are reluctant to give specification due to some reasons or others. The area and organizations covered under survey is mentioned below;

**Table 5.5: Critical evaluation of Interest & Interest Free Microfinance Institutions in India**

<table>
<thead>
<tr>
<th>States</th>
<th>Districts</th>
<th>Interest Free Organizations</th>
<th>Conventional Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uttar Pradesh (A)</td>
<td>Aligarh</td>
<td>Al-Najib Milli Mutual Ben. Ltd</td>
<td>Sonata Finance Pvt Ltd</td>
</tr>
<tr>
<td></td>
<td>Bulandshahar</td>
<td>Anjuman Khadimul Mus. I. Idara</td>
<td>Sarva Up Gramin Bank</td>
</tr>
<tr>
<td></td>
<td>Bijnour</td>
<td>Muslim Fund, Najibabad</td>
<td>Savera Microfinance</td>
</tr>
<tr>
<td></td>
<td>Faizabad</td>
<td>Millat Welfare Society</td>
<td>Utkarsh Micro Finance Pvt. Ltd</td>
</tr>
<tr>
<td>Maharashtra (B)</td>
<td>Pune</td>
<td>Janseva Co. Credit Society Ltd</td>
<td>Bharat Financial Inclusion Ltd</td>
</tr>
<tr>
<td></td>
<td>Mumbai</td>
<td>Bait-ul-Maal Co. Credit Soc. Ltd.</td>
<td>Svasti Microfinance Private</td>
</tr>
<tr>
<td></td>
<td>Mahim</td>
<td>Barkat Leasing &amp; Fin. Serv. Ltd.</td>
<td>Hindusthan Microfinance Pvt. Ltd.</td>
</tr>
<tr>
<td></td>
<td>Jogeshwari</td>
<td>Sahulat Microfinance Society</td>
<td>Maharashtra Gramin Bank</td>
</tr>
<tr>
<td>Bihar (C)</td>
<td>Patna</td>
<td>Sahulat Microfinance Society</td>
<td>Bharat Financial Inclusion Ltd</td>
</tr>
<tr>
<td></td>
<td>Ara</td>
<td>Al-Khair Co. Credit Society Ltd.</td>
<td>Navjeevan Microfinance Ltd</td>
</tr>
<tr>
<td></td>
<td>Gaya.</td>
<td>Janseva Co. Credit Society Ltd.</td>
<td>Madhya Bihar Gramin Bank</td>
</tr>
<tr>
<td>Kerala (D)</td>
<td>Kozhikode.</td>
<td>Alternative Invest. &amp; Credits Ltd</td>
<td>Esaf Microfinance &amp; Investments</td>
</tr>
<tr>
<td></td>
<td>Malappuram.</td>
<td>Palisha Rahitha Nidhi</td>
<td>Malappuram District Co. Bank Ltd</td>
</tr>
<tr>
<td></td>
<td>Ernakulum.</td>
<td>Cheraman Financial Services Ltd.</td>
<td>Muthoot Fincorp Ltd</td>
</tr>
<tr>
<td></td>
<td>Thrissur</td>
<td>Palisha Rahitha Nidhi</td>
<td>ESAF Small Finance Bank</td>
</tr>
<tr>
<td>Karnataka (E)</td>
<td>Bengaluru</td>
<td>Al-Ameen Co-op. Credit Society</td>
<td>Spandana Sphoorty Financial Ltd.</td>
</tr>
<tr>
<td></td>
<td>Mysore</td>
<td>Janseva Co. Credit Society Ltd.</td>
<td>Sanghamithra Rural Financial Ser.</td>
</tr>
<tr>
<td></td>
<td>Bhatkal</td>
<td>Al-Taqwa Finance Pvt. Ltd.</td>
<td>Karnataka Vikas Grameena Bank</td>
</tr>
<tr>
<td></td>
<td>Hassan</td>
<td>Safa Baitul Maal</td>
<td>Grameen Financial Serv. Pvt. Ltd</td>
</tr>
</tbody>
</table>

A. STATE - UTTAR PRADESH

Al-Najib Milli Mutual Benefits Ltd., Aligarh (U.P)

Al-Najib Milli Mutual Benefits Ltd. Aligarh (AMMBL) was established as a Public Ltd. Company in 1990, by the Management of Muslim Fund Najibabad, the largest interest-free
lending Society of India. AMMBL received registration from the central govt. as Nidhi Company in 1993. A Nidhi Company is followed to mobilize Deposits and lend money at variable rates of return to its members, which is in conformity with the principle of Islamic finance. It is also exempted from complying with the Prudential Norms of RBI set for Financial Companies. The setting up of Nidhi Company was necessitated by the statutory limits on rapid Deposit growth of Muslim Fund Najibabad. Nidhi format was adopted mainly because it allowed the Management of MFN to continue its policies and practices. It is the first and the only Islamic Financial Company that has got itself declared as a Nidhi Company. AMMBL has grown to have 43 branches spread all over the country, though more concentrated in Uttar Pradesh. The city branch of Al-Najib Milli Mutual Benefits Ltd is at Jamal Pur, Aligarh, Uttar Pradesh 202002

**Sonata Finance Pvt Ltd, Aligarh (U.P)**

Sonata Finance Pvt Ltd is a Non-Banking financial company (NBFC) and registered under companies Act 1956 established on 2006. It head office at Madan Mohan Malviya Marg, George Town Allahabad - 211002, (UP) it offered Micro Credit, Micro Insurance. It covered four states namely Uttar Pradesh, Madhya Pradesh, Uttrakhand, Haryana and it has up to 150 branches in different cities. It has more than 3 lakh customers. The city branch at Lobhi Puram Colony, Sasni Gate, Aligarh, Uttar Pradesh 202002. It mainly concentrates on poor and needy women.

**Drishtee Development & Communication Limited**

**Muslim Fund Najibabad 1971, Bijnour (U.P)**

Muslim Fund Najibabad (MFN) was established in the year 1971 in Najibabad after partition and Abolition of zamindari system, the Muslim masses of North India had become increasingly poor. Their poverty and indebtedness had driven them into the vicious clutches of moneylenders and mahajans who were exploiting them to the hilt. The Islamic model of interest-free Economic Fund was developed to encourage poor farmers and workers to save smaller amounts on daily or weekly basis and to get interest-free loans. Dozens of such funds led by Muslim Fund Deoband were started in northern India especially in U.P. between 1960 and 1980. Muslim Fund Najibabad with 29 branches throughout the country is the biggest one.

**Savera Microfinance and Welfare Foundation, Bijnour (U.P)**

Savera Microfinance and Welfare Foundation is a private company incorporated on 26 May, 2011. Its registered office is at 395, Meghawala House, Shivpuri Lane Civil Line-Ii, Bijnor, Uttar
Pradesh and paid-up capital is INR 1.0 lacs. It CIN no is U74120UP2011NPL044986. It offered Micro Credit to the poor and needy peoples for petty business.

Anjuman Khadimul Muslim Imdadi Idara, Bulandshahr (U.P)

Anjuman Khadimul Muslim Imdadi Idara was established in the year 1973 in District Bulandshahr. It has mainly three branches Muslim Fund Bulandshahr, Muslim Fund Khurja and Muslim Fund Sikandrabad which has been working efficiently since their establishment. They lend microfinance Muslim as well as non-Muslim about 40000 borrowers taking loan from it and about 700000 account holders. However, these Muslim fund have even lack of professionalism and technicality but working effectively because its simple procedure for taking loan and low interest rate or processing fees.

Sarva U.P. Gramin Bank, Bulandshahr (U.P)

Sarva U.P. Gramin Bank was established in 2007 supported by Punjab National Bank one of the foremost commercial Bank of India, with the amalgamation of 4 Regional Rural Banks i.e. (Uttar Pradesh Gramin Bank Meerut, Kisan Gramin Bank Budaun, Rani Laxmi Bai Kshetriya Gramin Bank Jhansi and Devi Patan Kshetriya Gramin Bank Gonda). Its Head Office in Meerut. The Bank’s operational area spreads in 17 Districts viz. Bulandshahr, Ghaziabad, Meerut, Gautam Budh Nagar, Hapur, Baghpat, Shamli, Saharanpur, Muzaffaranagar, Bijnor, Haridwar, Gonda, Balrampur, Sambhal, Budaun, Jhansi and Lalitpur. The Bank has 434 Branches working in the area spread in whole Uttar Pradesh.

Millat Welfare Society, Faizabad (U.P)

Millat Welfare Society Faizabad established in the famous District in Uttar Pradesh. It has become more famous because of Ayodhya. The merchants of vegetable market established Millat Welfare Society (MWS) of Faizabad in 1985. It was registered in the year 1993 as a Society under Societies Act. The Society is also mobilizing Daily Deposits but these are surprisingly not very popular. MWS provides interest-free loans to Deposit holders in the form of only overdrafts. The merchant Deposit holders often need cash for day-to-day purchases of vegetables, fruits etc.

Utkarsh Micro Finance Pvt. Ltd, Faizabad (U.P)
Utkarsh Micro Finance is a Non-Banking financial company (NBFC) and registered under companies Act 1956 established on 2009. It head office at S-2/639-56, Varuna Vihar Colony, J.P Mehta Road, Cantt. Varanasi-221002 (UP). It offered Micro Credit, Micro Insurance. It covered six states namely Uttar Pradesh, Bihar, Maharashtra, Madhya Pradesh, Uttrakhand, Haryana and about more than 150 branches in different cities. It has more than 3.2 lakh customers.

B. STATE - MAHARASHTRA

Janseva Co-operative Credit Society Ltd., Pune (Maharashtra)

Janseva Cooperative Credit Society Ltd has been registered in March 2010. The head office of Janseva is in 7/25-A, Grants Building, 17Arthar Bunder Road ,2nd Floor, Colaba, Mumbai-400005. It has 25 branches functioning in the various States of INDIA i.e. A.P. Bihar, Chhattisgarh, Delhi, Karnataka, M.P., Maharashtra, Orissa, Rajasthan, Tamil Nadu, U.P. and West Bengal. It has been encouraged by group of people committed to interest free financial system drawn from different states of India. However, it owes its existence to the decisions of Board of Trustees of All India Council of Muslim Economic Upliftment Mumbai (AICMEU) and Community Coordination Initiative (CCI).

Bharat Financial Inclusion Ltd., Pune (Maharashtra)

Bharat Financial Inclusion (BFIL) formerly known as “SKS Microfinance Limited” is a Non-Banking financial company (NBFC) and registered under companies Act 1956 established on 2003. It mainly covered 17 states and about more than 1250 branches its client outreach up to 55 lakhs. It is lending microfinance through by a model where poor women guarantee each other’s loans. BFIL also conducted financial literacy training programs and customer must pass a test before they are allowed to take micro-credit. Weekly meetings with borrowers follow a highly disciplined approach. Re-payment rates on our collateral-free loans are more than 99% because of this systematic process. BFIL offers micro-credit, micro-insurance and also deals with housing and energy loan to the poor as well as financing for other goods and services that can help them fighting with poverty.

Bait-ul-Maal Co-operative Credit Society Ltd., Mumbai (Maharashtra)

Bait-ul-Maal Co-operative Credit Society Ltd. (BCCS), was established in September 1984 at Mumbai by a Non-Government organisation (NGO) known as All India Council of Muslim Economic Upliftment. (AICMEU). AICMEU was registered in December 1982 under Indian Companies Act. 1956 as well as under Mumbai Trust Act. of 1950. AICMEU was the effort of
great Islamic finance expert Prof. Dr. Rahmatullah. AICMEU aims at popularising the Islamic financing and socio-economic principles and work for the well-being and economic upliftment of Indian poor community. Within a decade AICMEU has spread its area of work to general Education, Technical Education, Vocational Guidance, Employment Bureau, and Health Besides Islamic Finance.

**Svasti Microfinance Private Ltd., Mumbai (Maharashtra)**

Svasti Microfinance Private Ltd. is an urban microfinance operation started in October 2008 to cater to the financial needs of the low income segment of society. Svasti is situated at Pandit Dindayal Upadhyay Marg L.B.S. Cross Road Near Mulund Chek Naka BEST Depot, Mulund (West) Mumbai. It is established for the purpose to fulfill the financial needs for applying innovative approach to product and process design, technology of the low income segment of society. It is addressing the varied financial needs of people in the low income segment of society and providing products and services suitable to their needs and capacity.

**Barkat Leasing and Financial Services Ltd., Mahim (Maharashtra)**

Barkat Leasing and Financial Services Limited is a Non-Banking financial company (NBFC) and registered under companies Act 1956 established on 17 May 1991. Its head office is at 4/6, B.M.C. Crossroad No. 2, Mahim, Mumbai 400016. According to its financial information its authorized share capital is Rs. 1,000,000 and Barkat Leasing and Financial Services Limited's Annual General Meeting (AGM) was last held on N/A and as per records from Ministry of Corporate Affairs (MCA), its balance sheet was last filed on N/A. Barkat Leasing and Financial Services Limited's Corporate Identification Number is (CIN) U65910MH1991PLC061764 and its registration number is 61764.

**Hindusthan Microfinance Private Limite, Mahim (Maharashtra)**

Hindusthan Microfinance Private Limited (HMPL) is a Non-Banking financial company (NBFC) and registered under companies Act 1956 established on 2008. Its head office is at 706, B Wing Sagar Tech Plaza, Sakinaka Junction, Andheri East Mumbai-400072. It works in both rural and urban areas deals in microcredit. It has 60 branches outreach about 5 lakh customers.

**Sahulat Microfinance Society, Jogeshwari (Maharashtra)**

Sahulat Microfinance Society has been established in 2010 under the Societies Registration Act, 1860 is situated at Room No 31, Gate No. 5, Old Collector Compound, Malwani, Malad (West), Mumbai-400095 Maharashtra for assisting the interest free microfinance to uplift the poor
families. It is a voluntary non-political, non-profit making social service organization. It aims to provide interest free micro finance options for reducing socio-economic disparities and to achieve justice and equity for educationally and financially backward sections of the public at large. Its main function is to facilitating, organizing and developing institutions, more particularly in co-operative sector. Plot No-15, Room No 31, Gate No. 5, Old Collector Compound, Malwani, Malad (West), Mumbai-400095 Maharashtra. One more office of Sahulat Microfinance is covered under Bihar state, district Patna.

**Maharashtra Gramin Bank, Jogeshwari (Maharashtra)**

Maharashtra Gramin Bank Nasik came in to existence on 20th July 2009 after amalgamation of former Maharashtra Godavari Gramin Bank and Marathawada Gramin Bank as per the notification issued by Government of India, Ministry of Finance, Department of Financial Services ref No F.No. 1/4/2006-RRB(II) dated 20July 2009 with its head office at Nanded. It mainly works for the development of rural areas, micro-credit and micro-insurance, particularly to the small and marginal farmers, agricultural laborers, artisans and small entrepreneurs. The Maharashtra Gramin Bank Nasik is sponsored by Bank of Maharashtra. The share capital of the Bank is contributed by Government of India, Government of Maharashtra and Bank of Maharashtra.

**C. STATE - BIHAR**

**Sahulat Microfinance Society, Patna (Bihar)**

Sahulat Microfinance Society (Regd. under the Societies Registration Act, 1860) is facilitating the establishment of interest free microfinance cooperative branches all over the country to uplift the poor families. It has been established in 2010 as a voluntary non-political, non-profit making social service organization. It aims to provide interest free micro finance options for reducing socio-economic disparities and to achieve justice and equity for educationally and financially backward sections of the public at large. Its main function is to facilitating, organizing and developing institutions, more particularly in co-operative sector. The patna office address of sahulat is SBCG Project Office, Sadar Gali, Near Old Awami Coop. Bank, Patna City - 800008 Bihar.

**Navjeevan Microfinance Ltd, Ara (Bihar)**
Navjeevan Microfinance is a Non-Banking financial company (NBFC) and registered under companies Act 1956 incorporated on 05 February 2015 Patna. Its authorized share capital is Rs. 1,000,000 and its paid up capital is Rs. 100,000. It is involved in Microcredit and Microfinance intermediation. Its Corporate Identification Number is (CIN) U65999BR2015NPL023643 and its registration number is 23643. Its registered address is Javahar Tola Ara Bhojpur Bihar 802301.

It mainly works for the development of rural areas, micro-credit and micro-insurance, particularly to the small and marginal farmers, agricultural laborers, artisans.

**Al-Khair Co-Operative Credit Society, Ara (Bihar)**

Al-Khair Co-Operative Credit Society registered under Multi State Cooperative Societies ACT, 2002 and it had starts its head office at Haroon Nagar sector-2 Patna on 2002. There are mainly thirteen branches in Bihar and other states also. The society is managed by the Board consisting 21 members. Its unique feature is that it is completely interest free micro-finance institution. The Board is elected by the general body in Annual General Meeting. The Board appoints Chief Executive of the Society. (www.alkhairsociety.com)

**Muslim Fund, Begusarai (Bihar)**

The first Islamic model of interest-free microfinance (Muslim Fund) was established by Moulana Sayed Asad Madni with the help of Moulana Shamim Ahmad and others at \textit{Darul-Uloom} Deoband started the trend setting Muslim Fund in 1961. This Islamic model of interest-free microfinance was developed to encourage poor farmers and workers to save smaller amounts on daily or weekly basis and to get interest-free loans. The Muslim Fund Begusarai is situated at Chil Mil, via Rajdhura, Dist. Begusarai Bihar. There are near about 25 branches of Muslim Fund in Bihar.

**Bihar Gramin Bank, Beusarai (Bihar)**

Bihar Gramin Bank sponsored by UCO Bank, came into existence vide Govt. of India notification dated 15th October, 2012 by amalgamating 2 RRBs namely Bihar Kshetriya Gramin Bank and Samastipur Kshetriya Gramin Bank in exercise of the powers conferred by sub-section (1) of section 23A of the Regional Rural Banks act, 1976 (21 of 1976). The Bank has covered every village of the 9 districts of Bihar and extended a helping hand in the growth process of the area. The Primary objective of the Bank is to finance farm & non-farm sectors and other employment generation programs, delivering the best possible customer service and also keeping in mind to turn all the branches into profit making business canters. Bihar Gramin Bank
Janseva Co-operative Credit Society Ltd., Gaya (Bihar)

Janseva Cooperative Credit Society Ltd has been registered in March 2010. The head office of Janseva is in 7/25-A, Grants Building, 17 Arthur Bunder Road, 2nd Floor, Colaba, Mumbai-400005. It has 25 branches functioning in the various States of INDIA i.e. A.P. Bihar, Chhattisgarh, Delhi, Karnataka, M.P., Maharashtra, Orissa, Rajasthan, Tamil Nadu, U.P. and West Bengal. It has been encouraged by group of people committed to interest free financial system drawn from different states of India. However, it owes its existence to the decisions of Board of Trustees of All India Council of Muslim Economic Upliftment Mumbai (AICMEU) and Community Coordination Initiative (CCI).

Saija Finance Private Limited, Gaya (Bihar)

Saija Finance Private Limited Gaya is a Non-Banking Finance Company (NBFC) formed in 2007 with a focus on providing microfinance services to the urban and rural poor, as well as micro and small businessmen in the underserved geographies of Northern & Eastern India, starting with Bihar. It was formed with a focus on providing microfinance services to urban and rural poor, as well as micro and small businessmen in the underserved geographies of Northern & Eastern India, starting with Bihar. The geographic regions served by Saija are amongst the poorest in India and also are grossly underserved by formal financial institutions. Saija today serves 2,03,661 clients across 35 districts of Bihar, Jharkhand & Uttar Pradesh, operating with 60 branches. It was founded by Mr. Shashi Ranjan Sinha and Ms. Rashmi Sinha in April 2007.

D. STATE - KARNATAKA

Al-Ameen Co-op. Credit Society, Bengaluru (Karnataka)

Al-Ameen Co-op Credit Society deals with interest free microfinance and micro-credit facilities to poor and needy micro-entrepreneurs. Its corporate Office at Amanath House, Shivajinagar, Bengaluru - 560 001. Phone: +91-80-22957711/12/13/14. Fax: +91-80-22957705.

Spandana Sphoorty Financial Limited, Bengaluru (Karnataka)

Spandana Sphoorty Financial Limited (‘SSFL’) is a public company incorporated under the provisions of the Companies Act, 1956 on March, 2003. It covered mainly 12 states expending up to 1100 branches and outreach properly near about 25 lakh customers. The Company was registered as a non-deposit accepting Non-Banking Financial Company (‘NBFC-ND’) with the
Reserve Bank of India (‘RBI’) and has got classified as Non-Banking Financial Company – Micro Financial Institution (NBFC – MFI) effective April 13, 2015. The Company is engaged in the business of micro finance providing small ticket unsecured loans to women of low-income households in rural and urban areas. The tenure of these loans is one to two years. The Company provides business loans, income generation loans and Loans against Gold jewellery.

**Taqwa Finance Limited, Bhatkal (Karnataka)**

Taqwa Finance Limited is a Non-Banking financial company (NBFC) it is registered and incorporated on 23 December 1994 at Bengaluru. The authorized share capital is Rs. 21,000,000 and its paid up capital is Rs. 500,000. It is mainly focus in Human health activities. Directors of Taqwa Finance Limited are Abdul Kader Shingeri, Mohammed Sayeed, Razia Sayeed and Mohamed Salman Shingeri. The head office of Taqwa Finance Limited is NH 17, Near Rangenkatta Bhatkal, Karnataka 581320

**Karnataka Vikas Grameena Bank, Bhatkal (Karnataka)**

Karnataka Vikas Grameena Bank was established on 12th Sept 2005, by a Govt. of India Notification, amalgamating four Regional Rural Banks sponsored by Syndicate Bank in the state of Karnataka namely Bijapur Grameena Bank, Malaprabha Grameena Bank, Netravati Grameena Bank and Varada Grameena Bank. KVGB providing financial and banking services in area of microfinance and rural development for more than 65 lakh customers in 2033 villages through 617 Branches.

**Safa Baitul Maal Welfare and Charitable Trust, Hassan (Karnataka)**

Safa Baitul Maal Welfare and Charitable Trust is established on 2006 as a charitable society for the purpose of social and educational development also deals with interest free microfinance. It has operated in 10 states with nearly 60 branches. The welfare services by the used of zakat and sadqa fund. Its head office at 6-9-408/P/45, Wahed Nagar, Old Malakpet, Hyderabad, Telangana 500036.

**Grameen Financial Services Pvt. Ltd, Hassan (Karnataka)**

Grameen Financial Services Pvt. Ltd established in May 1999 as a microfinance institution under the inspiration of microfinance movement, led by Nobel Laureate Professor Muhammad Yunus.it is converted into Non-Banking financial company (NBFC) in the year 2007 and reclassified into a regulated and governed Non-Banking Financial Company - Micro Finance Institutions (NBFC-MFI) entity by Reserve Bank of India (RBI) in 2013. It has operating mainly
three states i.e. Karnataka, Maharashtra, Tamil Nadu and it has near about more than 160 branches Grameen Financial Services Pvt. Ltd. Basically deals with Micro Credit, Micro Insurance, Pension, Health, Sanitation and Education.

**Janseva Co-operative Credit Society Ltd., Mysore (Karnataka)**
Address: City Plaza MG Road, Udy Giri Mysore 57001 (See Details in point no : )

**Sanghamithra Rural Financial Services, Mysore (Karnataka)**
Sanghamithra Rural Financial Services was incorporated on February 15, 1995 as a Sec 25 Company, with liability of its Members limited by guarantee its head office at No. 612, 1C Main Road, Domlur Layout, Bengaluru -560071. It has mainly operated in five states Karnataka, Tamil Nadu, Andhra Pradesh, Maharashtra, Madhya Pradesh with up to 80 branches and outreach near about 1.5 lakh customers. It mainly deals with Micro Credit, Micro Insurance, Housing & Sanitation. The Sanghamithra Rural Financial Services visualizes a society that supports a sustainable and vibrant financial and development environment where every self-help Affinity Group of the poor has the ability to access credit at competitive terms as well as skills and linkages in order to maximize the livelihood opportunities of its members.

**E. STATE- KERALA**

**Palisha Rahitha Nidhi, Mallapuram & Thrissur (Kerala)**
Nidhi means interest free microfinance agencies mostly working in Kerala. There are more than 1000 Nidhis in Kerala – registered and unregistered. All of them provide micro-credit or microfinance to the needy or poor persons with no collateral securities and often with gold or persons as securities. These microfinance institutions help to eradicate poverty and growth and development in petty business activities. (Muhammed Fazal, K. 2016)

**Malappuram District Co Operative Bank Ltd., Mallapuram (Kerala)** incorporated on 16th March 1970. With the objective to develop the society by providing microfinance and microcredit to the needy and poor entrepreneurs. The Malappuram District Co Operative Bank properly works in four sectors viz. agriculture sector, agriculture allied sector, Rural Industrial sector and cooperative Banking sector were benefitted heavily through the above project in improving their infrastructure. It has near about 60 branches throughout the District.

**Sanghamam Multistate Co-Operative Credit Society Ltd., Thrissur (Kerala)**
Sanghamam Multistate Co-Operative Credit Society Ltd incorporated on 6th June 2012 under registration of Co-operative Societies Act its area of operation covering in three states Kerala, Tamil Nadu and Pondicherry with the objective to become an efficient and active co-operative society, promoting microfinance and micro-credit through innovative and unique financial services, and also being trustworthy so as to ensure sustainable growth and profitability to all the members and society at large. Promote participatory micro-financing for the betterment of economically marginalized sections. Introduce various interest-free investment and loan schemes - both conventional and innovative. Mobilize our members’ savings and utilize it for uplifting of the needy people.

**ESAF Microfinance Ltd, Kozhikode (Kerala)**

ESAF Microfinance is established in 1992 with a small office in Thrissur, Kerala and converted into Non-Banking financial company (NBFC) and registered under companies Act 1956 incorporated on 2nd November 2007. It has nearly 300 branches and client outreach up to 11 lakhs. The RBI registration no is (RBI Reg. No.: B-07-00652). The inauguration of ESAF was propelled by the growing unemployment among the educated youth. Inspired by Nobel Peace Laureate Professor Muhammad Yunus, the founders of ESAF ventured into micro-financing and creation of self-sustainable groups to address the issues of poverty alleviation and employment generation.

**Alternative Investments and Credits Ltd, Kozhikode (Kerala)**

Alternative Investments and Credits Ltd is a public limited company which offers loans to business establishments on profit sharing basis. This was formed as an alternative to the interest based financial system. The capital is procured by issuing shares to the investors and the profit obtained is divided among the shareholders. AICL has its headquarters in Kochi and two branches at Kozhikode and Kannur. Head office 2nd Floor, Sunny Estates, Edappally - Palarivattom Rd, Mamangalam, Edappally, Ernakulam, Kerala 682025

**Cheraman Financial Services Limited (CFSL), Ernakulam (Kerala)**

Cheraman Financial Services Limited (CFSL) is a Non-Banking financial company (NBFC) and registered under companies Act 1956 is a Public incorporated on 30 November 2009. By Kerala State Industrial Development Corporation to function as a non-banking finance company (NBFC). The authorized capital of CFSL is Rs. 10,000,000,000 and its paid up capital is Rs.
313,000,000. The deal with mostly in Shari’ah compliant by Islamic financing investment and business in India occurs through the NBFC’s. (THE TIMES OF INDIA, Aug 18, 2013).

**Muthoot Fincorp Ltd., Ernakulum (Kerala)**

Muthoot Fincorp Ltd. is a Non-Banking financial company (NBFC) and registered under companies Act 1956 is a Public incorporated on 30 November 2010. Its Head office is at Muthoot Mahila Mitra 5th Floor, Muthoot Towers Ernakulam, Kerala 682035. It mainly covered 8 states and about more than 255 branches its client outreach up to 9 lakhs. It mainly deals with Micro Credit, Insurance, Remittance, Water & Sanitation, and Animal Husbandry.

**References**


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