



Presence of MFIs in Karnataka skewed: study

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MUMBAI

The rapid penetration of microfinance institutions (MFIs) in Karnataka has been concentrated largely in the more accessible, more densely populated and better developed southern districts of the state, a study said on Friday.

This led to a crisis in April 2009, when borrowers, particularly in Kolar district, refused to repay dues after the lenders became inflexible in dealing with clients, the study said.

Micro-lending in the state grew at 64% in fiscal 2009, with 27 MFIs reaching 3.2 million clients. This was in addition to over three million members of some 232,000 self-help groups.

The study, conducted by EDA Rural Systems Pvt. Ltd and non-profit Consultative Group to Assist the Poor, and sponsored by the Association of Karnataka Microfinance Institutions, was to find the reasons behind mass defaults in four towns. The report says at least 33% of the borrowers had more than one loan and around 20% had three or more loans. The opportunity of borrowing from several MFIs also raised the indebtedness of some clients to ₹45,000 or more, essentially rendering the repayment burden unsustainable.

The study also recommended solutions to avoid a similar situation elsewhere. It said MFIs should share information on multiple borrowing, adopt a more flexible approach to delinquency, and create a suitable business environment taking community leaders along with them.