

Number of Microcredit Clients Crossing the US \$1.25 per day Threshold between 1990-2010

Estimates from a nationwide survey in India

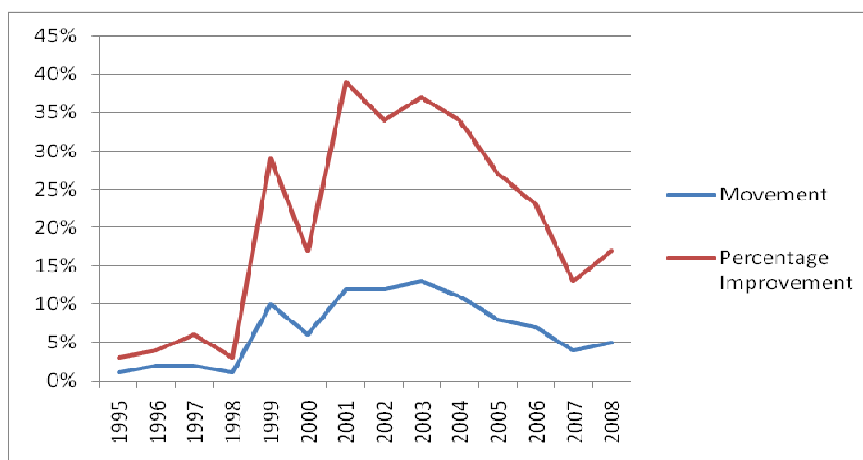
SUMMARY SHEET

RESULTS

This study estimates how many continuing clients of microfinance institutions (MFIs) in India have crossed the USD 1.25 PPP (per capita) a day consumption threshold from below. The time period considered for the study is 1990-2010. It was found that, at an all India level, on net, approximately 12% (9 million) of those individuals who were ever MFI clients crossed the USD 1.25 a day consumption threshold from below.

Figure 1 illustrates the percentage of improvement during the period 1995 to 2008 over which the study showed the most remarkable movement of MFI clients out of poverty.

Figure 1: Net Movement of Clients



Movement: Percentage of clients who crossed the USD 1.25 a day consumption threshold from below

Percentage Improvement: Movement as a percentage of poorest clients when they joined.

Source: India Development Foundation, "Number of Microcredit Clients Crossing the US\$1.25 per Day Threshold between 1990-2010, fig 4.6 p. 58.

Additional Key Findings:

- The study finds that 37% of all clients were poorest (below the USD 1.25 a day consumption threshold) when they joined an MFI.
- The percentage of clients who were poorest when they joined is much higher in rural areas (40%) compared to urban areas (25%).
- The movement is highest for clients who have been associated with an MFI for a period of 4-6 years.

METHODOLOGY AND SAMPLING

To arrive at the all India level estimate, the country was divided into 6 regions (North, North East, East, Central, West and South). The top 14 states whose MFI clientele was at least 1% or more of the all India total were then identified. These 14 states together had approximately 95% of the total MFI clientele in India. Thus the states are fairly representative of all the MFI clientele in India.

Regional Distribution of Clients

Regions	No. of SHG members	No. of MFI clients	Total Microfinance clients	Clients (%)
Northern Region	2144857	350159	2495016	3
North East	1519336	251484	1770820	2
East	11601356	4412391	16013747	22
Central	4768350	1825985	6594515	9
West	4602234	2322505	6924739	9
South	29702998	10863844	40566842	55
Grand Total	54339311	20026368	74365679	100

MFIs in India are not homogenous. Significant differences exist across MFIs either because they have different organizational structures (NGO, NBFC, others) or they practice different lending models (joint liability (JL), individual liability (IL) or self help group (SHG)). Taking this variety of models into account, the MFIs were classified into 9 cells. Each cell was a combination of a loan type with any one of the three organizational structures. For each of the states, MFIs were placed into each of 18 cells for each State (9 rural and 9 urban). There were 27 MFIs and 6 SHG Bank linked NGOs who participated in the study. The two most populous cells are NGO-SHG and NBFC-JLG combination.

Households were randomly selected from the clients list of the MFIs and surveyed. A total of 15,205 households were surveyed, however, after omitting the missing observations, there remained a total of 14,746 households. The household questionnaire captured the current asset distribution as well as the asset distribution at the time of their joining the specific MFI. The latter was found out using the recall method.

The estimates were obtained by scoring the population from the collected data. Different scorecards for rural and urban households were developed for each of the 14 States. These scores were calibrated to the person's likelihood of being above or below a given consumption threshold.

Once estimates for each of the cells were obtained, the population estimates were arrived at by using the population for each cell as the multipliers. The Statistical package Strata 8.E was used for the entire analysis.