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The competition study aims to measure the impact of competition among microfinance institutions (MFIs) on MFIs and their clients.

Research Question:

This study examines the following questions -

1. What is the impact of MFI competition on outreach of microfinance programs in a given region?
 - a. Do MFIs target the same set of clients in competitive areas? Or do some individuals, who would otherwise not be covered in the absence of competition also get covered? What is the impact on take-up of loans?
 - b. Is the total credit available to a particular household affected? Does this affect loan usage?
2. What is the impact on product offerings and other services provided by the MFI?
 - a. Are new products introduced?
 - b. Are there differences in loan sizes offered?
 - c. Are there differences/flexibility in repayment schedules offered?
3. What services do the clients value the most in an MFI?
4. What is the impact of competition on repayment and multiple borrowing?
5. What is the relationship between the general financial inclusion profile of the client (bank history, SHG history, etc) and the above parameters?

Methodology

This study will be a randomized evaluation to be conducted in districts in Karnataka. The areas chosen will be those where Grameen Koota is a new entrant, where other MFIs are already in operation for a year or more.

The selected villages in these areas will be divided into two groups: control and treatment. In the treatment group, Grameen Koota will start operations once the baseline survey has been completed. In the control group, Grameen Koota will hold back from launching operations for the duration of the study (though they would be free to enter those villages after completion of the study.) Six months after Grameen Koota opens a centre in these villages, CMF will match names of clients with the MFI to know how many of the respondents actually became members. The endline survey will also identify membership and loans from other MFIs, revealing profiles of clients with only one loan, as opposed to those with multiple loans. Among the treatment group, the impact of different levels of competition will be distinguished which will follow when GK would be an earlier entrant as opposed to being a later entrant to work in a particular district.