



Reserve Bank of India’s Recognition to MFIN as SRO

Reserve Bank of India (RBI), vide its letter dated 16th June 2014, has accorded formal recognition to MFIN as the Self-Regulatory Organization (SRO) for the NBFC-MFIs to ensure compliance with RBI’s regulatory prescription and the industry Code of Conduct.

Responsibilities of MFIN as SRO

- ▶ The SRO will nominate a Compliance Officer who will directly report to the RBI and will keep the RBI regularly posted of all developments in the sector.
- ▶ The SRO will have to conduct investigation into areas of concern as pointed out by the RBI including keeping the RBI informed of violations by any of its members, if any, of the provisions of the RBI Act, 1934, the direction issued under the Act, circulars or the guidelines issued by the RBI from time to time.
- ▶ The SRO shall provide information, including data, to the RBI periodically or as requested for by the Bank.
- ▶ MFIN shall submit to RBI a Quarterly Statement giving a brief profile of the sector. The profile shall include
 - a) Status of MFIN membership,
 - b) violations to RBI regulations observed during the quarter,
 - c) activities of the Grievance Redressal Committees,
 - d) activities of the Enforcement Committee,
 - e) Other activities of the SRO,
 - f) important developments in the sector.

Microfinance in India has evolved as a response to the vast exclusion of its population from the mainstream banking network. With its unique features and operating models, microfinance institutions (MFIs) have been providing financial services to the poor as last mile connectivity.

Difference between NBFC-MFIs and Chit Fund Organizations

Category	NBFC-MFIs	Chit Fund Organizations
Legal Status	Registered with Reserve Bank of India. Registered as Non-Banking Finance Company-MFIs.	Registered with Chit Fund Act, 1982. Registered as NBFCs, Societies, Trusts, NGOs.
Sources of Fund	Bank Finance & Equity.	Savings Mobilization from Public.
Products	Collateral free Loans/Credit, Insurance, National Pension Scheme. <u>Not any savings product.</u>	Different types of Savings, Loans.
Employees	All the employees are in the payroll of the organization and Organization is liable on its employee’s behaviour. Employees are getting salary from the organization.	All the employees are not in the payroll of the organization. Maximum numbers of employees are commission agent.
Self-Regulatory Organization (SRO)	All the NBFC-MFIs are the member of SRO recognized by Reserve Bank of India.	There is no such SRO concept in this sector.
Industry Code of Conduct	SRO implemented the industry Code of Conduct abide by all its member organizations.	There is no such industry Code of Conduct in this sector.
Recognition by Reserve Bank of India	One NBFC-MFI member of MFIN has recognized as Bank by the Reserve Bank of India.	There is no such evidence in this sector.
Small Finance Bank	Recently, Reserve Bank of India has come out with its new guidelines for “Small Finance Bank (SFB).” All the NBFC-MFIs are the aspirants of this SFB. 17 MFIN member NBFC-MFIs has applied to Reserve Bank of India for getting SFB license.	There are no such informations on SFB aspirants in this sector.



MFIN's Initiative to develop the sector

- Develop the Industry Code of Conduct.
- Activate the State & District Chapter in of the Systematic Important States.
- Dedicated person is in place to handle the State & District Chapter.
- Activate the Enforcement Committee.
- Implement the Client Protection and Grievance Redressal Mechanism.
- Different Task force teams are in place to address the issues and challenges.



For any informations, queries and complaints, please reach out to our Regional representative,

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MFIN Member Organizations Operating in the State Odisha

Adhikar Microfinance Pvt. Ltd.	Suryoday Micro Finance Pvt. Ltd.
Annapurna Microfinance Pvt. Ltd.	Janalakshmi Financial Services Pvt. Ltd.
Bandhan Financial Pvt. Ltd.	L & T Finance Ltd.
Bharitya Samruddhi Finance Ltd.(BSFL)	MuthootFincrop Ltd.
SambandhFinservePvt. Ltd.	SKS Microfinance Limited
SpandanaSphoorty Financial Pvt. Ltd.	Ujjivan Financial Services Ltd.

RBI Direction to NBFC-MFIs

- ▶ Minimum NOF (Net Owned Fund) of Rs. 5 Cr. (North East Region- Rs 2 Cr.).
- ▶ 85% of total assets of MFI are in nature of "Qualifying Assets".
- ▶ "Qualifying Asset" shall mean a loan which satisfies the following criteria:
 - The loan extended to a borrower whose household annual income in rural areas does not exceed Rs.100,000 while for non-rural areas it should not exceed Rs.160,000.
 - Loan does not exceed Rs.60000 in the first cycle and Rs.100,000 in the subsequent cycles.
 - Total indebtedness of the borrower does not exceed Rs.100,000. Education and medical expenses will be excluded while arriving at the total indebtedness.
 - Tenure of the loan is not less than 24 months when loan amount exceeds Rs.15000 with right to borrower prepayment without penalty.
 - Loan to be extended without collateral.
 - Aggregate amount of loans given for income generation should constitute at least 50 per cent of the total loans of MFIs so that the remaining 50 per cent can be for other purposes such as housing repairs, education, medical and other emergencies.
 - Loan is repayable by weekly, fortnightly or monthly installments at the choice of borrower.
- ▶ The average interest rate on loans during a financial year does not exceed the average borrowing cost during that financial year plus the margin, within the prescribed cap. The rate of interest on individual loans may exceed 26%, the maximum variance permitted for individual loans between the minimum and maximum interest cannot exceed 4%.
- ▶ Margin cap at 12% for small MFIs and 10% for large MFIs (loans portfolios exceeding Rs.100 crore).
- ▶ Only three component are to be included in pricing of loans viz. a) Processing fees not exceeding 1% of the gross loan amount, b) the interest charge and c) the insurance premium.
- ▶ There should not be any penalty for delayed payment.
- ▶ No security deposit/margin is to be taken.
- ▶ Capital requirement (CRAR): 15% of its aggregate risk weighted assets.
- ▶ Provisioning: 50% of the aggregate loan installments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan installments which are overdue for 180 days or more.
- ▶ Follow RBI Fair Practice Code.
- ▶ Must be members of Credit Information Bureau (CIBs).

All the MFIN members are registered with Reserve Bank of India as Non-Deposit taking institution and governed under RBI regulation.