MICROFINANCE INSTITUTIONS NETWORK

Consolidated Media Visibility Report for the Month of April
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Leadership Interview/Interactions
Earning capacity has gone, say micro lenders

TIMES NEWS NETWORK

Mumbai: Microfinance institutions are better placed to bounce back once the situation normalises on the back of relief measures taken by the government and the RBI, according to MicroFinance Institutions Network (MFIN), an association of micro lenders.

MFIN CEO Harish Shrivastava said the current situation is in some ways better than demonetisation for borrowers of microfinance institutions (MFIs) in rural areas as they have been allowed to defer repayments and given cash and foodgrain under the Garib Kalyan scheme.

EFFECT OF LOCKDOWN

“In demonetisation, the earning capacity remained but all the cash was gone. This time, the earning capacity has gone because of the lockdown. But there is a moratorium on repayments. The challenge for everyone is to build the earning capacity when the lockdown is lifted,” he said.

According to Shrivastava, once the lockdown is lifted, the economic activity in rural areas will be back on track as people get on with their lives. He said that the demand for microfinance enterprises was expected to continue because most of them provide basic services like kirana stores. “One way to look at it is that if the impact of reverse migration lasts for a while, the demand for basic necessities in rural areas will also be there,” he said.

Since March 2020, about 2.1 crore unique borrowers have been added. As on December 31, 2019, the industry served 6.6 crore unique borrowers through 10.1 crore loan accounts. As of December end, micro lenders were managing 18 lakh loan accounts with an aggregate loan portfolio of Rs 3,735 crore and an average loan outstanding per account of Rs 39,192.

This represents a year-on-year growth of 30% in the portfolio and 38% in loan accounts.
Micro lenders feel credit squeeze

Mamtha.A@timesgroup.com

Chennai: Microlenders are feeling the squeeze, with no relief on loans from banks even as their borrowers press them for a moratorium on repayments.

Association for the microfinance sector - Microfinance Institutions Network (MFIN) - has requested RBI for a two-month moratorium (April and May) as most MFIs have already extended similar relief to end-borrowers which include kirana stores, vegetable and fruit vendors, and agri-business.

MFIN chairperson Manoj Kumar Nambiar said, “Following our representation, RBI had requested us to submit data on the size of the balance sheet, debt on the book (on and off books), NCDs raised. About 55 members of our association, on Monday, have submitted the required data,” he said.

This is to help the banking regulator to understand MFIs acute liquidity crunch. Given the turmoil in the financial markets in the wake of the coronavirus crisis, most finance companies do not have much recourse to financing other than banks. Given the current risk aversion in markets, only top-rated financial institutions are in a position to raise funds issuing debt. “The credit ratings of most MFIs are very low and do not stand a chance in the capital market against bigger NBFCs with higher credit ratings. “We depend on bank loans and NBFC funding,” Nambiar said.

By March end, MFIN and other microfinance institutions representative bodies wrote to all members to extend the moratorium to all their end clients and relax their repayments of microloans. Simultaneously, they also wrote to lenders (banks and NBFCs), requesting an extension of the full benefit of a moratorium on term loans taken by NBFC-MFIs, as there will be no collection or cash flow for these NBFC-MFIs in this period. However, banks and NBFCs have not passed on the moratorium benefits to MFIs.

“It is only logical to believe that if our end customers get a moratorium, we also deserve the same,” he said.

“We lost a week of business operation valued at ₹300-₹350 crore of credit disbursement since last week of March will be the most hectic period. We could not have disbursed due to the 21-day lockdown announcement in mid-March,” said Nambiar, who also runs micro-financing institution, Arohan Financial Services Limited.

“We are looking for an announcement soon. We believe they (RBI) will look at extending the moratorium or some other solution for us,” he added.
Micro-finance players in talks with RBI, govt for moratorium, liquidity support

Hope to resume operations with skeletal staff

SURABHI
Mumbai, April 13

Concerned about their cashflows during the lockdown period, micro-finance companies are in talks with the government and the Reserve Bank of India as they seek extension of the three-month moratorium on repayment of loans to cover them. The companies are also seeking a special liquidity fund.

“We are in discussions with RBI to extend the moratorium to micro-finance companies as well,” said Harsh Shrivastava, CEO, Microfinance Institutions Network, adding that they are also in talks with the government on a fund to provide liquidity to all NBFCs.

“The government is in talks with us also on how many MFIs will be eligible (for the fund) and what their credit rating should be,” he told BusinessLine.

At present, banks and institutions like SIDBI are not extending the moratorium to MFIs and NBFCs for their borrowings. The RBI has to clearly say that MFIs are eligible. It does not have to be a blanket extension, it can be on a case-to-case basis,” Shrivastava said.

Collections of MFIs have come to a standstill due to the lockdown and they are hoping to gradually normalise operations from May, depending on how the lockdown is lifted after April 30. “The critical challenge is for the banks to extend the moratorium to MFIs, especially smaller and medium companies that do not have so much liquidity,” Shrivastava said, pointing out that these companies will find it difficult to repay the loan and lend to their customers without the moratorium.

Burden of own expenses

Borrowers of MFIs are eligible for the three-month moratorium given by the RBI for all standard accounts as on March 1, 2020.

“Once the lockdown is lifted, some of the borrowers who have paid off most of their loans and may need more money to expand their business, will be hungry for some financial support,” he said, adding that MFIs will also need money for their own operations including payment of salaries and rent.

Meanwhile, MFIs are also hoping that they will be allowed to resume operations once the lockdown is lifted in phases.

“As MFIs are also in financial services, we are thinking of seeking permission to resume operations, at least with skeletal staff,” Shrivastava said.
Banks start offering loan moratorium to NBFC-MFIs

SHRITAMA BOSE
Mumbai, April 15

SOME PRIVATE SECTOR and foreign banks have begun offering the loan moratorium to their microfinance institution (MFI) borrowers, even as confusion prevails over whether the regulator’s circular permits extension of the breather to non-banking financial companies (NBFCs).

So far, banks have been demurring from offering the moratorium to NBFCs as they believe the liquidity being released to the latter is in the form of targeted long-term repo operations (TLTROs) should see them through the next few months. MFIs might, therefore, be the first set of NBFCs who have managed to secure the benefit of the moratorium from banks.

Industry executives said that each bank is following its own strategy when it comes to offering the moratorium to MFIs. Manoj Nambiar, MD, Arohan Financial Services, and chairman, Microfinance Institutions Network (MFIN), told FE: “There’s a fair number of lenders who have extended the moratorium, although in different ways. Some have given a two-month moratorium, some have given a three-month moratorium, some have given a moratorium on principal only and not interest. Overall, it is on a case-to-case basis and most people have managed to get what they want to.”

Foreign banks are asking MFIs to service interest while deferring principal payments. Private banks are also understood to be entertaining requests for a moratorium as some of them have exposure to microfinance borrowers themselves and have a good sense of the market.

Nambiar said that most MFIs have already repaid their March instalments by the time the moratorium was announced. Some small and medium MFIs are facing a credit crunch because they cannot make collections from clients and still have to take care of operational expenses. While there have been no defaults by MFIs so far, some institutions have requested banks not to deduct from their accounts repayments falling due last week. As the RBI circular specifies that non-repayment of dues between March and May 2020 will have no adverse impact on a borrower’s credit history, the institutions are protected against downgrades.

On Wednesday, CARE Ratings said that an analysis of the asset-liability position of 14 MFIs revealed that, on an average, these companies have around 2.5 months of liquidity. At the same time, their liquidity position has historically been reliant on repayments. “In the current situation of Covid, due to lockdown and moratorium provided to the borrowers, inflows from advances will be very low,” the rating agency said.
Microfinance firms in turmoil as collections come to a grinding halt

RBI’s liquidity measures may offer respite, but will banks buy bonds of small, medium MFIs?

RAGHURAM RAMAN

The lockdown has brought the collection operations of microfinance institutions (MFIs) to a halt, as about 95 per cent of the loan repayments are still done through cash. Since loan officers meet in person and collect the payments from borrowers, the lockdown has put a freeze on loan collections, hurting MFIs. “Collections have been suspended since March 25. While fieldwork can resume in May after the lockdown is lifted, a lot would depend upon the zone in which the particular district falls (red, green or orange, based on the severity of the virus outbreak). Also, given that MFIs will have to give the option of opting in or out of the moratorium in person (by taking the consent of the borrowers in writing), much of the effort in May would go around determining how many borrowers are opting for the moratorium,” says Manoj Kumar Nambar, MD of Arohan Financial Services and Chairman of the Microfinance Institutions Network (MFIN).

Much will depend on how collections pan out after the moratorium ends. “June will be a critical month and it can be good, if normally returns by mid-May. If the lockdown or restrictions are extended then it could take longer for collections to recover,” adds Nambar.

Liquidity issues
What is of concern is also the ambiguity around the moratorium that the RBI has allowed lenders to give borrowers. While MFIs are extending the option of loan moratorium to their borrowers, they may not get the same leeway from their own lenders. NBFC-MFIs borrow from banks or other MFIs to on-lend to their borrowers.

“Some banks have been very supportive, extending relief to MFIs on their loan repayments. But there are others that insist on loan repayment from MFIs, which could lead to huge liquidity gaps,” explains Nambar.

The issue could get compounded by a sharp rise in demand for credit by MFI borrowers, post the lockdown. With most of them being daily wage earners, with savings used up, they are likely to require funds urgently to restart their work. MFIs will need to have ample liquidity to cater to their credit needs.

RBI’s liquidity measures
In a bid to ease the pain for NBFCs and MFIs, the RBI on Friday announced new targeted long-term repo operations (TLTRO) of ₹50,000 crore. Banks will have to deploy the funds in investment grade bonds of NBFCs, with at least 50 per cent towards small and medium-sized NBFCs and MFIs. Of the 50 per cent, banks have to invest 10 per cent in instruments issued by MFIs.

But given that banks have been reluctant to lend to stressed small and medium-sized corporates, including NBFCs and MFIs, how many will borrow funds under TLTRO to deploy in MFIs remains the critical question.

“TLTRO is welcome and the 10 per cent carve-out for MFIs is a decent start, though one hopes banks would invest in small and medium MFI papers, too, besides securities of larger MFIs,” says Nambar.

According to information accessed from MFIN, as of December 2019, the aggregate gross loan portfolio (GLP) of MFIs is ₹57,320 crore to 3.1 crore customers. Of 53 NBFC-MFIs (MFIN members), 13 are small (GLP < ₹100 crore), 18 are medium (GLP of ₹100-500 crore) and 22 are large (GLP > ₹500 crore).

The majority of debt funding for large MFIs comes from banks (68 per cent). But, for medium and small MFIs, the proportion of debt funding from banks is much lower, at 19 per cent and 26 per cent, respectively. In fact, in the September 2019 quarter, small MFIs could not source any funding from banks.

Investment in MFI bonds
Banks, under TLTRO, have to invest in only investment grade (BBB-rated and above) bonds of MFIs. Data from MFIN for 53 MFIs as of December 2019 reveal that only about 25 per cent are rated AA or A, and only 10 per cent are BBB-rated, suggesting a dearth of investment-grade bonds.

While banks can invest in BBB-rated bonds under TLTRO, they may prefer to stick with minimum rated MFIs, given their weak risk appetite and higher capital burden associated with low-rated bonds.
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MFIN CEO Harsh Shrivastava said the current situation is in some ways better than demonetisation for borrowers of microfinance institutions (MFIs) in rural areas as they have been allowed to defer repayments and given cash and foodgrain under the Garib Kalyan scheme.
Chennai: Microlenders are feeling the squeeze, with no relief on loans from banks even as their borrowers press them for a moratorium on repayments.

Association for the microfinance sector - Microfinance Institutions Network (MFIN) - has requested RBI for a two-month moratorium (April and May) as most MFIs have already extended similar relief to end-borrowers which include kirana stores, vegetable and fruit vendors, and agribusiness.
Money & Banking

Micro-finance players in talks with RBI, government for moratorium, liquidity support

Surabhi | Mumbai | Updated on April 13, 2020 | Published on April 13, 2020

Hope to resume partial operations soon

Concerned about their cashflows in the current period of lockdown, micro-finance companies are in talks with the government and Reserve Bank of India to include them in the three-month moratorium and also...
Banks start offering loan moratorium to NBFC-MFIs

Private banks are also understood to be entertaining requests for a moratorium as some of them have exposure to microfinance borrowers themselves and have a good sense of the market.
MFI's collections to pick up from June: MFIN CEO Harsh Srivastava

3 min read. Updated: 19 Apr 2020, 01:32 PM IST
Deborshi Chaki

- The FY21 outlook for micro-finance is good, with healthy growth expected in the number of borrowers and disbursement
- RBI’s decision to infuse liquidity into NBFCs and MFIs through TLTRO 2.0 will be of great help
Microfinance firms in turmoil as collections come to a grinding halt

RBI’s liquidity measures may offer respite, but will banks buy bonds of small, medium MFIs?

The lockdown has brought the collection operations of microfinance institutions (MFIs) to a halt, as about 95 percent of the loan repayments are still done through cash. Since loan officers meet in person and collect the payments from borrowers, the lockdown has put a freeze on loan collections, hurting MFIs.
Opinion Articles
Microcredit crucial to deal with Covid blow

Over 90 per cent of low-income households are employed in the informal sector, and they will be the hardest hit by the pandemic

SUKRABH SARKAR

We are confronted with unprecedented challenges and uncertainty posed by the Covid-19 pandemic and its impact on our lives — or deaths, for many. Besides the public health emergency, this is the economic tsunami of the highest order, with no end in sight yet. Surely, demands from large and visible sectors would be most vociferous, impact more quantifiable and redressal relatively easier to deliver. However, it is the invisible low-income households (LHs), who would be hardest hit and deserve most support. Given the demands on the already stretched resources, our immediate policy response should be to prioritise the needs of LHs.

Over 90 per cent LHs are self-employed or employed in the informal sector, earn less in absolute terms, have volatile cash flows and lack the safety nets to deal with adversity. Majority seek income outside the traditional agriculture — in farms, livestock, service, construction, manufacturing, trade and depend on daily-weekly earnings to meet the basic needs. Like us, confronted with requirement of lumpsum amount, typically in the range of $30,000 to $1 lakh, they access credit. For over a decade, micro-credit has been a key channel for LHs and today nearly 56 crore LHs have micro-credit worth $12.1 trillion.

These are still early days, but undoubtedly Covid-19 is going to shock the demand (customers) and the supply (lenders and funders/investors) of micro-credit. Absorbing and reversing the shock would require coordinated approach in the ecosystem amongst governments, regulator and the business.

Let’s begin with the demand. Cashflows of LHs across sectors would be affected due to loss of work, restriction on mobility, delays in payments, and supply shocks, pricing distortions and so on. Duration of impact would determine its severity. Even those, who may not be adversely impacted, would find it hard to repay their loans or access fresh loans as cash transactions get restricted, mobility restrained, and financial services disrupted. LHs use micro-credit for multiple financial needs — credit, liquidity, emergency funds, investment and so on. If suitable micro-credit is unable to pitch at this critical juncture, it would have very serious ramifications on their ability to meet the exigencies arising out of Covid-19 and recovery. Cash transfers by the government for illness, coverage or basic consumption are necessary but can only support as much. LHs would need adaptive micro-credit.

On the supply side, micro-credit lenders face colossal challenges. The micro-credit model relies on meetings with customers in groups, at their doorstep for sourcing, disbursements and repayments. Business has come to a halt in the times of social distancing and “lockdowns”. Forfeiting disruption in repayments would put enormous pressure on the cashflows, impairing lenders ability to manage liquidity and honour their commitments to funders and employees. While industry has been swift to take proactive measures, not all functions can be instantly moved remotely and not without loss of productivity. Given the history, no one can guarantee that microcredit would not exploit the situation to manipulate customers not to pay, spoiling credit culture.

While the impact would fully manifest in the coming days, it is important to take a few of urgent steps.

First, the Reserve Bank of India is rightly allowing back to back moratorium on loans to customers and lenders, which would give immediate relief to customers who are unable to repay now and maintain liquidity at household level. However, interest cost of deferral to three-months moratorium is not insignificant for LHs and would put further strain on their finances. The government should consider absorbing this additional debt burden for the LHs. This would give direct and targeted cash benefit to customers and provide immediate liquidity to lenders. In the situation of deep financial constraints, where customers are not affected and can repay on time even prepay, they should be incentivised to do so through discounts. This is also important to maintain the credit discipline now and in future.

Second, LHs would need short-term loans to tide over the disruptive cash-flows as well larger loans to restart their livelihoods as they recover from this onslaught. Due to uncertainty and increasing delinquencies, lenders ability and confidence to lend would be shaken, in order to ensure that lenders can resume lending, government agencies such as SIDBI, NABARD, MUDRA would need to be inventive and supportive through guarantees, refinancing, low-cost financing, subsidies, subventions etc. Lenders would also need support with equity to maintain capital adequacy.

Thirdly, micro-credit industry with a network of 40,000 branches and workforce of 300,000 people have enormous contact with over 5.6 million LHs, that is, 300 million people across India. They are closest to the LHs to understand what the impact is, how are they coping and what they need most! The government must use this infrastructure to efficiently target their support.

As of now, there is no clarity as to how worse the situation can get and how long it will last. It is equally unclear what would it take to recover the situation and how long. Everyone — customers, lenders, regulators/government, investors/funders must constantly review the situation and make decisions and adjustment as it evolves. In addition to whole-hearted actions, there is need for utmost trust, solidarity and risk-sharing between all to ensure backstopping of LHs to substantiation. The choice is ours.
Microcredit crucial for low income households dealing with Covid-19 blow

Over 90 per cent of low-income households are employed in the informal sector, and they will be the hardest hit by the pandemic.

Sugandh Saxena
Last Updated at April 4, 2020 20:53 IST
Opinion | Microfinance to the rescue of have-nots

Alok Misra

- As the covid crisis kicks in, this sector could alleviate the distress of India's most vulnerable—but it urgently needs regulatory back-up
- It is noteworthy that Indian MFIs have the lowest operational cost globally; they retail money more efficiently than their global peers

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Quote on RBI providing additional liquidity support to MFIs
RBI’s move on liquidity welcome, but questions on moratorium remain

Banks to take call on extension to NBFCs, HFCs

SUKABHI

Gurgaon, April 17

The slew of announcements by the Reserve Bank of India on Friday seem to have addressed a majority of concerns of non-banking finance companies and microfinance players on getting liquidity for further credit flow although it did not resolve the issue of extending a moratorium to them.

Sources close to the development said banks may take a call on whether or not to extend the moratorium to NBFCs and MFBs. The Indian Banks’ Association may discuss the issue in the coming days.

Formal directive

Bankers said they too have been awaiting clarity from the RBI on the issue. “We are not averse to extending the moratorium but we were hoping for a formal directive from the regulator,” said a banker.

“The RBI announcements on liquidity have taken care of about 60 per cent to 70 per cent of concerns of NBFCs. We are also working to get a better understanding,” said Mohesh Thakkar, Director General, Finance Industry Development Council.

IDFC has written to IBIA asking them to advise banks on allowing moratorium on payment of interest and principal due between March and May 2020 for NBFCs which apply for it. It has also sought guidance on providing liquidity support under TLRRD and various schemes like term loans for on-lending for priority sectors as has been permitted by the RBI.

CARE Ratings said many NBFCs and housing finance companies are in talks with their banks to avail the moratorium, however, it is not an automatic decision from the banks and there may be a differential behaviour by banks.

The real challenge comes post the moratorium period, when the lockdowns end by May and businesses start to operate, it may take some time for collection efficiencies to reach normal levels, it noted.

Kishnan Sitaranum, Senior Director, Crisil Ratings, said the fact that no formal announcement was made on applicability of bank loan moratorium to NBFCs is a dampener for them.

“The twin funding measures announced by RBI will definitely provide some relief to NBFCs, HFCs and MFBs who have been providing moratorium on their loans to borrowers but were facing uncertainty in obtaining moratorium on their bank loans,” he said, noting that the TLRRD as well as the ₹50,000 crore refinancing window will help them access funds.

Harsh Shrimali, CEO, MMR, said it will help the small and medium NBFC MIBs to support the bottom of the pyramid customers. VP Nandakumar, Managing Director and CEO of Manappuram Finance, said the size of the TLRRD may have to be increased going forward.
Industry hails RBI measures

The calibrated steps announced by the Reserve Bank of India today will strengthen India’s financial system, especially the operations of NBFCs and MSMEs, and refuel economic growth sooner than later, the PHD Chamber of Commerce and Industry said.

“The reverse repo rate, cut by 25 bps from 4 per cent to 3.75 per cent under LAF, is appreciable as it will make it unattractive for banks to passively deposit funds with the RBI and instead lend it to productive sectors,” PHDC-CCI president D K Aggarwal said in a Press statement.

Indian Chamber of Commerce while welcoming RBI’s 25 bps reverse repo cut, said: “Making the reverse repo rate at 3.75 per cent while the repo rate remains at 4.4 per cent, further increases the symmetry between the two and nudged more and more banks to increase lending and investment.”

The chamber highly appreciates the new lifeline to NBFCs by way of a TLTRO (targeted long term repo operations) of Rs 50,000 crore, which would help them to lend to the micro segments of each sector in the economy, it said.

Commenting on fresh RBI measures, EEPC India chairman Ravi Sehgal said relaxations and forbearance given by the RBI on loans would help the industry and the exporting units, particularly in the small and medium enterprises (SME) segments.

However, RBI Governor Shaktikanta Das has cited the report of the World Trade Organisation - the global trade is expected to decline up to 32 per cent in 2020 in the face of coronavirus forcing major economies to lock down. Under these circumstances, the merchandise exporters face the gravest of threats and would need a special package from the RBI and government, he said.

CII director-general Chandrjit Banerjee said the RBI’s continued resolve to ensure that the availability of liquidity, especially for the stressed sectors, remains adequate is commendable.

Ficci president Sangita Reddy said relaxation in regulatory requirements further will help banks in dealing with the Covid-19 impact. Ficci would request the RBI that additional working capital should be mandated rather than depending on the discretion of the banks.

MFIN CEO Harsh Shrivastava said: “The microfinance sector is highly appreciative of the RBI for acknowledging the industry concerns and for infusing liquidity of Rs 50,000 crore, a substantial part of which will help the small & medium NBFC MFIs to support the bottom of the pyramid customers.”
India to see V-shaped recovery

The Reserve Bank Governor R Gandhi has given a morale boost to the struggling Indian economy with his optimistic outlook on the economic recovery. He said on Friday that the economy will start recovering soon and will see a V-shaped recovery. He added that the recent measures taken by the government and RBI have helped in boosting the economy.

On the sidelines of a virtual meeting with the lac median persons, the Governor said that the government has taken several measures to boost the economy. He added that the RBI has also taken several measures to support the economy, including the recapitalisation of banks, the extension of moratorium on loans, and the introduction of credit enhancement schemes.

He said that the V-shaped recovery will start from the second half of the current fiscal year and will be driven by the upstream sectors such as manufacturing, construction, and infra. He added that the recovery will be led by the private sector and will be supported by the government.

The Governor also said that the recent enhancement in the credit guarantee scheme will help in boosting the credit flow to the MSMEs. He added that the government has also taken several steps to boost the confidence of the market participants, including the initiation of the national digital database.

The Governor concluded by saying that the economy is on the right track and will see a V-shaped recovery soon.
NBFCs hail RBI's additional liquidity support move to tide through Covid crisis

Press Trust of India | Mumbai
Last Updated at April 17, 2020 20:08 IST

Non-bank financial players have welcomed the Reserve Bank of India’s decision to provide Rs 50,000 crore of additional liquidity support to the sector by conducting targeted long term repo operations (TLTRO 2.0).

Shadow banking players also hope to get more liquidity support from banks after the RBI reduced the reverse repo rate by 25 basis points to 3.75 per cent from 4 per cent.
NBFCs hail RBI's additional liquidity support move to tide through Covid crisis

Mumbai, Apr 17 (PTI) Non-bank financial players have welcomed the Reserve Bank of India's decision to provide Rs 50,000 crore of additional liquidity support to the sector by conducting targeted long term repo operations (TLTRO 2.0).

Shadow banking players also hope to get more liquidity support from banks after the RBI reduced the reverse repo rate by 25 basis points to 3.75 per cent from 4 per cent.

The RBI on Friday said it will conduct (TLTRO 2.0) for an aggregate amount of Rs 50,000 crore, to begin with, in tranches of appropriate sizes.

The funds availed by banks under TLTRO 2.0 should be invested in investment grade bonds, commercial paper, and non-convertible debentures of NBFCs, with at least 50 per cent of the total amount availed going to small and mid-sized non-banking financial companies (NBFCs) and micro-finance institutions (MFIs).

"It (TLTRO) is a very-very favourable decision. Now, they (RBI) have specifically allotted (liquidity through TLTRO) to NBFCs, of which 50 per
NBFCs hail RBI's additional liquidity support move to tide through Covid crisis

Non-bank financial players have welcomed the Reserve Bank of India's decision to provide Rs 50,000 crore of additional liquidity support to the sector by conducting targeted long term repo operations (TLTRO 2.0). Shadow banking players also hope to get more liquidity support from banks after the RBI reduced the reverse repo rate by 25 basis points.
NBFCs hail RBI's additional liquidity support move to tide through coronavirus crisis
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17th April, 2020

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RBI Governor hopes India will stage sharp V-shaped recovery in 2021-22

Softening inflation, Das said would make available more policy space to the central bank to address risks to the growth going forward.
Leadership Quoted in Various Industry Stories
LENDING IN THE TIME OF A PESTILENCE

Microfin Gets Another Blow

Poor are the most lucrative to lend in good times, but when the tide turns, they submerge and hurt their lenders too. While the moratorium on payments is the right way to overcome Covid 19 lockdown, micro lenders may face more challenges than the rest, says Atmadip Ray

Investors rush to safety led to an erosion in the value of all lenders; 47%, but a few of them just crushed because they were exposed to the more vulnerable borrowers; 54% of them. In short, we lend to the poor. In the latest carnage in the equity market, the worst hit among the financial services have been those which lend to joint liability groups, shopkeepers, vegetable vendors and carpenters.

The 48 is that the nation shifts down for three weeks to bring the coronavirus outbreak; these vulnerable sections of the society would not only be without income, but many of those who lost to them probably may not have the capital buffers to tide the tide. The Reserve Bank of India’s three-month moratorium would provide relief till May 31, but the period of non-repayment of loans loom large when they resume business.

We have an ecosystem where borrowers understand their responsibility better. They realise the importance of repaying loans on time to keep their credit history clean, says Chandrakant Ishbarth, co-founder and CEO of Smalling Bank, that specialised in lending to the poor. "Microfinance borrowers are still prey to rumours and social activities, creating issues like non-repayment every now and then. The only way to address it is to improve financial literacy."

Going by past experience, there could not be fewer issues due to loan write-offs. Industry estimates suggest that during demonetisation—when the lenders had to define new collection strategies, they were deluged—the NPA-MPs had written off anything between 6,000 crores and 7,000 crores during August-September 2017. The loan outstanding was around half of its current size of Rs.21 lakhs crore.

THE LURE

While the poor have been untouched for high lenders because of their economic status, and the risk associated with unsecured lending, many new entrants looked at them as a high-profit margin. But the same metric for ICICI Bank was at 87%, and the best managed HDFC Bank, 67%. But new equity interests in the financial services industry might show doors to the future, says Kishore Fernandes, managing director of North Arc Capital, an alternative for these smaller lenders. "However, we believe that incumbent equity investors will come forward to support their portfolio companies like they have done in the past."

WHIRLING BOYS

Microfinance is now recognised as being the vehicle to achieve the country’s financial inclusion goals. While the going is good, everyone appreciates the contribution, but political actions by vested interests often trigger upheaval that just the entire industry in its entirety. In many cases, the point of contention is the high interest rates charged by them, although it is lesser than what the money lenders would have.

When SKS Microfinance, now merged into Indiabulls Capital, was running in 2010, an Andhra Pradesh government ordinance prohibited new non-bank lenders, leading to a liquidity crisis for MFIs across the country. That was when the company had the maximum exposure. Subsequently, RBI had to intervene to save the situation. If the Andhra Pradesh crisis in 2010 triggered a liquidity-regulator’s attention and later, recognition, demonstration in 2014-17 taught the MFI to do business along with the capital. Thus came the Assam crisis last year, when overburdened borrowers began to restructure their repayments. Many local lenders were facing the adhering to prudent lending practices. Microfinance firms reinvest themselves every time a crisis hits them. Furthermore, the Indian credit information system is far superior than what it was a few years ago. Every borrower realises that if he doesn’t maintain the credit score, he would be forced to live at the mercy of the usurious moneylender.

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Even the MFIs to small towns are looking at conserving cash using the moratorium rather than not paying out.

SURVIVAL OF THE FITTEST

Can they stomach yet another repayment hurdle? The corona is a systemic crisis thrown out of gear. The microfinance business is getting involved with the need for continuing capital resources. Leveraging that with debt, it investments, risk management, capital management, etc., in light of the challenges posed by the nature of our end clients and our high touch interaction with them,” says Mansi Panchal, chairman of Microfinance Institutions Network, a trade body. “If such a disability is to be overcome so on a continuous basis with the help of the forward – alliances, mergers, goodwill. However, these are the risks banks together account for the largest share of microfinance with 65.0% crores outstanding at the end of 31st March, constituting about 49% of the sector. Non-MFIs are the second largest group of micro lenders with about 51% of the overall micro finance. MFIs and other formal banks for the balance.

While the poor equity investor may have predicted to survive skin, institutions with a longer view see microfinance as a business worth expanding.

“With the rural crisis not stirring up, our new frontier,” says Suresh Kothapalli, chief executive officer of Inscripta, that focuses on micro lending Balrampur Financial. From a very low contribution to our profits, it will account for 5% in the next three years. In Balrampur Financial, we have got a new distribution capability. A very different business model is emerging in rural India. Just like the industry resurrected during the good times, this shall also pass.
Lockdown: MFIs are apprehensive about growth, likely to shelve expansion plans

PRESS TRUST OF INDIA
Kolkata, April 6

THE MICROFINANCE INSTITUTIONS (MFIs), which are currently feeling the pinch of the coronavirus pandemic with their operations being suspended during the nationwide lockdown, are concerned about the near-term growth of the industry, officials said on Monday.

The MFIs will concentrate more on protecting their existing portfolios, once the lockdown will be lifted, and many of them may shelve their expansion plans for the time being, Microfinance Institutions Network (MFIN) chairperson Manoj Kumar Nambiar said. Speaking on the outlook for the industry, he told PTI: “Performance of the MFIs in the current fiscal which has just begun will depend on when the lockdown will be lifted and how quickly the governments, both the Centre and the states, arrest the pandemic. The first quarter will certainly get affected as collections will fall in April and May because many borrowers will opt for the moratorium package.”

Disbursements to existing customers will continue but micro-lenders will be cautious to extend credit to the new ones during this crisis period, Nambiar further said. The short-to-medium-term impact of the coronavirus outbreak and the subsequent measure of the lockdown seems to be more on the urban (a-formal) sector compared to agriculture-based rural activities, another self-regulatory organisation of the sector, Sa-Dhan executive director P Satish said. “MFIs with more exposure to urban informal sectors will face more difficulties than a lending institution having a large number of rural sector borrowers,” he said.

The Association of Microfinance Institutions West Bengal member and Village Financial Services MD Kuldip Maity said it will take at least six months for non-agro portfolios to get into normalcy and the overall industry growth for FY21 may slip to 1.5%. Ruling out any possibility of retrenchment in the sector amid a threat that the economic growth will be adversely impacted due to Covid-19 crisis, Nambiar said: “The industry will need to retain their staff so that the collection and the recovery activities can start once the lockdown is over.”

However, “expansion plan of many institutions will either be put on hold for the time being or required to be tweaked as the MFIs will try to protect their existing portfolio and concentrate more on the steadying the ships,” he said. “Certainly, they do not want to expand into new geographies at this point of time.”

Despite the disruption in the second half of March due to the coronavirus pandemic, Satish is optimistic that the microfinance industry will clock a growth of about 20% in FY20 over the previous year, but apprehensive about the same in the current fiscal.

“Microfinance is basically a group-based lending approach. Since there are restrictions on movement, neither members of small borrowers’ groups, nor loan officers of microfinance institutions are able to meet. Almost everything becomes standstill. Loan disbursement as well as collections from borrowers came to a halt during the lockdown,” Satish said.
Hit by lockdown, microlenders likely to shelve expansion plans

Kolkata: The microfinance institutions (MFIs), which are currently feeling the pinch of the coronavirus pandemic with their operations being suspended during the nationwide lockdown, are concerned about the near-term growth of the industry, officials said on Monday. The MFIs will concentrate more on protecting their existing portfolios, once the lockdown will be lifted, and many of them may shelve their expansion plans for the time being, a self-regulatory organisation of the sector, Microfinance Institutions Network (MFIN) chairperson Manoj Kumar Nambiar said. “Performance of MFIs in the current fiscal which has just begun, will depend on when the lockdown will be lifted and how quickly the governments arrest the pandemic,” he added.  

PTI
Hit by lockdown, MFIs apprehensive for growth, likely to shelve expansion plans

SP Barua

The microfinance institutions (MFIs), which are currently feeling the pinch of the coronavirus pandemic with their operations being suspended during the nationwide lockdown, are concerned about the near-term growth of the industry, officials said on Monday. The MFIs will concentrate more on protecting their existing portfolios, once the lockdown will be lifted, and many of them may revise their expansion plans for the time being, a self-regulatory organisation of the sector, Microfinance Institutions Network (MFIN) chairperson Manoj Kumar Nambiar said.

Speaking on the outlook for the industry, he told reporters, “Performance of the MFIs in the current fiscal which has just begun, will depend on when the lockdown will be lifted and how quickly the governments, both the Centre and the states, arrest the pandemic. ‘The first quarter will certainly get affected as collections will fall in April and May because many borrowers will opt for the moratorium package.’”

Nambiar, further said, disbursements to existing customers will continue but micro-lenders will be cautious to extend credit to the new ones during this crisis period. The impact of the coronavirus outbreak and the subsequent measure of the lockdown to combat the pandemic seems to be more on the urban in-formal sector as compared to agriculture-based rural activities, another self regulatory organisation of the sector, Sa-Dhan executive director P Satish told media.

“MFIs, with many expenses in urban informal sectors will face more difficulties than an lending institution having a large number of rural sector borrowers,” he said. The Association of Microfinance Institutions, West Bengal member and Village Financial services managing director Kuldip Manjhi said it will take at least six months for non-agri portfolios to get into normalcy and the overall industry growth for the FY21 may slip to 15 per cent. Ruling out any possibility of retrenchment in the sector amid the threat that the economic growth will be adversely impacted due to COVID-19 crisis, Nambiar said, “The industry will need to retain their staff so that the collections and the recovery activities can start once the lockdown is over.”

However, he said, “Expansion plan of many institutions will either be put on hold for the time being or required to be tweaked as the MFIs will try to protect their existing portfolio and concentrate more on the standing ships.”

Despite the disruption in the second half of March, the last month for a financial year, due to the coronavirus pandemic, Satish said, “The MFIs expect a back-to-back moratorium from their clients as banks and other financial institutions. This is very important as without that the micro lenders would not be able to extend loans to their end clients who need it the most in this difficult period,” Nambiar said.

A rough estimate suggests that Rs 500 crore of money is usually disbursed to micro borrowers by the MFIs on an average in the last week of March. Owning to the lockdown, around Rs 3,500 crore could not be disbursed to borrowers by 75-80 entities in the last seven days of FY20,” he told reporters.

He said the first half of April is, however, considered to be “a slow period” in terms of disbursement. “Collections from borrowers have also been affected during the 21-day lockdown imposed to contain the COVID-19 pandemic, he said. “The loan portfolio of the microfinance industry by end of December 2019, was about Rs 2.12 lakh crore and the collections per month typically stands at an average 9-10 per cent of that.”

“Again, a rough estimate indicates that around 5,000 crore of money could not be collected during the last week of March,” Nambiar said. “The scheme is about extending the loan tenures by three months. There is a cost implication in the form of interest rates, if one opens for the moratorium package. But no borrowers will be penalised for delay in payments for March, April and May,” he said.

MFIs also started seeking the 3-month moratorium on loan repayment from their lenders as banks and other financial institutions. Satish said, “The MFIs are taking a back-to-back moratorium from their lenders who are also banks and financial institutions. This is very important as without that the micro lenders would not be able to extend loans to their end clients who need it the most in this difficult period,” Nambiar said.

Satish predicted the micro credit demand will hopefully pick up with the progress of the current financial year, as small borrowers will need fund to reorganise their businesses as and when the normality in the economy is restored.
MFIs turn to RBI for 3-month moratorium

RBI seeks data on drawdowns, bank loans, exposure to NCDs and CPs

Non-banking financial companies operating as microfinance institutions (NBFC-MFIs) have sought clarity from the Reserve Bank of India (RBI) on whether they are eligible for the three-month moratorium on loan repayments announced by the central bank on March 27.

"There is still confusion among banks on whether they should extend the moratorium to NBFCs. We have asked the RBI to clarify the position on this matter," said Manoj Nambari, chairman, Microfinance Institutions Network (MFIN), a self-regulatory organisation of the sector.

Senior MFIs executives contend that while they have extended the moratorium to their customers, the same hasn’t been extended to them by some of their lenders. Instead, they were directed to meet their short-term liquidity needs through the targeted long-term repo operations (TLTRO) route.

On March 27, the RBI opened up the TLTRO option for NBFCs in addition to allowing well-rated corporates to tap bank funding through market instruments, such as commercial papers (CPs) and non-convertible debentures (NCDs). However, this option is primarily available to top-rated companies, with AAA and above rating. "There are hardly five MFIs with even A rating," said a source.

MFIs haven’t had access to funds since March 27, and this has been communicated to the RBI. "In the last 15 days, we have not had any disbursals. We haven’t received money through collections or bank loans, but we have had to meet our repayment obligations," said Pidimudi Raddi, managing director, Spandana Symbiotic Financial.

In response to these representations, the RBI reached out to MFIs last Sunday, asking them to furnish information on their bank-wise loan outstanding, amounts drawn down and unutilised lines of credit, and share of CPs and NCDs issued by banks to MFIs. Sources say these data points have been furnished to the RBI and a clarification is awaited.
DATA MINING RBI has collated size of borrowing, liquidity position & credit rating profile to get to bottom of the issue

RBI may Act as Microfin Institutions Press Panic Button

Atmadip.Kay@timesgroup.com

Kolkata: The Reserve Bank of India appears to have swung into action as microfinance firms pressed the panic button over liquidity mismatches after several banks refused to pass on the moratorium benefits to them. Besides, about 90% of the MFIs with below investment grade ratings don’t have access to money markets to meet the liquidity gaps as suggested by the regulator. Borrowing from the market to pay back loans is in any way not an ideal situation, capital of the industry said.

RBI has collated business details, size of borrowing, liquidity position and credit rating profile from NBFC-MFIs in a series of communications since Sunday, apparently to get to the bottom of the issue.

Sources said that whether NBFC-MFIs are eligible to the get moratorium support from RBI lenders. Many believe that RBI’s announcement on moratorium only covers retail loans, in contrast to what the ministry of finance had said in its frequent asked questions. “If rescheduling of payments is applicable for all term loans in all segments, irrespective of the segment and the tenure of the term loans,” NBFC-MFIs got term loans from banks for on-lending to micro borrowers.

Situation is much worse now. Most banks are not giving back-to-back moratorium to MFIs, citing conditions prevailing in the market,” said Harsh Sethvansana, chief executive at the Microfinance Institutions Network (MFIN), said, with reasons for the second MFIN and Dr Dhir, another high group for MFIs, have jointly pitched for a clarification from the regulator on the issue.

“MFIs’ own cash flows would be generation as they are not collecting any money even for their own operating costs, leave aside being in position to service their debt,” said in a letter to Governor Shaktikanta Das dated April 4, requesting him to remove the doubts on the matter.

“The only source of funding mostly in the form of term loans from banks and financial institutions and repayments are made by borrowers. Out of Rs 3.5 trillion outstanding borrowings as on March 31, 2020, merely 0.5% is raised through commercial papers (CPs) and about 10% through non-convertible debentures (NCDs),” RBI did not respond to MFIN’s call seeking its intervention on the issues.

On March 27, the regulator announced a enabling provision for lenders to provide a three-month moratorium on term loans for the borrowers under stress. The regulator also announced a targeted long-term refinancing to MFIs and said that banks to deploy liquidity acquired through this in investment grade corporate bonds, CPs and NCDs.

“On the other hand, each of our clients knows that our tools have not to repay loans till the end of May relating zero cash; and on the other hand, our lenders are refinancing moratorium support. How can we pay the lenders?” asked Maneck Bhujbal, MD of Abhar Financial Services and chairman of MFIN.
RBI May Look at Microfin Firms’ Liquidity Woes

Collates info on their size of borrowing, liquidity position, credit rating profiles via series of communications following distress call

RBI: The Reserve Bank of India (RBI) appears to have swung into action as microfinance firms pressed the panic button over liquidity mismatches after several banks refused to pass on the moratorium benefit to them.

Besides, about 90% of the NBFCs with below investment-grade ratings don’t have access to money markets to meet the liquidity gap as suggested by the regulator. Borrowing from the market to pay such banks is a no-go for an ideal situation,-opinion of the industry said.

RBI has solicited business details, size of borrowing, liquidity position and credit ratings of NBFCs via a series of communications since Sunday, apparently to get to the bottom of the issues.

Confusing guidance on whether NBFCs have eligibility to get guarantees from their lenders. Many believe that NBFCs are using guarantees to availing new funds, in contrast to what the ministry of finance is telling the high court.

A confidential source said, “Failure to bring such funds to microfinance institutions would lead to a liquidity crunch.”

FINDING A WAY

Confusion reigns on whether NBFCs are eligible to get guarantees from their lenders.

NBFCs raise funds mostly in the form of term loans, debentures and commercial paper.

RBI-recognised MFIs need to raise funds from banks and other financial institutions.

NFVCs have their eye on the horizon for new funding avenues.

RBI has been asked to intervene and provide the necessary support to the microfinance sector.

This date April 1, requesting him to remove the doubts in the minds of the industry.

They also argued that MFIs raise funds mostly in the form of term loans, debentures and commercial paper from banks and other financial institutions.

On March 31, 2020, a majority of the MFIs are required to meet the minimum liquidity norms.

MFIs were under pressure to raise funds from banks and other financial institutions. RBI was asked to intervene and provide the necessary support to the microfinance sector.

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RBI may announce separate credit line to rescue MFIs

The Reserve Bank of India (RBI) is exploring steps to aid struggling microfinance institutions (MFIs) through a separate credit line, said a senior RBI official, requesting anonymity. While the health of MFIs has been a cause for concern with collections dropping to near-zero due to the nationwide lockdown, the sector suffered yet another jolt when banks refused to offer moratoriums.

The central bank is closely examining the data received from MFIs, including their credit ratings, liquidity positions and cash in hand. According to the official, 31 out of 90 MFIs have floated their own investment grade papers and are therefore eligible to avail funding under the targeted long-term repos operations (TLTRO). With limited liquidity available under the TLTRO window, and large number of firms queuing up, MFIs are unlikely to get any liquidity support from banks.

MFIs, like other financial institutions, are in a fix over whether they can avail of the moratorium benefit on term loan repayments given to all borrowers.

Banks, such as State Bank of India, have adopted different rules by deciding not to offer moratorium to MFIs. However, the FAQs brought out by Indian Banks’ Association explicitly mentions that the moratorium is available to all borrowers, including financial institutions. The RBI rules, on the other hand, has left it to the discretion of banks to allow a deferment of three months on payment of instalments on all term loans.

“Since small businesses and economic activities of borrowers of MFIs have come to a standstill, there is no way bankers can repay to MFIs,” said an MFI official. MFIs can repay to lending institutions, back to back, moratorium to clients and from lending banks and financial institutions are therefore needed.

Once the lockdown norms are eased, MFIs would require additional credit from NABARD, SIDBI, Mudra or bigger banks.

Once the lockdown norms are eased, MFIs would require additional credit from NABARD, SIDBI, Mudra or bigger banks. However, MFIs are not convinced that giving a separate credit line will help solve the problem.

“Authorising banks, DFIs, NFFCs to give a back-to-back moratorium to NBFC MFIs is the only, immediate solution to the liquidity challenge, since all MFIs have stopped collections from their borrowers. Earlier, many banks had offered this moratorium, but they have withdrawn it, citing confusion in the RBI guidelines. We hope that the RBI will respond to the industry’s plea. All other proposed solutions will take time, especially when everyone is working from home and will require MFIs to borrow more simply to repay another lender,” said Harsh Srivastava, chief executive of MFIs.

With collections coming to a standstill following the lockdown, analysts say MFIs will be the worst affected. The impact on MFIs will continue even after the lockdown is lifted as the economy will take time to recover.
Why are microfinance institutions denied a moratorium on loans?

In the midst of the ongoing COVID-19 pandemic, the Reserve Bank of India (RBI) has issued a notification on April 6th, imposing a moratorium on loans to small and medium-sized enterprises (SMEs) and microfinance institutions (MFIs). This move comes as a relief to many borrowers who have been facing financial difficulties due to the pandemic.

The notification states that the moratorium will apply to all loans sanctioned up to March 1st, 2020, and will be valid for a period of three months. The RBI has also directed that all banks and financial institutions should provide a 90-day grace period for repayment of loans during this period.

The decision was taken to support the microfinance sector, which has been hit hard by the pandemic. The moratorium will provide much-needed relief to borrowers who are facing difficulties in meeting their financial obligations.

The RBI has also directed banks and financial institutions to ensure that the moratorium does not affect the creditworthiness of borrowers. They have been advised to continue providing credit to eligible borrowers during this period.

The decision has been welcomed by the microfinance sector, which has been facing challenges due to the pandemic. The moratorium will help to prevent defaults and ensure the continued flow of credit to small and medium-sized enterprises.

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MORATORIUM ON OUTSTANDINGS TO BANKS

MFI's Seek PM's Intervention After Failing to Convince Lenders

Industry facing liquidity squeeze, while some have defaulted; call for directions to RBI

Atmadip Ray@timesgroup.com

Kolkata: Microfinance industry groups have sought Prime Minister Narendra Modi's help to secure repayment moratoriums on term loans, having failed earlier to convince their lenders with their request for a grace period.

They said that a couple of smaller MFIs have already defaulted their loan repayments last week, while others are facing a liquidity squeeze, since most banks and financial institutions have refrained from extending the moratorium benefit despite the Reserve Bank of India's (RBI) advisory advisory on the issue.

"Time is running out. This is a situation when urgent action is required. As RBI did not communicate anything to clarify the issue of moratorium so far, we wrote to the PM for his intervention," Sa-Dhan executive director P Satish told ET.

Both Sa-Dhan, India's largest microfinance industry body with 312 members, and Microfinance Institutions Network (MFIN), the industry grouping for NBFC-MFIs, have separately urged the prime minister to take action.

"We request you to direct the RBI to instruct all banks and other lenders to kindly pass on the same moratorium (benefit) to all and not to discriminate between those who are giving to others. This simple step will go a long way to support the aspirations and livelihoods of millions of enterprising women across our nation," MFIN said in its letter dated April 13.

MFIs have passed on the moratorium benefit to the vast swathe of their borrowers after the central bank came out with the regulatory package to fight the economic impact of the coronavirus outbreak.

Without any repayment collection, there are facing liquidity mismatches, they said.

They have ₹3,833 crore of outstanding borrowing at the end of March. About two-third of it was from banks while the balance was from non-bank lenders, including institutions such as Small Industries Development Bank of India (SIDBI).
MFIs want to secure repayment moratorium

SP Bureau

Microfinance institutions have requested Prime Minister Narendra Modi to ensure that they are able to avail the loan repayment moratorium offer announced in the wake of the coronavirus outbreak, alleging that some of their lenders have not been extending the benefit to them.

Sa-Dhan, an association of community development finance institutions, and Microfinance Institutions Network (MFIN), a self-regulatory organisation of the industry, have separately written to the prime minister, urging him to direct banks and other lenders to extend the moratorium offer to their members.

Microfinance institutions borrow from banks and development financial institutions - Nabard, Sidbi and Mudra and lend to their clients. Since MFIs have started offering a three-month moratorium to their customers, they are expecting similar benefit from their lenders, Sa-Dhan executive director P Satish said.

"Despite Reserve Bank of India’s circular pertaining to the moratorium on retail loans, some financial institutions are refraining from extending the same benefits to microfinance institutions. We have requested the prime minister to address the issue. According to the RBI’s circular, MFIs are eligible for back-to-back moratorium," Satish told reporters in an interview.

Not extending the moratorium will cause MFIs to face significant cash flow issues, in the absence of any collection from their customers, he said.

The Reserve Bank of India had recently announced a three-month moratorium on loan repayments in the wake of COVID-19 crisis for dues to be paid between March and May, 2020 and left it to the banks to implement the same.

“We have given the moratorium benefit to our clients till the end of May, according to the direction of the apex bank. If the lenders from whom we have borrowed money are asking payments from us, how will we make it? There are no collections amid the lockdown,” MFIN chairperson Manoj Kumar Nambiar told reporters.

“We request you to direct the RBI to instruct all banks and other lenders to kindly pass on the same moratorium to us, as all of us are giving to others. This simple step will go a long way to support the aspirations and livelihoods of millions of enterprising women across our nation,” the MFIN said in its letter to the prime minister."
MFIs hope for loan moratorium decision at IBA meet today

MITHUN DASGUPTA
Kolkata, April 17

MICROFINANCE INDUSTRY BODIES expressed hope that a planned meeting of the Indian Banks' Association (IBA) on Saturday would lead to an 'in-principle decision' on offering the loan moratorium to microfinance institutions (MFIs) as the Reserve Bank of India (RBI) did not provide a clarity on NBFC-MFIs' request on moratorium on loans from their lenders.

Commenting on RBI’s measures on Friday, MFIN, a Self Regulatory Organisation (SRO) of NBFC-MFIs, said the microfinance sector was highly appreciative of the central bank for acknowledging the industry concerns and for infusing liquidity of ₹50,000 crore, a substantial part of which would help the small and medium NBFC-MFIs to support the bottom of the pyramid customers.

Talking to FE, Harsh Shrivastava, CEO, MFIN, said, “We were also looking forward for a moratorium on loans, which would have benefited small and medium MFIs. But that has not come. But, we hope that today’s announcement will provide additional funds for the entities.”

Shrivastava informed that ‘some’ banks were giving loan moratorium to ‘some’ of their NBFC-MFI borrowers. “But not all the banks are giving it, and small MFIs are not getting this moratorium facilities,” he added. “Tomorrow is an IBA meet. And we hope that the IBA will decide on the loan moratorium and at least the moratorium will be allowed in principle. Then it is up to the individual banks to offer the facility. It is a commercial call for each bank. IBA has to decide it,” Shrivastava said.

Notably, following RBI’s announcement on allowing a moratorium on term loans for March 1 to May 31, most of the MFIs have extended a moratorium to their borrowers till May 31. However, the MFIs are yet to formally receive moratorium from their lenders and the absence of the same could severely impact their ability to serve their debt-servicing obligations,” ICRA said in a recent note. Stating that the TLTR 2 of ₹50,000 crore would largely benefit big NBFC-MFIs, microfinance lenders' umbrella body Sa-Dhan's executive director P Satish said, “We will be pursuing all the banks to extend the moratorium because RBI's interpretation is quite positive on that.”

Satish said Sa-Dhan and MFIN had already taken up the matter with the Indian Banks' Association and he expressed hope that in Saturday’s planned meeting all IBA member banks would take a decision on the loan moratorium.
Below Investment Grade Firms and MFIs to Benefit

Small NBFCs May Pool their Bonds to Get TLTRO Funds

Atmadip Ray and Salkat Das

Kolkata | Mumbai: Social distancing is the prescribed norm to beat the viral chain, but in the complex world of financing, it pays to stick together. That’s what many small non-bank lenders plan to do: come together and sell bonds that make the cut for bank financing.

As things stand now, the majority of the NBFCs can’t sell bonds that make the grade to draw in the banks, which are using funds raised through the targeted long-term repo operation (TLTRO) mechanism to finance corporate and other lenders.

The pooled issues will help many NBFCs including microfinance firms, especially those below investment grade to access the TLTRO liquidity tap since their credit rating will likely head north, lowering borrowing costs.

RBI has planned a ₹50,000 crore liquidity infusion through TLTRO 2.0 with a direction to banks to invest at least half of it into “investment-grade” commercial papers or bonds issued by smaller non-bank lenders, including microfinance firms.

ICRA said that out of 250 rated non-bank lenders, about 40 are below investment grade, while data from Microfinance Institutions Network (MFIN) showed that 25% of their members fall in the junk category.

MFIN has already got in touch with fund arrangers such as Northern Arc Capital and Vivriti Capital for pooled bond issues, two people familiar with the development said.

“We are in discussions and working on a structure,” said Northern Arc chief executive Kshama Fernandes. “We will include all firms — small and mid-sized, including unrated and non-investment grade. This is what we had done during the liquidity crisis in 2018.”

“We are in the process of getting feedback from investors. It may require some policy amendments at their end to enable taking exposure to unrated or non-investment grade entities even through a structure,” Fernandes said.

About 6,500 NBFCs, less than ₹500 crore in asset size, have already reached out to banks seeking credit lines. Others would seek funds from bigger NBFCs. “While some small NBFCs would access TLTRO money from banks, others will get it from large NBFCs, flush with cash now,” said Shreyans Kasliwal, director at Kamal Auto Finance, a Jalpur-based NBFC which is rated BBB.

“More than three-fourths of total NBFCs will obtain a new lifeline,” said Raman Agarwal, chairman FIDC. “While some of them may not qualify under investment grade, they can still avail refinancing facility from SIDBI or NABARD.”
Resumption of services depends on local authorities, say NBFCs

SUBRATI PANDA & BHIRAIA ACHARYA
Mumbai/Kolkata, 19 March

While the government has allowed non-banking financial companies (NBFCs), including mortgage lenders and microfinance institutions (MFIs), to start operations, albeit with bare minimum staff, resumption of services by them will depend on permissions from state governments and local authorities.

The shadow lenders are building discussions and formulating plans on how to make things work.

“It depends on the local government what they are allowing and what they are not. The Delhi government has said it will not permit any relaxation in the lockdown measures. Similarly each state may have its own views. We are prepared to start operations but in how many areas operations will start we cannot say as of now,” said Umesh Revanakar, managing director and chief executive officer (MD & CEO), Shriram Transport Finance.

“We still have to get permissions from the relevant local authorities. Collections will not happen at large scale. But areas which have not been categorised as ‘hotspots’ there probably some activities can start,” said Deepranjan Tripathi, MD & CEO of Adarsh Housing Finance.

Although the Centre has allowed shadow lenders to start operations, it has not allowed resumption of operations in “hotspots” and has not permitted field activities. This will affect the collection activities of the lenders.

“It is possible to disburse loans to the higher segment as those could be processed online. However, the informal segment, wherein people are not so tech savvy, physical presence is required to disburse loans. Lenders whose customer base is not so tech savvy, they won’t be able to do much during this period. The bigger firms will be able to carry on disbursement activities,” Tripathi added.

“As of now, the entire lending value chain is operating in the digital mode—end to end,” said Anshul Taneja, chief digital & marketing officer, Tata Capital.

“We will be channelising critical functions with only essential numbers required to come to our offices or branches. This includes functions such as operations, finance, regulatory and select customer service areas. Teams members will be rotated to ensure loan workflow management during this period. Offices and branches, or employees coming in, from known Covid-19 hotspots will be excluded,” said Sachin Chandrappen, chief operating officer, Indiabulls Housing Finance.

Even though microfinance operations are expected to resume, collection and group meetings would remain suspended over the next few days. Microfinance Institutions Network (MFIN) is issuing a detailed set of guidelines for employees, branch setup, and also for client interactions.

“Operations in green zones will resume with skeletal staff (one-third of normal employee strength) to maintain social distancing, and proper arrangement of masks, gloves and sanitizers. Branches will be sanitized before starting work and employees will be sensitised on hygiene and do’s and don’ts,” said Manoj Kumar, chairman, Microfinance Industry Council (MFIN).

In green zones, a limited number of field staff is expected to join work, even though disbursement would be minimal. The staff would mostly be deployed to sanitize the rural borrower about current situation and repayment schedule.

“We do see some payments being made by clients who may not want moratorium, and also loans to existing clients who will need credit. We will endeavour to get open and up-to-date forms signed by clients and then manage the process. Those who don’t want moratorium will repay on a one-to-one basis to the centre meeting place and rest will pay from June 1,” Nambiar said.

The Reserve Bank of India (RBI) had asked all lenders to offer moratorium to borrowers on repayment of all term loans from March 1 to May 31.

The Finance Industry Development Council (FIDC), an industry body representing NBFCs, has issued advisory to NBFCs saying members may decide to open such of their branches/departments as are considered absolutely necessary and keep the branch open for minimum hours only, and they should ensure that there is no overcrowding in the offices.

Some of the banks, NBFCs, and big MFIs, which have enough liquidity support, are planning to extend fresh credit in the form of top-up loans to rural borrowers with good credit history. For example, Thrissur-based ESAF Small Finance Bank is planning to roll out special top-up loans called Covid loans, which would have a payment tenure of about four months. While as a bank, ESAF was operational over the next few days, field operations in green zones are expected to resume marginally.

“For the time being, we will extend Covid loans, only to existing customers, who have no NPAs (non-performing assets) as on March 1, 2020. These are pre-approved loans of Rs 5,000 to 30,000 with no processing fee, and are payable after four months,” said K. Paul Thomas, MD & CEO of ESAF. Also, a large part of the disbursement would be through digital channels.

Gold loan lenders loosen 90% of branches
Kerala-based gold loan lenders are planning to open 90 percent of their branches from Monday and expect around 10-15 percent growth over the next four months.

These companies are prepared to lend more to small customers at a price of the gold they have mortgaged has gone up sharply and so has their eligibility for higher loan. The companies are also looking at giving moratorium to existing customers.

Mathoor Pappachan Group will start 90 percent of the 4,200 branches across its four NBFCs. There has been good demand for small loans even before the lockdown, and there would be requirement of credit post lockdown to resume businesses, said its Chairman and Managing Director Thomas John Mathoor.

Agrees K.R. Biju, chairman and chief executive manager of Mathoor Finance. It will open 90 percent of its 4,500 branches in the coming weeks. The company, which got around Rs 80,000 crore from customers, expects to grow around 10-15 percent.

The average price of gold when they were mortgaged with these companies was much lower and now prices are above Rs 45,000 per 10 grams. Many customers badly need cash after nearly a month of lockdown and no or lower income. All of them are expected to take higher loans against the same gold they have mortgaged and new customers are also expected to come.

Y P. Narsikumar, MD & CEO of Manappuram Finance, said his company’s operations would resume at a moderate level, with fewer walk-in customers initially. However, many of the existing customers are using digital modes to transact.

(With inputs from TE Nainanmohan)
SMEs to gain max from ₹1L cr liquidity boost to NBFCs, HFCs

MUMBAI: Small businesses will benefit the most from the Rs 1 lakh-crore targeted liquidity boost to small and mid-sized non-banking lenders, housing financiers and micro-lenders, say the shadow banking industry leaders.

Non-banking financial companies (NBFCs), housing finance companies (HFCs) and micro-finance institutions (MFIs) — which have been starved of finances ever since IL&FS went belly up after large-scale fraud and mismanagement by top management came to light in September 2018 — have finally heaved a sigh of relief after the Reserve Bank on Friday opened two durable liquidity windows worth Rs 1 lakh crore for them.

The latest measure has come as two of its most innovative liquidity measures worth Rs 2 lakh crore since February 6 did not elicit the desired effect.

On Friday in the second Covid booster dose, the RBI announced a new TLTRO, under which it will pump in Rs 50,000 crore into the system and made it mandatory for banks to invest 50 percent of the money in lower-rated debt being issued by small and medium NBFCs, HFCs and MFIs.

Apart from the new TLTRO window, the RBI has also opened another Rs 50,000 crore in refinance window for Nabard, SIDBI and NHR.

While the Rs 1 lakh-crore TLTRO announced on February 6 was not targeted at any particular segment, the similar amount of TLTRO announced on March 27 was targeted at the debt market with a similar mandate of investing 50 percent of the funds in corporate bonds.

But where the objective failed to meet the regulatory purpose was that the risk-averse banks chose to pick only AAA-rated debt and unnecessarily benefitting deep pocket corporates.

The NBFC/HFC/MFI industry has wholeheartedly welcomed the move saying the TLTRO 2.0 will ensure broader liquidity transmission into the NBFC sector, which ultimately will benefit SMEs/MSMEs the key segment of the economy that is the most fund-starved.

Siddhartha Mohanty of LIC Housing Finance said the 25 bps reverse rate cut to 3.75 per cent will minimise the epidemiological damages due to Coronavirus. Along with the 25 bps cut in the reverse repo rate, the NPA reclassification to exclude the lockdown period are a welcome measures, he added.

“These steps are a much-needed breathing space for the small borrowers and small shadow banks and help them tide over the unexpected financial and psychological jolt from the pandemic, Mohanty told PTI.

Harsh Bhavsar of MFIN also welcomed the move, saying the RBI has finally acknowledged our concerns as a substantial portion of the Rs 50,000 crore liquidity infusion will help small & medium players, which in turn will support the bottom of the pyramid customers .”
Microfinance players and banks see quick recovery of rural economy post lockdown

SURABHI
Mumbai, April 21

Banks and microfinance players are upbeat about the quick revival of the rural economy with the lifting of the lockdown, but the formal economy could take time to normalise. Reposing faith in their customers’ ability to bounce back from the current disruption in business, most small finance banks and payments banks believe that self-employed persons will be able to normalise operations sooner, while it could take some more time for migrant workers to resume work.

Repayment capacity

Paul Thomas, MD and CEO, ESAF Small Finance Bank, stressed that micro-entrepreneurs are much more resilient than bigger companies. "The advantage of this lockdown is that they have lost business income and wages, but there is no asset loss. They can quickly come back," he said, adding that customers are asking for two weeks’ time after the lockdown, after which they will start repayments.

On concerns in the microfinance sector, Nitin Chugh, Managing Director and CEO, Ujjivan Small Finance Bank, said that though collections were stopped by the bank on March 22, many sectors in the rural economy have not been disrupted.

"Less than 50 per cent of our housing and business loan customers opted for the moratorium. So, this means they don’t need it even now. Even in our microfinance portfolio, a lot of customers have said they can still pay and don’t need the moratorium," he told BusinessLine.

Demand intact

"The segment of customers we deal with – unserved and underserved – will not be inactive for a long time. There will be demand in their local ecosystems. In the past, too, we have seen that microfinance customers are not impacted during such macroeconomic changes," said Chugh, adding that the bank has not seen much stress in retail accounts.

"I don’t subscribe to the idea that the entire microfinance sector is facing a problem," he stressed. "There are microfinance customers in villages that are dependent on the rural economy. A lot of our customers are in allied agricultural activities such as dairy, which have not got disrupted. Similarly, grocery stores are also still working," Chugh said, while noting that migrant workers have been impacted.

Thomas attributed his confidence to the experience in the 2018 Kerala floods. "At that time, about ₹7,960 crore of the portfolio was affected. But we gave a repayment holiday, we supported them and provided an additional loan to start their business with a moratorium, and now there is only ₹7 crore overdue out of the portfolio," he said.

Migrant workers

Harsh Shrivastava, CEO, MHIN, also said that local demand has not gone down. "About 15 to 20 per cent of the rural economy is based on migrant labour. They have to get back to work," he said, adding that rural economy is not doing very badly at present. "Government measures are also putting some money in their pockets. The devastation is more in urban areas," he said. However, he noted that credit demand will take some time before it resumes.

According to other players, remittances from migrant labour have come down, which has impacted the rural economy, and they will depend on the resumption of the wider economy.

"There will be some impact on remittance in the payments bank model. Other businesses will slowly come back. Remittances will fully recover in 6 to 9 months, and a lot will depend on how the pandemic plays out," said Rishi Gupta, Managing Director and CEO, Fino Payments Bank.

To take care of at least a part of the rural distress, the government has transferred over ₹36,659 crore using Direct Benefit Transfer in the bank accounts of 16.09 crore beneficiaries during the current lockdown.

The government has also allowed the farm sector to resume work.
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**EXPERT VIEW**

Our own survey shows that only 12 members (micro lenders), one with ‘AA’ and 11 with ‘A’, have investment grade ratings, and, therefore, they are the ones who are most likely to get the money under TLTRO 2.0.

—Harsh Shrivastava, chief executive, Micro Finance Institutions Network
Only dozen-odd MFIs can gain from RBI’s special liquidity window

HITESH VYAS
Mumbai, Apr 21. Only a dozen-odd of the 52 micro-finance lenders have investment grade ratings and are thus eligible to issue debt instruments that can be picked by banks using the Rs 50,000 crore special liquidity facility announced by the Reserve Bank of India (RBI) on April 17.

The central bank announced a Rs 50,000 crore special liquidity facility to help banks and small finance banks to meet their liquidity needs. The facility is designed to help small and medium financial institutions, such as micro-finance lenders, to raise funds at cheaper rates.

“The RBI’s move is a welcome step to help small finance banks and micro-finance lenders,” said Shumon Chatterjee, chief economist at IIFL Research. “The liquidity facility will enable them to access cheaper funds, which will help them in meeting their liquidity needs.”

The RBI has also set up a special liquidity facility of Rs 20,000 crore for small and medium-sized financial institutions, including micro-finance lenders. The facility will be available for a period of one year and will be repayable in quarterly instalments.

“The RBI’s move is a welcome step to help small finance banks and micro-finance lenders. The liquidity facility will enable them to access cheaper funds, which will help them in meeting their liquidity needs.”

The facility will be available to banks and small finance banks with asset sizes of Rs 500 crore and Rs 5,000 crore. The facility will be repayable in quarterly instalments.

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TLTRO 2.0: MFIs look to pool securities

NAMITA ACHARYA
Kolkata, 23 April

Small- and medium-sized microfinance institutions (MFIs) are planning to pool securities, with enhancement facility from external institutions, to avail credit from financial institutions under the targeted long-term repo operations (TLTRO 2.0).

Last week, the Reserve Bank of India (RBI) announced a TLTRO of ₹50,000 crore to provide liquidity support to the shadow banking sector and MFIs. According to the RBI, the funds availed under TLTRO shall be deployed in investment-grade instruments.

However, a majority of small MFIs don’t have investment-grade ratings. “We are thinking of pooling bonds of small and mid-sized MFIs, with some sort of credit enhancement facility, for accessing credit,” said Manoj Namhia, chairperson, Microfinance Institutions Network (MFIN).

Credit enhancement would entail guarantees from bigger institutions in case of defaults up to a certain percentage.

To incentivise financial institutions to lend under the facility, RBI on Tuesday also provided priority sector relief to banks investing in papers issued by small and medium-sized NBFCs and MFIs under TLTRO 2.0. These investments would now not be part of a bank’s adjusted non-food bank credit, while calculating the priority sector commitment.

Additionally, RBI extended the deadline for banks to invest the funds by 15 working days from the auction. However, if banks fail to invest the funds within 45 days, they will be liable to pay a penal interest rate of 200 basis points a day, over and above the repo rate.

The RBI had mandated that at least 50 per cent of the funds banks availed under TLTRO 2.0 should go to small and mid-sized NBFCs and MFIs. Of the 50 per cent, 10 per cent has to be deployed in securities or instruments issued by MFIs, 15 per cent in securities/instruments of NBFCs with asset size of ₹500 crore or less, and remaining in NBFCs with asset size between ₹500 crore and ₹5,000 crore, the RBI said in its circular.

Thus, for MFIs, the earmarked amount is ₹2,500 crore, which is expected to flow to relatively bigger or mid-sized MFIs with asset under management up to ₹500 crore. Smaller MFIs, with AUM less than ₹100 crore are likely to be left out.

“Pooling is the only hope for us. SIDBI (Small Industries Development Bank of India) has also stipulated that liquidity support will be only for ‘BBB-’ rated securities. More than 70 per cent of small MFIs will not be covered under this,” a top executive of a MFI said.

“The RBI is trying to approach SIDBI to ask if they can consider MFI grading instead of rating, to extend this credit facility to small MFIs,” said Gyan Mohan, director and chief executive officer of Adi Chitrangada Finance, an MFI based out of Patna, with a loan outstanding of ₹80 crore.

Grading is an ordinal measure of scalability, sustainability and reliability of the MFI’s internal processes, controls and governance structure. However, it does not comment on the debt repayment capacity and is not a credit rating.
Few takers for TLTRO 2.0
Banks cold-shoulder RBI scheme; reluctant to lend to NBFCs, MFIs

The Reserve Bank of India (RBI) has received bids for only about half the ₹20,000 crore it offered under its revised Targeted Long Term Repo Operations (TLTROs), indicating that banks are reluctant to lend to non-banking financial companies (NBFCs).

At least two bids were received for ₹10,000 crore, with one bid each for ₹5,000 crore and ₹10,000 crore, according to sources. In a similar auction on April 1, banks were awarded ₹1,500 crore against the ₹2,000 crore on offer.

The first auction of the TLTRO 1.0, through which the RBI plans to inject liquidity up to ₹10,000 crore, had a very low participation. The RBI had planned to lend ₹20,000 crore through the TLTRO 2.0.

The floor auction was part of the RBI’s efforts to provide liquidity to the banking system, which has been hit by the pandemic. The auction is expected to boost the liquidity position of banks and help them meet their funding needs.

The RBI’s announcement of the TLTRO 2.0 had also been met with limited interest, with banks expressing concerns about the terms and conditions of the scheme.

Top-rated companies don’t need emergency liquidity support anyway, and so the entire purpose of helping those in need was defeated. The TLTRO 2.0 was introduced on April 17 in which the RBI set a condition that 20 per cent of the money should be used to buy securities issued by microfinance institutions (MFIs). A few per cent for NBFCs with asset size of ₹50 crore and below and 25 per cent to buy securities of NBFCs sized between ₹50 crore and ₹250 crore. According to a source, it is the private banks which mostly away from bidding for the TLTRO 2.0.

"Banks are in risk-off mode. The current priority is to preserve capital and reduce chances of existing exposures becoming default in future. So, there is less appetite for fresh exposures," said the head of corporate banking and risk at a large foreign bank.

"The general wariness and perceived risk in funding to NBFCs have come to play mainly after the IL&FS crisis. Relate, as long as perceived credit risk is higher than TLTRO spread, banks will not invest," said Abhijit Dutta, head of financial services at ICRA.

The RBI has offered a cheap rate of 4.4 per cent to NBFCs, but banks are wary of the risks involved. The TLTRO 2.0 is expected to provide liquidity to NBFCs and MFIs.

Abhijit Dutta contributed to the story
Over 80% microlenders not eligible for RBI liquidity

SANGEETHA G
CHENNAI, APRIL 23

A vast majority of microfinance institutions, especially the newly set up, will be left out of the refinancing scheme as well as the targeted long-term repo operations (TLTRO) announced by the Reserve Bank.

While microlenders have offered moratorium to their end customers, confusion prevails over whether they are eligible for moratorium from their lenders like banks and large NBFCs, and this has put microlenders under financial strain. While the RBI has made microfinance institutions (MFIs) beneficiaries of the refinancing scheme and TLTRO 2.0, more than 50 per cent of the microlenders will be left out due to the eligibility criteria set by the central bank.

Within the Rs 25,000 crore TLTRO 2.0 announced for NBFCs and MFIs, microlenders are eligible for 10 per cent. As per Thursday's auction, which saw a bidding for Rs 11,000 crore MFIs will be eligible for Rs 1,100 crore, which is a minuscule portion of Rs 1.4 lakh crore outstanding of micro lenders, including NBFC-MFIs and other credit societies,” said F Satish, executive director of Sh-Dham.

However, the bigger issue is eligibility as MFIs with a rating of BB and above stand a chance to receive this. “Out of about 175 microlenders who are currently operating, only 25 large companies are eligible for the funds. While the large microlenders will have the wherewithal to withstand the crisis, the small and medium MFIs are the more needy ones and they are being left out,” he said.

Similarly, the special refinancing scheme throughшибаМ and Sbfi will be deprived to most of the smaller and medium-scaled MFIs. “Nilambur has received Rs 25,000 crore and Sbfi Rs 5,000 crore from RBI under the scheme. MFIs of asset size of Rs 500 crore and above are eligible for this fund and Sbfi requires a rating of BBB-negative and above,” said Manoj Nambiar, chairman of Micro Finance Institutions Network (MFIN).

“Around 21 MFIs will have an asset size of Rs 300 crore and more, while about 30 MFIs will be eligible for Sbfi funding. Further, Sbfi funding is for 40 days and at the end of the period, it has to be repaid in one instalment,” said Satish.

Moreover, the industry is also not sure about when these funds will reach them. Liquidity has a timeline factor. It has to reach us when we need it most,” added Nambiar.
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Within the Rs 25,000 crore TLTRO 2.0, announced for NBFCs and MFIs, microlenders are eligible for 10 per cent. As per Thursday's auction, which saw a bidding for Rs 11,000 crore, MFIs will be eligible for Rs 1,250 crore, which is a mere 11.31 per cent of the Rs 2,216 crore outstanding of micro lenders, including NBFC-MFIs and other credit societies,” said Satish, executive director of Su-Dhan.

However, the bigger issue is eligibility as MFIs with a rating of BBB and above stand a chance to receive this. “Out of around 175 microlenders who are currently operating, only 22 large companies are eligible under the scheme. MFIs of asset size of Rs 500 crore and above are eligible for this funding and SBIRO requires a rating of BBB-negative and above,” said Manoj Kambiar, chairperson of Micro Finance Institutions Network (MFIN).

Around 21 MFIs will have an asset size of Rs 300 crore and more, while about 30 MFIs will be eligible for SBI funding. Further, SBI funding is for 90 days and at the end of the period, it has to be repaid in one installment,” said Satish.

Moreover, the industry is also not sure about when these funds will reach them. Liquidity has a timelessness factor. It has to reach us when we need it most,” added Kambiar.
एनबीएफसी को कर्ज देने से कतरा रहे बैंक

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MFIs look for unused credit limit to tide over liquidity crunch

SP BUREAU

Several microfinance institutions, particularly small and mid-size lenders, have been looking to access “unused sanctioned credit lines” in a bid to overcome current liquidity crunch as the sector is adversely impacted due to the lockdown imposed to contain the coronavirus outbreak, officials said.

Unused approved credit lines, which were not disbursed in the last financial year by the banks due the lockdown, are expected to be extended to MFIs, P Satish, executive director of Sa-Dhan, a self-regulatory organisation of the industry, said. “Some MFIs are looking to access such resources at the earliest as it will ease their liquidity condition to some extent,” he said.

Echoing Satish, Kuldip Malty, member of the state unit of the Association of Microfinance Institutions said, liquidity is a “cause of concern for everybody”, and several MFIs “are in discussion with their lenders to avail unused but approved credit limit as they have to be equipped with the resources to cater to small borrowers”.

“Usually in March, disbursement to MFIs picks up as the banks also look forward to meet their year-end target. Due to the coronavirus-induced disruption, roughly around Rs 4,000 crore could not be disbursed to MFIs but it is either sanctioned or yet to be approved by lenders,” Satish told reporters in an interview.

But this (such unused sanction limit) will “not be sufficient to provide services to small borrowers”, and they will need additional funding from banks and development finance institutions, when the end-users start demanding credit to reorganise their businesses, following lifting of the ongoing lockdown, he said.

Following certain relaxations given by the Centre, the industry body has issued an advisory to its members, saying that they can open branches in “green and non-containment” zones but they need to follow health safety practices and social distancing norms.

“Many MFIs have opened branches in selected areas but it is not business-as-usual. Group meetings are not allowed and many of the field-level staffs have been harassed by some district administrations in several states,” Satish said.

Few branches have been opened in green zone areas in different states from this week but deputing staff there is a challenge.

So operations as such have not resumed and there is no collection, Malty, who is also managing director, Village Financial Services, said. “But micro lenders are exploring to keep fund ready so that they can extend credit to end users once the ongoing lockdown is lifted,” he said.

Dibyajyoti Pattnaik, director of Bhubaneswar-based MF1 Antarpura Finance, told PTI, “We are talking with lenders to extend unutilised credit amount which was sanctioned. The responses from them have been positive.”

The Reserve Bank of India had recently announced the Targeted Long-Term Repo Operations 2.0 (TLTRO) window of Rs 50,000 crore. It is aimed at providing liquidity to small and mid-sized corporates, including non-banking financial companies (NBFCs) and micro finance institutions (MFIs) impacted by COVID-19 disruptions.

“RBI’s TLTRO scheme is welcome. Only big, well-rated companies will be able to access this money. For the others, especially small and medium ones, a repayment moratorium from their banks and lenders will be most appropriate,” MFIN CEO Harsh Shrivastava told in an interview.

Rating agency ICRA recently said most of the MFIs have extended a moratorium to their borrowers till May 31, 2020.

However, they are yet to formally receive moratorium from their lenders and the absence of the same could severely impact their ability to serve their debt servicing obligations.

Lenders and investors may adopt a wait-and-watch policy. MFIs’ ability to secure fund portfolios to generate liquidity may also be limited in the interim, the agency said in a note.

“Entities currently in the process of raising capital may face some delay as investors may adopt a wait-and-watch strategy and observe the collection efficiency trends post the lockdown and renegotiate valuations, which may impact their solvency and liquidity positions in the near-term,” it added.
Govt asks MFIs to resume ops in green zones

SP BUREAU

The government should allow micro-finance institutions to resume operations in the areas identified as green zones while strictly adhering to social distancing and other safety norms, a top official of the sector said on Wednesday.

The move will be of help as MFIs need to personally meet the borrowers, he said. MFIs have been hit hard by the COVID-19 pandemic, with many finding it difficult to meet the operating costs and pay salaries during the ongoing lockdown. “We are looking for credit guarantee for loans, and also urge the government to pick up equity in small and medium companies. We are going to make a representation to the finance ministry in this regard,” CEO of Micro-finance Institutions Network (MFIN) Harsh Srivastava said. P Satish, executive director of ‘Sadhana’, a self regulatory body of MFIs, said the sector is worried about restart of operations, and if the situation does not improve by mid-May, many small units will have to shut shop. “We have urged the government to pay salaries and meet the operating costs of small MFIs during the lockdown period,” Satish said. A small MFI is one with an asset base of less than Rs 200 crore. Since the middle of March, all operations of MFIs have come to a halt.

Satish said the MFI industry has urged the RBI to make the three-month moratorium on loan repayment applicable to the sector. “It is sad that the RBI moratorium extended to borrowers of the banks has not been passed on to the MFI industry,” he said. “We are given to understand that the finance ministry has asked SIDBI to extend the moratorium to MFIs,” Satish added.
Microfinance gets another blow amid coronavirus pandemic

Poor are the most lucrative to lend in good times, but when the tide turns, they submerge and take along those who lent to them. While the moratorium on payments is the right way to overcome Covid-19 lockdown, micro lenders may face more challenges than the rest. But the outcome may be different.

By Anirudh Roy ET Bureau | Last Updated: Apr 01, 2020, 06:17 AM IST

Kolkata: Investors’ rush to safety led to an erosion in the value of all lenders. But a few of them just crashed because they were exposed to the more vulnerable borrowers than their peers. In short, they lent to the poor.

In the latest carnage in the equity markets, the worst hit among the financial services have been those lending to joint liability groups, shopkeepers, vegetable vendors and carpenters.

The fear is that as the nation shuts down for three weeks to battle the Coronavirus, these vulnerable sections of the society would not only be without income, but many of those who lent to them probably may not have the
Coronavirus pandemic | Micro-finance sector stares at tough times ahead

The coronavirus lockdown and the RBI's loan moratorium are building pressure on the micro-finance segment.

Moneycontrol News

As the coronavirus (COVID-19) pandemic continues to batter markets around the world, among the worst affected in the financial services segment seems to be micro-finance. The...
Hit by lockdown, MFIs apprehensive for growth, likely to shelve expansion plans

During the lockdown period, the operations of the MFIs have been mostly suspended. Branches are closed and no field-work is going on.

PTI | Last Updated: Apr 09, 2020, 02:41 PM IST

KOLKATA: The microfinance institutions (MFIs), which are currently feeling the pinch of the coronavirus pandemic with their operations being suspended during the nationwide lockdown, are concerned about the near-term growth of the industry, officials said on Monday.

The MFIs will concentrate more on protecting their existing portfolios, once the lockdown will be lifted, and many of them may shelve their expansion plans for the time being, a self-regulatory organisation of the sector, Microfinance Institutions Network (MFIN) chairperson Manoj Kumar Nambiar said.

Speaking on the outlook for the industry, he said “Performance of the MFIs in the current fiscal which has just begun, will depend on when the lockdown will be lifted and how
MFIs Likely To Shelve Expansion Plans Due To Lockdown

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Speaking on the outlook for the industry, he told PTI: “Performance of the MFIs in the current fiscal which has just begun, will depend on when the lockdown will be lifted and how quickly the governments, both the Centre and the states, arrest the pandemic,”
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Hit by lockdown, MFIs apprehensive for growth, likely to shelve expansion plans

Kolkata, Apr 6 (PTI) The microfinance institutions (MFIs), which are currently feeling the pinch of the coronavirus pandemic with their operations being suspended during the nationwide lockdown, are concerned about the near-term growth of the industry, officials said on Monday.

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"The first quarter will certainly get affected as collections will fall in April and May because many borrowers will opt for the moratorium package."

Nambari further said, disbursements to existing customers will continue but micro-lenders will be cautious to extend credit to the new ones during this crisis period.

The short-to-medium-term impact of the coronavirus outbreak and the subsequent measure of the lockdown to combat the pandemic seems to be more on the urban informal sector as compared to agriculture-based rural activities, another self regulatory organisation of the sector, Sa-Dhara executive director P Sanish told PTI.

"MFIs with more exposure in urban informal sectors will face more difficulties than an lending institution having a large number of rural sector borrowers," he said.
Microfinance institutions put growth plans on hold

After demonetisation in 2016, the microfinance industry in India is now faced with another major shock due to the coronavirus pandemic.

PTI reports: "The microfinance institutions (MFIs), which are currently feeling the pinch of the coronavirus pandemic with their operations being suspended during the nationwide lockdown, are concerned about the near-term growth of the industry officials said on Monday.

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During the lockdown period, the operations of the MFIs have been mostly suspended. Branches are closed and no field-work is going on. Staff of the institutions are currently working from home and engaging with the customers over phone, Nambari said."
Hit by lockdown, MFIs apprehensive for growth, likely to shelve expansion plans

Press Trust of India | Kolkata
Last Updated at April 6, 2020 1:40 IST

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Written By Press Trust Of India | Mumbai | Updated On: April 06, 2020 14:04 IST

Hit by lockdown, MFIs apprehensive for growth, likely to shelve expansion plans

PTI, APR 06 2020, 14:44 IST | UPDATED: APR 06 2020, 14:44 IST
Hit by lockdown, MFIs apprehensive for growth, likely to shelve expansion plans

The loan portfolio of the microfinance industry by end of December 2019, was about Rs 2.12 lakh crore and the collections per month typically stands at an average 9-10 per cent of that.
Lockdown, microfinance institutions apprehensive for growth, likely to shelve expansion plans

The first quarter will certainly get affected as collections will fall in April and May because many borrowers will opt for the moratorium package.
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Hit by lockdown MFIs apprehensive for growth likely to shelve expansion plans

PTI | April 06, 2020 15:00 IST

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Hit by lockdown, MFIs apprehensive for growth, likely to shelve expansion plans

By Business Journal - April 9, 2020

Covid-19 impact: Confusion over moratorium norms hit smaller MFIs hard

Many are worried about not being able to meet their loan obligations this month: several either have started defaulting or are about to

Nirmala Acharya | Khabar
Last Updated at April 7, 2020 12:12 IST

NBFC-MFIs seek clarity from RBI on 3-month moratorium on loans

RBI seeks data on drawdowns, bank loans, exposure to NCDs and CPs

Hamsini Kerthik | Mumbai
Last Updated at April 7, 2020 22:57 IST
Will RBI react to MFIs' distress call?

Besides, about 90% of the MFIs with below investment grade ratings don’t have access to money markets to meet the liquidity gaps as suggested by the regulator. Borrowing from the market to pay back loans is any way not an ideal situation, captains of the industry said.

KOLKATA: The Reserve Bank of India (RBI) appears to have swung into action as microfinance firms pressed the panic button over liquidity mismatches after several banks refused to pass on the moratorium benefit to them.

Besides, about 90% of the MFIs with below investment grade ratings don’t have access to money markets to meet the liquidity gaps as suggested by the regulator. Borrowing from the market to pay back loans is any way not an ideal situation, captains of the industry said.

RBI has collated business details, size of borrowing, liquidity position and credit rating profile from NBFC-MFIs via a series of communications since Sunday, apparently to get to the bottom of the issue.
Coronavirus impact | MFIs feel there will be pent-up demand for loans after lockdown ends

“A large section of our population is self-employed. We expect a bounce back since this self-employed low-income segment is perennially credit-starved,” said Harsh Shrivastava, CEO, Microfinance Institutions Network.

Pramiti Lonkar
@LonkarPramiti

While the coronavirus crisis disrupting operations in every sector, the microfinance institutions (MFIs) have also been
RBI may announce separate credit line to rescue MFIs

2 min read. Updated: 09 Apr 2020, 11:07 PM IST
Gopika Gopakumar

- The central bank is closely examining the data received from MFIs, including their credit ratings, liquidity positions and cash in hand
- MFIs, like other financial institutions, are in a fix over whether they can avail of the moratorium benefit on term-loan repayments given to all borrowers
Money & Banking

Why are MFIs denied moratorium on loan?

Pratim Ranjan Bose | Kolkata | Updated on April 10, 2020 | Published on April 10, 2020

The Managing Director of a reasonably large microfinance institution (MFI) is irritated. His collections came to a grinding halt since March 25, due to the lockdown. On March 27, the RBI allowed a three-month moratorium on bank payments for both retail and corporate loans. But bankers, led by the State Bank of India, are demanding installments from MFIs.
Microfinance industry groups seek PM Modi’s help to secure repayment moratoriums on term loans

Both Sa-dhan, India’s largest microfinance industry body with 212 members, and Microfinance Institutions Network (MFIN), the industry grouping for NBFC-MFIs, have separately urged the prime minister to take action.

KOLKATA: Microfinance industry groups have sought PM Narendra Modi’s help to secure repayment moratoriums on term loans, having failed earlier to convince their lenders to give them a grace period.

They said that a couple of smaller MFIs have already defaulted their loan repayments last week, while others are facing a liquidity squeeze, since most banks and financial institutions have refrained from extending the moratorium benefit despite Reserve Bank of India’s advisory on the issue.

“Time is running out. This is a situation when urgent action is required. As RBI did not communicate anything to clarify the issue of moratorium so far, we wrote to the PM for his intervention,” Sa-Dhan executive director P Satish told ET.
MFIs seek PM's intervention to secure repayment moratorium

Microfinance institutions have requested Prime Minister Narendra Modi to ensure that they are able to avail the loan repayment moratorium offer announced in the wake of the coronavirus outbreak, alleging that some of their lenders have not been extending the benefit to them.

Sa-Dhan, an association of community development finance institutions, and Microfinance Institutions Network (MFIN), a self-regulatory organisation of the industry, have separately written to the prime minister, urging him to direct banks and other lenders to extend the moratorium offer to their members.

Microfinance institutions borrow from banks and development financial institutions - NABARD, SIDBI and Mudra
MFIs seek PM’s intervention to secure repayment moratorium

PTI | April 15, 2020 20:14 IST

Kolkata, Apr 15 (PTI) Microfinance institutions have requested Prime Minister Narendra Modi to ensure that they are able to avail the loan repayment moratorium offer announced in the wake of the coronavirus outbreak, alleging that some of their lenders have not been extending the benefit to them.

So Dhan, an association of community development finance institutions, and Microfinance Institutions Network (MFIN), a self-regulatory organisation of the industry, have separately written to the prime minister, urging him to direct banks and other lenders to extend the moratorium offer to their members.

Microfinance institutions borrow from banks and development financial institutions - Nabard, Sidhi and Mudra and lend to their clients.
MFIs seek PM's intervention to secure repayment moratorium

Kolkata, Apr 13 (Pti) Microfinance institutions have requested Prime Minister Narendra Modi to ensure that they are able to avail the loan repayment moratorium offer announced in the wake of the coronavirus outbreak, alleging that some of their lenders have not been extending the benefit to them.

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Microfinance institutions borrow from banks and development financial institutions - Nabard, Sidsbi and Muds and lend to their clients.

Since MFIs have started offering a three-month moratorium to their customers, they are expecting similar benefit from their lenders, So-Dhan executive director P Satish said.

“Despite Reserve Bank of India’s circular pertaining to the moratorium on retail loans, some financial institutions are remember from extending the same benefits to microfinance institutions.

“We have requested the prime minister to address the issue. According to the RBI’s circular, MFIs are eligible for back-to-back moratorium,” Satish told PTI.

Not extending the moratorium will cause MFIs to face significant cash flow issues, in the absence of any collection from their customers, he said.
MFIs seek PM's intervention to secure repayment moratorium

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URL: https://www.devdiscourse.com/article/business/1008893-mfis-seek-pms-intervention-to-secure-repayment-moratorium
MFIs Seek PM's Intervention to Secure Repayment Moratorium

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"Despite Reserve Bank of India's circular pertaining to the moratorium on retail loans, some financial
Banks start offering loan moratorium to NBFC-MFIs

Shritama Bose
Financial Express 16 April 2020

Industry executives said that each bank is following its own strategy when it comes to offering the moratorium to MFIs.

Some private sector and foreign banks have begun offering the loan moratorium to their microfinance institution (MFI) borrowers, even as confusion prevails over whether the regulator’s circular permits extension of the breather to non-banking financial companies (NBFCs).

So far, banks have been demurring from offering the moratorium to NBFCs as they seek the liquidity being released to the latter set in the form of targeted long-term repo
COVID-19 lockdown | NBFC-MFIs stare at liquidity shock: Will RBI step in?

The lockdown announced in late March to fight Covid-19 spread has hit the industry hard. NBFC-MFIs are also looking at the likelihood of high bad loans as lock-down could result in major income loss of small borrowers.

Dinesh Unnikrishnan
@dinesh_thaan

The COVID-19 lock-down may erode up to 25 percent of the annual collections of NBFC-MFIs, industry fear. This is significant for microlenders since the average loan tenure of NBFC-MFI borrowers is just 18-24 months. For banks, this is much longer.
Microfinance industry hopes IBA meet to lead to ‘in-principle decision’ on loan moratorium to MFIs

By: Milton Dasgupta | Published: April 18, 2020 6:36 AM

Notably, following RBI’s announcement on allowing a moratorium on term loans for March 1 to May 31, most of the MFIs have extended a moratorium to their borrowers till May 31.
Shaktikanta Das' silence on loan moratorium for NBFCs may spoil the liquidity party

Governor Das has been silent on the biggest demand from NBFCs—moratorium on the loans NBFCs borrowed from banks. This has come as a big disappointment for NBFCs.
Group of non-bank lenders to issue pooled debt instruments

This will help firms below investment grade access the liquidity tap since such joint effort would typically enhance their credit rating.

By Atmadesh Ray, ET Bureau | Last Updated: Apr 19, 2020, 04:25 PM IST

Kolkata: A group of non-bank lenders, including microfinance firms, is likely to issue pooled debt instruments such as bonds together to gain bargaining power on price as they are looking to tap the separate liquidity window offered by Reserve Bank of India under the targeted long-term repo operation (TLTRO 2.0).

The Microfinance Institutions Network (MFIN), the self-regulator for NBFC-MFIs, has approached fund arrangers such as Northern Arc Capital and Vivriti Capital for such blended pooled issuances, two people familiar with the development said.

This will also help firms below investment grade access the liquidity tap since such joint effort would typically enhance their credit rating. This brings down issuance cost too.

RBI has planned Rs 50000 crore liquidity infusion through TLTRO 2.0 with a direction to banks to invest at least half of it into “investment-grade” commercial papers or bonds issued by smaller non-bank lenders including microfinance firms.
SMEs to gain maximum from Rs 1 lakh-cr liquidity boost to NBFCs, HFCs

On Friday in the second Covid booster dose, the RBI announced a new TLTRO, under which it will pump in Rs 50,000 crore into the system and made it mandatory for banks to invest 50 percent of the money in lower-rated debt being issued by small and medium NBFCs, HFCs and MFIs. RBI has also opened another Rs 50,000 crore in refinance window for Nabard, Sidbi and NHB.

PTI • April 19, 2020, 17:13 IST

MUMBAI: Small businesses will benefit the most from the Rs 1 lakh-crore targeted liquidity boost to small and mid-sized non-banking lenders, housing financiers and micro-lenders, say the shadow banking industry leaders.

Non-banking financial companies (NBFCs), housing finance companies (HFCs) and micro-finance institutions (MFIs) -- which collectively form the shadow banking sector -- run the risk of drying up their sources of funds in the short term.

The latest measure has come as two of its most innovative liquidity measures worth Rs 2 lakh crore since February 6 did not yield the desired results.
SMEs to gain maximum from Rs 1 lakh-cr liquidity boost to NBFCs, HFCs

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MUMBAI: Small businesses will benefit the most from the Rs 1 lakh-crore targeted liquidity boost to small and mid-sized non-banking lenders, housing financiers and micro-lenders, say the shadow banking industry leaders.

Non-banking financial companies (NBFCs), housing finance companies (HFCs) and micro-finance institutions (MFIs) -- which have been starved of finances ever since IL&FS went belly up after large-scale fraud and mismanagement by top management came to light in September 2018 -- have finally heaved a sigh of relief after the Reserve Bank on Friday opened two durable liquidity windows worth Rs 1 lakh crore for them.
Here's how non-bank lenders plan to raise money

RBI has planned a Rs 50,000-crore liquidity infusion through TLTRO 2.0 for NBFCs.

By Atmadip Ray, Sailak Das, E'T Bureau | Last Updated: Apr 20, 2020, 06:13 AM IST

Social distancing is the prescribed norm to beat the viral chain, but in the complex world of financing, it pays to stick together. That's what many small non-bank lenders plan to do. Come together and sell bonds that make the cut for bank financing.

As things stand now, the majority of the NBFCs can't sell bonds that make the grade to draw in the banks, which are using funds raised through the targeted long-term repo operation mechanism to finance corporate and other lenders. The pooled issues will help many NBFCs including microfinance firms, especially those below investment grade to access the TLTRO liquidity tap since their credit rating will likely head north, lowering borrowing costs.

RBI has planned a Rs 50,000-crore liquidity infusion through TLTRO 2.0 with a direction to banks to invest at least half of it into "investment-grade" commercial papers or bonds issued by smaller non-bank lenders, including microfinance firms.
Reopening of services to depend on permission from local authorities: NBFCs

Although the government has allowed NBFCs, HFCs to start operations, they have not allowed resumption of operations in hotspots and have also not permitted field activities.

Subrata Panda & Namrata Acharya | Mumbai/Kolkata

Last Updated on April 20, 2020 01:00 IST
Economy

MFIs, banks bullish on fast recovery of rural economy post lockdown

Surabhi | Mumbai | Updated on April 21, 2020 | Published on April 21, 2020

Microfinance

Banks and microfinance players are upbeat about a faster revival in the rural economy with the lifting of the lockdown, even as they say the formal economy could take time to normalise.

Reposing faith in their customers’ abilities to bounce back from the current disruption in business, most small finance banks and payments banks believe that self-
Mumbai: Only a dozen-odd of the 52 microlenders have investment-grade ratings and are thus eligible to issue debt instruments that can be picked by banks using the Rs 50,000-crore special liquidity tap that the Reserve Bank of India has opened up over the weekend.

Last 17 April, the central bank announced a Rs 50,000-crore focused liquidity injection through what it calls a new model of its targeted long-term repo operations (TLTRO 2.0) aimed solely at small and medium non-banking financiers, housing finance companies and micro-lenders.

"Our own survey shows that only 12 members, one with "AA" and 11 with "A", have investment-grade ratings, and, therefore, they are the ones who are most likely to get the money under TLTRO 2.0," Micro Finance Institutions Network (MFIN) Chief Executive Harsh Shrivastava told PTI. MFIN is a self-regulatory organisation (SRO) of NBFC-MFIs.
Only dozen-odd MFIs can gain from RBI's special liquidity window

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Only dozen-odd MFIs can gain from RBI’s special liquidity window

The Reserve Bank of India’s special liquidity window to help micro-finance institutions, it seems, may not be good enough to help the sector tide over the crisis due to stringent conditions placed on borrowers.

PTI reports: "Only a dozen-odd of the 52 micro lenders have investment grade ratings and are thus eligible to issue debt instruments that can be picked by banks using the Rs 50,000-crore special liquidity tap that the Reserve Bank of India has opened up over the weekend.

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The rest of the players have either BBB/BB or lower ratings, he added.

Shrivastava, however, welcomed the TLTRO 2.0 saying it can help large micro-lenders with investment grade ratings to get cheaper funds."
By Hitesh Vyas

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Of the 52 MFIs, 21 are large with a portfolio of over Rs 500 crore, 19 are mid-sized with a loan portfolio of Rs 100-500 crore and 12 are small ones with under Rs 100 crore loan book, he said.
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Only dozen-odd MFIs can gain from RBI’s special liquidity window

Mumbai: Only a dozen-odd of the 52 micro lenders have funding grade scores and are thus eligible to subject debt devices that can be picked by banks utilizing the Rs 50,000-crore
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- Only a dozen out of the 52 micro lenders have investment grade ratings and are thus eligible to issue debt instruments that can be priced by banks using the newly Rs 50,000 crore special liquidity tap that the Reserve Bank of India has opened up over the weekend.

Last week, the central bank announced a Rs 50,000 crore focused liquidity injection through what it called a new round of its targeted long-term repo operations (TLTROs), and said it will open up a window for smaller, non-banking financial companies and micro lenders.

"This has come as a great boost for MFIs with long-term funding needs," said a senior executive at a MFI. "We have been waiting for this for a long time."
Only dozen-odd MFIs can gain from RBI's special liquidity window

URL: https://www.devdiscourse.com/article/business/1016767-only-dozen-odd-mfis-can-gain-from-rbis-special-liquidity-window
MFIN may pool securities to access funds for small MFIs under TLTRO 2.0

Credit enhancement would entail guarantee from bigger institutions in case of defaults up to a certain percentage.

Namrata Atharya | Kolkata
Last Updated at April 24, 2020 00:49 IST
Small, midsize MFIs look for unused credit limit to tide over liquidity crunch

Kolkata, Apr 23 (PTI) Several microfinance institutions, particularly small and mid-size lenders, have been looking to access "unused sanctioned credit lines" in a bid to overcome current liquidity crunch as the sector is adversely impacted due to the lockdown imposed to contain the coronavirus outbreak, officials said.

Unused approved credit lines, which were not disbursed in the last financial year by the banks due the lockdown, are expected to be extended to MFIs, P Satish, executive director of Sa-Dhan, a self-regulatory organisation of the industry, said.

"Some MFIs are looking to access such resources at the earliest as it will ease their liquidity condition to some extent," he said.

Echoing Satish, Kaldip Maity, member of the West Bengal unit of the Association of Microfinance Institutions said, liquidity is a "cause of concern for everybody", and several MFIs "are in discussion with their lenders to avail unused but approved credit limit as they have to be equipped with the resources to cater to small borrowers".

"Usually in March, disbursement to MFIs picks up as the banks also look forward to meet their year-end target. Due to the coronavirus-induced disruption, roughly around Rs 4,000 crore could not be disbursed to MFIs but was either sanctioned or yet to be approved by lenders," Satish told PTI.

But this (such unused sanction limit) will "not be sufficient to provide services to small borrowers", and they will need additional funding from banks and development finance institutions, when the end-users start demanding credit to reorganise their businesses, following lifting of the ongoing lockdown, he said.

Following certain relaxations given by the Centre, the industry body has issued an advisory to its members, saying that they can open branches in "green and non-containment" zones but they need to follow health safety practices and social distancing norms.
Small midsize MFIs look for unused credit limit to tide over liquidity crunch

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Coronavirus impact: RBI's TLTRO 2.0 gets cold-shoulder from banks

Reluctant to lend to NBFCs, MFIs in current situation

Subrata Panda & Anup Roy | Mumbai
Last Updated at April 24, 2020 01:17 IST

Banks scupper RBI plan to offer spl liquidity to NBFCs as repo auction gets 50% bids

Mumbai, Apr 23 (PTI) As feared by the industry and money market watchers, the first auction under the version two of the targeted long-term repo operations (TLTRO 2.0) on Thursday received a muted response from banks as the Reserve Bank received only a little over 50 per cent bids for the Rs 25,000 crore on offer.

The poor response also left the RBI worried, forcing it to make a public announcement -- a rare spontaneous regulatory reaction in recent years-- to review the mechanism.

The auction nearly failed as banks are not sure of the financial strength of the issuers and also due to lack of enough rated debt instruments from NBFCs and MFIs where banks can park these funds.

Moreover, lenders are becoming more and more risk-averse as the uncertainty arising from the COVID-19 pandemic has no end in sight.

The RBI received bids for just Rs 12,830 crore as against the notified amount of Rs 25,000 crore with a three-year tenor offered at 4.40 per cent.

The subdued demand for the maiden TLTRO 2.0 auction, aimed at providing targeted liquidity support to small NBFCs and MFIs, has forced the RBI to review the same.

According to Vyalanathan Ramanavamy, a director at Brickwork Ratings, limited participation clearly highlights banks’ reluctance to
Banks scupper RBI plan to offer spl liquidity to NBFCs as repo auction gets 50% bids

Press Trust of India | Mumbai
Last Updated at April 23, 2020 22:10 IST

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Arman Financial’s Wholly Owned Subsidiary ‘Namra Finance Ltd’ (an NBFC-MFI) Successfully Raises ₹66.3 Crores of Debt Capital from MUDRA, and the IIV Mikrofinanzfonds, Germany on Favourable Terms

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Sidbi to provide liquidity support to NBFCs, MFIs with 90-day term loans

NBFCs and MFIs have been hit on two fronts: with collections dipping due to the covid-19 lockdown, and the three-month moratorium extended to their borrowers.

Subrata Panda & Ashijit Laha | Mumbai
Last Updated at April 24, 2020 00.50 IST

Govt should allow micro-finance institutions to resume operations in green zones: Official

Kolkata, Apr 29 (PTI) The government should allow micro-finance institutions to resume operations in the areas identified as green zones while strictly adhering to social distancing and other safety norms, a top official of the sector said on Wednesday.

The move will be of help as MFIs need to personally meet the borrowers, he said.

MFIs have been hit hard by the COVID-19 pandemic, with many finding it difficult to meet the operating costs and pay salaries during the ongoing lockdown.

"We are looking for credit guarantee for loans, and also urge the government to pick up equity in small and medium companies. We are going to make a representation to the finance ministry in this regard," CEO of Micro-finance Institutions Network (MFIN) Harsh Srivastava said.

P Satish, executive director of "Sa-dhan", a self regulatory body of MFIs, said the sector is worried about restart of operations, and if the situation does not improve by mid-May, many small units will have to shut shop.

"We have urged the government to pay salaries and meet the operating costs of small MFIs during the lockdown period." Satish said.

A small MFI is one with an asset base of less than Rs 200 crore.
Govt should allow micro-finance institutions to resume operations in green zones: Official

PTI, Kochi, Apr 29, 2020, 18:02 IST | UPDATED: Apr 29, 2020, 18:02 IST
Govt should allow micro-finance institutions to resume operations in green zones: Official
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* PTI  
* LAST UPDATED: APRIL 29, 2020, 7:23 PM IST

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People look on as they stand in circles drawn to maintain safe distance while waiting to buy medicines. REUTERS
Govt should allow micro-finance institutions to resume operations in green zones: Official

KOLKATA, April 29 (AGENCIES): The government should allow micro-finance institutions to resume operations in the areas identified as green zones in strict adherence to social distancing and other safety norms, a top official of the sector said on Wednesday.
Govt should allow micro-finance institutions to resume operations in green zones Official

PTI | April 29, 2020 17:59 IST

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