MICROFINANCE INSTITUTIONS NETWORK

Media Visibility Report – Direct Coverage on Moratorium & Post Moratorium Activities
Press Release
Microfinance Sector wholeheartedly welcomes RBI’s measures

New Delhi/ Kolkata: Industry association and RBI recognized self-regulatory organization, MFIN (Microfinance Institutions Network), on Friday welcomed the measures announced by the RBI to minimize the impact of Covid 19 on the lives of 5.6 crore microfinance borrowers across India.

MFIN had made an industry representation earlier based on the anticipated impact of Covid 19. Speaking on this, MFIN Chairperson, Manoj Kumar Namhiar said, “The industry concerns have been addressed with the back to back facility of three months moratorium on loan repayments beginning March to May 20 and measures taken to infuse additional liquidity in the country’s financial system. We appreciate the Government’s and the RBI’s wholehearted efforts to minimize the impact of Covid 19 through the economic package announced yesterday and today. We, in turn, will use this facility through our member entities to help our stressed borrowers. With our wide distribution network, we are gearing up to play a pivotal role in making credit available at the bottom of the pyramid where it is required the most.”

Harsh Shrivastava, MFIN CEO said, “We work with the low income and excluded segments of our society, populations which are easily impacted by any crisis and have no safety nets. In acknowledging the need for credit to keep flowing to the stressed areas of the economy and in providing the right support, the RBI has boosted our industry’s confidence tremendously.”

The microfinance sector provides unsecured, small loans to the underserved segment of the society across 32 states in India. With a network of 40,000 branches and workforce of 3 lakh people having an enormous connect with over 5.6 Cr Low Income Households (LHs), the industry stands the closest to the LHs to understand the impact, how they are coping and what they need most! In the wake of the virus outbreak, the industry has completely suspended all collections and disbursements. The industry is using its long-standing customer connect to spread the awareness about Covid-19.

MFIN is a premier industry association comprising 56 NBFC-MFIs and 35 Associates including Banks, Small Finance Banks (SFBs) and NBFCs. It is also the Self-Regulatory Organization (SRO) for the regulated NBFC-MFI. Microfinance Institutions (MFIs) are a key vehicle for Financial Inclusion. By virtue of bringing the NBFC-MFIs under one common umbrella, MFIN acts as a bridge between them and the regulators to build a dialogue for greater transparency, better policy frameworks and stronger client protection standards for responsible lending, thus enabling the microfinance industry to partake in meeting the larger financial inclusion goals.
করোনার মোকাবিলায়
রিজার্ভ ব্যাঙ্কের বাজুকা

করোনা রুখতে রিজার্ভ ব্যাঙ্কের বাজুকা
কুদ্র ঝণ্ডিহীনদের
সাহায্য করল
আরবিআইহাইর

নিজের প্রতিনিধি, কলকাতা: করোনার
কারণে গোটা দেশে লকডাউন চলায়
সাধারণ মানুষের হাতে নগদের জেগান
করে আসার আশঙ্কা দেখা দিয়েছে। সেই
সমস্যা কমাতে যাবের উপর মানুষকে
কিছু ব্যবস্থা আইন তিনি মাসের
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থেকে মাস পর্যন্ত আসাল ও সূদ
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হবেন।

### करोड़ों ऋणाधारकों की चिंता दूर

जिसकी बहमता है, वह जुकाम, जिसकी नहीं, उसकी 3 EMI स्थानित

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<thead>
<tr>
<th>समी के खाने को होगा कदम</th>
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<td>अग्निकोट्स ने खाच की कमान को प्लान किया जो बैंक की अधिकतम ऋणाधारकों के लिए बनाया गया है। भ्रामधार के लिए राहत की जानकारी प्रदान करता है। इस कृत्य के माध्यम से लोगों का सशक्तीकरण किया जा सकता है।</td>
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#### आवश्यकता का कतना होगा रिक्तस्थ

- जेडीआर वैक की भारतीय देशों के लिए अब जो आवश्यक अब निष्क्रिय स्थापना करना चाहता है, उसके लिए उसे अपने बिजनेस को देखने के लिए जा पहले और जब बैंक को यह आवश्यक (रिक्तस्थ) करना होगा की स्वास्थ्य के कारण उसकी बहमता नहीं (स्वास्थ्य या केन्द्रित मद्दत आप)। यह पता छूट, इसका नियामक वह जिसका उच्च प्राप्त करने में आवश्यक है। यह रिक्तस्थ नहीं की जो उसके बैंक के अंतर्गत उसके आडीशूट पर नहीं हो जाते, परोक्ष उन्नयन से जिस स्थान को देखने का समापन होता है, परोक्ष मूल्य ही आकर्षण का जो रहता है। इसके लिए बैंक ने अलग निष्क्रिय सहभागी करना पड़ा है, परंतु इस अभाव का बैंक का देखने का समापन करना चाहता है, जो उसके लिए निष्क्रिय से बनाने वाला बिजनेस है, बैंक स्वयंसेवक के पास मूल्य है। |

#### सभी बैंक, वित्त कंपनियों देंगे चुकाने 56 ग्रींडर मैनेजमेंट और 35 बैंकों के वित्त कंपनियों के लिए स्वास्थ्य सेवाओं के लिए उन्नयन करने का कदम दे ।

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#### समी के बाहर रहतें, हास्यरासित और नहीं:

- समी के खाने को होगा कदम निष्क्रिय की बहमता को प्लान करता है जो बैंक की अधिकतम ऋणाधारकों के लिए बनाया गया है। भ्रामधार के लिए राहत की जानकारी प्रदान करता है। इस कृत्य के माध्यम से लोगों का सशक्तीकरण किया जा सकता है। 

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Covid lockdown: CII, MFIN Sector compliment RBI on measures taken

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Industry association and RBI recognised self-regulatory organisation, MFIN (Microfinance Institutions Network), also welcomed the measures announced by the RBI to minimise the impact of Covid19 on the lives of 5.6 crore microfinance borrowers across India.

In a statement, CII Director General Chandrajit Banerjee said the host of other measures to boost liquidity will address the financial stress in the system on account of the COVID-19 outbreak and the consequent lock down.

"The substantial reduction in the CRR will help banks to reduce their lending rates and aid monetary transmission. The increase in the corridor between the repo and reverse repo rates will discourage banks from parking money with the RBI."

Given that the current lockdown is expected to have a negative impact on the cash flows of companies, the moratorium on repayments of term loans for a period of 3 months will help companies tide over this period, he said.

"However, CII would urge that this period be extended further in case the impact of the virus outbreak lasts longer than expected. The RBI governor did well to provide the assurance that all instruments are on the table to protect the economy and the financial system from either an excessive downturn or volatility," he said.

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UNI BM
Non-banking financial companies (NBFCs) on Friday said the RBI's mega liquidity support will give a breathing space to many players and hoped that additional steps could be made for the sector badly hit like tourism and aviation due to coronavirus outbreak.

Siddhartha Mohanty, MD and CEO, LIC Housing Finance Ltd said the RBI move will ensure sufficient liquidity in the system at a time when anxious moments are around due to Covid-19 situation.

Repo rate cut, slashing of reverse repo rate and reduction in CRR are welcome measures. We believe the announcement of allowing the lending institutions such as banks and housing finance companies to provide a 3-month moratorium gives borrowers and lenders breathing space to stabilize from the unexpected financial and psychological jolt out of this pandemic," Mohanty said.

The announcement is a step towards diminishing the coronavirus impact on the economy and ensuring the normal functioning of financial markets, Mohanty added. "The announcement brings much needed immediate relief to the borrowers across sectors. We further expect additional special relief packages to be provided to the sectors worst affected such as aviation, tourism to name a few," said Anirban Chakraborty, Managing Director & CEO of Tourism Finance Corporation of India Ltd. (TFCI).

Hemant Kanoria, Chairman, Srei Infrastructure Finance Limited said allowing all banks and NBFCs to offer a 3-month moratorium on repayments of all term loans to their borrowers is a positive step. This will also provide the companies some breathing space to re-draw their strategies and re-invent themselves, he said.

"The 75 bps cut in repo rate by the RBI to reduce the cost of borrowing and 100 bps cut in CRR to boost the liquidity in the system is a welcome move," George Alexander Muthoot, MD, Muthoot Finance said.
Also, the long term repo operations (LTRO) issuances where the liquidity generated by the banks is to be invested 50 per cent in primary and remaining 50 per cent in secondary market is quite supportive for the NBFC sector, he added. Expressing his displeasure, Vishal Kampani, managing director of JM Financial Group, said, "There is a need for more concrete measures for each sector, including NBFCs (non-banking financial companies). The cautious outlook given by the RBI itself warrants for bigger steps."

But, he was quick to note that the measures announced will go a long way to help the economy tide over the crisis arising from the coronavirus pandemic and said that liquidity injection into the strained financial system is the first step in the right direction. Nirmal Jain, Chairman, IIFL Group said, "Liquidity booster, rate cut and moratorium is a complete package for the time being. The government needs to take measures to revive demand as soon as lockdown is lifted. RBI does whatever it takes to make banks, markets Covid-19 resistant.

Deo Shankar Tripathi, MD and CEO of Aadhar Housing Finance said, "Huge liquidity infusion of Rs 3.74 lakh crore, 100 bps CRR cut, long term Repo auction, 3 months moratorium on loan repayment and deep repo cut of 75 bps. Huge interest reduction to all retail and home loans linked with repo... Coordinated efforts of Government and RBI will help Indian Economy to come out of these challenging times. RBI Governor Shaktikanta Das has made the right move by addressing the nation right away given the unprecedented economic reality that we are experiencing today, said Hardika Shah, Founder & CEO, Kinara Capital.

"As the COVID-19 situation unfolds, our hope is they will continue to ease the economic burden on MSMEs who are the backbone of the Indian economy, said Shah. Ravindra Sudhalkar, ED & CEO, Reliance Home Finance said it is overall a very progressive announcement but the market evolution post this announcement and related macro-economic situation that will shape up in the next quarter is a wait and watch as the GDP projection has been revised to 3.5 per cent.

Shachindra Nath of Ugro Capital said the moratorium on repayment will help NBFCs and small finance banks extend more money to help small businesses tide over the difficult phase. Meanwhile, the Microfinance Institutions Network welcomed the RBI measures to minimise the impact of coronavirus on the lives of 5.6 crore microfinance borrowers.

Industry concerns have been addressed with the back-to-back facility of a three-month moratorium on loan repayments and the measures taken to infuse additional liquidity into the system, MFIN Chairperson Manoj Kumar Nambiar said.

(This story has not been edited by Business Standard staff and is auto-generated from a syndicated feed.)
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(This story has not been edited by Devdiscourse staff and is auto-generated from a syndicated feed.)
The RBI’s decisions to cut key rates and give three-month moratorium on all term loans will boost liquidity and ease burden on those who are most affected by the ongoing 21-day nationwide lockdown imposed to contain the coronavirus outbreak, West Bengal Inc said on Friday.

Industry’s reaction came after the Reserve Bank of India, earlier on the day, allowed banks to put on hold EMI payments on all term loans for three months and slashed the cost of fresh borrowing by cutting policy interest rate by steepest in more than 11 years.

"The urgency showed by the RBI to bring forward the MPC meeting and the slashing repo rate by 75 bps are welcome measures by the central bank," Bandhan Bank MD and CEO C S Ghosh said.

The focus clearly is to raise "liquidity in the system, which is also the need of the hour, while ensuring that the burden of repayments is eased on those who are most affected by the lockdown", he said.

The apex bank said the measures will infuse a massive Rs 3.74 lakh crore liquidity as it joined the efforts of the government to counter the economic fallout of coronavirus pandemic.

City-based industry body MCCI welcomed "RBI"s multi-pronged approach to ease COVID-19-related liquidity constraints".

The move to cut the repo rate to 4.4 per cent and reduction of CRR to 3 per cent will inject the much-needed liquidity into the sagging system and help in reviving investment and growth in the short-to-medium terms, it said in a statement.
Recognising the urgency of initiating a monetary policy response to the Covid-19’s economic shock to the economy, the RBI brought forward by a week the key meeting of the monetary policy committee.

The apex bank said it will retain its accommodative stance as long as it is necessary to revive growth and mitigate the impact of coronavirus on the economy.

EEPC India Chairman Ravi Sehgal said the moratorium on all loan repayments for three months and cut in the interest rates would help exporters as well.

"The export sector has been the worst-hit by the outbreak of coronavirus and would thus need bigger package of relief," he said.

The moratorium on loan repayments should be extended at least to six months to one year for exporters, since the global economy is set to be slipping into a recession, he said.

Microfinance Institutions Network, a self-regulatory organisation of the sector, also applauded the measures announced by the apex bank, saying that it will minimise the impact of COVID-19 on the lives of 5.6 crore small borrowers across the country.

The RBI on Friday refrained from making any projections for growth and inflation saying the performance of these two key macroeconomic parameters in the days ahead would depend upon the intensity, spread and duration of COVID-19. PTI BSM BDC BDC
The RBI’s decisions to cut key rates and give three-month moratorium on all term loans will boost liquidity and ease burden on those who are most affected by the ongoing 21-day nationwide lockdown imposed to contain the coronavirus outbreak, West Bengal Inc said on Friday.

Industry’s reaction came after the Reserve Bank of India, earlier on the day, allowed banks to put on hold EMI payments on all term loans for three months and slashed the cost of fresh borrowing by cutting policy interest rate by steepest in more than 11 years. "The urgency showed by the RBI to bring forward the MPC meeting and the slashing repo rate by 75 bps are welcome measures by the central bank," Bandhan Bank MD and CEO C S Ghosh said.

The focus clearly is to raise "liquidity in the system, which is also the need of the hour, while ensuring that the burden of repayments is eased on those who are most affected by the lockdown", he said. The apex bank said the measures will infuse a massive Rs 3.74 lakh crore liquidity as it joined the efforts of the government to counter the economic fallout of coronavirus pandemic.

City-based industry body MCCI welcomed "RBI's multi- pronged approach to ease COVID-19-related liquidity constraints". The move to cut the repo rate to 4.4 per cent and reduction of CRR to 3 per cent will inject the much-needed liquidity into the sagging system and help in reviving investment and growth in the short-to-medium terms, it said in a statement.

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Industry association and RBI recognized self-regulatory organization, MFIN (Microfinance Institutions Network), today welcomed the measures announced by the RBI to minimize the impact of Covid 19 on the lives of 5.6 crore microfinance borrowers across India. MFIN had made an industry representation earlier based on the anticipated impact of Covid 19. Speaking on this, MFIN Chairperson, Manoj Kumar Nambar said, “The industry concerns have been addressed with the back to back facility of three months moratorium on loan repayments beginning March to May 20 and measures taken to infuse additional liquidity in the country’s financial system. We appreciate the Government’s and the RBI’s wholehearted efforts to minimize the impact of Covid 19 through the economic package announced yesterday and today. We, in turn, will use this facility through our member entities to help our stressed borrowers. With our wide distribution network, we are gearing up to play a pivotal role in making credit available at the bottom of the pyramid where it is required the most.”

Harsh Shrivastava, MFIN CEO said, “We work with the low income and excluded segments of our society; populations which are easily impacted by any crisis and have no safety nets. In acknowledging the need for credit to keep flowing to the stressed areas of the economy and in providing the right support, the RBI has boosted our industry’s confidence tremendously. “The microfinance sector provides unsecured, small loans to the underserved segment of the society across 32 states in India. With a network of 40,000 branches and workforce of 3 lakh people having an enormous connect with over 5.6 Cr Low Income Households (LIHs), the industry stands the closest to the LIHs to understand the impact, how they are coping and what they need most! In the wake of the virus
outbreak, the industry has completely suspended all collections and disbursements. The industry is using its long-standing customer connect to spread the awareness about Covid-19.

About Microfinance Institutions Network
MFIN is a premier industry association comprising 56 NBFC-MFIs and 35 Associates including Banks, Small Finance Banks (SFBs) and NBFCs. It is also the Self-Regulatory Organization (SRO) for the regulated NBFC-MFI. Microfinance Institutions (MFIs) are a key vehicle for Financial Inclusion. By virtue of bringing the NBFC-MFIs under one common umbrella, MFIN acts as a bridge between them and the regulators to build a dialogue for greater transparency, better policy frameworks and stronger client protection standards for responsible lending, thus enabling the microfinance industry to partake in meeting the larger financial inclusions goals.
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Industry Story & Articles
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.

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Earning capacity has gone, say micro lenders

Times News Network

Mumbai: Microfinance institutions saw better placed solutions from the government and the RBI, according to Microfinance Institutions Network (MFIN), an association of micro lenders. MFIN CEO Kanchan Shrivastava said the current situation is not in any way better than de-mobilisation for borrowers of microfinance institutions (MFIs) in rural areas as they have been allowed to defer repayments and given cash and food grain under the Guru-Rakshak scheme.

EFFECT OF LOCKDOWN

"In demonstration, the earning capacity remains, but the cash is gone. This time, the earning capacity has gone because of the lockdown. But there is a moratorium on payments. The challenge for everyone is to build the earning capacity when the lockdown is lifted," Shrivastava said.

According to Shrivastava, once the lockdown is lifted, the economic activity in rural areas will be back to normal as people get back to their homes. The field level and Microfinance Institutions (MFIs) were expected to come back because of them providing basic services like loans. He said, "One way to look at it is that if the impact of income generation is for a few, a few thousand borrowers will also be there." He said.

Since March 2019, about 1.8 crore unique borrowers have been added. As of December 31, 2019, the network served 1.8 crore unique borrowers through 16,266 accounts. As of December end, all borrowers were managing 45% of their accounts with an average loan portfolio of Rs 5,200 crore and an average loan outstanding per account of Rs 50,200. This represented a year-on-year growth of 33% in the portfolio and 26% in loan accounts."
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 is lifted, and many of them may shelve their expansion plans for the time being, Microfinance Institutions Network (MFIN) chairperson Manej Kumar Nambari 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, Nambari further said. The short- to medium-term impact of the coronavirus outbreak and the subsequent closure of the lockdown seems to be more on the urban non-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 lending institutions having a large number of rural sector borrowers,” he said.

The Association of Microfinance Institutions West Bengal member and Village Financial Services MD Kiddip Maitra said it will take at least six months for non-agro portfolios to get into normalcy and the overall industry growth for FY 21 may slip to 1.9%, 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, Nambari 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 plans 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 FY 20 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.
Hit by lockdown, MFIs apprehensive for growth, likely to shelve expansion plans

SP Bureau

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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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 contain the pandemic seems to be more on the urban informal sector as compared to agriculture-based rural activities, and the situation will be alleviated with the re-opening of the sector, Sa-Dhan executive director P Santh said told media.

“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.

The Association of Microfinance Institutions, West Bengal, member and Village Financial services managing director Rupali MONEY said it will take at least six months for non-agri portofolios to get into normalcy and the overall industry growth for the FY21 may slip to 15 per cent. Ruling out any possibility of improvement in the sector amid the threat that the economic growth will be adversely impacted due to COVID-19 crisis, Nambari 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, he said, “expansion plans 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 existing十月.”

Despite the disruption in the second half of March, the last month for a financial year, due to the coronavirus pandemic, Satish is, however, optimistic that the microfinance industry will clock an growth of about 20 per cent in FY20 over the previous year, but apprehensive about the same in the current fiscal. During the lockdown period, the operations of the MFIs have been mostly suspended.

“Boards are closed and no field work is going on. Staff of the institutions who are currently working from home and engaging with the customers over phone,” Nambari said. “Microfinance is basically a group-based lending approach. Since there are restrictions on movement, whether members of small borrowers’ groups, or loan officers of microfinance institutions are able to meet.”

A few organisations are disbursing advances through online arrangements, which accounts for not even 10 per cent of the business, he said. The disbursements as well as collections were adversely impacted due to the coronavirus outbreak and the ongoing nationwide lockdown, the officials said.

Usually, the disbursements reach their peak before closing of a business year, and last week of March is always hectic, Nambari, who is also managing director of Anshum Financial Services, said. “A rough estimate suggests that Rs 500 crore of money is usually disbursed to micro borrowers by the MFIs on a day in the last week of March.” Offering to the lockdown, around Rs 500 crore could not be disbursed to borrowers by 75-80 percent of the 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 of 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,” Nambari said. “The scheme is about extending the loan tenure for three months. There is a cost implication in the form of interest rate, if one opts 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 such as banks and other financial institutions, Satish said. “The MFIs expect a back-to-back moratorium from their lenders who are banks and financial institutions. This is very important as without that the micro-lenders would not be able to extend loans to their users and clients who need the most in this difficult period,” Nambari 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 reorganize their businesses as and when the normalty 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 (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 23.

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

Some MFIs executives contended 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 (TLTROs).

On March 25, 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 few MFIs with even A rating,” said someone.

MFIs haven’t had access to funded since March 25 and this has been rectified in the RRR. "In the last 10 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 Pashmina Bajaj, managing director, Syndicate Synergy Financial.

In response to these representations, the RBI reached out to MFIs last Monday, asking them to furnish information on their bank-wise loan outstanding, amount drawn down, and unfilled lines of credit, and share of CPs and NCDs issued by banks to MFIs. Licences say these data points have not 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

Amadip Ray
Kolkata: The Reserve Bank of India appears to have entered into a discussion on how banks may ease the pain of stressed financial institutions, and how such measures may benefit them.

Despite a 30% drop in the NBFC market, all NBFCs need immediate relief. In the pre-crisis era, the NBFC market was at its peak. However, the pain is more acute for the NBFCs that are struggling with high leverage, bad loans, and weak capital adequacy. The recent RBI measures have not been enough to shore up the confidence of investors in the NBFC sector.

The challenges faced by NBFCs are manifold. Many NBFCs rely heavily on short-term debt for their funding, which has become increasingly expensive due to the tight credit conditions. The volatility in the sector has also led to a decline in the demand for new loans.

The RBI has been proactive in ensuring that NBFCs have access to liquidity. However, the measures taken so far are not sufficient to address the core issues faced by the sector. The RBI needs to consider a more comprehensive approach that can provide long-term solutions to the problems faced by NBFCs.

The recent announcement by the RBI to allow NBFCs to access the corporate debt market at a lower cost is a step in the right direction. However, it is important to ensure that these measures are implemented in a coordinated manner with other regulatory bodies.

In conclusion, the RBI needs to take a more proactive role in ensuring the stability of the NBFC sector. The sector is crucial for the overall economic growth, and any lapses in ensuring its stability can have far-reaching implications.
Micro lenders feel credit squeeze

Mamtha.A@timesgroup.com

Chennai: Micro lenders 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.

MFIN chairperson Manoj Kumar Nambari 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,” Nambari 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 terms 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 discharged due to the 21-day lockdown announcement in mid-March,” said Nambari, 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.
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

Advising the Reserve Bank of India (RBI) to take action, microfinance firms presently in liquidity crunch after several banks restricted or refused to renew their working capital facilities.

About 30% or more of the MFIs with below investment grade ratings don't have access to money markets, the spread is, however, being supported by the regulator. Borrowing from the market has reduced as a consequence, raising concerns about the viability of the industry.

RBI has outlined measures to address the situation. Microfinance Institutions (MFI) are being allowed to access funds via a series of communications and other market strategies. The central bank is also actively working with banks to ensure that MFIs maintain adequate liquidity to meet their obligations.

Microfinance companies are facing challenges in accessing funds due to the current economic conditions. Many MFIs, however, are taking proactive steps to mitigate the impact of these challenges.

Finding a Way

- MFIs are exploring new avenues for funding, including tapping into alternative sources such as capital markets and peer-to-peer lending platforms.
- They are also focusing on improving their credit ratings to enhance their access to funds.
- Many MFIs are also diversifying their funding sources to reduce dependency on any single lender.

Despite these efforts, MFIs continue to face difficulties in managing their liquidity positions. The situation is expected to improve as the economy recovers, but immediate action is needed to ensure the sustainability of these firms.

The regulator has expressed concerns about the impact of these challenges on the broader microfinance sector and is working closely with the industry to find solutions.

In conclusion, while MFIs are taking steps to address their liquidity challenges, the situation remains critical, and sustained efforts are required to ensure the continued growth and viability of the microfinance sector.
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, 30 out of 90 MFIs have floated their own investment-grade papers and are therefore eligible for availing funding under the targeted long-term repo operations (TLTRO) window, and a large number of these oxygen suppliers are likely 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, on the other hand, had left it to the discretion of banks to allow a deferment of three months on payment of instalments on term loans.

Since small businesses and economic activities of borrowers of MFIs have come to a standstill, there is no way borrowers can repay MFIs, and MFIs can repay to lending institutions. Back to back moratorium to client end from lending banks and financial institutions are therefore needed. Once the lockdown norms are eased, MFI would require additional credit from NABARD, SIDBI, Mudra or bigger banks.

According to the data collected by Microfinance Institutions Network (MIN), as on 31 March, total borrowings of MFIs stood at Rs 55,815 crore. Of this, 43.28% is from banks and 37.56% from non-banks including NABARD, SIDBI, NABARD and other non-banking financial companies (NBFCs), which face a short-term liquidity issue. At the end of January, total MFI credit to borrowers stood at Rs 66,000 crore to Rs 71 trillion.

However, MFIs are not convinced that giving a separate credit line will help solve the problem. “Authorising banks, DFIs, NIFCs to give a back-to-back moratorium to NIPFs, 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, creating confusion in the RBI guidelines. We hope that the RBI will respond to the industry's plea.”

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 ongoing scenario of a nationwide lockdown, microfinance institutions (MFIs) have found themselves facing unprecedented challenges. The Indian regulator, the National Bank for Agriculture and Rural Development (NABARD), had announced a moratorium for six months in March 2020. However, in April 2020, the Reserve Bank of India (RBI) ruled that MFIs do not qualify for the moratorium.

The RBI's decision was based on the assumption that MFIs, being non-banks, do not fall under the purview of the RBI's guidelines. However, this stance was challenged by the Ministry of Finance and the Department of Financial Services, which argued that MFIs are essentially banks in disguise, offering credit to the poor and vulnerable segments of the society.

The Ministry has also noted that MFIs are subject to stringent regulations and supervisory mechanisms similar to those of banks. Moreover, the Ministry has highlighted the role of MFIs in providing financial services to the unbanked and underserved segments of the population.

The Ministry has urged the RBI to reconsider its stance and grant a moratorium to MFIs. It has also suggested that the RBI could consider a phased approach, allowing MFIs to access the moratorium after a period of a few months.

The Ministry has also pointed out that the loss of revenue and the increase in non-performing assets (NPAs) could lead to a decline in the creditworthiness of MFIs, which would ultimately affect their ability to extend credit to the needy.

The Ministry has also noted that MFIs are playing a vital role in the current crisis, providing essential credit to small and medium enterprises (SMEs) and self-employed individuals. The Ministry has called for a comprehensive review of the regulatory framework to ensure that MFIs are treated fairly and equitably.
Micro-finance players in talks with RBI, govt for moratorium, liquidity support

Hope to resume operations with skeletal staff

SURABHI

Correspondent, April 14

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.
MORATORIUM ON OUTSTANDINGS TO BANKS

MFIs 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-dham, 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 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,” MFIN said in its letter dated April 13.

MFIs borrow from banks, development financial institutions (DFIs) and other non-bank lenders for on-lending to support small entrepreneurial activities like tailoring, cattle rearing, running tea stalls etc.

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 Rs5,653 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).
Banks start offering loan moratorium to NBFC-MFIs

SHRITAMA BOSE
Mumbai, April 25

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 set 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.”

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.
MFIs want to secure repayment moratorium

SP Burem
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 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 Nambrat 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 FT, 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-MFIs 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 TLTRO 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.
RBI’s move on liquidity welcome, but questions on moratorium remain

Banks to take call on extension to NBFCs, HFCs

SAMBHAV JAIN

The slew of announcements by the Reserve Bank of India on Monday seems 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 MFIs. The Indian Banks’ Association may discuss the issue in the coming days.

Formal directive

Banks have been waiting for 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.

“One RBI announcement on liquidity has taken care of about 40 per cent to 50 per cent of concerns of NBFCs. We are also working to get a better understanding,” said Mahesh Thakkar, Director General, Finance Industry Development Council.

RBI has written to IBA 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 TLRB and various schemes like term loans for on-lending for priority sector, 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 lockdown ends and Mayawati and businesses start operating, it may take some time for collection efficiencies to reach normal levels, it noted.

Krishnan Sethuraman, 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 MFIs 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 TLRB as well as the $5.0 billion credit refinancing window will help them access funds.

Mark Shinratnana, CEO, MRIN, said it will help the small and medium NBFCs, MFIs to support the bottom of the pyramid customers. VP Nandakumar, Managing Director and CEO of Manipur Finance, said the size of the TLRB 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,” PHDCCI president DK 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 lockdown. 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 stated: “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’

RBI’s moves give breather to realty

V.V. SETHI, TRSabad

Real estate research and consulting company said that the recent measures taken by Reserve Bank of India (RBI) and the government to boost the economy will help in real estate sector. These measures include reduction in the Reserve Bank’s base rate and alteration in the liquidity management framework.

The Central Bank’s move to cut the repo rate by 50 basis points and reduction in the liquidity management framework will help in real estate sector. The Central Bank’s move to cut the repo rate by 50 basis points will help in real estate sector.

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Small NBFCs May Pool their Bonds to Get TLTRO Funds

Atmadip Ray and Saikat 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 up 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 “investments 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 26% of their members fall in the junk category.

MFIN has already got in touch with fund arrangers such as Northern ARC Capital and V horrific 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 Kishan Fernandez. "We will include all firms — small and mid-sized, including unrated and non-investment grade. This is what we have 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,” Fernandez said.

About 6,000 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 Kashiwad, director at Kamal Auto Finance, a Jaipur-based NBFC which is rated BB.

"More than three-fourths of total NBFCs will obtain a new lifetime," 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."
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?

Rahul Shukla
Senior Writer

The lockdown has brought the collection operations of microfinance institutions (MFIs) to a halt, at 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, the lockdown is likely to lead to a lot of default in our accounts,” says Mr. Anil Kumar, MD of Green Finance

Liquidity issues

What is of concern is also the ambiguity around the moratorium. The RBI has allowed lenders to give moratorium. While MFIs are extending the option of loan moratorium to their borrowers, some may not get the same lee-way from buyers. The NAMCUMMFs borrow from banks or other NBFCs to on-lend to their borrowers.

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

The issue could get compounded by a sharp rise in demand for credit by MFIs borrowers, post the lockdown. With the absence of workers in the field, the MFIs will need to have ample liquidity to cater to their credit needs.

Complex liquidity measures

In order to ease the pain for MFIs and MFIs, the RBI on Friday announced new targeted long-term repo operations (TLTRO) of ₹60,000 crore. Banks will have to deploy the funds in new corporate bonds of small, medium MFIs with at least 50 per cent towards small and mid-sized NBFCs and MFIs. Of the 50 per cent, banks have to invest 10 per cent in instruments issued by MFIs.

“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 MFIs. Besides, the credit market will need to have adequate liquidity to cater to their credit needs,” says Nambiar.

Investment in MFIs bonds

Banks, under TLTRO, have to invest in the same investment grade (BBB-rated and above) bonds of MFIs. Data from MFIs for 51 MFIs as of September 2019 reveal that only about 25 per cent are rated A or A. MFIs with BBB rating form 43 per cent.

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.
Resumption of services depends on local authorities, say NBFCs

While the government has allowed non-banking financial companies (NBFCs) and housing finance institutions (HFI) to resume operations, albeit with base minimum staff, many operations by these entities depend on permissions from state governments and local authorities.

The shadow lenders are holding discussions and formulating plans on how to make their operations 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 asset operations will start, we cannot say at this stage," says Girish Agravat, managing director and chief executive officer (MD & CEO), Bharat Transport Finanse.

"We still have to get permissions from the relevant local authorities. Collections will not happen at large scale. Branches which have not been categorized as "essential", those probably won't be able to operate," said Gaurav Sood, managing director and CEO of Chaturthi Finanse.

Although the Centre has allowed shadow lenders to start operations, it has not been made mandatory to cease and has not permitted field activities. This will affect the collection activities of the lenders.

"It is probably discharge loans for the higher segment as those could be pre-concluded. However, the informal segment, where people are not tech savvy, physical presence is required to disseminate. Lenders who continue to have to do tech savvy, won't be able to do much during this period. Biggers firms will be able to carry on with online collections," he added.

"As of now, the entire lending value chain is operating in the digital mode — and that is where we are," says Girish Agravat, chief marketing officer, Tata Capital. "We will be focusing critical functions with only essential members needed to connect with our other branches.

This includes functions such as operations, finance regulatory and select customer service. Team members will be directed to ensure that work continues effectively during this period. Offices and branches, operations at HQ and operating in the digital mode, and from there we will deliver," Agravat said.

"We do see some payments being made by customers who may want to resume operations in the shorter term, and also have receiving clients who will need credit. We will encourage them to disburse in simple online forms and bill them and then manage the process. Those who don't want moratoriums will have the option of one-to-one basis in the next meeting," he added.

The Reserve Bank of India (RBI) has allowed all NBFCs to offer moratorium to borrowers on an open-ended basis.

"We are offering moratoriums to borrowers on a case-by-case basis. We have about 1,000 customers who have taken moratoriums," said Uma Maheshwar, managing director, IDFC First Bank.

"In branches, a limited number of staff is available. The amount can be deployed to start the normal process in the coming weeks. Some of the branches, NBFCs, and big NBFCs, have enough flexibility in payments, apart from that normal credit in the form of term loans to small businesses with good credit history. For example, Thrusa-based EdelWEISS Financial Services Ltd 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 risk, the NBFCs are operational, over the few days, the operations in green zones are expected to resume gradually.

For the time being, we will extend Covid loans only to non-performing customers, who have no NPAs (non-performing assets) as on March 31, 2020. These will be pre-approved loans of Rs 50,000 to Rs 50,000 with no processing fee, and are available for up to four months," said Dushyant Bhasin, MD & CEO of IL&FS. Also a large part of the disbursements would be through digital channels.

Goldman lenders to open 90% of branches

Goldman Sachs lenders are planning to open 90% of their branches from Monday and expect around 5% per cent growth despite Covid-19.

These companies are expected to lend more to some customers in price of the gold they have marketed and even more to those eligible for higher loans. The companies are also looking at giving moratoriums to existing customers.

Madhur Poppuri, group MD & CEO of Utkarsh Microfinance, said, "The moratorium will be reviewed on a case-by-case basis. The business model will remain the same for the next six months. However, if the situation improves, we will consider extending the moratorium.

"We have a large number of customers who are affected by the lockdown, and we are working with them to ensure that the business continuity is not affected," he said.
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 ILFS 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 dumpling 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 a refinance window for Nabard, Sidbi and NABARD.

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.

Sudhartha Mohanty of LHC 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 timeline, 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 Shrivastava 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

SURATHI

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. Repaying loans is on 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 — unsecured and underserved — will not be inactive for a long time, there will be demand in their local economies. 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 ₹1,460 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, MFIN, 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 remittances 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 in the current lockdown.

The government had also allowed the farm sector to resume work.
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 32 microfinance institutions (MFIs) have availed the Reserve Bank of India’s (RBI) special liquidity measures, reports show. Typically, MFIs are the sector’s largest investors in bonds, government securities, debentures, and corporate bonds, and they have been the most affected by the financial stress caused by the lockdown.

The RBI on Friday announced two measures to provide liquidity to the sector. The first measure is a “Special Liquidity Window” (SLW) of Rs 50,000 crore for new issuances, and the second is a “Green Bond Enhancement Facility” (GBEF) of Rs 20,000 crore for new issuances. The SLW is open to MFIs and Non-Banking Finance Companies (NBFCs) with a credit rating of A- or better, and the GBEF is open to MFIs and NBFCs with a credit rating of BBB- or better.

The SLW will provide liquidity to MFIs and NBFCs on a non-discretionary basis, with the government guaranteeing 100% of the amount. The GBEF will provide liquidity to MFIs and NBFCs on a discretionary basis, with the government guaranteeing 60% of the amount. The schemes will be implemented through the Reserve Bank of India’s (RBI)窗口, which will provide funds to MFIs and NBFCs at a rate of 50% over the policy repo rate.

The RBI had earlier announced a Rs 1.75 lakh crore liquidity facility for the sector, but only a handful of MFIs have availed it. The new schemes are expected to provide much-needed liquidity to the sector, which has been hit by the lockdown.

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TLTRO 2.0: MFIs look to pool securities

RAMPATACHAROYA
Kolkata, 25 April

Small- and medium-sized microfinance institutions (MFIs) are planning to pool securities, with enhancement facilities from external institutions, to sell credit from financial institutions under the targeted long-term repossession (TLTRO 2.0). Last week, the Reserve Bank of India (RBI) announced a TLTRO of ₹60,000 crore to provide liquidity support to the shadow banking sector and MFIs. According to RBI, the funds availed under TLTRO shall be deployed in investment-grade instruments.

However, a majority of small MFIs don’t have investment-grade rating. “We are thinking of pooling bonds of small and mid-sized MFIs, with some sort of credit enhancement backing, for accessing credit,” said Munir Nambiar, chairman, Microfinance Institutions Network (MFIN).

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

To boost MFIs’ 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 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 30 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, 80 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 sold in its circular.

Thus, for MFIs, the earmarked amount is ₹30,000 crore, which is expected to be divided relatively bigger or mid-sized MFIs with assets under management up to ₹5,000 crore. Smaller MFIs, with AUM less than ₹500 crore are likely to be left out.

*Pooling is the only hope for us, SHIRF (Small Industries Development Bank of India) has already said that liquidity support will be only for ‘B300’ rated securities. More than 70 per cent of small MFIs will not be covered under this. We are trying to approach SHIRF bank so they can consider MFIs grading, instead of rating, to extend this credit facility to small MFIs,” said Anjali Mohan, director and chief executive officer of Asi Chitrangada Finance, an MFI based out of Patna, with a loan outstanding of ₹80 crore.

Quotations are an ordinal measure of scalability, sustainability and reliability of the MFIs internal processes, control and governance infrastructure. However, it does not comment on the debt payment capacity and is not a credit rating.
Few takers for TLTRO 2.0

Banks cold-shoulder RBI scheme; reluctant to lend to NBFCs, MFIs

TARGETED LONG TERM REPO OPERATIONS

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Surges 62 ps to settle at 76.06 against $:

Three banking stocks surge 62 ps to settle at 76.06 against $ on April 16, when the Rupee rose to its strongest level in about a year.

Bankers put up stiff resistance:

The Reserve Bank of India’s (RBI) offer to offer 91-day and 182-day Targeted Long Term Repo Operations (TLTRO) to banks did not attract the expected level of interest.

The RBI has offered to lend up to 2.5 per cent of adjusted net bank credit (ANBC) to banks in the form of 91-day and 182-day Targeted Long Term Repo (TLTRO) for six months, with a floor of 75 per cent of a bank’s ANBC.

The RBI said the TLTRO would be instrumental in meeting the liquidity needs of banks and in supporting the transmission mechanism.

But banks were in no mood to avail of the facility. The most immediate concern for banks is the fear that the TLTRO may crowd out other forms of credit.

A senior official from a leading public sector bank said the risk of a moral hazard cannot be ruled out.

He said that while the TLTRO was likely to be taken up by larger banks, smaller banks may not be interested.

The smaller banks have been suffering from a liquidity crunch and are trying to lend as much as possible to their customers, he said.

The official said that the TLTRO would not be able to address the liquidity needs of smaller banks.

“Smaller banks are not interested in availing of the TLTRO as they have other sources of liquidity through pledging and other means,” he said.

The TLTRO is aimed at providing liquidity to banks, which can then pass it on to their customers.

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Over 80% microlenders not eligible for RBI liquidity

SANGEETHA G
CHENNAI, APRIL 23

A vast majority of microfinance institutions, especially the needy, will be left out of the refuelling scheme as well as the targeted long-term repo operation (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 moratorium for NBFCs beneficiaries of the refuelling scheme and TLTRO 2.0, more than 80 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 12,000 crore, MFIs will be eligible for Rs 1,200 crore, which is a minuscule portion of Rs 4.5 billion outstanding of micro lenders, including NBFC MFIs and other credit societies,” said P. Sathish, executive director of Sa Dham.

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 27 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 refuelling scheme through Nabard and SBI will be deprived of most of the smaller and medium-sized MFIs. “Nabard has received Rs 25,000 crore and SBI Rs 12,000 crore from RBI under the scheme. MFIs of asset size of Rs 500 crore and above are eligible for this funding and 100 companies require a rating of BBB negative and above,” said Manoj Sambiar, chairman of Micro Finance Institutions Network (MFIN).

“Around 21 MFIs will have an asset size of Rs 500 crore and more, while about 20 MFIs will be eligible for SBI funding. TLTRO funding is for 90 days and at the end of the period, it has to be repaid in one installment,” said Sathish.

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 Sambiar.
एनबीएफसी को कर्ज देने से कतरा रहे बैंक

पृष्ठ-1 का शेष

आईएलएडएफसी संकट के बाद मोटे तौर पर एनबीएफसी को लेकर बैंकों का रंग नकारात्मक हो गया है। कई में स्वीकार कर रहे हैं फैल रही सुधार की आवश्यकता। 2020 में कई बैंकों का विभाजन लगाया गया। यह स्वीकार करते हैं कि इस स्थिति में बैंकों का ऊर्जाधारी रहने का संभवतः मामला है।

एनबीएफसी के कर्ज की सीमा का संकट के बाद, बैंकों ने अपनी कर्ज देने की प्रेरणा में काफी जुटा है। लेकिन एक ही समय में सर्वश्रेष्ठ बैंकों के लिए भी यह निर्णय असरदार साबित हो सकता है।

एनबीएफसी के कर्ज देने की उम्मीद सही है लेकिन बैंकों के लिए यह संज्ञानात्मक है। यह बैंकों को अपनी पोलिसी को सुधारने के लिए बढ़ाएगा।

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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, 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 Maity, 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 equip 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 reporters in an interview.

But this (such unused sanction loan 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 staffers have been harassed by some district administrations in several states,” Satish said.

Few branches have been opened in green zones 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, Maity, 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 Pattanaik, director of Bhubaneswar-based MFI Amanatpur Finance, told PTI, “We are talking with lenders to extend sanitised 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 notice could severely impact their ability to serve their debt servicing obligations.

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

“Banks 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.
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 Almatar Ray, 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, shop keepers, 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-financers stare at tough times ahead

The coronavirus lockdown and the RBI’s loan moratorium are building pressure on the segment.

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-financers, The
Earning capacity has gone, say micro lenders

Mayur Shetty | TNN | Apr 3, 2020, 04:00 IST

Dell Precision - Work at the speed of thought
Dell India

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 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.
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.

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

By: PBT | Published: April 6, 2020 3:48 PM

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Feeding 1.8 million children's across India, Every day.

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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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."

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 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-Dhan executive director P Satish 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.
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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.

*FTI* 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

The microfinance institutions

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

PTI | APR 6, 2020, 14:00 IST
Hit By Lockdown, MFIs Apprehensive For Growth, Likely To Shelve Expansion Plans

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.

Written By: Press Trust of India | Mumbai | Updated On: April 06, 2020 14:04 IST
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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.
Hit by lockdown, MFIs apprehensive for growth, likely to shelve expansion plans
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.

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

Speaking on the outlook for the industry, he told PTI: "Performance of the MFIs in the current fiscal which has just
Hit by lockdown, MFIs apprehensive for growth, likely to shelve expansion plans

By Business Journal - April 6, 2020
NBFC-MFIs seek clarity from RBI on 3-month moratorium on loans

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

Harmeet Karthik | Mumbai
Last Updated on April 7, 2020 22:57 IST
Micro lenders feel credit squeeze

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.
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.

Listen to the Audio Version of the Article

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

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
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.
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...
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.
Banks start offering loan moratorium to NBFC-MFIs

By Nikhilesh Bose | Published 16th April, 2020 08:30 AM

Private banks are also understood to be entertaining requests for moratorium as some of them have exposure to microfinance institutions and have a point of view on the impact.

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Opinion | Microfinance to the rescue of have-nots

As the covid-19 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.
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.

MFIs, 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.

MFIs also seek an extension of moratorium benefits to MFIs that are not yet able to restructure their loan portfolios but are committed to extend credit to MFIs.
MFIs seek PM's intervention to secure repayment moratorium.

Mumbai, Apr 15 (PTI) Microfinance institutions have approached Prime Minister Narendra Modi to secure a moratorium on their loan repayments.

The Microfinance Institutions (Exemptions from Recovery of Debts) Act is currently in force, allowing MFIs to write off loans of up to Rs 50,000. However, in the wake of the COVID-19 pandemic, the industry has sought a moratorium to prevent defaulters from defaulting on their loans.

To address these concerns, the MFIs have written to the Ministry of Finance, requesting a moratorium on loan repayments for a period of six months.

The MFIs have also suggested a delay in the timelines for the settlement of the disputed claims, which have a significant impact on the industry's liquidity.
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[URL: https://www.outlookindia.com/newsscroll/mfis-seek-pms-intervention-to-secure-repayment-moratorium/1803569]

**Outlook**

THE NEWS SCROLL

MFI's seek PM's intervention to secure repayment moratorium

(March 14, 2020) Microfinance institutions have written to Prime Minister Narendra Modi to request that he approve a 90-day moratorium on loan repayments in the wake of the coronavirus pandemic. Alleging that some of their borrowers have yet to clear the outstanding dues to the banks.

Microfinance institutions are one of the cornerstones of the country's financial inclusion drive. They provide credit to small and medium-sized enterprises and farmers, who often have limited access to traditional banking services.

However, the impact of the pandemic on these institutions has been significant. Many borrowers have been affected financially, and some have been unable to make their loan repayments on time.

In a statement, the Ministry of Finance said it was working with the Ministry of Rural Development to ensure that the moratorium is implemented effectively.

The moratorium would cover loans made to MFI's by banks and other financial institutions, as well as their own internal credit lines.

The move is expected to provide relief to millions of borrowers who have been negatively impacted by the pandemic.
Microfinance institutions have requested Prime Minister Narendra Modi to ensure that they are able to avail the loan repayment moratorium offered 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, Sici 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, So-Dhan executive director P Satish said.

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

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

So far, banks have been deferring loans to NBFCs as they
in the liquidity being extended to the latter is not the form of targeted long term

COVID-19 lockdown | NBFC-MFIs stare at liquidity shock: Will RBI step in?

The lock-down 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.

The COVID-19 lockdown may result up to 55 percent of the annual collections of NBFC-MFIs, industry fear. This is significant for micro lenders since the average loan tenure at NBFC-MFI borrowers is just 18-24 months. For banks, this is much longer.
NBFCs hail RBI's additional liquidity support move to tide through Covid crisis
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, if 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 1.75 lakh crore of additional liquidity support to the sector by contraposing targeted long term repos (TLRPs) and TLTROs. Shadow banking players also hope to get more liquidity support from banks after the RBI reduced the reverse repo rate by 25 basis points.

**India TV News**

**Date** 17th April, 2020

NBFCs hail RBI's additional liquidity support move to tide through coronavirus crisis

Microfinance industry hopes IBA meet to lead to ‘in-principle decision’ on loan moratorium to MFIs

By Minor Bagaria | Published: April 18, 2020 09:55 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 moratorium to their borrowers till May 31.
NBFCs hail RBI’s additional liquidity support move to tide through Covid crisis

URL: https://news8plus.com/nbfcs-hail-rbis-additional-liquidity-support-move-to-tide-through-covid-crisis/
NBFCs hail RBI’s additional liquidity support move to tide through Covid crisis
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.
Shaktikanta Das’s silence on loan moratorium for NBFCs may spoil the liquidity party.

Governor Das has been silent on a big liquidity infusion from RBI—moratorium on NBFCs or loan moratorium for NBFCs. This has come as a big disappointment for NBFCs.

MFI's collections to pick up from June: MFIN CEO Harsh Srivastava

3 min read. Updated: 19 Apr 2020, 01:32 PM IST
Dakshin Chakr

- The FY21 outlook for micro-finance is good, with healthy growth expected in the number of borrowers and disbursal
- RBI's decision to infuse liquidity into NBFCs and MFIs through TLTRO 2.0 will be of great help

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Group of non-bank lenders to issue pooled debt instruments

This will help firms below investment grade access the liquidity tap once such joint effort would typically work through credit rating.

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 managers such as Northern ARC Capital and Vidar Capital for such banded pooled issuance, two people familiar with the development told ET.

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 costs too.

RBI has planned 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.
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, Siddh and NHB.

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 are traditionally at a disadvantage when it comes to obtaining funds, even as banks and capital market have been fully plugged in with the liquidity support from the RBI, will draw the largest benefit from the Rs 50,000 crore TLTRO.

The latest move will come as a huge relief to a sector which has been hit by the coronavirus (COVID-19) pandemic, which has caused a crisis in credit availability.
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 finance companies 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.

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 TL TRO liquidity tap since their credit rating will likely head north, lowering borrowing costs.

RBI has planned a Rs 50,000-crore liquidity infusion through TL TRO 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.

Subrat Panda & Namrata Acharya | Mumbai/India

Last updated on April 20, 2020, 01:35 IST
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 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.
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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 up by banks using the Rs 50,000 crore special liquidity window 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 window of its targeted long-term repo operations (TLTRO) 2.0, almost solely at small and medium non-banking financiers, housing finance companies and micro-lenders.

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“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 Shringi said. PTL MFIN is a self-regulatory organisation (SRO) of NBFC-MFIs.
Only dozen-odd MFIs can gain from RBI's special liquidity window

As at April 17, the central bank announced a Rs 50,000-crore focused liquidity injection.

Mumbai: 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.

Last April 17, 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

By PTI

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.
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.

PITI 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.

Last April 17, 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 PIB. MFIN is a self-regulatory organisation (SRO) of NBFC-MFIs.

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.”
Mumbai, Apr 21 0 Only a dozen-odd of the 62 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.

Last April 17, 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
Only dozen-odd MFIs can gain from RBI's special liquidity window

By Meenakshi Vyas

March 31, 2020

Only a dozen or so of the 52 microfinance institutions have acceptable grade ratings and are thus eligible to access RBI's special liquidity through the window announced in recent days.

Last April 17, the central bank announced a Rs 50,000-crore special liquidity window (SLW), amid signs that the Reserve Bank of India has ramped up credit to the small and medium-sized enterprises, housing finance companies and micro- and small lenders.

While most surveys show that only 12 MFIs, along with Axis and ICICI, have acceptable grade ratings, RBI, therefore, may use the window's terms to get the money to other MFIs. Before the credit injection, the RBI had asked MFIs to increase their share of the Rs 50,000-crore liquidity to Rs 50,000-crore.

The rest of the money here, after Rs 50,000-crore in lower ratings, is small.

Meanwhile, the central bank is telling the MFIs to get lending to wards the target of Rs 50,000-crore in the scheme.

But on the other hand, the MFIs are saying it can help large micro-lenders and investment-grade entities get cheaper funds.
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Only dozen-odd MFIs can gain from RBI’s special liquidity window

Mumbai: Only a dozen-odd of the 52 microfinance companies have funding grade scores and are thus eligible to submit their designs that can be picked by banks utilizing the Rs 50,000 crore special liquidity window.
Only dozen odd MFIs can gain from RBI's 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.

Bhakti Ahire | Kolkata
Last Updated on: 24/04/2020 20:04 IST
Small, midsize MFIs look for unused credit limit to tide over liquidity crunch

Small and mid-size microfinance institutions, particularly small and mid-size lenders, have been looking to access “unused sanctioned credit limits” as a way to overcome current liquidity ailments as the sector is severely impacted due to the lockdown imposed to contain the coronavirus outbreak, officials said.

Unused approved credit limits, which were not disbursed in the last financial year by the lenders due to the lockdown, are expected to be extended to MFIs, Pratibha, executive director of SEI, 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 conditions to some extent,” he said.

Echoing Pratibha, Kishor Malhotra, 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 discussions with their lenders to avail unused but approved credit limit as they have to be employed with the resources to cater to small borrowers.

“Usually in a lockdown, disbursement to MFIs peaks up as the banks also look forward to meet their year-end target. Due to the pandemic-induced lockdown, roughly around Rs 4,000 crore could not be disbursed to MFIs but was rather sanctioned or yet to be approved by lenders,” Malhotra told ET.

But the unused sanctioned credit limit would not be sufficient to provide services to small borrowers, and they will need additional funding from banks and Development Finance Institutions, which are yet to sanction credit to meet their lockdown-following filling of the ongoing lockdown, he said.

Following certain instructions 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 protocols and social distancing norms.
Small midsize MFIs look for unused credit limit to tide over liquidity crunch

Kolkata, Apr 23 (PTI) Several microfinance institutions, particularly small and rural state 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 into the lockdown, are expected to be extended to MFIs, P Santh, executive director of Sa Re Ga Ma, 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.
Small, midsize MFIs look for unused credit limit to tide over liquidity crunch
Outlook
THE NEWS SCROLL

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

Mumbai, Apr 21 (PTI) As feared by the industry and money market watchers, the first auction under the new framework created a muted response from banks to the Reserve Bank of India's offer of a little over 40 per cent bids for the Rs 29,000 crore auction.

The poor response also left the RBI without a viable option to make a public announcement of a new approach to the repo auctions.

The auction's inability to meet banks' needs is not just a reflection of their financial strength but also due to lack of demand from the housing sector for which NBFCs and MFI's have to keep their funds in case of a crisis.

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

The RBI offered bids for the Rs 12,000 crore against the notified amount of Rs 25,000 crore with a three-year tenure offered at 4.50 per cent.

The sudden changes for the revised TLTRO 2.0 auction, aimed at providing targeted liquidity support to small NBFCs and MFI's, has forced the RBI to revise the rates.

According to Information Transmission, a director at Brickworks Ratings, repeated participation clearly highlights banks' reluctance to

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

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.
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.

Subhash Parekh / Mint

Last updated at April 24, 2020 09:37 IST