MICROFINANCE INSTITUTIONS NETWORK

Media Visibility Report

Industry Story: Initiated & Non-Initiated
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Initiated Industry Stories
Sidbi, Nabard in race to fund top MFIs

NAMRATA ACHARYA
Kolkata, 10 April

Both Small Industries Development Bank of India (Sidbi) and National Bank for Agriculture & Rural Development (Nabard) are chasing top microfinance institutions (MFIs) for financing, as they have been given ₹40,000 crore by the Reserve Bank of India (RBI) for liquidity support.

According to informal estimates, both organisations are looking to give between ₹7,000-8,000 crore cumulatively in funding to MFIs. In fact, the two institutions are competing to tap top MFIs, according to a senior executive from the MFI industry.

On Wednesday, Sidbi extended the repayment period of loans to MFIs to one year from the 90-day period earlier under the special scheme. This came after Nabard said it would provide an 18-month term loan to MFIs, and a special refinance scheme of one year as directed by RBI. A few days back, Sidbi reached out to MFIN (Microfinance Institutions Network), to seek a list of MFIs in need of funds.

On Wednesday, Nabard held a meeting of MFIs and indicated that it could provide term loans of up to 24 months, and would top up the RBI pool with its own funds to support MFIs, said sources.

Nabard also suggested that big MFIs that avail the funds could on-lend to smaller ones. The fund disbursement is likely to happen by mid-May, and the rates of interest offered by the institutions could be in the range of 7-8 per cent, depending upon credit ratings, said sources. Normally, such financing is done at an interest rate of around 11-12 per cent.

“Both Sidbi and Nabard are complementing each other to support MFIs, which is a very encouraging trend,” said Harsh Srivastava, chief executive officer of MFIN. However, the major issue with the MFI sector is the lack of liquidity support for smaller MFIs, who do not have investment-grade rating.

“For big MFIs, funding has not been a problem. Both Sidbi and Nabard are supporting investment grade and big MFIs,” said P Satish, executive director of Sa-Dhan. While Nabard’s refinance is available to MFIs with asset size of ₹500 crore or more, for Sidbi the criteria is investment-grade rating.

RBI has allocated ₹50,000 crore to Nabard, Sidbi and National Housing Bank (NHB). Of this, ₹25,000 crore has been earmarked for Nabard to refinance regional rural banks (RRBs), cooperative banks, and MFIs; ₹15,000 crore is for Sidbi for on-lending/refinancing; and ₹10,000 crore for NHB for supporting housing finance companies (HFCs).

According to Satish, about 35-45 MFI PCs would be eligible for the funding from Nabard and Sidbi. More than 100 MFIs would be left out.
TLTRO may Get More Effective for NBFCs, MFIs

RBI governor meets industry representatives in NBFC & microfinance sectors via video call

Kolkata: The Reserve Bank of India is said to be taking steps to make the targeted long-term repo operation (TLTRO) more effective to boost liquidity for non-bank lenders, with the first tranche of the liquidity-enhancement exercise failing to yield the desired result.

Governor Shaktikanta Das has assured industry representatives in the NBFC and microfinance sectors through a video call on Tuesday about strengthening this mechanism, a two people familiar with the matter said.

At the call with 40 top brass including deputy governors M.D. Patra and MR Jain, non-bank lenders have sought one-time restructuring of loans, shifting of moratorium period to April to June and extension of asset classification relaxation until September. Other demands included direct liquidity support from the central bank for MFIs and NBFCs, especially the smaller and medium-sized lenders.

RBI created a special liquidity window so that banks can borrow from it and invest at least half of it in money market instruments issued by small and medium sized NBFC and MFIs. The first auction of Rs 25,000 crore saw bids for just above 50% of it, as banks are reluctant to invest in smaller lenders.

The RBI Governor has apparently told industry representatives that the central bank identified the reasons behind the tepid response and is taking necessary steps.

The NBFCs were represented by Ramesh Iyer, chairman of the Finance Industry Development Council (FIDC), a representative body of lending NBFCs and its director TT Srinivasaraghavan. From the microfinance sector, Microfinance Institutions Network chairman Manoj Nambiar and its chief executive Harsh Shrivastava, SaDhan co-chair K Paul Thomas and executive director P Satish were present.

They have requested RBI to shift the moratorium period to April to June instead of March to May since they had already collected repayment for the month of March when the scheme was announced on March 27.

They have also sought further extension of asset classification relaxation by another three months until September since their borrowers may face difficulty in repaying loans immediately after the withdrawal of the lockdown.

While NBFCs and MFIs have resumed operations Monday, about half of them may not be able to meet the obligations like salary payment and other core operational expenses due to the lack of cash flow, said P Satish of SaDhan, an industry body for MFIs. He said only 21% of MFIs have received funding from their lenders since the lockdown began.

About 51 lenders, including 21 public sector banks and 10 private sector banks have not yet extended moratorium on payment to MFIs.

“Most painful is the non-extension of moratorium by Small Industries Development Bank of India, Mudra and State Bank of India, as they have large exposure to MFIs, especially to the small and medium ones,” Satish said.

“Availability of liquidity from banks and other financial institutions post lockdown strategies for supply of credit, including working capital to MSMEs, traders and bottom of pyramid customers in semi-urban, rural and urban areas,” were discussed, RBI said in statement after the meeting.
Pick-up in microcredit demand soon due to kharif season, emergency requirements: MFIs

MITHUN DASGUPTA
Kolkata, May 4

MICROFINANCE INSTITUTIONS (MFIs) believe the industry will bounce back in no time as they see demand for microcredit rising soon because of emergency loan requirements of their customers to restart businesses. The MFIs, which have started resuming operations in the green zones across the country, said kharif cultivation will regenerate demand as well.

Cash flows are getting stretched for the industry due to the ongoing lockdown, with the MFIs unanimously deciding to offer moratorium to their customers as permitted by RBI, recognising the impact of the Covid-19 pandemic on the livelihoods of low-income household borrowers. However, the MFIs are yet to formally receive a moratorium from all their lenders.

Talking to FE, Harsh Shrivastava, CEO of industry body MFIN, said some of the member MFIs have resumed operations in the green zones and others will start soon.

“There will be demands for microcredit because of emergency loan requirements of customers to restart their businesses. Good customers will also need top-up loans to expand their businesses,” Shrivastava said.

Dibyajyoti Pattanaik, director of Bhubaneswar-based Annapurna Finance, said: “Credit demand will come because kharif is here. Customers will need money for cultivation, purchasing inputs and making labour payments.” Annapurna Finance is looking to start operations in the green zones by next week, depending on availability of staff. It may consider providing the facility of topping up loan to its existing customers if it sees such demand. “At Annapurna, we have already got a moratorium for 60% of our banks and our liquidity position is good. However, for further disbursement to pump money into the rural economy, we would require fresh disbursement from banks. We are talking to some of them. Also, new sanctions are in the pipeline. We are hopeful we’ll get some,” he added.

Microfinance lenders’ umbrella body Sa-Dhan has requested direct lending by RBI to NBFC-MFIs. During a video conference with RBI governor Shaktikant Das on Monday, P Satish, executive director of Sa-Dhan, also sought reasonably priced debt funding from DFIs (Siddhi, Nabard, Mudra) to meet medium and short-term liquidity requirements of NBFC-MFIs. “Reasonable priced access to credit by NBFC-MFIs is important to ensure that customers are given affordable credit. Risk-based pricing may not be right approach at this time,” Satish said.

Kuldip Maity, MD of Kolkata-based Village Financial Services, said kharif cultivation was expected to generate demand. “The bouncing back will only take a month after lifting of the lockdown. Refinancing activity of Siddhi and Nabard is expected to ease current cash flow strains of MFIs,” he said.

There will be demand for microcredit because of emergency loan requirements of customers to restart their businesses. Good customers will also need top-up loans to expand their businesses.
—Harsh Shrivastava, CEO, MicroFinance Institutions Network
On a knife-edge

With collections taking a big hit, microfinance institutions will be put through the wringer, reports Raghu Mohan

The key point is how banks will continue to support us with ample liquidity after the lockdown is over and relative normalcy emerges in the re-anchoring process," says Manoj Nambar, managing director (MD) of Ashram Financial Services, and chairman of the Microfinance Institutions Network (MFIN). He has good reason to be pessimistic.

In phase I of the Covid-19 lockdown, nearly 70 per cent of microfinance institutions (MFIs) borrowers had not opted for a three-month moratorium on their loans, but the pendulum has moved to the other side now. The universe of the affected, a tad under six million borrowers (mostly women), are the primary earners for 300 million individuals in households. At the end of February, the industry had a loan portfolio outstanding of ₹2.26 trillion. The full extent of the stress will be known as the lockdown is lifted gradually, and collection figures roll in. But going by MFIs request to North Block, it is evident that the worst is yet to come.

The moratorium on term loans is up for three months on payment of all installments falling due between March 1, 2020 and May 31, 2020. The recognition of non-performing assets on such loans would happen in 180 days. "Since operations will gradually limp back to normal, reaching out to borrowers for collections will remain a challenge. An additional 90 days beyond the moratorium period should be provided for NPA recognition," says an industry veteran.

reading the numbers

"After demoralisation, most MFIs had reported 96-99 per cent collection efficiency for incremental disbursements made since April 2017. Yet, their loan book of November 2019 saw credit losses ranging between 3 per cent and 5 per cent with strong contribution to geography and socio-political influence," notes Krishnam Shanmukam, senior director at CRISIL Ratings.

The difference is that in the rise up to the Covid usher, MFI delinquencies in Q1FY20 had started showing an uptick from the previous quarter. According to Cibil's High Mark Credit Information Services (CIBIL), during this period, the portfolio-at-risk (Par) (30-89 days) had moved up to 0.5 per cent from 0.3 per cent. Are we to brace for a huge rise in delinquencies?"

Says Udaya Kumar, MD and chief executive officer (CEO) of CreditAccess Grameen: "There is no denying the fact that collections have been affected. But the resilience of the borrowers is remarkable. Remember, even after demonstration, there was no moratorium on loans." India Ratings, in its report, appears to be second to Nambar when it says "any reasonable data-based estimates on credit cost would require collection of data over the next four months to assess moratorium period and two months of normal repayment environment." So what explains the rise in delinquencies to CRISIL's 'Micro-loan' report for Q3FY20?

"You had the MF crisis in Assam and it was again due to a specific issue. It does not hold true for the rest of the country," notes Kumar. Nambar says "one reason for the resilience in the sector is the fact that a vast majority of MFI borrowers are in the essential services supply chain with fixed and micro businesses which are still operating in a matter of days." Of course, this is not to suggest that everything will be fine.

Handholding will be needed

On Monday, at MFIs meeting with Reserve Bank of India (RBI) governor Shaktikanta Das, it was reiterated that they will need support, going ahead. And, MFIs should get clubbed along with micro, small and medium enterprises when a relief package is announced. The migrant issue also comes into play. What if many decide not to go back to the cities? "I think there is a case for a rollback at the cap of ₹1.25 lakh per individual. Post-lockdown, many borrowers may need additional financial support to get their livelihoods back on track," says Nambar. Then, a few facilities may deepen as well.

With the three-month moratorium on term loans was announced on March 27, hunkers continued to demand their receiving by non-banking financial companies (NBFCs) and standalones MFIs. It took a statement by Das in late April to set matters straight – that NBFCs and MFIs were eligible for it and there was nothing in the central bank's circular which prevented this from being offered.

And late 2019 had also seen banks and MFIs split over the "Code for Responsible Lending" (CRL). The weaker shared MFIs (standalones) in 30 per cent of cases, banks at 40 per cent, small finance banks (SFBs) at nearly 20 with "either" making up for the rest. And private and MFIs, in particular, have been trying to increase their share in this space, especially with avenues for growth coming down. In October 2019, the central bank raised the cap for MFIs to ₹1.25 lakh per borrower from ₹1 lakh. While it capped the exposure by saying not more than two MFIs can lend to a borrower, it was silent on the number of banks in the relationship. Will those issues ease all over again? Remember, banks bankroll MFIs and compete with them.

For MFIs, red may be a colour they will have to keep an eye on.
DEPLETION OF SAVINGS forcing 70% borrowers to seek rollover and fresh loans to restart livelihoods; MFIs face a tough situation as their lenders are yet to disburse them credit

MFIs’ Stress Levels Soar as More Borrowers Push for Moratorium

Kolkata: Stress in the microfinance sector has soared with about 70% of borrowers seeking moratorium on loan repayments as their incomes dipped and savings were eroded. Micro borrowers engaged in roadside vending, tailoring and weaving in urban and semi-urban pockets are facing the strain more as their daily earnings vanished during the lockdown while people engaged in farming and allied activities are better off with a good rabi crop harvest.

Till the first week of April, just about 30% of the micro loan borrowers had sought the Reserve Bank of India-prescribed moratorium. One month down the line, the ratio jumped to 70-75%, according to data compiled by microfinance industry associations. RBI announced the moratorium an payment on March 27 to aid stressed borrowers hit by the Covid-19 pandemic.

“From a small one-third seeking moratorium in early April, we now see almost two-thirds seeking it. It clearly shows depletion of household savings in the last six weeks of lockdown,” said Manoj Nambiar, chairman of Microfinance Institutions Network (MFIN), a self-regulatory body for the sector.

Dilipjyoti Pattanaik, managing director at Odisha-based micro lender Annapurna Finance, said that the number of borrowers seeking moratorium is growing by the day as they want to hold back whatever liquidity they have with no or less cash flow.

The bottom of the pyramid borrowers are also in search of fresh dose of loans to resume their businesses. “The activities which are essential in nature are picking up so people involved in these activities are also in need of moratorium,” said Pattanaik.

Sa-Dhan, an industry association, estimated that microfinance institutions (MFIs) would have to lend close to ₹50,000 crore over the next six months, often by way of emergency or top-up loans, since borrowers need fresh lines of credit to rebuild their livelihoods and stabilise their income.

Sa-Dhan has appealed to finance minister Nirmala Sitharaman to re-energise banks so that they open their purse strings and disburse loans within the sanctioned limits and consider fresh credit limits for MFIs.

Sitharaman will hold a review meeting with chiefs of public sector banks on Monday to discuss credit affront and other issues.

Even as the lockdown is being lifted in phases, off-field repayment collections are expected to be slow as staff mobility remains a key challenge.

“There is possibility of a shortfall of collections of over 30-40% even by September 2020 and a potential default by MFIs to their lenders to the extent of 15%. Many of the mid-sized and small MFIs will be challenged to meet their operational expenses in full, with a potential shortfall of ₹1,500-2,000 crore,” Sa-Dhan said in its appeal to the finance minister.
Mohollat maangne wale MFI boroares kaa number dubal

April ke pahale haptan tak sirk 30% boroares ne maangha thah RBI ki moraatosam skrime ka laabh, abh hui 75%

Rahulbhai Rupani, MFI

[Article content in Hindi]
Move will restore stability in financial markets: SBI chief

ECONOMIC BUREAU
MUMBAI, MAY 13

Banks are set to extend funds to lower-rated non-banking financial companies and housing finance companies following the government’s decision to offer credit guarantee support.

Banks which were pressing for a guarantee from the government to lend money to NBFCs despite the Reserve Bank of India opening a liquidity window for NBFCs and microfinance firms have welcomed the government guarantee announced in the stimulus package. “The envisaged support of full credit guarantees to the lower rated NBFC and HFC entities will restore stability in financial markets and could act as a clear enabling factor for compressing credit spreads,” SBI Chairman Rajnish Kumar said.

“The measures for MSME through guarantees, equity infusion and debt support will incentivise bank lending to MSMEs as well as providing crucial support to stressed entities in the current situation,” Kumar said.

Manoj Kumar Nambiar, MD, Arohan and Chairman of MFIN, said, “The first measure with full guarantee for Rs 30,000 crore and the second one for Rs 45,000 crore with 20 per cent partial guarantee for NBFCs, HFCs and MFIs is path breaking from the government of India.” Deo Shankar Tripathi, MD & CEO, Aadhar Housing Finance, said, “the special liquidity of Rs 30,000 crore with government guarantee will encourage banks to subscribe investment grade debt papers of AA and below rated NBFCs, HFCs and MFIs.”

“Now banks with government guarantee will happily draw funds from the RBI and support low rated companies. Another Rs 45,000 crore with 20 per cent first loss partial guarantee from government will encourage lenders to support low and even unrated NBFCs, MFIs and HFCs. This measure will largely solve the liquidity issues of these lenders,” he said.
Special window: Microlenders better equipped to disburse loans to street vendors, says MFI body

MITHUN DASGUPTA
Kolkata, May 18

SAYING THAT MICROFINANCE institutions (MFIs) are better equipped than banks to disburse loans under the government’s special credit facility for street vendors, microfinance lenders’ umbrella body Sa-Dhan has urged finance minister Nirmala Sitharaman to set up of a dedicated fund of ₹3,000 crore in Mudra for this purpose.

Last week, the government unveiled ₹5,000-crore special credit facility for street vendors. Under this scheme, a vendor can get initial working capital up to ₹10,000. Sitharaman had said this scheme would support nearly 50 lakh street vendors.

“As much as 45% of the borrowers of MFIs are from the urban and semi-urban areas, which works out to about 20.46 million, of which nearly 31% are street vendors. As such MFIs are best suited to implement this credit facility. Sa-Dhan has already initiated talks with DAY NULM and the housing ministry,” Sa-Dhan executive director P Satish said in his letter to the FM.

“Banks will have to start from scratch to give loans to street vendors. They will have to find out who these borrowers are, but MFIs are already with them. We know their credit history as well,” Satish told FE.

“Once the lockdown is lifted, we can start disbursing the loans. MFIs are already operating in green zones. The only drawback is their financial position, so they need a credit line so they can start disbursement. That is why we have requested the FM to set up at least ₹3,000-crore fund in Mudra,” he added.

“I don’t know how can a proper KYC be done for a street vendor. It is very difficult. A vendor may be selling vegetables or fruits or flowers on a street, but he may not have a proper residential address. We will wait for the government to clarify,” a senior official with a state-run bank told FE.

Microfinance industry bodies expect the special liquidity and the partial credit guarantee schemes announced by the government to increase liquidity for the NBFC-MFIs in the medium term. While the special liquidity scheme is likely to help large MFIs, the partial credit guarantee scheme would help medium and small-sized MFIs.

“The partial credit guarantee scheme will help small and medium-sized MFIs. As the government is guaranteeing, banks will be interested in buying the papers of some small and unrated microfinance firms. MFIs will get money at cheaper rates. Then they will be able to sustain their operations and lend more to customers. But it will not happen immediately. This is a medium-term plan of the government,” MFIN CEO Harsh Shrivastava said.
Normalcy returning for shadow lenders, albeit at a slow pace

Enquiries for fresh loans see uptick

With the government giving greater relaxation in lockdown & non-banking financial companies (NBFCs), mortgage lenders and microfinance institutions (MFIs) are re-opening most of their branches nationwide and disbursement credits, albeit at a slow pace, and enquiries for fresh loans are seeing an uptick.

Repayments have been slow and are a cause for concern. Lenders are expecting credit demand to pick up after the second quarter (September).

And since during the monsoon the propensity of asset acquisition is low, they expect a revival in demand during the festive season.

“We have opened 150 branches in the country and are looking at another 400 in the next three-four days. Footfalls have improved and in the last week or so we have seen ₹500-7000 customers walk in to our branches nationwide mainly for repayments and for business enquiries. Enquiries are more for tractor and pre-owned vehicles and not as much for other products,” said Ramesh Iyer, vice-chairman and managing director, Mahindra & Mahindra Finance.

Cholamandalam Finance has started operations with 90 per cent of its branches re-opening and delivering fresh credit to its customers.

Aadhar Housing Finance said it had re-opened almost 80 per cent of its branches and 80 per cent of the branches in the red zone were operating.

“We are seeing normalcy in reopening branches but are not hopeful of doing great business. But definitely we are seeing some momentum,” said B. Shanthi Tripathi, managing director and chief executive officer, Aadhar Housing Finance. “Recoveries have been good and fresh disbursements, ₹1000-1500, have begun. But most of our borrowers are still in the initial stages of recovery, with 60-90 per cent of the loans still outstanding.”

Tripathi said: “In pre-construction cases, where the second and the third tranche of loan disbursement is requested by customers, we will be disbursements to creditworthy customers. Repayments are picking up. Credit demand will pick up from salaried customers in a month or two after the lockdown is lifted but from self-employed and informal segment customers, it will take time due to the impact on cash flows. It depends how fast economic activities resume.”

MFIs are seeing a surge in demand for emergency loans and accepting new loan applications, but exercising caution while disbursing credit.

“Loan applications of existing customers with a good credit history as of February 29, 2020, are being considered,” said Manoj Nambari, chairman, Microfinance Institutions Network (MFIN). “A majority of MFI borrowers are seeking a moratorium on repayments. Most MFIs too have got similar moratoriums from their lenders after much lobbying.”

F Sadash, executive director, Sa-Dhan, a micro-finance representative body, said communities were fearful of entry of loan officers from outside and 10-12 per cent of normal credit was flowing, and the same same for repayment. However, this may pick up by the end of the month.

For smaller MFIs, resuming operations is more difficult because they haven’t got any fresh bank credit sanctioned from their lenders.

“Operations are almost at a standstill. Only 4-5 per cent of disbursements are happening,” said Rahul Mitra, chief executive officer, Mangalartha Financial Services.
Sidbi, Nabard compete to lend to top MFIs under RBI's liquidity support

According to informal estimates, the two organisations together are looking to extend Rs 7,000-8,000 crore in funding.

Topics
Indian banking sector | Banking sector | SIDBI

Nirmala Acharya | Kolkata
Last Updated at April 30, 2020 23:51 IST
Body Blow For Microfinance Institutions, Can They Keep Their Chin Up During Corona Times?

Microfinance institutions are unable to resume even limited operations and the Reserve Bank of India’s revival package may not serve the most deprived.
Body Blow For Microfinance Institutions, Can They Keep Their Chin Up During Corona Times?
RBI takes steps to make TLTRO more effective to boost liquidity for NBFCs

The industry leaders said that smaller firms could not access the TLTRO, which RBI created to pump in liquidity through the banking channel. RBI told banks to borrow from it and invest at least half of it in money market instruments issued by small and medium-sized NBFC and MFIs. The first auction of Rs 25000 crore saw bids for just above 50% of it.

By Atmanip Ray, ET Bureau | Last Updated: May 04, 2020, 16:38 PM IST

KOLKATA: Reserve Bank of India is said to be taking steps to make the targeted long term repo operation (TLTRO) more effective to boost liquidity for non-bank lenders, with the first tranche of the liquidity-enhancement exercise failing to yield the desired result.

Governor Shaktikanta Das has assured industry representatives in the NBFC and microfinance sectors through a video call on Monday about strengthening this mechanism, two people familiar with the matter said.

At the call with RBI top brass including deputy governors MD Patra and MK Jain, non-bank lenders have sought one-time restructuring of loans, shifting of moratorium period to April-to-June and extension of asset classification relaxation until September. Other demands
Microfinance institutions on a knife-edge with collections taking a big hit

With collections taking a big hit, microfinance institutions will be put through the wringer, reports Raghu Mohan

Topics
microfinance institutions | Reserve Bank of India | Lockdown

Raghu Mohan
Last Updated at May 7, 2020 02:50 IST

“The key point is how banks will continue to support us with ample liquidity after the lockdown is over and relative normalcy returns in the rebuilding process,” says Manoj Nambar, managing director (MD) of Arohan Financial Services, and chairman of the Microfinance Institutions Network (MFIN). He has good reason to be pensive.

In phase-1 of the Covid-19 lockdown, nearly 70 per cent of microfinance institution (MFI) borrowers had not opted for a three-month moratorium on their loans. But the pendulum has moved to the other side now. The universe of the affected, a tad ...
Rising stress: About 70% micro loan borrowers want moratorium as household cash flow depletes

Dibyajyoti Pattanaik, managing director at Odisha-based micro lender Annapurna Finance, said that the number of borrowers seeking moratorium is growing by the day as they want to hold back whatever liquidity they have with no or less cash flow.

By Atmadi Ray, ET Bureau | Last Updated: May 10, 2020, 11:31 PM IST

Stress in the microfinance sector has soared with about 70% of borrowers seeking moratorium on loan repayments as their income dipped and savings eroded. Micro borrowers engaged in roadside vending, tailoring and weaving in urban and semi-urban pockets are facing the strain more as their daily earnings vanished during the lockdown while people engaged in farming and allied activities are better off with a good rabi crop harvest.

Till the first week of April, just about 30% of the micro loan borrowers had sought the Reserve Bank of India-prescribed moratorium. One month down the line, the ratio jumped to near 70-75%, according to data compiled by microfinance industry associations. RBI announced the moratorium on payment on March 27 to aid stressed borrowers hit by the Covid-19 pandemic.
Move will restore stability in financial markets: SBI chief

Banks which were pressing for a guarantee from the government to lend money to NBFCs despite the Reserve Bank of India opening a liquidity window for NBFCs and microfinance firms have welcomed the government guarantee announced in the stimulus package.
Sitharaman gives liquidity boost of Rs 75,000 cr to shadow banks, MFIs

Sitharaman announced a special liquidity scheme of Rs 30,000 crore for NBFCs, housing finance companies (HFCs) and MFIs which are finding it difficult to raise money from the debt markets.

Topics
Nirmal Sitharaman | shadow banking | Indian Economy

Special window: Microlenders better equipped to disburse loans to street vendors, says MFI body

Last week, the government unveiled Rs 5,000-crore special credit facility for street vendors. Under this scheme, a vendor can get initial working capital up to Rs 10,000. Sitharaman had said this scheme would support nearly 50 lakh street vendors.
Microfinance lenders aim at repayment collection, restoring credit cycle amid rising stress

Microfinance leaders fear extended moratorium may increase stress and derail their robust credit discipline.

By Almedip Ray, ET Bureau | Last Updated: May 28, 2020, 06:41 AM IST

Microfinance firms and small finance banks are desperately looking to boost repayment collection to revive cash flow and resume loan disbursement to restore normalcy in credit cycle even as the Reserve Bank of India extended moratorium on payment till August 31 for borrowers under stress.

The prime concern expressed by microfinance leaders now is that the extended moratorium might increase stress and derail the robust credit discipline that they nurtured over the years.

"It's a disaster," said a chief executive of an MFI. "Many of the borrowers may not able to service loans after the six month of repayment holiday."
Non-Initiated
How to help small businesses amidst Covid

Informativeness cannot benefit from the RBI's liquidity measures. MFIs, cooperatives, and SHGs can make a difference here.

Local entrepreneur: S. Swaran

Even in India, the collateral exit from the lockdowns is not a simple shift in its approach. As recovery of the economy begins, the RBI has proactively taken steps to ensure adequate liquidity and support for small businesses that are largely under-represented.

Local Scenario and Global Trends

This represents a critical moment in the world's economy where small businesses are facing unprecedented challenges. RBI's measures could be an opportunity for small businesses to secure loans.

The size of the informal sector helps look at these and figure out this segment as per the latest available Sixth Economic Census (SEC) – conducted between January 2013 and April 2014 – 3.5 million million small businesses were found to be in operation, of which 5.4 million (31%) were in the rural areas and 6.9 million (41%) in urban areas. Around 8.6 million (72% per cent) were not able to establish their existence – such as workers and small and medium-sized businesses having fewer employees. However, these small and medium-sized businesses have been identified by the RBI as key contributors to the informal sector, which constitutes about 10% of India's GDP.

In India, direct finance from institutional sources to these enterprises is extremely limited. While the indirect costs are relatively lower, they may not be able to establish their existence efficiently. Thus, it is essential to provide adequate liquidity and support to these enterprises.

A ‘supplier-back’ scheme

As mentioned above, conventional approaches may not work to an extent in this extraordinary situation. This is particularly true of the millions of informal household enterprises, which are characterized by their limited access to formal sources of finance. However, non-formal, community-based organizations and microfinance institutions have a critical role to play in providing liquidity and support to these enterprises.
MFIs: The micro-finance institutions (MFIs), which have been hit severely in the wake of the coronavirus-triggered lockdown, are expecting that the repayments of loans given to the borrowers will actually start from June, an official of the industry body said on Friday. Most employees of micro lenders have come back to their offices in green zones and have been able to establish contacts with their clients, either over phone or visiting them physically, Microfinance Institutions Network (MFIN) CEO Harsh Shrivastava said.
MFI industry hopes repayments to start from June

KOLKATA: The micro-finance institutions (MFIs), which have been hit severely in the wake of the lockdown, are expecting that the repayments of loans given to the borrowers will start from June, an official said on Friday.

Most employees have come back to their offices in green zones and have been able to establish contacts with their clients, either over phone or visiting them physically, Micro-finance Institutions Network CEO Harsh Shrivastava said.

“No state is disallowing opening of the MFI offices in green zones. The MFI portfolio is spread across the country and a substantial portion of that is in the green zones,” Shrivastava said.

Since May 4, the beginning of the third phase of the lockdown, employees of micro lenders have joined their offices in green zones, though collections and disbursements have not been started, he said.
How to help small businesses amidst Covid

Informal enterprises cannot benefit from the RBI’s liquidity measures. MFIs, cooperatives and SHGs can make a difference here

Even as India rolled out a differentiated exit from the lockdown, signalling a change in its approach in combating the pandemic to save lives along with livelihoods, the public discourse is largely focussed on the next tranche of fiscal stimulus for faster recovery of the economy. Meanwhile, the RBI has proactively come out with a set of monetary measures to ensure adequate liquidity in the financial sector with a view to meeting credit needs of the stressed segments of the economy.

At this juncture, the issue of rescuing millions of unorganised enterprises, which account for bulk of the
MFI industry hopes repayments to start from June

The government had announced a special liquidity support of Rs 30,000 crore with its guarantee, and the Rs 45,000 crore partial credit guarantee scheme will help the MFIs, he said, adding that it will instil confidence among the lenders.

PTI | Last Updated: May 15, 2020, 01:33 PM IST

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

Small, midsize MFIs look for unused credit limit to tide over liquidity crunch

The micro-finance institutions

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The outlook of the industry is good after the government had announced few measures to prop up the NBFC-MFI sector, he said.

"In the rural areas, the clients have incomes and businesses are taking place. But collections are not happening due to the moratorium on repayment, which will end on May 31, 2020," he said.

However, he said emergency loans can be given to existing clients with good track record.

The government had announced a special liquidity support of Rs 30,000 crore with its guarantee, and the Rs 45,000 crore partial credit guarantee scheme will help the MFIs, he said, adding that it will instil confidence among the lenders.

P Satish, executive director of Sa-dhan, a self-regulatory organisation of the MFIs, said that two per cent interest subvention on "Mudra Sishu" loans, announced by the government, will help the microlenders.
Coronavirus crisis: MFIs hope loan repayments to begin from June

Rating agency ICRA said that nearly 50 per cent of the entire MFI portfolio is in the orange and green zones

PTI  Last Updated: May 15, 2020 | 13:05 IST

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Some signs of economic normalcy as the nation-wide lockdown is eased gradually.

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PTI  |  May 15, 2020 12:43 IST

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