MICROFINANCE INSTITUTIONS NETWORK

Media Visibility Report - Leadership Quoted in Various Industry Stories
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Leadership Quoted in Various Industry Stories
LENDING IN THE TIME OF A PESTILENCE

Microfin Gets Another Blow

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

Investors’ rush to safety led to an erosion in the value of all lenders’ stocks, but a few of them just crushed because they were exposed to the more volatile business than their peers. Instead, they end up to this poor. In the latest carnage in the equity market, the worst hit among the financial services have been those which lend to joint liability groups, shopkeepers, vegetable vendors and carpenters.

The fear is that as the nation shuts down for three weeks to curb the coronavirus outbreak, these vulnerable sections of society would not only be without income, but many of those who lost them probably may not have the capital to tide the tide.

The Reserve Bank of India’s three-month moratorium would provide some relief till May 31, but the period of non-repayment of loans looks large when they resume business. “We have an ecosystem where borrowers understand their responsibility better. They realise the importance of repaying loans on time and keeping their credit history clean,” says Sharda Shekhar Gosh, managing director and CEO of Casual Bank, that specialises in lending to the poor. “Microfinance borrowers still pay their loans and social activities, creating issues like non-repayment every now and then. The only way to address it is to improve financial literacy.”

Going by past experience, there could not be a better time to loan with teeth. Industry estimates suggest that the endowment — when the lenders had to define policies collection, as they were doing — the NBFC-MFIs had written off anything between 8,000 crore and 7,000 crore during April-September 2019. The loan outstanding was around 1.5 lakh crore.

THE LURE

While the poor have been untouched for high lenders because of their economic status, the risk associated with unsecured lending, many new entrants looked at them as a high-profit opportunity with high-profit margins.

Microfinance, too, saw a spurt in new entrants such as BajajFinserv — beginning operations in 2011 as a micro lender — and SKS Microfinance building a good, scalable business model.

Once people like Namita Gosh and SKS discredited promoter Vikram Akula proved the world that the poor can be good business, others flocked in. SIS Microfinance, when it became public in July 2016, commanded a valuation premium over lenders such as State Bank of India or ICICI Bank. In 2014, Nobel Laureate Abhijit Banerjee and Esther Duflo showed that micro credit plays a role only where access is limited for both credit and safety opportunities. This lack of access always results in a demand for the microfinance sector, even at a time when other sectors are normal.

Investors began to give additional premium to micro lenders because the poor has higher interest because of the risk associated with them. But that boosted the profitability of lenders during the good times. For instance, net interest margins of microfinance banks for the December quarter was 7.9% and for Ujjivan Small Finance Bank, it was 10.8%, but the same metric for ICICI Bank was at 8.77%, and the best managed HDFC Bank.

“New equity interests in the financial services industry might also have a role to play in the future,” says Kishore Fernandes, managing director at Northstar Capital, an arm of Capital for these smaller lenders. “If we believe that incumbent equity investors will come forward to support their portfolio companies like they did in the past.”

WHIPPING BOYS

Microfinance is now recognised as being the vehicle to achieve the country’s financial inclusion goals. While the deed is good, everyone appreciates the contribution, but political actions by vested interests often trigger upheaval that just the entire industry to payback.

In many cases, the point of contention is the high interest rates charged by them, although it is often lower than what the money lenders would have.

When SKS Microfinance, now merged into Indiabulls, received an advance from the government, for the first time, an Andhra Pradesh government ordinance provided non-repayment of loans, leading to a liquidity crisis for MFIs across the country. That was where the company had the maximum exposure. Subsequently, RBI had to intervene to save the situation.

If the Andhra Pradesh crisis in 2013 triggered a regulatory attention and later, demonstration in 2017 to go the risk of business with little capital. Then came the Assam crisis last year, when over 150 microfinance institutions in the northeast were closed, leading to a change in policies. Many local lenders were accused of adhering to prudent lending practices.

Microfinance firms in India have been under a cloud for quite some time. Last year, the National Bank for Agriculture and Rural Development and the Reserve Bank of India (RBI) had issued guidelines to ensure that microfinance institutions (MFIs) do not discriminate against borrowers or charge exorbitant interest rates.

“These measures have helped bring the sector back on track,” says Bajaj Finserv, one of the leading microfinance institutions in the country. “However, we need to ensure that these regulations are implemented effectively so that the benefits of microfinance reach all segments of society.”

SURVIVAL OF THE FITTEST

Can they sustain yet another repayment hurdle? The coronavirus pandemic has thrown life and economy out of gear. “The microfinance business is getting involved with the need for continuous credit to small businesses,” says Ravi Venkatesh, chief executive officer of Bajaj Finserv, one of the largest microfinance lenders.

“The support from the government and financial institutions will be key in ensuring that the sector continues to operate,” he says. “We are working closely with our partners to ensure that our clients continue to access credit during these challenging times.”

Under the new regulatory framework, microfinance institutions are now required to adhere to a risk management framework that includes credit assessment, risk monitoring and reporting, and regulatory compliance.

Microfinance India Foundation (MIF), an apex body representing the microfinance sector, has also taken steps to help borrowers who are facing difficulties in repaying their loans.

“MIF is working closely with the RBI and other government bodies to ensure that the sector continues to operate efficiently,” says MIF. “We are also encouraging our member institutions to adopt measures to support their borrowers, such as extending repayment periods and reducing interest rates.”

While the microfinance sector has faced several challenges in recent years, the government’s efforts to strengthen the regulatory framework and provide support to borrowers are expected to help the sector bounce back.

“The government’s initiatives to promote microfinance have been a game-changer for the industry,” says Ravi Venkatesh. “We are seeing a lot of positive signs, and we are optimistic about the future of the sector. However, it is important that the government continues to provide support and guidance to the sector.”

In conclusion, the microfinance industry in India faces several challenges, but it also has the potential to continue growing and making a positive impact on the lives of millions of people. With the right support and guidance, the industry can continue to thrive and provide much-needed financial inclusion to the poor.”
Lockdown: MFIs are apprehensive about growth, likely to shelve expansion plans

PRESS TRUST OF INDIA
Kolkata, April 6

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

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

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

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

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

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

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

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

SP Bera

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

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 recent lockdown has impacted 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 media.

“MFIs with many exposures in urban informal sectors will face more difficulties than an lending institution having a large number of rural sector borrowers,” he said. The Association of Microfinance Institutions, West Bengal member and Village Financial services managing director Kuldip Mandy said it will take at least six months for non-agro portfolios to get into normalcy and the overall industry growth for the FY21 may slip to 15 per cent. Ruling out any possibilities of refinements 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 plan of many institutions will either be put on hold for the time being or required to be tweaked as the MFIs will try to protect their existing portfolio and concentrate more on the steady old ships.”

Despite the disruption in the second half of March, the last month for a financial year, due to the coronavirus pandemic, Satish said, “The MFIs, however, optimistic that the microfinance industry will clock a 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. 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. “Microfinance is basically a group-based lending approach. Since there are restrictions on movement, nuclear members of small borrowers’ groups, not 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 its peak before closing of a business year, and last week of March is always hectic, Nambari, who is also managing director of Artha 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. Owning to the lockdown, around Rs 3,500 crore could not be disbursed to borrowers by 75-80 entities in the last seven days of FY20,” he told reporters.

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

“Again, a rough estimate indicates that around 5,000 crore of money could not be collected during the last week of March,” Nambari said. “The scheme is about extending the loan tenure by three months. There is a cost implication in the form of interest rates, if one opt 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, including 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 end clients, who need it 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 to realign their businesses as and when the normalcy in the economy is restored.
MFIs turn to RBI for 3-month moratorium

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

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

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

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

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

MFIs haven’t had access to funds since March 21, and this has been communicated to the RBI. “In the last 15 days, we have not had any disbursals. We haven’t received money through collections or bank loans, but we have had to meet our repayment obligations,” said Pedmay Reddy, managing director, Spandana Sys可tity Financial.

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

RBI may Act as Microfin Institutions Press Panic Button

Atanu Ray, the Times Group

Kolkata: The Reserve Bank of India appeared to have swung into action as microfinance firms pressed the panic button over liquidity exhaustion after several banks refused to pass on the moratorium benefit to them. Besides, about 96% of the MFIs with below investment grade ratings don’t have access to money markets to meet the liquidity gap as suggested by the regulator. Borrowing from the market to pay back loans is in 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 in a series of communications since funding apparently got stuck in the middle.

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

They also argued that MFIs raise funding mostly in the form of term loans from banks and financial institutions and repayments are made after collection from borrowers. Out of 67,302 cases outstanding loans, as on March 31, 2020, merely 0.5% is raised through commercial papers (CPs) and about 1.5% through non-convertible debentures (NCDs).

“This is evidently so, says MFIs, maintaining liquid cash, to pay their obligations to lenders, and open beyond a few months,” said Kshama Fernandes, Chief Executive, Northern Arc Capital, which arranges capital for smaller firms. “If the flow of moratorium to NBFCs isn’t restored, with all the best intentions, this isn’t going to work, and the NBFC tap will dry up and they will not be able to service their clients for long,” he said.

MFIs and NBFCs argued that the microfinance institutions would also be affected if interest payments were not allowed to be deferred.

“The regulator also announced the targeted long-term recap operations and told banks to deploy liquidity absorbed through this in investment grade corporate bonds, CPs and NCDs.

“In reality, some of our clients know that they don’t have to repay loans till the end of May. Leading zero cash flows and on the other hand, our lenders are facing moratorium but no support from our end. We are on the verge of going into default,” said moving corporate bonds, CPs and NCDs.

“Even today, no MFIs are taking any protective measures to protect their positions,” he said. “The regulator also announced the targeted long-term recap operations and told banks to deploy liquidity absorbed through this in investment grade corporate bonds, CPs and NCDs.”
RBI May Look at Microfin Firms’ Liquidity Woes

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

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RBI has been the Reserve Bank of India as RBI appears to have swung into action on 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 gap as suggested by the regulator. Borrowing from the market to pay such bills is any way not an ideal situation, opined by the industry said.

RBI has collated business details, size of borrowing, liquidity position and credit ratings with MFIs via a series of communication since Sunday, apparently to put the facts on the table.

Confusion reigns on whether NBFC-MFIs do have collateral support from their lenders, many believe that the RBI’s move on extending support to the MFIs in contrast to what the ministry of finance is doing in its widely acknowledged “liquidity injection.”

“Rescheduling of payments is applicable for all term loans to all the borrowers, irrespective of the segment and the tenor of the term loan,” said NBFC-MFIs. They also raised term loans from banks for on-lending to micro borrowers.

“Liquidity is much worse now. Most banks are not paying back-to-back moratorium to MFIs, citing confusion prevailing in the market,” said Harish Shrivastava, chief executive at the Microfinance Institutions Network (MFIN), a self-regulator for the sector.

MFIN and NBFC-MFIs have jointly pitched for a clarification from the regulators on the issue.

“MFI’s are on cash crisis and would be precarious if they are not collecting any monies for their own operating costs, leave aside getting in position to service their dues,” they said in a letter to Governor Shaktikanta Das dated April 1, requesting him to remove the doubts on the matter.

They also argue that MFIs raise funding mostly in the form of term loans from banks and financial institutions and moratoriums are made for collection from borrowers. Out of INR 42,000 crore outstanding, borrowing as of March 31, 2020, was nearly 53% lent through commercial papers (CPs) and about 11% through non-convertible debentures (NCDs).

RBI did not reserve any special liquidity measures for the MFIs as banks have not passed on the benefits of the moratorium.

On March 27, the regulator created an ad hoc panel for banks to set up a three-month moratorium on term loans for the borrower under the stress. The regulator also suggests a targeted long-term reprofiling of loans and banks to deploy liquidity sourced through this in investing-grade corporate bonds, CPs and NCDs.

“MFI’s are facing liquidity crunch, and the focus is not on whether they are able to pay interest and principal, but on their viability,” the regulator said.

MFIN and Shrivastava argued in their joint letter that marathons would also be required to directly assign the deal to banks who have purchased the impaired assets, and also for the borrower to follow up on the benefits of the moratorium for their own benefit.

Shrivastava also said that the MFIs need a targeted approach to address the liquidity concern and that the moratorium is not just a onetime fix but a long-term solution.

The letter to Governor Das, dated April 1, 2020, had requested clarifications on the moratorium and the impact on the industry's financial health. The letter also highlighted the need for a targeted approach to address the liquidity concern and the importance of the moratorium as a long-term solution.
RBI may announce separate credit line to rescue MFIs

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

The central bank is closely examining the data received from MFIs, including their credit ratings, liquidity positions, and cash in hand. According to the official, 31 out of 90 MFIs have floated their own investment grade papers and are therefore eligible to avail funding under the targeted long-term repo operations (TLTRO). With limited liquidity available under the TLTRO window, and the number of firms queuing up, MFIs are unlikely to get any liquidity support from banks. MFIs, like other financial institutions, are in a fix over whether they can avail of the moratorium benefit on term-loan repayments given to all borrowers.

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

“Since small businesses and economic activities of borrowers of MFIs have come to a standstill, there is no way any borrower can repay his debt in time,” said an official in the ministry of finance.

The central bank is considering providing a separate credit line to assist MFIs that are suffering due to the lockdown. The credit line would be in the form of a loan from banks, which would be guaranteed by the government. The aim is to ensure that MFIs can continue to provide credit to their clients, especially those in the agriculture and rural development sectors.

However, MFIs are not convinced that giving a separate credit line will help solve the problem. “Authorising banks, DFIs, NRECs to give a back-to-back moratorium to NBFCs/MFIs is the only, immediate solution to the liquidity challenge, since all MFIs have stopped collections from their borrowers. Earlier, many banks had offered this moratorium, but they have withdrawn it, citing confusion in the RBI guidelines. We hope that the RBI will respond to the industry’s plea. All other proposed solutions will take time (especially when everyone is working from home),” said a senior official.

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?

ANALYSIS

The managing director of a reputed microfinance institution (MFI) has been caught in a controversy over its handling of small borrowers. The MFI, which operates in several states, has been accused of overcharging and exploiting its clients. The controversy has divided the industry, with someMFIsouting their case for a moratorium on loans, while others argue that the MFIs have been unfairly targeted.

On the other hand, the Reserve Bank of India (RBI) has been under pressure to extend a moratorium on loans to microfinance institutions (MFIs) hit by the ongoing economic crisis. The RBI has so far refused to extend the moratorium, citing the need to maintain credit discipline.

The MFIs have been hit hard by the economic downturn, with many borrowers defaulting on their loans. The MFIs have been forced to cut their lending rates, which has put pressure on their profitability. Some MFIs have been forced to cut their staff and close branches in order to stay afloat.

The MFIs have also been facing pressure from the government to reduce their interest rates. The government has been pushing for MFIs to reduce their lending rates, in order to make credit more accessible to small borrowers. The MFIs have been resistance, arguing that reducing their lending rates would put them at risk of default.

The controversy has divided the industry, with some MFIs arguing for a moratorium on loans, while others argue that the MFIs have been unfairly targeted. The MFIs have been hit hard by the economic downturn, with many borrowers defaulting on their loans. The MFIs have been forced to cut their lending rates, which has put pressure on their profitability. Some MFIs have been forced to cut their staff and close branches in order to stay afloat.

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

“We request you to direct the RBI to instruct all banks and other lenders to kindly pass on the same moratorium (benefit) to 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 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 Rs3,838 crore of outstanding borrowing at the end of March. About two-third of it was from banks while the balance was from non-bank lenders, including institutions such as Small Industries Development Bank of India (SIDBI).
MFIs want to secure repayment moratorium

SP Bureau

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

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

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

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

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

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

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

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

MITHUN DASGUPTA
Kolkata, April 17

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

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

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

Shrivastava informed that some banks were giving loan moratorium to some of their NBFC-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 TLTR 2 of ₹50,000 crore would largely benefit big NBFC-MFIs, microfinance lenders' umbrella body Sa-Dhan's executive director P Satish said, "We will be pursuing all the banks to extend the moratorium because RBI's interpretation is quite positive on that."

Satish said Sa-Dhan and MFIN had already taken up the matter with the Indian Banks' Association and he expressed hope that in Saturday's planned meeting all IBA member banks would take a decision on the loan moratorium.
Small NBFCs May Pool their Bonds to Get TLTRO Funds

Atmadip Ray and Salkat Das

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

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

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

RBI has planned a 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.

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

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

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

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

About 6,500 NBFCs, less than 600 crore in asset size, have already reached out to banks seeking credit lines. Others would seek funds from bigger NBFCs. “While some small NBFCs would access TLTRO money from banks, others will get it from large NBFCs, flush with cash now,” said Shreyans Kasliwal, director at Kamal Auto Finance, a Jalpur-based NBFC which is rated BBB.

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

SUBRATA PANDA & RAMRATNACAHAYA
Mumbai/Kolkata, 19 March

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

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

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

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

"As of now, the entire lending value chain is operating in the digital mode—end to end," said Ajoy Chatterjee, chief digital & marketing officer, Tata Capital.

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

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

"Operations in green zones will resume with skeletal staff (one-third of normal employee strength) to maintain social distancing and proper arrangement of masks, gloves and sanitizers. Branches will be sanitized before starting work and employees will be sensitized on hygiene and do's and don'ts," said Manoj Kumar Nanaware, chief person.

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

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

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

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

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

"For the time being, we will extend Covid loans, only to existing customers, who have no NPAs (non-performing assets) as on March 1, 2020. These are pre-approved loans of Rs 10,000 to 30,000 with no processing fee and are payable after four months," said K Paul Thomas, MD & CEO of ESAF. Also, a large part of the disbursement would be through digital channels.

Gold loan lenders loosen 90% of branches

Kerala-based gold loan lenders are planning to open 90 percent of their branches from Monday and expect around 10-15 per cent growth despite Covid-19.

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

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

Agrees K R Biju, chief general manager of Mathoor Finance. It will open 90 per cent of its 2,000 branches (excluding 500 MFIs). The company, which got around 44.000 cross book, expects to grow around 10-15 per cent.

The average price of gold when they were mortgaged with these companies was much lower and now prices are above 44,000 per 10 grams. Many customers badly need cash after nearly a month of lockdown and no or lower income. All of them are expected to take higher loans against the same gold they have mortgaged and new customers are also expected to come.

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

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

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

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

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

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

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

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 per cent of the funds in corporate bonds.

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

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

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

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

Harsh 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

SURABHI
Mumbai, April 21

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

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

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

“Less than 50 per cent of the 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
“Demand intact
“The segment of customers we deal with – unserved and underserved – will not be inactive for a long time. There will be demand in their local ecosystems. In the past, too, we have seen that microfinance customers are not impacted during such macroeconomic changes,” said Chugh, adding that the bank has not seen much stress in retail accounts.

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

Thomas attributed his confidence to the experience in the 2018 Kerala floods. “At that time, about ₹1,960 crore of the portfolio was affected. But we gave a repayment holiday, we supported them and provided an additional loan to start their business with a moratorium, and now there is only ₹7 crore overdue out of the portfolio,” he said.

Migrant workers
Harsh Shrivastava, CEO, MHN, also said that local demand has not gone down.

“About 15 to 20 per cent of the rural economy is based on migrant labour. They have to get back to work,” he said, adding that rural economy is not doing very badly at present. “Government measures are also putting some money in their pockets. The devastation is more in urban areas,” he said. However, he noted that credit demand will take some time before it resumes. According to other players, remittances from migrant labour have come down, which has impacted the rural economy, and they will depend on the resumption of the wider economy.

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

To take care of at least a part of the rural distress, the government has transferred over ₹36,659 crore using Direct Benefit Transfer in the bank accounts of 16.08 crore beneficiaries during the current lockdown.

The government has 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 52 microfinance lenders 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 facility. These are the ones who have either BBB/B or higher ratings, he added.

Shivnarsay, however, welcomed the liquidity window saying it could help large MFIs with investment-grade ratings to get cheaper funds.

Of the 52 MFIs, 21 are large with a portfolio of over Rs 500 crore, 19 are mid-sized with a loan portfolio of Rs 100-500 crore and 12 are small ones with under Rs 100 crore loan book, he said.

Typically, debt instruments with AAA rating carry the lowest risk, thus have the highest degree of safety regarding servicing of financial obligations.

A ‘BBB+’ is the lowest investment grade rating on a debt instrument that can attract investments.

And, any rating below this to reduce debt and thus attract higher coupons, given the inherent risks, has a lesser chance of attracting debt.

The RBI had conducted the first auction for three-year TLTR 2.0 on Rs 25,000 crore on April 23 at 4.6% per cent.

The funds availed under TLTR 2.0 will have to be deployed in investment-grade bonds, commercial papers and non-convertible debentures (NCDBs) of non-banking financial companies (NBFCs) and at least 90 per cent of the fund should go to small and medium NBFCs and microfinance institutions (MFIs).

If the 50 per cent, 10 per cent or Rs 5,000 crore will have to be invested in debt issued by MFIs, 15 per cent or Rs 3,500 crore against debt issued by NBFCs with a net size of Rs 500 crore and below and 25 per cent in securities issued by NBFCs with assets size between Rs 500 crore and Rs 2,000 crore.

The deployment of funds would be under TLTR 2.0 in the primary market cannot exceed 10 per cent of the amount availed.

The RBI had said last Friday announcing the liquidity window.

RESERVE BANK OF INDIA

According to India Ratings Director Pradeep Agarwal, “Small and medium NBFCs and microfinance institutions (MFIs) have faced challenges in raising primary market capital through secondary market listings. Investors in secondary market transactions are not expected to be incentivised for their NBFCs with an asset size between Rs 500 crore and Rs 3,500 crore generally have BBB+/AAA rating, though may have a weaker liquidity and other assets than higher-rated issuers. With an adverse scenario of NPAs, the capital market is likely to be significantly hit by the COVID-19 lockdown, as disproportionate rise for their weaker collections, impacting their overall liquidity.”

“Thus, banks’ risk appetite to take additional exposure on NBFCs through their debt, in the absence of any credit guarantee, support, that too for a long three-year period, remains to be seen,” Agarwal pointed out.

It can be even more challenging for NBFCs with a historic asset size of under Rs 500 crore, especially as a large number of them will not have investment-grade ratings. According to rating agency IBRA, only 23 MFIs or around 60 per cent of the industry, have investment-grade ratings.

Shivnarsay also said MFIs may face challenges in issuing bonds or commercial papers during the coronavirus lockdowns, and this will affect their debt servicing capability.

Many analysts have said that as the absence of moratorium, these micro-lenders can face severe liquidity challenges, which would affect their debt servicing capability.

The last week’s meeting of the Indian Banks’ Association (IBA) to decide on granting loan moratoriums to NBFCs and MFIs was inconclusive as lenders could not come to a consensus. IBA will now approach the RBI to seek some clarification on the issue.
Small- and medium-sized microfinance institutions (MFIs) are planning to pool securities, with enhancement facility from external institutions, to avail credit from financial institutions under the targeted long-term repo operations (TLTRO 2.0).

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

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

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

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

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

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

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

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

Grading is an ordinal measure of scalability, sustainability and reliability of the MFI’s internal processes, controls and governance structure. However, it does not comment on the debt repayment capacity and is not a credit rating.
Few takers for TLTRO 2.0

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

The Reserve Bank of India (RBI) has received bids for only about half the Rs 25,000 crore of its offer under the revised Targeted Long Term Repo Operations (TLTRO), indicating that banks are reluctant to lend to non-banking financial companies (NBFCs).

Banks put in 14 bids worth Rs 11,850 crore for the revised TLTRO, against the Rs 25,000 crore on offer. The lowest bid was of Rs 60,000 crore.

In a similar auction on April 9, six bids were received for Rs 11,450 crore against the Rs 23,000 crore on offer. In the first version of the TLTRO, there were no conditions attached, except that the money had to be deployed within 45 days. It was later increased to 60 days.

The lowest bid was a Rs 60,000 crore bid from a bank. Three banks and two private sector banks had not participated in the auction.

The TLTRO 1.0, through which the RBI planned to lend liquidity up to Rs 25,000 crore to stressed NBFCs, was announced on March 26. Under the revised TLTRO 2.0, banks are expected to lend Rs 25,000 crore to NBFCs.

The RBI has the discretion to choose banks under a revised framework of the TLTRO through open market operations (OMO). The minimum amount of Rs 10,000 crore will be lent to banks through auction.

It was found that banks used the first tranche of Rs 10,000 crore to lend to NBFCs and MFs. The second tranche of Rs 15,000 crore was not utilized.

“Banks are not taking the risk of lending to NBFCs and MFs,” a banker said. “There is a perception that these companies are not in a position to service their debt.”

The RBI has also made it clear that banks should not lend more than Rs 25,000 crore to NBFCs and MFs.

However, the banks have not been very enthusiastic about the scheme. Many banks have expressed concerns about the quality of the collateral and the risk associated with lending to these companies.

“Banks are not very interested in lending to NBFCs and MFs,” a banker said. “They are looking for safer options.”

Top-rated companies do not need emergency liquidity support anyway, and so the entire purpose of helping those in need was defeated. The TLTRO was introduced on April 9, in which the RBI put conditions that 10 per cent of the money should be used to buy securities issued by microfinance institutions (MFIs). 15 per cent for NBFCs with asset size of Rs 50 crore and below, and 25 per cent to buy securities of NBFCs sized between Rs 500 crore and Rs 5,000 crore. According to sources, it is the private banks which stay away from bidding for the TLTRO.

“The RBI has made it clear that banks should not lend more than Rs 25,000 crore to NBFCs and MFs. The second tranche of Rs 15,000 crore was not utilized. It was found that banks used the first tranche of Rs 10,000 crore to lend to NBFCs and MFs. The second tranche of Rs 15,000 crore was not utilized.”

The RBI has made it clear that banks should not lend more than Rs 25,000 crore to NBFCs and MFs. The second tranche of Rs 15,000 crore was not utilized.
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 refinancing scheme as well as the targeted long-term repo operations (TLTRO) announced by the Reserve Bank.

While microlenders have offered moratorium to their end customers, confusion prevails over whether they are eligible for moratorium from their lenders like banks and large NBFCs, and this has put microlenders under financial strain. While the RBI has made microfinance institutions (MFIs) beneficiaries of the refinancing scheme and TLTRO 2.0, more than 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 11,500 crore MFIs will be eligible for Rs 1,225 crore, which is a minuscule portion of Rs 1.4 lakh crore outstanding of micro lenders including NBFC-MFIs and other credit societies, said F Sathish, executive director of SBI-Dhan.

However, the bigger issue is eligibility as MFIs with a rating of BB and above stand a chance to receive this. “Out of around 175 microlenders who are currently operating, only 23 large companies are eligible for the funds. While the large microlenders will have the wherewithal to withstand the crisis, the small and medium MFIs are the more needy ones and they are being left out,” he said.

Similarly, the special refinancing scheme through Salarp and SBI will be deprived to most of the smaller and medium-sized MFIs. “Salarp has received Rs 25,000 crore and SBI Rs 10,000 crore from RBI under the scheme. MFIs of asset size of Rs 500 crore and above are eligible for this funding and SBI requires a rating of BB minus and above,” said Manoj Nambiar, chairman of Micro Finance Institutions Network (MFIN).

“Around 21 MFIs will have an asset size of Rs 300 crore and more, while about 30 MFIs will be eligible for Salarp funding. Further, SBI funding is for 60 days and at the end of the period, it has to be repaid in one instalment,” said Nambiar.

Moreover, the industry is also not sure about when these funds will reach them. “Liquidity has a timeliness factor. It has to reach us as and when we need it most,” added Nambiar.
Over 80% microlenders not eligible for RBI liquidity

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CHENNAI, APRIL 23

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एनबीएफसी को कर्ज देने से कठरा रहे बैंक

पृष्ठ-1 का शोध

आईएलएफसी संगठन के बाद मोटे तौर पर एनबीएफसी को लेकर बैंकों का रख्ता नकारात्मक हो गया है। एक बार तक नियोजक जो कर्मचारी को लेकर जोखिम की आशंका कमजोर नहीं पहुंची तब तक टीएमटीआरएस खुद में एनबीएफसी को कर्ज मदद नहीं मिला पाएँगी। कई लोग टीएमटीआरएस से संबंध भी नहीं रहे हैं। इनके पास नये दोस्तों के साथ कम से कम मुख्य पृष्ठ (एमएमएफएसएन) में मुख्य कार्यान्वयन करने में बढ़ते हुए हैं। फिर भी, एनबीएफसी को आज तक के साथ ही कोई अभिव्यक्ति नहीं की गई है।

एनबीएफसी की क्षेत्र के अभियंता क्रम बैंकों को लेकर बैंकों का नकारात्मक हो गया है। इनके लिए बैंकों के लिए एनबीएफसी को लेकर जोखिम की आशंका कमजोर नहीं पहुंची तब तक टीएमटीआरएस से एनबीएफसी को कर्ज मदद नहीं मिला पाएँगी। कई लोग टीएमटीआरएस से संबंध भी नहीं रहे हैं। इनके पास नये दोस्तों के साथ कम से कम मुख्य पृष्ठ (एमएमएफएसएन) में मुख्य कार्यान्वयन करने में बढ़ते हुए हैं। फिर भी, एनबीएफसी की क्षेत्र के अभियंता क्रम बैंकों को लेकर बैंकों का नकारात्मक हो गया है। इनके लिए बैंकों के लिए एनबीएफसी को लेकर जोखिम की आशंका कमजोर नहीं पहुंची तब तक टीएमटीआरएस से एनबीएफसी को कर्ज मदद नहीं मिला पाएँगी। कई लोग टीएमटीआरएस से संबंध भी नहीं रहे हैं।
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 to the lockdown, are expected to be extended to MFIs, P Satish, executive director of Sa-Dhan, a self-regulatory organisation of the industry, said. "Some MFIs are looking to access such resources at the earliest as it will ease their liquidity condition to some extent," he said.

Echoing Satish, Kuldip Maiti, 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 so they have to be equipped with the resources to cater to small borrowers.

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

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

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

MFIs are exploring to keep fund ready so that they can extend credit to end users once the ongoing lockdown is lifted," he said.

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

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

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

Rating agency ICRA recently said most of the MFIs have extended a moratorium to their borrowers till May 31, 2020. However, they are yet to formally receive moratorium from their lenders and the absence of the same could severely impact their ability to serve their debt servicing obligations.

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

"Entities currently in the process of raising capital may face some delay as investors may adopt a wait-and-watch strategy and observe the collection efficiency trends post the lockdown and renegotiate valuations, which may impact their solvency and liquidity positions in the near term," it added.
Govt not allow MFIs to resume ops in green zones

SP BUREAU

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

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

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

Poor are the most lucrative to lend in good times, but when the tides turn, 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 Almadi Ray, ET Bureau | Last Updated: Apr 01, 2020, 08:17 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

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

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

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

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

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

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

PTI
@PTI_News

Published on April 06 2020, 3:19 PM
Last Updated on April 06 2020, 3:19 PM

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

By: PTI | Published: April 6, 2020 3:46 PM

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

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

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

The short-to-medium-term impact of the coronavirus outbreak and the subsequent measure of the lockdown to combat the pandemic seems to be more on the urban informal sector as compared to agriculture-based rural activities, another self regulatory organisation of the sector, Sa-Dham 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.
Microfinance institutions put growth plans on hold

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

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

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

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

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Arohan Financial shelves IPO plan for now, to focus on Rs
Microfinance sector grows at 26.5 pc in Oct-Dec quarter
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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

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

PTI, APR 06 2020, 14:44 IST | UPDATED: APR 06 2020, 14:44 IST
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Lockdown, microfinance institutions apprehensive for growth, likely to shelve expansion plans

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

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

PTI | April 06, 2020 15:00 IST

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"Performance of the MFIs in the current fiscal which has just
Hit by lockdown, MFIs apprehensive for growth, likely to shelve expansion plans
Covid-19 impact: Confusion over moratorium norms hit smaller MFIs hard

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

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

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

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

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

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

By: Abraham Roy, ET Bureau | Last Updated: Apr 08, 2020, 12:50 AM IST

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

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

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

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

Pramiti Lonkar
@LonkarPramti

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

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

The central bank is closely examining the data received from MFIs, including their credit ratings, liquidity positions and cash in hand

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

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

The Managing Director of a reasonably large microfinance institution (MFI) is irritated.

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

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

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

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

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

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

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

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

PTI | April 15, 2020 20:14 IST

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

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

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

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

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

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

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

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MFIs Seek PM's Intervention to Secure Repayment Moratorium

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

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

Shitama Bose
Financial Express 16 April 2020

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

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

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

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

Dinesh Unnikrishnan
@Dinesh_That

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

By: Milton Dasgupta | Published: April 18, 2020 6:38 AM

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

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

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

By Arnab Joshi, ET Bureau | Last Updated: Apr 19, 2020, 04:25 PM IST

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

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

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

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

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

PTI * April 19, 2020, 17:13 IST

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

Non-banking financial companies (NBFCs), housing finance companies (HFCs) and micro-finance institutions (MFIs) — which together account for over 80 percent of the shadow banking sector — have received a major liquidity lifeline.
SMEs to gain maximum from Rs 1 lakh-cr liquidity boost to NBFCs, HFCs

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

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

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

By Atmada Roy, Sohel Chaudhuri, ET Bureau | Last Updated: Apr 20, 2020, 06:13 AM IST

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

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

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

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

Subrata Panda & Namrata Acharya | Mumbai/Kolkata
Last Updated on April 20, 2020 01:00 IST
MFIs, banks bullish on fast recovery of rural economy post lockdown

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

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

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

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

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PTI | Last Updated: Apr 21, 2020, 02:15 PM IST

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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.

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

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

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

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

By Hiresh Vyas

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

Of the 52 MFIs, 21 are large with a portfolio of over Rs 500 crore, 19 are mid-sized with a loan portfolio of Rs 100-500 crore and 12 are small ones with under Rs 100 crore loan book, he said.
Only dozen-odd MFIs can gain from RBI’s special liquidity window
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21st April 2020

Mumbai: Only a dozen-odd of the 52 micro lenders have funding grade scores and are thus eligible to subject debt devices that can be picked by banks utilizing the Rs 50,000-crore
Only dozen-odd MFIs can gain from RBI's special liquidity window

Only a dozen out of the 32 micro lenders have investment grade ratings and are thus eligible to issue debt instruments that can be picked by banks using the March 30,000 crore special liquidity tap that the Reserve Bank of India has opened up over the weekend.

Last week, the central bank announced a Rs 3,000 crore focused liquidity injection through which it took a new model of its targeted long-term repo operations (TLTROs) to ámbильно at small and medium non-banking financial companies and micro lenders.

"For our own survey that only 13 members, one with A4 and 11 with A5, 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 HarshVR Mediratta added. MFIN is a self-regulatory organisation (SRO) of MFIs.

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

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

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

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

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

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

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

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

But this (such unused sanction 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.
Small midsize MFIs look for unused credit limit to tide over liquidity crunch

PTI | April 23, 2020 16:29 IST

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

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

By Business Journal - April 22, 2020

URL: https://business-journal.in/industry/banking-finance/small-midsize-mfis-look-for-unused-credit-limit-to-tide-over-liquidity-crunch/
Coronavirus impact: RBI's TLTRO 2.0 gets cold-shoulder from banks

Reluctant to lend to NBFCs, MFIs in current situation

Subrata Panda & Anus Roy | Mumbai
Last Updated at April 24, 2020 01:17 IST
Banks scupper RBI plan to offer spl liquidity to NBFCs as repo auction gets 50% bids

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

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

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

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

The RBI received bids for just Rs 12,850 crore as against the notified amount of Rs 25,000 crore with a three-year tenor offered at 4.40 per cent.

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

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

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

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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.

Subrad Panda & Ashmita Jain | Mumbai
Last Updated at April 24, 2020 00:43 IST

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

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

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

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

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

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

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

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

PTI, Kolkata, Apr 29, 2020, 18:02 IST | UPDATED: Apr 29, 2020, 18:02 IST
Govt should allow micro-finance institutions to resume operations in green zones: Official

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

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

PTI | April 29, 2020 17:59 IST

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