

Microfinance Crucial to Financial Inclusion

Mandala, Madhya Pradesh, December 27, 2019: Microfinance, over past two decades, has emerged as an important tool for the promotion of Financial Inclusion, a prime objective of the Government.

At MFIN, we represent various entities including NBFC-MFIs, Banks, Small Finance Banks, NBFCs as their industry association. MFIN is also the self-regulatory body, recognised by the Reserve Bank of India for NBFC-MFIs. These microfinance entities provide loans to the low-income, financially excluded segment of the population, who otherwise have no access to financial services. These are typically **small size, income-generating loans without any collateral as mandated by RBI.**

Speaking on the role of Microfinance, Harsh Shrivastava, CEO – MFIN, said, *“Microfinance originated as there existed a large population of India which was unbanked and unserved. Owing to the vastness of the country and the inability to provide low income households credit, the Government of India recognized Microfinance as an important tool in ensuring financial inclusion. Microfinance called NBFC-MFIs, need to register with the Reserve Bank of India (RBI) to be able to provide microfinance. Strictly regulated, these institutions follow the RBI prescribed guidelines and policies for lending and are monitored at three different levels – company, SRO and RBI.”*

Mr Shrivastava further added, *“In M.P, there are as many as 22.7 lakh women borrowers who invested this money in various trades - vegetable shops, stitching etc. We feel proud that through Microfinance, not only are these women able to generate more income but they are, in turn, able to provide employment to others. Hence it is very important that women who are currently availing loans follow a credit discipline and repay the institutions on time to ensure that their records with the Credit Bureau are unscarred and future access to credit guaranteed.”*

All NBFC-MFIs are registered with and regulated by RBI as against the traditional unorganised form of financing – essentially chit funds and money-lenders. Even today, the unorganised form of financing, albeit has been steadily coming down, continues to impact rural lives. Committed to protecting the customer, the RBI Framework includes regulations on pricing of credit and fair practices in lending which include transparency in interest rates, multiple-lending, over-borrowing etc. For the borrower, it is extremely important to ensure credit discipline as recorded by the credit bureau as this is key to any further credit facilities. NBFC-MFIs, MFIN and also RBI have help lines which can be used by any borrower who has a complaint to register for investigation.

During the Q2 FY20, the industry witnessed a growth of 47.85% over Q2 FY 19 with the total loan portfolio (GLP) outstanding at Rs. 2, 01, 724 crores as on 30th September 2019 serving over 50 million end clients of which 99% plus are women.

Thus, Microfinance has not only helped rural households develop sustainable livelihood, it has also used financial literacy and technology to include the remotest of the districts in the economic growth of the country.

About Microfinance Institutions Network (MFIN):

MFIN is a premier industry association comprising 56 NBFC-MFIs and 35 Associates including Banks, Small Finance Banks (SFBs) and NBFCs. It is also the Self-Regulatory Organization (SRO) for the regulated



NBFC-MFI. By virtue of bringing the NBFC-MFIs under one common umbrella, MFIN acts as a bridge between them and the regulators to build a dialogue for greater transparency, better policy frameworks and stronger client protection standards for responsible lending, thus enabling the microfinance industry to partake in meeting the larger financial inclusions goals.