MICROFINANCE INSTITUTIONS NETWORK

Consolidated Media Visibility Report for the Month of

May 2020
## Media Coverage Index

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Press Note/Statement: Mr. Shrivastava’s quote on Announcement of Atmanirbhar Bharat Scheme

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### Industry Story: Initiated & Non-Initiated

#### Initiated Industry Stories

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MFIN expects huge credit demand in next six months as India opens up, says Chairman Nambiar

Expresses confidence that there will be reasonable liquidity in the system

As India goes for a calibrated opening after 66 days of lockdown and livelihood concerns gains primacy, Micro-finance Institutions Network (MFIN), an RBI-approved self-regulatory Organisation (SRO) for the NBFC-MFI industry, sees huge demand for credit in the economy in the next six months, a top official said.

“Everybody who has come out of a lockdown has essentially used a big portion of their family savings. Obviously when you restart you will need money and every customer would need emergency credit to kick-
Standalone Quote in Stories
Those in Red Zones seeking nod for back-end staff to resume work

MFIs, NBFCs to Resume Full Ops in Green and Orange Zones

Saloni.Shukla@timesgroup.com

Mumbai: Microfinance institutions and non-bank lenders are set to resume full-fledged operations in green and orange zones, or areas designated as safe from the Covid-19 virus outbreak, after the government announced lifting of several restrictions.

Though, the lockdown has been extended till May 17.

They have asked branch staff to engage with customers in need of low-ticket, top-up loans to push credit in rural areas and for the micro, medium and small enterprises.

Spandana Sphoorthy 79% of whose branches are in green zones, is operating 794 of its 1,006 branches after the Ministry of Home Affairs included MFIs and NBFCs under essential services.

The micro-lender is also expecting the rest of its branches to open after the lockdown is lifted as it does not have any footprint in areas marked as red zones.

Arohan Financial Services is also operating more than 40% of its branches, with more to follow as the lockdown lifts.

“Our member MFIs are opening as many branches (as possible) in the green zones and preparing to scale in the orange zones depending on further directions from the MHA,” said Harsh Srivastava, CEO of industry body Microfinance Institutions Network (MFIN).

“We want all MFIs to interact with customers and zero in on their credit needs and encourage them to pay back loans,” he said, adding it has asked members to interact with district and police authorities so as to not face challenges when resuming operations.

MFIN has also requested the Gujarat government — which has yet to comply with the MHA order on essential services — to allow MFIs to restart operations, Srivastava said.

MFIs, the last-mile connect for credit, are looking to restart collections as only 30-35% of their repayments happen through digital means.

According to rating firm ICRA, the cash shortfall of 29 MFIs, which account for 79% of the industry’s credit, is ₹6,600 crore.

Top-tier NBFCs with headquarters in red zones such as Mumbai, Pune and Delhi are also seeking special permission from authorities to allow critical administrative and back-end staff to resume work.
Over 50% banks agree on relief to micro lenders

Mumbai: Over half of the bank lenders to the microfinance sector have accorded a moratorium on their loans according to MFIs, an association of the institutions that provide micro loans. While some microfinance institutions (MFIs) have been granted a three-month break from repaying their instruments, others have received only partial moratorium on repayment of principal.

The willingness of banks to relax repayment rules is seen as an indication of their renewed level of comfort lending to this segment. One reason for this is that bank exposure to MFIs, usually seen as a tertiary market, has shrunk. Much of microfinance lending is in the rural western part of the country that has seen the green shoots.

PARTIAL MORATORIUM

According to MFIN chairman Manish Mody, the industry has informed the RBI that it will require a moratorium to provide emergency loans to help beneficiaries come out of the untreated arrears at the turn of the lockdown. Taken together with the moratorium, the funding requirement up to September would be around Rs 25,000 crore. "The RBI is aware of this and we are working with them and all the other agencies to ensure that this is managed in a double prudential way," said Mody. He was speaking at an online event 'Changing patterns of financial inclusion post-COVID-19' organized by Electronic Payment Services.

Mody, who is the MD of Avanse Financial Services, said the MFI industry needs to help consumers that have suffered because of emotional events by providing emergency loans. "In Kerala, when there was a devastating flood, the sector responded by giving emergency loans and a non-back, which helped to save the entire customer segment," he said. He added that the lockdown would present a bigger opportunity to extend lending to micro segments.

The sector in the past two years has also reaped benefits of lower rates and pesos gains on the benefits of cheaper refinancing from RBI and NABARD in non-MFIs.
MFIs, NBFCs to resume full operations in green and orange zones

Microfinance institutions and non-bank lenders are set to resume full-fledged operations in green and orange zones, or areas designated as safe from the Covid-19 virus outbreak, after the government announced lifting of several restrictions.

By Saloni Shukla, ET Bureau | Last Updated: May 02, 2020, 06.26 AM IST

Mumbai: Microfinance institutions and non-bank lenders are set to resume full-fledged operations in green and orange zones, or areas designated as safe from the Covid-19 virus outbreak, after the government announced lifting of several restrictions. Though, the lockdown has been extended till May 17.

They have asked branch staff to engage with customers in need of low-ticket, top-up loans to push credit in rural areas and for the micro, medium and small enterprises.

Spandana Sphoorty, 79% of whose branches are in green zones, is operating 794 of its 1,006 branches after the Ministry of Home Affairs included MFIs and NBFCs under essential services. The micro-lender is also expecting the rest of its branches to open after the lockdown is lifted as it does not have any footprint in areas marked as red zones.
Over 50% banks agree on relief to micro lenders

Mayur Shetty | TNN | May 6, 2020, 04:00 IST

Mumbai: Over half of the banks to the microfinance sector have extended a moratorium on their loans according to MFIN, an association of the institutions that provide micro loans. While some microfinance institutions (MFIs) have been granted a three-month break from repaying their instalments, others have received only partial moratorium on repayment of the principal.

The willingness of banks to relax repayment rules is seen as an indication of their relative level of comfort in lending to this segment. One reason for this is that bank...
COVID-19 lockdown: It’s time to digitally revolutionise financial inclusion in India

Millions of people and institutions around the world are being forced to adapt, and as we all know, digitisation is perhaps the biggest aspect of adapting to this crisis.

Moneycontrol Contributor @moneycontrolcom

Listen to the Audio Version of the Article

Stuti Johri
Authored Article
Will microfinance survive the Covid-19 crisis? Yes, it will thrive

The Indian microfinance sector can and will play a major role in ensuring confidence and credit at the grassroots when it is needed the most to rebuild our country.

ET CONTRIBUTORS | Last Updated: May 23, 2020, 01:10 PM IST

By Manoj Kumar Nambiar

It was almost 1130 hrs and Rekha Devi (name changed for privacy), in a village in Madhya Pradesh was getting worried as it was her repayment date/time to the microfinance company that she had taken a loan from, and the scheduled meeting did not happen that day. She had taken a small Rs 20,000 loan from the company, a few months back to run her small grocery shop and support her family of four. Being very particular about paying her installments back regularly, she walked alone to the branch office to pay the money to the surprise of the branch staff. The day was 25th March, 2020, the first day of the national lockdown announced in India.

Customers like her form the backbone of the microfinance sector in India, which today through various forms covers over 100 million women with a credit portfolio outstanding of over Rs 3 lakh crore. With a collection efficiency of an outstanding 99% plus it can put retail, MSME & corporate clients to shame.
Press Release: MFIs to start operations in Orange and Green zones
MFIs set to resume operations in orange, green zones

KOLKATA: Nearly 88 lenders belonging to the micro-finance industry are making preparations to resume operations in green and orange zones, the Microfinance Institutions Network (MFIN) said on Monday. The lenders will adhere to all health and safety precautions related to COVID-19, the industry body of MFIs said in a statement. It, however, did not specify when the MFIs would resume operations. The lenders have also agreed to extend the three-month moratorium provided by the RBI on term loans to borrowers, the statement said, adding, collections will be made only from customers who have opted out of it. Demand for micro-finance will increase once MFIs start full-fledged operations after the lockdown is lifted, the MFIN said.
Microfinance Industry readies for resumption of operations in green and orange zones

Kolkata, Microfinance Institution Network (MIN), today announced that all lenders associated with it are ready to resume operations in the green and orange zones while ensuring the well-being of customers, employees and community and environment and working within the 'safety and hygiene' framework laid by union, state and district authorities.

Towards this, the lender community associated with MIN have agreed to follow the MFIs' guidance on this matter as under. The Guidance Note is available on the MIN website: https://minindia.org.

MIN which is the industry association for microfinance and a self-regulatory organization (SRO) recognized by RBI for the NBFC-MFIs, cooperatives of micro-credit leaders regulated by the Reserve Bank of India (RBI), i.e., NBFC-MFIs, Banks, SFBs and NBFCs. Micro-credit sector currently reaches over 3.8 crore low-income households.

Health and Safety: Leaders are taking all due precautions for the health and safety of their employees, customers and workplace. Leaders are maintaining constant virtual connect with the customers submitting them about Covid-19. Many lenders are providing Covid-19 insurance to borrowers.

Moratorium: Recognizing the impact of Covid-19 on the livelihoods of low-income-housed, customers, lenders have unilaterally decided to offer moratorium to their customers as permitted by the RBI.

Resumption of operations: After the limited opening on April 20, a few branches have been opened in the green zones, and some staff have resumed duty. Once the lockdown lifts, micro-credit lenders will gradually resume operations in a phased manner with caution based on preparations on workplace and employee safety/hygiene and clear and established protocols in respect to lending process (collections, moratorium, disbursements). As the situation improves slowly, lenders are being advised to proceed with utmost caution even across green zone districts.

Collections: Collections will be made only from customers who have opted out of the moratorium. Those willing to repay will also be encouraged to use digital means, ensuring social distance norms are adhered to in all instances. Also, all leaders have been strictly advised to follow the industry Code of Conduct (CoC) and Code for Responsible Lending (CoR) with respect to customer engagement.

MIN and its members believe that there will be an increased demand for microcredit with the opening up we stand committed to provide the same to our clients in rebuilding their livelihoods.

MIN is a premier industry association comprising NBFC-MFIs, SFBs, and MFIs, providing a collective voice for the non-bank financial institutions in India. For the regulated NBFCMFIs, Microfinance players, with a Green Loan Portfolio of Rs 2.11 Trillion, are a key vehicle for fintech innovation providing microcredits to millions of micro-credit borrowers.

By virtue of bringing the NBFC-MFIs under one umbrella, MIN 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 participate in meeting the larger financial inclusion goals.
ক্ষুদ্র ঋণ সংস্থাগুলির পরিষেবা চালু

নিজের প্রতিনিধি, কলকাতায়: ক্ষুদ্র ঋণ প্রদানকারী সংস্থাগুলি গ্রিন ও অরেঞ্জ জোনে পরিষেবা শুরু করছে। একথা ঘোষণা করেছে মাইক্রো ফিনাল ইনস্টিটিউশন্স নেটওয়ার্ক বা এমফিন। তারা জানিয়েছে, তাদের আওতায় থাকা দেশের ৮৮টি ক্ষুদ্র ঋণপ্রদানকারী সংস্থা নিজস্ব পরিষেবা চালু করছে। এমফিন হল ক্ষুদ্র ঋণ প্রদানকারী সংস্থাগুলির সংগঠন যা রিজার্ভ ব্যাঙ্ক ব্যবহৃত এবং স্বাস্থ্য প্রতিষ্ঠান হিসেবে কাজ করে।

তারা জানিয়েছে, কেরালা সরকারের নিয়ম মেনে ঋণ প্রদাতাদের নির্দিষ্ট সময় যতক্ষণ ঋণ পরিশোধ স্থগিত করা হয়েছে। তবুও বাঁরা ঋণ পরিশোধ করতে চান, তাঁদের টাকা শাখা অফিসগুলিতে নেওয়া হবে।
**MFIs set to resume operations in orange, green zones**

**Topics**
Business Finance

**Press Trust of India | Kolkata**
Last Updated at May 4, 2020 18:34 IST

Nearly 88 lenders belonging to the micro-finance industry are making preparations to resume operations in green and orange zones, the Microfinance Institutions Network (MFIN) said on Monday.

The lenders will adhere to all health and safety precautions related to COVID-19, the industry body of MFIs said in a statement.

It, however, did not specify when the MFIs would resume operations.

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MFIs set to resume operations in orange green zones

PTI | May 04, 2020 16:43 IST

Kolkata, May 4 (PTI) Nearly 88 lenders belonging to the micro-finance industry are making preparations to resume operations in green and orange zones, the Microfinance Institutions Network (MFIN) said on Monday.

The lenders will adhere to all health and safety precautions related to COVID-19, the industry body of MFIs said in a statement.

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RBT RBT
MFIs set to resume operations in orange, green zones

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PTI | Last Updated: May 04, 2020, 05:05 PM IST

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Most microfinance institutions resume operations in green zones

Most microfinance institutions resumed operations in green zones across the country in coordination with local authorities, officials said.

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Demand for micro finance will increase once MFIs start full-fledged operations after the lockdown is lifted, the MFIN said.
88 micro financiers ready to begin operations in green, orange zones: MFIN

MFIN comprises 55 NBFC-MFIs and 39 associates including SFBs and NBFCs.

Mumbai: Microfinance Institutions Network (MFIN) on Monday said 88 micro financiers associated with it are ready to begin operations in green and orange zones. Last week, the government extended the coronavirus-induced lockdown by two more weeks till May 17, and issued new guidelines permitting different sets of relaxations for green, red, orange zones.

MFIN is a self-regulatory organisation (SRO) comprising 55 NBFC-MFIs and 39 associates including small finance banks (SFBs) and non-banking financial companies (NBFCs).

Source: PTI • May 05, 2020, 13:56 IST

Most microfinance institutions resume operations in green zones

PTI  May 04, 2020 21:43 IST
(Eds: Recasting intro, updating)
Kolkata, May 4 (PTI) Most microfinance institutions resumed operations on Monday in green zones across the country in coordination with local authorities, officials said.
The lenders are adhering to all health and safety precautions related to COVID-19, the Microfinance Institutions Network (MFIN), which has 88 lenders associated with it, said in a statement.
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Demand for microfinance will increase once MIs start full-fledged operations after the lockdown is lifted, the MFIN said. PTI DC
RBT RBT

(This story has not been edited by THE WEEK and is auto-generated from PTI)
88 micro financiers ready to begin operations in green, orange zones: MFIN

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MFIN is a self-regulatory organisation (SRO) comprising 55 NBFC-MFIs and 39 associates including small finance banks (SFBs) and non-banking financial companies (NBFCs).

“Around 88 lenders associated with MFIN are ready to resume operations in the green and orange zones while ensuring the well-being of customers, employees and community and environment and working within the safety and hygiene framework issued by Union, state and district authorities,” the industry association said in a release.

After the limited opening on April 20, a few branches have been opened in the green zones, and some staff of MFIs have resumed duty.

MFIN has already prepared a guidance note that provides the guidance on the micro-credit operations to lenders (NBFC-MFIs and others) as they prepare to resume operations.

The note has been prepared based on the MHA (Ministry of Home Affairs) guidelines and extensive feedback taken from lenders on the operational issues in the specific context of the micro-credit operations and ecosystem.

MFIN further said lenders are taking all due precautions for the health and safety of their employees, customers and workplace.
Coronavirus Lockdown: MFIs set to resume operations in orange, green zones

PTI, Kolkata, MAY 04 2020, 15:16 IST | UPDATED: MAY 04 2020, 17:28 IST
MFIs Set To Resume Operations In Orange, Green Zones

Nearly 88 lenders belonging to the micro-finance industry are making preparations to resume operations in green and orange zones, the Microfinance Institutions Network (MFIN) said on Monday.

Written By Press Trust Of India
Microfinance Industry readies for resumption of operations in green and orange zones

Kolkata, May 4 (UNI) Microfinance Institutions Network (MFIN), today announced that 88 lenders associated with it are ready to resume operations in the green and orange zones while ensuring the well-being of customers, employees and community & environment and working within the ‘safety and hygiene’ framework issued by union, state and district authorities.

Towards this, the lender community associated with MFIN have agreed to follow the MFIN’s Guidance on this matter as under. The Guidance Note is available on the MFIN website: https://mfinindia.org/Default, a MFIN spokesperson here said.

MFIN which is the industry association for microfinance and a self-regulatory organisation (SRO) recognized by RBI for the NBFC-MFIs comprises of micro-credit lenders regulated by the Reserve Bank of India (RBI), i.e. NBFC-MFIs, Banks, SFIs and NBFCs. Micro-credit sector currently reaches over 5.8 crore low income households.

Lenders are taking all due precautions for the health and safety of their employees, customers and workplace. Lenders are maintaining constant virtual connect with the customers educating them about Covid-19. Many lenders are providing Covid-19 insurance to borrowers.
Mumbai, May 4 (PTI) Microfinance Institutions Network (MFIN) on Monday said 88 micro financiers associated with it are ready to begin operations in green and orange zones.
88 micro financiers ready to begin operations in green, orange zones: MFNI

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Last week, the government extended the coronavirus-induced lockdown by two more weeks till May 17 and issued new guidelines permitting different sets of industries and sectors to operate in green, orange and red zones. MFNI is a self-regulatory organisation (SRO) comprising 88 NBFC-MFIs and 30 associates including small finance banks (SFBs) and non-banking financial companies (NBFCs).

Around 88 lenders associated with MFNI are ready to resume operations in the green and orange zones while ensuring the well-being of customers, employees and community and environment and working within the safety and hygiene framework issued by Union, state and district authorities, the industry association said in a release.

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MFNI further said lenders are taking all due precautions for the health and safety of their employees, customers and workplace.

Microfinance institutions (MFIs) have the capacity to deliver the necessary financial services to those in need.
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Microfinance Industry readies for resumption of operations in green and orange zones: MFIN

Lenders are taking all due precautions for the health and safety of their employees, customers and workplace.

May 05, 2020 4:22 IST | India Infoline News Service

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URL: [https://www.devdiscourse.com/article/business/1036172-most-microfinance-institutions-resume-operations-in-green-zones](https://www.devdiscourse.com/article/business/1036172-most-microfinance-institutions-resume-operations-in-green-zones)
Most microfinance institutions resume operations in green zones

PTI 4 May 2020

(Eds: Recasting intro, updating) Kolkata, May 4 (PTI) Most microfinance institutions resumed operations on Monday in green zones across the country in coordination with local authorities, officials said.

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Demand for micro-finance will increase once MFIs start full-fledged operations after the lockdown is lifted, the MFIN said. PTI DC RBT RBT
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88 micro financiers ready to begin operations in permitted zones: MFIN

By FPJ Web Desk
MFIs set to resume operations in orange, green zones

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Microfinance organizations to help low income earners: First in the orange and green zones

Kolkata

Microfinance Institution Network (MFIN) said Monday that 88 lenders in the microfinance sector are preparing to resume operations in the green and orange zones.

Microfinance is an organization that provides financial services to low-income people.
Nearly 80 lenders belonging to the microfinance industry are making preparations to resume operations in green and orange zones, the Microfinance Institutions Network (MFIN) said on Monday.

The lenders will adhere to all health and safety precautions related to COVID-19, the Industry body of MFIs said in a statement.
MFI set to resume operations in orange, green zones

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Microfinance Industry readies for resumption of operations in green and orange zones

1 month ago
Coronavirus Lockdown: 88 micro financiers ready to begin operations in green, orange zones, says industry body
Coronavirus Lockdown: 88 micro financiers ready to begin operations in green, orange zones, says industry body – Firstpost
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Microfinance Industry readies for resumption of operations

Agency News
May 4, 2020, 8:15 PM

Kolkata, May 4: Microfinance Institutions Network (MFIN), today announced that 88 lenders associated with it are ready to resume operations in the green and orange zones while ensuring the well-being of customers, employees and community & environment and working within the ‘safety and hygiene’ framework issued by union, state and district authorities. Towards this, the lender community associated with MFIN have agreed to follow the MFIN’s Guidance on this matter as under. The Guidance Note is available on the MFIN website: https://mfinindia.org/Default, a MFIN spokesperson here said. MFIN which is the industry association for microfinance and a self-regulatory organisation (SRO) recognized by RBI for the NBFC-MFIs comprises of microcredit lenders regulated by the Reserve Bank of India (RBI), i.e. NBFC-MFIs, Banks, SFBs and NBFCs. Micro-credit sector currently reaches over 5.8 crore low income households. Lenders are taking all due precautions for the health and safety of their employees, customers and workplace.

Lenders are maintaining constant virtual connect with the customers educating them about Covid-19. Many lenders are providing Covid-19 insurance to
Banks start offering loan moratorium to NBFC-MFIs

Shritama Bose
Financial Express 16 April 2020

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

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

So far, banks have been demurring from offering the moratorium to NBFCs as they need the liquidity being released to the latter set in the form of targeted long-term repo...
Press Note/Statement: Mr. Shrivastava’s quote on Announcement of Atmanirbhar Bharat Scheme
NON-BANKS ENSURED LIQUIDITY SUPPORT

Decisions include ₹30K cr special Liquidity scheme and a ₹45K cr partial credit guarantee scheme

The New Indian Express
Edition
Hyderabad
Date
14th May, 2020
Page No.
10

The government relief package is partial. The most important announcement was the hike in small savings rate to 7.5%. M. Venkaiah Naidu is right.

Chandrababu Naidu, Investor (Sri Lanka)

While the clear focus on providing liquidity through non-banking and non-scheduled institutions, we need to give equal focus on generating consumption demand and propelling investments.

Saagar B. Gokarn, Investor (Sri Lanka)

While the scheme is welcome, the large proportion of assets is going to NBFCs. It will not actually help in the situation we are in.

Sandeep Menon, Investor (Sri Lanka)

The scheme is helpful, but it will not completely solve the problem. The government and RBI need to take more steps.

Vishnu Hemant, Investor (Sri Lanka)

While the scheme is welcome, we need to focus on generating consumption demand and propelling investments.

Suresh Reddy, Investor (Sri Lanka)

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DECISIONS INCLUDE ₹30,000 CR SPECIAL LIQUIDITY SCHEME AND A ₹45,000 CRORE PARTIAL CREDIT GUARANTEE SCHEME

ENS ECONOMIC BUREAU

As part of the ₹30 lakh crore economic package, Union Finance Minister Nirmala Sitharaman on Wednesday announced a booster shot for non-banking financial companies (NBFC), housing finance companies (HFC) and microfinance institutions (MFI).

The decisions include a ₹30,000 crore Special Liquidity Scheme, which will help the needy NBFCs, HFCs and MFIs with capital, in case they fail to raise money through the traditional debt market routes. Besides, the Centre also announced another ₹45,000 crore Partial Credit Guarantee Scheme 2.0 for NBFCs, hoping they will in turn lend it to MSMEs and retail borrowers.

While the proposed ₹30,000 crore liquidity support will enhance investments in primary and secondary market transactions in investment-grade debt papers of NBFCs, HFCs and MFIs and increase liquidity, the ₹45,000 crore Partial Credit Guarantee Scheme will help companies with low credit rating, including that of AA and below, given the sovereign backing for the first 20 per cent of the loan.

According to Harsh Shrivastava, CEO, MFIN, the twin measures will not only help in providing liquidity support but also increase the confidence among the lenders to the 5.8 crore microfinance borrowers, and spur onward lending all over the country. “These measures are historic and will help restart the rural economy as the microfinance borrowers rebuild their businesses. We appreciate the government’s recognition of the industry’s need for a partial credit guarantee and enhanced liquidity support,” he added.

Similarly, Prabhat Chaturvedi, CEO, Netafin Agricultural Financing Agency believes that as far as NBFCs are concerned, “the special liquidity scheme, where the government will buy investment-grade debt papers of NBFCs, will be helpful for those NBFCs providing moratorium to borrowers but were unable to avail the same benefit from lenders”. Experts, however, say a lot depends on banks if they would play ball given that a textbook definition of what constitutes investment-grade debt paper varies from bank to bank.
Finance Minister announces liquidity support for stressed NBFCs

Decisions include Rs 30,000 cr special liquidity scheme and a Rs 45,000 cr partial credit guarantee scheme.
Bankers welcome economic package, say will encourage lending to MSMEs

The various initiatives announced by the government on Wednesday to support micro, small and medium enterprises (MSMEs) will encourage banks to lend more to the sector, bankers said.

Finance Minister Nirmala Sitharaman on Wednesday unveiled a series of initiatives for MSMEs, including Rs 3.1 lakh crore worth of collateral-free automatic loans for businesses, a subordinate debt of Rs 20,000 crore for stressed units, a Fund of Funds for equity infusion of Rs 50,000 crore, and revision in the definition of MSMEs.

The sector has been hit hard by the lockdown due to the coronavirus pandemic, with millions of units staring at the prospect of closure and the threat of job losses.
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SBI chairman Rajnish Kumar said the policy bouquet unveiled by the government is well-structured, suitably targeted, within reasonable fiscal limits, but will still have the maximum impact.

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

The proposed definitional change for MSME sector based on turnover is progressive and is perfectly synchronized with the GSTN framework, he said.

Bank of Baroda Managing Director and CEO C S Ghosh said the clear focus of the package on MSME is promising.

"The packages for standard, stressed and potential MSMEs will ensure that they have the resources to bounce back once the headwinds start tapering," Ghosh said.
Rs 75,000 cr liquidity injection to boost NBFCs with low credit rating: experts

Analysts said this would also provide further funding access to underlying borrowers

By Nachitsh Kelkar | May 13, 2020 20:43 IST

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As part of the Rs 20 lakh crore financial package announced by Prime Minister Narendra
Bankers welcome economic package, say will encourage lending to MSMEs

3 weeks ago Team Democratic Accent
Press Note/Statement: Mr. Shrivastava’s quote on Moratorium Extension
RBI's rate cut to support economy, say bankers
RBI's rate cut to support economy, say bankers

Mumbai, May 22 (PTI) Bankers on Friday said the 40 basis points reduction in repo rate by the Reserve Bank of India will give a big support to the sagging economy.

The RBI on Friday reduced the repo rate by 40 basis points to 4 per cent, the lowest since it came into being in 2000.

The central bank also announced a slew of measures, including extension of moratorium on loan repayments by another three months and increasing bank exposure to corporates to 30 per cent of the group’s net worth from the current limit of 25 per cent.

“The RBI policy announcement in response to the fallout of COVID-19 pandemic is timely. The reduction in policy rate by 40 bps under the assumption that growth in FY21 will be negative is an appropriate move to support economic activity.” State Bank of India (SBI) Chairman Rajnish Kumar said.

RBI Governor Shaktikanta Das said given the uncertainties, GDP growth in 2020-21 is estimated to remain in the negative territory, with some pick-up from the second half of the current fiscal.

“The RBI continued with its extraordinary commitment in its fight against COVID-19. The latest round of rate cuts, moratorium extension, deferment of interest on working capital facilities and relaxation in asset classification will provide the requisite balm to the economy,” Standard Chartered Bank India CEO Zara Daruwala said.

RBI extended the three-month moratorium on loan repayments from June 1 to August 31, 2020.

“It was a good decision. There was a requirement of extension of moratorium since the lockdown has not been lifted 100 per cent,” Central Bank of India Managing Director and CEO Pallav Mohapatra said.

RBI permitted to convert the accumulated interest on working capital facilities over the deferment period up to August 31 into a funded interest term loan which will be repayable not later than the end of the current financial year.
RBI's rate cut to support economy, say bankers

Publication: Business Insider
Edition: Online
Date: 22nd May, 2020

RBI's rate cut to support economy, say bankers


Reuters/File photo
Mumbai, May 22 (PTI) Bankers on Friday said the 40 basis points reduction in repo rate by the Reserve Bank of India will give a big support to the sagging economy.
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RBI’s rate cut to support economy, say bankers

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Sidbi, Nabard in race to fund top MFIs

NAMRATA ACHARYA
Kolusu, 10 April

Both Small Industries Development Bank of India (Sidbi) and National Bank for Agriculture & Rural Development (Nabard) are chasing top microfinance institutions (MFIs) for financing, as they have been given ₹60,000 crore by the Reserve Bank of India (RBI) for liquidity support.

According to informal estimates, both organisations are looking to give between ₹5,000-8,000 crore cumulatively in funding to MFIs. In fact, the two institutions are competing to tap top MFIs, according to a senior executive from the MFI industry.

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

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

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

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

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

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

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

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

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

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

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

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

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

The NBFCs were represented by Ramesh Iyer, chairman of the Finance Industry Development Council (FIDC), a representative body of lenders, NBFCs and its director TT Srinivasaraghavan. From the microfinance sector, Microfinance Institutions Network chairman Manoj Naikkar and its chief executive Harsh Shrivastava, SaDhan co-chair KP Thoma and executive director PSathish were present.

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

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

While NBFCs and MFIs have received operational changes since March, about half of them may not be able to meet the obligations like salary payment and other core operational expenses due to the lack of cash flow, said P Satish of SaDhan, an industry body for MFIs.

He said only 20% of MFIs have received funding from their lenders since the lockdown began. About 51% lenders, including 12 public sector banks and 10 private sector banks, have not yet extended moratorium on payment to MFIs.

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

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

MITHUN DASGUPTA
Kolkata, May 4

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

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

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

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

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

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

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

There will be demand for microcredit because of emergency loan requirements of customers to restart their businesses. Good customers will also need top-up loans to expand their businesses.

—Harsh Srivastava, CEO, MicroFinance Institutions Network
On a knife-edge

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

"...The key point is how banks will continue to support these institutions with ample liquidity after the lockdown is over and whether a normal return to the rescheduling process will be possible," says Neeraj Nadkarni, MD and CEO of Srijan, a microfinance institution. The banks, he adds, have agreed to extend the rescheduling period by three months and to offer 90 days of grace period on the loans.

But the situation is not as clear-cut as it seems. While banks have agreed to extend the grace period, the microfinance institutions are yet to receive any concrete plans from the Reserve Bank of India (RBI). Many of the institutions are still waiting for the RBI to clarify its stance on the rescheduling of loans.

"The RBI has not yet communicated its guidelines for rescheduling loans," says Prashant Bhusan, managing director of Microfinance India. "We are aware that the RBI is working on it, but we are yet to receive any information from the central bank."
DEPLETION OF SAVINGS forcing 70% borrowers to seek rollover and fresh loans to restart livelihoods; MFIs face a tough situation as their lenders are yet to disburse them credit

MFIs’ Stress Levels Soar as More Borrowers Push for Moratorium

At捺adip.Ray@timesgroup.com

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

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

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

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

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

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

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

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

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

“There is possibility of a shortfall of collections of over 30-40% even by September 2020 and a potential default by MFIs to their lenders to the extent of 10%. Many of the mid-sized and small MFIs will be challenged to meet their operational expenses in full, with a potential shortfall of Rs 1,500-2,000 crore,” Sa-Dhan said in its appeal to the finance minister.
Move will restore stability in financial markets: SBI chief

ENSECONOMIC BUREAU
MUMBAI, MAY 13

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

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

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

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

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

MITHUN DASGUPTA
Kolkata, May 18

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

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

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

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

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

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

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

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

Enquiries for fresh loans see uptick

Subrata Nandi & Narmadacharya
Mumbai/Kolkata, 21 May

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

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

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

"We have opened 500 branches in the country and are looking at another 400 in the next three-four days. Footfalls have improved and in the last week or so and we have seen 5,000-7,000 customers walking in to our branches nationwide mainly for repayments and for business enquiries. Enquiries are more for tractees and pre-owned vehicles and not as much for other products," said Ramish Iyer, vice-chairman and managing director, Mahindra & Mahindra Finance.

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

Aadhar Housing Finance said it had re-opened almost 86 per cent of its branches and 80 per cent of the branches in the red zone were operating.

"We are seeing normalcy in re-opening branches but are not hopeful of doing great business. But definitely we are seeing some momentum," said Deo Shankar Tripathi, managing director and chief executive officer, Aadhar Housing Finance. Close to 60 per cent MFIs offices are open, but operations are regu-lar. Due to restriction on movement, not many loan officers are able to go out, and group meetings are also not happening.

The pending files of March have been completed and fresh disbursements, L300-L500, have begun. Mostly in the tractor segment. In April, repayments were very low but in the first 15 days of May, we have seen almost 30 per cent collection efficiency. After September, sentiment will improve and the festive season should see an uptick in credit demand," Iyer said.

"As our customers are rejuvenating their businesses, we are seeing demand for fresh credit, but we are not disbur-sing fresh credit till the moratorium is over. Demand for credit is there but it will pick up further in the next two-three months," said Hardika Shah, founder, and chief executive officer, Khosla Gappal.

Tripathi said: "In self-construction cases, where the sec-ond and the third tranche of loan disbursement is request-ed by customers, we will be disbursing now. We are ex-pecting roughly 30 percent of usual monthly disburse-ment to happen this month. Repayments are picking up. Credit demand will pick up from salaried customers in a month or two after the lock-down is lifted but from self-employed and informal seg-ment customers, it will take time due to the impact on cash flows. It depends how fast economic activities resume."

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

"Loan applications of only existing customers with a good credit history as of February 29, 2020, are being considered," said Manoj Nambar, chairman, Microfinance Institutions Network (MFIN). A majority of MFIs too have got similar moratorium from their lenders after much lobbying.

F Sathish, executive director, Sa-Dhan, a micro-finance representative body, said communities were fearful of entry of loan officers from outside and 40-50 per cent of normal credit was flowing, and the same goes for repayment. However, this may pick up by month-end, he added.

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

"Operations are almost at a standstill. Only 4-5 percent of due repayments are happen-ing," said Rahul Mitra, chief executive officer, Mangaladhar Financial Services.
Sidbi, Nabard compete to lend to top MFIs under RBI's liquidity support

According to informal estimates, the two organisations together are looking to extend Rs 7,000-8,000 crore in funding.
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Body Blow For Microfinance Institutions, Can They Keep Their Chin Up During Corona Times?

May 4, 2020

4 minutes read

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**RBI takes steps to make TLTRO more effective to boost liquidity for NBFCs**

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

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

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

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

At the call with RBI top brass including deputy governors MD Patra and MK Jain, non-bank lenders have sought one-time restructuring of loans, shifting of moratorium period to April to June and extension of asset classification relaxation until September. Other demands...
MFIs see demand picking up soon due to emergency loan requirement, kharif cultivation

By: Mithun Dasgupta | Published: May 5, 2020 2:20 AM

Microfinance institutions (MFIs) believe the industry will bounce back in no time as they see demand for microcredit rising soon because of emergency loan requirements of their customers to restart businesses.
Microfinance institutions on a knife-edge with collections taking a big hit

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

Topics
microfinance institutions | Reserve Bank of India | Lockdown

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

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

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

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

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

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

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

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

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

Topics
Nirmal Sitharaman | shadow banking | Indian Economy

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

By Mitun Dasgupta | Published: May 19, 2020 9:37AM

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

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

By Anindita Ray, ET Bureau | Last Updated: May 26, 2020, 06:41 AM IST

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

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

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

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

Local Monetarist SURAN

Even in India’s capitalist exit from the lockdown, signalling a change in its approach to containing the pandemic, as well as along with lockdowns, the public discourse is largely focused on the central emphasis of fiscal stimulus to later recovery of the economy. Meanwhile, the RBI has recently come up with a set of monetary measures to ensure adequate liquidity in the financial sector with a view to meeting credit needs of the stressed segments.

At this juncture, the issue of meeting the demands of myriad informal enterprises, which account for a bulk of the employment lost as a result of the lockdown, is highly relevant. It is therefore imperative that we analyse to what extent the recently announced fiscal stimulus measures can help identify the needs of these enterprises.

The size of the informal sector is to begin with, but can look at the size and profile of this segment. As per the latest available Sixth Economic Census (SEC) — conducted between January 2013 and April 2015 — 135 million units were found to be in operation, of which 34.4 million (53 per cent) were in rural areas and 52.7 million (37 per cent) in urban areas. Around 97 million (72 per cent) were “small and medium-sized enterprises” — as small workers — and nearly 60 per cent were private proprietary establishments. About 5.1 million (8 per cent) of the total 12.20 million units employed — work in these proprietary establishments. While 60 per cent of these establishments employ up to ten workers, the residual employ more than ten and nearly five more workers.

The overall data may suffer some distortion from the Sixth EC shows the economic landscape of India has an overwhelming presence of small proprietors which employ, on average, less than ten workers. The total number of these enterprises were found to be self-owned, and nearly 2 per cent borrowed from financial institutions.

While, India’s informal sector is largely unregistered, most industries operating outside the tax regime and beyond the reach of formal financial sector. How then do we design and offer support to reach these enterprises?

Global and Indian scenarios

In this context, it would be useful to consider what kind of support is being extended to small businesses in other countries. In the UK, all small businesses with 500 or fewer employees have been offered 80% of “favourable” loans in two tranches under the Paycheck Protection Programme (PPP) at an interest rate of 1% per annum. In the UK, small businesses are being offered 100% of government guaranteed up to £10,000 at an interest rate of 2.5%. The Guardian reported on May 9 that 50,000 small businesses secured £2 billion in ‘favourable back’ loans within 19 hours. The scheme, which is launching in Germany has extended 100% of government guarantee up to €10,000 for small and medium-sized companies having fewer than 50 employees. However, these standard fiscal and monetary packages, mediated through banks, are unlikely to work effectively for the micro-enterprises and small businesses operating in India. In fact, direct finance from financial institutions to these enterprises is extremely limited. Second, banks simply do not have the outreach and informational capacity to meet the credit needs. Third, banks would generally tend to trust these enterprises as being high credit risk and, as a result, would not extend any suitable funding.

Not surprisingly, therefore, liquidity support of Rs 1.85 trillion entrusted by the RBI under the TLTRO 2.0

**Institute of sideways liquidity support will save both lives and livelihoods**

For loans to micro enterprises through MFIs and SHGs have not met any core objectives. Instead of lending to small enterprises, banks have so far opted to park surplus borrowable limit of the amount of Rs 1.85 lakh crore (as on May 9) with the RBI, even though the reverse repo rate has been lowered. Furthermore, the government has not even provided direct grants and wage subsidies to these enterprises. Since we do not have an authentic database of these proprietary enterprises, tax relief would not be useful. Of course, the RBI has provided a second wave of liquidity support to MFIs and SHGs. Lending to a subset of MFIs, to meet credit demand of small businesses.

However, it is estimated that only 7.14 lakh crore would be available through this route, which would be grossly inadequate to serve 50 million small businesses in the informal sector. In this context, we reiterate a radical difference, i.e., operational capacity and workable approach for putting out this hugely critical business segment.

A ‘business back’ scheme

As mentioned above, conventional approaches may not work in an extraordinary situation. This is particularly true of the millions of informal household enterprises, which are institutionally unbankable. However, with non-profit, community-based organisations and maybe even cooperatives, this could perhaps play a more inclusive role in patching up, the financial resource requirements of this sector through a variety of ways, like financing them as individuals, NGOs, MFIs, federated entities etc.

So, if this data points to a microenterprise, small individual borrowers outstanding from over 200 MFIs and microfinance institutions a reasonable use of about 6.14 lakh crore. While the RBI has provided a second wave of liquidity support, banks in the scheme target MFI and SHG lending in a subset of MFIs, to meet the credit demand of small businesses.

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MFIs: The micro-finance institutions (MFIs), which have been hit severely in the wake of the coronavirus-triggered lockdown, are expecting that the repayments of loans given to the borrowers will actually start from June, an official of the industry body said on Friday. Most employees of micro lenders have come back to their offices in green zones and have been able to establish contacts with their clients, either over phone or visiting them physically, Microfinance Institutions Network (MFIN) CEO Harsh Shrivastava said.


MFI industry hopes repayments to start from June

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

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

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

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

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

Even as India rolled out a differentiated exit from the lockdown, signalling a change in its approach in combating the pandemic to save lives along with livelihoods, the public discourse is largely focussed on the next tranche of fiscal stimulus for faster recovery of the economy. Meanwhile, the RBI has proactively come out with a set of monetary measures to ensure adequate liquidity in the financial sector with a view to meeting credit needs of the stressed segments of the economy. At this juncture, the issue of rescuing millions of unorganised enterprises, which account for bulk of the
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Small, midsize MFIs look for unused credit limit to tide over liquidity crunch
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The outlook of the industry is good after the government had announced few measures to prop up the NBFC-MFI sector, he said.

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

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

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

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

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

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

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

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*PTI* | May 15, 2020 12:43 IST

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By Daily Excelsior - 15/05/2020
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Date: 16-May-2020