MICROFINANCE INSTITUTIONS NETWORK

Media Visibility Report

Interviews & Industry Stories
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STORIES OF DISTRESS FROM SMALL BORROWERS

Across India, women borrowers are finding it tough to repay small loans. The next few months will be critical.

For interviews with Maytilla Singh, managing director of Bank of Baroda, and Lakshmi K Venugopal, CEO of Axis Bank, call 1800-266-0354 or 1800-425-0909, respectively.

WHAT

With the lockdowns and lockdowns, small businesses have been hit hard. But some have found ways to adapt and survive.

WHERE

In India, small businesses are particularly vulnerable to the pandemic. But some have found creative solutions to stay afloat.

WHEN

The pandemic has forced small businesses to rethink their strategies. But some have found ways to adapt and succeed.

WHY

Small businesses are the backbone of the Indian economy. But they are also the most vulnerable to the pandemic.

MOREOVER

For interviews with Maytilla Singh, managing director of Bank of Baroda, and Lakshmi K Venugopal, CEO of Axis Bank, call 1800-266-0354 or 1800-425-0909, respectively.

For interviews with Maytilla Singh, managing director of Bank of Baroda, and Lakshmi K Venugopal, CEO of Axis Bank, call 1800-266-0354 or 1800-425-0909, respectively.
A rise in delinquency will be an added burden for non-banking financial companies and banks exposed to micro-loans. RBI has projected a spike in gross non-performing assets (NPAs), from 8.5% in March 2020 to 12.5% by March next year. (Photo: Alamy)

**Stories of distress from small borrowers**

9 min read . Updated: 17 Aug 2020, 09:03 AM IST

Sayantan Bera

- Across India, women borrowers are finding it tough to repay small loans. The next few months will be critical
- Unless there is a sharp recovery, MFIs and banks (with micro-loan portfolios) will have to restructure or write off loans though the situation will not be clear until November
The microfinance sector may see fall in collections once the moratorium facility comes to an end.

The Code for Responsible Lending (CRL), a self-regulatory mechanism put
Standalone Stories
MFIs widen code of conduct

A STAFF REPORTER

Calcutta: The microfinance industry is looking to expand its own list of dos and don’ts that it will follow in its operations.

The Code of Responsible Lending for the microfinance industry could be further widened to improve transparency to the borrowers and lenders.

DOS AND DON’TS

The two self regulatory organisations for the industry — MFIN (Microfinance Institutions Network) and Se Dhan — had last year announced the responsible lending code, which specified certain guidelines for the lending institutions.

Not more than three lenders can offer credit to the same borrower, the code said. The overall outstanding of the borrower should not be more than Rs 1.25 lakh. Also, there should not be any fresh lending to a borrower without an updated credit bureau report.

According to Manoj Nambar, managing director of Arohan Financial Services and chairperson of the MFIN board, two more measures are under discussion to be added to the code this year.

This includes looking at the financial situation of the entire household and not just the individual borrower and keeping a record of the field staff.

Nambar said the code has been signed by 110 entities. It is a key initiative for the sector and the overall adherence levels to the code are set to rise.
Microfinance collections pick up in July, shows industry data

Banks have a total MFI loan book of Rs 91,942 crore followed by NBFC-MFIs with a loan book of Rs 71,394 crore. The total loan book of microfinance industry grew to Rs 2,24,595 crore as on June 30.

Moneycontrol News

Overall collection rate of microfinance institutions (MFIs), which was 35-40 percent in April, improved to 65-70 percent.
Industry Story
BUSINESS STANDARD WEBINAR: SMALL FINANCE BANKS

‘Bottom of the pyramid proves to be the best customers’

BARRING THREE OR
FOUR SECTORS, EVERYTHING IS
COMING BACK TO NORMAL. THINGS
ARE NOT SO BAD. CUSTOMERS
HAVE INTENTION TO PAY
SANJAY AGARWAL,
MD & CEO, AU SB

IF MY CUSTOMER IS NOT EARNING, I
AM VERY HAPPY TO SIT
WITH HIM AND GIVE
MY SHOULDER TO HIM TO
Cry ON
P N VASUDEVAN,
MD & CEO, Equitas SB

THE RECOVERY WONT
BE RUDAL- OR Urban-
FOCUSED, IT WILL BE
OCCUPATION-LED
NITIN CHUGH,
Ujjivan SB

AN EXTENSION OF THE
MORATORIUM IS NOT
REALLY REQUIRED. WE
ARE DONE WITH IT; THERE
IS A FATIGUE SETTING IN
R BASKAR BABU,
MD & CEO, Surodaya SB

VESTED INTERESTS AND MISCHIEF-
MONGERS ARE TRYING TO INSTIGATE
BORROWERS. WE
NEED INSTITUTIONAL AND POLICY SUPPORT
ALOK MISRA,
CEO, MNB

THE TRUE NATURE OF MORATORIUM
WILL BE APPARENT IN
SEPTEMBER. SOME
PEOPLE WILL USE IT AS
EXCUSE FOR NOT PAYING
A JAY KANWAL,
MD & CEO, Jaya SB

FROM PAGE 1

Bottom of the pyramid...

Everyone, though, agreed there was no need to extend the moratorium. “Moratorium is not really required any more. We are done with it, there is a fatigue setting in,” said Baskar Babu.

The SBIs reached out to people to educate them about the moratorium, and explain that it expired after August, and that it was not a waiver. But some “local-level vested interests and mischief mongers” are instigating people not to pay, and bet for a loan waiver instead, said Misra.

Luckily, the issue has not taken a political turn, but the SBIs would be in need for institutional and policy support if the matter is publicised. It is no longer a rural or urban story, and “the recovery would be occupation-led,” said Chugh.

Thankfully, “things are not so bad, and customers have the intention to pay”, said Agarwal.

However, there will always be less than one percent, who would use any excuse, in this case the moratorium, to not pay, said Kanwal.

Liquidity is aplenty with SBIs, and despite rate cuts, deposits are queuing up to park their money as deposits, quelling fears that SBIs won’t be able to compete with full-service banks in mopping up deposits.

The Reserve Bank of India’s assurance that no bank will be allowed to fail, even as the PNB Bank crisis unfolded, and the fact that deposits of up to 5 lakhs are now insured has played their part. But SBIs had to do a lot of explaining before their customers, and as brands they are nowhere near scheduled banks even after three years of operations, the panelists said.

SBIs and their customers are increasingly relying on technology, and as such at 60-70 percent of the recovery could be done through digital means, but with $2,000 being the average size of a microfinance loan, the need for cash is there.

While this is not the time to expand into new areas, SBIs would like to sell insurance products and, maybe scale up their gold loan business, they said.

Overall, the credit crisis has not brought about a behaviour change in the way demonstration did. Rather, it is a pause before things normalise, the panelists said.

The panelists said SBIs wanted to become universal banks in five years, needed policy protection so that they did not fall victim to loan waivers or interest subvention schemes, a policy drive to include more from the bottom of the pyramid, etc.

RCom resolution...

The CoC, led by State Bank of India, approved of the resolution plan that involves lenders receiving ₹23,300 crore.
गरीब वित्तीय रूप से ज्यादा सतर्क, मोर्टगेज़ की जरूरत नहीं

अनलॉक बोइफएसआई 2.0 विदेशी बंधन

कार्य पर लोग सतर्क
पृष्ठ 1 का तृतीय

एपिक के मैंधों में सबसे महत्वपूर्ण बात उचित चुनना है। उन्होंने कहा कि केवल एक ही बात में फूला जाना चाहिए।
Microfinance sector likely to see consolidation post-Covid: Experts

PRESSTHURST OF INDIA
MUMBAI, 25 AUGUST

Microfinance industry, which serves the unbanked, is likely to head towards the path of consolidation post-Covid, feel industry experts.

Micro lenders will also move towards digitisation of all processes for serving their customers who are going to see a change in their transaction habits, they said.

"A lot of people who are not here for the long term or don’t have a very long-term vision of being in this industry and serving these (MFI) customers, will most likely find their way out. I would think that it also opens up some kind of path to consolidation in the industry," Uljivan Small Finance Bank managing director and CEO Nitin Chugh said during a panel discussion on the microfinance sector organised by CRIF High Mark, a credit bureau.

“This microfinance industry will remain only for people who are invested, are following regulatory norms very seriously and have a roadmap ahead of them, he added.

Sharing a similar view, Lajja Small Finance Bank’s managing director and CEO Ajay Kanwal said: "It probably is the moment where more people will think of consolidation and rightly so because having scale, capital, management depth, does make a difference. Clearly, I think there will be a lot of conversation around it."

He said that post-Covid, digitisation will be a reality.

The most positive feature of the whole crisis is that we will move towards more digital approaches towards customers, banks and finance companies, which in a way will help a bit more of a formalisation and hence ability to give more credit to the under-served will become easy, Kanwal said.

He said the pandemic has given MFIs a bigger opportunity for growth because there is six months of pent-up demand. There are people who want to start businesses and people have consumption needs that have been postponed, he added.

According to Manoj Namdhar, managing director of Arohan Financial Services and also chairperson of Microfinance Institutions Network (MFIN), the sector will see a surge in non-performing loans once the Reserve Bank of India’s moratorium on repayment of loans ends on 31 August.

The industry is bracing up for the spike in delinquency which will happen due to dormancy or inactivity levels that exist. Also, the pandemic has impacted the bottom of the pyramid, he said.

He, however, feels borrowers from the bottom of the pyramid segment are resilient in terms of overcoming any crisis.
MFI Collections Impacted Due to Local Lockdowns

Atmadip Ray@timesgroup.com

Kolkata: August 31 marks the formal end of the grace period on loan repayments, but intermittent lockdowns across vast swathes of India might come in the way of a dramatic jump in collections from current levels at microfinance companies and small-finance banks.

Repayment collection at present is seen in the range of 70-75% on an average for MFIs and small-finance banks, with significant regional variations. While lenders witnessed better recovery in Bihar, Chhattisgarh, Jharkhand and Madhya Pradesh, Kerala and Tamil Nadu have shown below-par trends, people familiar with the matter told ET.

“After the nationwide lockdown, the economic activity is coming back, albeit slowly. The weekend lockdowns are acting as impediments,” said HP Singh, chairman at Satin Creditcare Network.

“September should be better unless the impact at bottom of the pyramid customers is higher than estimated,” said Marooj Nambiar, chairman at Microfinance Institutions Network (MFIN), an industry body.

Repayments fell by the end of July from earlier weeks, which points to disruptions due to lockdowns or flooding and storms.
A deceptive recovery

Collections by micro-finance institutions have rebounded in a big way, but delinquencies could surge, reports

Raghu Mohan

Micro-finance institutions (MFIs) have something to cheer about as collections are back to 85 per cent of the pre-Covid lockdown levels. Yet Murlidhar Nambiar, managing director of Anshul Financial Services and chairman of the Microfinance Institutions Network, is not enthused. “The nature of this business is such that collections have to be closer to the 100 per cent mark.” On expected delinquencies after the loan moratorium ends, he says “no business idea on that front.”

What explains the rebound in collections? “The nilxlessness of borrowers is remarkable. A vast majority of borrowers are using the essential services’ supply chains with tiny and micro businesses, and this has sprung back,” says Udaya Kumar, managing director and chief executive officer (CEO) at CreditAccess Grameen.

In the numbers

Industry-wide data on MFIs is hard to come by due to the lockdown, but an uptick in stress was evident even before the pandemic. The Equitas-HDFC Microfinance Pulse Report puts the MFI industry’s delinquency in December 2019 at 1.4 per cent — the highest since five quarters. Delinquency in the 1.2 million borrower loan book, however, saw a rise from 0.8 per cent in December 2019 to 1.2 per cent in December 2020, over September 2020. They could only have moved up a notch.

As for MFIs business after Covid, a recent update by the credit agency CRISIL High Mark sees outstanding loan balances of Rs 33,000 crore at the end of May 2020 — a year-on-year growth of 1.2 per cent, even though it was 2.4 per cent over June 2019. The number of loans disbursed in May 2020 stood at 62, in sharp contrast to 3,266 per cent over FY19. In the last week of March 2020, less than 0.1 per cent loan were disbursed, accounting for a minor 1.75 per cent of disbursements for the month,compared to 20.1 per cent in the last week of March 2019 and 46.2 per cent of disbursements. Only one out of three loans were disbursed in the first two months of FY20 — always steep from the average monthly disbursement volume of $50M loans in the same period last year. To the extent disbursements have been affected, delinquencies as a percentage of the outstanding will only go up.

On how did CRISIL (High Mark) source data during the lockdown? “We collaborated with our financial institution partners and, using the strength of data analytics, created insights. This deeper analysis of existing customers has enabled us to be sympathetic to their needs and to address their needs for emergency or top-up loans,” says Basil Chandram, CEO, CRISIL.

Capital concerns

As Perumal Upadhyay, associate director for CRISIL, mentions, “We expect MFIs to focus on raising additional equity over the next five quarters in order to unlock potential credit losses or higher provisioning.” In FY20 and FY21 after demonstration, MFIs in India’s network have raised over $4.0 billion in equity. One striking point would be the gap between current and pre-pandemic collection levels, there is a risk of experience of credit losses and its potential impact on capital adequacy after the moratorium ends.

Kishore Reddy has raised Rs 1,200 crore via a rights issue to augment its capital base to meet future requirements. “The right’s issue will provide us with the added financial muscle to address current challenges, and strengthen our capital adequacy in line with the prudent regulatory norms,” he says.

Loan recast and MFIs

Are MFIs ready to offer loan recasts? “The applicability and benefits to MFIs emanating from the resolution framework for Covid-19 is a concern,” says Perumal Upadhyay of CRISIL Ratings. Industry sources feel this may need a clarification from the central bank, and point to the earlier confusion over the moratorium on term loans announced on March 27. Banks continued to demand and their loans were renewed — a non-banking financial company (NBFC) and stand-alone MFIs. The air was cleared after a statement by Reserve Bank of India (RBI) Governor Shaktikanta Das in late April that MFIs and NBFCs were eligible for it, and there was nothing in the circular that prevented this from being offered.

In phase II of the lockdown, nearly 10 per cent of MFIs’ loan portfouls did not opt for a moratorium on their loans. Neither was there a better collection figures. However, one indicator of the resilience of the sector according to CRISIL’s recent analysis, after demonetization, most MFIs had reported 90-180-day collection efficiency for incremental disbursements seen after April 2017. And yet, their loan books as of November 2015 saw credit losses of between 1 per cent and 3 per cent, with strong correlation to geography and socio-political influence.

As at December 2019, 84 plus days delinquency or total MFIs’ loan portfolio at $0.7 billion stood at $11.8 billion.

Micro-finance institutions’ portfolio outstanding as on December 2019

Over 90-day MFI delinquencies by states/UTs as on December 2019

N.B: The data shown above is as of December 31, 2020, and has been compiled by Ketchum Sampark.
'Bottom of the pyramid' prove to be the best customers for SFBs

At Business Standard's 'Unlock BFSI 2.0:' top SFB chiefs seemed very comfortable even when over 90% of their loan books froze into moratorium in March; By July, moratorium loans halved for most

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Microfinance sector may see consolidation post Covid-19, say experts

Microfinance industry will remain only for people who are following regulatory norms very seriously and have a roadmap ahead of them; says one expert

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Press Trust of India | Mumbai
Last Updated at August 19, 2020 21:28 IST
Microfinance sector may see consolidation post COVID, say experts

Synopsis
Micro lenders will also move towards digitisation of all processes for serving their customers who are going to see a change in their transaction habits.

MUMBAI: Microfinance industry, which serves the unbanked, is likely to head towards the path of consolidation post-COVID19, feel industry experts.

Micro lenders will also move towards digitisation of all processes for serving their customers who are going to see a change in their transaction habits, they said.
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Updated: August 19, 2020 07:55 PM IST

Microfinance industry, which serves the unbanked, is likely to head towards the path of consolidation post-COVID 19, feel industry experts.
Microfinance sector may see consolidation post COVID, say experts

By: PTI | Published: August 19, 2020 5:53 PM

The industry is bracing up for the spike in delinquency which will happen due to dormancy or inactivity levels that exist.
Microfinance sector may see consolidation post COVID, say experts

Mumbai, Aug 19 (PTI) Microfinance industry, which serves the unbanked, is likely to head towards the path of consolidation post-COVID 19, feel industry experts. Micro lenders will also move towards digitisation of all processes for serving their customers who are going to see a change in their transaction habits, they said. “A lot of people who are not here for the long-term or don’t have a very long-term vision of being in this industry and serving these (MFI) customers, will most likely find their way out. I would think that it also opens up some kind of path to consolidation in the industry,” Ujjivan Small Finance Bank managing director and CEO Nitin Chugh said during a panel discussion on the microfinance sector organised by CRIF High Mark, a credit bureau. This microfinance industry will remain only for people who are invested, are following regulatory norms very seriously and have a roadmap ahead of them, he added. Sharing a similar view, Jans Small Finance Bank’s managing director and CEO Ajay Kanwal said, “It probably is the moment where more people will think of consolidation and rightly so because having scale, capital, management depth, does make a difference. Clearly, I think there will be a lot of conversation around it.” He said that post-COVID, digitisation will be a reality. “The most positive feature of the whole crisis is that we will move towards more digital approaches towards customers, banks and finance companies, which in a way will help a bit more of a formalisation and hence ability to give more credit to the underserved will become easier,” Kanwal said. He said the pandemic has given MFIs a bigger opportunity for growth because there is six months of pent up demand. There are people who want to start businesses and people have consumption needs that have been postponed, he added. According to Manoj Nambiar, managing director of Arthan Financial Services and also chairperson of Microfinance Institutions Network (MFIN), the sector will see a surge in non-performing loans once the Reserve Bank of India’s moratorium on repayment of loans ends on August 31. “The industry is bracing up for the spike in delinquency which will happen due to dormancy or inactivity levels that exist. Also, the pandemic has impacted the bottom of the pyramid,” he said. He, however, feels borrowers from the bottom of the pyramid segment are resilient in terms of overcoming any crisis. PTI HV MR.
Microfinance sector may see consolidation post COVID, say experts

I would think that it also opens up some kind of path to consolidation in the industry,” Ujjivan Small Finance Bank managing director and CEO Nitin Chugh said during a panel discussion on the microfinance sector organised by CRIF High Mark, a credit bureau.
MFIs widen code of conduct

The Code of Responsible Lending for the microfinance industry could be further widened to improve transparency to the borrowers and lenders.

The microfinance industry is looking to expand its own list of dos and don’ts that it will follow in its
MFIs' collections rebound in a big way, but delinquencies may surge

Industry-wide data on MFIs is hard to come by due to the lockdown, but an uptick in stress was evident even before the pandemic

Topics
Microfinance | Coronavirus

Raghu Mohan | Mumbai
Last Updated at August 31, 2020 06:06 IST

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Yet Manoj Nambiar, managing director of Arohan Financial Services and chairman of the Microfinance Institutions Network, is not enthused: “The nature of this business is such that collections have to be closer to the 100 per cent mark.” On expected delinquencies after the loan moratorium ends today, he says “nobody has an idea on that front.” What explains the rebound in collections? “The resiliency of borrowers is ...