MICROFINANCE INSTITUTIONS NETWORK

Other Direct Coverage – Initiated & Non-Initiated

March 2020
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Initiated
Risks yet to subside for Bandhan Bank
Stock trades below its listing pricing, shedding over 22 per cent year-to-date

RAM PRASAD SAHU

Last Tuesday, the Reserve Bank of India (RBI) lifted the ban on Bandhan Bank opening new branches. Accordingly, the bank now plans to open 250 branches by the end of CY20. While the news seems to have helped Bandhan's stock—which is down 2.6 per cent since last Tuesday, versus a 5.3 per cent fall in the Sensex—it is still down by over 22 per cent year-to-date because of concerns over slowing growth and asset quality.

Signs of these were visible in its December quarter (Q3) results. Though still high, growth in assets under management or AUM (excluding Gruh Finance) dipped to 33 per cent year-on-year (YoY) in Q3, as against 35-40 per cent in earlier quarters. Further, gross non-performing assets (NPA) inched up to 1.93 per cent, from 1.76 per cent in the September quarter. Investors need to brace for a further slowdown as a recent report by Microfinance Institutions Network (MFIN) indicated that the microfinance (MFI) industry tempered growth in Q3 to 24 per cent YoY, as against 30 per cent-plus growth seen earlier. For Bandhan, MFI accounts for 61 per cent of the total loan book, and Assam (eye of the crisis) accounts for 16.4 per cent of its MFI loans and 10 per cent of loan exposure, second to West Bengal, which accounts for 45.8 per cent of its MFI loans. Another report by rating agency CRIF Highmark noted that delinquencies between 31 days and 180 days have doubled YoY to 1.5 per cent in Q3.

The question also is whether the RBI lifting the curb on the bank's branch expansion can help it diversify the loan book. Even as the Gruh Finance acquisition gave it a head-start in expanding its non-MFI business, Bandhan seems to have hit an air pocket since then. The share of non-MFI loans remained stagnant at 39 per cent (20 per cent contributed by Gruh) in Q3, indicating that other streams of businesses aren't helping much yet. Moreover, promoters of Bandhan Bank have to reduce their stake to 40 per cent, from 61 per cent. Chandrasekhar Ghosh, CEO, Bandhan Bank, had earlier indicated the bank would not explore an inorganic mode of reducing promoters' stake in the lender, implying that the supply of shares in the open market may remain high. If demand for the stock isn't encouraging, the scope for a sharp rebound in its price remains limited.

In short, the negatives still outweigh the positives. From nearly all analysts tracking the stock having a positive view on it a year ago, now only 70 per cent of those polled on Bloomberg have a ‘buy’ rating. Even if the valuation at 3.8x FY21 estimated book is attractive, investors should wait for easing of some of the fundamental concerns.
Microfinance industry sees no threat from Covid-19, says loan disbursement and collection will not be hit

SHOBHA ROY
Kolkata, March 20

The microfinance industry in India, which had witnessed a rise in delinquencies and negative impact on asset quality following demonetisation in 2016, is closely monitoring the impact, if any, of the Covid-19 outbreak on the sector.

According to Manoj Kumar Nambari, Chairman of MFIN (Microfinance Institutions Network) and MD of Arohan Financial Services, while there is no impact of the recent outbreak on loan disbursements or collection efficiency, however, it is keeping a close eye on how things evolve moving forward.

"It is early days yet....nothing much has come out as yet as to collection not happening or business not happening. ... but if it continues for a longer while, then obviously, we have to react based on how each stage evolves," Nambari told Businessline. It is to be noted that in the period immediately following demonetisation in 2016, the overall collection efficiency in the microfinance sector (MFIs and small finance banks put together) had dropped to as low as 87 per cent in December 2016, thereby affecting asset quality.

However, the industry started showing signs of improvement in asset quality from early 2017 onwards, with collection efficiency improving to 93 per cent in 2017 and over 98 per cent by September 2019.

No significant impact

The industry, however, does not expect any significant impact of the outbreak on asset quality.

"Demonetisation was a very different thing where people did not have currency then there was election, and there were so many rumours doing rounds, naturally collections got impacted. I am seeing this (Covid-19) as more of a temporary disruption," Devesh Sachdev, CEO and Founder, Fusion Microfinance.

Moreover, Covid-19 is more of an "urban phenomena" and since microfinance largely deals with lending in rural and semi-urban areas, it is not likely to get affected, said CS Ghosh, MD and CEO, Bandhan Bank.

Apart from this, NBFCs have total loan outstanding of ₹21,591 crore and other MFIs account for ₹2,395 crore in the total pie, as per MFIN data.

Contingency plans

The microfinance model in India involves organising group meetings to educate and inform borrowers for disbursements as well as for routine collections. However, with Section 144 being imposed in some locations, organising such group meetings has become difficult. MFBs are, therefore, resorting to organising one-on-one meetings of customers with the loan officer and are also sending their personnel individually for collections.

"We are having meetings in very small numbers and mostly resorting to door-to-door visits. If this (outbreak) extends for more than a month-and-a-half then it will impact everybody but the way the government has been reacting and tackling the situation, we are hopeful that things should be under control. "We, however, have already made some contingency plans," said Jugal Kataria, Chief Financial Officer, Satin Creditcare Network Ltd.
**Covid-19 Attack Limits MFI Outreach**

Firms seek fund support from lenders as they face non-repayment from borrowers and slow down in loan disbursements

**GOING VIRAL**

**Covid-19 Impact**

Atmadip Ray & Surabhi Agarwal

Kolkata | New Delhi: Microfinance firms are slowing down new loan disbursements in the country’s rural heartland as a direct fallout of the coronavirus outbreak. They are also facing non-repayment from borrowers whose earnings may take a hit as the country goes into lockdown to combat the spread of coronavirus.

Anticipating liquidity tightness, Microfinance Institutions Network (MFIN), the lobby group for the NBFC-MFIs, has already sought the regulator’s intervention in getting fund support from banks. MFIN has also requested for regulatory forbearance in asset classification and provisioning rules. Housing finance companies (HFCs) are also looking for 180 days to 270-day moratoriums to deal with the situation.

Reserve Bank of India on Monday allowed banks to offer loans to non-banking finance companies (NBFCs) other than MFIs and housing finance companies (HFCs) for on-lending to NBFCs for on-lending to SMIs. It also allowed banks to offer loans to non-banking finance companies (NBFCs) other than MFIs and housing finance companies (HFCs) for on-lending up to an overall limit of five percent of their total priority sector kitty.

"In the current situation, banks are unable to provide funds to the priority sector, which is facing liquidity issues due to the COVID-19 pandemic," said Rajesh Sinha, chief economist at Knight Frank India.

The country’s largest lender, SBI, has made additional credit facilities available to the eligible existing borrowers at 7.25% interest rate to help out borrowers facing hardships.

NBFC-MFIs and HFCs are looking for similar assistance from other banks. “We have sought back-to-back arrangement from banks that NBFC-MFI borrowers from anticipating a hit on repayment collection. We have requested the regulator to redefine the non-performing assets (NPA) and provisioning norms,” MFIN chairman Manoj Narula told ET.

We are also looking for RBI to allow us graded intervention with borrowers – in collection of interest of the existing loan if borrowers face a difficulty and then moratorium on loan repayment if crisis deepens.

The sector employs about two lakh people, most of whom are field workers engaged to deal with customers every week or month. Meanwhile, Abhijit Agarwal, managing director of National Trust Housing Finance, said 70.8% of the company’s collections are at the field level and with 10-15 days of the quarter-end, many customers might slip into default.
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The question also is whether the RBI lifting the curb on the banks branch expansion can help it diversify the loan book. Even as the Gruh Finance acquisition gave it a head-start in expanding its non-MFI business, Bandhan seems to have hit an air pocket since then. The share of non-MFI loans remained stagnant at 39 per cent (29 per cent contributed by Gruh) in Q3, indicating that other streams of businesses aren’t helping much yet. Moreover, promoters of Bandhan Bank have to reduce their stake to 40 per cent, from 61 per cent. Chandrasekhar Ghosh, CEO, Bandhan Bank, had earlier indicated the bank would not explore an inorganic mode of reducing promoters stake in the lender, implying that the supply of shares in the open market may remain high. If demand for the stock isn’t encouraging, the scope for a sharp rebound in its price remains limited.

In short, the negatives still outweigh the positives. From nearly all analysts tracking the stock having a positive view on it a year ago, now only 70 per cent of those polled on Bloomberg have a buy rating. Even if the valuation at 3.8x FY21 estimated book is attractive, investors should wait for easing of some of the fundamental concerns.
The lockdown to contain the spread of Coronavirus has put the microfinance sector on the edge. Both collection and disbursements of loans in 75 districts across India under lockdown is temporarily suspended, according to Manoj Nambiar, chairman, MFIN (Microfinance Institutions Network), the representative body of MFIs. Rough estimates suggest, the districts in which lockdown has been imposed, account for close to 50 per cent of microfinance business in India; banks and SFIs could also be impacted. The gross loan portfolio of the microfinance industry at the end of December 2019 was Rs 2.11 trillion. Every month close to 10 per cent of portfolio gets repaid, according to Nambiar. This means that a large part of Rs 20,000-22,000 crore of monthly collection by the industry, including those by banks, would be disrupted. Microfinance works on a high ...
touch model, and most of the repayments and collections are done in groups of nine to ten people. The collections are mostly done on a weekly basis.

At stake also is the portfolio of several lenders, including Bandhan Bank. At the end of December 2019, the share of banks in microlending business was highest at 40 per cent. For example, close to 60 per cent of Bandhan Bank’s portfolio is from micro finance. C S Ghosh, MD and CEO of the bank could not be reached for comments. Also at risk is the portfolio of small finance banks, which have close 90 per cent of portfolio concentrated in the microfinance segment. “There has been a lot of uncertainty in the sector, but due the lockdown all MFI operations have been suspended in Kerala,” according to K Paul Thomas, chairman and managing director of ESAF Small Finance Bank, based in Kerala. The state has been facing Corona outbreak since the last two weeks, and starting today MFI operations have been halted in the state.

Many urban-centric MFIs which had been focusing on technology for increasing efficiency in the MFI sector too are affected by the crisis. For example, although Vaya, a tech-focused MFI, has asked all its backend employees to work from home, made possible on account of a cloud-based application, at the field level the business has been severely hit. Even though a part of collection is cashless through a handheld device, it requires physical presence of field officers at the spot.

“Till yesterday, the collection was more or less normal. However, post lockdown, all the collection activities have been suspended. This is a very difficult moment for the industry, and we do not know how long will it last,” said Ramadugu, MD and CEO, Vaya.

The microfinance sector has been witnessing turbulent times since the last few months with rising delinquencies due to protests against CAA (Citizenship Amendment Act). According to data from CRIF MicroLend for Q3 of this financial year, the portfolio at risk (PAR) for the industry for repayment between 31 and 180 days stood at 1.5 per cent, which was 50 per cent higher on a year-on-year basis.
Coronavirus Fallout: Microfinance firms are slowing down new loan disbursements in rural heartland

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Housing finance companies (HFCs) are also looking for 180 days to 270 days moratorium to deal with the situation. Reserve Bank of
India on Monday allowed banks to offer loans to non-banking finance companies (NBFC) (other than MFIs) and housing finance companies (HFC) for on-lending up to an overall limit of five percent of their total priority sector kitty. It has extended the priority sector status for bank loans to NBFCs for on-lending in FY21. “Priority sector tag for bank lending to NBFC sector for on-lending purpose will ease the liquidity constraint and cost of funding for the beleaguered NBFC sector,” said Rajani Sinha, chief economist at Knight Frank India. She expects the move to provide relief to the SME sector that has been hit hard by the ongoing economic turmoil, since non-bank lenders are in forefront for lending to SMEs. The country largest lender, State Bank of India, has also made additional credit facilities available to the eligible existing borrowers at 7.25% rate to help out borrowers facing hardship.

NBFC-MFIs and HFCs are looking for similar assistance from other banks. “We have sought back-to-back arrangement from banks that NBFC-MFI borrow from anticipating a hit on repayment collection. We have requested the regulator to redefine the non-performing assets (NPA) and provisioning norms,” MFIN chairman Manoj Nambiar, told ET. “We are also looking for RBI to allow us graded intervention with borrowers – i.e collection of interest of the existing loan if borrowers face a difficulty and then moratorium on loan repayment if crisis deepens.” The sector employs about two lakh people, most of whom are field workers engaged to deal with customers every week or month. Meanwhile, Alok Aggarwal, managing director of National Trust Housing Finance, said 70-80% of the company’s collections are at the field level and with 10-12 days of the quarter to end, many customers might slip into default. “Our request is to suspend asset classification of all non-performing loans for a period of at least one quarter coupled with relaxation on bad loan classification timelines be extended to 270 days minimum, if not more,” said Muthoot HomeFin (India) chief executive Ramratthinam S. “One-time restructuring of loans, increase in the paternal credit guarantee scheme too can be considered favourably.”
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While the government has raised the threshold for invoking insolvency under the IBC (Insolvency & Bankruptcy Code) to Rs 1 crore from Rs 1 lakh, financial institutions and banks expect much more, with banks in particular want at least 90 days deferment in NPA (non-performing asset) classification. The real impact of the crisis could be felt in the next two quarters, they said. A senior official of State Bank of India said, “The real economy is in deep trouble. In the next two quarters or more, banks expect deferment of NPA. Additionally, sectors like aviation, airport infrastructure, logistics, transport and hospitality among other would need some stimulus.” An account is classified NPA if the default is beyond 90 days. With the present crisis, a very large number of accounts will fall in this category in the next two quarters. According to a senior banker of a public sector bank, there is need for blanket forbearance on accounts which will turn NPA in the next three months. “Otherwise a huge number of accounts will turn NPA,” said the banker. “So far the government has spelled out relaxation on compliance-related issues. We expect the government will soon come out with bigger relief for the banking sector,” said head of another public sector bank. While banks are seeking relaxations, a number
of non-banking finance companies are looking up to banks for moratorium. For example, in case of NBFC-MFIs, as the operations will remain suspended, and MFIs would not be able collect dues from borrowers. According to Manoj Nambiar, chairman, MFIN (Microfinance Institutions Network), if MFIs are to provide any relaxation to their borrowers, they expect similar treatment from banks. "The government been taking a number of steps to ring-fence the economy from the pandemic. The finance minister's decision is a welcome move and will protect MSMEs from liquidation to a large extent. However, SMEs and MSMEs depend on large institutions for their survival and growth. Hence, the government must also extend necessary support to large corporations as well since they employ a large number of people and MSMEs are dependent on them. Without adequate support from the government India will be staring at an economic catastrophe," said Sunil Kanoria, Vice Chairman, Srei. It may be noted, the present quarter while coronavirus might lead to much restructuring in the present and next quarter, higher provisioning needs on account of failed resolutions of accounts under ICA (intercreditor agreement) will further add to bankers’ woes. “Through the uncertain period, we can expect several new NPAs in the near future. With the increase in threshold and possible suspension of Section 7 of IBC, the banking sector may have to look at other avenues outside of the IBC to claim for the defaults. Secured lenders could possibly explore Sarfaesi. The banks with also have to look for some financial aid from the government,” said Saurav Kumar, Partner, IndusLaw.
With Prime Minister Narendra Modi announcing a 21-day national lockdown on Tuesday to counter the spread of the novel coronavirus, lenders have now put some of their retail loan collections on hold, according to three people aware of the development. This includes physical collections on repayments from microfinance, housing and passenger vehicle loans, among others, the people said. The suspension on collections will last for three weeks and lenders will take a call on future repayments thereafter.

The microfinance industry has suspended its collections during this government-mandated lockdown, Harsh Shrivastava, chief executive officer at industry body Microfinance Institutions Network, told BloombergQuint. According to Shrivastava, all of MFIN’s members have been asked to inform customers that collections will resume only after the lockdown ends, and that they should keep the installment money with them. “MFIN is in touch with the RBI to ensure that the 56 million microfinance borrowers continue to get support from their lenders, not just now, but when the lockdown lifts and life resumes,” he said. According to the head of a South India-based private bank, who spoke on condition of anonymity, some state governments have asked banks and other lenders to stop repayments for a few
weeks, since multiple states had already gone under lockdown this month, before Modi’s announcement. Banks have had to comply with this. On Thursday, Tamil Nadu Chief Minister Edappadi K Palaniswami said that any private bank, small finance bank or microlender conducting collections during the lockdown period would face criminal prosecution. While physical loan collections are on hold, banks are continuing to collect payments electronically. A second banker, the head of retail and small business lending at a leading private bank, who spoke on conditions of anonymity, said that the suspension would not apply to loans where customers have been repaying electronically. Since these customers give their consent for direct debit of their account at the beginning of the loan, these repayments will continue. However, if the banking regulator were to come up with a scheme for deferment of repayments, banks would suspend collections, the second banker said. The RBI would need to come out with a clear communication soon to avoid any further confusion, Bindu Ananth, chair at Dvara Trust, said. “This is avoidable. We know the writing on the wall, which is why it is important for the RBI to proactively put the message out to say that they want the lenders to stop collections for a while and this is what we are providing in the form of support to lenders managing their liquidity,” Ananth told BloombergQuint. “If we don’t move fast, we’re going to see more state-level interventions.” Should payments be suspended, the banking regulator may need to come up with a special liquidity window for lenders, where they can access funds to continue lending further, Ananth said. In a report released on Thursday, rating agency ICRA Ltd. said that non-bank lenders could see a sharp rise in their default rates and credit costs owing to the impact of Covid-19-related disruptions. Loans toward retail housing, affordable housing, vehicle finance, small business loans, real estate and other sector could see 50-100 percent rise in their default rates and credit costs, it said in a report.
Non-Initiated
सूक्ष्म वित्त संस्थानों को जिम्मेदारी से कर्ज देने की जरूरत

माधुर्या विजय (सोनिया कॉलेज) के शाहरूख सिन्हा के संस्थान में बांधी हैं। उसी के व्यक्ति ने इस संस्थान में 250 करोड़ रुपए बंद कर दिए हैं। इस संस्थान में शासक अमित रावत थे जिन्होंने भी इस संस्थान में 60 प्रतिशत कारोबार किया है। 

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Microfinance lenders should come under code for responsible lending: Ujjivan MD

PRATIM RANJAN BOSE
Guwahati, March 3
Nitin Chugh, Managing Director of Bengaluru-based Ujjivan Small Finance Bank, which has drawn attention for its conservative lending practices without compromising on growth prospects, feels the code for responsible lending (CRL) “should be made sacrosanct” for all microfinance lenders.

The self-regulatory code was launched by the Microfinance Institutions Network (MFIN) and Association of Community Development Finance Institution (Sa-Dhar) in September 2019 amid rising concerns over aggressive lending leading to mounting indebtedness.

The microfinance industry in Assam has been rocked by a controversy due to the aggressive lending practices and a report by Macquarie Research referred to the West Bengal market as ‘overheated’. The Macquarie report, dated September 2019, which was prepared based on a field study, mentioned Ujjivan as a ‘conservative lender’.

CRL restricts the number of lenders who can serve a single borrower at the same time and limits the total lending per customer to ₹1 lakh.

The move was resisted by a section of banks, including microfinance major Bandhan Bank. According to MFIN, among the universal banks, ICICI, Axis, IndusInd and Kotak Mahindra have signed up for the CRL. Among the small finance banks, Equitas, FinCare, Jana, Utkarsh, and Ujjivan agreed to follow the code.

Ujjivan, which graduated from an MFI to small finance bank in 2017, has 78 per cent of its total loan portfolio deployed in the microfinance sector. The share was as high as 86 per cent a year ago.

Knowledge sharing
According to Chugh, a majority of the players in microfinance are very well disciplined. “However, one or two take the short cut,” thereby creating trouble for others. He advocated for more common code and knowledge sharing to prevent any untoward situation.

The bank avoided geographic concentration of micro-banking portfolio. Tamil Nadu has the largest share of 16.5 per cent of Ujjivan’s microfinance loans, followed by 14.5 per cent in Karnataka and 13.5 per cent in West Bengal. “We are evenly spread across the country,” said Chugh.

On the increasing share (22 per cent) of non-microbanking portfolio, he said the share of the portfolio will increase further in the long run. The clue lies in the innovative planning of branch network and use of technology.

Though positioned as a mass-market bank, Ujjivan is building its branch network in urban areas to tap the middle and lower-middle class customer base as well as the MSME segment. The rural customer is catered through the innovative use of technology and Banking Correspondent network.
In the present era, the role of financial inclusion institutions in providing financial services to the underprivileged has been quite encouraging. The Government, RBI, banks and other stakeholders have been taking various measures to promote and expand financial inclusion for the poverty-stricken population of the State, said speakers at the 3rd State Level Financial Inclusion Conclave-2020 here on Wednesday.

The conclave was presided over by President OSAFII Dibyajyoti Pattanayak and was inaugurated by Special Secretary cum Institutional Director, Finance, PK Biswal. Sessions were held on inclusive finance status of Odisha and the report was presented by Manu Sehgal from Equifax Credit Bureau System. Impact of financial inclusion report was presented by AVP Ashirbad Alok Pattanayak, CEO OSAFII Narendra Nayak presented OSAFII activities.

Among others, State Manager of SIDBI Ankita Mohanty, former GM of SIDBI Ashok Ranjan Samal and founder of CYSD Jagadananda spoke. The conclave was organised by Odisha State Association for Financial Inclusion Institutions (OSAFII) with the support of SIDBI-Poorest State Inclusive Growth Program (PSIG) and saw participation of 2,200 delegates from across the State. Representatives from Government line departments, RBI, NABARD, SIDBI, SLBC, banks, RRBs, SFIs, NBFCs, BCs, NGOs, CBOs, SHGs, BCs, cooperatives, industry associations and SROs-MFIN and Sa-Dhan graced.
A long road ahead for bitcoin exchanges

Rachel Chitra
@timesgroup.com

Bengaluru: After the Supreme Court’s landmark verdict lifting the ban on cryptocurrencies in India, interest has soared overnight, according to exchanges. Players like Zebpay, Unocoin, WazirX and CoinDCX went live on Thursday, a day after the SC verdict. While some banks like Karnataka Bank, IDBI and Karur Vysya Bank have started supporting their payments, others are waiting for an official circular from the RBI to go ahead.

However, reviving a legitimate cryptocurrency market in India could take time and effort, say the founders, as there are both regulatory challenges and the global bitcoin slump to deal with.

Payment gateways

The first practical problem for crypto exchanges in India is the payment networks. In April 2018, the RBI banned banks from supporting payments to cryptocurrency exchanges. To survive, exchanges then had to come up with alternate methods like peer-to-peer payments, which were risky. With no RBI circular issued, it is not possible for the crypto exchanges to set up an online payment facility on their websites. For online payments via NEFT, RTGS or UPI, the exchanges would need the help of both banks and payment facilitators like PayU, BillDesk, Instamojo and Razorpay. “We will have to work out systems as the interest is huge. We are seeing thousands of users crowding our platform,” said Sathvik Viswanath, founder of Unocoin, which has an active trading base of 3 lakh customers and claims to have a total customer base of 1.3 million.

Another issue would be, even if the RBI gives an approval, investors and major banks like State Bank of India could stay away if the government and finance ministry remain sceptical.

THE CRYPTO STORY

2013 | Nascent stages of crypto; handful of exchanges open
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April 2018 | RBI bars banks from supporting crypto payments
July 2018 | Exchanges depend on private peer-to-peer network for payment
Oct 5, 2018 | Unocoin launches first crypto ATM in India
Oct 25, 2018 | Unocoin founder Sathvik Viswanath arrested by Bengaluru police
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Different cryptos a challenge for regulator

There are 1,688 cryptocurrencies in the world, of which Indian exchanges offer 70-90. But they vary in nature as some are currencies, some assets, some securities, some commodity derivatives and some are tokens used in a closed loop system. Given that the nature of each cryptocurrency is different, regulation could be a nightmare, said RBI officials. “Does it come under the RBI’s purview? Under Sebi? There are even telecom companies globally using token cryptos for closed-loop payments. Does it then come under Trai when it’s a token and not a currency? So, given the chaotically nature of cryptocurrencies, it’s a regulatory nightmare,” said an RBI official.

Self-governance way forward

The microfinance industry in 2000s grew by leaps and bounds with little regulatory check, till the massive Andhra Pradesh crisis put it on the path of self-regulation with the formation of the Microfinance Institutions Network (MFIN).

Likewise, crypto exchanges in the country and the Internet and Mobile Association of India (IAMAI), which was the petitioner in the SC — are seriously considering self-governance. “We realise that one bad actor can really spoil things for all of us. It would take just one wrong move, one scam for the government to clamp down really hard on us,” says Nitsch Shetty, CEO of WazirX, which has 3.5 lakh customers.

Take the Amit Bhatia’s bitcoin scam in 2018 — thousands of Indians lost close to Rs 2,000 crore. Or, the Rs 465-crore bitcoin scam where kingpin Abdul Shalooor was murdered in Dehradun. Even in a country like Japan, where cryptocurrencies have been legalised and encouraged by the government, there are scams like Bitcoin Peri, where customers lost Rs 250 million in July 2019.

There is another huge problem of terrorism and possible misuse by fraudsters and con artists. As a result, to prevent illegal activities and possible use for terrorism, exchanges intend to do rigorous KYC checks.

What about customer grievance redressal?

If customers lose money in an ATM or in an online scam, there is the bank, banking ombudsman, the RBI, and the consumer courts to appeal to. The nascent cryptocurrency space also needs a proper grievance redressal mechanism to gain customer trust.
Micro credit a big draw in Bihar

SUBHOMOY BHASUCHARAN
Rupaul, 7 March

In Rupauli block of Purnia district, a T-20 cricket match is underway between the local team and visitors from Silliuri. Lively commentary blares from a loudspeaker. The names of the match sponsors festoon the cricket ground, and several of them belong to a loan company.

That’s not surprising, since loans have become an important line of business in north Bihar. This also explains why many young people want to join microfinance companies, small finance banks, and related jobs. This is quite a change in a state where educated youth often devote years to clear competitive exams for government jobs.

“the number of candidates we hope to retain this time should be much higher,” says Shubham Vinod, vice-president (operations) at Adi Chitra Gupta Finance (ACFL). The company is small, with an annual ticket size of about ₹100 crore, but it is the only NBFC-MFI (non-banking financial company-microfinance institution) in Bihar registered with the Reserve Bank of India.

The big players in this space are the banks. Saha-Dhan (an association of microfinance institutions) data shows that banks have a total loan outstanding of ₹80.570 crore, which is 46 percent of the total micro-credit universe.

This year, ACFL advertised for 60 Grahak Mitras, whose job is to traverse the lanes and by-lanes of towns and villages, reaching out to women self-help groups and persuading them to take small loans. ACFL hopes to retain about half of those recruited this time.

Gyan Mohan, director and CEO of ACFL, and a former executive director at State Bank of India and DRI Bank, says that despite severe unemployment, boys (few women apply for this work in Bihar) often blast at taking up these jobs because they are required to travel across villages and semi-urban areas on bikes, and carry women to take out small loans.

They have to be woven into the job, says Mohan.

One reason for the reticence could also be the risks involved. Confidence tricksters operate at citizen service points, from where people draw their money, and Grahak Mitras are sometimes waylaid by criminals who steal their cash.

At Sambal village in Katihar district, branch head Vishal Kumar explains the details of the loans that ACFL will give out the next day. He makes each woman understand that she has to stand as surety for the loan given to all the members of their group. If one of them defaults, the others have to pitch in to clear her dues. They have to also clarify that their families are aware of the financial responsibility they are taking on. The ticket size of each loan of ₹30,000 is divided amongst at least 10 members, so the impact on each woman is not too big.

Kumar seems pleased as he looks at the large number of women craning their necks to listen to him. By the end of the next day, the branch has handed out loans to over 100 women towards financing work in fisheries, agriculture, and rearing cattle.

To cut the risk of cash transactions, instead of the Grahak Mitras collecting the instalment payments from the borrowers, the women are asked to come to the centres to make their payments. Gyan Mohan explains that the scattered movement of the women from their homes to the nearby branch offices of ACFL draws less attention. Of course, the offices have to keep strongga to handle the cash. Similarly, ACFL does not hand out the loans to the women, but deposits the money in their bank accounts. So the staff also check their account numbers for accuracy.

The moment a borrower signs on for a loan, their financial details are uploaded to the credit bureaux at the national level. Apart from creating a credit record for the women, this also ensures that the ticket size does not exceed ₹1.25 lakh per kender at a time.

The women this correspondent spoke to are not sure exactly how the process works. But they all seem happy with the consequences. “My next loan could be cheaper if I pay off this one,” says Putul Devi of Shihuli village.

According to Saha-Dhan data, in the last quarter of the calendar year 2019, the total disbursement of microfinance was ₹63.968, which translated into a 22 percent growth, year-on-year. And while the average ticket size of the NBFCs is ₹28,719, Tamil Nadu is the largest state for the industry, followed by West Bengal and Bihar.

Yet problems linger. At his office in Patna, Gyan Mohan is working out the details of the postings for the boys ACFL has recruited. He pauses to explain that though the women borrowers can read their mobiles and punch in numbers, they find it tough to write their names in bank withdrawal slips. So they use fingerprints. Sometimes, this gets them into trouble at citizen service points, since they often end up offering more than one set of fingerprints.

Sometimes, this gets them into trouble at the citizen service points, which they use as bank counters, since they often end up offering more than one set of fingerprint prints. There are cases where their entire bank balance is cleared out. Mohan says the problems could endanger the fledgling small savings culture in these areas. And it also raises the costs of the loans.

Harish Shrivastava, CEO of Micro Finance Institutions Network, agrees. According to him, the demand for microfinance loans is expected to be more in towns than in the villages. For the companies, too, the cost of delivery in towns is lower.

Avaland, a slab near Darbhanga town serviced by ACFL, is an example of this trend. Here, the women push the company representative, Chandra Bhushan, to give them larger loans of about ₹100,000 each. Reema Devi, a widow, who leads the women’s group, says they want to buy cattle to sell milk to the local sweet shops.

Little wonder that banks, small finance banks and MFIs are pulling out all the stops to reach out to potential customers. A well-attended cricket match in a semi-urban area is just one more place to promote their wares.
Lenders say they had already stopped collection after the coronavirus outbreak crippled economic activity

Tamil Nadu Asks Pvt Banks, Micro Lenders to Stop Loan Collection

Atmadip Ray@timesgroup.com

Kolkata: The Tamil Nadu government has ordered private banks, small finance banks and micro lenders to refrain from collecting loan repayments till further notice, raising the spectre of other states following suit that could create chaos and defaults. But lenders say that they had anyway stopped doing so after the coronavirus outbreak crippled economic activity and look forward to guidelines from the regulator in formalising a structure on how to go about doing business once the dust settles.

The advisory from Tamil Nadu chief minister Edappadi Palaniswami had initially stumped lenders. It directed them not to collect “daily/weekly/monthly instalments.” The order has also threatened about taking criminal action against violators.

“We soon realised that this is in line with our own advisory. In such a situation law of the land takes priority,” said Manoj Nambiar, chairman of the Microfinance Institutions Network (MFIN), the self-regulator for NBFC-MFIs. “We will take a stock of the situation after April 14,” he said.

MFIN has advised its members against sending the 2 lakh odd microfinance field workers to collect repayment as a caution against coronavirus epidemic. The Tamil Nadu government order is no different, except that it’s backed by the administration.

“We cannot put our staff at risk. We have already suspended repayment collection and loan disbursement across the country. The government direction is not going to change anything,” said Bandhan Bank managing director Chandra Shekhar Ghosh.

Bandhan Bank controls about one-fourth of the Rs 2.1 crore outstanding micro loan pie.

Ghosh said that the bank’s micro loans would not be treated as overdue since under the loan agreement with borrowers, it is the bank’s responsibility to provide doorstep service to collect repayment. “So, customers are not at default,” he said.

With collection coming to a halt, NBFC-MFIs would face difficulties in repaying their bank loans. The smaller ones are facing liquidity issues in paying salaries and meeting other administrative expenses.

MFIN has sought the regulator’s intervention for back-to-back funding support from banks to tide over the liquidity tightness. It has also requested for regulatory forbearance in asset classification and provisioning rules.
Money & Banking

Microfinance lenders should come under code for responsible lending: Ujjivan MD

Nitin Chugh, Managing Director of Bengaluru-based Ujjivan Small Finance Bank, which has drawn attention for its conservative lending practices without compromising on growth prospects, feels the code for responsible lending (CRL) “should be made sacrosanct” for all microfinance lenders.

The self-regulatory code was launched by the Microfinance Institutions Network (MF1N) and Association of Community Development Finance Institution (Sa-Dhan) in September 2019 amid rising concerns over aggressive lending leading to mounting indebtedness.

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The move was resisted by a section of banks, including microfinance major Bandhan Bank. According to MFIN, among the universal banks, ICICI, Axis, IndusInd and Ko-tak Mahindra have signed up for the CRL. Among the small finance banks, Equitas, Fin-care, Jana, Utkarsh, and Ujjivan agreed to follow the code.

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Knowledge sharing

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Bhubaneswar: In the present era, the role of Financial Inclusion Institutions in providing financial services to the underprivileged has been quite encouraging. The Govt, RBI, Banks and other stakeholders have been taking various measures to promote and expand financial inclusion for the poverty-stricken population of the state. The 3rd State Level Financial Inclusion Conclave – 2020 held here was presided over by Dibyajyoti Pattnayak – President OSAFII and inaugurated by P.K Biswal, Special Secretary cum Institutional Director, Dept. of Finance, Govt. of Odisha. Sessions were held on Inclusive finance Status of Odisha and the report was presented by Manu Sehgal from the Equifax credit bureau system.
The impact of the financial inclusion report was presented by Alok Pattnayak AVP - Ashirbad. CEO OSAFII Narendra Nayak presented OSAFII activities. Among others, State Manager of SIDBI Miss Ankita Mohanty, Ex GM of SIDBI Ashok Ranjan Samal, Founder of CYSD Jagadananda spoke on financial inclusion models.

On this occasion, P.K Biswal, Special Secretary cum Institutional Director, Dept. of Finance, Government of Odisha Said, “Due to Microfinance Institution’s poverty has reduced immensely. It has also increased the access to the banking system among the low-income groups in the rural part of Odisha”.

Extending his gratitude Sri Dibyajyoti Pattnayak – President OSAFII, Said, “I am glad that OSAFII is being in the position to put its continuous effort to bring all the microfinance practitioners together so that we can join our individual effort to facilitate the low-income groups in the direction of strengthening their financial status with a motto – “leaving no one behind”.

Reserve Bank of India AGM – Nirmal Chandra Pattnayak spoke in length on putting collaborative efforts for increasing livelihood opportunities and role of MFIs in the same.

The Conclave was organised in the city by Odisha State Association for Financial Inclusion Institutions (OSAFII) with the support of SIDBI-Poorest State Inclusive Growth Program(PSIG) at Hotel Swosti Premium was the key discussion was on the sustainable development of the people through inclusive finance.

The Conclave saw the participation of 200 Delegates from across the state. Representatives from Govt line Depts, RBI, NABARD, SIDBI, SLBC, Banks, RRBs, SFBs, NBFC-MFIs, BCs, NGOs, CBOs, SHPIs, BCs, Cooperatives, Industry Associations & SROs-MFIN & Sa-Dhan graced the programme with their presence.

State Manager of Odisha Livelihood Mission – Debasis Mohapatra spoke on the issues that act as hiccups towards financial inclusion and the ways to address them. Among others Arun Agrawal DGM - Outreach – State Bank of India, Anupam Kaltia – State Head Airtel Payment Bank, Dr. AK Mohanty Access Dev Services joined the conference as speakers.

All the discussions and debates concluded at a single point: the opportunity to access financial products and services. As the Financial Inclusion agenda continues to be on the rise, the only option for greater women’s financial inclusion is a more gender-inclusive financial system that addresses the barriers that a woman faces in the society.

OSAFII is an organization that is establishing a network between all the government and non-government institutions of the State and is working keenly on the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of the society.

The conclave was coordinated with the active support of all OSAFII member institutions and coordinated by Md Amin, Govind Dash, Deepak Kindoo, Jugal Kishore Pattnayak – the board of directors of the network.
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The microfinance industry in 2000s grew by leaps and bounds with little regulatory check, till the massive Andhra 2009 crisis put it on the path of self-regulation with the formation of the MicroFinance Institutions Network (MFIN).

Likewise, crypto exchanges in the country and the Internet and Mobile Association of India (IAMAI) “which was the petitioner in the SC” are seriously considering self-governance. “We realise that one bad actor can really spoil things for all of us. It would take just one wrong move, one scam for the government to clamp down really hard on us,” says Ni-schal Shetty CEO of WazirX, which has 2.5 lakh customers.

Take the Amit Bhardwaj bitcoin scam in 2018 “thousands of Indians lost close to Rs 2,000 crore. Or, the Rs 485-crore bitcoin scam where kingpin Abdul Shakoor was murdered in Dehradun. Even in a country like Japan, where cryptocurrencies have been legalised and encouraged by the government, there are scams like BITPo-int, where customers lost $28 million in July 2019.

There is another huge problem of terrorism and possible misuse by fraudsters and con artists. As a result, to prevent illegal activities and possible use for terrorism, exchanges intend to do rigorous KYC checks.

What about customer grievance redressal?

If customers lose money in an ATM or in an online scam, there is the bank, banking ombudsman, the RBI, and the consumer courts to appeal to. The nascent cryptocurrency space also needs a proper grievance redressal mechanism to gain customer trust.
In Rupauli block of Purnia district, a T-20 cricket match is underway between the local team and visitors from Siliguri. Lively commentary blares from a loudspeaker. The names of the match sponsors festoon the cricket ground, and several of them belong to a loan company.

That’s not surprising, since loans have become an important line of business in north Bihar. This also explains why many young people want to join microfinance companies, small finance banks, and related jobs. This is quite a change in a state where educated youth often devote years to clear competitive exams for government jobs.

The number of candidates we hope to retain this time should be much higher, says Shubham Vineet, vice-president (operations) at Adi Chitragupta Finance (ACFL). The company is small, with an annual ticket size of about 1OO crore, but it is the only NBFC-MFI (non-banking financial company-microfinance institution) in Bihar registered with the Reserve Bank of India.

The big players in this space are the banks. Sa-Dhan (an association of microfinance institutions) data shows that banks have a total loan outstanding of 180,570 crore, which is 40 per cent of the total micro-credit universe.
This year, ACFL advertised for 60 Grahak Mitras, whose job is to traverse the lanes and by-lanes of towns and villages, reaching out to women self-help groups and persuading them to take small loans. ACFL hopes to retain about half of those recruited this time.

Gyan Mohan, director and CEO of ACFL, and a former executive director at State Bank of India and IDBI Bank, says that despite severe unemployment, boys (few women apply for this work in Bihar) often baulk at taking up these jobs because they are required to travel across villages and semi-urban areas on bikes, and cajole women to take out small loans. They have to be weaned into the job, says Mohan.

One reason for the reticence could also be the risks involved.

Confidence tricksters operate at citizen service points, from where people draw their money, and Grahak Mitras are sometimes waylaid by criminals who steal their cash.

At Sameli village in Katihar district, branch head Vishal Kumar explains the details of the loans that ACFL will give out the next day. He makes each woman understand that she has to stand as surety for the loans given to all the members of their group. If one of them defaults, the others have to pitch in to clear her dues. They have to also clarify that their families are aware of the financial responsibility they are taking on. The ticket size of each loan of i30,000 is divided amongst at least 10 members, so the impact on each woman is not too big.

Kumar seems pleased as he looks at the large number of women craning their necks to listen to him. By the end of the next day, the branch has handed out loans to over a 100 women towards financing work in fisheries, agriculture and rearing cattle.

To cut the risk of cash transactions, instead of the Grahak Mitras collecting the instalment payments from the borrowers, the women are asked to come to the centres to make their payments. Gyan Mohan explains that the scattered movement of the women from their homes to the nearby branch offices of ACFL draws less attention. Of course, the offices have to keep strongrooms to handle the cash.

Similarly, ACFL does not hand out the loans to the women, but deposits the money in their bank accounts. So the staff also check their bank account numbers for accuracy. The moment a borrower signs on for a loan, their financial details are uploaded to the credit bureaux at the national level. Apart from creating a credit record for the women, this also ensures that the ticket size does not exceed ₹1.25 lakh per lender at a time.

The women this correspondent spoke to are not sure exactly how the process works. But they all seem happy with the consequences. "My next loan could be cheaper if I pay off this one," says Putul Devi of Shihuli village.

According to Sa-Dhan data, in the last quarter of the calendar year 2019, the total disbursement of microfinance was 163,968, which translated into a 22 per cent growth, year-on-year. And while the average ticket size of the NBFCs is 128,719, Tamil Nadu is the largest state for the industry, followed by West Bengal and Bihar.
Yet problems linger. At his office in Patna, Gyan Mohan is working out the details of the postings for the boys ACFL has recruited. He pauses to explain that though the women borrowers can read their mobiles and punch in numbers, they find it tough to write their names in bank withdrawal slips. So they use fingerprints.

Sometimes, this gets them into trouble at the citizen service points, which they use as bank counters, since they often end up offering more than one set of fingerprints. There are cases where their entire bank balance is cleaned out. Mohan says the problem could endanger the fledgling small savings culture in these areas. And it also raises the costs of the loans.

Harsh Shrivastava, CEO of Micro Finance Institutions Network, agrees. According to him, the demand for microfinance loans is expected to be more in towns, than in the villages. For the companies, too, the cost of delivery in towns is lower.

Avhanda, a slum near Darbhanga town serviced by ACFL, is an example of this trend. Here, the women push the company representative, Chandra Bhushan, to give them larger loans of about 100,000 each. Reena Devi, a widow, who leads the women’s group, says they want to buy cattle to sell milk to the local sweet shops.

Little wonder that banks, small finance banks and MFIs are pulling out all the stops to reach out to potential customers. A well-attended cricket match in a semi-urban area is just one more place to promote their wares.
Tamil Nadu asks private banks, financial institutions to stop loan collection

But lenders say that they had anyway stopped doing so after the Coronavirus outbreak crippled economic activity and look forward to guidelines from the regulator in formalising a structure on how to go about doing business once the dust settles. The advisory from Tamil Nadu CM had initially stumped lenders. It directed them not to collect "daily/weekly/monthly installments."

KOLKATA: The Tamil Nadu state has ordered private banks, small finance banks and micro lenders to refrain from collecting loan repayments till further notice, raising the spectre of other states following suit that could create chaos and defaults. But lenders say that they had anyway stopped doing so after the Coronavirus outbreak crippled economic activity and look forward to guidelines from the regulator in formalising a structure on how to go about doing business once the dust settles. The advisory from Tamil Nadu chief minister Edappadi Palaniswami had initially stumped lenders. It directed them not to collect "daily/weekly/monthly installments." The order has also threatened about taking criminal action against violation. "We soon realised that this is in line with our own advisory. In such a situation law of the land takes primacy," said Manoj Nambiar, chairman of the Microfinance Institutions Network (MFIN), the self-regulator for NBFC-MFIs. "We will take a stock of the situation after April 14," he said. MFIN has advised its members against sending the 2 lakh-odd microfinance field workers to collect
repayment as a caution against coronavirus epidemic. The Tamil Nadu government order is no different, except that it's backed by the administration. "We cannot put our staff at risk. We have already suspended repayment collection and loan disbursement across the country. The government direction is not going to change anything," said Bandhan Bank NSE -5.78 % managing director Chandra Shekhar Ghosh. Bandhan Bank controls about one-fourth of the Rs 2.1 lakh crore outstanding micro loan pie. Ghosh said that the bank's micro loans would not be treated as overdue since under the loan agreement with borrowers, it is the bank's responsibility to provide doorstep service to collect repayment. "So, customers are not at default," he said. With collection coming to a halt, NBFC-MFIs would face difficulties in repaying their bank loans. The smaller ones are facing liquidity issues in paying salaries and meeting other administrative expenses. MFIN has sought the regulator's intervention for back-to-back funding support from banks to tide over the liquidity tightness. It has also requested for regulatory forbearance in asset classification and provisioning rules.