



Microfinance Sector: a great support for low-income women borrowers in uncertain times

It has now been over two decades that the Microfinance industry has been helping women from the low income and under-served group, achieve financial independence, empowering them to take the right financial decisions.

With over 5.80 Crore unique customers as on June 30, 2020, being now served by different entities including the NBFC-MFIs, Banks, the Small Finance Banks or the stand-alone NBFCs, the Indian microfinance sector is undoubtedly changing, especially in these unprecedented Covid-19 times.

Be it the November 2016 Demonetisation and now the 2020 Global Pandemic engulfing the world, the microfinance industry has been playing a stellar role in financial inclusion.

In the current situation, where the disbursement of loans has been relatively lower owing to subdued economic activity, most feel there will be a pent-up demand that will be witnessed, and microfinance would continue to serve the women borrowers, giving a helping hand to bounce back, financially, as well as emotionally.

Microfinance lending is a formal form of financing for women borrowers, which is not only collateral free, but also there is complete Regulatory oversight by RBI, including on the interest charged which is on a reducing balance basis. The sector is now striving to become cashless and rapidly adopting digital technology to achieve this. In contrast is the informal Financing where on the loans availed from money lenders, the women borrower keeps on paying interest only and remains obligated for life.

Microfinance loans are shorter-term loans, unlike from money lenders which are of far longer duration, with collateral and levied with high interest ranging between 40 to 60 per cent.

One important aspect for women borrowers is MFIN, an RBI-recognised self-regulatory organisation that has a Customer Grievance Redressal Mechanism (CGRM) in place where women borrowers of its Member organisations can place their grievance on its toll-free number 1800 102 1080. MFIN CGRM is available in 12 languages, and women customers from any state, anywhere in the country can call on the toll-free number between 9:30 am to 5:30 pm on weekdays. This unique facility is not available for women borrowers if they take a loan from informal sources; in fact, they are at the mercy of those who operate this unregulated and informal lending.