



RBI's Harmonized Regulations for Microfinance to Usher in a New Era for the Industry.

New Delhi, 14 March 2022: MFIN, the Association for microfinance entities has welcomed the harmonized regulations for the sector announced by the Reserve Bank of India today. The much-awaited harmonized regulations come subsequent to the Consultative Document released by the RBI in June 2021 which sought to review the applicable regulatory framework for microfinance activities undertaken by all REs of the Reserve Bank and address the concerns related to the over-indebtedness of microfinance borrowers, among others.

Speaking on this important regulation, Dr Alok Misra, CEO & Director, MFIN said, *“Extremely comprehensive, the harmonized regulations will usher in a new era/beginning for the microfinance sector where a common regulatory framework will be applicable to all Regulated Entities (REs) of the RBI. Besides creating a level playing field, the framework will address issues of over indebtedness and multiple lending which were of paramount concerns for the sector. More importantly, the RBI has taken a prudent view of the bottlenecks that presented in credit delivery, addressing each of them. Revision of household income is a very progressive move with far reaching implications as more needy, low-income households will now come into the purview of accessible credit, taking us closer to our financial inclusion goal. “*

The RBI has also taken into consideration MFIN plea to relax the 85% qualifying asset criteria and now fixed it at 75 % of the net assets, which will allow NBFC-MFIs to diversify their portfolio as also provide larger loans to mature clients.

Moreover, the RBI has stipulated all REs to use comprehensive credit bureau report in lending decisions as well as elucidated on transparent pricing and fair practices, keeping the client centricity as key principle of microfinance.

The RBI has also placed an important role for the SRO to build a responsible microfinance ecosystem. Ever since becoming an SRO in 2014, MFIN has played a key role in building a sustainable and transparent industry through sustained efforts in building the credit bureau infrastructure for microfinance, developing industry standards, issuing advisories on customer protection and lending practices, capacity building of members and customers and the customer grievance redressal mechanism, among others. Dr Misra said, *“We thank the RBI for recognising our role in monitoring and maintaining discipline on ground and in ensuring that the spirit of customer protection - that is intrinsic to RBI frameworks - is safeguarded. Our work*



has become even more crucial now as we navigate the road ahead which will be exciting with the changing ecosystem and the new regulations that lay focus on customer protection, risk management, governance, transparency, and compliances. However, we have always enjoyed the support of our Members who with their customer centric approach are empathetic, inclined towards self-regulation and are cognisant of their responsibilities.”

About Microfinance Institutions Network

MFIN is a premier industry association comprising 56 NBFC-MFIs and 41 Associates including Banks, Small Finance Banks (SFBs) and NBFCs. By virtue of bringing all microfinance entities under one common umbrella, MFIN acts as a bridge between them and the regulators to build a dialogue for greater transparency, better policy frameworks and stronger client protection standards for responsible lending, thus enabling the microfinance industry to partake in meeting the larger financial inclusion goals.

For more information, please contact:

Bhavna Dayal | bhavnadayal@mfinindia.org | +919810203136

Sucheta Ghosh | sucheta.ghosh@ketchumsampark.com | +919875325692

Ratandip Gupta | ratandip.gupta@ketchumsampark.com | +919831065653