



Assam State Government Announces a Major Relief for Microfinance Borrowers in the State

Focus remains on Credit & Repayment Discipline - Government Incentivizes Regular and helps Overdue clients

Assam: MFIN, the Association for microfinance entities and the Self-Regulatory Organization for NBFC-MFIs today issued a press release stating that in a major development in Assam, Honourable Chief Minister, Dr Himanta Biswa Sarma announced a relief to a maximum outlay of Rs 8250* crore for Microfinance customers.

Assam is an important state for the microfinance industry as it serves over 26 lakh low income women clients with a loan outstanding of INR 12,500 Cr from RBI regulated entities including Universal Banks, SFBs, NBFC-MFIs & NBFC's. Traditionally, Assam has been one of the best states on portfolio quality and was the 3rd best state as of Sep'19. Since Oct'19, local reaction to multiple lending & non payment, followed by the Covid 19 lockdown, moratorium led to uncertainty in the State over expectations on loan waivers. Lenders in Assam have been in discussions with the Government of Assam, first under the Chairmanship of Shri Ashok Singhal-led MFI Committee and then with the honorable Chief Minister. In an important press conference yesterday, Honourable Chief Minister shared the broad contours of the proposed special one-time relief as follows:

- *Regular clients* – A sum of Rs 25000 was announced for each regular client by the state to lenders as an incentive to them to continue maintaining good credit discipline
- *Overdue/NPA clients* – the State Government will pay the amount which is overdue to make them regular with institutions and their credit bureau records. Once these overdue clients start repaying the lenders regularly, they could be even considered for a prompt payment reward
- *Stressed clients* – the State Government would consider cases of stressed clients impacted by the Covid pandemic leading to a loss of livelihood and pay the lenders to clear the loan outstanding

Chairperson, MFIN Mr Manoj Kumar Nambiar said, *“The relief measure has focused on responsible borrowing, responsible repayment and responsible lending. We sincerely thank the Government’s efforts led by Honourable Chief Minister to continue the flow of credit to the low-income households in these difficult times. In welcoming microfinance institutions to continue their work while*

adhering to RBI guidelines and Fair Practices code, the Government has acknowledged the efforts of the sector in furthering financial inclusion in the State.”

Speaking on the above relief measures, **Dr Alok Misra, CEO and Director, MFIN** said, *“This is a commendable step by the State Government to provide relief to borrowers in stressed times. Not only have measures been taken to incentivise the regular clients, but the Government has thoughtfully addressed the overdue/NPA clients as well, with the objective of making them regular. The Government's focus on maintaining credit discipline is evident through incentivising microfinance clients to maintain good repayment records. The implementation of the relief measures should happen by early August 2021.”*

** Arrived after applying filters of a maximum of three lenders, Rs 125000 exposure of an individual client of JLG methodology & interest rates to the total state loan outstanding of Rs 12,535/- as on 31 March 2021.*

About Microfinance Institutions Network

MFIN is a premier industry association comprising 58 NBFC-MFIs and 39 Associates including Banks, Small Finance Banks (SFBs) and NBFCs. It is also the Self-Regulatory Organization (SRO) for the regulated NBFC-MFI. By virtue of bringing the NBFC-MFIs 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.