

Digimeter

**An annual report on technological
trends in microfinance industry**



**Edition 1
Data as on 30 June 2020**

Acknowledgments

We are thankful to all our members, associates and other institutions who have contributed data for this edition

Contents

05	<i>Introduction</i>
	<i>Abbreviations</i>
	<i>Glossary</i>

Section I: Disbursements

08	<i>Modes of disbursements</i>
	<i>Use of digital means by various entities</i>
	<i>Regional analysis</i>
	<i>Feedback on service providers</i>

Section II: Repayment collections

14	<i>Modes of repayment collections</i>
	<i>Use of digital means by various entities</i>
	<i>Regional analysis</i>
	<i>Feedback on service providers</i>

Section III: Technology use in systems & processes

20	<i>Use of digital methods for client identification/KYC</i>
	<i>Technology used in HR systems</i>
	<i>Technology used for other internal systems</i>
	<i>Compliance processes related technologies</i>

Section IV: MFIN Initiatives

25	<i>IDRBT training, KPMG Paper, NeSL DDE & E-sign, MFINTech Talk Series</i>
-----------	--

Annexures

27	<i>Vendor rating</i>
	<i>Grouping of MFIs</i>
	<i>Grouping of states</i>
	<i>State Abbreviations</i>

Introduction

In today's age technology has become an enabler and a must for many types of businesses, including the microfinance industry. MFIs have started to explore new-age technologies like machine learning, artificial intelligence, and end-to-end digital onboarding of borrowers. **Digimeter**, an annual publication, attempts to assess the level of use of technology in the industry and share the findings with MFIN members and associates for establishing use cases of technology for quicker and smoother adoption.

This is the first edition of the Digimeter, which provides an overview of the technology penetration in the microfinance industry as on 30 June 2020 (Q1 FY 2020-21). The findings are based on data collected from **25 NBFC-MFIs** and **3 NBFCs** and categorized in the following four sections.

Sections 1 & 2: Disbursements and repayment collections

These sections provide an overview of the volumes of disbursement made and repayments collected through digital modes. The analysis also provides insights into variances by lender type and across regions/states on most popular digital modes and the extent of usage. The analysis is based on data provided by 15 institutions across 24 states and union territories.

Section 3: Technology use in systems & processes

Technology has been integrated in various systems and processes of MFI operations. For some processes, the use of technology is extensive while for others it is still in the nascent/testing phase. The MFIs partner with different vendors for enabling use of such technologies in processes which range from client identification and authentication (digital KYC), loan origination and management, accounting, internal audit, customer grievance and human resource systems as well as compliance etc.

This section not only provides an overview of extent of technological integration but also informs about vendors, quality of services provided by them and additional requirements of the industry from technology service providers (TSPs). A list of vendors/TSPs along with their average rating is provided in the Annexure – the rating is based on the feedback given by the users on a scale of 1 to 5 (bad to very good).

Section 4: MFIN Initiatives

This section is an update on the initiatives and activities undertaken by MFIN, including digital advocacy, information on MFINTech talk series and project ideas/implementation status.

List of Abbreviations

AI	Artificial Intelligence
BBPS	Bharat Bill Payment System
BC point	Business Correspondent Point
BQR	Bharat Quick Response
CBC	Corporate Business Correspondent
CERSAI	Central Registry of Securitisation Asset Reconstruction and Security Interest
CIR	Credit Information Report
CKYCR	Central Know Your Customer Repository
COVID 19	Coronavirus Disease 2019
DD	Demand Draft
FinTech	Financial Technology
IMPS	Immediate Payment Service
IRDA	Insurance Regulatory and Development Authority
IU	Information Utility
KYC	Know Your Customer
LMS	Loan Management System
LOS	Loan Origination System
MFI	Microfinance Institution
MFINTech	Microfinance Institutions and Technology
MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
NACH	National Automated Clearing House
NBFC	Non Banking Financial Company
NEFT	National Electronic Fund Transfer
NeSL	National e-governance services limited
OCR	Optical Character recognition
PFRDA	Pension Fund Regulatory & Development Authority
POS	Point of sale
RBI	Reserve Bank of India
RTGS	Real Time Gross Settlement
SEBI	Securities and Exchange Board of India
UPI	Unified Payment Interface

Glossary

Aadhaar Pay	Repayment of the loan digitally, directly from the bank account using Aadhaar number and fingerprint impression
BBPS	A product by NPCI, that can be used to make recurring payments through both online and offline methods
BC Collection Point	A BC company service which facilitates cash collection service through their agent points. Also known as Customer Service Points (CSPs).
Bharat QR	An interoperable QR code-based payment system by NPCI which facilitates payment by scanning a QR code
CIR	A potential borrower's credit assessment and outstanding report with other lender, pulled from CICs
CKYCR	Central KYC Registry is a centralized repository of KYC records of customers in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector. Managed by CERSAI.
IMPS	Instant payment inter-bank electronic funds transfer system in India. The service is available 24x7 throughout the year including bank holidays.
KYC	Is a process by which institutions obtain information about the identity and address of the customers.
LMS	Loan Management System help a lender to manage the loan life cycle management of their borrower
LOS	Loan origination service providers allows a lender to onboard a borrower onto their platform digitally
Mobile wallet	A digital payment company which facilitates online payment through mobile application
NACH	National Automated Clearing House is a product by NPCI to automate collection of repetitive payments, like EMIs, bill payments etc.
NEFT	It operates on a deferred settlement basis. Fund transfer under NEFT is settled in batches.
NeSL	India's first information utility, licensed by Insolvency and Bankruptcy Board of India (IBBI). All lenders are required to submit the the financial information of their borrowers to an IU.
OCR	Electronic or conversion of images of typed, handwritten or printed text into machine-encoded text
Penny Drop Service	A bank's service to validate the account name and ownership by sending 1 Rupee to the beneficiary's bank account, and passing that information to the institution
POS	A machine/terminal which is used for accepting digital payments like card, wallet, UPI, etc.
UPI	Unified Payments Interface is an instant real-time payment system that works by instantly transferring funds between two bank accounts on a mobile platform.

Section I

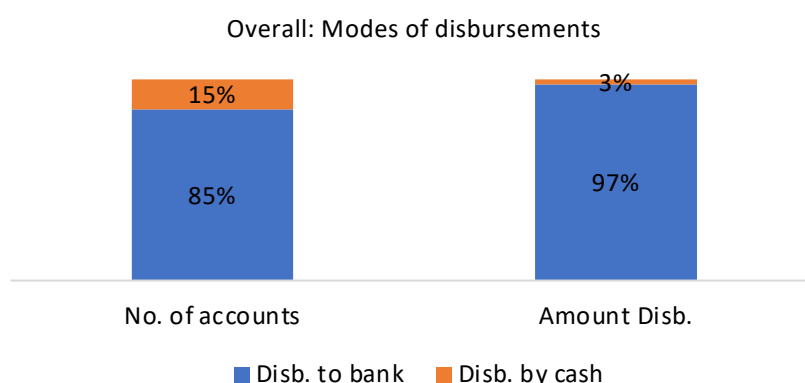
Disbursements

Disbursements

Overview

The section analyses the disbursement methods and trends across states and institution categories. Two methods were used by the MFIs – transfer to the bank account of the clients or disbursements by cash. Of the 28 MFIs including 25 NBFC-MFIs (7 small, 8 medium and 10 large), 2 CBCs and 1 NBFC, 15 MFIs reported disbursements across 20 states and 4 union territories during Q1 FY 20-21.

The total of Rs 296.63 Cr were disbursed to 99,402 accounts which is an average loan size of Rs 29,741 per account. Around 97% of the amount disbursed was through transfer to the bank account of the borrowers while in terms of number of accounts 85% was through transfer to bank account. The average loan size was Rs 34,053 when disbursements were made to bank accounts while it was Rs 5,025 when disbursements were in cash.



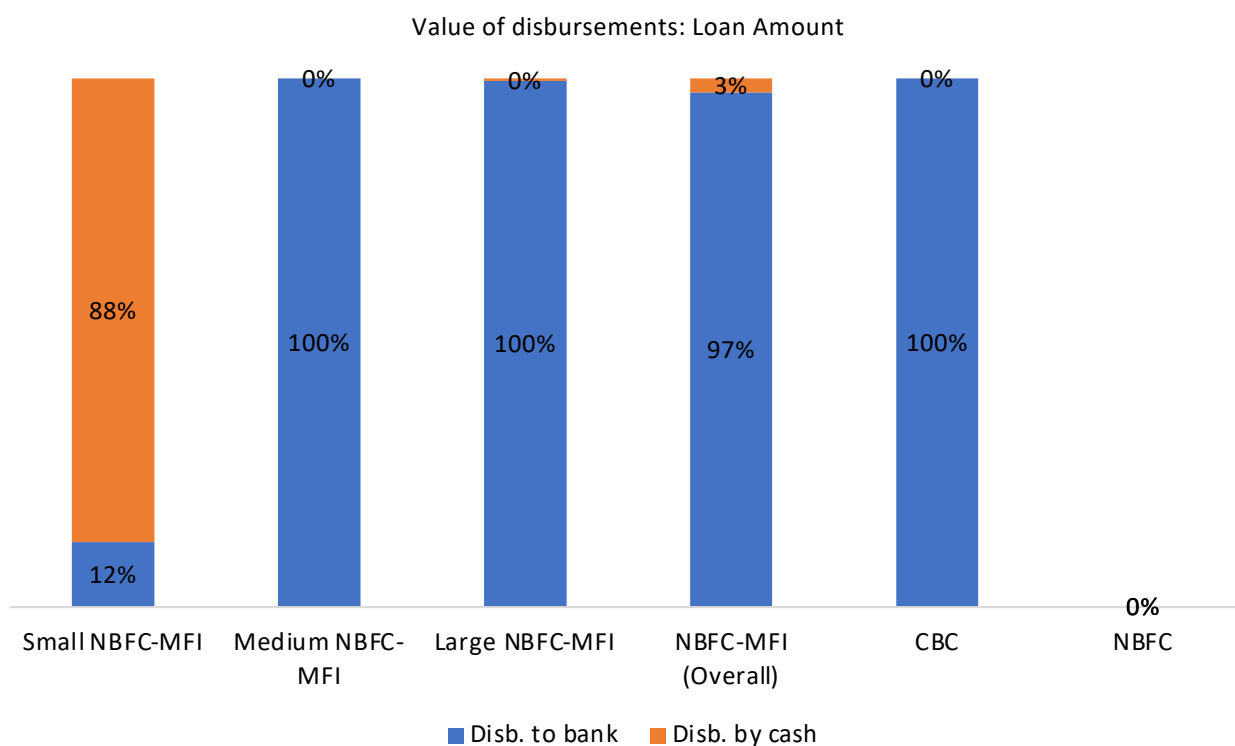
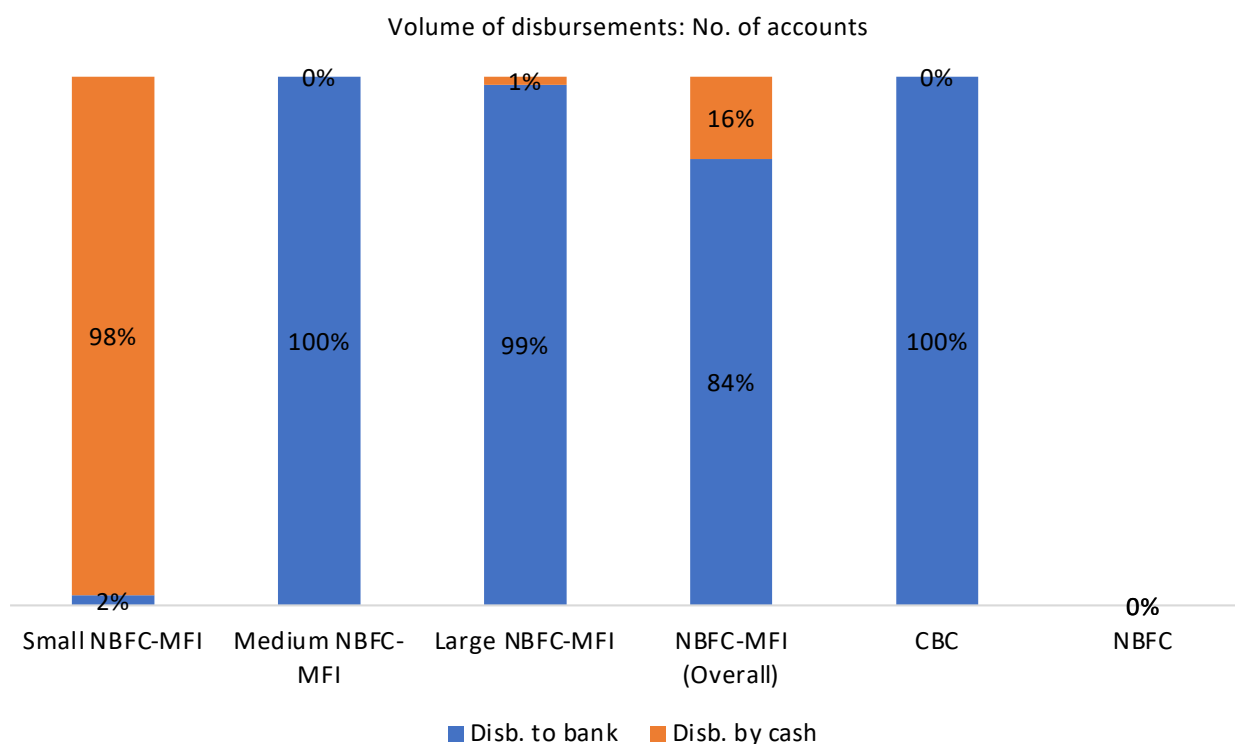
Analysis by size and type of MFIs

The data reported by various types of entities indicate that apart from small NBFC-MFIs and in a few cases for large NBFC-MFIs, the disbursements both in terms of volume (no. of accounts) as well as value (amount disbursed) has been largely by way of transfers to the bank account of the borrowers. The following are the observations

- Small MFIs: 98% by volume and 88% by value of the disbursements were made in cash
- Medium MFIs: 100% disbursements by transfer to bank accounts
- Large MFIs: 99% by volume and nearly 100% by value of the disbursements by transfer to bank accounts
- Corporate BCs: 100% disbursements by transfer to bank accounts
- NBFCs: Did not report any disbursement during Q1 FY 20-21

Entity type	Disb. to account		Disb. in cash	
	Rs Cr	Av./Account	Rs Cr	Av./Account
Small	0.88	32,657	6.27	4,616
Medium	3.56	36,519	0.00	
Large	264.50	33,692	1.15	9,733
NBFC-MFI	268.94	33,723	7.42	5,025
CBC	19.27	39,441	0.00	
NBFC	0.00		0.00	

Disbursements: By Size and Entity Type

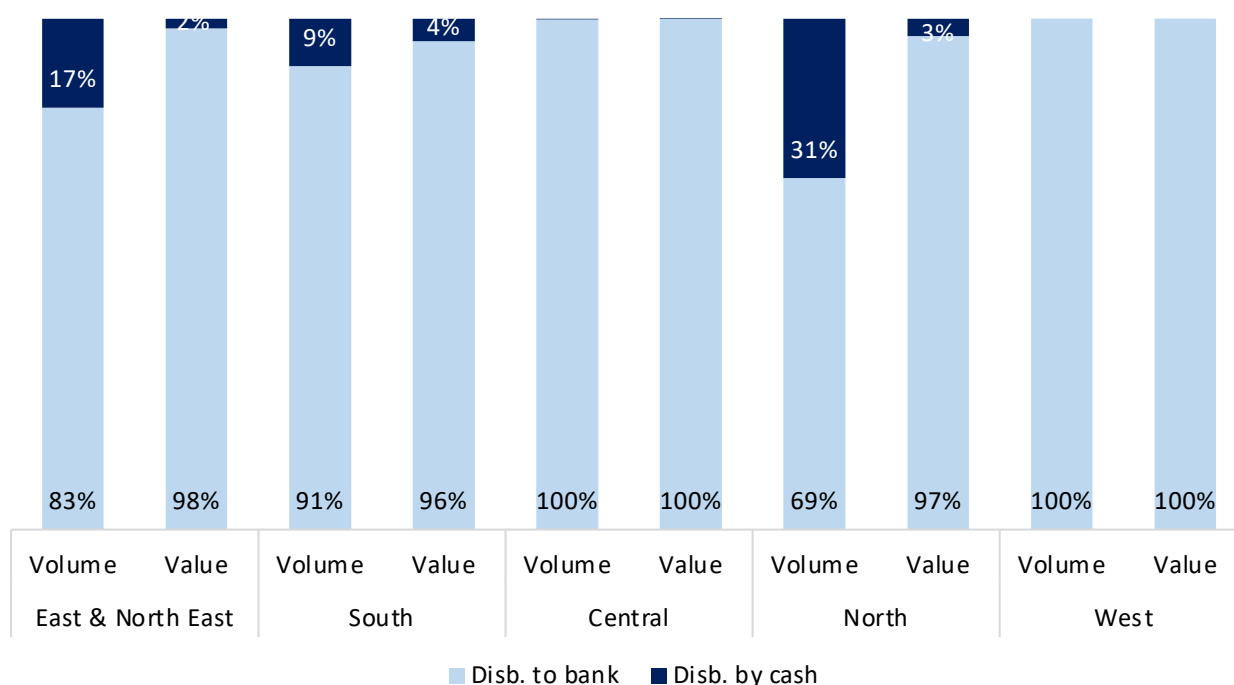


Disbursements: By Region

As evident from the figure below, a high proportion of disbursements happened to the bank accounts of the borrowers.

- 100% disbursements were made to bank accounts in Central and West regions
- In terms of volumes, 17% of accounts in East & North East, 9% in South and 31% in North received disbursements in cash
- However, in terms of value only 2% of the loan amount in East and North East, 4% in South and 3% in North were disbursed in cash.

Modes of disbursements: By region (Q1 FY 20-21)



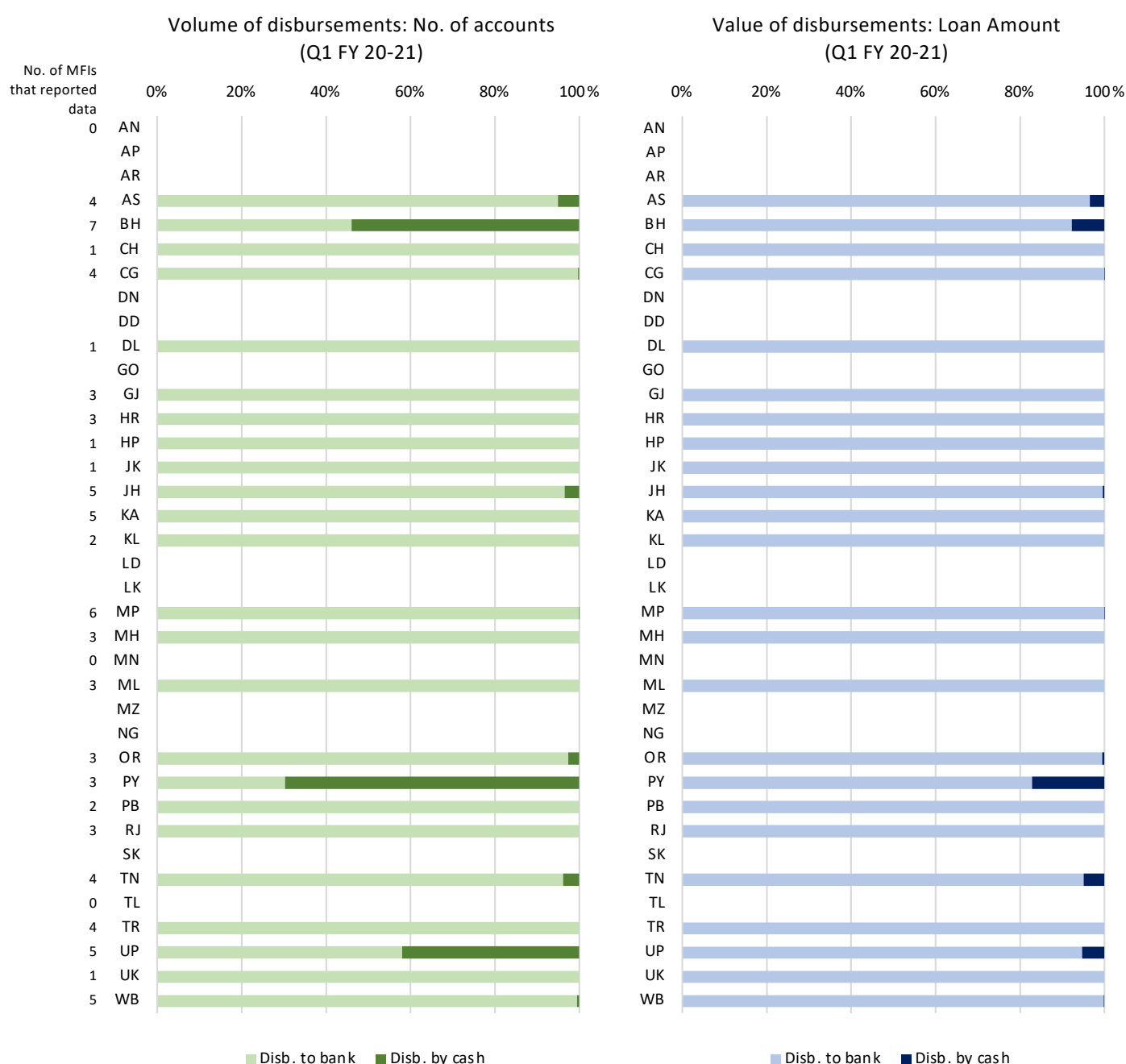
The average loan amount disbursed by transfer to bank account ranged from Rs 31,259 in North to Rs Rs 35,381 in West. Loan amounts disbursed in cash were of a much smaller value and ranged from Rs 2,403 in North to Rs 15,884 in South.

Region	Disb. to account		Disb. in cash	
	Rs Cr	Av./Account	Rs Cr	Av./Account
East & North East	138.56	33,687	2.76	3,176
South	81.61	35,306	3.77	15,884
Central	27.71	34,447	0.00	4,184
North	25.38	31,259	0.89	2,403
West	14.95	35,381	0.00	

Disbursements: By State

Of the 20 states and 4 union territories where the disbursements were reported during Q1 FY 20-21

- In 11 states & 3 union territories the entire disbursement was through cashless method by transfer to bank account of the borrowers
- Of the remaining 9 states and 1 union territory, >95% disbursements by volume were seen in 7 states and by value in 8 states.
- Disbursements in cash in terms of volumes (accounts) were significant in Bihar (54%), Puducherry (70%) and Uttar Pradesh (42%).
- In terms of value (loan amount), disbursements in cash was higher in Puducherry (17%) and Bihar (8%) in comparison to other 4 states where cash disbursements were reported.



Feedback on Service Providers

For loan disbursements, 15 MFIs share information on the service providers used and key features of the services provided by them. Since transfer of disbursement amount to the client's account was the only cashless option used by the MFIs, all the service providers are banks. These include ICICI Bank, Yes Bank, RBL Bank, Axis Bank, IDFC bank, Kotak Bank and HDFC Bank.

Key features

Key features highlighted by the MFIs were

- Use of NEFT, RTGS, IMPS for loan disbursement,
- Penny drop check for verifying the authenticity of a user's bank account and
- Recall facility for the wrongly credited amount.

Main challenges

The main challenges faced by MFIs include delay in crediting money to borrower's account, especially if it is a co-operative bank and penny drop service for such bank accounts. Another challenge was the identification of dormant account of borrowers.

Expectations

The key expectations from the service providers are to provide penny drop services and straight-through processing of functions than manual processes, and if there could be a tool to identify dormant accounts.

Rating of services

The MFIs were also asked to rate their service providers on a scale of 1-5, with 5 being very good and 1 very poor. For disbursement related services, the overall average rating of all the service providers was 4.3.

Among the service providers, the average rating was the highest for ICICI Bank with a score of 4.8 followed by HDFC Bank with 4.5 and YES Bank with 4.3.

Section II

Repayment Collections

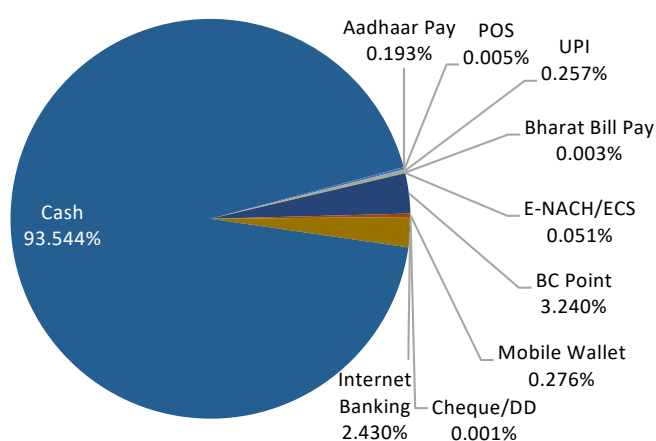
Repayment Collections

Overview

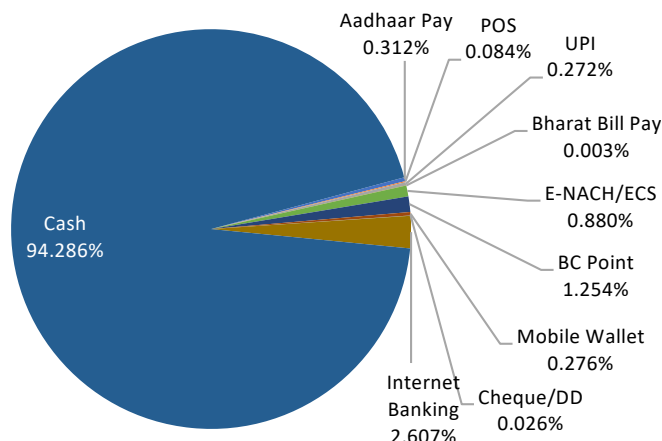
The section analyses the modes of repayment collection used across states and institution categories. During Q1 FY 2020-21, repayment collections of Rs 1,629.79 Cr from 84.2 Lakh accounts were reported by 27 institutions including 24 NBFC-MFIs, 2 CBCs and 1 NBFC across 22 states and 5 union territories. Ten different methods were used by the MFIs to collect repayments: Aadhaar Pay, Point of Sales (POS, using debit card swipe), UPI, Bharat Bill Pay, NACH, BC Point, Mobile wallet, Cheque/DD, Internet banking (SMS Link, Payment Gateway, NEFT, IMPS) and Cash.

As shown in the figures below, cash was the predominant mode of repayment collection both by volume (no. of accounts) at 93.5% and value (amount collected) at 94.3%. Among the digital modes of collection, the most popular mode seems to be internet banking followed by deposits at BC points, E-Nach and Aadhaar Pay.

Modes of repayment collection: By volume
(No. of accounts)

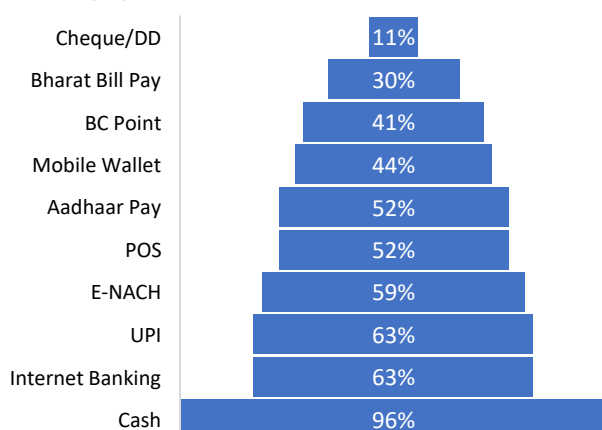


Modes of repayment collection: By value
(Amount collected)

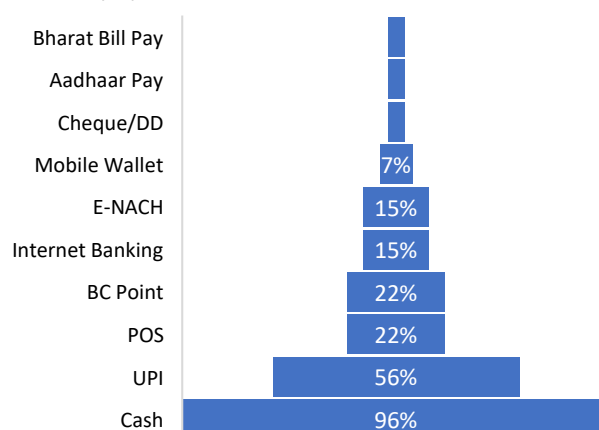


Of the 27 states/union territories where collections were reported, 3 states/UT had entire collections in cash – Andaman & Nicobar Islands, Chandigarh and Manipur. However, in one state (Telangana) the entire collection was done through digital means. Similarly, 7 MFIs reported collections done only in cash while 1 MFI reported 100% cash less collections during Q1 FY 20-21.

Repayment tools used at % of states (n=27)



Repayment tools used at % of MFIs (n=27)

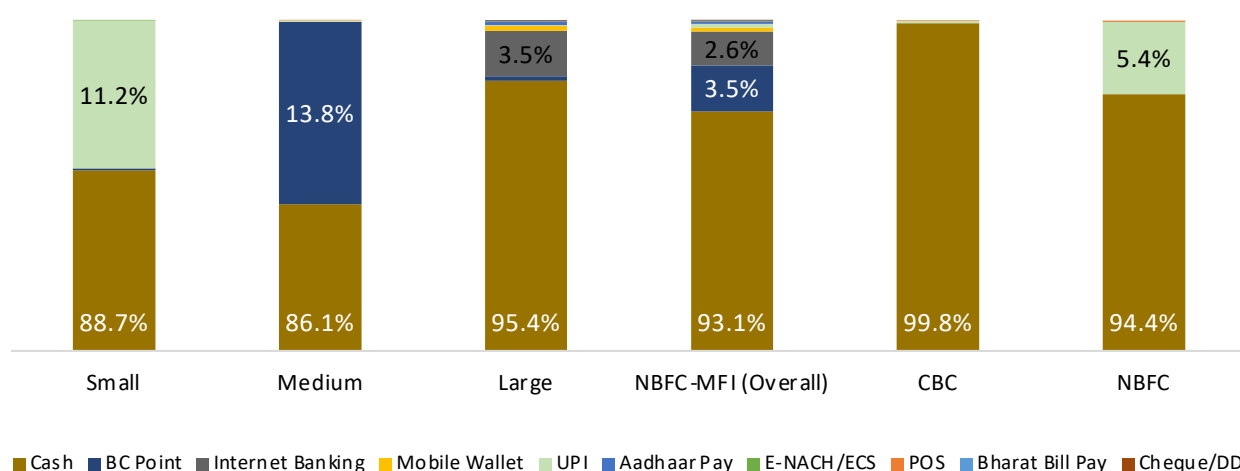


Repayment Collections: By Size and Entity Type

In terms of **volume (no. of accounts)** of repayment collections, cash collections dominated across all size and type of MFIs. However, it can be noted that

- Small NBFC-MFIs collected around 11.2% through the UPI mode. The other two digital methods tried out by them included E-Nach and BC point
- Medium NBFC-MFIs collected around 13.8% through BC point and also tried UPI & POS methods.
- Large NBFC-MFIs tried all digital methods mentioned below, but apart from cash the other significant modes of collections were through internet banking (3.5%) & mobile wallet (0.39%).
- CBCs tried UPI and POS methods while for NBFCs about 5.4% were collected using UPI.

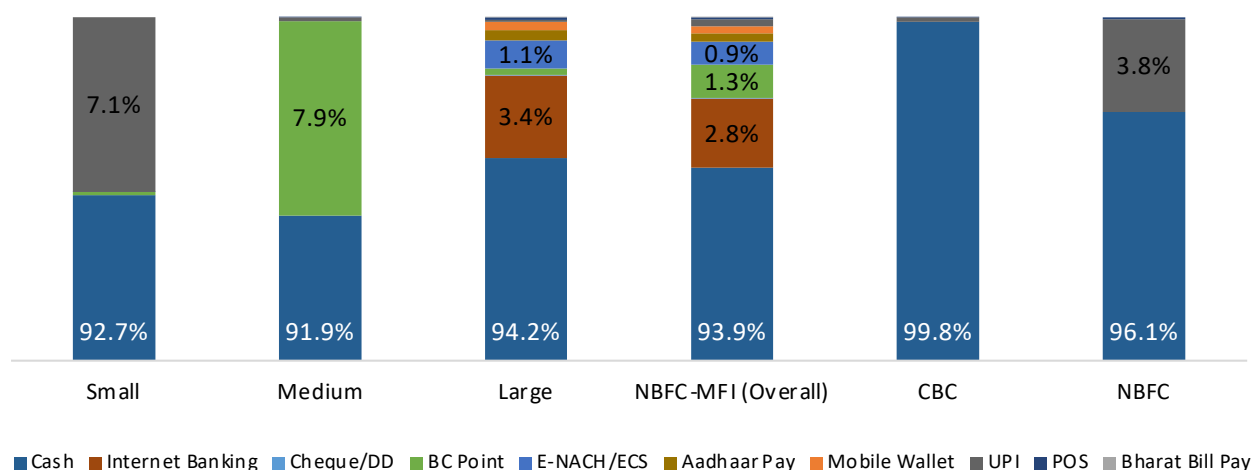
Volume of repayment collection: No. of accounts (Q1 FY 20-21)



Similarly, in terms of **value (amount)** of repayment collections, it can be noted that

- Small NBFC-MFIs collected around 7.1% using UPI.
- Medium NBFC-MFIs collected around 7.9% through BC point.
- Large NBFC-MFIs collected around 3.4% through internet banking, 1.1% E-Nach, 0.4% Aadhaar Pay and 0.35% through mobile wallets.
- CBCs collected around 0.2% and NBFCs about 3.8% through UPI.

Value of repayment collection: Amount (Q1 FY 20-21)

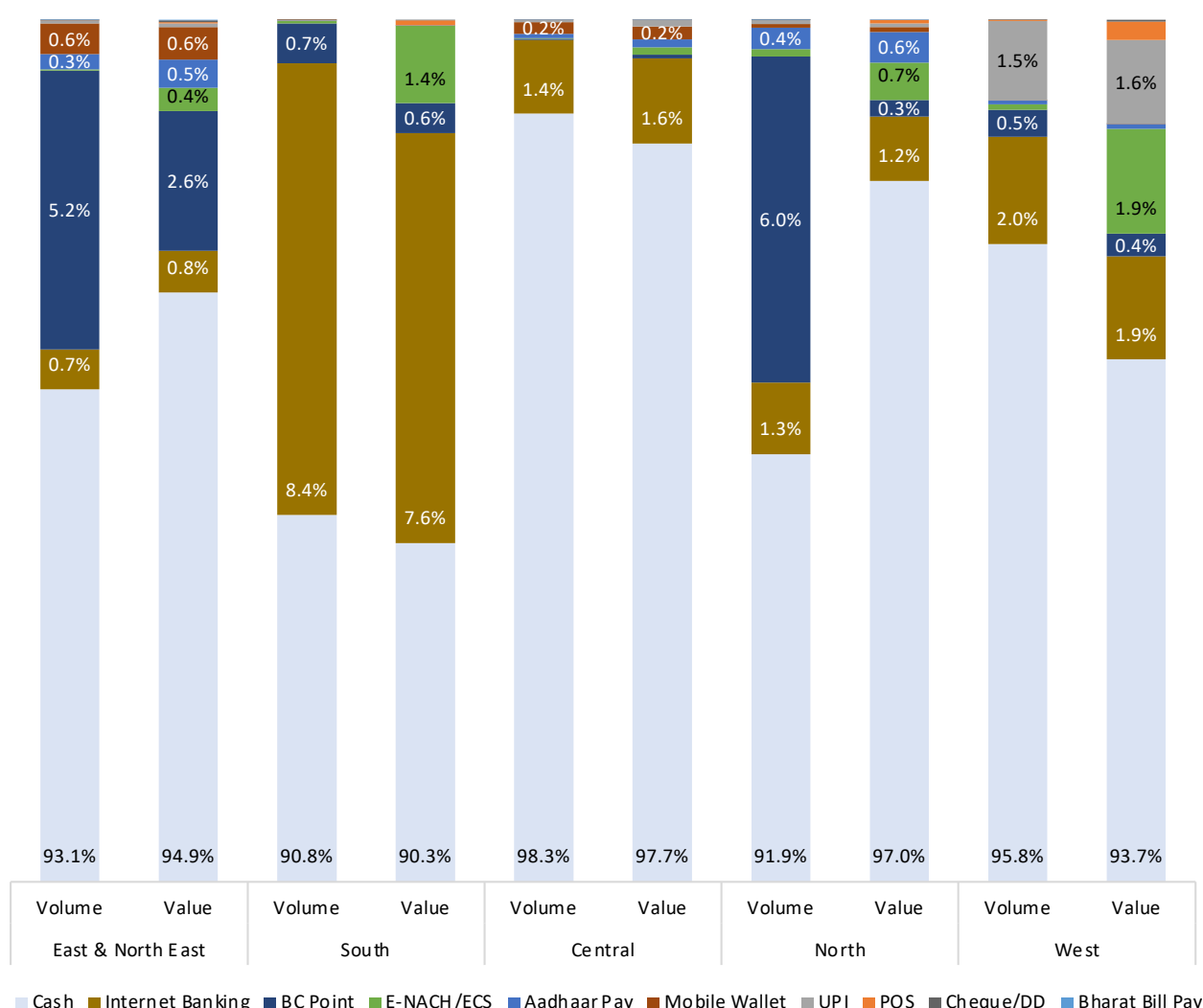


Repayment Collections: By Region

The MFIs have been experimenting with various digital methods of repayment collections and as evident from the graph below, the practice is more prevalent in South in comparison to other regions. The major digital methods (apart from cash) used for collections across regions are highlighted below

- In East and North East, BC point accounted for 5.2% of collections by volume and 2.6% by value. The other modes included internet banking, mobile wallet, Aadhaar pay and NACH (by value).
- In South, internet banking constituted 8.4% of collections by volume and 7.6% by value. The other significant method used was BC point and NACH (by value).
- In Central, internet banking formed 1.4% of collections by volume and 1.6% by value
- In North, BC point accounted for 6.1% of collections by volume by just 0.3% by value. Apart from it the other significant modes of cashless collection were internet banking, Aadhaar pay and NACH (by value).
- In West, internet banking was used for 1.9% of collections by volume as well as value, followed by UPI, BC point and NACH (by value).

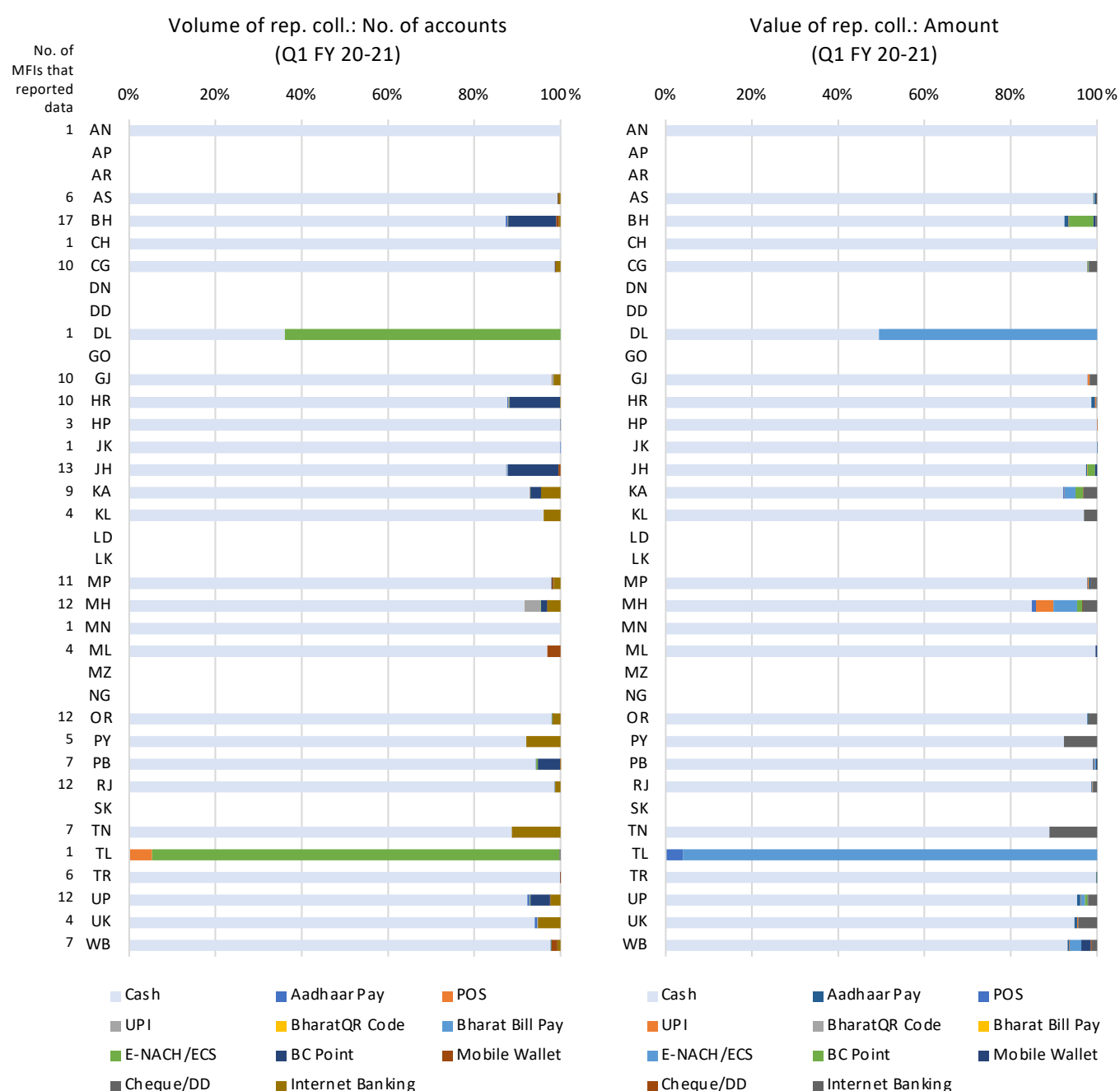
Modes of repayment collections: By region (Q1 FY 20-21)



Repayment Collections: By State

Of the 22 states and 5 union territories where the collections were reported during Q1 FY 20-21. Overall, 6.5% of the collections in volume and 5.7% in value of transactions were done through digital methods.

- In 3 states the entire collections were done in cash
- In 5 states/UT, one mode of cashless collections were tried which amounted to 4.5% in terms of volume and 3.1% in value
- In 7 states/UT, two to five different methods of cashless collections were used. These amounted to around 7.1% in volume and 7.0% in value.
- In 12 states/UT, more than five different mode of cashless collections were tried out. These amounted to around 6.3% in volume and 5.3% in value.



Feedback on Service Providers

Fifteen MFIs provided feedback on service providers for using digital methods of repayment collections. As analyzed above, these methods included Aadhaar Pay, debit card swipe machine (or POS), UPI, Bharat QR, Bharat Bill Pay, NACH/ECS, BC Point for bank deposit, mobile wallet, cheque/demand draft and internet banking.

Overall, names of 21 different vendors were informed, that are involved in offering repayment collection services. A few challenges as highlighted are reconciliation and borrowers' awareness of digital payment.

Key features

Key features highlighted by the MFIs for specific payment collections methods were

- UPI: Independent collection management & settlement Tracking platform by eSthenos and penny drop by Google Pay
- BBPS: Different system API Integration with LOS by Axis Bank

Main challenges

The main challenge as reported by the MFIs, in case of using UPI was awareness level of the borrower and for the use of BC services was reconciliation of the collection.

Expectations

Additional features which the industry is looking for are standing instruction facility on a debit card, multiple payment options available with vendors and UPI based mandate.

Rating of services

The MFIs were also asked to rate their service providers on a scale of 1-5, with 5 being very good and 1 very poor. For repayment collection related services, the overall average rating of all the service providers was 4.1. Though most of them have been rated good and very good, however, there were a few that were rated as average. None of the vendors were rated as below average.

The list of vendors, number of institutions using it and average user rating by the MFIs are provided in the **Annex**.

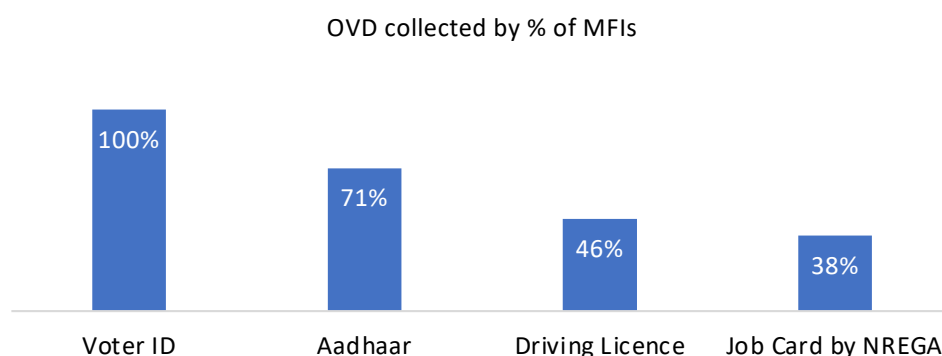
Section III

Technology Use in Systems and Processes

Use of Digital Methods for Client Identification/KYC

The RBI KYC guidelines specifies various “Officially Valid Document” (OVDs) for verification of client identity and address. In the pre-Aadhaar era, the microfinance industry was mostly reliant on Voter Id and ration card as the main Ids. From 2014 onwards, MFIs have been reporting client data including KYC to the credit bureaus as part of the loan origination process, which is mandated by RBI. From 2015 to 2018 the industry worked towards making Aadhaar as the unique identifier for microfinance borrowers which was of immense use in deduplication of clients and in preventing multiple loan/over indebtedness.

The industry was on the verge of progressing towards digital methods of client authentication using Aadhaar, which halted after the Honorable Supreme Court judgement on limiting the use of Aadhaar. Since then the industry has been looking for an alternative of this. The data provided by the 24 MFIs, indicate that they collect multiple OVDs which include Voted Id, proof of possession of Aadhaar, job card of MGNREGA and driving license as KYC documents.



As per the data submitted, there are 10 vendors which provide services like video-based KYC, voter ID and PAN authentication and offline Aadhaar verification. In terms of system integration most of these methods are at the discussion or pilot stage with the vendors except for Aadhaar verification where the processes have been rolled out by 67% of the 6 MFIs that are using it.

A detailed list of vendors along with their user rating by MFIs are provided in the **Annex**. Average user rating of vendors in this category is 4.4 and key challenges faced by the industry players are not able to scan the QR code of Aadhaar card if it fades away over a period.

Additional services required by the industry are Optical Character Recognition (OCR) and Artificial Intelligence (AI) technology in KYC authentication and onboarding.

Note: Optical character recognition or optical character reader is the electronic or mechanical conversion of images of typed, handwritten or printed text into machine-encoded text, whether from a scanned document, a photo of a document, a scene-photo or from subtitle text superimposed on an image.

Technology Used in HR systems

Human Resource Management (HRM) in microfinance is one of the key activities that take up a significant organizational bandwidth as well as cost. Since microfinance is a staff intensive business with continuous need for recruitment, induction and training, staff movement from one branch location to another and need for performance management system (PMS) for staff, several MFIs have started using technology in HR systems. The table below summarizes the response from 23 institutions on use of technology in various areas of HRM.

	Recruitment	Induction	Training	Payroll	Workforce Management	PMS	SGRM
Use by % of MFIs	61%	39%	22%	87%	57%	35%	39%
Earliest deployment	2014	2017	2018	2010	2014	2017	2017
Level of integration							
Discussion stage					8%		
Pilot	7%	11%	14%	5%		25%	11%
Roll Out	15%	89%	86%	95%	92%	75%	89%
Unique vendors used	11	7	4	16	12	7	8
Av. Rating	4.08	4.38	4.50	4.17	4.00	4.13	4.14

It is evident that use technology in HR sub-systems like payroll, recruitment and workforce management have been existing for nearly 6 to 10 years and are being used by majority of MFIs that shared information. Technology use in staff induction, training, PMS and staff grievance redressal management system (SGRM) are relatively new but the demand is clearly growing up as the operations of MFIs expand.

Challenges and requirements

A few challenges that the institutions are facing include

- Lack of facility/features that can assist in shortlisting of job applicants and rolling out job offers directly from the system.
- In workforce management, there is a need for a geotagging feature and productivity tracker to assess employees' productivity over a period. The slowness of the existing systems is an issue.
- Need for a soft-skill development content and application for inducting and training,
- Employee self-service portal and onboarding,
- Additional feature in Payroll system for tax calculation and investment declaration by staff.

The user rating of 27 unique vendors that are providing services on various HR systems is provided in the **Annex**.

Technology Use for Other Internal Systems

The table below summarizes the feedback from 26 MFIs on use of technology for seven different internal systems and processes. It is evident that processes related to Loan Origination System (LOS), Loan Management System (LMS), and accounting systems have found use of technology by most of the MFIs, while use in internal audit and Customer Grievance Redressal Management (CGRM) is fast catching up. Use of Core Banking System (CBS) and use of technology in customer interface and their awareness generation is being done by a few MFIs (mostly large sized).

	LOS	LMS	CBS	Accounting	Internal Audit	CGRM	Customer Interface
Use by % of MFIs	85%	96%	23%	73%	42%	46%	19%
Earliest deployment	2008	2008	2014	2006	2010	2010	2014
Level of integration							
Discussion stage				5%	18%	8%	20%
Pilot					9%	17%	
Roll Out	100%	100%	100%	95%	73%	75%	80%
Unique vendors used	11	9	7	8	8	8	5
Av. Rating	3.95	3.91	4.50	4.07	4.00	4.33	4.25

Loan Origination System

Eleven LOS service providers are catering to 22 institutions. Main challenges being faced by them are unstable system and regular outage/unavailability and difficulty in integrating new technology with each integration requiring investments. Key demands are OCR and AI technology in KYC authentication and onboarding which are critical pieces of the loan original processes. Other requirements include automatic credit decisions and API for Aadhaar and voter ID validation. The average user rating of the vendors is 3.95 and the details are provided in **Annex**.

Loan Management System

Twenty-five institutions that shared data, are being served by nine vendors. Key challenges are lack of features to work out moratorium and difficulty in integrating new technology which is time consuming and adds to cost. Additional demand from the vendors are functionality to integrate different internal applications with LMS than a standalone system and availability of multiple digital collections options like Aadhaar pay, UPI, internet banking, QR code etc. Average user rating of these vendors is 3.91 and the details are provided in **Annex**.

Accounting technology

Nineteen institutions that share data have 8 vendors. The main challenge reported is lack of IND-AS feature in the software and lack of analytical dashboard for quick overview and analysis. Average user rating of these vendors is 4.07 and the details are provided in **Annex**.

Other processes

The other areas where institutions have used technology are internal audit, customer grievance redressal mechanism and customer interface application for their awareness generation. These institutions are well served by various vendors however there are a few challenges like manual processing of data due to lack of integrated systems and as each system has its format which needs to be changed to be an input for another application. For customer grievance redressal system, a few industry players want that the call should be automatically based on the language chosen than manual switching of calls. The use ratings of the vendors related to these services are provided in the **Annex**.

Compliance Processes Related Technologies

This report analyses the use of technology for compliance processes related to reporting to Credit Information Bureaus (CICs), Central KYC Registry (CKYCR) Implementation and National e-Governance Services Ltd (NeSL) reporting. Information was shared by 26 institutions on CIC reporting, by 19 on CKYCR and 14 on NeSL.

Reporting to CICs

As evident from the table below, about 50% of the MFIs were reporting on a weekly basis while 42% report daily and 8% do it monthly. The move towards daily submission had been initiated by the MFIN Board and it is expected that in the next couple of quarters most MFIs would start submitting data to CICs on a daily basis. 24 institutions provided response on use of comprehensive CIR (CCIR), of which only 10 (6 Large, 2 Medium, 1 Small NBFC-MFI and 1 NBFC) indicated that they use it for credit assessment.

Reporting frequency	Large	Medium	Small	NBFC	Total
Daily	6	3	2	0	11
Weekly	4	4	5	0	13
Monthly	0	0	0	2	2
Total	10	7	7	2	26

In Q1 FY 20-21 due to reduced disbursement, total CIR enquiries from three CICs were only 17.3 lakh by 16 institutions. Equifax accounted for around 86.3% of the CIR enquiries in this quarter, followed by CRIF at 13.4% and CIBIL at 0.3%. Further, only 3 institutions used multiple CICs for CIR enquiries.

CKYCR implementation

Central KYC Registry is a centralized repository of KYC records of customers in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector. The aim to reduce the burden of procuring KYC documents and verifying them whenever the customer creates a new relationship with a financial entity. It is maintained by CERSAI and all entities regulated by RBI, IRDA, PFRDA and SEBI need to upload the KYC of their customers to this system.

Of the 19 institutions that responded, 9 have registered for CKYC, 5 are awaiting registration and 5 are yet to register. As reported, the registered institutions are served by three vendors Gar Consultant, Capiot and TSS Consultancy and five MFIs are developing it on their own than outsourcing it to any vendor.

NeSL reporting

As per RBI's notification no. RBI/2017-18/110, DBR.No.Leg.BC.98/09.08.019/2017-18 dated 19 December 2017, and subsequent clarification sought by MFIN all financial institutions including NBFC-MFIs are required to report financial information to an IU.

As reported by 14 institutions, nine have registered themselves with NeSL and four have started reporting the information. MFIN is interacting closely with NeSL on digital KYC, on-boarding solution as well as on information utility services.

Section IV

MFIN Initiatives

Digital Initiatives and Updates

MFIN identifies different opportunities in consultation with its members to identify potential areas where technology can make an impact. The Secretariat also interact with different vendors and invite them to share their product ideas and its benefit for the industry through open discussions. Below are a few initiatives which MFIN has taken in this quarter.

IDRBT Training for IT Heads

Institute for Development and Research in Banking Technology (IDRBT), Hyderabad is an institution exclusively focused on banking technology. Established by the Reserve Bank of India in 1996, the institution works at the intersection of banking and technology. They have agreed to deliver five days of a residential training programme to MFIN members. As communicated by them, it's the first time they have agreed to deliver such training to any Non-Banking institution. The training was scheduled to happen in April 2020, however, due to COVID-19, this training has been postponed and will happen at a later date.

Paper by KPMG - Technology in Microfinance

KPMG is authoring a paper on "Fintech journey in microfinance - the future beckons". The paper is elaborating the use of technology in microfinance industry, Indian and global use cases and experiments, to provide a future road map and suggestions from policy and regulatory point of view.

MFINTech Talk Series

It is a webinar series to facilitate an open discussion between technology service providers/vendors and MFIs to understand the products/services available and pain points to be addressed. The following talks have been organised so far,

- Digital KYC and payments, what options are available and challenges in adoption.
- NeSL on digital onboarding and KYC of borrowers, bringing efficiency
- Panel Discussion on "Using data to underwrite a loan for non-digital Borrower"
- CGAP's online workshop on debt restructuring in microfinance
- Panel discussion on "LMS and LOS Service Providers - Expectations and Innovations"

Annexures

Vendor Feedback: Repayment Collection Services

Aadhaar Pay Vendor		
Name	No. of MFIs Served	Avg. User Rating
Fing Pay	1	4.0
Iserveu	2	4.5

BBPS Vendor		
Name	No. of MFIs Served	Avg. User Rating
Axis Bank	2	4.0
PayU	1	4.0

NACH Vendor		
Name	No. of MFIs Served	Avg. User Rating
Axis Bank	1	4.0
ICICI Bank	1	
PayU	1	4.0

Wallet Vendor		
Name	No. of MFIs Served	Avg. User Rating
PayTM	2	4.0

Internet Banking		
Name	No. of MFIs Served	Avg. User Rating
Razorpay	1	3.0
Axis Bank	1	4.0

Demand Draft		
Name	No. of MFIs Served	Avg. User Rating
Axis Bank	1	4.0

POS Vendor		
Name	No. of MFIs Served	Avg. User Rating
Fing Pay	1	4.00
eSthenos	1	4.00
Ezetap	2	4.00
SBI Swipe Machine	1	5.00
Iserveu	2	5.00

UPI Vendor		
Name	No. of MFIs Served	Avg. User Rating
Fing Pay	1	4.0
Google Pay*	2	4.5
eSthenos	1	4.0
ICICI Bank	1	5.0
IDFC bank	1	4.0
Payabhhi	1	3.0
Twinline	2	4.5
PayU	1	4.0
PayTM	1	4.0
Bharatpe	1	4.0

* Reconciliation issue highlighted by the MFIs

BC Vendor		
Name	No. of MFIs Served	Avg. User Rating
HDFC Bank*	1	4.0
Airtel	2	3.5
Spice Money	1	5.0
Fino PB	1	4.0

* Reconciliation issue highlighted by the MFIs

Rating scale: The users rated the service providers on a scale of 1-5, with 5 being very good and 1 very poor.

Vendor Feedback: Client identification/KYC

Video KYC Vendor		
Name	No. of MFIs Served	Avg. User Rating
Signdesk	1	4.0
Invoid	1	5.0

VID and PAN Authentication		
Name	No. of MFIs served	Avg. User Rating
Craft Silicon	1	
Zing HR	1	5.0
Karza Tech.	1	5.0
Twinline	1	4.0

Aadhaar KYC Vendor		
Name	No. of MFIs Served	Avg. User Rating
BIJLI/Force Ten	1	4.0
Conflux Tech	1	4.0
Equifax	2	4.0
Invoid	1	5.0
M KEYS	1	4.0
Veri5digit	1	4.0

Beneficiary Account Validation		
Name	No. of MFIs Served	Avg. User Rating
Twinline	1	5.0

Rating scale: The users rated the service providers on a scale of 1-5, with 5 being very good and 1 very poor.

Vendor Feedback: HR Systems (1/2)

Staff Recruitment Vendor			
Name	No. of MFIs Served	Avg. User Rating	Key Challenges
Zing HR	2	4.0	
Jayam Solutions	1	4.0	
In House	1	5.0	
GreyHR	2	4.0	
ADRELIN	2	4.0	
Formula HR	1	4.0	Not able to roll out offer letters from the system
Xpro Solutions	1	4.0	Shortlisting of potential candidates is tough
Emerging Alliance	1	4.0	
Greytip Software	1		
UNEECOPS	1	4.0	
Naukri RMS portal	1	4.0	

Staff Induction Vendor		
Name	No. of MFIs Served	Avg. User Rating
Zing HR	2	4.0
Internal/In House	2	5.0
ADRELIN	1	4.0
Citrus Learning	1	5.0
Emerging Alliance	1	4.0
UNEECOPS	1	
Web conference applications, Zoom etc	1	4.0

Staff Training Vendor		
Name	No. of MFIs served	Avg. User Rating
In House	2	5.0
ADRELIN	1	4.0
Citrus Learning	1	5.0
Emerging Alliance	1	4.0

Payroll System Vendor		
Name	No. of MFIs Served	Avg. User Rating
Zing HR	2	4.0
Veritech Global HR Services LLP	1	4.0
GreyHR	2	4.5
Relyon	1	4.0
ADRELIN	1	4.0
HGS Systems	1	4.0
Formula HR	1	5.0
Xpro Solutions	1	4.0
Emerging Alliance	1	4.0
Saral	1	5.0
SAG/Star Link	1	4.0
InterBiz Solutions LLP	1	4.0
Visual Pay	1	4.0
GREYTIP SOFTWARE P LTD	3	4.0
UNEECOPS	1	4.0
HROne software	1	

Rating scale: The users rated the service providers on a scale of 1-5, with 5 being very good and 1 very poor.

Vendor Feedback: HR Systems (2/2)

Workforce Management Vendor		
Name	No. of MFIs Served	Avg. User Rating
Zing HR	2	4.0
Internal/In House	1	5.0
GreyHR	1	4.0
Relyon	1	4.0
ADRELIN	1	4.0
Xpro Solutions	1	4.0
ADRELIN	1	4.0
Emerging Alliance	1	4.0
Spotways	1	
Greytip Software Pvt Ltd	1	
UNEECOPS	1	4.0
Majulah Infotech Pvt Ltd (INFO-TECH)*	1	3.0

* Slow System issue highlighted by the user

Performance Management System Vendor		
Name	No. of MFIs Served	Avg. User Rating
Zing HR	2	4.0
Internal/In House	1	5.0
ADRELIN	1	4.0
Xpro Solutions	1	4.0
ADRELIN	1	4.0
Emerging Alliance	1	4.0
UNEECOPS	1	4.0

Staff Grievance Redressal Management Vendor		
Name	No. of MFIs Served	Avg. User Rating
Zing HR	1	4.0
Internal/In House	2	5.0
GreyHR	1	4.0
Xpro Solutions	1	4.0
Emerging Alliance	1	4.0
Knowalirty	1	4.0
Grand Stream	1	4.0
Greytip Software Pvt Ltd	1	

Rating scale: The users rated the service providers on a scale of 1-5, with 5 being very good and 1 very poor.

Vendor Feedback: Other Internal Systems (1/2)

LOS Vendor			
Name	No. of MFIs Served	Avg. User Rating	Key Challenges
Craft Silicon	3	4.0	
Jayam Solutions Pvt. Ltd.	7	3.3	Unstable System, Regular Outage
BIJLI/Force Ten	3	4.0	Difficult to integrate new features
eSthenos	1	4.0	
CIMS Soft	1	5.0	
In House	1		
Conflux Tech	1	4.0	
VolkSoft Tech	2	4.5	
Twinline Business	1	5.0	
Dhwani Rural Information System	1	4.0	
Finflux	1	4.0	

LMS Vendor			
Name	No. of MFIs Served	Avg. User Rating	Key Challenges
Craft Silicon	4	4.0	Moratorium working system not available
Jayam Solutions Pvt. Ltd.	8	3.4	Manual processing of data, Unstable and slow system
BIJLI/Force Ten	5	4.0	Difficult to integrate new features
In House	1		
Conflux Technologies	2	4.0	
VolkSoft Technologies Pvt Ltd	2	4.5	
Twinline Business	1	5.0	
FIS	1	4.0	
Finflux	1	4.0	

CBS Vendor			
Name	No. of MFIs Served	Avg. User Rating	Key Challenges
FIS	1	4.0	

Rating scale: The users rated the service providers on a scale of 1-5, with 5 being very good and 1 very poor.

Vendor Feedback: Other Internal Systems (2/2)

Accounting Technology Vendor		
Name	No. of MFIs Served	Avg. User Rating
Craft Silicon	1	4.0
Jayam Solutions	5	3.8
BIJLI/Force Ten*	3	4.0
Tally 9.0 ERP	6	4.4
In House	1	
SASCO	1	4.0
NeLITO	1	
Oracle	1	4.0

* No IND-AS system

Internal Audit Vendor		
Name	No. of MFIs Served	Avg. User Rating
Jayam Solutions	3	4.0
BIJLI/Force Ten	1	4.0
Sumeru Solutions*	1	4.0
NCS Softsolutions	1	4.0
DVARA	1	4.0
Dhwani Rural Information	1	4.0
NeLITO	1	
Mobile Offiz	1	4.0

* Lot of manual processing of data

Customer Grievance Redressal Management System Vendor		
Name	No. of MFIs Served	Avg. User Rating
BIJLI/Force Ten	1	4.0
In House*	2	5.0
Zeotel Comm.	1	5.0
ZOHO CRM	1	4.0
Exotel	1	4.0
Knowalirty	2	4.0
Grand Stream	1	4.0
NeLITO	1	

*Automatic diversion of calls based on language is required

Customer Interface Application Vendor		
Name	No. of MFIs Served	Avg. User Rating
In House	1	5.0
ATS	1	4.0
Dhwani Rural Information System	1	4.0
NeLITO	1	
Webkraze	1	4.0

Rating scale: The users rated the service providers on a scale of 1-5, with 5 being very good and 1 very poor.

Vendor Feedback: Compliance Processes

CKYC Vendor		
Name	No. of MFIs Served	Avg. User Rating
In House	5	
GAR consultants	1	3.0
CAPIOT	1	
TSS Consultancy	1	

Rating scale: The users rated the service providers on a scale of 1-5, with 5 being very good and 1 very poor.

Grouping of NBFC-MFIs (Q1 2020-21)

Small GLP < Rs 100 Cr	Medium GLP Rs 100 -500 Cr	Large GLP > Rs 500 Cr
n=7	n=8	n=10
Adi Chitrugupta	Arth	Annapurna
Agora	Centrum	Arohan
Aviral	Inditrade	ASA India
BWDA	Light	Belstar
Mitrata	Janakalyan	Chaitanya
NEED	Saija	Midland
Unnati	Sambandh	Namra
	Save	Satya
		SVCL
		Vaya

Grouping of States for which data was reported

East & North East	Central	West	North	South
Assam	Chhattisgarh	Gujarat	Chandigarh	Andaman and Nicobar Islands
Bihar	Madhya Pradesh	Maharashtra	Delhi	Karnataka
Jharkhand		Rajasthan	Haryana	Kerala
Manipur			Himachal Pradesh	Puducherry
Meghalaya			Jammu and Kashmir	Tamil Nadu
Odisha			Punjab	Telangana
Tripura			Uttar Pradesh	
West Bengal			Uttarakhand	

State Abbreviations

Abbreviation	State
AN	Andaman and Nicobar Islands
AP	Andhra Pradesh
AR	Arunachal Pradesh
AS	Assam
BH	Bihar
CH	Chandigarh
CG	Chhattisgarh
DL	Delhi
GO	Goa
GJ	Gujarat
HR	Haryana
HP	Himachal Pradesh
JK	Jammu and Kashmir
JH	Jharkhand
KA	Karnataka
KL	Kerala
MP	Madhya Pradesh
MH	Maharashtra
MN	Manipur
ML	Meghalaya
MZ	Mizoram
NG	Nagaland
OR	Odisha
PY	Puducherry
PB	Punjab
RJ	Rajasthan
SK	Sikkim
TN	Tamil Nadu
TL	Telangana
TR	Tripura
UP	Uttar Pradesh
UK	Uttarakhand
WB	West Bengal

An abstract graphic featuring several interlocking gears in shades of blue and white. The largest gear is in the center, with smaller ones around it. To the right, there are circuit-like lines with dots, some of which are orange and some are blue. A dashed blue line runs vertically on the right side. The background is a light blue gradient.

Microfinance Institutions Network (MFIN)
4003-4004, Emaar Palms Spring Plaza
Gurugram, Haryana, 122003, India
mfinindia.org
+91 124 4212570