National Financial Inclusion Conference 2014

Partnership & Future Growth
Emerging Roles of Microfinance Sector

March 13 and 14, 2014 | Mumbai

Sa-Dhan
The Association of
Community Development
Finance Institutions

Mission of Sa-Dhan

"To build the field of community development finance in India, to help its members and associate institutions to better serve low income households, particularly women, in both rural and urban India, in their quest for establishing stable livelihoods and improving their quality of life."

Effective microfinance is to be realized not in terms of the speed of growth, but in the creation of long term relationship between the MFI and client, between communities and communities. Basically, banking is relationship, not mere finance. Relationship continued relationship, relationship of trust. It is through this relationship that the poor women like any other client, gain a sense of security and confidence to plan to take risk in her life and livelihood. And eventually develop a stable livelihood.

Smt. Ela R Bhatt
Founder, Sewa Bank

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Acknowledgement

Sa Dhan organised, 9th National Financial Inclusion conference on March 14, 2014, in Yashwantrao Chavan, centre, Mumbai, the financial capital of the country. The event was preceded by a special dinner with Bankers on 13 March. The theme of the conference was "Partnership & future Growth: Emerging roles of microfinance sector". Renowned personalities from the sector and various stakeholders across the sector attended the conference and shared their thoughts and suggestions with the aim to foster growth with an enhanced regulatory compliance. The Conference was attended by member and non-member participants from all over India and women community leaders.

The daylong conference had total of seven panel sessions and a presentation session. In the opening session, there was a discussion on Financial Inclusion and Self Regulatory Organization (SRO). Subsequently, parallel sessions- one focusing on MFI segment and the other focusing on the SHG segment were conducted. The panelists, who shared their thoughts from dais, were eminent people from different institutions such as Reserve Bank of India, Microfinance Institutions Network, public sector banks, NGO MFIs and private sector banks.

The Conference started with detailed discussion on SRO. As it is difficult for one authority like RBI to monitor large number of organizations hence need for SRO was felt. To act as an independent agency, SRO would need to generate funds from other sources apart from membership fee and its key role would be of effective customer complaint redressal system. On relation between Banks and MFI regarding funding, use of tools like Securitization would help MFIs, apart from present special India Microfinance Equity Fund. Recommendations of Nachiket Mor's report were appreciated for bringing all players into banking ambit and hence regulating them and also providing flexibility in designing products which have relevance for the market. Use of technology had helped in making business viable for banks and affordable for the clients. Further it has brought down monitoring cost too. More people can be covered under financial inclusion through mobile as in rural area there are more mobile connections than bank accounts.

In the SHG segment, discussions were kicked off with present status check of SHGs in India, especially after Andhra Pradesh Crisis. Discussions further focused on quality aspect of SHGs and members felt need for nurturing and monitoring of SHGs even after credit linkages. While discussing inclusive credit information system, members emphasized on use of cost effective technology. Further it was felt that RBI and IBA should make data sharing compulsory. In another session focused on NRLM, discussions were held on the objective and role of NGOs and civil society organisations. Further discussions also included roadmap of linkages provided to

[1] Sane, Renuka; Thomas Susan: http:/www.igidr.ac.in/pdf/publication/WP-2013-013.pdf

SHGs for pre-production, production and post production marketing services.

The conference proceeding underscored the four key themes that we envisioned: Self Regulatory Organization for MF Sector, Funding in general and Banks' funding in particular to MFIs and SHGs, the Nachiket Mor Report and Inclusive Credit Information Bureau. The discourse around these themes provided a way forward for the entire sector. Another leitmotif of the conference was conceptualizing a policy document for the MF sector especially in the current scenario where the MF Bill has been shelved. The Conference proceedings are the ground work for the preparation of a National Microfinance Policy. The Conference successfully achieved its mandate to build alliances between the Banking Sector and Sa-Dhan members. The venue in Mumbai enabled a large number of mid level bankers apart from the top level to attend the dinner and Conference and interact with members.

We would like to thank Ms. Ela. R. Bhatt, Chair Emeritus, Board of Sa-Dhan and all Sa-Dhan members for their participation. We thank Mr. Jagdananda, Chairperson, Sa-Dhan, Ms. Jayshree Vyas, MD SEWA Bank & Co-chair Sa-Dhan and Mr. Royston Braganza CEO, Grameen Capital. The Conference could not have been possible without our sponsors. Our special thanks to IDBI, IFC, Union Bank, NABARD and SIDBI. Our special thanks to our lunch partner-Water.org and our supporters SBI, Omidyar Network, Ford Foundation, Hivos and GIZ. Lastly, our special thanks to our knowledge partners: IFMR Trust and M2i Consulting. We take this opportunity to thank all our panelists, moderators and most of all our audience. We specially thank the women community leaders for their participation. We thank our chief guest Mr. Mohan .V. Tanksale, Chief Executive, IBA.

The Conference detailed and debated the key issues for the Industry. We hope this Conference report will serve as a ready reference for Policy Makers, RBI and Microfinance Industry.

Mathew Titus
ED, Sa-Dhan

Agenda and Background Note

Financial service is one of the key pillars for the holistic development of poor, enabling them to lead a dignified life beyond the daily grind to make ends meet. In the early years of Microfinance to the accentuated phase in the last couple of years; the need of financial services to poor has never diminished. Literature post Andhra Pradesh crisis suggests that ceasing financial services to the poor led to lower welfare; less spending on food and education[1]. Like all movements of social change, the community development finance movement also vacillated between significant achievements and pitfalls.

The Agenda of the Sa-Dhan Conference as always went beyond the issues and challenges of the Microfinance sector and addressed panoramic concerns pertaining to the political economy of the Country. The sector is entering a new phase of mature growth with considerable improvements in product delivery, distribution channels, innovative technology and client protection. There have been instances of local and state level interventions using State Money lending Acts and other Usury Acts. The role of the Indian state is extremely important in providing client protection and regulation. The whole trajectory of the last couple of years clearly indicates that the sector needs regulatory framework that not only protects its operational space, but gives confidence to lenders and investors and also builds bridges with the government programs. Lack of a national and uniform regulatory framework for the micro finance entities has been a major impediment in borrowing funds for on-lending and for smooth functioning of business activities of MFIs. The regulatory comfort emanating from the Malegam report and the Microfinance Bill will bring further legitimacy to the sector.

Sa-Dhan has been working on client centric practices for the Microfinance Sector from last 8 years and has done seminal work in creating the Code of Conduct for the Microfinance Industry and building and debating the Microfinance Bill with the State. Sa-Dhan was a pioneer in taking proactive steps in building transparency starting from the introduction of the voluntary code of conduct in 2007. We all know the Reserve Bank of India is considering promoting an independent agency as Self Regulatory Organization (SRO). It will be an independent body and will work with participation from all the stakeholders. The Conference aims to have a detailed discussion to understand the SRO conceptually.

With SRO setting the tenor of the Conference, subsequent discussions would center on other challenges faced by the Sector. It has been iterated time and again that Microfinance sector has established itself as a significant intermediary between the formal financial institutions, that is, between the Banks and the poor clients. The Industry including Micro Finance institutions and the

[1] Sane, Renuka; Thomas Susan: http:/www.igidr.ac.in/pdf/publication/WP-2013-013.pdf

Self Help group Linkage Program collectively provide Rs. 40,000 crore annually which reached a new high of Rs. 61000 crore as on March 2013. The estimated number of Household covered is over eight crore. Apart from Credit, the sector is also providing savings through the cooperative form of MFIs. The sector is also proving Micro Health, Micro Insurance, remittance and Pension services. The RBI's Bank led model of financial inclusion sees BCs as an important tool and player for inclusion. Apart from the MFIs, the SHG based organizations are also acting as Business Correspondents to deepen financial inclusion. The Conference will discuss the benefits and pitfalls of the interface of CIB with the SHGs and the role of state: NRLM and SHGs.

The Conference provided an important forum to understand the concerns of the Lending Institutions and bring resolutions towards the liquidity crunch. The recent directive is the Report of the Committee on Comprehensive Financial Services for Small Business and Low Income Households. The Conference had a detailed session on this.

Given this backdrop, this year's National Microfinance Conference was designed such that there was a thematic plenary session. Following which the Conference had Parallel sessions to discuss in detail the issues, concerns and achievements of the two strands of Microfinance Sector: SHGs and MFIs. In the concluding plenary session, both the segments converged for a way forward. The theme of this year's Conference was Partnership and Future Growth: Emerging Roles of Microfinance sector. The aim is to foster growth with an enhanced regulatory compliance.

13 March

Dinner with Bankers

The banking sector continues to be the major lender followed by Bulk Lenders and other financial institutions. Nearly 85% of the MFIs lendable resources come from the banks. In the financial year 2012-13, the private sector banks have hiked lending by 150% over the previous year. The Public Sector Banks reduced the funding by 26%. Except SIDBI and NABARD, all lender types, including Banks preferred to lend to NBFC and LAB form of MFIs over other MFIs. Furthermore, RBI through its circular dated 3 rd August, 2012 indicated the need for SRO for monitoring regulatory compliance. All the NBFC-MFI will have to become member of at least one recognized SRO by the RBI and have to comply with the Code of Conduct prescribed by the SRO. In this context Sa-Dhan invited Banker to have an interface with the member organization.

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14 March

Introduction and Welcome: Mr. Jagdananda, Chairperson , Sa-Dhan

Inauguration: Mr. Mohan .V. Tanksale, Chief Executive, IBA and

Community Leaders

Opening Session:

Financial Inclusion and SRO: Fostering Growth with Enhanced Regulatory Compliance and Policy Constructs

Client protection and regulation are the cornerstones for stable growth of the Microfinance movement. Regulatory response in India was triggered by the series of development in Andhra Pradesh in 2010. Reserve Bank of India after detailed study of the situation in Andhra Pradesh, with the help of Y.H. Malegam has put in place a detailed regulation placing restrictions and safeguards with regard to minimum standards of governance, management and client protection as well as the financial health of the MFIs.

The RBI is considering promoting an independent agency as SRO for supervision and client protection. Membership for MFIs will be compulsory. It will be independent and will work with participation from all the stakeholders. Among the objectives, SRO is expected to provide timely information and send out the right signals on the industry. On the clients' side, the entity is expected to protect their interest. While using the term self-regulation, most of the regulatory powers will reside with the RBI. Suspension and expulsion will be key elements of its functioning. The agency will specifically focus on the "Assurance" agenda for the RBI. The role of Association thus becomes very central in supporting policy initiatives in establishing an informed regulatory regime. RBI is looking for an Association like Sa-Dhan to fulfil the role of SRO.

Since its inception in 1999, Sa-Dhan has been working on client centric practices for the Microfinance Sector. More specifically in the last 8 years, the Association has done seminal work in creating the Code of Conduct for the Microfinance Industry and building and debating the Microfinance Bill. Sa-Dhan was a pioneer in taking proactive steps in building transparency starting from the introduction of the voluntary code of conduct in 2007. Sa-Dhan has constituted an Ethics and Grievance Redressal Committee to deal with erring members. Sa-Dhan's non-NBFC members are voluntarily in compliance with the Code of Conduct. All the member organizations from diverse legal forms are already in compliance with the CoC. The BCs have a significant space in the financial inclusion domain. The session will debate whether BCs and SHPIs can be part of SRO.

This session will also deliberate on advocating for a fresh Microfinance Bill while persevering towards the Self Regulatory Organization. This session aims to have a discussion on the Standing Committee Report on the MF Bill. Another important area of debate is whether to advocate a National Financial Inclusion Policy having significant role for microfinance sector. The potential Policy needs to address Clients, Guarantee Instruments and Diversity in the Microfinance Sector. The Policy document would potentially highlight the state of demand and supply. It would enlist the roles played by different agencies and their strengths. Also, the specific challenges vis-à-vis Regulation, Capital Structure, Infrastructure in terms of Credit Bureaus, Technology support and Training and Reporting. The National Financial Inclusion Policy can highlight the strength of the sector in the field in providing financial inclusion albeit, without compromising social inclusion. The Policy can highlight who can regulate the sector, what is the infrastructure required and role of the state governments etc. With a National Financial Inclusion Policy in place, there would be increased impetus towards a Microfinance Bill.

Questions:

- *What is an SRO?*
- *What is the role of SRO vis-à-vis the Regulator?*
- *How to finance the expected SRO activities?*
- *Can there be an SRO for the entire sector covering all legal forms of MF Sector? Should BC's be part of SRO?*
- *What is the anticipated impact and implication of the SRO?*
- *What would be the characteristics and subject matter of the National Financial Inclusion Policy?*
- *What is the importance of having a National Financial Inclusion Policy?*
- *What is the relevance of both the National Financial Inclusion Policy and the National Microfinance Bill?*

Q and A Session

Parallel Sessions - MFI Segment

Parallel Sessions - 1

Banks and Microfinance : Partnership for Building Provision of Financial Services to the Poor and addressing the issue of skewed financing

MFIs continue to be investable destinations for Bankers and Investors, albeit there is a slowdown in release of loans to the sector in the last two years. One of the main challenges faced by the MFIs is the liquidity crunch. There is a 26% decrease in the lending by the Public sector banks while there is a phenomenal 150% hike in lending by the Private Banks. The Private Banks are primarily catering to the 100 crore plus MFIs. The smaller organizations continue to be in crisis with some of them forced to shut operations. Effectively, the bank funding has not been uniform to all categories of MFIs. This session is an important space to understand the concerns of the Lending Institutions and bring resolutions towards this liquidity crunch. The session will also delve on the use of CIB data by the Banks. CIB is a source available for the Bankers to access.

Questions:

- *How to strengthen the link between mid level MFIs and the Bankers?*
- *In the backdrop of the last couple of years, what is that Bankers will trust in the absence of the Microfinance Bill?*
- *What can be done to connect the mid level MFIs to banks? How much role will the Industry's Code of Conduct and the proposed SRO play in this?*
- *What is the impact of the RBI regulation on the Bankers vis-à-vis lending to the MFIs?*
- *Is the level of funding enough to change the economic patterns in rural areas? It is believed that only partial credit requirement of rural households is fulfilled. What is the future for the rural household in the rubric of liquidity crunch faced by MFIs and the caps and limits on loans imposed by the state?*

Parallel Session - 2

Universal Access to the poor: Opportunities and Challenges of the Nachiket Mor Report

The session is an opportunity to understand deeply the Nachiket Mor Report. The Reserve Bank of India (RBI), on September 23, 2013, had appointed this Committee to propose measures for achieving financial inclusion and increased access to financial services. The Committee on Comprehensive Financial Services for Small Businesses and Low Income Households (Chairperson: Dr. Nachiket Mor) submitted its final report on December 31, 2013. The Nachiket Mor Report lays out a comprehensive pathway for microfinance institutions to become high quality intermediaries for improving access to financial services. Its recommendations include permitting non-banking entities, which includes microfinance institutions, to evolve into a new class of institutions called Wholesale Banks; a set of recommendations on easing funding constraints, as well as permitting NBFCs to become Business Correspondents to Banks. The Report has clearly

indicated a transition in approaches, from one that is bank-led to one where multiple entities are permitted to specialise in chosen activities and regions and with greater autonomy to evolve partnerships between them.

Questions/Discussion Points

- *To debate the multi-model approach and building partnerships between various agencies as recommended in the report. What is the proposed Banking System design?*
- *In the light of the report, what is the role and position of the microfinance sector which includes different legal forms?*
- *The Report recommends sale of assets between institutions and it also recommends easing funding constraints for non-bank entities. How would this impact the nature of microcredit delivery in terms of cost of operations and the ultimate rate of interest charged to the end borrower by microfinance institutions?*
- *How to make products suitable and accessible at reasonable rate?*
- *Discussion on opening Universal bank accounts & savings. Are customers willing to pay for each transaction as proposed? Is change in KYC norms possible or difficult to implement?*

Parallel Session - 3

Role of Technology in New Generation Microfinance Domain

Some of the Financial Inclusion models in the technology space are: Business Correspondent Model, Fino Case, EKO, Mobile Network Operators: Mobile Wallets, Airtel Money, Open and Closed mWallet, Interbank Mobile Payment Service (IMPS), M-Pesa in India and Kenya, YES Money and Alpha Payment Services.

There are various technological options available which need to be assessed and understood by all those working in the space of microfinance. There is no denying and there is ample empirical evidence from within the Microfinance Sector and outside that technology helps build scale and in the long run brings down the operational costs. However, in the Microfinance space, one needs to understand if the technology providers would assist the MFIs with Technology support. Initial cost of technology is very high. Technology per se is not a social intervention; the social character comes to it though the client centric organizations that use technology for uplifting the poor.

Questions/ Discussion Points

- *Are these technology driven models successful?*
- *Do they help to financially include people? How many people have been financially included by these models - what are the statistics?*
- *Which has worked the best? What is the learning?*
- *Can a Common Platform Model be an answer to the high cost of technology?*
- *Presentation of a Study highlighting the role of technology and the efficacy of various models in the Financial Inclusion space.*

Parallel Session - SHG Segment

Parallel Session - 1

Enhancing Fund Flow to the SHG Sector: Ensuring sustainability of SHGs and Federations as social and financial intermediaries.

The objectives of promoting SHGs are multifaceted ranging from the target of expanding credit availability to rural areas to a broader goal of building social capital, livelihoods promotion and promoting self-help. However, credit disbursal and bank linkages are crucial components of SHG program that is envisaged to provide sustainability to SHGs and help the members to come out of poverty trap.

The trend of SHG savings is overwhelming when looking at savings mobilized by banks by the small tickets; one of the prime benefits banks are harnessing through SHG movement. However, in terms of bank loan disbursal, there has been a decline in number of SHGs having outstanding bank loan amount. The number of SHGs getting fresh loans has also been on the decline. The overall declining trend and regional disparity are evident in the number of SHGs to which fresh loans is disbursed. According to the Bharat Microfinance Report, the slackness in Self Help Group Bank Linkage Program in terms of decline in the number of SHGs is a source of concern.

Moreover, a growing NPA problem needs attention and resolution. Also, clarity needs to emerge in relation to the interrelation between the quality of SHGs and their respective NPAs, and a clear roadmap with defined roles and responsibilities needs to be worked-out. According to the state of the sector report, 2013, the SHG 2 does not give a blue print of SHG development.

It needs to mention that the Policy intervention of Women Self Help Groups in Backward districts, known as the Left Wing Effected Districts has distinct financial support mechanism, can also be explored as the model of fund flow to the SHGs and intermediary agencies. Another major strand of thought emerging in the SHG as BC is to make the SHGs financially viable and at the same time to potentially make them the extended arms of the Banks in their financial inclusion agenda. NRLM will be discussed in another sub-section. However, the discussion here need to look into best schemes and practices across the country in the SHG arena.

Questions:

- *What are Banks' determining factors in providing credit to SHG groups? To unravel the relationship between credit and quality of groups.*
- *Is Bank's lack of confidence in SHGs one of the key reasons for liquidity crunch? Banks to bring out their concerns.*
- *How do we decrease the NPA's of the SHG segment?*
- *What would be the mechanism, to identify the proper incentive mechanism for SHPIs and SHG-Federations*
- *What would be important factors for SHPIs and SHG-Federations to inculcate financial discipline among SHG members? To debate the end use of credit. Who uses it and for what purpose? What are the solutions to these issues?*
- *Is the incentive of SHG 2 helpful?*
- *Can White Label ATMs be opened by SHG Federations?*
- *Will becoming a BC help in enhancing Resource Flow?*
- *What is the future of SHGs as financial intermediaries? What is the future of SHGs as social intermediaries?*

Inclusive Credit Information Bureau: The emergence of client level data sharing of the SHGs, MFIs and BCs for better risk management

Each MFI/SHPI while making its first move into a new geographical area or client, has to invest in collecting the relevant information about the client base and their credit absorption capacity, lack of relevant information on the credit worthiness of the clients not only affects the portfolio quality of the MFIs/SHPIs but-also prevent the needy clients by restricting their access to credit. On the other hand, ready availability of credit in the market, in form of multiple lending options, tempts the borrowers to go for multiple borrowing, irrespective of the fact that it might lead to over-indebtedness. Over indebtedness of the borrowers coupled with low income generation capacity makes them defaulters in the long run.

MFIs/SHPIs face repayment problems which finally affects their financial strength. These situations can be controlled by the presence of CIBs that specifically cater to the data related needs of the MFIs/SHPIs. The policy guidelines instruct NBFCs to be the part of CIBs. However, SHPIs registered under different acts are also doing financial intermediation but have not been instructed to be the part of CIB. If these institutions are not part of CIB along with the NBFCs, then comprehensive data won't be available to take right decision; information asymmetry will prevail resulting in high credit risk. In order to gaze the importance, in 2012-13, total loan amount outstanding of SBLP was Rs.39,375 crore and the gross loan portfolio of MFIs is Rs. 22,338 crore. All these institutions are mostly working in the same geography. The session will have experience sharing from other models of Community Development Finance Institutions.

Currently, almost all MFIs are reporting to the CIBs with over 100 million client records. The MFIs are facing second generation problems. Lack of data sharing between CIBs creates problem of partial client information. There is also problem of lack of exhaustive data set because of many non-NBFCs not reporting to the CIBs. There are discrepancies in real time data upload by MFIs. RBI also insisted the MFIs to become member of at least one Credit Bureau. CIBs need to be looked as an opportunity and not as a difficulty. The CIB is consistent with the SRO module.

Questions:

- *What is the process for the not for profit MFIs/SHPIs to be a part of the CIBs?*
- *Who will bear the cost implication for not for profit MFIs/SHPIs being part of CIBs?*
- *What is the interest of the not for profit MFIs/SHPIs in being part of CIB? Will it facilitate greater loans? Is CIB the answer to reduce over-indebtedness amongst not for profit MFIs/SHPIs members?*
- *Can the data be as accurately uploaded and used as in the MFI space? What are second generation issues in CIB operations?*
- *Can CIB become mandatory for the not for profit MFIs/SHPIs? Is it foreseeable and practical to implement this?*

Parallel Session - 3

Role of the State: SHG and NRLM-Learning from previous government schemes and way forward

NRLM is one of the flagship programme of Ministry of Rural Development for poverty alleviation. The basic strategy of the programme is to organize the poor into SHG (Self Help Groups) groups and make them capable for self-employment. The NRLM project is creating trainers at the state and village level to fostering groups that are project compliant. Through NRLM, state is playing a significant role in development. Since its inception, civil society organizations are debating the scheme and aiding the project as and when required. Civil society Organizations have walked long way with government agencies as implementation and support agencies for the schemes; having different experiences including facilitating and being challenged. This platform will give a unique opportunity to cross pollinate and strengthen the development efforts of government and figure out the point of alliances.

Questions and Discussion points:

- *The session will highlight the differences of NRLM from other government schemes.*
- *This session aims to delve on working relationship of civil society organizations and Government schemes.*
- *Whilst applauding the efforts of the state schemes, there is certain amount of anxiety in certain civil society organizations towards the prospective impact of the project on their existing work with SHGs.*
- *Can there be a Code of Conduct for the SHPIs?*

Presentation: Water.org

Presentation: A market led, evidence based approach to rural sanitation Monitor Deloitte

Summation by Royston Braganza, CEO, Grameen Capital

Closing Remarks and Way Forward

Ms. Jayshree Vyas, MD SEWA Bank & Co-chair Sa-Dhan

Vote of Thanks : Mr. Saibal Paul, Sa-Dhan

TEA

Executive Summary

SRO

- Difficult for one authority like RBI to monitor large number of organisations hence need for SROs
- To act as an independent agency SRO would need to generate funds from other sources apart from membership fee
- Effective customer complaint redressal system would be SRO's key role.
- SRO would help in preventing members from getting into unhealthy practices and unhealthy competitions for same space. Ensure a migration from SRO to being a lobbying body does not happen
- At least 1/3rd membership should be given to practitioners
- SRO has to function as a conduct committee as well. The impact of SRO on ethical growth of MFIS
- BCs should be part of SROs

MFI SEGMENT

Banks and Microfinance

- MFIs play important role to reach last mile to the unbanked population
- Support has been provided to MFIs under India Microfinance Equity fund
- BC Model has increased by 55% post Andhra Pradesh crisis
- Use of tools like Securitization has helped to overcome funding constraints
- In the long run perhaps medium and large MFIs would be viable because of the RBI guidelines on Margin caps. To consolidate smaller MFIs into medium or large ones or approach IMEF
- In the absence of Bill, the code of conduct and client protection can be more effectively enforced to bring confidence to the bankers

Opportunities and Challenges of the Nachiket Mor Report (NMR)

- Securitization of lending within banking sector
- Monthly and quarterly reporting in priority sector lending would address the problem of liquidity in the system
- Bringing all players into banking ambit and hence regulating them.
- Flexibility in designing products which have relevance for the market.
- Need to increase the exposure of banks while ensuring their credibility is maintained and the size of the banking sector is too small to satisfy the demand for financial services
- The benefits of converting PPIs, BCs and other NBFCs to payments banks would help bolster them
- NMR opens opportunities of payments and remittances for the non-banks
- Opens up the ability of banks to work with MFIs
- NMR does not aim for new types of institutions

Role of Technology in New Generation Microfinance Space

- Through technology based BC Model, banks are doing business of 24,000 crores.
- Use of technology is helping in making business viable for banks and affordable for the clients
- Uses of technology have brought down cost of monitoring the business
- In rural areas mobile connections are more than bank accounts. Hence gives scope to cover more people under financial inclusion through mobile
- KYC norms become easier with technology
- Impetus on Financial Literacy to understand technology

SHG SEGMENT

Enhancing Fund Flow to the SHG Sector

- Present status of SHGs in India, especially after Andhra Pradesh Crisis: Focus on quality aspect of SHG rather than quantity
- Need for reporting of defaulter members' name in credit bureau list.
- SHGs and grassroots organizations have a larger role to play in nurturing and hand-holding clients even after the first line of credit is delivered
- One case of AP should not influence all financing decisions for other areas. A case-by-case assessment in SHG arena is needed. The good work done by small organizations should encourage Banks to come forward

Inclusive CIBs

- Clients not to feel negative about their records being mentioned in credit bureau but instead they should feel safe that they have record with the authority, which would help them in future.
- Cost effective technologies to be considered for data sharing.
- RBI and IBA should make data sharing compulsory.
- Data of SHG members could be captured in present formats used by credit bureau.
- Unanimous agreement for the need of CIBs in MFI and SHG space
- For SHG also, individual level data must be available so that over-indebtedness and multiple sources of lending can be avoided
- An intermediate solution is to appraise SHPI performance
- Credit bureau would help in removing banks' reluctance to lend
- RBI has to create a mandate for banks to release data to CIBs so that a comprehensive client history can be built

Role of State: SHG and NRLM

- Discussion on objectives of NRLM.
- Role of NGOs and civil society organisation in NRLM.
- Linkages provided to SHGs for pre-production, production and post production marketing services.
- Credit linkage of quality SHGs with the banks without collateral security.
- Learning from previous government schemes were incorporated in NRLM.
- Savings needs attention and discussion
- With NRLM the main issue SHGs are having are in SHG quality. Cluster quality and implementation is adequately well conducted in the rural areas as the plans are made in Delhi
- Demand driven approach of NRLM SHGs is a significant design improvement

13 March

Dinner with Bankers

A good start: Dinner Session on the eve of the National Microfinance Conference enhanced the relationship between Sa-Dhan members and bankers

Avenues for alternate funding of MFIs discussed

Ultimately the aim is to include people, to bring them up in the financial inclusion ladder

Mr. Yatesh Yadav, CEO, Centre for Microfinance

Mr. Mathew Titus from Sa-Dhan explained the rationale behind holding the National Financial Inclusion Conference in Mumbai instead of Delhi; to facilitate and enhance the sector's engagement with Bankers and the financial sector people in Mumbai. The meeting on 13th aimed to facilitate networking between members and bankers at the beginning of the event rather than towards the end of the Conference. Mr. Mathew Titus from Sa-Dhan facilitated the discussion and talked about issues of regulatory challenges that microfinance sector needs to address.

Mr. Ajay Sharma,General Manager, IDBI Bank appreciated the work done in the sector in last

couple of years. He especially mentioned the active role Sa-Dhan has played and emergence of credit bureau post Andhra Pradesh crisis. He also pointed out the issues hindering the growth of the sector like corporate governance and lack of alternate source of funding to MFIs. He stated that the sector is getting funding only from one source and that is the reason why funding is an area of concern for the sector. He further added that at some point the exposure issue to the banks comes up because addition to the net worth does not happen for the banks. He asked the MFIs to look at the alternate source of funding. He felt that private equity is coming only to big MFIs, not for small MFIs. At present the RBI is trying to regulate NBFC-MFIs. In his opinion, presently there are no regulations on players who operate as societies and section 25 company; hence banks are not

sure if RBI regulation norms meant for NBFC-MFIs are applicable to them.

Mr. K.S.Singhwan,GM SFMC SIDBI said that SIDBI is perceived to be on both sides: on the side of the lender as well as on the side of the sector. He stated that there will be regulations and they have to be abided by, but responsible financing should come from the sector. He focused on client protection and stated that MFIs need to examine how they can be more cost effective and transparent to their members. He emphasized on the need for transparency, client protection and effective complaint redressal system in the sector. He mentioned that there are clear cut regulations for NBFC MFIs and hoped that in near future other players like section 25 company and societies will also come under proper regulations. However, he appreciated that NBFC-MFIs are regulated as they constitute 80% of the MFI portfolio. He stated that as a lender he tries to apply the same norms and parameters for other legal forms as well.

Mr. R.D.Gadiyapannavar,CEO, Sanghamitra Financial Services stated that all non-NBFC-MFIs are fulfilling all the norms laid out by RBI otherwise they will not qualify under priority sector lending. **Mr. Joslin Thambi**, CEO, BWDA shared his views on constraints faced by NGO MFIs to access loan funds from the banks. He stated that the NGO-MFIs who started business prior to RBI regulations, their cost of setting up and running were high. In the current scenario, with the RBI regulation, this cannot happen. He also emphasized the need to regulate banks otherwise the middle and small MFIs cannot afford to manage their cost of funding. Similarly **Mr. Aseem Gandhi**, RBL argued for mechanisms that can guarantee funds for MFIs as Banks look for security and cash before they lend. He further pitched for creation of a structure which can help good quality organizations so that the only assistance required is to raise the funds. He further added that when a Bank is lending, similar standards have to be followed whether it's a small or a big organization.

> ***"One should reflect if raising finds is the only model that MFI needs to deploy. May be BC and SHG linkage is another model to reach out to the client"***
>
> **-Mr. Aseem Gandhi (RBL)**

> ***"Credit bureau will be instrumental in providing reliable information to the banks, which would be helpful in decision making"***
>
> **-Mr. Sridhar (Experian)**

Mr. Seshadri Sen,J.P Morgan gave capital market's perspective. Mr. Sen stated that he is a capital markets' representative and thus far, capital markets and MFIs have not shared a warm relationship. Current time is the right time to rebuild on that relationship. Post AP crisis, the scenario has changed. The presence of

> ***With the Nachiket Mor Committee report, one can leverage technology and in turn make the Microfinance Sector more predictable. Therefore, allowing Capital Markets to invest in the MF Industry.***
>
> **-Mr. Seshadri Sen, J. P Morgan**

Credit Bureaus in the Microfinance space will be immensely appreciated by the Capital market. A fully functional CIB would be very useful because Capital market pays a high premium on predictability. He further stated that assuming the Nachiket Mor Committee report gets implemented, in that scenario, there is immense scope for capital market to work with MFIs. Though majority of MFIs are too small for the scale that Capital Markets requires to work with. However, the reports speaks about leveraging technology. This would make the industry a little more predictable and little less volatile. Certainly MFI sector as a part of financial services sector cannot be ignored by the Capital Markets even though today the market is more obsessed with wholesale lending but over time it will go away.

Mr. Sridhar,Sales Director, Experian added that credit bureau will be helpful in instilling financial discipline and monitoring in the sector. Credit bureau will be instrumental in providing reliable information to the banks, which would be helpful in decision making. He further added the need for capturing SHG members' detail in credit bureau. To get SHG data, we need to find ways to ensure transparency in the SHPI data. Also, if certain amount of transparency and accountability can be brought into the agency model that feeds the SHG group into the banks. The first step is to build a strong CIB, and then the issue of non-availability of loans from Banks can be sorted out. Banks were initially very hesitant to enter the MFI space, now with CIB, the scenario seems to be changing.

On SHG bank linkage **Mr. Yatesh Yadav**, CEO, Centre for Microfinance felt that private sector banks are more active in financing SHGs than public sector banks. SHGs are also receiving funding in NRLM. **Mr. S. Venkataraman**, GM, State bank of Hyderabad strongly felt the need to educate the members of SHGs, so that default in SHGs could be reduced. According to him, the reason for default is indiscriminate borrowing. For this purpose NGOs should come up and promote financial discipline among clients as to how best to use resources made available to them. He also stated that he doesn't see a seminal change in quality at the grassroots level. Ultimately the aim is to include people, to bring them up in the financial inclusion ladder.

14 March

Opening Session

Session - I: Financial Inclusion and SRO: Fostering Growth with Enhanced Regulatory Compliance and Policy Constructs

Highlights:

- Difficult for one authority like RBI is to monitor large number of organisations hence need for SROs.
- To act as an independent agency SRO would need to generate funds from other sources apart from membership fee.
- Effective customer complaint redressal system would be SRO's key role.
- SRO would help in preventing members from getting into unhealthy practices and unhealthy competitions for same space.

Panel Members:

Mr. Joslin Thambi, CEO, BWDA

Mr. Mohan .V. Tanksale, Chief Executive, IBA

Mr. N. S. Vishwanathan, Chief General Manager-in-Charge, DNBS, RBI

Mr. Rajaram Dasgupta, Professor (Retd.), NIBM

Mr. Samit Ghosh, MD and Director, Ujjivan Financial Services Pvt Ltd

Moderator:

Mr. Mathew Titus -Sa-Dhan

Mr. Mathew Titus introduced the panel members and briefed the audience about Self Regulatory Organisation (SRO) and its objectives. The session had practitioners on the panel. The MF industry is looking forward in building the SRO. He added this is a new field for the industry and the session will endeavour to explore its different components. He highlighted the fact that in a country like India there has been very little success with the SRO. It is extremely challenging to indentify means to go forward with the growing MF sector. The need is to go forward together.

Mr. Rajaram Dasgupta, Professor (Retd.), NIBM emphasised the need for SRO, so that situations like Andhra Pradesh crisis could be avoided in the near future. He stated that ultimately Regulation is for the client. Regulation takes care of both the financial and social aspect of microfinance. He added that the

RBI is considering promoting an independent agency as SRO for supervision and client protection, as it would be difficult for RBI to directly monitor large number of organisations. He further suggested that SRO should take special care of small MFIs which need continuous support in initial years.

Unanimous decision of the panelists and the participants to have a Self Regulatory Organization for the Microfinance Sector.

Mr. Samit Ghosh, MD and Director, Ujjivan Financial Services Pvt Ltd shared his views on role of SRO. He felt that advocacy role should be separate from SRO role. On funding issue, he felt that the new SRO which RBI envisages should generate funds from other sources apart from membership fee. This would help SRO to work as an independent agency because if it is completely dependent on membership fee, than it would be hard for SRO to work as an independent agency. Once SRO starts functioning, a compliance officer within SRO would report to the RBI. This would ensure that assessments like code of conduct would become compulsory which is sort of voluntary today. He further added that, apart from regulatory compliance and members' compliance to Code of Conduct, SRO's main focus should be on effective customer complaint redressal system. Mr. Ghosh also asked for inclusion of NGO MFIs in the SRO before thinking of inclusion of Bcs.

Mr. C. Joslin Thambi, CEO, BWDA raised his concern over creation of one more layer of reporting in the system after introduction of SRO. His apprehension was about NBFCs getting prominence in SRO. In this regard he said that, in India, small NGO MFI were the ones to start microfinance operations. Unlike NBFC MFIs who only provide credit facility to its clients, NGO MFIs form & nurture the groups and lend them mostly for livelihood activities.

> ***"It is extremely challenging to identify means to go forward with the growing Microfinance Sector. Self Regulatory Organization is a step in the right direction."***
>
> **-Mathew Titus, ED, Sa-Dhan**

Mr. N.S Vishwanathan, Chief General Manager-in-Charge, DNBS, RBI stated that the guidelines to have an SRO comes from Malegam. He added that the fundamental principles behind SRO are: one, to curb over indebtedness; two, Code of Conduct- becomes especially important because borrowers are not financially literate and don't understand the commercial aspect of transactions, three, the need for SRO comes from the issue of low income of borrowers. He emphasised that the role of SRO would be to ensure that organisations interact fairly with clients. He stated that the sector is dealing with people who are from the lowest rung of society. Therefore, it is difficult to regulate in the real time basis and a process was required from within the sector.

This is the rationale behind having an SRO. He added that internationally SRO is a representative body of the sector that does part or whole of the work done by the Regulator. He further added that the core idea is to avoid over indebtedness and promote fair code of conduct. He stated that RBI had to think whether it had a legal provision for the SRO. A contractual relationship between the regulator and a representative body of the sector has been thought through. He stated that SRO has a high chance of becoming a lobbying body, therefore, it needs to have 1/3 membership from the sector and have 1/3 independent members to avert any conflict of interest. He further added that RBI is only regulating the NBFC-MFIs, therefore, it cannot give a mandate to non-NBFCs to be part of SRO. Lastly, he strongly conveyed the message that SRO will not be a burden on the sector and it would reduce the direct intervention of RBI and hence asked the for members' cooperation in the regulatory process.

> ***The Microfinance sector is dealing with people from the lowest end of the economic strata. Hence there is a need for regulation to come from within the sector. Self-Regulatory Organizations can play a big role in building credibility for the MFI sector***
>
> **-Mr N S Vishwanathan**
> **Chief General Manager-in-charge, DNBS,**
> **Reserve Bank of India**

Mr. Mohan V. Tanksale, Chief Executive, IBA suggested the need to have different SROs for different group of entities, as financial sector consist of many different set of organisations like cooperatives, NBFC etc. He advocated that a tier like structure can be created. He stated that IBA is a self regulated organization to which membership is voluntary. Any organization that builds credibility by working in the larger interest of all the stakeholders automatically gets membership and also averts lobbying which works only in the interest of few stakeholders. SRO should be the voice of the sector. He further added that the difference between SRO and the Regulator is; SRO understands the grassroots of the sector and the Regulator is not expected to have that experience.

SRO needs to bring out such norms that members find easy to comply with. He stated that business and profits can be made through fair practices. One of the suggestions he made to the MFIs sector for fair practices is to go digital and stop handling cash. Further, on issue of credit rating, he urged MFIs to consider credit rating as a useful tool for their benefit and not only as requirements of Banks to generate loan funds.

Concluding the session, members emphasised on important roles played by credit bureau, credit rating agencies and SRO. They also acknowledged the important role of SRO, which would benefit members by providing them an opportunity to understand each other. This would further help in preventing members from getting into unhealthy practices and unhealthy competitions among themselves for same space. Mr. Titus thanked all the members for sharing their views on this platform by presenting a memento.

> ***SRO or any organization that builds credibility by working in the larger interest of all the stakeholders automatically gets membership and also averts lobbying which works only in the interest of few stakeholders. SRO should be the voice of the sector***
>
> **-Mr. Mohan V. Tanksale, Chief Executive, IBA**

Parallel Sessions

MFI Segment

Parallel Session-1, Banks and Microfinance: Partnership for building provision of financial services to the poor

Highlights:

- MFIs play important role to reach last mile of the unbanked population.
- Support has been provided to MFIs under India Microfinance Equity fund.
- BC Model has increased by 55% post Andhra Pradesh crisis.
- Use of tools like Securitization has helped to overcome funding constraints.

Panel Members:

Mr. Dilli Raj, President SKS

Mr. K. S Singhwan, CGM, SFMC, SIDBI

Mr. Sushil Muhnot, CMD, Bank of Maharashtra

Moderator:

Ms. Gopika Gopakumar, CNBC

Ms. Gopika Gopakumar, CNBC introduced the panel members, and presented some facts on financial inclusion, which is being promoted by RBI since 2005. Post Andhra Pradesh crisis, available data show increased level of activities under financial inclusion. BC model has grown by 55% in this duration. Ms. Gopakumar further pointed out that despite all the progress; all efforts are short of bringing banking services to the poor. She quoted that only one out of two people have saving bank account and one out of seven people still don't have access to credit. She set the stage for further discussion by the panel by raising questions concerning the role of MFIs in the sector and banks' role to promote them.

Taking the discussions forward, **Mr. Sushil Muhnot**, CMD, Bank of Maharashtra in his address, highlighted the important role played by MFIs. He pointed out that although many people were covered under financial inclusion, the banks were not able to provide loans to all. Hence for connecting last mile activities under financial inclusion, MFIs come into picture. He added that banks do need to reach these unbanked population and vehicles (MFI) are available to reach out to that segment. What banks do is to look at the MFI's viability and practices which can be gauged by present

credit rating system. Many MFIs are viable and now there is good Credit Rating System available for MFIs. This helps the banks decide the viability of MFIs as per RBI guidelines. The Banks are thinking about the size of the MFI that will work with based on the concerns banks have on the margin of 10% or 12% according to the guidelines. He further pointed out that Banks are able to lend on a sustainable basis to the large or mid level MFIs that can cross the margin hurdle. The very small MFIs get excluded as they are not considered a very viable entity in the long run. The banks are concerned about contagion effect of AP crisis in other states. This risk is mitigated by client protection and transparency under Code of Conduct. He further added that there is a need to move away from cash transactions to digitization. This will improve the credibility of the sector along with efficiency gains; enabling banks to be more inclined to work with MFIs. He further added that the current model of the MFIs is very credit centric and other products like savings and pension should be added.

> ***"For connecting last mile activities under financial inclusion, MFIs come into picture***
> ***There is a need to move away from cash transactions to digitization. This will improve the credibility of the sector along with efficiency gains; enabling banks to be more inclined to work with MFIs"***
>
> **- Mr. Sushil Muhnot, CMD, Bank of Maharashtra**

Mr. K.S Singhwan, CGM, SFMC, SIDBI emphasised on size of demand in the microfinance sector. He stated that there are no two views about banks funding the MFIs. He added that it is the Banks' Dharma to lend and get returns and have no NPAs. The perception that Banks are not funding the MFIs is not true. If one considers the Rs. 50, 000 loan cap per household and considers 70% coverage of the target group then the total demand for funds is Rs. 1900 Billion. According to him, the question is whether and how much banks can lend to meet this immense demand. He envisioned the situation where MFIs develop a robust system which makes it so attractive for the banks that banks themselves approach MFIs for lending.

Mr. Singhwan also mentioned the role SIDBI is playing to increase the capital base of small MFIs, through India Microfinance Equity fund (IMEF), which in turn helps them to attract more investments, especially post Andhra Pradesh crisis. Post AP crisis, the Government of India realized that MFIs need to be supported, nurtured, capacity building of man power needs to be undertaken. Also, a good technology support needs to be provided. He emphasised the role of Code of Conduct and compliance to it for making MFIs credible. He stated that the NBFC-MFIs are regulated and 85% of the business is conducted by them. The same norms can be applied to the remaining 15%. He stated that self regulation does not succeed in the long run and therefore, central

> ***"It is the Banks' Dharma to lend and get returns and have no NPAs. The perception that Banks are not funding the MFIs is not true***
>
> ***The role of Code of Conduct and compliance to it is important for making MFIs credible. The NBFC-MFIs are regulated and 85% of the business is conducted by them. The same norms can be applied to the remaining 15%"***
>
> **- Mr. K. S Singhwan, CGM, SFMC, SIDBI**

regulation is required. He summed up his views by stating that MFIs are clients to the bank, and clients should be strong enough to take loans from the banks.

> ***"Latest study by CRISIL shows that if we consider Rs. 50,000 requirement per household and if we consider 70% coverage of target group then the total demand of funds is Rs. 1,900 billion, which is not at all a small segment."***
>
> **-Mr. K.S Singhwan, CGM, SFMC, SIDBI**

On discussing the future of small and medium scale MFIs **Mr. Dilli Raj**, President SKS assured the audience by stating that "every large MFI today, once was a medium sized MFI and every medium size MFI today will grow in coming days". He stated that post AP crisis, it has become even more clear that there is no substitute for MFIs. AP crisis had eloquently articulated that one can to stifle MFIs but the only end result would be to stifle credit to rural households. He acknowledged that there are constrains like access to credit from banks and these constraints can be overcome by tools like Securitization; 40% of funding comes from securitization. He stressed on the need of initial funding support for MFIs, and use of technology to reduce the transaction costs. This platform can reduce cash handling and can reduce the time taken in undertaking centre meetings. He stated that RBI regulations have assuaged the concerns of interest rates and margin caps. He added that 95% of credit provisions are concentrated in Banks. Earlier the Developmental Finance Institutions and Non Banks had a significant presence.

However, he added that a lot of corrections have been done in the last three years. Institutional infrastructure has been strengthened. The unified Code of Conduct of Sa-Dhan and MFIN has been implemented. All these factors have assuaged the concerns of the state governments and banks. He detailed on the journey of SKS from a 'start up' MFI to where it is today. He stated that initially the apex institutions like SIBBI are required for concept validation and funding. In the second phase, funding comes from angel investors. Third phase is with the venture capital when the MFI has developed better risk appetite. With the arrival of the private equity investors, the operational model of the MFI is validated; if not the business model.

He further added that till the Balance Sheet of any MFI is strengthened, the Code of Conduct compliance and third party ratings are extremely significant.

Concluding the session panel members agreed that banks are willing to fund responsible and viable MFIs. There are tools like Code of conduct Assessment (COCA) for checks. Players like SIDBI provide support for use of technology, training staff, capacity building, and capital to MFIs. Post AP crisis there is need for MFIs to move from competition to confluence.

Parallel Session-2
Universal Access to the Poor: Opportunities and Challenges of the Nachiket Mor Report

Highlights:

- Securitization of lending within banking sector.
- Monthly and quarterly reporting in priority sector lending would address the problem of liquidity in the system.
- Bringing all players into banking ambit and hence regulating them.
- Flexibility in designing products which have relevance for the market.

Panel Members:

Mr. M. Geevarghese Vaidyan, CGM, SBI

Mr. Mukul Jaiswal, MD, Cashpor Micro credit Ltd.

Mr. Rajeev Arora, Director FINO PayTech

Mr. Seshadri Sen, J.P Morgan

Moderator:

Ms. Bindu Ananth, President, IFMR Trust

A committee headed by Mr. Nachiket Mor came up with a report "Comprehensive Financial Services for Small Businesses and Low Income Households". The session focused on the opportunities and challenges of the report. The session was moderated by **Ms. Bindu Ananth**, President, IFMR Trust. Ms. Ananth was also one of the members of Nachiket Mor committee. Before setting the stage for discussion she briefed the gathering about the central issue which the committee was trying to address through the report. The committee had tried to figure out the best way to grow banking system without putting it in risk in terms of stability, as banking sector in India is too small in relation to the size of demand. Further she termed the report as a blue print of how different the banking system would look like in future, specifically in the form of wholesale bank and payment banks, which would accelerate the growth of financial inclusion initiatives in India.

> ***"The Nachiket Mor report is like a blue print of how different the banking system would look like in future, specifically in the form of wholesale bank and payment banks, which would accelerate the growth of financial inclusion initiatives in India"***
>
> **- Ms. Bindu Ananth, President, IFMR Trust**

Another panel member **Mr. Seshadri Sen**, J.P Morgan appreciated the report for proposed widening of the scope of activities for MFIs. These activities would help in developing a two way flow between MFIs and customer through deposits and remittances. He further added that steps mentioned in this report would further strengthen the relationship between banks, MFI and other NBFCs. This would open up new revenue streams for MFIs and NBFCs, which is not only good for long term profitability but also de-risks the model to an extent.

According to Mr. Sen, the important recommendation of the report suggests bringing all financial institutions under banking ambit. This would have a positive impact on the business environment of all stakeholders, when they will be regulated as banks. He further added that the current time is a crucial time when technology has become very cheap; if the technology can be leveraged in terms of biometric and mobile, it will take the Banking system forward by several leaps. Second important technology is the existence of the Credit Bureau without which the retail lending is deemed to be too risky. The third technology available is the electronic money transfer and this helps in reducing the operational risks of the Banks.

In his address, **Mr. M. Geevarghese Vaidyan**, CGM, SBI appreciated the committee for the amount of effort they had put in the report. He further termed present financial inclusion model in India as the best model and presented few statistics on its growth in last three years. Few statistics mentioned were:

- In all the villages with more than 2000 population, bank branches has been opened
- In last three years more than ten crore basic operative accounts have been opened
- 7400 rural branches have been opened, 1,05,000 branches across length and breadth of the country have been opened in this duration
- Nearly 2,27,000 BC outlets in the Country

According to him, it was the work done under financial inclusion in rural area (growth in villages), which has absorbed the shock of global economic crisis and banking system in India has played a key role in it. Commenting on committee report he stated that the recommendations of report will surely help in achieving the full financial inclusion targets in set time frame.

Mr. Rajeev Arora, Director FINO PayTech welcomed the key thought in the report i.e. bringing everyone under same regulation. Few benefits which he discussed were:

- Securitization of lending within banking sector
- Monthly and quarterly reporting in priority sector lending would address the problem of liquidity in the system

Mr. Arora appreciated the report by pointing to the framework which gives flexibility to design the products which have relevance for the market; and flexibility to charge the customers. He further stated that by denying access to the service one is doing greater

> ***"In corporate BC Model someone who requires the services will find someone who will provide these services and these services should be sustainable."***
>
> **- Mr. Rajeev Arora, Director FINO PayTech**

disservice than charging for the service. The report gives a possibility of varied organizations to become banks; it was not there earlier. **Mr. Mukul Jaiswal**, MD, Cashpor Micro credit Ltd. applauded the report for recognising the important role played by regional players. It is a very encouraging report for MFI-BCs. He appreciated the report for recognizing the importance of multiple as well as regional players. He further praised the committee for talking about not just providing credit and other products but also about providing it with at an affordable rate. The report speaks about all products like remittance, savings etc. The report also encourages all MFIs to become Bcs.

Ms. Ananth stated the aim of the report was to find out if the organizations in the margins and periphery can be made to grow. Elaborating on Payment Banks, she stated that there are more than 26 players, pre-paid instrument providers who have been operating for more than 3 years, for example, airtel money, Oxygen etc. They are clamouring for cash in and cash out for their products. This is being like a bank. With the Payment Bank system, they can be part of the Banking system. The other source of Payment Banks could be BCs who can look at transition from BCs to Payment Banks. The equivalents of wholesale banks are the NBFCs; she stated there are 10,000 registered NBFCs in the Country.

In her concluding remarks Ms. Ananth said that the purpose of the report was to bring in those institutions into the banking system, which presently are at periphery. Also, the effort of the report is to make these players to become bigger and also make BCs as Payment Banks. The effort of the report is also to bring the NBFCs who are working in the shadows to come in the banking ambit and would transition into Wholesale Banks. Further she added that report focuses on moving from financial literacy to customer protection which ensures that service provider is responsible for providing appropriate and suitable services to the customer. Finance is an expert field and it should be ensured that a process is followed vis-à-vis suitability of the product for the customers. The basic shift is to bring the onus to the provider for the products and not customer and their poor financial literacy.

Parallel Session-3
Role of Technology in New Generation Microfinance Domain

Highlights:

- Through technology based BC Model, banks are doing business of 24,000 crores.
- Use of technology is helping in making business viable for banks and affordable for the clients.
- Uses of technology have brought down cost of monitoring the business.
- In rural areas mobile connections are more than bank accounts. Hence, gives scope to cover more people under financial inclusion through mobile.

Panel Members:

Mr. Baskar Babu Ramachandran, Co-founder & CEO, Suryoday MF Pvt Ltd.

Mr. Sushanta Tripathy, Senior VP, Yes Bank

Mr. V.D Bohra, GM, FID, NABARD

Mr. Venkateshwar Rao, SUB- K, BASIX

Moderator:

Mr. Rajeev Yadav, CEO, Future Financial Services Ltd.

Mr. Rajeev Yadav, CEO, Future Financial Services Ltd. presided the session and welcomed all the panel members to the stage. He mentioned the important role technology plays in everyone's day to day life and complications and costs associated with it. Technology has and will play a big role in financial inclusion. Technology can have both sides: can be expensive, complicated and at same time bring down cost and provide scale. He mentioned that the major concerns for MFIs today are to comply with various regulations (like code of conduct, credit bureau, and customer servicing, cost reduction margin caps) and still be sustainable and profitable. Technology can play an important role in helping the MFIs to achieve these objectives.

In his address to the audience, **Mr. V.D Bohra** GM, FID, NABARD referred to the Khan Committee recommendations, stated that opening of the brick and mortar branch is not possible everywhere and technology through BC has played a key role i.e to develop BC model, as banks were not in position to open bank branches everywhere. Today outreach of 300,000 BCs outlets (which is based on technology platform) is a proof of importance of technology in the sector. Hence with the help of technology these BCs have opened 11 crore accounts so far. Mr. Bohra highlighted the role

played by technology in reducing the transaction costs for the clients. The technology has also helped in saving time and effort of clients to a great extent. He stated that clients have to spend 8 times more to withdraw money from bank instead of ATM. He further pointed out the relevance of technology by stating that it helps in creating new demand business and to financially include the population which was excluded so far. It is just not restricted to the banking services; technologies like TV, Radio etc are also being used for financial literacy program.

Mr. Sushanta Tripathy Senior VP, Yes Bank related the importance of technology with business viability. He stated that for quite a long time, banks saw business potential in unbanked population in India, but banks were not able to provide viable and affordable services to them. He further added that, "this

> ***"The technology is relevant: it helps in creating new demand, business and to financially include the population which was excluded so far"***
>
> **- Mr. V.D Bohra, GM, FID, NABARD**

> ***"Technology will help banks provide viable and affordable services to the clients"***
>
> **- Mr. Sushanta Tripathy, Senior VP, Yes Bank**

was the power of technology which made the business viable for banks and affordable for the financially excluded population". According to him Technology has also played vital role in monitoring of business which in turn has improved customer satisfaction and has reduced costs for the companies. Today companies are able to monitor the progress of the business on real time basis. Mr. Tripathy considers technology intervention as win-win situation for financial companies, clients and other stakeholders in the financial ecosystem, but he also added that cost incurred in technology intervention should be given proper consideration.

Mr. Baskar Babu Ramachandran Co-founder & CEO, Suryoday MF Pvt Ltd. shared his experience of use of technology for a start up organisation. In his address, he agreed with the benefits of technology to MFIs but he pushed the idea of different ways in which technology

would be beneficial to clients. He advocated for the use of technology that saves on the time of the clients. He summed up by hoping, that technology would move to a point where clients receive loans when they are ready, unlike today where clients receive loans when MFIs are ready.

Mr. Venkateshwar Rao SUB-K (BASIX) explained the BASIX SUB-K model. This is basically a BC model through which BASIX SUB-K is able to provide services to the clients at their doorstep; this has been made possible with the help of technology. Under this model, BASIX SUB K provides digitised services to clients with a mobile technology based transaction platform which has been linked with Adhaar card numbers for customer identification. The model has an outreach of over four lakh customers in rural area. Further Mr. Rao added that their team is also involved in motivating clients in the villages to become technology friendly. Mr. Bohra shared his excitement to tap the opportunity, to financially include the excluded population through mobile phones as in rural area there are more mobiles than bank accounts. For this he appreciated the change mobile technology has brought in the financial ecosystem. He further proposed the possible linkage of KYC norms with Adhaar cards, which would help both clients and service provider.

Concluding the session, all panel members appreciated the role technology has played in financial inclusion so far. All the members also agreed on the need for more investment in technology, which will further help in bringing more people under financial inclusion. However, panel members identified limited usage of technology because the customers thought of it as a constraint. According to them introduction of technology would not solve the purpose but adoption of technology by the clients would definitely help.

Parallel Sessions

SHG Segment

Parallel Session-1
Enhancing funds flow to the SHG segment

Highlights:

- Present status of SHGs in India, especially after Andhra Pradesh Crisis.
- Focus on quality aspect of SHG rather than quantity.
- Need for nurturing and monitoring of SHGs even after credit linkages.
- Need for reporting of defaulter member's name in credit bureau list.

Panel Members:

Mr. S. Veketraman, GM, State Bank of Hyderabad

Mr. Amrendra Sahu, Retired CGM, RBI

Mr. Sarad Yadav, ICICI Bank

Mr. K.N Tiwari, Director, Disha Microfinance

Moderator:

Mr. P Satish, CGM, NABARD

The session included speakers representing both public and private sector financial institutions alike. **Mr. P. Satish** CGM, NABARD introduced the speakers and set the stage for further discussion after highlighting the present status of SHG movement in India. He wondered about the status of 40% of the SHGs which are still not credit linked.

Mr. S. Veketraman, GM, State Bank of Hyderabad, started his address by appreciating the work being done by Society for Elimination of Rural Poverty (SERP) in Andhra Pradesh. SERP has been playing a very constructive role in SHG financing in AP. During the discussion, members discussed the reasons for decrease in SHG financing. Semi saturation of SHGs was highlighted as one such reason for it. This semi saturation of SHGs has resulted in decline in new loans. Hence, SHGs were only engaged in taking repetitive loans. From banker's point of view SHGs are no longer cohesive, groups are breaking and SHG members are joining other groups, which results in members borrowing more than their repayment capacity. This further flags the issue of credit bureau

reporting. Members, who default in one SHG and later join another, do not appear in the defaulters list of credit bureau as only SHGs' names are reported in credit bureau. In addition to these Mr. Venketraman identified AP crisis as an eye opener for the sector that prompted formation of Malegam committee and conceptualisation of SRO. **Mr. Sarad Yadav**, ICICI Bank in his address explained the importance of different roles played by various stakeholders. He said that banks have expertise in credit assessment while grassroots organisations have expertise in mobilising, nurturing and mentoring the SHGs. He advocated for the better coordination among these two players for success of SHG-Bank linkage program.

However all panellists were concerned about change in focus of the SHG movement today. The original concept of SHG, which was to encourage savings and rotating it among members, has been lost. Now under financial inclusion of SHGs, credit linkage has taken driving seat and saving is restricted for the period of initial six months only. **Mr. Amrendra Sahu**, Retired CGM, RBI, further added that currently the program's focus is only on credit whereas it should also promote financial literacy by educating and nurturing SHGs.

Mr. Sahu suggested that there is need of a holistic approach in the sector where grass root organisation (GRO) would nurture & monitor the groups while banks focus on the credit part of the business. For this, GROs should keep nurturing and monitoring the groups even after credit linkages of the groups. This argument led the discussion on who would bear the cost incurred in the process, as Mr. K.N. Tiwari pointed out limited funds provided by NABARD for the purpose.

Further **Mr. Tiwari**, Director Disha Microfinance attributed deviation of SHG program from its core objective of poverty alleviation on commercialisation of microfinance. According to him, socially guided MFI started operations from grassroots level, without equity fund or capital funds. Looking at the profit potential of the sector, new aged commercial MFIs entered the sector with lots of capital.

In his view even the banks have sidelined the social issue of poverty alleviation and are promoting commercial MFIs with strong financial systems and processes. According to him, small-medium MFI will play vital role along with other stakeholders in reaching last mile. He pushed the idea of banks taking up the responsibility of providing funds to nurture and monitor groups even after credit linkage, that too in a sense where social and commercial objectives of SHG movement is appropriately addressed.

Adding to the discussion Mr. Sahu again appreciated the work being done in SHG movement, which according him is unique in the world. He urged for a collaborative efforts

by all stakeholders instead of pointing fingers at each other. According to him there would not be any finger pointing on each other if all stakeholders realise the overall objective of the program and work towards achieving the same. He made a special mention of SHG borrowers who are major source of low cost income to the banks. Banks use these low cost funds to finance corporate even though the data shows quantum wise NPA of corporate loans are higher than that of small SHG loans.

Concluding the session, panel members agreed that to make this initiative of poverty eradication more effective everyone should be involved specially small and medium grass root organisations who have direct access to the clients. They also appreciated the work done by the private sector banks, which has propelled the SHG movement; else public sector banks were not in position to do it alone. Although the panellists were unanimous on need for better coordination among the stakeholders to achieve the planned objective of SHG program.

Parallel Session-2
Inclusive Credit Information Bureau

Highlights:

- Cost effective technologies to be considered for data sharing.
- RBI and IBA should make data sharing compulsory.
- Data of SHG members could not be recorded as loans are given to SHG and not to clients.
- Data of SHG members could be captured in present formats used by credit bureau.

Panel Members:

Mr. Anil Jaggia, CIO, HDFC Bank

Mr. R.D. Gadiyappanavar, CEO, Sanghamitra Financial Services

Mr. Sanjay Patel, CEO, Equifax

Ms. Shibani Sachdeva, Regional Director, Planet Finance India

Mr. Sridhar, Sales Director Experian

Moderator:

Mr. Colin Raymond, IFC

Mr. Collin Raymond, IFC started the discussion with panel which included speakers from financial institution, Credit Bureau, NGO and civil society organisation. He set the stage for discussion by emphasising on importance of data sharing and capturing right data in time.

Addressing the audience, Mr. Raymond raised the question related to having a practical all inclusive credit bureau information. To convey his thoughts, he shared with audience an example of all inclusive credit bureau information system of Australia (started in 1988). Currently this bureau covers 98% - 99% of credit active population. This includes retail credit, banks, telecoms, utilities and all credit providers to all borrowers. He further emphasized on the fact that inclusive credit bureau is a journey which would evolve with the time.

Speakers first explained the concept of Credit Bureau and its importance (for both bankers and clients) to the audience. **Ms. Sibani Sachdeva**, Regional Director, Planet Finance India explained to the SHG members present in the audience, about the credit bureau. She said that credit bureau is a place where entire credit history of the client is recorded and shared.

> ***Clients not to feel negative about their records being mentioned in credit bureau but instead they should feel safe that they have record with the authority***
>
> **- Mr. Sanjay Patel, CEO, Equifax**

Mr Anil Jaggia, CIO, HDFC Bank further explained the importance of credit bureau by stating that "when any client takes first loan, the objective of that client is not to take just one loan but to repay present loan and take another loan". This mechanism helps both the clients and the lenders to build trust. When clients have good repayment history she demands higher credit and lenders are more than happy to lend to clients with good records.

Panellist further added that due to absence of information in the credit bureau SHG members have to visit banks more than once to avail loans, which could be avoided if clients have their information with the credit bureau.

Mr. Sridhar, Sales Director Experian expressed his concern about multiple memberships of lenders with various credit bureau service providers. He said that there is certain cost associated with it and hence there should be clarity on how much to charge for credit information. The aim should be to reduce the costs for the services.

Mr. Sanjay Patel, CEO Eqifax explained the positive side of credit bureau to the audience. He requested clients not to feel negative about their records being mentioned in credit bureau but instead they should feel safe that they have record with the authority. This would further create their credibility to the lenders and hence help in increasing the loan amount in next loan cycle.

Mr. R.D Gadiyappanavar, CEO Sanghamitra Financial Services, presented Sanghmitra's SHG lending model. He argued that data of individual members should be shared in credit bureau although capturing individual data is not easy in SHG model, mainly because of different loan size of different clients. He was hopeful that data sharing would help in curbing multiple lending to the clients. He further emphasised on the fact that irrespective of MFI forms, all should become members of credit bureau. For this RBI and IBA should take a decision and enforce the requirement of data sharing of all members. On this issue panellists agreed that given the complex nature of SHG as a unit, intermediate solution could be SHPI appraisal in terms of kind of groups they are promoting and type of loans they are providing to them. Performance of the group can be a function of appraising the SHPI and the information should be shared publically to ensure increased accountability and stronger groups. In this regard the incentive should be linked with proper functioning of the groups. Today the incentives are focused more on group formation but the need is to incentivise the functioning of the groups post formation process.

Focusing on challenges in data sharing, panellist felt that the biggest challenge is how to digitize the manually captured data by the SHPIs adding to it the cost associated with this exercise. The gathered audience complained about, unavailability of affordable softwares for capturing the data and digitising it, by small and medium SHPIs.

Before concluding the session, Mr. Collin posed a question to the panel about what should be done until that directive from authorities come up. The entire panel agreed that first step should be to collect SHG individual client's data in formats which are currently used by credit bureau. Further, for this purpose organisation like NABARD, IFC, Sa-Dhan etc should provide education and handholding support to SHPIs. The panellists agreed that cost associated with credit bureau needs to be given proper attention especially for small MFIs and SHPIs. Panellists suggested that for non profit organisations credit bureau can wave off or reduce the cost by 50% for initial five years.

Parallel Session-3
Role of State: SHG and NRLM

Highlights:

- Discussion on objectives of NRLM.
- Role of NGOs and civil society organisation in NRLM.
- Linkages provided to SHGs for pre-production, production and post production marketing services.
- Credit linkage of quality SHGs with the banks without collateral security.
- Learning from previous government schemes were incorporated in NRLM.
- At the end of the day, after NRLM completion members would lead and take future steps.

Panel Members:

Ms. Gitanjali Satapathy, Secretary, Kalighat Society for development facilitation (KSDF)

Mr. Ranjan Babu, NRLM

Ms. Sonali Ponshe Vice Chairman and MD, MAVIM

Mr. Yatesh Yadav, CEO, Centre of Microfinance

Moderator:

Ms. Veena Padia, CEO, Indian School of Microfinance for Women

Ms. Veena Padia, CEO, Indian School of Microfinance for Women moderated the session. After introducing the distinguished Panel members, Ms. Padia narrated the history of National Rural Livelihood Mission (NRLM). She introduced NRLM or Aajeevika to SHG members present in the audience. Aajiivika scheme, which started in June 2011, is next step of SGSY scheme. This mission aims at creating efficient and effective institutional platforms for the rural poor enabling them to increase household income through sustainable livelihood enhancements and improved access to financial services.

Aajeevika has a target based approach, which would cover 7 Crore rural poor households, across 600 districts, 6000 blocks, 2.5 lakh Gram Panchayats and 6 lakh villages in the country through self-managed Self Help Groups (SHGs). These SHGs would be further federated into institutions.

Mr. Ranjan Babu, NRLM carried the discussion forward by drawing the attention of audience on prevailing doubts related to NRLM; these

> ***Objective of NRLM is to reach out to each and every rural poor household of our country over a period of time, organise them into institutions, nurture them and provide them handholding support over the period of time. Providing them increased livelihood solutions in sustainable manner. NRLM is built on three pillars i.e social inclusion, financial inclusion and economic inclusion.***
>
> **- Mr. Ranjan Babu, NRLM**

doubts were mainly concerned with NRLM's working style that questions the role of NGOs and civil society organisations (CSOs). He said that there are doubts about NRLM being a threat to NGOs and civil society organisations, as NRLM may hijack SHGs from them. In his address to the audience, he cleared these baseless doubts and said "NRLM is a supplementary program for the members and it is not going to hijack or split previously formed SHGs". He assured audience that NGOs and SHPIs have crucial role to play in the mission.

Mr. Babu highlighted and praised the work done by NGOs and civil society organisation in social mobilizations part, which was carried out in isolation or in disintegrated manner by many. Further, due to lack of handholding support, limited funds and unclear long term vision, many of these SHGs were left defunct. Hence to integrate the already formed SHGs and also to motivate other members to join the mission; SHGs and SHPIs have an important role to play in NRLM.

Another panel member **Ms. Sonali Ponshe**, Vice Chairman and MD, MAVIM defined NRLM's approach as target based and demand driven approach. She further explained that in first phase; based on the need and present situation in the states, intensive blocks were identified. In the identified blocks target population is the poorest of the poor members with whom livelihood activities are being carried out.

In her address to the gathering, Ms. Gitanjali Satapathy praised the scope for trainings on skill development and capacity building. She emphasised on the fact that there is a need for business plan especially market linkages plan, for each and every initiative. Every aspect of the value chain should be linked; from pre-production, production and post production marketing services.

Mr. Yatesh Yadav, CEO, Centre of Microfinance shared his experience of NRLM in Rajasthan State. He talked about the various trainings being provided under NRLM in the state. Along with the trainings in fields of animal husbandry, agriculture and skill enhancement; members are provided with packages of practices (POP). He appreciated the work being carried out in skill enhancement and trainings, which impart employable skills which have demand in the market.

Concluding the session all the panel members acknowledged the importance of convergence in NRLM scheme. Convergence with other national and state sponsored schemes from various departments would contribute to the success of the mission. Further all panel members agreed that although there may be disagreement between central and state government or between various departments; but main objective of reaching to poorest of the poor should not be lost.

Special Lunch Session Presentation-1

"Innovative Models in Sanitation"

By water.org

Presentation was focused on innovative models in sanitation side. The speaker **Mr. P. Uday Shankar** started the presentation by providing some facts. These were:

- More than 50% of world' s open defecators are in India
- 67% of India's rural households do not have a toilet
- Government has sanctioned Rs. 20,000 crores to address this issue and 60% of it has been used.

In Bihar, PSI is working to construct toilets in eight districts and for this Water.org is helping. The starting point was to assess the need and demand for toilet among the customers. The research further tried to find out the depth of demand for toilet among people. Interestingly findings suggest that need for sanitation is not because of health but for safety reasons.

Safety of women members in family who go out at odd hours, safety from snake bites, sexual assault and convenience are few important reasons mentioned for need of toilet. The finding also suggested that strong permanent toilet structures can be built in Rs. 7,000 (two years back, which presently would cost about Rs. 12,000). Sanitation loans from MFIs with subsidy from government under various schemes can make it possible. Finally, the speaker pointed out the need to sensitise the people about the low cost permanent structures and various loan schemes available in market to address the issue. This work could be taken up by MFIs as they have good outreach to customers and they can provide products based on it.

Mr. P. Uday Shankar from water.org, enlightened the audience about the importance of credit in sanitation. Idea of water credit was floated in 2008. Water credit idea was all about encouraging MFIs and NGO MFIs to source loans from the market and lend it to clients for purpose like water connections and sanitation. He further highlighted the work being done in India. Water.org now is working with 20 partners, who have extended 3.5 lakh loans in water and sanitation.

Closing the session Mr. Shankar thanked Sa-Dhan and Mr. Titus for providing them this platform for sharing the presentation. He further hoped that this progress in past three years would encourage MFIs and others to provide credit for water and sanitation purpose.

Special Lunch Session Presentation-2

"A market led, evidence based approach to rural sanitation"
By Monitor Deloitte

Mr. Ashish Karamchandani presented the findings of the phase 1 of the five years project supported by Bill and Melinda Gates Foundation. The study was conducted by Monitor Inclusive Markets which aim to develop scalable private sector business models for the provision of toilets. Deloitte Partner in India is Water.org.

He discussed the low penetration of toilets in rural India. He stated that the respondents felt that toilets are required for safety, convenience and privacy especially of women. Less than 1% cited health as a reason for constructing toilets. He shared the following key observations.

Sanitation - a major global issue

- Over 1Bn people defecate in the open globally
- 2.7Mn die annually as a result
- Of all the people in the world who defecate in the open, a majority (600Mn) live in India
- 116Mn (67%) of rural Indian households do not have access to sanitation facilities

He added that different entities can play a market-maker role, creating an enabling environment through activities such as inculcating key value chain players, providing high quality toilet design and supporting demand generation activities.

He added that MFIs can enter sanitation arena, it is a new area for MFIs, will add to their product portfolio and help them extend and deepen relationships with existing customers It will help position them as creating social impact

He also shared the issues and concerns of MFIs wanting to enter the sanitation arena. They need to develop an understanding of sanitation and train staff accordingly and obtain funding a challenge (for both lending and market-making activities)

Mr. Karamchandani added that Micro Finance Institutions can play a role by providing customer financing, suggesting toilet designs, participate in demand generation, mason training, quality control etc. He shared that Grameen Koota has disbursed 50,000 toilet loans till date with a repayment of 99.9%. Apart for this, other MFIs like Hand-in-Hand, Sangamitra, ESAF and Cdot also give finance for constructing toilets.

Summation By: Mr. Royston Braganza (CEO, Grameen Capital)

Summarizing the daylong conference Mr. Royston Braganza thanked Sa Dhan for organising the conference in Mumbai. He shared his takeaways from all the sessions. Starting from SRO session he said that it would help in regaining credibility of the sector which was somewhere dented by Andhra Pradesh crisis. Use of technology would play a key role to broad base the offering which the sector has. Regarding the Nachiket Mor Report, he applauded the recommendations and hoped that aggressive target of completing financial inclusion by 2016 would be achieved.

Take away from session "Enhancing fund flow to SHGs" was, to learn that the negative implications of Andhra Pradesh crisis is not only on MFIs but also on rural households and their struggle of rural households to raise credit that they need. He concluded his address by stressing on the collective and collaborative approach to be taken by actors in the sector, for mutual benefits.

Closing Remarks and Way Forward: Ms. Jayshree Vyas
(MD SEWA Bank & Co-chair Sa-Dhan)

In her closing remark Ms. Jayshree Vyas talked about the change, sector has witnessed in past three decades. The changes in products and services change in regulations and more importantly attitudinal change in regulators and players. She highlighted the attitudinal change in regulators like RBI, who are trusting players in the sector to form SROs.

Ms. Vyas stated that after witnessing positive progress in the sector, now the challenge is to stand together and move forward. The ultimate aim remains to bridge the gap between the poor and the rich and in this regard technology will play a crucial role. Commenting on present scenario in the sector, she applauded the positive initiatives and structural changes and hoped that whole sector would progress in same direction.

Vote of Thanks: Mr. Saibal Paul (Sa-Dhan)

Mr. Saibal Paul presented the Vote of Thanks. He formally announced the closure of day long Sa-Dhan conference. First of all he thanked all the participants especially community leaders who shared their valuable experiences from the field. He further thanked all the esteemed speakers from various organisations.

He expressed his deep gratitude to sponsors of the conference: IDBI, IFC, Union Bank, NABARD and SIDBI for providing their support in a very short time. Without them the event was not possible. He thanked the lunch partner-Water.org and the conference supporters SBI, Omidyar Network, Ford Foundation, Hivos and GIZ. He thanked the knowledge partners: IFMR Trust and M2i Consulting. He specially thanked Board Members of Sa-Dhan for their guiding role and the team members for their contribution.

News Paper Cutting

'End free use of other-bank ATMs in metros'

Mumbai, March 14: Industry lobby Indian Banks Association (IBA) on Friday said it has requested RBI to allow banks to charge customers in the metros to pay for accessing ATMs of other banks but continue with the current cap of five free transactions a month for rural customers.

"We have made our recommendations to the RBI that at least in the metros, the current five free usage of other bank ATMs be withdrawn so that every transaction on other bank ATM is chargeable. At the same time, the present set up be continued in rural areas," chief executive MV Tanksale told reporters.

The issue of charging customers for ATM usage has become into a very vexed one, ever since banks were asked by state governments to place armed guards at all the ATMs after a brutal attack on a customer in Bangalore last November.

According to banks, the overheads will make operations of ATMs unfeasible and hence, they have been struggling to come up with a solution for over three months now, without much of success.

The IBA says banks are losing ₹400 crore a month because of the excess security requirements at 1.4 lakh ATMs.

ACCORDING TO BANKS, OVERHEADS WILL MAKE OPERATION OF ATMs UNFEASIBLE

A slew of measures, including raising the inter-bank charges and limiting the number of all free transactions at five per month, have been mooted.

Currently, a customer can enjoy unlimited free transactions at his own bank's ATMs and is allowed five free transactions a month in other banks' machines.

Irrespective of it being a free transaction for the customer or not, a bank has to pay the other a fee of around ₹15 for every transaction done at the other bank's ATM.

Meanwhile, when asked if banks have written to the Reserve Bank to extend the mark-to-market loss amortisation by two more quarters, Tanksale said replied in the affirmative but did not confirm the time period for which the relief has been sought.

"We have certainly requested. It is being examined," he said. *PTI*

IBA asks RBI to let banks charge non-clients for ATM deals

Indian Banks' Association (IBA) has requested the Reserve Bank of India to allow banks to charge customers of other banks using their automated teller machines in metro cities for every transaction, Chief Executive M.V. Tanksale said. Currently, ATM withdrawals by customers of a bank are free of cost, while that from another bank are capped at five a month with a limit of Rs 10,000 for each transaction.

IBA seeks RBI nod to levy ATM usage fee

Mumbai: Industry lobby Indian Banks Association (IBA) on Friday said it has requested the Reserve Bank of India (RBI) to allow banks to charge customers in the metros to pay for accessing automated teller machines (ATMs) of other banks but continue with the current cap of five free transactions a month for rural customers.

"We have made our recommendations to RBI that at least in the metros, the current five free usage of other bank ATMs be withdrawn so that every transaction on other bank ATM is chargeable. At the same time, the present set-up be continued in rural areas," IBA chief executive M.V. Tanksale told reporters in Mumbai. **PTI**

'Self-regulatory organisations not a burden on MFIs'

IBA wants to charge for using other-bank ATMs in metros

BS REPORTER
Mumbai, 14 March

Self-regulatory organisations (SROs) are not a burden on the microfinance institutions (MFI) sector, the Reserve Bank of India (RBI) said. According to the banking regulator, SROs should handle most of the matters RBI would have otherwise handled.

"I do not see SROs being a burden on the MFI sector. We want the SROs to handle most of the matters that we would have otherwise handled. SROs should have that kind of independence from the entities that it is regulating," said N S Vishwanathan, chief general manager-in-charge, department of non-banking supervision at RBI, at the National Financial Inclusion Conference held here.

However, RBI does not want unhealthy competition among SROs, Vishwanathan added.

The central bank had laid down the criteria for recognition of SROs for non-banking financial company (NBFC)-MFIs in November 2013. According to one of the requirements, the SRO should have at least one-third of the NBFC-MFIs registered as members at the time of recognition.

"SROs should have a reasonable number of members from the sector," said Vishwanathan.

RBI has specified the quantum of household annual income and loan limit for MFIs to be followed by banks for qualifying under priority-sector status. According to this, loan is to be extended to a borrower whose household annual income in rural areas does not exceed ₹60,000, while for non-rural areas, it should not exceed ₹1.2 lakh.

Besides, the loan should not exceed ₹35,000 in the first cycle and ₹50,000 in the subsequent cycles. Banks have been demanding that these limits be raised. Vishwanathan said RBI would look into the issue.

M V Tanksale, CEO of Indian Banks' Association (IBA), who was also present at the event, said SROs can play a big role in bringing credibility to the system.

'End free ATM use'

IBA wants to charge customers in the metros for accessing other banks' ATMs but continue with the current cap of five free transactions a month for rural customers. "We have made our recommendations to RBI that at least in the metros, the current five free usage of other bank ATMs be withdrawn so that every transaction on other-bank ATM is chargeable. At the same time, the present set up be continued in rural areas," said Tanksale.

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About Sa-Dhan

Sa-Dhan, the Association of Community Development Finance Institutions (CDFIs), brings together diverse views, models and concerns in the microfinance sector in India. Sa-Dhan's origin was the result of the need for a common platform for microfinance in India by the key practitioners in the sector who recognized the need to increase the outreach of existing programs, launch new initiatives and negotiate with policy makers for a favorable environment.

The increasing recognition of the common constraints and challenges, despite the diversity of models and organizations in the sector led to new strategic thinking on the subject of expanding the provision of microfinance services within the country. At the preparatory policy workshop organized by WWB-New York, consensus emerged on the strategy to expand microfinance service provision as articulated by the draft "Dhakka" paper which strongly argued for a comprehensive approach in working on increasing the provision of such services. Following this agreement, it became necessary to define the contours for the association. On 14th September 1998, Sa-Dhan, the association of microfinance institutions was conceived by SEWA Bank, BASIX, Dhan Foundation, FWWB, MYRADA, RGVN, SHARE and PRADAN.

The Association **Sa-Dhan** was thus incorporated on July 21st, 1999.

Core Objectives

i. To provide a forum for organizations and individuals engaged in the field of community development finance to meet, share and exchange their experience , expertise and resources.

ii. To make representation to the Government of India, the Reserve Bank of India and other regulatory and policy making bodies, to promote community development finance and help create a favourable policy environment for community development finance both at the national and international level.

iii. To strengthen the capacities of CDFIs through research, consultancy and training in different aspects of community development.

iv. To establish jointly, minimum standards of performance, both developmental and financial, which members would have to adhere to and encourage community development finance institutions to adopt the standards.

Three pronged approach to build the sector

- Facilitating dialogue and synergy between different stakeholders for improving the operating environment. (reducing the legal and operational constraints)
- Assisting members in enhancing the management and monitoring quality of operations in such a manner that results in the establishment of common systems and benchmark procedures (both financial and non-financial) for wider acceptance of the services in the mainstream banking and financial domain
- Building the perspective of all stakeholders for enriching the knowledge and capacity of microfinance practitioners.

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