



# Sa-Dhan

## National Conference 2021

Revitalising Financial Inclusion

27th & 28th October | New Delhi

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# National Conference 2021

## Revitalizing Microfinance

27 & 28 October 2021

Conference Report



## Sa-Dhan National Conference 2021

*(The event held in both physical & virtual form)*

### “Revitalising Financial Inclusion”

Venue – Le Meridien

Date – 27<sup>th</sup> & 28<sup>th</sup> October

1st Day – 27 <sup>th</sup> October	
Time	Sessions
09:30 am – 10:00 am	<b>Registration</b>
10:00 am – 11:00 am	<b>Inaugural Session:</b> Role of Microfinance in the Macro-environment
11:00 am – 11:30 am	<b>Tea Break</b>
11:30 am – 01:00 pm	<b>Session 1:</b> Resurrection of the Microfinance Industry
01:00 pm – 02:00 pm	<b>Lunch</b>
02:00 pm – 03:00 pm	<b>Session 2:</b> Sustainable Development – Inclusive Financial Goals
03:00 pm – 03:30 pm	<b>Tea Break</b>
03:30 pm – 04:30 pm	<b>Session 3:</b> Product Diversification for Meaningful Financial Inclusion
2nd Day – 28 <sup>th</sup> October	
Time	Sessions
10:00 am – 11:00 am	<b>Session 4:</b> Liquidity Stress – Trails & Tribulations
11:15 am – 12:15 pm	<b>Session 5:</b> Financial Inclusion – Gender, FPOs and Collective
12:30 pm – 01:30 pm	<b>Session 6:</b> Technology for Clients; FinTech in Microfinance – Era of Tech
01:45 pm – 02:30 pm	<b>Session 7:</b> How MFIs can help vaccinate millions – exploring the power of Public Private Partnerships (PPP) and MFIs role in expediting Covid-19 immunization efforts in vulnerable communities.
01:30 pm – 02:00 pm	<b>Closing and Valedictory Session</b>
	<b>Vote of Thanks</b>

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## Introduction

The theme of Sa-Dhan National Conference 2021 was “Revitalising Microfinance”. It was after a gap of one year that the conference had been held. The COVID 19 pandemic had meant that the conference could not be organized in 2020. This made this year’s conference a much-awaited event.

SNC 2021 was held over two days – 27 and 28 October 2021. The conference comprised of eight sessions including the inaugural session. These sessions focused on how the ethos represented by microfinance can be leveraged to achieve better outcomes for the clients of MFIs. This report presents the key insights derived from the deliberations held in these sessions.



## 2. Inaugural Session: Sa-Dhan National Conference 2021 - Revitalizing Microfinance

**Welcome address and Introduction – Mr H P Singh, Co-Chair, Sa-Dhan**

**A snapshot of the Bharat Microfinance Report 2021 – Dr P Satish, Executive Director, Sa-Dhan**

**Release of the Bharat Microfinance Report 2021**

**Keynote Address – Shri S. Ramann, Chairman & Managing Director, SIDBI**

**Inaugural Address – Shri M. Rajeshwar Rao, Deputy Governor, RBI**

Mr. H P Singh, made the inaugural address and welcomed the dignitaries to the conference. In his address, Mr. Singh reiterated Sa-Dhan's commitment to ensuring orderly growth of the sector.

After the welcome address, Dr. P Satish presented a snapshot of the Bharat Microfinance Report 2021, a flagship annual publication brought out by Sa-Dhan with the help of NABARD. Some key highlights from the report are as follows:

- MFIs currently operate in 28 States, 5 Union Territories, and 595 districts in India.
- 208 MFIs, that have provided their data, have a branch network of 20,065.
- These MFIs have over 1.61 lakh employees.
- They have reached out to over 42 million clients with an outstanding loan portfolio of Rs 1,13,459 crores. This includes a managed portfolio of Rs 35,310 crores.
- The loan outstanding per borrower stood at Rs 18,894
- 90% of loans were used for income generation purposes.



## Keynote Address

Shri S Ramann in his keynote address, stated that the microfinance sector has demonstrated resilience during the pandemic and has continued to serve the economically underprivileged. He also commended Sa-Dhan for the role played by it as an industry association and a Self Regulatory Organization (SRO) in the promotion of microfinance. He further felt that the role of SROs need to evolve and whether they can take on some more regulatory functionalities including the power of restraint must be evaluated.



Shri Ramann lauded the role of microfinance in making institutionalized credit available to the financially excluded and felt that the time had come for microfinance like models to make accessible other financial services such as micro-insurance. He made the point that the resilience of MFIs is demonstrated by the fact that they have been prompt in making repayments of the loans they had received as liquidity support during the pandemic. He felt that the existing due-diligence practices favour the larger MFIs, and it was time to also customize credit rating tools that can help in identification of robust small and medium sized MFIs. Apex institutions including SIDBI and NABARD are increasingly looking at supporting innovative small and medium sized entities. At the same time, it is important that all MFIs including small and medium sized ones ensure high standards of Corporate Governance. He called upon the microfinance sector to ensure that the benefits of digitization reach all including MFI clients.

## Inaugural Address<sup>1</sup>

The inaugural address at the conference was delivered by Shri M. Rajeshwar Rao. Giving an evolutionary perspective of the microfinance sector, Shri Rao stated that the not-for-profit origin of microfinance was built on the idea that it was a social and welfare proposition driven by the objective of improving social welfare by increasing the household income through a community-based approach. While several micro finance models have evolved subsequently across the globe, the search for delivering financial inclusion to the rural households and hinterlands, has evolved through two distinct approaches for developing a microfinance model in India, first - the bank-led approach mainly through Self Help Group (SHG) – Bank Linkage Programme (SHG-BLP), and the second one through the specialized microfinance institutions led model. He further stated that the Indian microfinance sector has witnessed phenomenal growth over the past two decades in terms of increase in both - the number of institutions providing microfinance as also the quantum of credit made available to the microfinance customers. Presently, microcredit is delivered through a variety of institutional channels viz., scheduled commercial banks (SCBs), regional rural banks (RRBs), cooperative banks, non-banking financial companies (NBFCs), Section 8 companies and microfinance institutions (MFIs) registered as NBFCs as well as in other forms. The institutional landscape of the microfinance sector has also changed significantly after licensing of Small Finance Banks (SFBs).



Shri Rao made the point that micro finance, as a financial activity can no longer said to be a bastion of specialized MFIs. However, the current regulatory framework, which was put in place with the objective of making credit available to low-income households and to protect borrowers from harsh recovery practices of the lenders, is applicable only to NBFC-MFIs, whereas other lenders, who now have a share of around 70 per cent in the microfinance portfolio are not subjected to similar regulatory conditions. This has created a non-level playing field, posing

<sup>1</sup> The full text of Shri M. Rajeshwar Rao's address is available on RBI's website - [https://www.rbi.org.in/Scripts/BS\\_SpeechesView.aspx?Id=1137](https://www.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1137)

difficulties for customers and has resulted in emergence of differing practices within the sector. While one would have expected that other lenders would also be guided by the intent of the regulations applicable to NBFC- MFIs, that has not happened.

Shri Rao stated that the major concerns about microfinance lenders have been:

- they lead their borrowers into debt-trap like situations;
- they charge usurious rates of interest often disproportionate to their funding and operational costs; and
- they deploy harsh recovery methods leading to distress amongst borrowers.

He asserted that these are issues which need to be critically introspected and addressed by the lenders to prevent recurrence of the crisis episodes. Shri Rao further spoke about how the evolving regulatory paradigm addresses the above concerns.

**Box: Evolving Regulations for Microfinance**

*Over-indebtedness and Multiple Lending: In the proposed framework, it has been proposed to address the issue of over-indebtedness by prescribing a common definition of microfinance loans which will be uniformly applicable to all lenders and linking loan amount to household income.*

*Pricing of Micro finance Loans: Under the revised framework, it is proposed to do away with the prescribed ceiling and mandate all lenders to have a board approved policy on all-inclusive interest rate charged to the micro finance borrowers. The lenders would also have to make available a simplified factsheet on pricing of micro finance loans to the borrowers along with the disclosure of minimum, maximum, and average interest rates charged by them. The intention is to enable the market mechanism to come into play with the expectation that it will bring the lending rates downwards for the entire microfinance sector and empower the customer through transparent disclosures.*

*Customer Protection Measures: A cap on the loan repayment obligation of a household as a percentage of the household income is expected to address the inability of the microfinance borrowers to repay the loan. It has also been proposed to extend the collateral free nature of microfinance loans, as applicable to NBFC-MFIs, to all lenders in the micro finance space.*

Concluding the address, Shri Rao said that microfinance has developed into an important financial delivery mechanism. It has particularly helped women to become owners of assets, have an increased say in decision making and lead dignified lives. In current landscape, it is possible to expedite financial inclusion process by leveraging the flexibility provided by the multiple tech-led models for delivering a wide range of financial services. Further, wishing a vibrant growth for the microfinance sector, he stated that the regulatory focus is to foster the growth of the sector guided by the ultimate objective of financial inclusion and customer protection while providing a level playing field.

*The Path Ahead: Technology should be encouraged, customer protection should not be compromised in the process and customer should get the similar experience in digital mode, if not better. The other areas of immediate focus for the sector include revamping of the risk management systems, improving the skills of the field level staff and institution of an effective grievance redressal system.*

### 3. Session 1: Resurrection of the Microfinance Industry

**Moderator: Mr Tamal Bandyopadhyay**, Consulting Editor, Business Standard

**Speakers:**

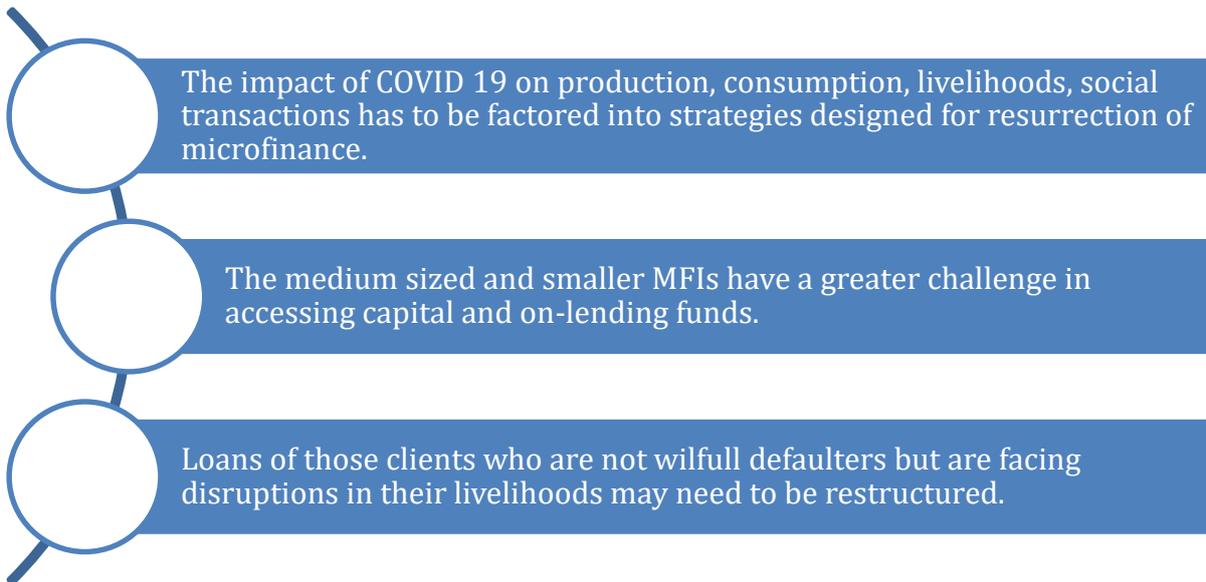
**Mr C S Ghosh**, MD & CEO, Bandhan Bank

**Mr H P Singh**, Chairman & Managing Director, Satin CreditCare Network Ltd

**Dr Tara Nair**, Professor, Gujarat Institute of Development Research, Ahmedabad

**Mr Daniel Rozas**, Senior Microfinance Expert, European Microfinance Platform (e-MFP)

### Key Takeaways



In this session, the panelists discussed the impact of Covid on the microfinance sector, the current status and whether the sector had resurrected.



Dr Tara Nair, Professor, GIDR, mentioned that when the pandemic struck the microfinance industry was already not at its healthiest best. It had suffered due to demonetisation, problems in some of the states and the IL&FS crisis. Although the pandemic was not a microfinance-centric problem, it had a wide economic impact and hence it was far more serious. Dr Nair mentioned that the pandemic impacted production, consumption, livelihoods, social transactions and contracted GDP. Studies suggest that the pandemic resulted in a loss of global GDP of 6-10%. Thus, she emphasised that these factors must be considered while planning any strategy for the resurrection of the sector.

Mr H P Singh, Chairman & Managing Director, Satin CreditCare Network Ltd. recalled that the microfinance industry has gone through a lot in the last 5 years - demonetisation, Assam crisis and now the Covid crisis. He mentioned that pandemic has given the opportunity to explore the vulnerability of the clients and of the institutions. He highlighted that while the industry is trying to make efforts to support clients, practical issues of lending to delinquent customers have to be faced, which increases risk. He also mentioned that while government efforts of providing moratorium and credit support helped in easing liquidity for MFIs, it is still not enough. The MFIs are still facing liquidity issues, as collections have still not come back to normal.

Mr Daniel Rozas, Senior Microfinance Expert, European Microfinance Platform (e-MFP) started by cautioning that the institutions once hit by such a crisis, may take very very long to recover. Smaller MFIs in particular face even more challenges. He mentioned that many institutions have closed down. Mr Rozas said that the crises disrupt plans and investors may also slow down on investing. However, Mr Rozas also expressed hope that as pandemic is a global crisis, it may invoke interest among some investors to invest at this time, but he thought that most of those funds are likely to go to the larger institutions. According to him, capital raising particularly for smaller institutions was going to be challenging.

Mr C S Ghosh, MD & CEO, Bandhan Bank, started by comparing microfinance with larger industries which do face country-wide crises due to their size and integration with the economy. However, it is the first time that microfinance is facing a crisis of this scale. Mr Ghosh mentioned that in the first wave we could still recover as it mainly affected the urban population but the second wave has been very damaging as it affected rural areas. Mr Ghosh also mentioned the impact of Covid on microenterprises, which have disrupted livelihoods as microenterprises contribute significantly to the GDP. He expressed hope that the vaccination will help in restoring normalcy. He saw some positive signs of demand coming back with festivals and MFIs making efforts in educating people on vaccination. He felt that it would take a few more months for the recovery.

Mr Daniel emphasised the role of capital in recovery. He mentioned that institutions that are well capitalized may emerge even stronger than pre-pandemic times. But institutions with thin capital may merge or close.

On the process of recovery, Mr Ghosh had the opinion that since microfinance customers have high dependence on their livelihood activities, they would have no option but to get back to their activities as early as possible. This will lead to faster recovery. He however highlighted the technical issue with many of these clients now having NPA and poor credit history. Even though these clients were not wilful defaulters they may face problems in accessing loans. Hence, he mentioned that there was a need to deal with the NPA issue and see how customers can be provided relief.

Mr HP Singh also agreed with Mr Ghosh and felt the need for restructuring loans.

Ms Tara Nair felt that for low-income families taking debt is going to be a survival strategy. Thus, there can be a surge in demand. She was particularly doubtful of the bulk lenders, such as banks lending to MFIs, preparedness to manage this demand.

On the question of lending, Mr H P Singh felt that bankers have to be more forthcoming in their lending, particularly in these times.

A question from the audience brought out the issue of loss of credit history of customers and high CB rejection rates. The panelists were unanimous in their concern on this and the need for a mechanism to deal with this issue. They agreed that these clients were not historic or wilful defaulters but suffered during pandemic. Panelists were apprehensive that if some mechanism to protect the credit history of customers was not worked out, they might fall back to the trap of informal lending.

On the increasing role of technology, the panelists felt that while technology is an enabler, the time has still not come for losing touch with the customers. Microfinance was still a high touch model in which technology can help in many of the processes and controls. The panelists concluded that resurrection process of microfinance still on and it will take some more months before the sector could revive.

***The Path Ahead:** There is a need for greater innovations and greater role of principal financial institutions (SIDBI, IFC) during time of crisis. The basics of client-centricity should always take precedence over other parameters of institutional performance.*



#### 4. Session 2: Sustainable Development – Inclusive Financial Goals

**Moderator:** Mr TK Arun, Consulting Editor, The Economic Times

Lead Presentation: **Mr Atul**, Partner, Prime M2i Consulting Pvt Ltd

**Speakers:**

**Mr Royston Braganza**, CEO, Grameen Capital India

**Ms Jayshree Vyas**, MD, SEWA Bank

**Mr Dibyajyoti Pattanaik**, Director, Annapurna Finance (P) Ltd

**Mr Chandrakant Mishra**, Director & Head - Institutional Business, Care Health Insurance Company

### Key Takeaways

- 1. Sustainable development goals have been part of institutional missions of many MFIs. Achievements against these goals must be tracked and reported.
- 2. Insurance schemes such as weather risk insurance and asset insurance can help MFI clients mitigate some of their climate risks.
- 3. There is a need to access larger pools of capital if climate risks have to be transferred away from the vulnerable communities.



The theme of this session was role MFIs have been playing and can further play towards the attainment of Sustainable Development Goals (SDGs). In his lead presentation, Mr Atul made the point that sustainable development goals such as “No Poverty”, “Gender Equality”, “Decent Work and Economic Growth”, have been part of MFI mission. He further suggested that it may be time for MFIs to align key social services with microfinance operations, particularly to enable them to cope up with the risks posed by climate change.

Mr TK Arun, consulting editor, The Economic Times, set off the discussions with his question that should MFIs, which are social businesses, be providing services that fall in the realm of the government. He asked the panel to deliberate upon what can realistically be done by MFIs to help their clients mitigate the risks posed by climate change.

Ms Jayashree Vyas, MD Sewa Bank, in her remarks made the point that MFIs have always been conscious of the needs of their clients including health, housing and education. She said in the aftermath of COVID 19 pandemic, there will be greater emphasis on making available more services that will help clients get their lives and livelihoods back on track and increase their resilience. Ms Vyas also informed about the need to raise awareness about the risks posed by climate change among clients of MFIs.

Mr Chandrakant Mishra, Director, Care Health Insurance Company, in his remarks stated that it is possible to make a framework of insurance that can help mitigate some of the climate related risks that clients face. The modalities and form of insurance as a mode of security, for clients needs to evolve and insurance companies and MFIs need to jointly work on this, taking also into account government schemes meant for the economically weak. This could take the form of health and asset insurance or crop insurance for clients.

Mr Royston Braganza, CEO, Grameen Capital India, in his remarks stated that the microfinance sector holds lessons on how to meet the financing gap for addressing sustainable development goals. The microfinance sector by its design, and scale of success, addresses several of these goals and there is a need to measure and report the achievements that microfinance has accrued on this front. This will enable the flow of capital to the Indian microfinance sector.

Mr Dibyajyoti Pattanaik, Director, Annapurna Finance (P) Ltd, in his remarks informed that the Microfinance Institutions Network (MFIN) is attempting a pilot on weather risk insurance with the help of an insurer in India and a reinsurer outside India. This pilot has been approved by the Insurance Regulatory Development Authority (IRDA) and is being supported by ADB. He wished for the success of the pilot and hoped that this could help MFI clients in meeting some of the challenges of climate change.

In his concluding remarks, Mr TK Arun stated that the microfinance sector will need to find ways to generate insurance that can meet the kind of exigencies that climate change can cause.

*The Path Ahead: There will be a need to access larger pools of capital if the risks have to be transferred away from vulnerable communities towards the larger society. This will require a more involved level of planning in coordination with the larger macro policy and capital system.*

## 5. Session 3: Product Diversification for Meaningful Financial Inclusion

**Moderator: Mr Shishir Sinha**, Senior Deputy Editor, Business line

**Speakers:**

**Mr Shailesh Gupta**, MD, d.light India

**Mr Anujeet Varadkar**, CEO, Svatantra Microfin Pvt Ltd

**Mr M K Balachandran**, Head- Rural Retail & Micro Insurance, SBI General Insurance Company Ltd

**Mr Sudhir Madhavan**, Head-Retail Financial Services (Assets), Jana Small Finance Bank Ltd

**Mr Sudhir Arya**, Senior Manager, Water.org

### Key Takeaways

While MFIs provide loans for income generation, studies show that loans for non-income generating purposes are mainly obtained from informal sources.

MFIs have the opportunity to design and distribute products that address client needs given their wide outreach.

MFIs should be able to offer varied products that address the different lifecycle needs of their clients.



MFIs have long faced the criticism of predominantly providing a single loan product. Speakers in this session deliberated upon the need for MFIs to diversify their product offerings. Setting off the discussion, Mr Shishir Sinha Senior Deputy Editor at Business line, said that at present the MFIs provide loans mainly for income generation purposes. Studies, on the other hand, have revealed that for the low-income borrowers, 74% of the borrowings are used for non-income generation purposes. Loans for the non-income generation purposes are mainly from informal sources. Mr. Sudhir Arya, Senior Manager of Water.org, shared his experience of Water.org in helping MFIs to include water and sanitation in their portfolio. He also shared that Water.org's advocacy effort also led to the water and sanitation loans being included in the priority sector classification.

Mr. Anujeet Varadkar, CEO Svatantra Microfin Pvt Ltd, said that the MFIs have the opportunity to create and distribute products given their outreach. He also shared the experience of Svatantra in offering a variety of products including health and property insurance products. Mr Sudhir Madhavan, Head-Retail Financial Services (Assets) of Jana Small Finance Bank Ltd, said that in his experience, 30-40% of the clients of Jana SFB demand loans for other than income generation purposes. These include housing, two wheeler and education loans. Savings and microinsurance solutions are also demanded by the clients. Essentially, clients need different products in different stages of their life cycle.

Mr Shailseh Gupta, MD of d.light India, sharing his experience, said that MFIs have been one of the most important vehicles of the outreach growth of the organisation. Studies and experiences have suggested that the portable lights financed by the MFIs resulted in increased productivity, enhanced income and better lifestyle for the MFI clients. He also felt that with improvement in grid electricity infrastructure across the country a newer set of products in the renewable energy segment will be required. Mr M K Balachandran, Head- Rural Retail & Micro Insurance, SBI General Insurance Company Ltd, was of the opinion that offering a range of products is not enough. Products would require effective servicing to be able to fulfil the needs of the clients. Cattle insurance, for example, is a product which is valued a lot by the clients. However, while offering cattle insurance, the institutions will need to develop processes, protocols and infrastructure for settlement of claims as well.

*The Path Ahead: MFIs should be able to offer varied products that help clients become more resilient, including those that provide access to clean water, sanitation, reliable energy and insurance.*

## 6. Session 4: Liquidity Stress - Trials and Tribulations

**Moderator: Mr T. Bijoy Idicheriah**, Deputy Editor, Informist Media Pvt Ltd

Lead Presentation: **Mr Deepak Alok**, Partner, Prime M2i Consulting Pvt Ltd

**Speakers:**

**Ms S Vijayalakshmi**, CGM, MCID, NABARD

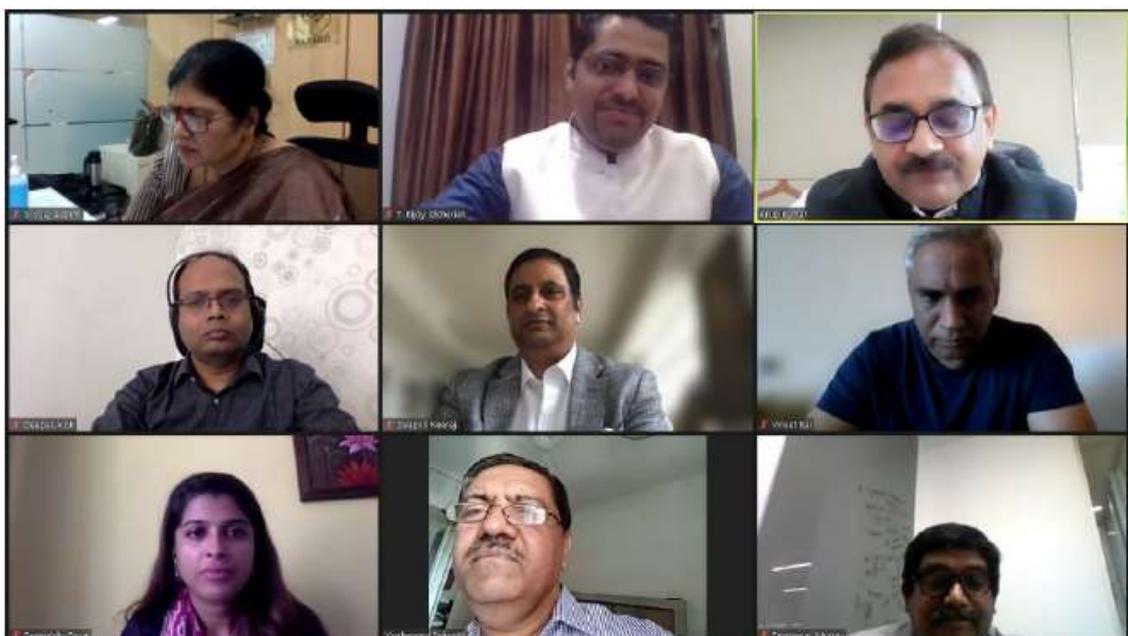
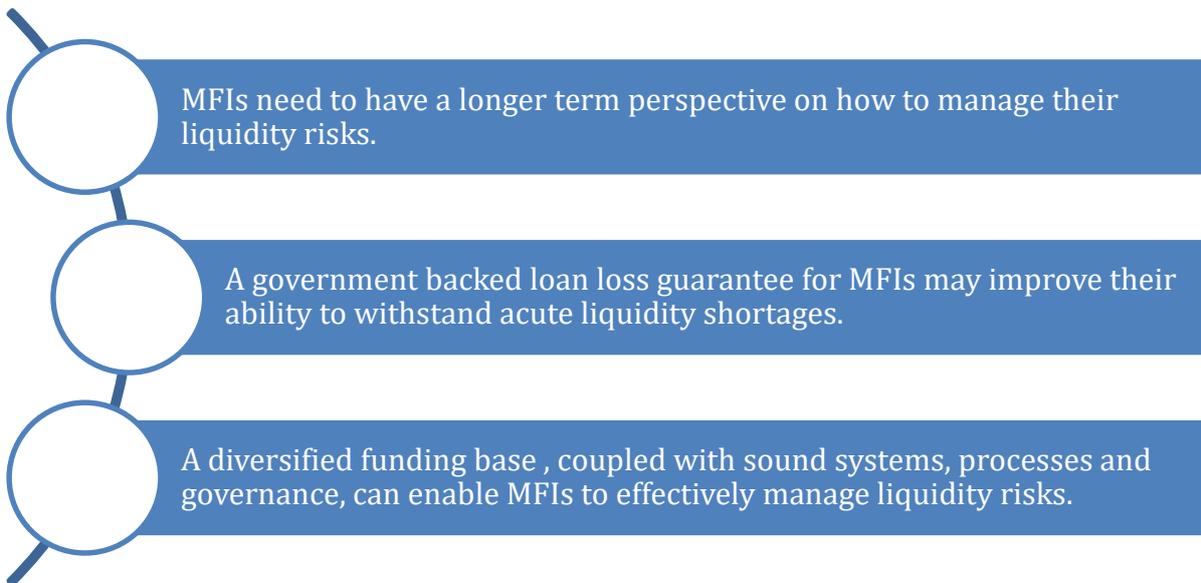
**Mr Arup Kumar**, CGM, SFMC, SIDBI

**Mr Vineet Rai**, Founder & Chairman, Aavishkaar Group

**Mr Swapnil Neeraj**, Principal Industry Specialist, IFC

**Mr Vivekanand Salimath**, Chairman, IDF Financial Services Pvt Ltd

### Key Takeaways



Speakers in this session discussed the unprecedented liquidity crisis which the MFIs had to face on account of the COVID-19 pandemic and the support received from the government and the regulators.

Mr Deepak Alok, Partner at M2i Consulting, in his lead presentation provided an overview of the unique nature of liquidity in the MFIs and requested stakeholders to deliberate from a longer-term perspective on how the MFIs could manage their liquidity risk better.

Mr T. Bijoy Idicheriah, Deputy Editor of Informist Media Pvt Ltd, said that the COVID-19 related events put unique set of challenges for the institutions as well as their borrowers. He suggested panelists to deliberate upon the challenges and the response of various stakeholders during this crisis.

Mr Vivekand Salimath, Chairman of IDF Financial Services Pvt Ltd said that the liquidity crisis resulting from the COVID-19 hit the MFIs very hard. He acknowledged the support received from the regulators and funders but felt that the support received could have been quicker, particularly for the smaller MFIs. He also expressed the need for a government backed loan loss guarantee for MFIs so that they are able to withstand such a crisis in a better manner.

Mr Vineet Rai, Founder & Chairman of Aavishkaar Group, appreciated and welcomed the liquidity support provided by the government and the regulators, but felt that this support favoured larger organisations with better capital and better ratings. He also felt the need to create an institutional mechanism to help the MFIs in times of liquidity crisis.

Mrs S Vijayalakshmi, CGM, MCID of NABARD, concurred with this view but added that over time adjustments were made and a number of small and medium sized MFIs also received liquidity support. Smaller MFIs also received support from the NABARD subsidiaries - NABFINS and NABSAMRUDDHI. However, she felt that policy level relook is also required to meet the requirements of the sector, particularly of the smaller MFIs.

Taking a global perspective Swapnil Niraj, Principal at IFC, felt that the liquidity support received by the Indian MFIs in wake of this crisis was at par with what the institutions in other economies had received. However, he expressed concern over the impact this crisis has had on the microfinance borrowers. He felt that, while the central banks have been proactive in providing liquidity support to the MFIs, the ultimate impact of the crisis on the loan portfolio quality and solvency still remains to be seen. His suggestion for the MFIs was to diversify their funding base.

Mr Arup Kumar, CGM of SIDBI, said that SIDBI took a proactive role in providing liquidity support to the MFIs during this crisis and through various schemes and instruments provided liquidity support to the MFIs. He, however, felt that the MFIs need to work on their processes, systems and governance framework so that the confidence of the financial institutions on the MFIs is maintained and strengthened.

*The Path Ahead: While investors and lenders, including apex financial institutions are willing to support MFIs, they need to work on their processes, systems and governance framework so that they inspire confidence among all stakeholders.*

## 7. Session 5: Financial Inclusion - Gender, FPOs and Collectives

**Moderator:** Mr N Srinivasan, Sector Expert

**Lead Presentation:** Mr Rahul Bist, Partner, Prime M2i Consulting Pvt Ltd

**Speakers:**

**Dr Deepali Pant** Joshi, Executive Director (Retired), RBI

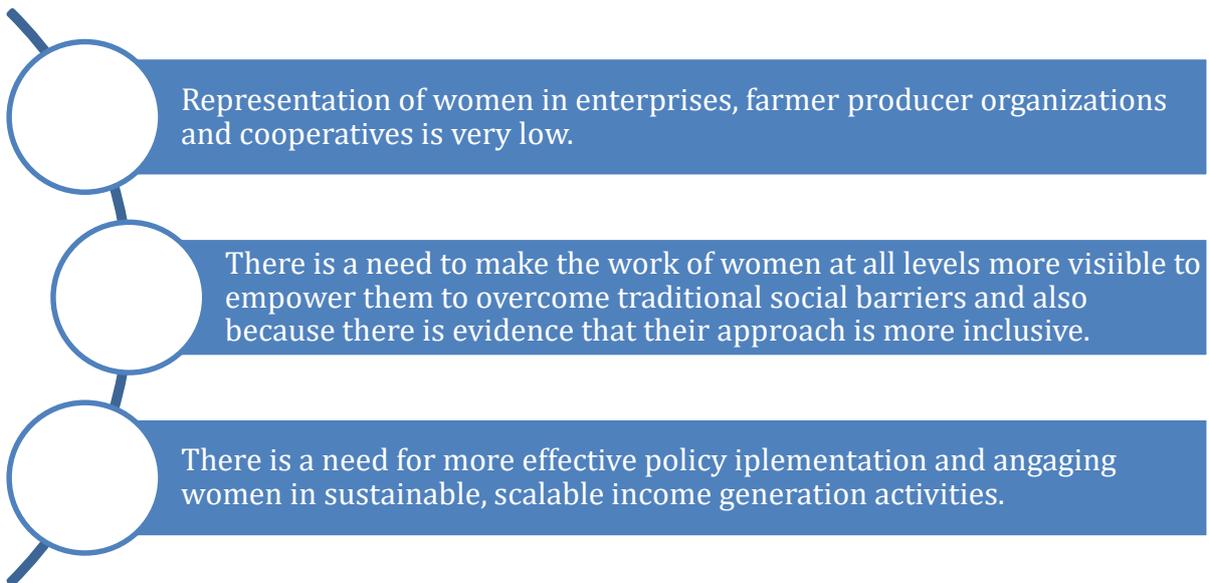
**Ms Chetna Gala Sinha**, Founder & Chair, Mann Deshi Foundation & Mann Deshi Bank

**Ms Mamta Kohli**, Senior Social Development Adviser, FCDO

**Mr Emmanuel Murray**, Senior Advisor, Caspian Impact Investment Adviser Pvt Ltd

**Mr Arshad Ajmal**, Vice President, Sahulat Microfinance Society

### Key Takeaways



Speakers in this session discussed the role of collectives in financial inclusion. Mr Srinivasan made the initial introductory remarks and welcomed the panelists. He invited Mr Rahul Bist, Partner at M2i Consulting, to make the presentation.

Mr Rahul Bist, in his lead presentation provided an overview of the role played by women collectives in financial inclusion. He highlighted that the tremendous success of women groups in financial inclusion has not led to economic inclusion of women as one would have expected. Representation of women in enterprises, FPOs and Cooperatives is still very low. With this opening presentation, the panel was requested to deliberate on the issue.

Ms Mamta Kohli, Senior Social Development Adviser, FCDO, drew attention to four key things that need to be focused on (i) She mentioned that there was a need to identify a large number of poor women who were still left out of the financial and economic mainstream. (ii) Digital access - the solutions need to be adapted to cater to women's needs in the social realities they live in (iii) How are we helping to build access? Ms Kohli mentioned the need to go beyond saving accounts. There is a need to build systems to provide financial planning and wealth management services to women. And (iv) to make women's work more visible at all levels.

Ms Chetna Gala Sinha, Founder & Chair, Mann Deshi Foundation & Mann Deshi Bank, in her comments highlighted the importance of collectives for women and the role collectives play. She mentioned that women prefer to come together as collectives as it helps them to step out of their houses, it gives them confidence, it gives them pride in working together, and helps in facing challenges. She also underscored the importance of listening to customers while designing products.

Mr Srinivasan then invited Mr Arshad Ajmal, Vice President, Sahulat Microfinance Society to share his thoughts. Mr Ajmal talked about the cooperatives. He mentioned that a new Ministry of Cooperation has been set by the Government of India as a welcome step and expected a new policy to come. He hoped that the Multi-State Cooperative Act would also see some positive changes. He mentioned that while financial inclusion so far has been a supply side story with cooperatives, it is more about demand driven process. He expressed that given the government's focus, the cooperative model in India was now poised for a big leap.

Mr Emmanuel Murray, Senior Advisor, Caspian Impact Investment Adviser Pvt Ltd talked about the challenges in Farmer Producer Organizations (FPOs). He started by highlighting the fact that getting the marginalized community to contribute share capital for FPOs is quite challenging as they do not understand the concept and benefits that they would receive. He also mentioned that dominant communities, due to their social status, tend to take the lead in FPOs. On the other hand, marginal farmers do not participate much even in the business activities of the FPO. Their agriculture outputs are less and hence they are generally not very motivated. He mentioned that these issues must be consciously addressed as they will not get resolved on their own.

Dr Deepali Pant Joshi, Executive Director (Retired), RBI started by first clarifying that although going strictly by definition, which is based on saving account, microfinance is not considered in counting financial inclusion numbers but undoubtedly, microfinance is considered very important component by RBI in the overall financial inclusion strategy.

She then talked about the need and importance of community based organizations in empowerment of women. According to her, while SHGs and JLGs are rural value-chains in women empowerment they cannot and have still not resulted in true empowerment. The gender-based power equations are still intact. Therefore, continuous context-appropriate capacity building is needed. Furthermore she emphasised the need for effective policy implementation and engaging women in sustainable and scalable income generating activities.

In the context of enterprises, Ms Chetna emphasised the need for formalization of enterprises which can help women gain confidence and create an identity associated with their enterprises.

In the end, Mr Sinivasan summarised the discussions and expressed his own points too. He mentioned that probably it was time where livelihood finance was seen as the starting point and communities' overall financial needs such as life-cycle goals, insurance, investments etc. are understood and then the access is provided. He mentioned that we have to look at ways to bring women in, in a customer-led model and in the digital financial framework.

*The Path Ahead: Capacity building is needed to help women gain confidence and create an identity associated with their enterprise related activities. The successes of women led cooperative or collective enterprises must be disseminated and used as a tool to inspire more women and enable their economic inclusion.*



## 8. Session 6: Technology for Clients; Fintech in Microfinance–Era of Tech

**Moderator:** Ms Saloni Shukla, Deputy Banking Editor, The Economic Times

**Speakers:**

**Mr Vivek Tiwari**, MD & CEO, Satya MicroCapital Ltd

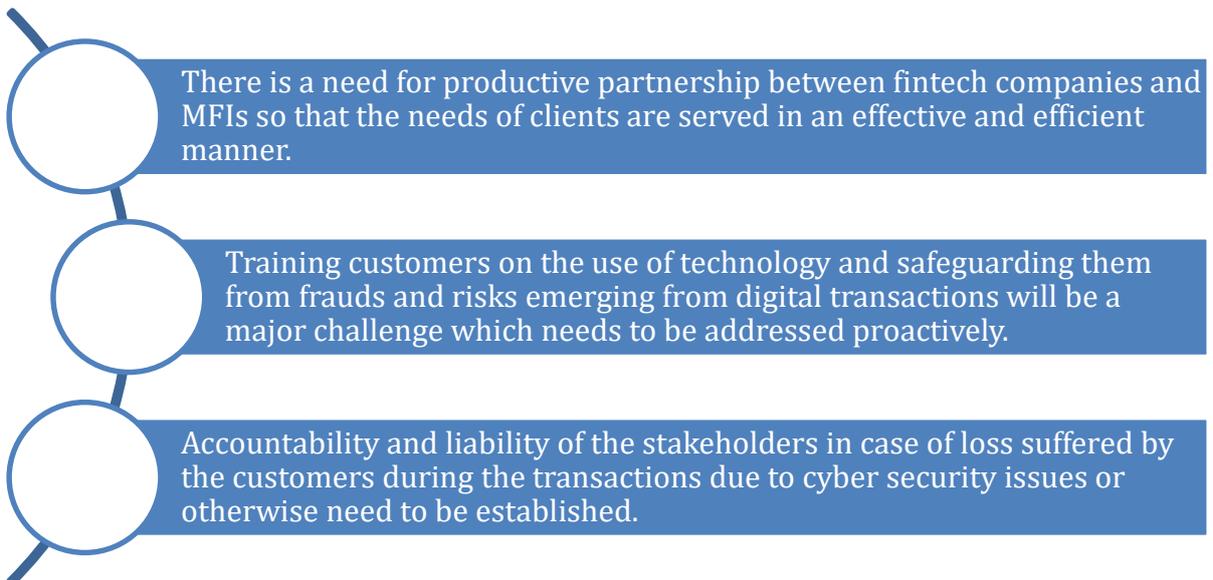
**Ms Sonali Mehta-Rao**, Co-Founder & Chief Growth Officer, Awaaz.De

**Ms Deepti George**, Deputy Executive Director & Head of Strategy, Dvara Research

**Ms Perna Saxena**, Senior Digital Payments Expert, Better Than Cash Alliance, UNCDF

**Mr Pratyush Halen**, CEO, Tapits Technologies Pvt Ltd (Fingpay)

### Key Takeaways



Use of technology in finance has become quite prevalent in the past few years. Speakers in this session discussed the state of technology adaptation by MFIs, collaboration between fintech and microfinance and the readiness of customers to adopt technology and customer protection issues.

Ms Saloni Shukla, Deputy Banking Editor, The Economic Times, urged the panelists to discuss the changes made by the practitioners, challenges faced by them in adopting digital technology and whether they see fintech as collaborator or competitor.

Ms Sonali Mehta-Rao, Co-Founder & Chief Growth Officer, Awaaz.De said that most fintech companies see Microfinance institutions as true partners. The MFIs have deep relationship with their customers and the fintech companies see themselves as the enablers which increases efficiency and reduces costs of operations.

Mr Vivek Tiwari, MD & CEO, Satya MicroCapital Ltd recounting his digitisation journey said that the process of technology adoption has been gathering pace in the microfinance industry since the past 4-5 years and most MFIs have adopted the available technology which is suited to their context. They have had good relationship with the fintech and technology companies in this process. He also felt that training customers on the use of technology and safeguarding them from frauds and risks emerging from digital transactions will be a major challenge which needs to be addressed proactively.

Mr Pratyush Halen, CEO, Tapits Technologies Pvt Ltd (Fingpay) said that he saw great opportunity for collaboration between microfinance and fintech. He felt that if all the players in the microfinance ecosystem have their own strengths and if all the players act according to their strengths it will be a win-win situation for all. His experience with the MFIs so far has been that most of the MFIs want to move to a cashless regime and they really want to collaborate with the fintech companies offering appropriate services.

Ms Deepti George, Deputy Executive Director & Head of Strategy, Dvara Research said that even before the pandemic the fintech companies had been trying to fix various processes in order to improve efficiency and risk management. However, citing some of the data available, she also emphasised that while cashless payments have increased in volume exponentially, the failure rates of UPI and API have also been increasing over the years. This points to certain infrastructure bottlenecks including grievance redressal mechanism which need to be paid attention and fixed. She also brought about an important aspect of the unclear framework of establishing accountability and liability of the stakeholders in case of loss suffered by the customers during the transactions due to cyber security issues or otherwise.

Ms Purna Saxena, Senior Digital Payments Expert, Better Than Cash Alliance, UNCDF. agreed with Ms Deepti George and said that while the customers themselves are willing to adopt available technology, the ecosystem has not worked adequately on providing options in vernacular language and a response grievance redressal mechanism. Business correspondents have also expressed the need to revise the remuneration structure.

*The Path Ahead: Microfinance customers are willing to try out new technology. The ecosystem needs to improve so that there is an effective system of grievance redressal in place to inspire confidence among them.*

## 9. Session 7: How MFIs can help vaccinate millions

**Moderator: Ms Annie Wang, Program Director, Opportunity International Australia**

**Speakers:**

**Mr John Alex, ED & CEO, Equitas Holdings Ltd**

**Ms Sandhya Suresh, Chief Manager, ESAF Small Finance Bank**

**Dr. D S K Rao, Sector Expert**

### Key Takeaways



COVID-19 has emerged as a crisis of unforeseen proportions leading to significant loss of lives as well as adverse economic impact. Vaccinations are being seen as the leading solution to emerge out of this crisis. In this session, the participants discussed lessons from the project in which Opportunity International Australia (OIA) worked with its partner MFIs to facilitate mass vaccinations in different parts of India.

Ms Annie Wang, Program Director, Opportunity International Australia, sharing the Theory of Change of OIA demonstrated how a holistic approach including financial services, skills and abilities and health can lead to a pathway out of poverty through impactful, scalable and sustainable solutions. She also said that health services are a natural extension of an MFIs' mission of financial security and social protection of the clients and healthier clients improve business viability of the MFIs. During the COVID-19 pandemic OIA worked with its partner MFIs in India to provide emergency relief support, access to primary health care and to expedite mass vaccinations to improve immunity.

Mr John Alex, ED & CEO, Equitas Holdings Ltd said that Equitas Development Initiative Trust (group organisation of Equitas), with support from Opportunity International partnered with the government to support the vaccination program by creating awareness and facilitating logistics for the vaccination camps. The effort helped in vaccinating 2 million people through over 16,000 camps in 6 states.

The tripartite collaboration between government, financial service providers and Opportunity International created an enabling environment by leveraging relative strength of each partner. Another important benefit for the MFIs was that earlier the governments viewed MFIs with skepticism but the collaboration achieved during the vaccination programs demonstrated that with the outreach of the MFIs, they can provide effective last mile connectivity to government programs.

Ms Sandhya Suresh, Chief Manager, ESAF Small Finance Bank said that with support from the Opportunity International, the bank adopted a three pronged approach in its COVID relief project. These included, a) providing immediate relief to the families which had witnessed loss of income due to passing away of primary bread winner or loss of employment, b) increasing awareness in the community about the need for vaccination and c) providing logistical support in the vaccination program. She also said that the MFIs were well placed to undertake initiatives of this kind given the widespread network and the rapport which they enjoy with the community. Such initiatives also help them to further strengthen relationships with government and other stakeholders.

Dr. D S K Rao sharing his experience said that health education, if implemented properly can bring awareness along with change in behaviour and health practices. A health crisis of the kind of COVID 19 required information to be disseminated to the population in a simple format. With an outreach of over 60 million, MFIs are in a great position to provide necessary information and messages to the community. He also shared key aspects of the Training of Trainers' module developed with support from Opportunity International Australia.

*The Path Ahead: Microfinance Institutions as part of their social mission should play a role in partnering with the government and other stake holders to make accessible critical health services to their clients.*

## Questions & Answers



# MFIs SHOULD BALANCE SOCIAL GOALS WITH GROWTH: RBI DY. GOVERNOR

FALAKNAAZ SYED  
MUMBAI, OCT. 27

Reserve Bank of India deputy governor M. Rajeshwar Rao on Wednesday said lenders in the micro-finance sector while chasing higher loan growth and returns, should refrain from adverse actions such as over-indebtedness, harsh recovery practices and harassment of customers, which would undo the tremendous progress achieved by the sector in financial inclusion over the decades.

"The roots and origin of micro finance should not be forgotten and sacrificed at the altar of bottom-line growth," Rao said while delivering the inaugural address at a

Sa-Dhan conference.

"While chasing higher asset growth and returns, lenders should not throw caution to the winds. Any slip-up through adverse actions of the MFIs may undo the tremendous progress achieved over the decades and the sector cannot afford to do that."

He said that self-sufficiency and financial sustainability are the objectives that the lenders need to pursue. "However, prioritisation of profitability at the expense of social and welfare goals of micro finance may not be an optimal outcome. Lenders need to remain cognizant of the fact that the balance sheet growth should not be built by compromising on prudent conduct."

# 'MFIs must stop chasing profit at clients' expense'

Sector lacks level-playing field: RBI's Rao

SPECIAL CORRESPONDENT  
NEW DELHI

Micro-finance lenders must refrain from chasing profits and introspect on the 'negative consequences' of pushing their borrowers into a debt trap, using harsh recovery practices and harassing customers as this could undo the sector's progress, a top central banker said.

Arguing that there is no longer a level-playing field in the sector as specialised micro-finance institutions (MFIs) governed by the central bank's regulatory framework now account for just 30% of gross loans, Reserve Bank of India Deputy Governor M. Rajeshwar Rao said this is posing 'difficulties for customers' and divergence

in practices.

Addressing the national conference of MFIs' self-regulatory organisation Sa-Dhan, Mr. Rao also stressed that lenders partnering fintech firms to deliver services and onboarding customers must ensure that customer-protection needs are not compromised in the process.

Urging MFIs to turn their immediate focus towards re-vamping their risk management systems, improving the skills of the field-level staff and institutionalising an effective grievance redressal system, Mr. Rao emphasised that lenders should not throw caution to the winds to chase higher asset growth and returns.

# MFIs should not throw caution to wind for higher asset growth, returns: RBI deputy governor MR Rao

PRESS TRUST OF INDIA  
Mumbai, October 27

RESERVE BANK OF INDIA deputy governor M Rajeshwar Rao on Wednesday said while the central bank will foster growth in the micro-finance (MFI) sector, the lenders in the space should not throw caution to the wind to achieve higher asset growth and returns.

MFIs should not try to mimic the strategies of mainstream finance, as those serving the microfinance borrowers have a greater need to balance the social objectives with their lending operations, he said.

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"While chasing higher asset growth and returns, (MFI) lenders should not throw caution to the wind. Any slip-up through adverse action of MFIs may undo the tremendous progress achieved over the

decades and the sector can ill-afford to do that," Rao said.

He was speaking at a conference organised by Sa-Dhan, a self-regulatory organisation for the microfinance sector.

The roots and origins of microfinance should not be forgotten and sacrificed at the altar of bottom-line growth, he added.

There is no denying the fact that self-sufficiency and financial sustainability are the objectives that the lenders need to pursue, Rao stated.

"However, prioritisation of profitability at the expense of social and welfare goals of micro finance may not be an

optimal outcome. Lenders need to remain cognizant of the fact that the balance sheet growth should not be built by compromising on prudent conduct," he said.

The Deputy Governor said from the regulatory side, RBI would look to foster growth of the sector, guided by the ultimate objective of financial inclusion and customer protection, while providing a level playing field.

He emphasized that MFIs should focus on understanding the needs of customers first and offer them an adequate level of support through appropriate financial products.

# MFIs shouldn't throw caution to wind: Rao

'RBI will foster growth in MFI sector'

By Falaknazz Syed  
Mumbai

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