Sa-Dhan

Fostering Inclusive Impact Finance

Sa-Dhan

Conference on Financial Inclusion

Promoting Women-led Enterprises: Microfinance Leads the Way

14th & 15th November 2022 I Le-Meridien, New Delhi

Conference Report

SA-DHAN Conference

on

Financial Inclusion

“Promoting Women-led Enterprises: Microfinance leads the Way”

14th & 15th November 2022

Le-Meridien, New Delhi

Table of Contents

1. Introduction

This report presents the proceedings of Sa-Dhan's conference on financial inclusion which was held on 14th and 15th November 2022 at Le-Meridien, New Delhi. The theme of the conference was "Promoting Women-led Enterprises: Microfinance leads the Way". The guest of honour was Mr Jayant Sinha, Member of Parliament and Chairperson of the Standing Committee on Finance, Parliament of India.

1.1 Inaugural Session

Welcome address and unveiling of the new face of Sa-Dhan –
Mr H P Singh, Chair, Sa-Dhan

A snapshot of the Bharat Microfinance Report 2022–
Mr Jiji Mammen, ED & CEO, Sa-Dhan
Release of the Bharat Microfinance Report 2022
Address by the Guest of Honour – Mr Jayant Sinha, Chairperson of the Standing Committee on Finance, Parliament of India
Special Note – Mr V. Vaidyanathan, MD & CEO, IDFC First Bank Ltd
Keynote Address – Mr Anil Kumar Sharma, Executive Director, RBI

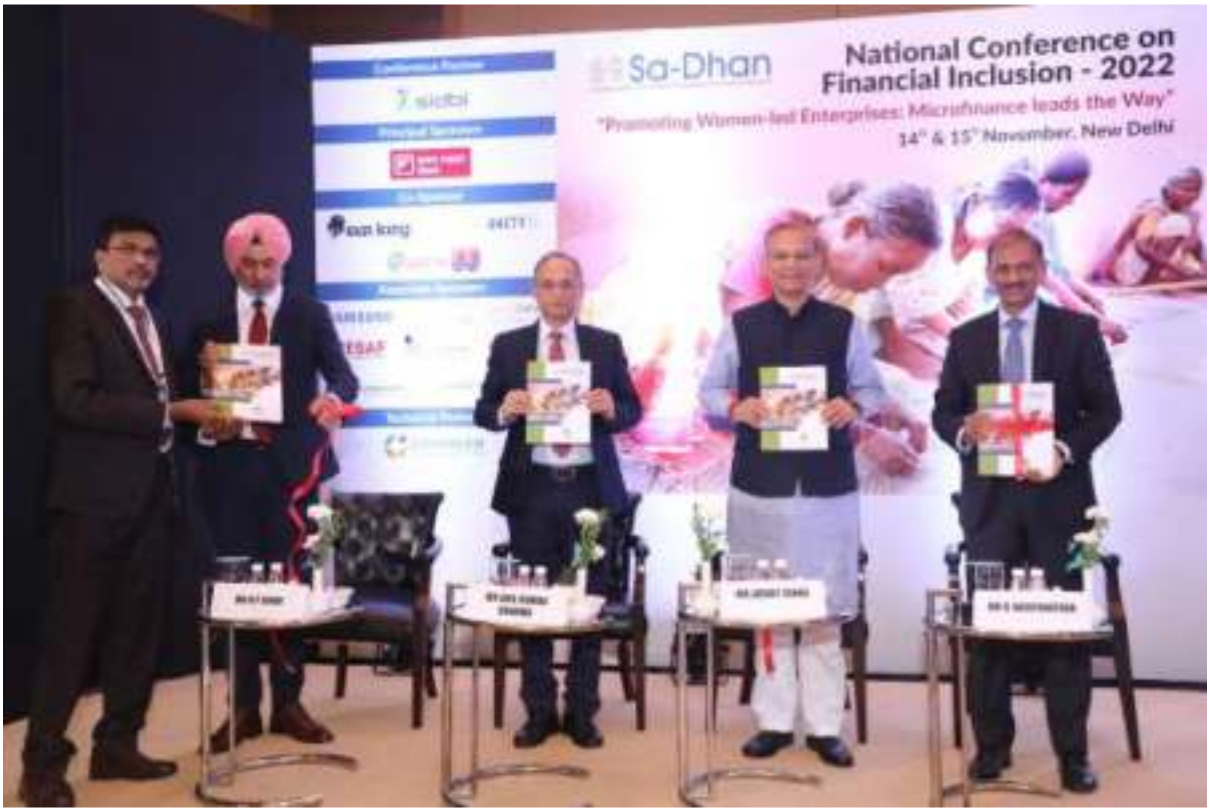
The conference began with homages to Smt Ela R Bhatt and Dr P Satish, who left us for their heavenly abode last year. The welcome address was delivered by Mr H P Singh, Chairperson of Sa-Dhan. In his opening remarks, Mr HP Singh paid tributes to Late Ela Ben and P Satish, recalling their fundamental contributions to financial inclusion. Elaborating on the theme of this year's conference, he said that as India assumes the presidency of the G-20 grouping of Nations, financial inclusion and gender equality come into greater focus. He further stated that as the oldest association of community development financial association and an SRO, Sa-Dhan has been involved in different initiatives aimed at the financial inclusion of low income households as well as their wellbeing in diverse areas including health and sanitation. He said that going forward Sa-Dhan wants to be the facilitator of impact finance in India that promote dialogue and disseminates best practices in order to build a robust and inclusive financial sector that contributes to the growth of the country.

Mr Singh's address was followed by a small presentation about the new Sa-Dhan, which builds on its legacy of 25 years. The presentation show-cased Sa-Dhan's new strategy as a uniquely positioned inclusive association focussed on sustainable development of poor households. It's new vision is promoting an economically and socially empowered inclusive society. Its new mission is to promote and foster inclusive impact finance institutions to support low income households, particularly women, to achieve stable livelihoods, improve their social and financial well being and quality of life fulfilling the sustainable development goals. Sa-Dhan's new identity and direction is encapsulated in the phrase, "Fostering Inclusive Impact Finance".

Mr Jiji Mammen's, Executive Director (ED) and Chief Executive Officer (CEO), Sa-Dhan, unveiled and presented the Bharat Microfinance Report (BMR) 2022. He stated that Sa-Dhan seeks to make the BMR one stop source of information on the microfinance sector, that provides a comprehensive view, and includes information from all financial institutions providing microfinance. Some of the highlights of this year's BMR are as follows:

- Microfinance covers all parts of the country - 28 states and all Union Territories, and over 600 districts
- There are almost 2 lakh people employed in the microfinance sector. Only 13% are women employees, MFIs may want to increase the number of women staff members.
- The number of MFIs operating in over 10 states has increased over the last 9 years, from 5 MFIs in 2013-14 to 44 MFIs now.
- MFIs serve 45 million clients with gross loans over Rs 1.35 lakh crores, average loan size of Rs 20,789
- There has been an increase in the BC portfolio, with larger number of MFIs adopting the BC model.
- The client outreach has grown by around 6% and the loan portfolio has grown by 19% over the previous year.
- The share of rural clientele is 75%. The proportion of rural clientele of MFIs has increased after 2017 with the exit of some large MFIs from microfinance to the banking segment.
- There has been a growth of 41% in the income of MFIs and 24% in the expenses of MFIs. Correspondingly the total net surplus of MFIs has increased.
- The loan portfolio quality of MFIs appears to have deteriorated in the previous year, largely because of high overdue loans in Maharashtra and Assam.
- The PAR > 30 days stands at 8.3% without discounting the PAR>180. If we discount for it since it is generally fully provided for and written off, the PAR>30 would be at around 5.2%.

- The Return on Asset (RoA) and Return on Equity (RoE) remained positive at 1.11% and 4.26% respectively for the industry in FY22, while financial cost lowered at 10.65%
- The Self Help Group (SHG) movement in India, the world's largest microfinance program, has seen growth, with there being 118.93 lakh SHGs linked to bank, an increase of 18% over the last year.
- The SHG savings amount held by banks is Rs 47,240 crores which is an increase of 26% over the last year.
- 67.4 lakh SHGs have bank loans outstanding of Rs 1,51,051 crore
- NPAs of SHGs stood at 3.8% a decline from 4.7% last year.



At the end of his presentation, Mr Mammen informed that the code of conduct for microfinance has been updated in accordance with the new regulations.

1.2 Address by the Guest of Honour – Mr Jayant Sinha

The Guest of honour, Mr Jayant Sinha, began his address congratulating Sa-Dhan for the work done in the area of microfinance and financial inclusion over the last 25 years. At the same time, he reminded the microfinance sector to gear up to anticipate and meet future challenges to sustainability arising from climate change.

He stated that microfinance can be helpful both in adapting to climate change as well as mitigating it. He further stated that sustainability and clean energy will drive growth in the microfinance sector which would need USD 100 billion to serve customers.

He made the point that for creating entrepreneurs, microfinance institutions should focus on creating a financing bouquet that will enable disbursal of loans to those who will be working on sustainable livelihood. He added that out of the 500 million workforce in India, 400 million are in the informal sector. This informal sector workforce is those who hugely benefit from the microfinance sector. The task in hand for the microfinance sector is to create green jobs for millions. And for this USD 100 billion will be required by the microfinance sector to promote green livelihood.

Mr Sinha also said one of the key challenges today is to create quality jobs for the millions who join the workforce every year, however, the aspirations of landing a government job cannot be fulfilled as they are limited.

Mr V Vaidyanathan in his welcome address stated that the size of the microfinance market in India is Rs 2.97 lakh crore with about 60 million unique customers. This has been achieved in 20 years and is comprised almost entirely of short term loans. Therefore, this is tremendously successful industry powered by a few distinct features:

- The microfinance demand emanates from millions of people running some micro business
- Regulatory support from Reserve Bank of India (RBI) has made it possible to meet this demand.
- After every crisis the microfinance sector has bounced back. This shows that the underlying economics of the business of the micro-borrower is sound, and also that her intent to repay is high. The average credit loss has been low despite multiple crisis.
- The Self Regulatory Organizations (SROs) – Sa-Dhan and MFIN are also important reasons of success of the sector. They have formulated norms for lending and collections. The regulations have reinforced these norms.

Mr Anil Kumar Sharma, Executive Director, Reserve Bank of India (RBI) in his address, said that grievance redressal of customers is very important along with customer protection. In any form of financial inclusion, financial literacy is paramount, he said. The RBI is implementing a 5C -content, communication, capacity, community and collaboration- approach to spread financial literacy across the country, he added. Further, he said empowering the population through financial inclusion is the key and the microfinance sector has been doing a commendable job at this.

2. Plenary 1: Opportunities and Challenges for Promoting, Financing and Handholding of Women Enterprises

Moderator: Ms Ritu Singh, Associate Editor, CNBC-TV18
Speakers:
Ms Padmaja Chunduru, MD & CEO, National Securities Depository Ltd
Mr Arup Kumar, CGM, SIDBI
Mr Prabhat Labh, CEO, Grameen Foundation, India
Mr Jugal Kataria, Sr. President & Group Controller, Satin CreditCare Network
Ms Bharti Birla, Chief Technical Advisor, International Labour Organization (ILO-UN)

Key Takeaways

- Greater participation of women in the workforce enhances national income.
- Unpaid care work is a critical reason behind lower participation of women – women globally spend nearly four times more as much time as men.
- It is difficult for women to get individual microenterprise loans because of higher risk perception on the lender's part.

The moderator Ms Ritu Singh said that the World Economic Forum's (WEF) gender gap report states that 268 years are required to achieve parity between men and women when it comes to economic opportunities globally. Moreover, India ranks very low in the gender gap report. Greater participation of women in the workforce enhances national income.

Ms Padmaja Chanduru stated that the participation of women in the workforce indeed remains low. Even in cases of women owned enterprises, a lot of times, the real ownership rests with the menfolk. Women are made owners on paper in order to claim subsidies or other benefits that might be available to them.

Mr Prabhat Labh made the point that women encounter inhibitions and barriers at home as well as at formal spaces such as banks. As the proportion of women in the workforce is low, it is difficult for them to find role models. A women microentrepreneur may be able to overcome domestic inhibitions to start an informal business, but if she has to grow her business she will need to formalize. The barriers that she would face in her attempt to do so would be significant.

Ms Bharti Birla made the point that a plethora of factors is responsible for the low participation of women in the work-force. While education is important it is not the key factor. Unpaid care work is a critical reason behind lower participation of women – women globally spend nearly four times more as much time as men. She also said that if public provision of care is made available it will allow a lot of jobs to be created for women.

Mr Jugal Kataria said that while MFIs primarily lend to women borrowers, their loan sizes are small. He felt that the new regulations which allow for larger loans will not take away the focus of MFIs from women borrowers because they have proven to be better at making timely repayments.

Mr Arup Kumar added that women borrowers have built a credit history through their borrowings from MFIs. This will help them in accessing larger loans which could be available form MFIs in the new regulatory regime, as MFIs themselves would look at graduating these clients to larger loans. He however agreed that it is difficult for women to get individual microenterprise loans because of higher risk perception on the lender's part.

From the Audience

There was a question from the audience regarding cases where women start small businesses but the menfolk in their families assume ownership once the business becomes successful. Responding to the question Ms Bharti Birla said that this is a problem because of difference in power between women and men within the family. She added that at times when women have successful businesses the broader community also gets involved. Mr Kumar added that it is indeed a challenge to determine the real extent of ownership a woman has over her business.

3. Breakaway Session 1: Opportunities and Challenges for Promoting, Financing and Handholding of Women Enterprises

Moderator: Mr Jacob Koshy, Deputy Editor, The Hindu

Speakers:

Mr Ganesh Neelam, Director, Sustain Plus Energy Foundation

Mr Arindom Datta, Executive Director, Rabobank

Mr Diwakar Hegde, Managing Director, NABFINS

Dr Shailendra Dwivedi, Director – Climate Change & Circular Economy, GIZ India

Ms Purvi Bhavsar, Co-Founder & MD, Pahal Financial Services Pvt Ltd

Key Takeaways

- The climate crisis will impact everyone.
- While MFIs are willing to play a role in meeting the climate challenge, their awareness about suitable and proven technology is limited.
- MFIs have the opportunity to become leading agent on demonstrating climate action on the ground.

The moderator Mr Jacob Koshy, started the discussions stating that several issues of climate crisis are playing out and this will impact everyone. His question for the panel was what could MFIs do to address the risks posed by climate change.

Ms Purvi Bhavsar said that microfinance, given its clientele, is at the intersection of finance, agriculture and climate change. While MFIs may be willing to play a role in meeting the climate challenge, the availability of suitable and proven technology is limited. It is difficult for MFIs to fund novel technologies because if there is a failure, the repayments suffer.

Mr Diwakar Hegde felt that MFIs need to design appropriate products to fund solutions that address climate risk. While pilots have demonstrated effectiveness of many solutions, scaling them up remains a challenge. He also felt that FPOs can play a role in wider adaptation of climate smart technologies and solutions.

Mr Ganesh felt that Distributed Renewable Energy (DRE) can become an enabler to address the issues underlying climate change including emission of greenhouse gases. He felt that finance is needed for bringing technology and for ensuring that technological solutions are widely accepted.

Mr Arindam stated that in order to understand the real nature of the challenge that climate change posed particularly in relation to agricultural practices we have to talk about the soil, water, energy usage as well as food loss. Inclusive financing needs to evolve further to climate finance, and appropriate technologies must be funded. He also felt that when institutions fund a particular solution, it becomes essential to measure the impact on climate issues for it to qualify as climate financing.

Mr Shailendra Dwivedi felt that MFIs can become leading agent on demonstrating climate action on the ground. At the same time he felt that the awareness within the microfinance sector regarding the climate crisis is inadequate and the climate risk has not been internalized. He further stated that this should be the decade of climate action and if MFIs take lead in playing a role in enabling their clients to adapt to climate risks and also take steps to mitigate it through their products and services, it can galvanize the broader community to take climate action.

The panelists felt that some incentives, from the government or donors can accelerate to adoption of solutions.

From the Audience

There was an audience question regarding if ESG assessment of MFIs can be undertaken to get them to take climate action? The panelists responded that while regulations and assessments do have a role to play, MFIs must themselves realize that there is a crisis which will affect their operations and they must act on it.

4. Breakaway 2: Achieving Environment, Social & Governance (ESG) goals through the Social Stock Exchange (SSE)

Moderator: Mr Shishir Sinha, Associate Editor, Business Line

Speakers:

Dr H K Bhanwala, Chairman, Multi Commodity Exchange of India Ltd (MCX) & Former Chairman, NABARD

Mr Sadaf Sayeed, CEO, Muthoot Microfin Ltd

Mr Sanjoy Ghosh, COO, NABCONS

Key Takeaways

- The Social Stock Exchange (SSE) is an initiative to take capital markets closer to the masses and meet various social welfare objectives.
- The SSE, being a multilateral and transparent platform will promote outcome driven initiatives.
- It has the potential to become just the right kind of platform for MFIs to source their financing from.

In his introductory remarks Mr Sishir Sinha drew on the Union Budget of 2019-20, where the Finance Minister Ms Nirmla Sitharaman had said that, "It is time to take capital markets closer to the masses and meet various social welfare objectives related to inclusive growth and financial inclusion", and proposed to initiate the steps towards creating a social stock exchange under the regulatory ambit of Securities and Exchange Board of India". He asked the panelists to deliberate upon how the social stock exchange initiative is going to help companies especially MFIs achieve their ESG goals.

Dr HK Bhanwala stated that traditionally fundraising for social causes has not been based on outcomes but based on intent. In the present scenario, companies have become cautious of their contribution to the society because sustainability concerns have come to the fore. The business scenario has changed and social considerations have become important in mainstream business. In this scenario, financial goals marry social goals. The SSE, being a multilateral and transparent platform will promote outcome driven initiatives.

Mr Sadaf Sayeed said that zero principal zero coupon bonds have been recongnized as securities that can trade on social stock exchange. Once such bonds trade on the stock exchange, effectively one would not pay an interest provided one has generated adequate social returns. It will promote transparency and ensure that money is getting utilized in the right way. Over a period of time reporting will ensure that there is clear information regarding how the fund is getting utilized, how it is performing. In the SSE, there will be several buyers and sellers and this may lead to multilateral transactions. This promotes transparency so organizations will be interested in using this route for their CSR activities.

Mr Sanjoy Ghosh said that regulations have become more enabling in the recent past and livelihood options are also increasing. He expected exponential growth in the microfinance sector – 30%-40% CAGR over next 4 or 5 years. He felt, given the exciting future, traditional sources – collateral and financial returns based - that have so far been mainstay may not be adequate. Regimes that factor in social returns for financing will become more salient. SSE provides just the right kind of platform for MFIs to source their financing from.

From the Audience

There was a question regarding ESG ratings or gradings because these make it easier for investors as well as investee to come together. The panelists stated that the SSE promotes transparency and as issuances of securities happen, greater disclosures on social performance and comparative performance can address this issue.

5. Breakaway Session 3: Powering Microfinance to achieve Sustainable Development Goals (SDGs)

Moderator: Ms Ranjana Chauhan, News Editor, Informist Media Pvt Ltd

Speakers:

Mr Manoj Gulati, Regional Director, South Asia, Water.org

Ms Sonali Shahpurwala, Head, Inclusive Banking, HSBC

Ms Urvashi Prasad, Director, DMEO, NITI Aayog

Mr Royston Braganza, CEO, Grameen Capital India

Dr. Aqueel Ahmad Khan, MD, Mitrata Inclusive Financial Services Pvt Ltd

Mr Hemang Mehta, Group Head-Risk, Vivriti Group

Key Takeaways

- The microfinance sector needs to build on the strengths to attract the pool of capital meant to fund SDGs.
- MFIs inspire trust and reach the doorstep of clients, but they need partners to make available services such as health to their customers.
- Lending for water and sanitation also impacts on other aspects of social development goals such as education, health and gender equality.

In her opening remarks the moderator Ms Ranjana Chauhan said that microfinance directly impacts seven of the SDGs. She asked the panelists to deliberate upon how it also influences other SDGs and its relevance in shaping a sustainable future.

Mr Royston Braganza said that SDGs represent a huge opportunity for the microfinance sector just as financial inclusion did 15 years ago. While there is a gap for financing SDG goals, there is investor interest. Microfinance has created a strong platform to bring that funding in. He suggested that the sector needs to build on the strengths to attract the pool of capital meant to fund SDGs.

Mr Aqueel Ahmed said that we cant take it for granted that MFIs will work for SDGs. There is a need to nurture them. The question to be asked is do we believe in it, right from the MFI boards to the last mile worker of the MFI. He further stated that there is growing focus on value chain even when it comes to interventions like health. The challenge is to make access to quality health services at the doorstep of the needy. MFIs have the outreach, trust and reach the doorstep of clients, but they need partners to make available services such as health to their customers.

Deliberating upon how effective is microfinance towards achieving SDG 8 – decent work and economic growth, Ms Urvashi Prasad said that it has a direct impact through credit that MFIs provide. Additionally she said, from a public policy standpoint, a lot can be done by leveraging microfinance and its outreach, given that the microfinance clientele comprises primarily of women. She further said, there is a community involvement and organization that is inherent to the microfinance space, which can greatly help interventions related to gender equality, water-sanitation, health.

Mr Manoj Gulati said that through their water and sanitation loans MFIs play a role towards attainment of SDG 6 – access to water and sanitation for all.

Lending for water and sanitation also impacts on other aspects of social development goals such as education (SDG 4), health (SDG 3) as well as gender equality (SDG5). Given that a significant proportion of women in India travel more than an hour per day to fetch water, water and sanitation loans can also address SDG 8 (decent work and economic growth), by freeing their time and allowing them to do more productive work. He said that, if we don't solve the water problem, the other problems cannot be solved. Microfinance sector is well poised towards solving SDG 6.

Ms Sonali Shahpurwala said that HSBC followed a two pronged approach – deploying pools of capital as well as help raise capital. It is working towards sustainability for example, helping farmers particularly women, bring down their agricultural costs. Another example she cited was about helping low income households that generate waste to recycle it, and, put it to economic use. Finally she said, HSBC is seeking to find ways to reach to the end borrowers and solve their problems.

Mr Hemang Mehta emphasized upon the importance of digitization in making microfinance more effective. Digital tracking of the process including selection of clients allow for effective targeting strategies. Technology makes it possible to identify cohorts where large number of borrowers who are under banked. Real time data of MFI operations and control allow for better risk management. He felt that digitization has become quite pervasive in MFI operations and quality of data has improved over time.

From the Audience

There was a suggestion from the audience that SDG aligned products for MFIs should be created with the help of support agencies and Sa-Dhan as this could facilitate the flow of funds to MFIs for the SDGs.

6. Plenary 2: Social Security - The missing link in Inclusive Growth

Moderator: Mr T K Arun, Senior Journalist

Lead Presentation: Deepak Alok, Prime M2i Consulting Pvt Ltd

Speakers

Dr Sudha Chandrasekhar, Executive Director, National Health Authority

Mr Anujeet Varadkar, CEO, Svatantra Microfin Pvt Ltd

Mr Ranjan Ghosh, President, Unity Small Finance Bank

Ms Priyanka Gupta, DGM, Pension Fund Regulatory & Development Authority (PFRDA)

Key Takeaways

- Data suggests that access to social security products such as life and health insurance and pension remains very low among the low income population.
- MFIs can play a role in creating awareness and distribution of social products among their clientele.
- MFIs may be constrained as their staff may not have specialized skills to understand and distribute social security products.

While the microfinance institutions have played a significant role in making credit and savings accessible to a large segment of hitherto underserved population, access to social security products such as health insurance, pension and life insurance remains inadequate for microfinance clients.

The panelists in this session discussed key issues resulting in inadequate access to social security products and explored potential models to enhance access to such products.

Setting the context, Mr Deepak Alok in his lead presentation, quoting NSSO data said that 80% of the population is not covered under any health insurance. This is when 60% of hospitalisations and 70% of OPD services are delivered by the private health centers or hospitals. Similarly, data also suggests that over 90% of the informal sector workers are not covered by any pension scheme. Impact assessment study conducted by Sa-dhan in 2022 with technical support from M2i, also suggested very low access to voluntary life insurance (20%), voluntary health insurance (4%) and pension scheme (3%) among microfinance clients.

Highlighting the multi dimensional nature of the problem, TK Arun said that a collaborative effort will be required to find a solution to this problem. Government agencies already have many schemes focusing on social security. The large outreach of the Microfinance Institutions can be leveraged to create awareness among the low income population about the government schemes on social security. The MFIs can also be used for distribution of appropriate products. He also emphasized on the need to strengthen the network of quality health service providers because in schemes such as Ayushman Bharat, the governments need to purchase services from the health service providers.

Ms Priyanka Gupta said that PFRDA works with banks including private commercial banks as well as small finance banks as distribution channel partners and already has an incentive structure in place for them. On the asset management side she said that all the pension schemes have given nearly 10% annualized return since its inception which is quite good given conservative investment approach with limited exposure to equity in most schemes. She also said that the subscribers with higher risk appetite can however, opt for investments with higher equity exposure.

Dr Sudha Chandrasekhar, enumerated key features of the Ayushman Bharat Scheme of the government to facilitate access to health services to a set of identified beneficiaries. She said that of the 50 crore identified beneficiaries under this scheme, health cards have been issued to 20 crore beneficiaries. She emphasized that the Microfinance Institutions can play a role in increasing awareness about the scheme and can become a facilitator to help beneficiaries access the services from health facilities.

Mr Anujeet Vadadkar said that over the past five years or so, Microfinance Institutions have moved beyond offering credit life insurance products and have started offering other insurance products such as health insurance. He also said that in his experience the outreach of government sponsored health schemes has been very low probably on account of lack of awareness or lack of access to escalation matrix or recourse mechanisms for the beneficiaries. He further said that the microfinance institutions have a time horizon of around 1 to 2 years for their loan products and selling long term schemes like pensions to these clients may be difficult.

Mr Ranjan Ghosh said that although the microfinance institutions have a large distribution network, on account of the specialized nature of the work of the field staff, their ability to cross-sell other products is rather limited. According to him, while the microfinance institutions could have a role, for distribution of health insurance or similar products, another specialized team will be required. He also said that in his experience, the only product which will go easily with the low income clients along with loans is the gold linked deposit product which has an element of social security attached to it. He felt that for the distribution network of microfinance institutions, selling a gold linked deposit product would be much easier as compared to selling a pension product.

7. Day 2 Introduction: Three Decades of SHG Bank Linkage Programme (SBLP)

Video Messages from the 4 Luminaries

Dr Chakravarthi Rangarajan

Dr P Kotiah

Mr Vijay Mahajan

Mr Aloysius Fernandez

Introduction & Welcome, Mr Jiji Mammen, ED & CEO, Sa-Dhan

Chair, Mr Shaji K V, Chairman, NABARD

Keynote Address, Dr. Prakash Bakshi, Former Chairman, NABARD

Dr C Rangarajan in his message said that it was the April 1996 RBI circular that affirmed the SHG bank linkage scheme and made it a part of the mainstream credit operations. This circular cleared all doubts and provided the basis for

SHG bank linkage scheme to flourish from then on. The unique feature of this scheme was peer pressure which ensured that credit was utilized for the purpose it was given and also resulted in all the members returning their loans with interest. The sound repayment culture was the most important and dominant aspect of the credit linkage. Another important aspect was that women formed most of the SHGs. He emphasized that it is part of the SHG movement to empower women. It is essential that this movement continues on the right lines so that it benefits the borrowers. Finally he said that the movement should also provide opportunities for marketing of the products of SHGs, as this is a missing aspect.

Dr P Kotiah in his message said that in the 80s, economically active poor working in the informal sector did not have access to financial services. NABARD took it as a challenge to find an alternative delivery model to reach those in the informal economic sector. This set stage for pilot by MYRADA which received a Rs 1 million grant from NABARD to develop credit groups. This paved the way for development of the concept of SHG in the 90s. In 1992 NABARD launched pilot bank linkage program with RBIs approval. It was not a model that was copied from any other model – it was developed by NABARD with the help of MYRADA and other NGOs. International agencies such as the International Fund for Agricultural Development (IFAD) appreciated it. Tamil Nadu Womens Development program finance by IFAD was one of the first multilateral programs where SHG bank linkage was done. Its results were excellent and the impact on development of women was significant.

Mr Vijay Mahajan said that the SHG linkage program is sustainable based on bank loans rather than subsidies. He recalled that one of the pioneers was Al Fernandes of MYRADA and the women groups were then called Credit Management Groups (CMGS), which morphed into women SHGs. In 1987 MYRADA had demonstrated that the groups were bankable. He recalled that during the 1988 drought in Rajasthan, informal bank linkages demonstrated how these could be effective even during times of economic distress. At the time, lending to unregistered groups was not permitted by regulations, still, because of a lack of awareness, some small loans were provided to groups for purposes such as fodder purchase. Subsequently lending to SHGs was approved by RBI. The state of Andhra Pradesh became a lab for demonstration of the scale up potential for SHG bank linkage. Bihar under Ajiwika is also a breakthrough case that has demonstrated the potential of bank linkages to bolster economic activity in an economically backward state.

Mr Al Fernandez in his message said that the real expansion of SHG is Self Help Affinity Group. Affinity is important as it connotes a relationship of mutual trust and it is a traditional strength of our country. Besides affinity, the SHG movement is built on another traditional strength – propensity to save. SHGs have emerged as an alternative way to build self-help and people's independence as distinct from the existing power structures in society. Even earlier women would save but kept it at home and protected it from their husbands. Group accounts addressed this need. Loans were leveraged based on this savings. He remembered his experience of advocacy efforts with NABARD for the linkage program. MYRADA's pilot was successful but on a small scale. Government's role was essential for scale up and there were champions within the government who believed in SHGs and supported it. Finally he listed the three important breakthroughs of the SHG movement:

1. Bulk loans to groups that gives loans to individuals
2. Loans to unregistered groups
3. Loans without physical collateral

Address by Mr Shaji KV, Chairman, Nabard

Mr Shaji KV, in his address, recalled that he was part of implementation in the initial days of the linkage program as a field officer. He said that while there is justifiable pride in NABARD for starting this movement, going forward the SHG movement should rejuvenate itself. While success has to be celebrated, lessons also need to be learned. He mentioned Kudumbashree in Kerala and

Jeewika in Bihar for lessons to improve the functioning of the program. He felt, one has to question whether the use of technology has been optimal and whether we have reached only the low hanging fruits or cracked the hard nuts, that is, reach the difficult to reach areas. The Eastern and North Eastern parts are lagging in banking access as compared to the southern parts of the country.

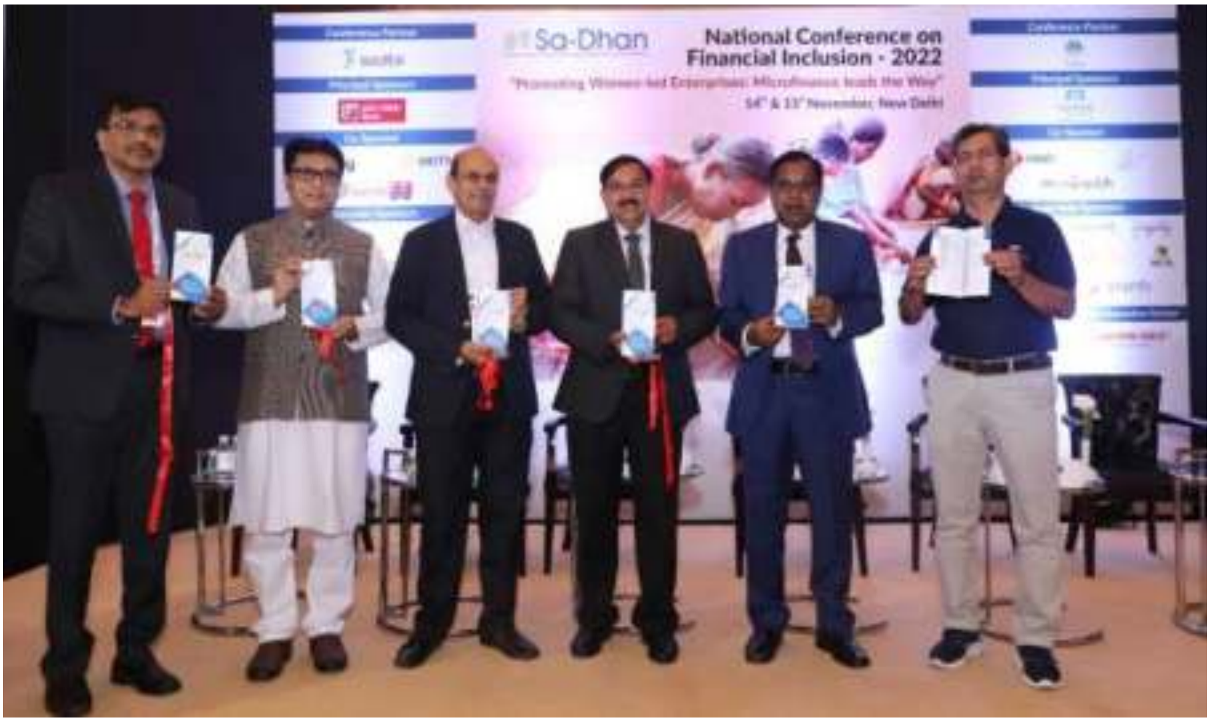
He also said that as India assumes the G-20 presidency, we should consider, whether India can offer customized solutions to other countries from its own experiences in financial inclusion. He also stated, NPCI's success shows how we can develop world leading technology and put it for public use. This can also be provided to other countries of the world to adapt to their own context.

He further stated that the SHG movement can be used to take pension and insurance products to the masses with the help of technology. Additionally we should deliberate upon how the SHG movement can help in addressing the income divide in the country. For example, can SHGs federate to FPO like entities that can improve their terms of trade and improve their income.

He also said that given the low female participation in workforce in the country, the SHG movement, where 98% participants are women, can play a role in enabling more women to become economically active. He felt that digitization and technology can play a vital role and should be used optimally. Digitization of transactions can create a credit history for members and help them access finance for microenterprises. He cautioned that competition between agencies chasing the same social goals can be value destructing. He called for collaboration among all the players in the sector to set up a credit registry that could help SHG members build up a credit history.

Finally he said that as things move forward NABARD will look to use experiential learnings as well as new innovations to reinforce its leadership role in the financial inclusion ecosystem.

Mr Prakash Bakshi in his address said that before the SHG movement, the right product design and appropriate processes that could address the financial needs of the poor were missing. The SHGs put focus on the economically poor. He reminisced how in the early days the SHG linkage program was supported from passionate development bankers and regulators who worked hard to initiate the program. He further said that programs like "Kudumbashree" tried to test that whether the system of bank linked groups can be used to create supporting structures for the economically active poor.



8. Plenary 3: Three Decades of SHG Financing: Learnings and Way Forward

Moderator: Mr Mr N Srinivasan, Sector Expert

Speakers:

Speakers

Mr Aloysius Fernandez, Member Secretary, Myrada

Ms L Leivang, CGM, NABARD

Mr Shantanu Pendsey, CGM, State Bank of India

Mr C S Reddy, MD & CEO, APMAS

Key Takeaways

- The strength of SHGs lies in the group processes that happen as in addition to financial activities members learn to planning and make decisions.
- Support is needed for capacity building of SHG members who graduate and can undertake enterprise activities.
- Autonomy and independence of the SHGs needs to be preserved.

Mr N Srinivasan in his opening remarks said that while we celebrate the success of the last thirty years of the SHG bank linkage program, we should also take a look at the lessons learned in this journey. He asked whether it has been a complete solution for problems related to financial access and livelihoods for the vulnerable.

Ms L Leivang, said that SHGs are a multifaceted platform for overall development. Their strength lies in the group processes that happen. SHG members learn skills of planning and decision making. SHG 2 came after 2 decades of SHG program and it introduced cash credit for SHGs based on projected savings over 3 to 5 years. SHG members were encouraged to open individual bank accounts. It also encouraged JLGs within SHGs for taking up enterprise financing. There has been tremendous growth but there is still more demand for credit. A separate specialized financing agency to supplement the credit linkage with banks could be helpful in meeting this demand.

Mr Al Fernandez said that the need today is to bring down the cost of credit for members of the SHGs and NABFINS could take a lead in this. He called for continued funding of the SHG program. He also said that there is a challenge for NGOs as they haven't succeeded in reaching out to those people who are so poor that they cannot even join SHGs. There is a clear need to reach out to those people. He further called for support from NABARD, which is needed for capacity building of people graduating from SHGs.

Mr CS Reddy lauded the 14 crore women who have made the SHG linkage program possible. He outlined four key needs for the movement to sustain its momentum

1. SHG savings are important. There may be about Rs 1.5 lakh crore cumulative savings of SHGs. These can be leveraged to lend more for enterprise creation.
2. The computerization of members data is critical for the SHG movement.
3. Autonomy and independence of the SHGs need to be preserved. APMAS has encouraged self-regulation of SHGs. This entails ensuring that SHGs have annual audits and verifications to function as democratic institutions at the grassroots.
4. How do we support the SHG federations needs to be deliberated and figured out.

Mr Shantanu Pendsey said that the State Bank of India has provided nearly a quarter of the total funding to SHGs. In spite of facing the successive waves of COVID, the stress on SHG portfolio is only at around 2%, which shows the strength of the SHG program. The SHG members have brought about a transformation in the country although they have not been glorified. They should be celebrated and their contribution should be recognized. He further said that although the southern states have outperformed in the SHG movement, states such as Bihar, UP and MP are also looking up. SBI's SHG portfolio has grown at a very significant rate, year on year over the last couple of years. He suggested that graduating groups and member should be supported in their attempt to scale up their business. Commercial banks are very positive on the potential of SHGs. SBI is funding a pilot in NRLM to support women who take up their own enterprise. He further called for the formation of a working group which can be chaired by NABARD for supporting those SHG members that graduate. He also asked for monthly meetings pf the group to take this initiative forward.

From the Audience

Members of the audience asked the following questions:

- Whether there has been a dissipation of the SHG movement on the ground and whether they were losing out to MFIs?
- Is this because of the loss of support in creation and nurturing of SHGs?

The panelists responded:

The assumption that a SHG is a financial institution is not accurate. It is more than a financial institution as it is a social group of people who come together for a variety of purposes including livelihoods, financial inclusion, health and other issues. Also today the SHG program is largely led by NRLM. Still, there are spaces where NGOs can bring in their expertise to help the SHG movement. Strong SHG federations can nurture SHGs by providing a variety of services such as audit and grading. NGOs can nurture the SHG federations so that a strong foundation can be established.

Speaking on the occasion Dr GR Chintala said that the SHG movement is a self help movement, and SHGs are not just a financial intermediary. In the initial days, the SHGs were formed when women who had a common need came together. These were therefore democratic organizations. While there is capacity to scale up within government programs such as NRLM, a question remains whether there is availability of the social skills important to cater to the needs of the people. In this approach there is no diversity of the promoting institution. The civil society organizations need to come back to address this gap in skills. There are still a vast number of women who can come in the fold of the SHG movement.

Mr Srinivasan concluded that there is so much to do with the scarce resources available.

9. Breakaway Session 4: New Regulatory Framework for Microfinance: MFIs Experiences and Role of SROs

Moderator: Mr Atmadip Ray, Senior Assistant Editor, The Economic Times

Speakers

Mr J P Sharma, CGM, DoR, Reserve Bank of India
Mr Vivek Tiwari, MD, CEO & CIO, Satya MicroCapital Ltd
Mr Manoj Sharma, MD, MSC
Mr Sudhir Madhavan, President & Head – Retail Assets, Jana SFB
Mr Subhrangshu Chattopadhyay, Director – Business Development, CRIF High Mark

Key Takeaways

- Overall the new regulations are very welcome and lead to greater opportunities for MFI.
- Lenders need to put processes in place to comply with the new regulations.
- Preventing over-indebtedness of clients requires some sort of assessment of MFI's repayment capacity for MFI's own sake.

The moderator, Mr Atmadip Ray, stated that the new regulatory framework for the MFIs was announced by the Reserve Bank of India in March 2022. The new regulations mark significant departure from the erstwhile regime and give considerable freedom to the MFIs to set interest rates and other product parameters to suit requirements of specific client groups. The regulations also aim to set a level playing field for the NBFC-MFIs vis a vis other regulated entity operating in this space. It also presents additional challenges and responsibilities to the Self-Regulatory Organizations (SROs).

Mr Vivek Tiwari stated that the biggest challenge in the new regulatory regime for MFIs is how to verify household income? He also felt that the leeway available to MFIs for loans that are not qualifying assets has effectively reduced. He however said that overall the regulations are very welcome and lead to greater opportunities for MFIs. On the responsibility of SROs, he said SRO's role is to present the real data in an appropriate manner to RBI, as well as making all MFIs aware of the existing regulations. Therefore he felt that the SRO role is a very important role.

Mr J P Sharma said that deadlines for new regulations were extended to let lenders adapt to the new regulations. Indications are that lenders are putting processes in place to comply with the new regulations. The rejection rates of MFIs have gone up and average ticket size of loan has slightly come down.

Lenders are becoming more circumspect in assessing household income. He also said SROs have been asked to work out their templates. He agreed with the view that in rural areas assessment of household income is a challenge. Still, one has to work on the best effort basis.

Speaking about rise in interest rates of MFIs after removal of the pricing cap, he stated that this may be because of higher costs and stress in portfolio after the COVID crisis. Firther the interest rate cycle has gone up and as a result the headline interest has gone up. He stated that the new regulations bring in more transparency in the interest rate and the borrower is also more aware. Competition among lenders should reduce the interest rates in the medium term.

He also felt that usurious interest rates cannot be objectively defined as this is a contextual word and one cannot assign any numeric value. It has to be decided on case to case basis. A large bank cannot be compared with a small MFI so we cannot have a one size fits all definition. The regulator can however, surmise in a particular case whether an entity is charging a usurious rate by comparing with peers. It is a matter of supervisory function of the regulator to keep an eye on it.

Mr Manoj Sharma said that group methodology made it possible for women to get smaller loans in an economically feasible manner. Individual assessment of client's household cashflows becomes important as one moves to larger loan sizes. Regulations are nudging MFIs to perform such assessments for their own sustainability. Preventing over-indebtedness of clients requires some sort of assessment – for MFIs own sake. He also said that the informal money lender is still not out of the business and for emergency loans the poor still depend on the money lender.

Mr Subhrangshu Chattopadhyay stated that the coverage of submission to Credit Bureaus has improved significantly. Lenders processes have improved and this has resulted in better data quality. The percentage of new to credit people has increased which is a move in the desirable direction. The application to approval ratio has come down which shows that lenders have become more careful in loan appraisals. He said as per the data received there is an operating range in the reported income of a borrower. The reported income after the new regulations is likely to be different than the pre new-regulation reported income.

Mr Sudhir Madhavan, speaking on the new regulations, said that it has evolved to become philosophy based instead of rule based. Stating about changes due to the new regulation, he said historically indebtedness was used to determine lending decisions but now it will be the repayment capacity. There is more leverage to lend with the relaxation in the income criteria. Banks including SFBs can offer multitude of products including loans for two or three wheelers as well as micro housing loans. Product differentiation is now possible. Banks can offer savings and deposit products to the customers, which is a need for clients in the higher loan cycles. He stated clients in loan cycle 2 and cycle 3 start accruing savings.

From the Audience

There was an audience question regarding whether the new regulations will lead to product innovations, particularly given that there will be greater scope to extend non-qualifying loans?

Mr Vivek Tiwary felt that the regulator would want MFIs to focus on microfinance loans. Mr J P Sharma said that the new qualifying assets criteria is against total assets, as against net assets previously, so that lending entities do not keep idle cash and extend more loans.

10. Breakaway Session 5: Financing Agriculture value chains through Collectives Sa-Dhan Conference on Financial Inclusion

Moderator: Dr. G R Chintala, Former Chairman, NABARD

Speakers

Mr Anil Kumar SG, Founder & CEO, Samunnati Financial Intermediation & Services Pvt Ltd

Mr Alok De, CEO, Foundation for Development of Rural Value Chains (FDRVC)

Mr Christudas KV, CEO, ESAF Multi State Agro Cooperative Society (ESMACO)

Mr S Balakrishnan, CEO, Vrutti

Key Takeaways

- The agricultural value chains have settled at a lower equilibrium which is not profitable for anyone including the intermediaries.
- There is great scope for financing agri-value chains through collectives.
- Special Purpose Vehicles which could be joint ventures between FPOs and corporates could be one way ahead.

In his opening remarks Dr G R Chintala, stated that Sa-Dhan has metamorphosed from microfinance forum to a forum for broader developmental finance. He felt that agricultural value chain are widely discussed but least understood. There is great scope for financing agri-value chains through collectives. However, in reality this has rarely translated as finance to collectives. Agri Gross Value Addition to the economy has grown tremendously but the credit gap is still around Rs 25,000 crore. There are multiple intermediaries in the value chain but they are also not making money because of high cost of funds for players in the agri-value chain. Financing agri-value chain is more important now that there are collectives of farmers and there are opportunities in the market.

He asked the following questions:

- Are farmer collectives reliable?
- Do they have capacity to borrow?
- Do they have the net worth?
- Whether the banker has the ability to appraise them?

Stating that the Indian agriculture is poised for big growth and there is a tremendous opportunity to make it contribute meaningfully to economic growth, he invited the panelists to hold deliberations.

Mr Alok De said that this was an opportune moment to take initiatives meant for the agricultural sector forward. Big public investments are being made in the FPO sector. There is also lot of interest among private investors. He further said that agri-focused start-ups are attracting private investors. The export of agri commodity represents a distinct opportunity. He felt that the challenges include ensuring profitability and credit worthiness of FPOs as well as growing their net-worth. He felt that the health of many FPOs is not very good and many FPOs are not functional. To summarize he said that the need is to leverage the positives in the agricultural sector for the welfare of the farmers so that they have larger share of the consumer rupee.

Mr Anil Kumar SG, stated that the agricultural value chains have settled at a lower equilibrium which is not profitable for anyone including the intermediaries. He said that this was primarily because of a paucity of working capital in the agricultural value chain. He further stated that the window of opportunity to process and market a farm produce is small and unless financial products can be designed to address the specific needs of different agri value chains, their utility is limited. He further said that providing finance to agri-collectives such as FPOs is not enough and an integrated approach should be taken to de-risk them. This also includes market linkages. He felt that for sustainability of FPOs, grants are not sufficient and profitable models should be evolved. In concluding remarks he stated that if the FPO brings two values – Social Capital and Trade Capital, the remainder can be developed.

Mr Christudas KV stated that any agricultural value chain should act as the bridge from producers to consumers which should bring together their different needs. The producer wants viability while the consumer needs affordability. He further said that this can be made possible with the help of technology, markets and supporting institutions. He felt that while India has a large producer base as well as a large consumer base it lacks adequate processing capacity. He also felt that agri-value chains should include the small and marginal farmers and result in profits for them. He said that small finance has made an impact in the lives of the economically poor and can also help small and marginal farmers. He pointed out that in the agricultural sector while women contribute with their labour, very rarely do they have assets in their name. This gender bias needs correction.

Mr S Balakrishnan said that while finance has been made available for a number of different activities, the need of the hour is to take a comprehensive approach that addresses the needs of every part of the value chain. He also stated that the risk taking ability of FPOs as well as facilitating organizations should be significantly improved. He suggested that Special Purpose Vehicles (SPVs) which could be joint ventures between FPOs and corporates, can lead to much needed investments in agriculture. He said that his organization Vrutti was in discussions with multiple corporates and multiple value chains to establish such partnerships. He further said that the need of the hour is to bring in equity, guarantees, debt as well as grants in the agricultural sector.

11. Breakaway Session 6: Cashless and Paperless: Digitization of Microfinance Operations

Moderator: Mr Shayan Ghosh, National Editor, Mint

Speakers:

Mr Kuldip Maity, MD & CEO, VFS Capital Ltd

Dr Neil Patel, CEO & Co-Founder, Awaaz.De

Mr Taron Mohan, Founder & CEO, NextGen Telesolutions Pvt Ltd

Mr Abhay Parekh, Head – AEPS, NFS & Market Initiatives, NPCI

Mr Sapan Parekh, Co-Founder, Leegality

Key Takeaways

- The value of technology lies in it fulfilling these three factors – Affordability, Accessibility and Trust.
- In the near future, with better technological support and enabling guidelines, app-based authentications and e-KYC can become possible.
- There is regulatory sanction for digitization and there are no grey areas.

The moderator Mr Shayan Ghosh stated that we know from experience that there are tangible benefits of adoption of technology. He further called upon the panelists to deliberate upon how digitization could help further cashless and paperless operations in the microfinance sector.

Dr Neil Patel said that the value of technology lies in three factors – Affordability, Accessibility and Trust. It is unanimously accepted that it reduces operational expenses and improves efficiencies. It has also played a significant role in increasing on-time repayments through better tracking. It enables this by providing the right touch with the customer at the right time.

Speaking on digital collections, Mr Kuldip Maity said that one question that needs to be asked is digitization is for the benefit of whom. Most of the time we think about the lender's side. What client wants is also very important. He said that transition from physical to digital will mean fundamental changes to the model. He doubted whether rushing through it will be good for clients. He cautioned that we must not be in hurry and should look at adapting it to the needs of the clients as every geography will have distinct limitation and scope.

Speaking on Aadhar Enabled Payment Services (AEPS), Mr Abhay Parekh stated that AEPS can be used for collections, although so far its use has been limited. There is price of adoption and there is device dependency on vendor.

He however felt that going forward it will grow with improving authorization of transactions. He stated that while it can also be used for onboarding clients, Aadhar based E-KYC is allowed only for entities notified by the Department of Revenues. Twelve MFIs have so far been notified and testing by at-least one MFI has started. He felt that in the future with better technological support and enabling guidelines app based authentications and e-KYC can become possible. He added that presently also MFIs, which are not notified entities can do offline e-KYC.

Mr Taron Mohan pointed out a few challenges of digitization. Citing the experience of DBT he said that after transfer a majority of the beneficiaries withdraw (cash out) their money within 24 hours. He spoke about making digital technology more reliable and convenient as well as trustworthy for the clients and how his company had been attempting to achieve these objectives.

Mr Sapan Parekh said that there existed diverse opinions regarding digitization with some entitles being eager and others being more circumspect. At the same time he said, overall there is a high level of interest in MFIs as there is agreement that digitization leads to benefits. However, they are not sure of the timing. MFI leaders are interested in finding out the potential for efficiency gains through digitization and the kind of returns on investments, it will lead to. Finally he said, there is regulatory sanction for digitization and there are no grey areas.

From the Audience

The audience question was regarding the difficulty in the field faced by SHGs in using AEPS to deposit cash. Mr Abhay Parekh said that every entity in the AEPS is undergoing development and the system is still evolving. SHG deposits would require dual authentication for deposit as well as withdrawal. Two banks are trying out pilots and with time it would be possible to use it.

12. Plenary 4: Spotlight East and Northeast India: *Emerging Opportunities and Challenges*

Moderator: Mr Tamal Bandyopadhyay, Consulting Editor, Business Standard

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

Speakers:

Mr R K Takkar, Former MD & CEO, UCO Bank

Mr Nanaiah Kalengada, MD, Equifax Credit Information Services Pvt Ltd

Ms Rupali Kalita, MD & CEO, Northeast Small Finance Bank

Mr Manoj Kumar Nambiar, MD, Arohan Financial Services Ltd

Mr Venkatesh N, MD, IIFL Samasta Finance Ltd

Mr Siddhartha Sanyal, Chief Economist and Head of Research, Bandhan Bank

Key Takeaways

- East and NE region continue to face challenges and lag in most development indicators. MFIs are also grappling with poor portfolio quality currently.
- Despite challenges, the region offers unique economic opportunities due to local industries and proximity to South East Asia.
- Huge population, improving Infrastructure and penetration of microfinance are opportunities to be leveraged. The industry is on course to revival.

The session started with the Lead Presentation by Mr Rahul Bist. He highlighted some major development challenges that the Eastern and Northeastern region face. The key highlights of the presentation were:

- The region represents about 25% of India's population and on most economic indicators, the region lags behind the rest of the country.
- 9 of the 14 bottom most states in terms of Per Capita Net State Domestic Product, are from East and Northeast India. 70 out of 117 aspirational districts are from this region.
- The region lags on Multi-dimensional Poverty Index (MPI), 11 states of this region have Headcount poverty Ratio of over 24%.
- On banking penetration too, all states in this region are below national average.
- The presentation also highlighted the opportunities in terms of the region being home to some of the largest MFIs in the country. The region has over 100 MFIs operating, has around 16 million microfinance clients, 7,600 MFI branches and Rs 450 billion of loan outstanding.

After the presentation, Mr Tamal Bandyopadhya, highlighted the immediate challenge being faced by the microfinance industry. He quoted SRO data mentioning that the share of microfinance portfolio has gone down from 41%

to 37% in total credit between 2019 and 2022. He also highlighted that the region had the highest average loan size, compared to the rest of the country, increasing the credit risk.

Mr Bandyopadhyay then started the discussion with the panelists by asking them challenges and opportunities that they perceive in the region.

Ms Kalita of NESFB mentioned that the Northeast does not currenty show a growth story, in fact the loan portfolio of Assam has shrunk from Rs 125 billion in 2019 to Rs 75 billion in 2022, due to reasons like COVID, political issues and floods.

However, despite challenges, she emphasized that the region offered unique opportunities. Its proximity to Southeast Asian countries, tourism, local produce make Northeast region standout. She acknowledged that there are a lot of challenges related to infrastructure, but these are gradually getting addressed.

Mr Venkatesh of IIFL Samasta talked about the fact that despite being a south-based MFI, how they still find it conducive now to work in eastern states. According to him, this was mainly due to the improving infrastructure in the region and the new RBI guidelines which have opened up a lot of opportunities.

Mr Bandyopadhyay then invited Mr Takkar, Former MD & CEO of UCO Bank. Mr Takkar started by acknowledging that there are challenges faced by the region and more so by Northeast. He mentioned that the behaviour on non-repayment tend to be replicated even by good clients. However, he mentioned that these issues in Assam are now towards the concluding phase and the thigs from here on will improve. He mentioned that while SHG and JLG have been successful in the region, there is still a lot that still needs to be done.

Mr Manoj Nambiar focused more on the strengths of the region and presented the opportunities that the region offered. He presented data in which he mentioned that the region has 26% of the country's population, very healthy gender mix with 49% female population, contributes to the extent of 18% to the GDP, provides 27% of the migrant labour and 60% of the population is between 15 and 59 years. He also highlighted that after the Assam microfinance crisis, the government is now firmly aligned with the microfinance industry and has given clear message to people to repay their loans. He expressed hope that within one year Assam will get back to it past performance in terms of portfolio quality and other indicators.

Mr Kalengada of Equifax started by informing that east India contributes up to 35% to the total microfinance portfolio. He related it with the GDP growth between 2019 and 2022 and mentioned that while the GDP has grown in West Bengal the portfolio has gone down which is contrary to the general trend. He mentioned that there is still a lot of opportunity in microfinance in general, as still the penetration of credit services is very low.

Mr Sanyal of Bandhan Bank, started by laying out the broad strategy for Bandhan Bank. He mentioned that while Bandhan Bank will continue to grow in East, the growth could be much higher in other states, thus bringing the overall share of East India down in the overall portfolio of Bandhan Bank. He pointed out that Bandhan is now a pan-India universal bank and does not have any especial focus on any particular region. Despite this broad strategy, he mentioned that strategically, Bandhan finds it very difficult to ignore the importance and appeal of this region, not just from microfinance standpoint but from standpoint of all the different products. He mentioned that with the improving GDP per capita, the region is already seeing improving infrastructure, creating huge opportunity. He predicted that in the next 5-10 years, there could be a huge change in this region.

Mr Tamal asked Mr Kalengada about the kind of support the industry can expect from them, given huge access to data that Equifax has. Mr Kalengada mentioned that Equifax is trying to make more data available to the industry for:

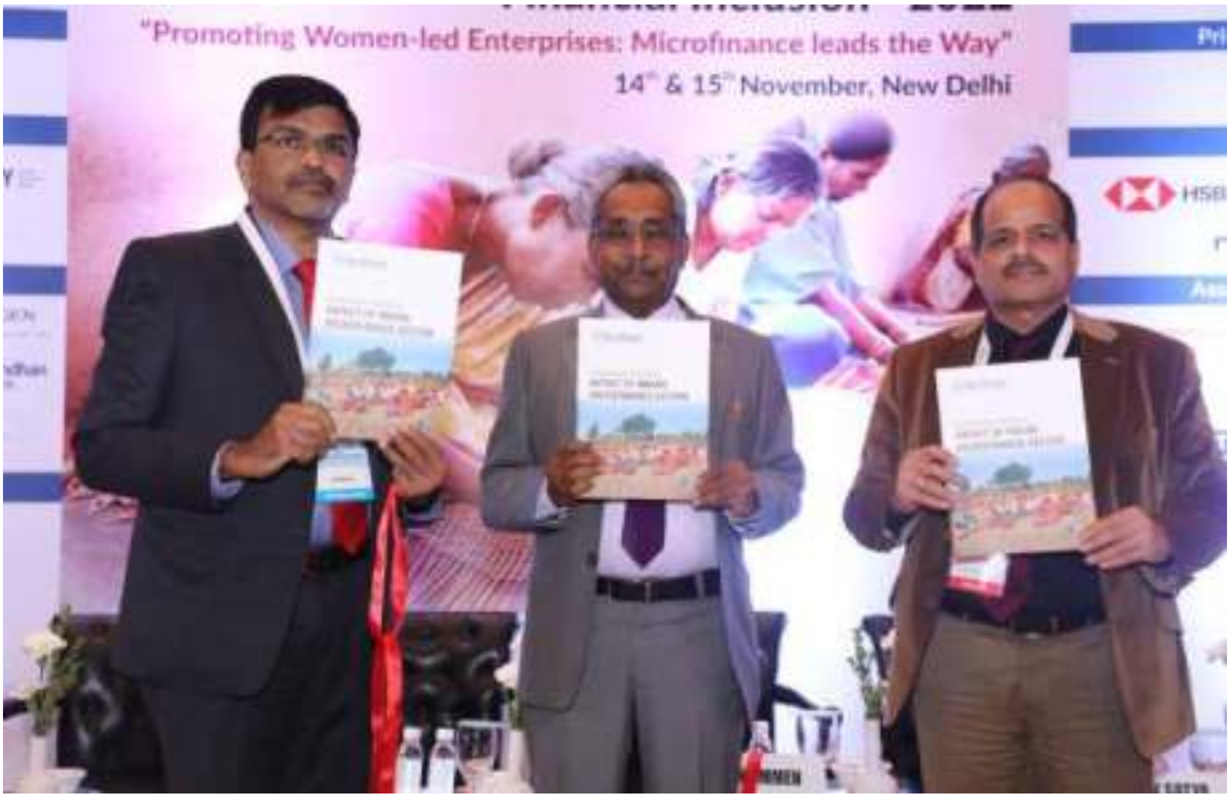
- Helping MFIs managing concentration risk. They are trying to make data available down from pin code level to now even village level.
- Making market information available for better decision-making on area selection. They rae trying to make data available on number of players, loan portfolio, loan cycle behaviour of clients etc.
- They would now be providing data that can help MFIs in better fraud management

In the concluding remarks, most speakers expressed that while the region has indeed a lot of challenges, it also offers a lot of opportunities with improving infrastructure, huge population size and deep microfinance penetration.

All the speakers were positive that they would not just be continuing working in East and Northeast region but had planned new strategies on product front and on risk management. They believed that the region will soon come back to its original level on most of the microfinance performance indicators. In the end, Mr Rahul Bist of M2i drew attention to the role of small MFIs in the region and the support provided by NEDFI, which created opportunities even for the very small MFIs in the region.

12.1 Closing and Valedictory Session

Snapshot and Release of the Study on Impact of Indian Microfinance Sector
Special Address – Mr V. Satya Venkata Rao, Deputy Managing Director, SIDBI



Mr Atul, M2i, presented a snapshot of the study on "Impact of Indian Microfinance Sector". This study was commissioned by Sa-Dhan and guided by an independent committee of microfinance experts. The study found evidence of:

- Favorable impact on income of microfinance clients, primarily because more family members could undertake income generation activity and there was more work available
- Increase in ownership of assets, as well as improvement in the status of housing, water and sanitation
- Improvement in confidence while speaking to unknown people as well as moving out independently

- Improvement in ability to count, read and write
- Improvement in awareness regarding various welfare schemes of the government.

Some of the recommendations from the study are as follows:

- Loans are needed for promotion of microenterprises
- Enterprise development trainings could help talented entrepreneurs
- Careful and diligent loan appraisal remains important for MFIs
- Innovations are needed to serve the “really” poor
- Emergency loan product and loans for housing have emerged as important needs
- MFIs need to make their clients aware about pension and insurance products and facilitate them in obtaining these
- MFIs need to work to improve the trust that clients have towards MFI staff members
- MFIs must strictly adhere to the industry code of conduct

The report was released by Mr V Satya Venkata Rao, Deputy Managing Director, SIDBI.

Special Address – Mr V Satya Venkata Rao, Deputy Managing Director, SIDBI

In his address, Mr V. Satya Venkata Rao stated that SIDBI has been associated with most of the MFIs for the past many years. Financial inclusion goals can be reached only with the help of MFIs because these are the institutions that cater to the needs of the most underserved clients. With the advent of technology – loan appraisal, credit delivery, operational monitoring, risk mitigation has enabled the growth of credit. Concerns in the microfinance sector have been addressed by the new regulations. We have a code of conduct, grievance redressal mechanism for attending to different sorts of problems.

He spoke about the "Prayas" scheme stating that SIDBI has partnered with a few institutions to extend services under this scheme. He called for more institutions to partner with SIDBI under the "Prayas" scheme. SIDBI is speeding up extending loans to partner institutions so that they can lend to their clients at a faster speed. He announced the revival of the India Microfinance Equity Fund (IMEF). This facility will enable support in the form of equity and equity linked producers to the microfinance segment. Focus on the tiniest of MFIs. He called upon the MFIs to come and seek SIDBI's support and partnership under these schemes to provide financial services to the excluded.

12.2 Conclusion

The two day conference concluded with a vote of thanks by Mr Jiji Mammen to all the conference partners and panelists, whose participation had made the conference a success, as well as, the Sa-Dhan team that had worked hard to make the conference a success.

Media Coverage

Links :

1. https://www.fortuneindia.com/macro/micro-credit-grows-to-263-lakh-cr-mfi-loans-up-19-in-2021-22/110388
2. https://www.moneycontrol.com/news/business/microfin-industry-needs-100-bn-to-promote-green-livelihood-jayant-sinha-9520761.html
3. https://bfsi.economictimes.indiatimes.com/news/nbfc/microfin-industry-needs-100-bn-to-promote-green-livelihood-jayant-sinha/95513202
4. https://navbharattimes.indiatimes.com/business/business-news/microfinance-sector-will-need-100-billion-jayant-sinha/articleshow/95514204.cms
5. https://www.ibc24.in/business/micro-finance-sector-to-need-100-billion-jayant-sinha-1266112.html

Questions & Answers









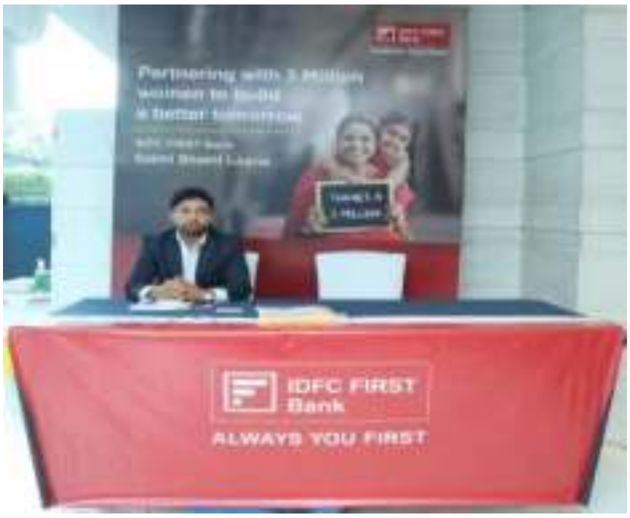




Exhibition


NABARD
NATIONAL CONFERENCE ON FINANCIAL INCLUSION


SAMSUNG


IDFC FIRST Bank
ALWAYS YOU FIRST


20W
LED


Vitto
Vitto Saath


Document Infrastructure Platform


BEVEL
FANS & HOME APPLIANCES


EMPOWERING WOMEN
TO BUILD THE FUTURE
muthoot
muthoot


NEXTGEN
Building for Bharat
Sa-Dhan
123PAY
NEXTGEN


REDEFINING
RURAL HEALTHCARE

Sa-Dhan

Fostering Inclusive Impact Finance

Sa-Dhan Conference on Financial Inclusion

"Promoting Women-led Enterprises: Microfinance leads the Way"

14th & 15th November 2022, Le-Meridien, New Delhi

CONFERENCE PARTNERS

NABARD

sidbi

PRINCIPAL SPONSORS

IDFC FIRST Bank

Pappachan muthoot MICROFIN

A Muthoot Pappachan Group Company

CO SPONSORS

SATIN

HSBC

UNITY Small Finance Bank

SATYA

सर्वे भवन्तु सुखिनः

m-swasth by m-insure

sun king

ASSOCIATE SPONSORS

Leegality

JANA SMALL FINANCE BANK

(A Scheduled Commercial Bank)

SAMSUNG

kaleidofin

SBM bank

TRST SCORE

vivriti CAPITAL

Craft Silicon

Thinking. Crafting. Transforming.

water.org

NEXTGEN TELESOLUTIONS PVT. LTD.

OPPORTUNITY EduFinance

FINHAAT

सुविधा सुरक्षा समृद्धि

Vitto

Powered By Micro Finance AI

Bandhan Bank

awaaz.de

BEVEL

ZINDAGI BANAYE BEHTAR...

ESAF

ESAF SMALL FINANCE BANK

Joy of Banking

KNOWLEDGE PARTNER

M2i

Enabling Sustainable Enterprises

TECHNICAL PARTNER

GRAMEEN FOUNDATION

ONLINE REPUTATION PARTNER

eminence

Your reputation partner

Sa-Dhan, H.O. : A 1- 248, 3rd Floor, Safdarjung Enclave, New Delhi - 110029 (India)

Tel: + 91- 11-47174400 | Fax: + 91-11-47174405 | E-mail: info@sa-dhan.org | Web: www.sa-dhan.net