

Press Release of 4th Eastern India Microfinance Summit 2018

On 14th of December 2018 at The Park, Kolkata.

Organized By: AMFI-WB

Knowledge Partner – KPMG in India

Supported By: Sa-Dhan

Given the recent disruptions in the environment and regulatory reforms, it is necessary to bring micro-lenders, bankers, policy-makers, allied financial service providers and researchers together with a common forum. To this end, the Association of Micro Finance Institutions – West Bengal, along with its member MFIs and knowledge partner KPMG – organized its 4th Eastern India Microfinance Summit 2018 titled, Microfinance: Going Digital while retaining the Humane Touch on December 14th at the Park, Kolkata. The objective and purpose of the summit is to actively engage key stakeholders in discussions relevant to current and future aspects of financial inclusion.

Discussions in the 4th Eastern India Microfinance summit focused on the following themes:

1. The next wave of growth for Microfinance:
2. Allied ecosystem for MFIs
3. Collaboration with Fintech firms:
4. Regulatory and Risk management implications in the changing landscape:

Delegate detailed: (Total 396 delegates):

1. *Speakers & Panelist - 40*
2. *Sponsors other delegates - 40*
3. *Bankers, Insurance and NBFC/lending delegates - 80*
4. *AMFI-WB Member MFIs Delegates- 148*
5. *Non AMFI -WB MFIs Delegates - 54*
6. *Print & electronic media personnel - 23*
7. *Others - 11*

Name of Guest, Speakers and Panelist in the Summit:

1. *Mr. Hauzel Thangzuan, CGM, RBI Regional Office, Kolkata*
2. *Mr. Chandra Shekhar Ghosh, MD, Bandhan Bank*
3. *Mr. Subrata Mondal, CGM, NABARD*
4. *Mr. S. P Singh, GM, SFMC, SIDBI, Lucknow*
5. *Mr. Ajit Kr. Maity, Chairperson, AMFI-WB and Chairman VFSL*
6. *Mr. Dipankar Aron, Additional Director General, Department of Revenue Intelligence, Ministry of Finance, Govt. of India, Kolkata*
7. *Mr. Harsh Srivastava, CEO, MFIN.*
8. *Ms. Gayathri Parthasarathy (Partner & National Head – Financial services, KPMG in India*
9. *Mrs. Shaon Sen, Director In-Charge, Director of Self-Help and Self-Employment, Govt. of West Bengal*
10. *Mr. M. K. Khemu, Regional Manager, P&GS, LIC, Zonal Office*
11. *Mr. Sanjay Doshi, Partner, Head of Valuations. Deal Advisory, KPMG in India.*
12. *Mr. Tamal Bandsapadhyay, Consulting Editor, Business Standard and Senior Advisor, Jana Small Finance Bank.*
13. *Mr. Prateek Tandon - Head Of Sales - India And MEA, Equifax Credit Information Services Private Limited and Country Leader - India & MEA, Equifax*

14. **Mr. Sudeep Kumar, AGM, Bank of Baroda**
15. **Mr. Kuntal Biswas, GM, IDBI Bank**
16. **Mr. Debabrata Das, DGM, Vijaya Bank**
17. **Gautam Ladha, Business Development, Financial Services (India), Greenlight Planet**
18. **Mr. Vivek Tiwari, MD, Satya Microfinance**
19. **Mr. Kamalesh Sethi, Zonal Manager, Eastern Zone, Punjab and Sind Bank**
20. **Mr. Arun Raste, Head of Partnership, Bharat Banking, IDFC.**
21. **Mr. Kartick Biswas, Secretary, AMFI-WB & MD, Uttarayan Financial Services Pvt Ltd.**
22. **Mr. Dev Verma, Chief Operating Officer, Satin Credit Care Ltd.**
23. **Mr. Ashok Kumar Sarma, GM, Financial Inclusion, UCO Bank Head Office**
24. **Mr. N.B. Venkatachalam, Regional Manager, Syndicate Bank**
25. **Mr. Ashish Agrawal, Director, J.R. Laddha Financial Services Pvt. Ltd.**
26. **Mr. Ashish Ranjan, Senior Manager, Punjab and Sind Bank**
27. **Mr. Viraf Sirvala, Vice President Sales, Nelito Systems Ltd.**
28. **Mr. Santosh Kumar, CEO & Founder, While Of One Innovation Labs.**
29. **Dr. Kuldeep Maity, MD, VFSL**
30. **Mr. Alok Biswas, MD Janakalyan Financial Services Pvt. Ltd & Board member, AMFI-WB.**
31. **Mr. Sabyasachi Chanda, Force Ten Technologies**
32. **Mr. Kundan Lal, Regional Head, Union Bank of India**
33. **Mr. S.K. Das, AGM, Canara Bank**
34. **Mr. Iyer Muralidharan – Associate Director, KPMG in India**
35. **Mr. Abhijeet Lakule – Associate Director, KPMG in India**
36. **Mr. Manoj Nambiar, MD, Arohan Financial Services Pvt. Ltd.**
37. **Mr. Anjan Dasgupta, MD, ASAI.**
38. **Mr. Vivek Tiwari, MD, Satya Microfinance**
39. **Mr. Pranab Rakshit, MD, Sarala Development & Microfinance Pvt. Ltd.**
40. **Mr. Bishwajit Das, Treasurer, AMFI-WB & Secretary, BJS.**

Capturing the details of speech from Mr. Hauzel, CGM RBI

- RBI has stepped in to provide regulatory framework for microfinance to ensure that interest of stakeholders are protected – customers, financiers, etc.
- 2 key points which were highlighted as potential risk and therefore needs intervention
- Increasing Customer indebtedness as multiple products being pushed to the same customers irrespective of whether they actually need them. This makes them a borrower for life/ long term.
- Overfunding to customers through multiple players (Banks, SFBs, NBFC-MFIs, NGO-MFIs, etc.) increasing the risk at a systemic level. Need for framework by which there is information sharing across players to ensure that the same customer is not funded multiple loans for the same purpose.

It was a pleasure sharing the report and our thoughts with the industry practitioners at the event on 14.12.2018:

Please find below some of the points that were deliberated by the key stakeholders and panelists:

Speaking about the report, Gayathri Parthasarathy, Partner and National Head – Financial Services, KPMG in India said, “The report highlights the evolution of various aspects of the microfinance industry and how the humane touch continues to be relevant for this industry. Over the years, Microfinance Institutions (MFIs) have assumed a key role in ensuring the reach of financial services to the target segments. Going digital has helped the sector tremendously. Several MFIs have embraced Digital through their own investments or in collaboration with other firms.”

During the Inaugural Session, Mr. Ajit Kumar Maity - Chairperson, AMFI WB; set the expectations to the summit. The summit aimed to discuss the funding issues faced by the industry, the challenges on customer overleveraging, customer indebtedness and how technology will be a key driver in the years to come. The chairperson highlighted the advantages of a common platform such as the summit where industry practitioners from across the value chain come together and get to deliberate the problems plaguing the industry, the opportunities and the way forward to ensure the sustainable growth of the sector.

Mr. Chandra Shekhar Ghosh, MD, Bandhan Bank stated that the word “Going Digital While Retaining the Humane Touch” concept is embarking the present status in microfinance industry in a enrich position. For an example, he shared that, all over world four software companies - Apple, Whatsapp, Facebook & Microsoft plays a vital role in human daily life. The digital technology helps the world smaller and it’s creating an evolution in the microfinance industry. Mobile phone create a vital role for playing regarding interact with each other by avoiding face to face interaction where as digital banking devices are connected by core banking system where customers can open instant banking account from home as well able to connect the core banking system. India is a digital banking country; where customers are readily get information regarding banking system. Micro banking sectors are also connect by digital banking where information of loan amount, disbursement, collection of data, each and every thing are very easy to get access.

Mr. Ganesh Chandra Modak - MD, Grameen Shakti MFI; spoke about the uniqueness of the microfinance lending model. He provided some thought provoking analogies of how technology companies have become an integral part of our lives but still do not have the same effect on our senses that is provided by human interaction. Similarly, he is of the belief that while technology will go on to become an integral part of the microfinance value chain, the human element will continue to be the face of the lender to the borrowers.

Mr. S.P Singh - GM, SFMC, SIDBI, Lucknow; addressed the evolution of microfinance from a group lending model (from SHG to JLG) to an individual focused model which supports the entrepreneurs within the groups that are borrowing. Mr. Singh went on announce a new scheme providing finance to microfinance lending institutions at a rate that would be approximately 4-5% lower than their existing cost of funds. SIDBI would in turn expect the micro lenders to pass on a large part of the benefit to the borrowers, a move that would bring a smile to the borrowers and offer sustainable funding support to the Microfinance lenders.

Mr. Subrata Mondal - CGM NABARD; described some of the initiatives taken by NABARD in the area of supporting the SHGs. Mr. Mondal was assertive that the model has been an effective mechanism to reach the unbanked and provide finance to the underserved rural households. The SHG model is expected to continue providing financial support to the women entrepreneurs especially thru the NGO MFIs and other reputable micro lending institutions.

Mr. Harsh Srivastava - CEO, MFIN shared some light on the growth of the sector despite the blows that the sector has faced in the form of the Andhra crises and demonetization. The growing competition from the SFBs and other lenders has led to a growth in the GLP outstanding but the number of borrowers has not increased significantly indicating a risk of over leveraging of customers wherein multiple organizations are lending to the same customer. He stressed that the financial sustainability of the microfinance institutions was important as the poor, underserved rely on these institutions for access to funds. Contrary to intuition, this set of customers has amongst the lowest set of defaults and if events such as the liquidity crises lead to tightening of funds to the lenders in the sector, it would in turn have a negative impact on the end customers as well.

The panel on ‘The next wave of growth for microfinance’ was moderated by Sanjay Doshi - Partner, KPMG Deal Advisory. The panelists shared their views on the SHG and JLG lending models, most agreeing that the JLG model has been the key driver of growth and will continue to drive growth of microfinance going forward. The need for sustainable capital/funds was discussed in light of the recent liquidity crises – a factor that will be

critical to ensure the sector continues on the growth path carved out in the last 5 years. Unlike other sectors, regulations play a pivotal role in the microfinance industry. The regulations not only define the (eligible) customer base, but also go on to structure the product, the tenures, the credit limit and place a cap on the interest chargeable by a microfinance lender. Given its prominent role in the sector, it would be paramount that the regulators including the SROs revisit and continuously update the regulations to benefit all stakeholders in the microfinance business.

Mr. Sanjay Doshi, Partner, KPMG Deal Advisory; remarked - ‘Monitoring MFI loans at individual level is critical, irrespective of them being disbursed thru the JLG or SHG model. MFIs will need to build robust credit risk monitoring systems and adopt technology for the same.

The next panel on the allied ecosystem for MFIs was moderated by Mr. Muralidharan Iyer - Associate Director, KPMG in India. Differing viewpoints emerged on the products and services that are currently being offered and could potentially be offered to the microfinance customers. While the cross-sale of other financial products including insurance and mutual funds provide a good source of revenue to the microfinance lenders, it could also fuel malpractices and mis-selling if aggressive sales targets are set for the Credit officers/field officers. The panelists came to a consensus that the microfinance borrower would need insurance products and hence the same should be offered but laid emphasis that it should not become the core focus of the lenders.

The panel discussion on ‘Regulatory and Risk management implications in the changing landscape’ elaborated on the need for a robust risk framework for the industry. The RBI representative and other panelists flagged off risks including overleveraging of the customer: While some of micro lenders including the NBFC MFIs adhere to the limits as set by the regulatory authorities, there are other larger lending institutions providing credit to the same customer set in the form of other lending products thus overleveraging the customer. Operation risk – The MFI field employees have been at risk in the past but with the digitization of processes and introduction of cashless disbursements and collections, the risk for employees decreases significantly as they do not have to handle the cash anymore. s being mitigated moving cashless Household indebtedness – An interesting risk discussed by the panelists included those families where other Banks/NBFCs offer loans to the spouse/family member of the same set of customers who are borrowing from microfinance lenders, thus putting the household in debt.

Concluding remarks: While the session highlighted the adoption of technology, the key risks and the way forward, it was clear that the humane touch is still at the core of the MFI business given the nature of the customers and the products.