CEO/CFO State Conclave on Emerging Trends for Micro Finance Sector
Organized by: AMFI-WB
Knowledge Partner: EY

Date: 04.09.2014. Venue: Hotel Park Prime, Kolkata

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Introduction:

The program was started with the welcome speech of Mr. Anjan Dasguta (MD, ASAI), who facilitate the whole event on behalf of AMFI-WB. On behalf of the association Mr. Dasgupta welcomed all the delegates and participants in this event. He has also shared about the objective of this event from the dais. Mr. Sanjay Agarwal (Associate Director, EY) has welcomed all the dignitaries and participants in this event on behalf of EY. In this inaugural session of this event Honorable Chairperson of AMFI-WB, Mr. Ajit Kr. Maity had illuminate the lamp and the historic moment was lightened with the grand presence of Mr. S. Ramakrisnan(GM, SIDBI). The primary objective of the event was to have an overall impression on recent trends and growth of microfinance sector with national regulatory framework development by Supreme Bank of the country and to understand the possibility of withdrawing risk of fraud in the sector, taxation issues, understanding company Act and other related acts that followed by the MFIs. After that the technical session was shared by the eminent personalities.

1st Technical session: Discussion on emerging trends and key challenges-

Mr. Viren Mehta (Partner EY- Assurance, Audit Head, and FSO): Mr. Mehta stated it is a great privilege for him as AMFI-WB has given him the chance to addressing the participants. In his opening notes Mr. Mehta had given an overview about the impression on emerging trends and stated about the key challenges. He stated that financial inclusion an often use frame and it is considerable amount of attention.

Mr. Mehta also commented in most of the population there are unfulfilled needs for financial services and these areas can be covered by all the Micro finance institutions. Mr. Mehta stated that all micro finance institutions are playing a crucial role to providing financial services to the poor people across India. His perception is that MFIs have promoted inclusion and foster financial literacy. He has also shared about three different experiences from three different continents like Africa, America and it is about changing the direction of conservation of micro finance. Honorable Mr. Mehta stated that financial inclusion is the principal goal to develop our country. In between the dialogue Mr. Mehta also addressed all to “change the direction of micro finance conservation. The activity of microfinance should not be limited to micro lending & micro insurance oriented. It should be covered the entire gap of the financial services including expecting micro deposit.” Mr. Mehta stated that there are several social funds, development agencies and both local and international investor for Indian microfinance. The Indian variation of CDFI model would be setup the fund manager tentative under the supervision of certain development financial organization in India that would source it funds for socially responsible foundation .The form of Investment could risen from the poor equity, grants through loans. High value investment provided by preventive as well as participated rights to investor. This would provide a significant financial resources to various Government owned development agencies for onward development. This investor has more benefit from the flexibility of the instrument. A part of the fraud management fees earn by the development agencies would use for financial literacy program as well as provided professional business advance to the borrowers. Mr. Meheta has shared about three experiences from three different continents about some centralized model to a scalability of micro finance operation.

Mr. Ajit Kumar Maity, Chairperson, AMFI-WB: Honorable, Shri Maity welcomed Mr. Viren Mehta & Mr. Ramakrisnan and the other eminent personalities from the dais. He stated in India that new micro finance model was emerged in the end of the eighties, but in this region the micro finance started in mid of nineties. Mr. Maity included in India his sector has crossed more than 25 years, but still the poor people in India they know what is micro finance. Mr. Maity also mentioned that few government officials have no idea still today that what is microfinance. They have a thought that micro finance & chit fund are the same. Mr. Maity has given example of recent incident of Assam. Honorable Shri Maity also defines about the micro finance and commented this perception is really very difficult to enrich this sector & to reach more & more people. His thought, this sector is unorganized by this government. Reserve Bank has recognized this sector only through micro finance NBFCs, RBI are not bother about NGO MFIs. He stated NGO MFIs have started at the beginning, some of them converted to NBFC later. In between his speech he also mentioned about the interest rate & sealing rate. His perception is, if all MFIs can give loan in between 15 to 20% rate of interest then the borrowers can be benefited. But it is not possible because all MFIs are taking grant from bank in a interest rate of 13 to 16%. He has given data total loan outstanding in this sector is 25 thousand core. Mr. Maity expected for low interest rate from the banks as MFIs are giving loan to the poor people and this would be related with poverty eradication. Honorable Chairperson of AMFI-WB suggested to every association like Sa-Dhan, MFIN & AMFI-WB that they can take up the issues. As per his opinion micro finance started from the rural areas but gradually hey concentrated in urban & semi urban areas. In Urban & semi urban areas there is huge competition among all the MFIs. Mr. Maity mentioned in rural areas still there is no existence of micro finance organization. In few rural areas & backward areas there is one or two MFIs are working. Mentioned about some areas in south Bengal mainly in Hooghly district and Arambagh sub divisional area there few MFIs are working and as it is a flood prone area poor people need more help from MFIs. Mr. Maity expected for more enhancement of all MFIs in this type of area. Mr. Maity also stated in Purulia, Bankura & Jalpaiguri district there are many areas where poor people are living, but no MFIs are entering in those area.. Honorable Shri Maity also mentioned about the micro finance practitioner, and stated in early days in this sector there was no trend worker in this sectors those who have given appointment as a loan officer. Mr. maity mentioned in rural areas most of the MFIs have recruited loan officers from the poor community those who are non metric and H.S passed, and they have successfully worked as a loan officer. But now the situation is changed, most of the MFIs are recruiting graduate people and above standard those who are very effective in communication skill. He suggested every MFIs representative that MFIs can recruit from the rural areas. MFIs are doing indirect employment to the poor people through micro loan. But if all MFIs can recruit the loan officer from the poor community it will also help in poverty eradication indirectly.

Honorable AMFI-WB Chairperson stated about the women employment ratio in MFI sector is below 5%, where as all the MFIs are dealing with women borrowers. He has also mentioned during his speech that women client ratio is more than 95%. Mr. Maity shared about his hopes that these are the areas where all MFIs need to emphasize and it could be related to organization growth, sustainability & development. Co existence of small MFIs and large MFIs is required. He stated small MFIs are in a vulnerable situation because in most areas small and large size MFIs are working jointly. But due to lack of fund they are unable to give loan to the borrowers as a result of that in most of the areas the large MFIs are picking to the borrowers and it is also helping the large MFIs as they are getting some ready clients. Honorable, Shri. Maity stated small MFIs also required because they can work in many difficult areas. He also mentioned about BC model, where banks are unable to reach in these areas they are engaging BC correspondence. He mentioned large MFIs can also recruiting BC as a micro finance correspondence to the NGO MFIs and stated if this type of thought can come up in future, it will be helpful for small NGOs those who are not getting fund frequently from bank, in that way uncovered area can be covered. Mr. Maity mentioned after 2010, Malegum committee has recommended about some code of conduct for the NBFC micro finance institutions. But RBI has not given any norms to the banks for micro finance lending because MFIs cannot charge more than 26% and their margin not more than 10%. He mentioned earlier all MFIs took 10% margin money but after Malegum committee no margin money is there. AMFI-WB chairperson also mentioned sometimes banks are asking for 15% margin money from the MFIs. He expected there should have some guidelines from RBI for the Banks for micro credit lending. Mr. Maity included cost of funds cost of fund gradually becoming more high. Banks are charging interest rate 15% with added margin money. He has given one example that MFIs are giving money to the poor people on faith and the borrowers also repaying the amount to the MFIs that are why the recovery rate is more than 98%, where as banks recovery rate are 60-70%. He stated when MFIs are not taking any guarantee from the poor people then how banks are asking for the guarantee from the MFIs. In between his speech Honorable Shri Maity also highlighted on some areas, where banks are giving loan of Rs. 1 Cr. and asking for1.25 Cr. book debt. He suggested the association to think over, that there should be some norms so that this sector can grow & reach more to the poor people. He has also mentioned about the Malegum committee recommendation that 50 thousand loan amount for the borrowers and in rural areas household income level of Rs. 60000 yearly for eligibility. He hopes for review the sealing by the committee. In his speech Mr. Maity also mentioned growth rate of microfinance is increasing, but it is increasing to the large organization, mid level organization at the same time portfolio of small organization is decreasing. Clarify his opinion that's small MFIs are mainly NGOs and banks are preferring to the NBFCs. So gradually NGO MFI portfolio is decreasing, but in real sense NGO MFIs are doing a very good work in a very small way and that has to consider to the MFIs to support so that they can exist. Chairperson of AMFI-WB also stated without support of SIDBI the sector could not grow. From the dais he requested SIDBI, GM to support all MFIs. He did not forget to mention about the Banking license of Bandhan, and stated it's a real recognition for the whole sector. During his 30 minutes of speech he has also mentioned about the recognition which RBI has given to the NBFC, s for mini bank and added the principal recognition will come when the MF bill will pass at the parliament.

Mr. S. Ramakrisnan, GM, SIDBI stated:

Mr. S. Ramakrisnan, General Manager from SIDBI stated upon expectation of investor from MFIs Governance and end use of money. He also briefed about the expectation of MFIs- to foster the growth.

Mr. Ramakrisnan also mentioned about the role that SIDBI can play and about some regulatory aspect.

2nd Technical session -

Mr. Nilesh Naker, Partner EY Business advisory stated:

Mr. Nilesh Naker, briefed about the role of IT system in strengthening the operation in MFI sector. He mentioned financial inclusions are moderating by many banks & RRB in India. Also added there is a huge push on financial inclusion by primary agriculture credit societies and the EPIC cooperative banks are doing the similar job. Mr. Naker stated about low value & high volume transaction. In his speech he mentioned average loan size in West Bengal is Rs. 10000 and across India the loan size is Rs. 3500-4000/. Mr. Naker also mentioned in his speech that language is the main barrier for MFI sector as well as the Banking sector in India. He has given an example that in India if anyone asks about one banking statement in any regional language or in Hindi to any public sector bank till date it is possible. Mr. Naker stated that how technology can be used to protect fraud and flagging fraud also mentioned about this type of business challenges. Mentioned about how technology addressing the business challenges that all the sector is facing. Honorable Mr. Naker stated, technology should be cost effective. In his speech Mr. Naker also mentioned about the education level of all MFI staff, about the demographic spread of MFI operation and how fraud is related with the two major aspects. During his speech Mr. Naker mentioned that business challenges can be faced by the use of technology. He added there are four basic things that technology has evault in past four five years. He has given some example about some model, like biometric system for the MFIs which can be used at the field. He mentioned cost of equipment had fallen dramatically in last couple of years. Mr. Naker mentioned about some technical parts which can be used for internal & external data analysis of all MFIs. Also mentioned about the networking and connectivity part and briefed about some useful method of technology in this sector. Mentioned about the areas where the technologies can be used like the enrolment process, disbursement, collection. Mr. Naker also added technology can be used to send the data in a quicker time in a central depositary. He mentioned about the below mentioned areas which all MFIs are confronting today and i.e.

- Increased Competition from banking sector
- Low depth of outreach
- Poor loan collection method & default
- Fraud percentage of around 67%
- Poor Education level
- Low client retention & high rate of interest.

Mr. Nilesh Naker also mentioned in his presentation that how the challenges can be tackled by using technology and mentioned about some areas where technology can be used, like demographic challenges, geographical coverage, data growth management, technology evaluation. He also briefed about cost of service delivery, real time reconciliation, and technology investment which is also related with challenges mitigation. Mr. Naker also briefed about some landscape use of technology like application, workflow, business process, MIS reporting, cloud etc which most of the MFIs are following and also stated how to abstract the technology. In his presentation Mr. Naker also stated about the leverage of technology in MFIs sector for management & branch. He mentioned technology can be used to efficient the management as well as to efficient the branch.

Mr. Rajeev Suneja, Partner EY-Lead and advisory:

In his technical session Mr. Suneja mainly addressed on capital inflow opportunities. Mr. Suneja stated in his comments that the revival of growth seen in MFI sector recent years, and his hopes it will be continue in medium term with a 2 year CAGR of 42% buoyant growth expected in coming years. He has highlighted on some areas which are mentioned below:

- Regulatory interventions and greater regulatory clarity- stability in the operating environment post of AP crisis.

- Revival of growth in recent years (over 40% growth in both Financial year 13 and Financial Year14)

- Enhanced stake holder's confidence due to stability in operating environment and healthy portfolio performance outside AP.

- Increased flow of money enabling further growth

- Buoyant growth expected to continue over next two years, loan assets expected to reach Rs. 45000 by Financial year 2016

  Mr. Suneja stated MFI loan assets now more evenly distributed across various regions in the country and the concentration risk has also been reduced due that. He has given some power point presentation on state wise mix of disbursements and regional distribution on loan assets. He also mentioned more diversified portfolio with no state comprising more than 15% of assets and 20% of disbursement. In his speech Mr. Suneja also added improved operating efficiencies and healthy portfolio performance enhancing stakeholder confidence in MF sector. He briefed in details about the significant improvement in productivity measures of MFIs as well as asset quality parameters over the last two years. During his speech he has also highlighted on stability in the operating environment, mentioned about the significant improvements across operating efficiency parameters. Also included active use of credit bureaus has the MF sector to reduced instances of multiple lending and over –indebtedness of borrowers. In his perception improvements in operating efficiencies have resulted in enhanced returns for the MFI sector in recent years. Mr. Suneja also stated about consistent improvement in opex ratio and profitability in recent years and expected profitability to take a hit due to margin cap. During this technical session he has also shared about many things like RBI's revised guidelines on pricing of credit, mentioned improving productivity measures resulting in operating expenses ratios declining in recent years. Also include, margin cap expected to result in a 100-200 bps reduction in net interest margin for large MFIs. In his opinion profitability has also improved in recent years. During his topic of discussion Honorable Mr. Suneja stated about greater reliance on loans vs. securitization. He added enhanced stakeholder confidence has resulted in increasing debt funding. In his perception regulatory clarity on classification bank's exposure to NBFC –MFIs as PSL has helped in increasing availability of bank funding. Reliance on securitization reduced, most large MFIs relying on direct lending and maintaining assets on their own book, Mr. Suneja highlighted. He also included diversifying investor base in securitization transaction. An estimated budget for all MFIs would require i.e. Rs.1800 core of equity capital over next two years, Mr. Rajjev Suneja mentioned. He also mentioned after Andhra crisis the PE money flow into the sector had dried up. Most of the equity funding has come primarily from development financial institutions after AP crisis, he added. In his technical session Mr. Suneja mentioned the sector is seeing renewed interest from PF funds in recent months, and he focus on some large top performing MFIs. He also commented that the large MFIs have more investment opportunities due to their ability to generate huge returns.

Mr. Vikram Babbar, Director, EY Forensic Practice:

Mr. Babbar stated about the risk factor and about the risk of fraud that all MFIs have in this sector. He mentioned about forensic investigation, fraud investigation and bad loans. In his speech he stated In MFI sector everyone have to take care in aspects of frauds. He define why MFI sector is little vulnerable to fraud. Shared about some past experience where fraud has been. Mr. Babbar shared about today's need in a proactive & perspective manner. In his presentation he mentioned that how can technology been used to prevent fraud, also mentioned about the best practices which industry can follow. In his speech e has clearly mentioned about forensic data analysis and mentioned how analytics data can be used to identify fraud. Mr. Vikaram has also given a whole recap that how the sector has moved in last few years. Mr. Babbar also mentioned there is a regulatory in India for focusing on governance & anti fraud measures. He also mentioned that credit bureau has established and all MFI can map the customer now. Given an example about close supervision of sanction and disbursement, about KYC documentation and briefly described about how MFIs are forming group. Mr. Vikarm also briefed about some key aspects, like significant access to cash and stated cash access increases vulnerability of fraud. Stated disbursement in a remote location is very risky for fraud & snatching also it is very difficult to track & monitor. Sometimes incentives scheme insist the field level worker to getting the target by doing fraud. In his presentation Mr. Babbar also mentioned about lack of documentation, poor it system. He also stated micro finance sector is emerging and evolving and still improving, but due to some reason still there is a huge chance of fraud. Mr. Vikram Babbar emphasized on customer awareness also. He mentioned awareness among the customers is also needed to prevent the fraud. He has given example of an flow picture that how transaction are happen also mentioned about the barriers which MFIs are facing also given some example of fraud.

Question answer session:

Mr. Ganesh Modak, from Model Gram Bikash Kendra stated in his twenty years of experience with this sector he has never faced this kind of fraud while worked in different organization and never seen any kind of fraud in his own organization also. He mentioned the chances of fraud in West Bengal is very much less than the other states. Mr. Modak appreciates the thoughts and given thanks to Mr. Vikram Babbar for sharing this kind fraud related example, which will help him to understand the risk factor in future.

Mr. Kuldip Maity from Village Financial Services stated in between the question answer session from the speaker that in his organization most of the field staff are from very poor families. Mainly they are the primary income holder in their family. Few of them are under graduate and few are graduates. He wanted to know how he can prevent fraud. Also asked if he hired some professional peoples instead of the undergraduate or graduates are the chances of fraud being reduced in future?

Mr. Sandip Sinha from Unnati Trade & Fincon Pvt. Ltd stated that technology part is very absorbing within this session. He also mentioned that MFI is a very fast growing company. He wanted to know from Mr. Vikram Babbar that did they have any module in their system which can be let out hired or on sell basis and what is the commercial price for that. He also wanted to know that from Mr. Babbar about the solution of all problems which Mr. Babbar mentioned in his presentation. R. Sinha stated that KYC is a grey area, because so many ingredients are there to form a KYC, so how can KYC become reliable?

Mr. Ajit Maity stated and wanted to know that is there any solution to prevent snatching? He mentioned sometimes it is happens when the filed staff went at Police station for FIR, they have to be harassed in P.S, by which the other staff also demoralized.

Mr. Anjan Dasgupta stated that he want to know about the probability analysis or balance when a fraud taking place. He mentioned that they are having system or structure to prevent such fraud, and asked to the speaker that is there any model where everyone can find out the risk of fraud. He also wanted to know about the probability and the subsequent recovery from the particular fraud and about its control.

Mr. Kuldip Maity stated that 'Technology always runs by brain & micro finance always run by heart'. If every organization would more focused on technological aspects, then what should be the MFIs technological platform.

Mr. Pranab Rakshit wanted to know from the speaker about the money loss on the insurance premium because sometimes it happens that the insurance premium is much higher than the practical loss. It may be due to fraud, snatching & default. He wanted to know from the EY expert that insurance need not to be taken or self insurance kind be done by the MFIs. He also mentioned when representing AMFI-WB all together, none of them had seen there is a standard format which can be shared with all the stake holders, with MFIN & Sa-Dhan and he requested EY personnel to can they develop one standard format with the help of their IT team and with the support of any agencies.

3rd Technical session-Taxation and Acts-

Mr. S. Ramakrisnan, GM, SIDBI stated many small and medium size MFIs are asking him about the equity scheme of SIDBI. He mentioned fraud is such a factor, which all the leaders of MFIs have to tackle in different manner into their operations. He mentioned fraud generally discovered after the incident has happened. Honorable Mr. Ramakrisnan mentioned that fraud can be prevented by using the technique & technologies. In his views technique can be used to find out the fraud. He has given one example of hacking. Mr. Ramakrisnan also mentioned about the fraud examination and stated it could be the possible solution. He suggested everyone to emphasize on the internal audit mechanism and advised for KYC documentation to prevent fraud. Honorable General Manager of SIDBI stated there are few organizations those who are growing rapidly, because of their excellent audit mechanism. Mr. Ramakrisnan

Mr. Dinesh Agarwal, Partner EY, Direct Tax Practise:

In the 3rd technical sessions of taxation and acts the 'Direct Taxes' session has been conducted by Mr. Dinesh Agarwal. Mr. Agarwal stated upon some key direct tax provisions. Which are as follow:

- The Income-tax Act, 1961 ("the Act") exempts the income of charitable societies / trusts / section 25 companies from the charge of tax on the fulfilment of certain conditions.

- MFIs need to make an application before the income tax authorities to avail the said exemption.

- The aforesaid provision does not apply to cooperative societies, cooperative banks and NBFCs. These entities pay tax on their income at normal rates.

Mr. Agarwal has also shared about the main issues on direct taxes which have been shared by him in this event. He mentioned about the core issues and also address about the treatment process. Major issues are:

1. As per the prescribed RBI regulations for NBFCs, interest on NPAs shall be recognised on cash basis irrespective of the method of accounting regularly employed

2. The MFIs recognize interest on loans by crediting the same to Profit and Loss Account. However, in case of NPAs, the interest recognized earlier is de-recognized/ reversed to the extent of interest on such NPAs

3. The net interest income i.e. total interest as reduced by the amount de-recognised is offered for taxation by the MFIs. However, the tax authorities have litigated the same and taxed the entire gross amount as per the accrual principle

Mr. Agarwal also mentioned about some tax treatment process on key direct tax issues which are as follow:

1. Interest on NPA until received is not real income and will lead to taxing a hypothetical income

2. Further, various judicial precedents on the subject have held that interest which has not materialized during the year cannot be considered as real and accrued income cannot be taxed on accrual basis. The courts therefore have concluded that the income from NPAs shall be taxed only on receipt basis

3. Section 43D of the Act permits recognition of interest income in respect of bad / doubtful debts of banks, public financial institutions at the time of credit or realization whichever is earlier. However, the section does not extend to cover NBFCs

4. Therefore, if the MFI is able to substantiate before the tax authorities about its inability to recover the interest income, there may not be any disallowance.

In his presentation Mr. Dinesh Agarwal also stated about the provisions of NPAs, that as per the RBI guidelines, MFIs are required to create provision towards non performing assets on the outstanding loan portfolio. However for tax purpose, the same is treated as a non deductible expenditure by the tax authorities. He included as per Section 36(1)(vii) of the Act, amount of bad debt or part thereof which is written off as irrecoverable in the books can be claimed as a deduction. He informed everyone that Section 36(1)(viia) is an enabling provision which allows deduction for provision created on assets by banks, public financial institutions, state financial corporations subject to specified conditions and limits.However, the above provision does not cover a MFI .Accordingly, a provision created for NPAs by MFIs may not be allowed as a tax deductible expenditure.

Mr. Sidhartha Jain, Director EY, Indirect Tax practice:

Mr. Sidhartha Jain stated about MFIs basic taxation and about indirect tax. In his speech he has mentioned about key service tax provisions and its negative list which are as follows:

- Service' means any activity carried out by a person for another for consideration and includes a 'declared service' excludes a transaction in money or actionable claim

- Declared Service' includes agreeing to the obligation to refrain from an act, or to tolerate an act or a situation or to do an act

- In case of services provided by a banking company, or a financial institution, or a non-banking financial company

- Place of Provision of service shall be the location of the service provider;
- Monthly payment of 50% of credit availed under Cenvat Credit Rules

During the 3rd technical session of taxation & acts Mr. Jain mentioned about the key changes of Budget2014. He has given information on penal rate of interest for delayed payment service of service tax. The rate of interest for delay in payment of service tax would be increased from 01.10.2014. The new rates are as follows:

- In case of delay for a period upto six months - interest @ 18% p.a. is payable,
- In case for delay of more than six months and upto one year - interest @ 24% p.a is payable for period after six months.
- In case for delay of more than one year - interest @ 30% p.a. is payable for period after one year

Mr. Sidharth Jain also stated about some key indirect tax issues. He stated MFI collect an upfront processing fee from the customers at the time of grant of loan. In related to processing fees he has also shared about the tax treatment process like:

Section 66D (n) only covers the interest or discount on deposits, loan or advances

The processing fee collected from the customers is not towards interest on loan

In absence of specific exemption, such processing charges will attract service tax

In his technical session of indirect taxation he also shared about some indirect tax issues like corporate insurance agency business. He stated MFI generally provide insurance to the person taking loan. In that case Service tax would be applicable on the commission amount received from insurance company. Mr. Jain also included MFI enter into back to back agreement with the insurance company or in some cases act as a corporate agent. In such cases generally, no tax is discharged on the premium amount taking the stand that the policy are sold on cost to cost basis and MFI is merely acting as a pure agent.He added premium is initially collected by the MFI from the customers and then paid to the insurance company but pure agent benefit is based upon stringent conditions, which have to be demonstrated by MFI and is deeply scrutinized by the tax authorities.

Mr. Bhaswar Sarkar, Partner, EY, Assurance:

Mr. Bhaswar Sarkar has given thanks to AMFI-WB to organize this conclave. In the 3rd technical session Mr. Saarkar mentioned about companies act, 2013 and other related acts for MFIs & IFRS. Mr. Sarkar has highlighted on certain provision like loan & Guarantee, about related party transaction and about the auditors. Mr Sarkar stated about some areas on section 185, where the loan, guarantee not permitted to-

- Director of the company
- Any other person in whom the director is interested i.e.

- Any director of the company, its holding company or any partner or relative of such director

- Any firm in which such director or relative is a partner

- Any private company of which such director is a director or member

- Any body corporate where 25% of more of voting power is controlled or exercised by any such director or by 2 or more of such directors together

- Any body corporate the board of directors, managing director or manager whereof is accustomed to act in accordance with the directions of the board of directors or any director/s of the lending company

  Mr. Sarkar also mentioned about the permitted area on loan & gurantee on section 185 which are:

  - Providing loans, guarantees or securities in the ordinary course of business provided rate of interest is not less than bank rate declared by the RBI

  - Loans to a wholly owned subsidiary, provided such loans are used for the business of the subsidiary

During the topic of discussion Mr. Bhaswar Sarkar also stated about restrictions on loans, investments, guarantees and securities [Section 186 of Companies Act 2013]. He mentioned in brief that

- Investments through not more than 2 layers of investment companies (except as permitted under laws of another country or requirements of any law in India).

- prior approval of all members of Board of Directors present at the meeting.

- Prior approval of public financial institutions where term loans are subsisting

- Aggregate loans, investments, guarantees and securities not to exceed higher of:

  60% of paid up share capital, free reserves and securities premium

  100% of free reserves and security premium

- Prior approval of general meeting through special resolution to be obtained for exceeding aforesaid limits

- No loan to be given at an interest rate lower than that of government security with a maturity closest to the tenor of the loan

- No loans, guarantees, securities etc. to be given by a company that has defaulted in repayment of deposit or payment of interest thereon.

Mr. Sarkar explained in brief in his presentation about the exempted category on section 186(11) of Companies act 2013 and stated:

- Banking company, insurance company or a housing finance company under ordinary course of business

- Company engaged in the business of financing of companies

- Company engaged in providing infrastructural facilities

Closing session with Vote of thanks:

Vote of thanks shared by the following Personalities:

Mr. Viren Mehta, Partner EY Assurance, Audit Head-FSO

Mr. Pranab Rakshit, Treasurer, AMFI-WB & CEO Sarala

Mr. Ganesh Chandra Modak, Secretary, Gram Bikash Kendra