



BUILDING AN INCLUSIVE INDIA

A UNIFIED
APPROACH

**ANNUAL
REPORT**
2021-2022

VISION

To be an engine of inclusive growth for India and help provide financial services to 10 crores low-income households in a responsible and transparent manner.

MISSION

MFIN's primary objective is to work towards the robust development of the microfinance sector by promoting responsible lending, client protection, good governance, and a supportive regulatory environment.

Gross Loan Portfolio

₹ 2,85,441 crores

5.8 crore clients across the nation

56 NBFC-MFI members

41 Associates

ABOUT MFIN



Microfinance Institutions Network (MFIN), established in December 2009 under the Andhra Pradesh Societies Registration Act 2001, represents RBI regulated microcredit providers in India including NBFC-MFIs, Banks, Small Finance Banks, NBFCs, BCs and others as an industry association. In June 2014, the Reserve Bank of India (RBI) recognized MFIN as a Self-Regulatory Organization (SRO) for the NBFC-MFIs, making it the first industry association to be accorded recognition as an SRO.

The Microfinance sector serves close to 6 crore women, impacting over 30 crore lives, and giving an impetus to the financial inclusion movement. The sector's support to the inclusive growth of the economy by creating jobs, driving businesses, and transforming the lives of millions of aspiring women, is noteworthy and has been documented last year in a report by NCAER.

In the year 2021-22, MFIN had 56 NBFC-MFI members and 41 Associates including Banks, Small Finance Banks, NBFCs, Banking Correspondents, among others. As on 31 March 2022, the microfinance industry had a gross

loan portfolio of Rs 2,85,441 crore serving 5.8 crore borrowers. The NBFC-MFIs were the second largest provider of micro-credit, with a loan amount outstanding of Rs 1,00,407 crores providing door-step microcredit to the unserved and unbanked population of India who otherwise have no access to formal credit.

With the larger objective of financial inclusion in mind, MFIN focuses on creating an enabling policy and business environment for its Members & Associates. Towards this objective, MFIN works closely with the microfinance providers, regulators, Government, and other key stakeholders across 37 states and union territories, spanning 635 districts to ensure that credit reaches the low-income households in a responsible manner.

MFIN operates through four verticals - SRO, Advocacy, State Initiatives and Communications and plays an invaluable role in the robust development of the microfinance sector by promoting responsible lending, client protection, good governance, and a supportive regulatory environment.

BUILDING AN INCLUSIVE INDIA

A Unified Approach by Microfinance



Decades ago, Microfinance envisaged an inclusive India where access to credit was not discriminated on the grounds of having the wherewithal for it. With this thought, the sector offered collateral-free credit and started a movement towards a financially inclusive India. In empowering the woman of the household as the decision maker, it created a more gender inclusive society where equal opportunities resulted in a surge of rural women entrepreneurs. Access to credit increased opportunities of income generation leading to upliftment of the marginalized. In addition, the sector employed local youth throughout the country and built their capacities. These opportunities for decent work coupled with new skills, reduced inequalities, and poverty, resulting in greater social inclusion. And now with the harmonised framework, even the entities are on an equal, level playing field, well positioned to address the credit demand.

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CHAIRPERSON'S MESSAGE



Greetings,

As we look towards progress in the future, it would be remiss not to mention the havoc the second Covid wave caused in the country in 2021. Many precious lives were lost, including that of many people working in the microfinance sector. It further disrupted the lives and livelihoods of our clients who were just beginning to recover from the damage caused by the first wave. My heart goes out to them.

However, we should also draw lessons and commend the resilience shown by the people and the sector. Working together, we managed to navigate the challenges thrown our way by Covid and mitigate its effects. The response of the regulator to support our efforts by providing liquidity and credit guarantee scheme provided great assistance. The sector trumped the naysayers and grew from Rs 2.6 lakh crores to Rs 2.85 lakh crores playing a crucial role in our client's journey of recovery and self-sufficiency. This clearly demonstrates the tenacity of the microfinance model.

The maturity of the NBFC-MFI business model and its robust governance structure which has evolved over the years helped it meet the challenges head on. The Reserve

Bank of India showed confidence in the sector and introduced the Harmonised Regulations for microfinance as an asset class in March 2022. The positive changes and the uniform applicability of regulations would provide the much-awaited shot in the arm for the sector. We expect to see an improvement in the long-term sustainability of the clients due to the implementation of the total loan repayment to income ratio. The regulations also provide enhanced flexibility to NBFC-MFIs to manage their risks better, increase market coverage and invest in growing the sector.

These regulations place the sector in a stronger position to fulfil our goal of providing credit to under-served customers. At the same time, as practitioners, we need to be mindful of the regulator's trust and strive to follow the regulations in letter and spirit. The Board approved policies need to be properly designed and their implementation should be closely monitored. This would lead to a long-term sustainable growth of the sector.

Evolution of MFIN

MFIN has been guiding the microfinance sector for over a decade. While it worked for the overall growth of the sector, its primary role has been to represent the





NBFC-MFI. The applicability of a uniform set of microfinance regulations for all REs places MFIN in a unique position to play a bigger and more impactful role in the sector. The vision for MFIN to become the go-to body for microfinance in the country has necessitated an evaluation of its structure and goals. Work has already been initiated in this direction. A working group to ideate and strategize the future road map was formed in 2021. We now plan to take the discussion further and target March '23 to implement the recommendations.

Microfinance is a business with a mission- we grow when our clients grow. It is my belief that not only will we overcome earlier obstacles but will thrive and surpass all expectations in the coming years.

I would once again like to thank the RBI and policy makers for the trust they have reposed in the sector. Will thank investors for their faith in the sector, Banks, NBFCs, institutions like NABARD & SIDBI, rating agencies, insurance partners and other stakeholders. Appreciation is also due to all the practitioners and professionals engaged in this sector – especially the field staff, the operations teams and the customer support teams, MFIN Governing Board for their guidance in trying times. MFIN

Secretariat led by Dr Alok Misra has done a commendable job in improving governance, policy advocacy, engagement with media and other stakeholders.

Salute to our women clients for showing huge resilience and continue to have faith in us. I look forward to exciting years of growth for the sector and prosperity for our clients.

Devesh Sachdev
Chair of the Governing Board

CEO'S MESSAGE



2021-22 was a true reflection of many words and phrases like “tumultuous”, “paradigm changing”, “stress”, “paradoxical” and “optimism”. All describe the year in one way or the other and that shows the complexity of the year gone by. But as we say, “well begun is half done”, the seeds of optimism sown in the last month of the year in the form of harmonised regulations, have laid the foundations of a growing microfinance industry. Thus, despite the tribulations of the year as well the year before, 21-22 ended on a very optimistic note – collection efficiency reaching normalcy, COVID threat fading to a large extent and the onset of a sound regulatory framework.

I have always believed that the journey is as important, if not more, than the destination. And this takes me to give a brief snapshot of what all the sector went through as well as the pivotal role played by MFIN. The year started with COVID situation getting normal, but nobody had imagined that the first quarter will see another wave – much intense than the previous. The experience of previous year enabled both policy and institutions to respond based on protocols developed and importantly the country did not go through a blanket lockdown. Disruption of economic activities did hurt the clients and PAR>60 for the industry shot up to 15.46% as on 30 June 2021. The pandemic induced stress has been global, with global growth slumping to 2.9%. Similar has been the impact on poverty, World Bank President in his foreword in “Global Economic Outlook”, observes “Because of the adverse shocks of the past two years, real income per capita in 2023 will remain below pre-COVID-19 levels in about 40 percent of developing economies”. Access to finance being the key determinant of inclusive growth, the task for the industry has only got expanded. Policy recognition of this role is something which the industry

should be proud of. Previous year, both the RBI and Government of India stepped in with liquidity measures and this year was no exception. RBI came up with Rs 25,000 crore and Rs 16,000 crore funding facilities with NABARD and SIDBI respectively to ease out the liquidity stress.

As despite these measures, smaller MFIs remained starved of funds, MFIN actively took up the idea of providing guarantee for banks' wholesale lending to MFIs with the Department of Financial Services; idea being guarantee cover will reduce the risk perception of lenders. I report with great satisfaction that the suggestion was agreed to and the guarantee scheme was launched in July 2021 (75% of term loans given by SCBs to MFIs covered by guarantee). 38 of our member NBFC-MFIs received funding under the scheme to the tune of Rs. 7200 crore. It provided much needed relief and ensured that the credit flow to clients did not stop.

While liquidity was being addressed, the first six months of the year saw MFIN battle another challenge in Assam. While the issue started in 2019, it peaked before assembly elections in March 2021 and the passage of a bill which sought to bring state regulation over microfinance. The news of a possible loan waiver came as the last straw. Between April to August, MFIN on behalf of all lenders operating in



Assam (members as well as non-members) held intense, multi round discussions with the Government of Assam to arrive at a solution which balanced the interests of lenders as well as the Government. Finally, a MoU was signed between 39 lenders and the Government on 24th August and the Assam Microfinance Incentive and Relief Scheme (AMFIRS) came into play. It is a landmark in microfinance history for two reasons. First, MFIN playing a sectoral role could bring all lenders together and secondly, the Government avoided loan waiver and sagaciously made it to relief for overdue clients and incentive to regular clients to avoid moral hazard. Hon'ble CM while announcing the scheme emphasised the need to borrow responsibly and maintain good credit record.

MFIN and the sector despite such challenges also kept on innovating and seeding new ideas. For some time now, we have been talking of Natural Catastrophe Insurance (NatCat). The year saw the concept being cleared by IRDA under regulatory sandbox and the pilot being done in Odisha. Special thanks to Annapurna Finance and Arohan Financial Services who participated in the pilot. Going forward, the product will be scaled up and act as risk mitigant in times of natural disasters.

In addition to its regular knowledge publications, during the year for the first time, an annual review of the sector was brought out and released by Chairman, SIDBI in Mumbai. As MFIN has unparalleled data and insights, it has been decided to continue with this as an annual publication. The year also saw release of MFIN commissioned study report "Present and Potential contribution of Microfinance to India's economy. The report was released by Vice Chairman, NITI Aayog in March 2022 and the fact that microfinance sector contributes 2.03% to India's GVA was highly appreciated.

Finally, March 2022 saw the release of harmonised guidelines by the RBI paving the way for a new chapter. It is heartening that most of the points mentioned by MFIN in its feedback to the discussion paper have



been incorporated in final guidelines. What the harmonised guidelines do is to create a level playing field and move the regulatory oversight to broader principles over micro business rules. The raising of household income limit, concept of FOIR to check indebtedness and allowing NBFC-MFIs to move to risk-based pricing are significant and address the long-standing need. It will lead to a sustainable sector reaching the underserved areas in a responsible manner.

By March 2022 as the year ended, the microfinance industry continued to serve 5.8 crore low-income clients with a GLP of Rs. 2,85,441 crores recording 10% YoY growth. The future prospect is bright with field operations almost normal and harmonised regulations being welcomed by every stakeholder.

I end my note with heartfelt gratitude to the Reserve Bank of India, the Government of India, lenders, and investors for their continuous support. Further, the zest and spirit displayed by our Members and Associates and their staff, especially our frontline Corona warriors who stood by the customers all through needs special appreciation.

If MFIN could rise to the challenge, it was through the year-round support of my team, a strong Governing Board especially the Chairperson and Vice Chairperson. Our commitment for building an "Inclusive India" is strong and the future will bear testimony to it. It is time for the industry to reap the benefits of conducive policy and regulation and redeem the trust of stakeholders.

Abraham Lincoln said, "The best way to predict your future is to create it" and for the industry there is no better time than now.

Dr Alok Misra
CEO & Director

GOVERNANCE

MFIN adopts a collaborative, consensus-based approach to promote universal access to finance, policies, and structures. This forms the backbone of MFIN's governance, ensuring healthy and creditable development of the NBFC-MFI industry.

MFIN is governed by the provisions of the Andhra Pradesh Societies Registration Act 2011, under which it has been awarded a certificate of registration as a society, dated 14th December 2009.



BYELAWS

The MFIN byelaws adopted by the Members, clearly spell out the transaction of business rules of the institution and governing structures. The byelaws are revised from time to time to meet the changing policy and regulatory landscape.

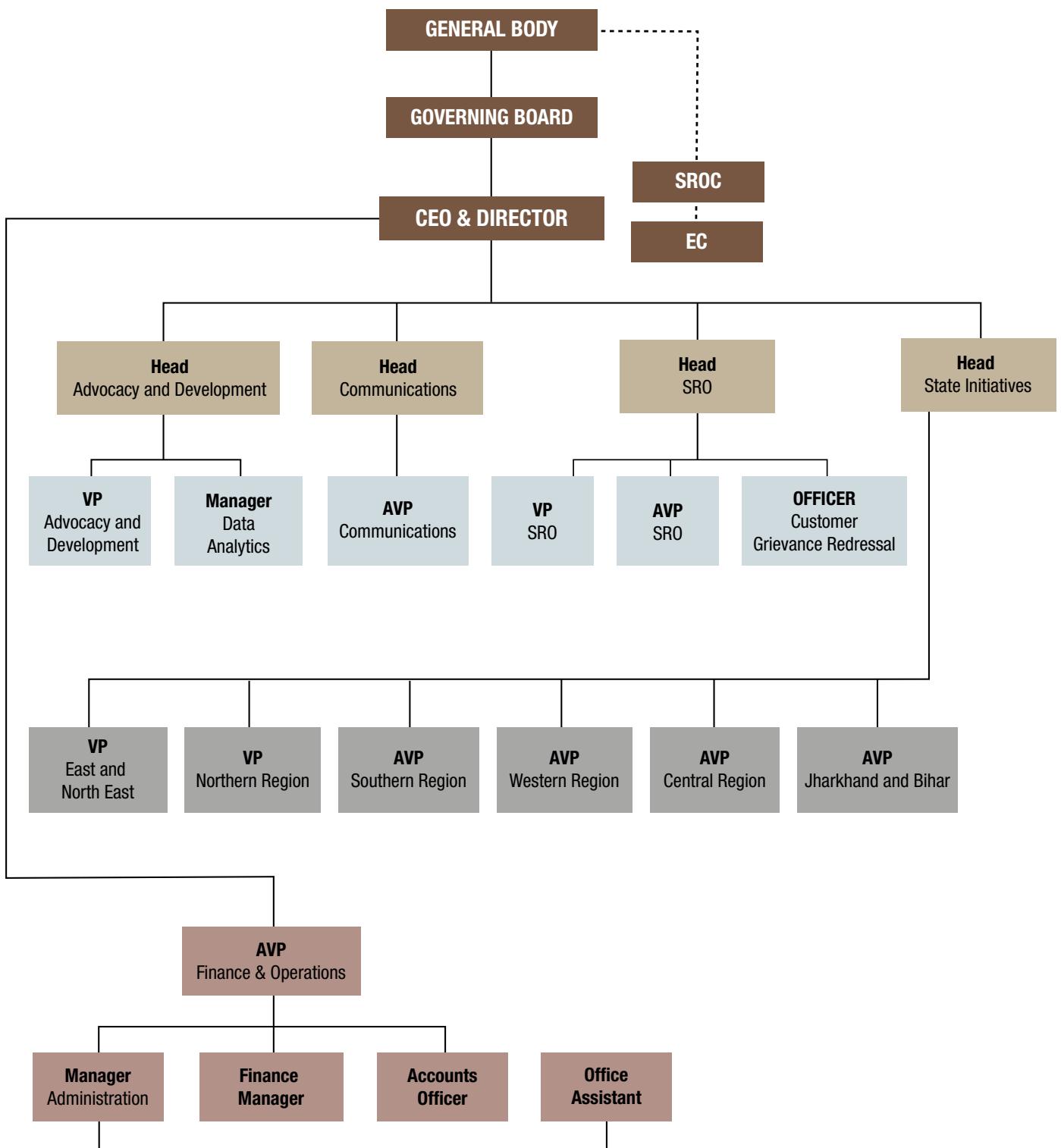
GOVERNING BODY

MFIN receives strategic guidance in fulfilling its overarching objectives from the Governing Board. The current byelaws provide for a maximum of fifteen members, one-third being independent members. The term for any member of the Board is for three years. Post completion of one term he/she may stand for elections only after a gap of at least one year. The 'Fit and Proper' criteria, as prescribed by the RBI from time to time is a necessary requirement for becoming a member of the Board.

As on 31st March 2022, MFIN had an eight member (six elected members and two independents) Governing Board and a CEO & Director who acts as the Member Secretary to the Society and implements the broad goals of the organization and providing overall executive direction and control of MFIN's activities for ensuring healthy development of the microfinance industry.

GENERAL BODY

The General Body is constituted of all Members of MFIN and is the supreme governing body. The General Body meets every year and is responsible for the overall vision and direction for MFIN.



CEO	Chief Executive Officer
VP	Vice President
AVP	Assistant Vice President
EC	Enforcement Committee
SRO	Self-Regulatory Organization
SROC	Self-Regulatory Organization Committee

GOVERNING BOARD



MR. DEVESH SACHDEV

MD & CEO
Fusion Micro Finance Pvt. Ltd.



MR. VIVEK TIWARI

MD & CEO
Satya MicroCapital Ltd.



MR UDAYA KUMAR HEBBAR

MD & CEO
CreditAccess Grameen Ltd.



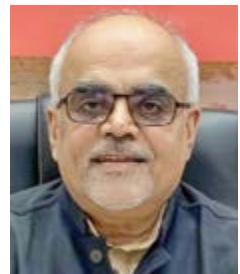
MR. DIBYAJYOTI PATTANAIK

Director
Annapurna Finance Pvt. Ltd.



MR AMARDEEP SINGH SAMRA

MD & CEO
Midland Microfin Ltd.



MR. GYAN MOHAN

Director & CEO
Adi Chitrugupta Finance Ltd.



DR. HARSH KUMAR BHANWALA

Former Chairman, National Bank for Agriculture and Rural Development (NABARD).



MR. SUDARSHAN SEN

Former Executive Director
Reserve Bank of India

INDEPENDENT BOARD MEMBERS



DR. HARSH KUMAR BHANWALA

Former Chairman, National Bank for Agriculture and Rural Development (NABARD).



MR. SUDARSHAN SEN

Former Executive Director
Reserve Bank of India



CEO AND DIRECTOR



DR. ALOK MISRA

CEO & Director, MFIN



RETIRED/ RESIGNED



MR. MANOJ KUMAR NAMBIAR

MD, Arohan Financial Services Ltd.



MR. VINEET CHATTERJEE

Director
Svantra Microfin Pvt. Ltd.



MR. HARISH VENKATA RAGHU

Co-Founder, MD & CEO
SaGraha Management Services Pvt. Ltd.



MR. PRASHANT THAKKER

ED & CEO
Centrum Microcredit Ltd.



DR. ARUNA LIMAYE SHARMA

Indian Administrative Service Officer (Retd.)

BOARD COMMITTEES



MFIN HAS THREE BOARD COMMITTEES

NOMINATIONS & RENUMERATION (NRC)

Responsible for the overall direction on HR related issues of MFIN. These include HR policies, appraisal of CEO and identification of candidates for independent positions on the Board, SROC and the EC. Composition of the Committee during 2021-22 was as under:

- Dr Harsh Kumar Bhanwala
Chairperson: Former Chairman, NABARD
- Mr Devesh Sachdev
MD & CEO, Fusion Micro Finance Pvt. Ltd.
- Mr Vivek Tiwari
MD & CEO, Satya MicroCapital Ltd.
- Dr Alok Misra
Member Secretary

AUDIT

The Board Committee on Audit reviews the quarterly and annual financials of MFIN including utilization and variance analysis among other things. The Committee also guides investments of surpluses. The composition of the Committee during 2021-22 was as under:

- Mr Sudarshan Sen
*Chairperson: Former ED,
Reserve Bank of India*
- Mr Dibyajyoti Pattanaik
Director, Annapurna Finance Pvt. Ltd.
- Mr Udaya Kumar Hebbar
MD & CEO, CreditAccess Grameen Ltd.
- Mr Harish Venkata Raghu
*Co-Founder, MD & CEO
SaGraha Management Services Pvt. Ltd.*
- Dr Alok Misra assisted by Mr Sharad Garg
Member Secretary

ASSOCIATES

The Committee for Associates represents the Associate Members comprising Banks, Small Finance Banks, NBFCs, Banking Correspondents, among others. The composition of the Committee during 2021-22 was as under:

- Mr Harish Venkata Raghu
*Chairperson: Co-Founder, MD & CEO
SaGraha Management Services Pvt. Ltd.*
- Mr Dibyajyoti Pattanaik
Director, Annapurna Finance Pvt. Ltd.
- Mr Amardeep Singh Samra
MD and CEO, Midland Microfin Ltd
- Dr Alok Misra
CEO & Director, MFIN
- Ms Bhavna Dayal
Member Secretary, MFIN

TASK FORCES

MFIN has established several Task Forces for focused action on specific areas of activity that, from an overall industry standpoint, are deemed critical. The Task Forces comprise of representatives of member institutions who help drive specific initiatives with the support of the MFIN Secretariat.



ADVOCACY & PR

The Task Force on Advocacy & PR is responsible for steering and guiding the advocacy agenda within MFIN. It supports the Secretariat in drafting policy notes to various stakeholders including the RBI, MoF and other Central & State Governments. The Task Force engages with key policy makers and sector participants to create a conducive policy and business environment for the industry. The composition of the Task Force during 2021-22 was:

- Mr Devesh Sachdev
*Chairperson: MD & CEO,
Fusion Micro Finance Pvt. Ltd.*
- Mr Udaya Kumar Hebbar
MD & CEO, CreditAccess Grameen Ltd.
- Mr Vivek Tiwari
MD & CEO, Satya MicroCapital Ltd.
- Dr Alok Misra
Member Secretary

- Mr Rakesh Kumar
CEO & ED, Light Microfinance Pvt. Ltd.
- Mr Amardeep Singh Samra
MD and CEO, Midland Microfin Ltd.
- Mr Sadaf Sayeed
CEO, Muthoot Microfin Ltd.
- Dr Vinay Kumar Singh
Member Secretary

STATE INITIATIVES

This Task Force is responsible towards the development of a comprehensive framework of MFIN's state level engagement and put in place an effective model through state chapters and associations to deepen advocacy and self-regulatory functions of MFIN at state and district level. The composition of the Task Force during 2021-22 was:

- Mr Devesh Sachdev
*Chairperson: MD & CEO
Fusion Micro Finance Pvt. Ltd.*
- Mr Gyan Mohan
Director & CEO, Adi Chitrugupta Finance Ltd.
- Mr Anjan Dasgupta
MD, ASA International India Microfinance Ltd.
- Mr Rakesh Kumar
CEO, Light Microfinance Pvt. Ltd.
- Mr Soham Shukla
COO-Rural Banking, Fincare Small Finance Bank
- Mr Vivek Tiwari
*MD, CEO & Chief Information Officer (CIO),
Satya MicroCapital Ltd.*
- Mr Venkatesh N
MD, IIFL Samasta Finance Limited
- Ms Achla Savyasaachi
Member Secretary

CREDIT BUREAU

The Task Force on Credit Bureau is responsible for strengthening the credit bureau ecosystem for the microfinance clients in the country. The composition of the Task Force during 2021-22 was as under:

- Mr Vivek Tiwari
*Chairperson: MD & CEO,
Satya MicroCapital Ltd.*
- Mr Gyan Mohan
*Director & CEO,
Adi Chitrugupta Finance Ltd.*
- Mr Ranjan Das
*Chief Risk Officer,
Arohan Financial Services Ltd.*
- Mr Gunjan Grover
COO, RBL FinServe
- Mr Vineet Chattree
Director, Svantrana Microfin Pvt. Ltd.



MEDIUM AND SMALL MFIs

The Task Force on Medium & Small MFIs specifically focuses on the issues related to medium & small MFIs including access and cost of funding, impact of the RBI Directions on pricing of credit in lowering interest rate regime and capacity building support. The composition of the Task Force during 2021-22 was as under:

- Mr Gyan Mohan
Chairperson: Director & CEO, Adi Chitragupta Finance Ltd.
- Mr Pramod Kumar Paliwal
Chairman & MD, Arth Microfinance Pvt Ltd
- Mr Rahul Johri
Chairman, Vector Finance Private Limited
- Mr Alok Biswas
Co-Founder & MD, Janakalyan Financial Services Pvt. Ltd.
- Mr Vasant Vasu
Director & Senior Vice President, Operations, MSM Microfinance Ltd
- Dr Aqeel Khan
MD, Mitrata Inclusive Financial Services Pvt. Ltd.
- Mr Swetan Sagar
Member Secretary

FINTECH FOR INCLUSION

This task force was formed in the backdrop of emerging disruptions/challenges to the microfinance industry with the advancement of Fintech. The task force will focus on showcasing what the industry is doing in the Fintech Space, encourage further adoption of Fintech besides identifying best practices and providing a platform to digital technology providers to reach out to MFIN Members.

The composition of the Task Force is as under:

- Mr Dibyajyoti Pattanaik
Chairperson: Director, Annapurna Finance Pvt. Ltd.
- Mr L V L N Murty
CEO, Dvara KGFS
- Mr Anand Rao
JMD, Chaitanya India Fin Credit Pvt. Ltd
- Mr Sasidhar N Thumuluri
MD & CEO, Sub-K IMPACT Solutions Ltd.
- Mr Sadaf Sayeed
CEO, Muthoot Microfin Ltd.
- Mr Swetan Sagar
Member Secretary



MFIN 2025

Considering the emerging microfinance ecosystem and the role MFIN has to play in coming years, a Task Force with diverse REs was constituted to deliberate on this and chalk out a future plan. The idea is to make MFIN a body representing all stakeholders in the Financial Inclusion space and emerge as the ‘Go to’ body for microfinance. The composition of the Task Force is as under:

- Mr Devesh Sachdev
Chairperson: MD & CEO, Fusion Micro Finance Ltd.

SRO (SELF-REGULATORY ORGANIZATION)



MFIN has been structured as a Self-Regulatory Organization (SRO) for the microfinance industry. In exercising its role as an SRO, MFIN seeks to ensure that proper policies, processes, and systems are put in place by members to ensure adherence to the regulatory and industry standards. SRO particularly focusses on customer welfare and protection. It plays a critical role in the microfinance industry by enforcing high ethical standards, bringing the necessary resources, and expertise to compliances, and enhancing customer safeguards and market integrity.

SRO's mandate and objective are implanted through four core functions:

- Frame Rules/ Standards
- Capacity Building
- Monitoring and Action
- Customer Grievance Redressal

As an SRO, MFIN reports to the RBI on a quarterly basis on the industry including operational and financial trends, customer complaints, non-compliances, actions taken and emerging issues, among other things.

COMPLIANCE OFFICER

As mandated by the RBI, MFIN has designated a dedicated Compliance Officer to manage the overall activities of the SRO and be the line of reporting to the RBI under the guidance of the Self-Regulatory Organization Committee (SROC). The Compliance Officer is the Member Secretary of the SROC and is responsible for coordinating the proceedings of the Committee. Dr Vinay Kumar Singh is the Compliance Officer and Head of the SRO.

GOVERNANCE

The overall SRO function within MFIN is governed by two committees, Enforcement Committee and Self-Regulatory Organization Committee (SROC). The committees guide, oversee and support the SRO team to effectively carry out the SRO function.

Enforcement Committee

The Enforcement Committee (EC) has been constituted to impart proper enforcement of the Code of Conduct and exercise oversight for adherence to regulatory norms as prescribed by the RBI/Government/ any other regulatory authority. It functions under the overall supervision of the SROC and reports into the SROC. All decisions in the EC Meetings are taken by a simple majority of the Members present. The role of the EC is to primarily handle issues of non-compliances and grievances arising from customers seeking redressal. Standard Operating Procedures (SOP) duly approved by the SROC defines the EC's role as an entity to handle such issues.

The EC can take the following actions subject to the guidelines approved by the Board:

- Issue warning
- Issue censure
- Levy fines for violations as laid down in the RBI's Fair Practices Code and Industry Code of Conduct
- Recommend Suspension/Termination of membership of any Member to the SROC.

An appeal against the decision of the EC lies with the SROC. The decision of the SROC is in consultation with the Governing Board and is final.

The Composition of EC as on 31st March 2022:

Name	Particulars
Mr Arnab Roy, Chairperson	Independent Member, Former Principal CGM and Regional Director - Reserve Bank of India
Ms Veena Mankar	Independent Member, Founder and Chairperson - Swadhaar FinAccess
Mr Nitya Kishore Sahu	Independent Member, Former CGM - Reserve Bank of India
Mr Jugal Kataria	Industry Member, Group Controller - Satin Creditcare Network Ltd.
Mr Tarun Mehndiratta	Industry Member, COO- Fusion Micro Finance Ltd.
Dr Vinay Kumar Singh	Non-voting ex-officio Member, Head - Self-regulation & Compliance Officer – MFIN
Ms Sheetal Prasad	Member Secretary

Details of the EC Meeting calls held during the year:

- 10th June 2021
- 15th September 2021

Self-Regulatory Organization Committee (SROC)

The Byelaws of MFIN provide for an SRO Committee (SROC), which is a Board Committee. The role of the Committee is to provide guidance, enabling the industry to practice good governance. The committee exercises oversight for adherence to:

- Regulations and Guidelines prescribed by the RBI.
- Industry Code of Conduct.

The SROC functions in line with the RBI Guidelines dated 26th November 2013 along with the other directions issued by the RBI from time to time. It keeps the Board informed of all the facts of the industry functioning and decisions

taken by the SROC. It is the appellate body for the Enforcement Committee (EC) decisions and can recommend suspension, expulsion, and termination of membership to the Board. However, the Board would have the final say on the implementation of the recommendations. In an event of a dispute between Members, the decision of the SROC is final and binding.

The Committee comprises two elected members of the Board, two independent members of the Board, and one independent member, who is a person of eminence and is well conversed with the financial services industry. The Chairperson of the Enforcement Committee is also a member of the SROC. The Chief Executive Officer, MFIN is the non-voting Ex-Officio Member of the SROC.

The Composition of SROC as on 31st March 2022:

Name	Particulars
Mr Sudarshan Sen	Independent Board Member, Former ED, Reserve Bank of India
Mr Devesh Sachdev	Industry Member, MD & CEO - Fusion Micro Finance Pvt. Ltd.
Mr Vivek Tiwari	Industry Member, MD & CEO - Satya MicroCapital Ltd.
Mr Manoj Kumar Sharma	Independent Member, Director - MicroSave Consulting
Mr Arnab Roy	Independent Member, Former Principal CGM and Regional Director - Reserve Bank of India
Dr Alok Misra	CEO & Director, MFIN
Dr Vinay Kumar Singh	Member Secretary

Details of SROC Meetings held during the year:

- 21st June 2021
- 24th Sep 2021

SRO Dashboard

Under the SRO work, performance of member NBFC-MFIs on key parameters related to customer protection are observed through multiple sources like data from CICs (credit bureau and employee bureau submission, adherence to leverage i.e., CRL norms), MFIN CGRM, peer monitoring mechanism and periodic evaluations.

To support the top management of NBFC-MFIs with a single-comprehensive-view of adherences, 'Quarterly SRO Dashboard' was introduced in FY 20-21. Individual SRO dashboards are shared with member NBFC-MFIs every quarter. SRO dashboard provides absolute score/benchmark/expected score/performance across following 3 parameters, of which 1-2 are based on data from Equifax and 3 is based on data from MFIN CGRM as well as NBFC-MFI's own CGRM data as shared with the SRO.

CREDIT BUREAU DATA SUBMISSIONS

01

Timely submission of monthly and weekly files.
Daily submissions and acceptance by the bureau.
Seeding of various parameters like voter ID, phone number etc.

EMPLOYEE BUREAU DATA SUBMISSIONS

02

Membership status (Sign up with employee bureau)
Timeliness of monthly submissions.
Employment status and KYC fill rate for reported employees.

CGRM

03

Resolution TAT and pendency for complaints received on MFIN CGRM and NBFC-MFI CGRM.

MEMBERSHIP-PRIMARY

MFIN Members comprise the Non-Banking Financial Institutions falling under the category of Microfinance Institutions, hence referred to as NBFC-MFIs regulated by the Reserve Bank of India. While each NBFC-MFI is a unique entrepreneurial venture, collectively they form a highly regulated sector providing financial assistance to women through micro-loans.

All applications for the new membership go through a well laid out process including an on-site due diligence and a Board review. As members, NBFC-MFIs become part of the peer community that shapes the strategic directions of MFIN and the industry. Operating across the length and breadth of the country, MFIN member institutions have an outreach in 37 States and UTs. MFIN has 56 primary members as of March 2022.

MFIN Members' consolidated operation overview (31st March 2022)

- Branches - 16,890
- Employees - 1,42,811
- GLP (Rs. Cr) - 96,561
- Loan Disbursed (during the year, Cr) - 2.3

NEW MEMBERS



Vruksha Microfin Pvt. Ltd.

Vruksha Microfin is a Tiruchirappalli based NBFC-MFI established in August 2021. It is working towards the undeserved and unserved women population with its seven branches in Tiruchirappalli, Thanjavur, Mayiladuthurai and Thiruvarur in Tamil Nadu. The mission of the entity is "To reach 3 lakh customers and Rs 100 crore outstanding portfolio by 2025". The entity is led by Mr Manikanteswar Iyer Venkatesan, *Chairman* and R.S. Gowdhaman, *Managing Director*.

MEMBERSHIP-ASSOCIATES

MFIN launched its Associate Programme in January 2014 with the objective of being more inclusive and taking into consideration the multi-faceted businesses, besides NBFC-MFIs who offer financial or supporting services to the Microfinance sector. The Associates are a valuable part of MFIN's structure

and there is a constant dialogue with them at various forums particularly at the state & district levels this working collectively towards fuelling the larger goal of financial inclusion.

The MFIN Board has one Director who is elected by the Associates to be their nominee. MFIN had 41 Associates as of

March 2022 which included 8 Banks, 8 Small Finance Banks, 8 Banking Correspondents and 6 NBFCs. Besides the lenders, the non-lending associates included Credit Reporting agencies, Rating agencies, Wholesaler NBFCs, Insurance Companies, Fintech, among others.

NEW ASSOCIATES



Davinta Financial Services Pvt. Ltd.

Davinta Financial Services is a fintech driven NBFC established in 2018. Davinta started its operation in April 2019. As a technology and product focused NBFC, Davinta specializes in financial services Industry providing Fintech and Finserv Solutions that are envisioned, engineered, and developed to enable financial inclusion at the bottom of the pyramid. The entity is led by Mr Ravi Garikipati – *CEO & Director.*



Fortune Credit Capital Ltd.

Fortune Credit Capital is an NBFC which is a 100% subsidiary of The Investment Trust of India Limited – a financial services conglomerate listed on the Bombay Stock Exchange. Besides SME loans, small business loans, loan against shares, group loans etc, FCCL launched ITI Vikas Loan in 2017 - a new age small financing initiative focused on entrepreneurial development of micro-enterprises. FCCL is led by Mr Sudhir Valia - *CEO.*



M-Insure Services Pvt. Ltd.

Established in 2019, M-Insure is a Digital Micro-Insurance & Health Services provider of a one-stop solution for all health care needs – preventive as well as primary Health care and Insurance. The complete suite of products is mutually reinforcing and add value to the customer during their entire customer health journey serving more than 25 lakh customers and impacting over 70 lakh lives. M-Insure is led by Mr Neeraj Maheshwari - *Co-founder & CEO.*



Unity Small Finance Bank Ltd.

Formerly known as Centrum Microcredit, Unity SFB is promoted by Centrum Financial Services Ltd with Resilient Innovations Pvt Ltd (BharatPe) as a joint investor. It strives to be a Digital First Bank with a business model of collaboration and open architecture, uniting all its stakeholders to deliver a seamless digital banking experience. The Bank commenced operations in November 2021. Through a gazette notification, the Ministry of Finance in January 2022, sanctioned the scheme of amalgamation of the beleaguered Punjab & Maharashtra Co-operative Bank (PMC Bank) with Unity, bringing relief to its depositors and stakeholders. It has presence in 15 states with more than 150 branches and 140+ offices serving 11 lakhs+ customers. Unity is ramping up their teams to fulfil the dream of being the first Digital Bank with a strong focus on corporate governance and customer centricity.



Tata Capital Financial Services Ltd.

Tata Capital Financial Services (TCFS), an NBFC, is a subsidiary of Tata Capital. TCFS is a one-stop financial service provider that caters to the diverse needs of retail, corporate and institutional customers across various areas of business namely commercial finance, infrastructure finance, wealth management, consumer loans etc. The entity is led by Mr Sarosh Amaria – *Managing Director.*

AN INCLUSIVE INDIA





NEW REGULATORY FRAMEWORK

Making It A Level Playing Field

Year 21-22 ended with the announcement of the much-awaited harmonised regulations. Released in March 2022, subsequent to the Consultative Document by the RBI in June 2021, the Regulations are extremely comprehensive and will usher in a new era for the microfinance sector where a common regulatory framework will be applicable to all Regulated Entities (REs) of the RBI.

A welcome step, the industry is expected to benefit from the new framework in the following ways:

- The principles-based approach and the activity-based regulation will be game changers.
- The FOIR (Fixed Obligations to Income Ratio) brought in by the RBI, will check the issue of over indebtedness.
- Will expand the horizon of the financial inclusion and spur innovation.
- Risk-based pricing will help the industry to deal with unprecedented events better.
- A market-based approach that will benefit all – customer and institution likewise.

Important takeaways of the New Framework

Defining a Microfinance Loan



A collateral-free loan given to a household having annual household income up to Rs 3,00,000.

Household Definition



An individual family unit, i.e., husband, wife and their unmarried children.

Household Income Assessment



Each RE shall put in place a board-approved policy for assessment of household income. Regulated Entities (REs) may adopt/modify a framework developed by SRO/other associations/ agencies, suitably as per their requirements with approval of their boards.

Loan Repayment Obligations of a Household



Each RE shall have a board-approved policy regarding the limit on the outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income. This shall be subject to a limit of maximum 50 per cent of the monthly household income. All outstanding loans of the household will be taken into account for computation of loan.

Pricing



Each RE shall put in place a board-approved policy regarding pricing of microfinance loans.

NEW REGULATIONS - VIEWPOINTS

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NBFC-MFIs: New Regulations - Pivotal Point for the Microfinance Industry

Microfinance with all the ingredients of inclusivity stemmed into a vital credit delivery channel for millions of women across the breadth and depth of India. The Non-Banking Financial Companies - Micro Finance Institutions (NBFC-MFIs) embarked on a responsible journey to tackle economic exclusion since the beginning of the 20th Century in various shapes ranging from NGOs, NBFC to current NBFC-MFI. On the back of a strong industry foundation built over the years and positive social impact, the central bank ushered in a host of new opportunities with new microfinance guidelines allowing NBFC-MFIs to remain relevant in the competitive space which has seen the entrance of various other players and fuel growing aspirations by providing adequate credit.

This has been made feasible by giving headroom to price credit on a risk-based mechanism through a board-approved policy and linking loan eligibility limit to an annual household income of up to Rs. 3 lakh subject to a maximum fixed obligation of 50%. This effectively means that the focus would hover around household needs which would spur product innovation complemented by the fact that non-microfinance loan limitation has been increased to 25% compared to 15% earlier. This is a natural pathway to move towards a competitive spirit in the laissez-faire environment given the NBFC-MFIs have significantly scaled business and created a niche for themselves over the years.

The new regulations - pivotal point for the microfinance industry would help strengthen the NBFC-MFI balance sheet and make it future-proof to weather externalities. This would also assist to attract capital from domestic and foreign investors, an essential raw material in the lending business to further scale the financial inclusion agenda. The onus lies on the NBFC-MFIs to promote inclusiveness given the model resiliency has been testified time and again in form of various macro-economic disruptions.

India being the largest microfinance market in the world is on the cusp of a significant transformation with a penetration level of 33-35%. A closer look at the urban-rural mix reveals that 45-50% of the urban market has been penetrated while the rural market has crossed 25% levels. This depicts the potential of the deep rural markets which are expected to gain more traction and have shown resilience in the past several years owing to the self-sufficient economy.

The NBFC-MFIs having a deep rural presence will have an advantage to source new to credit customers and serve the household needs. They would continue to play a critical role to help low-income households catapult from livelihood supporting activities to asset creation opportunities in the next phase of the growth story.



Udaya Kumar Hebbar

MD and CEO - CreditAccess Grameen Limited

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The Banking Perspective

Banks play a pivotal role in helping the unbanked segment transition into the formal economy and adopt mainstream banking products. Banks hold a 41% share in the Rs. 2.6 trillion microfinance industry. Further, their share in the upto Rs. 2 lacs loan ticket segment is Rs. 9 trillion across 210 million accounts, translating into 8% and 75% share respectively of the banking system credit flow of Rs.110 trillion loans O/s and 280 million accounts, as on 31st Dec 21 (Source – RBI). With the introduction of the comprehensive and harmonised new regulations for microfinance, we are likely to see the space expanding further and Banks taking a dominant share as detailed below.

Product diversification - As Banks endeavour to build a Sustainable, Scalable and Profitable business through a bouquet of financial products, some of the basic yet primary banking needs they can fulfil are in the form of Life enhancing products – SB accounts, Goal based RDs, Remittances, MicroCredit, MSME loans and Supply chain finance including Working capital limits, exclusive to Banks, and Agri loans, (WHR, Dairy), Aspirational products – Two wheeler, education, affordable housing and Risk Mitigation or Vulnerability reducing products i.e Insurance, Pension, Credit Guarantee Schemes, etc.

Evolving Landscape

1. Collaborative Opportunities

- Banks are key collaborators in driving Government's financial inclusion agenda and formalisation of the segment through National Credit portal – which houses various central/ state schemes.

- Banking partnerships with Fintech/NBFCs on Co-lending helps leverage core-capabilities of both Institutions to offer the best combination of products to customers. Business Correspondents (BCs) local presence and market intelligence helps identify good customers, promote last mile delivery of banking products at lower cost, offer financial advisory services, etc. By associating with banks, BCs gain by becoming economically empowered, earn respect and dignity in their community.

2. Digitisation - Product diversification requires digitisation of end-to-end processes to achieve a manifold increase in efficiency in sourcing, credit assessment, faster turnaround times by linking various databases. Establishing transaction points will aid in reduced cash handling at every stage and create a secure landscape to transact.

3. Analytics - Availability of factual household income data gives scope for further precision in analytics, aids portfolio monitoring, develop early warning signals to de-risk portfolio. Digital footprint generated helps identify the creditworthy Micro entrepreneurs, their income sources and cash flows and aid in developing customised products and speedy underwriting.

Customer Protection Measures - Harmonization of guidelines increases focus on aspects of transparency in pricing, better customer service and robust grievance-redressal mechanisms.

Sustainability - Banks act as a catalyst to accelerate the achievement of UN-SDGs by playing a crucial role in offering finance in a sustainable manner through a systematic, cost effective manner while creating a visible positive economic and social impact.



Srinivas Bonam

Head - Inclusive Banking Group, IndusInd Bank

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The Small Bank Advantage

The idea behind setting up Small Finance Banks (SFBs) was to meet the financial needs of small businesses and low-income households. They are not small banks, though. In India, and, for that matter, across the globe, access to credit in the middle to the bottom end of the pyramid is an issue. The SFBs were created to address this.

Even the non-banking financial companies can play on this turf. But a banking licence allows the institutions to address the liabilities side of customer needs. This is important for two reasons. One, they can give loans from their own kitty of deposits and two, the customers need to have a bank which they can feel comfortable to approach and engage with both for their credit and savings needs.

The SFB experience illustrates how microfinance customers visit and engage with the banking staff – it's a very different kind of relationship which is not comparable with the large universal banks. The time is ripe for microfinance to go beyond unsecured loans. This is in the best interest of both the customers as well as the institutions. The customers get a one-stop shop even as the institutions get a handle to mitigate risks and ensure the quality of assets. The SFBs are a graduated model; they support the customers in multiple ways, meeting their varied needs.

The SFBs have retained their core strength of customer and employee connect as they have graduated into a more broad-based institution. The last-mile connect and humble engagement model are their strength -- the two pillars of the success for the SFBs. The model is based on a deep understanding of the psyche of the microfinance customers who are an integral part of the India story.

This is unique in the Indian financial system, and this is why the SFBs are either close to or have already completed their successful five years of operations. They have invested in talent, especially in compliance and technology, as both play a key role, particularly for the liability and MSME business. Given that all SFBs are scheduled commercial banks and they are allowed to raise deposits, the technology -- both for serving the customers as well as the security measures -- has to be flawless. And, as they are banks, there is no compromise on the compliance front.

The SFBs are at present leading in converting the last-mile customers through digital connect such as Video KYC for account opening, UPI for repayment and QR code for digital transactions. They all are cost effective, secure and help creating the right architecture for faster and simpler ways of banking. Creation of an integrated engagement platform, developed internally and through alliances and collaborations is vital for the development of the SFB ecosystem.

With a tinge of pride we can say that the SFBs have withstood the onslaught of the Covid pandemic and have shown their resilience and diligence as regulated banking institutions. They have lent to the so-called priority sector well above the 75 per cent regulatory prescription and delivered both to their customers as well as their employees. In the worst of times, they continued lending to their customers with the support of the Reserve Bank of India and the Government. We are confident that a stable economic environment will enable them to deliver returns, meeting the expectations of their shareholders, and become an integral part of the banking ecosystem in the world's sixth largest economy.



Ajay Kanwal

MD & CEO - Jana Small Finance Bank Limited.

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“Financial Technology – Supporting the New RBI Directives

RBI's new set of directives demand rapid innovation from both MFIs and Software Application Technology service providers to meet the Financial Inclusion expectations in the increasingly competitive space. Technology scalability, agility and go-to market readiness become key differentiators to provide seamless and innovative services to the borrower (with many choices) in the digital landscape.

The New Framework brings all the micro-lending institutions under one umbrella with a wide range of amendments considering household income, eligibility criteria, loan repayment, loan card, loan pricing, and guidelines on recovery of loans. This expands the target market size and levels the playing field thus increasing competition.

It is essential to understand the various technology and innovative interventions which will apply to lending platforms to accommodate the framework.

Loan Origination Software (LOS) - Considering the new requirements from the RBI, a robust LOS is a must and should have relevant options to capture the Family Household Income (FHI) and Expense, this will help in ascertaining the overall eligibility. To achieve this, Family members' KYC are needed to ensure Credit Bureau (CB) checks are run and family obligations are evaluated appropriately. There is a need to analyse a consolidated CB response for all family members rather than the CB for the principal borrower only. The monthly overall instalment obligation against the Family Household Income (50%) requires validation and to expedite assessments of credit worthiness, automated credit rating and scoring is required which will help in offering the best possible Interest Rates.

Loan Management (LMS) and Analytics Software

- At the back end, LMS should be configured to calculate the overall monthly financial obligation for the family and will also require assimilating data and analyse the payment patterns so that Credit Risks in next cycle loan processing can be assessed. Daily DPD movement is to be monitored

for Delinquent Loans, so that proactive actions can be taken. Secondly, credit risk based flexible pricing and interest rate configurations at product level will help in maximizing lending efficiency. This can be based on variables like customer repayment history, loan cycle, purpose, and demographics.

Institutions can now also explore the options to align penal interest on overdue Instalment with a flat onetime charge and / or in terms of the percentage, the daily penal interest calculation on overdue Instalment amount is possible.

Loan Collection - For supporting seamless recovery operations and for creating a proper delinquency management, a specialized Application or module would be required to effectively track the follow-up actions. PTP date revisit prompts would be critical to maintain lower PAR.

All visits to borrower's premise for the collection / recovery should be tagged with timestamps and GPS location. This should also have provision for the person engaged during the visit to be able to record the conversion with borrower / family members.

Application Capacity and Availability - In addition to the functional capability of the Software, architectural agility for rapid growth is required to support higher volumes of customer onboarding and should be able to handle greater number of transactions per day. Products offerings must be flexible and scalable to integrate into legacy systems and third-party solutions.

To conclude, in today's complex business environments, Technology Service Providers (TSPs) must look at supporting the overall MFI eco-system, rather than offering a piece-meal solution. This may include ability to deploy seamlessly integrated and fully compliant Loan Origination, Management and Field Operations along with positioning pre-integrated solutions for KYC, Bank Account Verifications, Alerts, Digital Payments etc. This will not only help MFIs in lowering their expenditures but will also enhance the operational efficiencies.



Vinish Shah
Chief Business Officer, Asia
Craft Silicon Pvt. Ltd



Venugopala K
Head of Solutions
Craft Silicon Pvt. Ltd



MFIN 2021-22

POLICY REFORMS

Towards Uniform Regulations

Preparatory Work

- The idea for activity-based regulations was seeded by MFIN during the Microfinance Seminar at CAB, Pune on November 20, 2018; the seminar was conducted after a detailed review of existing regulations by MFIN.
- Since then, MFIN had several in-person meetings with the DG, ED and CGM DOR and policy notes/analysis and representations were sent on issues related to the unequal regulations leading to client level issues as well as on relaxation of qualifying asset norm which restricted risk diversification and product innovation.
- During the last couple of years, Covid related stress compounded the pricing issue for NBFC-MFIs. With downward revision of policy rates to inject liquidity, NBFC-MFIs were faced with a paradoxical situation. While base rate linked formula became the norm, the reduction in policy rates did not translate into lower funding costs, thereby further squeezing the margin. Further, customer protection issues due to a lack of uniform regulations came to the fore in various parts like Assam. MFIN again took up the issue and closely engaged with the RBI and provided its views through the pre-policy meetings and discussions with the senior officials of the RBI. As advised by the RBI, MFIN analysed 5 years data of its Members on cost of funds, pricing cap, margin, funding from 5 largest banks and sent a technical note showing the unsuitability of pricing cap formula.
- All this advocacy culminated into issuance of a “Consultative Document on Regulation of Microfinance” by the RBI on June 14, 2021.
- MFIN view on consultative document was sent to the RBI in July 2021 after detailed consultation and feedback from its Members (NBFC-MFIs) and lending Associates (Banks, SFBs and NBFCs).
- Over the next 6 months, MFIN closely engaged with the RBI for additional details and

feedback related to definition of a microfinance household and microfinance loans, pricing deregulation, fact sheet for disclosure of pricing details to borrowers, template for HH income assessment process, etc.

- Finally, the Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 was released on March 14, 2022, which incorporated most of the feedback given by MFIN. The new regulations pave the way for a responsible and sustainable growth of the sector.

Post New Framework

After the announcement of new regulations, a series of activities were conducted by the Secretariat to make the Members/Associates and other stakeholders aware of the changes and obtain their feedback for further follow-up and representation to the RBI for clarifications along with our recommendations. These include:

- Critical review of the RBI circular to identify areas where further clarification is required from the RBI as well as make recommendations for smooth implementation of the guidelines.
- Meeting with Members/Associates and representatives of investors/lenders and rating agencies to help them understand the changes in the new regulations and clarify their doubts.
- Meeting with senior representatives of the credit bureaus to discuss the major changes required in context of the new regulations, understand their preparedness to implement changes by April 01, 2022.
- Representation to the RBI on CIC related issues highlighting areas of attention, (i) reporting of HH income, (ii) reporting of EMIs for each tradeline, (iii) reporting of collateral, (iv) treatment of collateral-free loans from the retail bureau in computing repayment obligation, (v) household CCIR, (vi) consent from household members for generating CCIR and (vii) data reporting frequency to CICs. This led to formation of a TWG sub-committee with CRIF Highmark as the convener to further discuss the concerns raised by MFIN and make recommendation to the RBI for changes required in the UCDF and TUDF and other matters.

- Representation to the RBI on areas which need RBI backing for SRO to ensure responsible finance and areas where clarification is required for the REs, CICs and SROs based on MFIN's understanding/interpretation of the circular.
- Representation to the RBI for clarification on Interest rate disclosure in the fact sheet. The Secretariat emphasized that since the credit-life insurance is not a source of income for the RE, the fact sheet should ideally not have credit life as part of interest rate disclosure but if important it can have two disclosures – APR/IRR for the RE and EIR for the client with description of insurance benefit. This would minimize the chances of misinterpretation and misreporting.
- Representation to the RBI highlighting the specific issues which each RE is facing for extension of implementation timeline for the new regulations.
- Guidance notes on household assessment and micro-credit pricing framework which the Members/Associates can use for formulating their Board approved policies.

Facilitating Microfinance Delivery

This includes MFIN's work on policy advocacy on regulatory circulars which requires clarity or amendment and initiatives on sector development for facilitating microfinance delivery. Some of the key aspects which were taken up by the Secretariat are as below:

- Signing of MOU for joint implementation of the Assam Microfinance Incentive and Relief Schemes 2021. The agreement was signed by the Assam Government and 37 lenders including 6 universal banks, 25 NBFC-MFIs, 2 NBFCs and 4 SFIs and MFIN played a lead role in facilitating this entire process.
- Conceptualization and launch of credit guarantee scheme for MFIs which provided access to low-cost credit from banks, and was particularly beneficial for the small MFIs. MFIN Member NBFC-MFIs received about Rs 7,519 Cr from banks under the scheme and by end-March 2022 around 95% of the funds were disbursed to over 17.7 Lakh borrowers. It involved close engagement with DFS for drafting of the scheme,

interactions with SIDBI/NCGTC/banks for implementation and weekly updates of the progress to Department of Financial Services.

- Clarification from AML Section, DOR, RBI that NBFC-MFIs being regulated entities (REs) of RBI, are exempted from uploading SHG/JLG related KYC records to CKYCRR.
- For implementation of Resolution Plan 2.0, clarifications from the RBI on treatment of accounts (as standard) that have slipped into NPA between 1st Apr'21 and date of implementation of the circular and providing guidance to Members on the nuances of the circular.
- Opportunity for NBFCs to submit application to the RBI for Aadhaar e-KYC Authentication Licence and become KUA/Sub-KUA.
- Representation to Ministry of MSME for exemption of timelines for Udyam certification and engagement with SIDBI for minimizing the data/information requirements and provision of bulk uploads of borrowers' data on the portal by the lender for issuance of the Udyam certificate.
- Limited period trial of the innovative Natural Catastrophe insurance product after approval by IRDAI under the regulatory sandbox. MFIN was supported by its partners GIZ, WRMS, Chola MS, Swiss Re and two NBFC-MFI partners, Annapurna and Arohan who participated in the trial.
- Release of a seminal report by NCAER on "Present and Potential Contribution of Microfinance to India's Economy" – the study concluded that share of microfinance in the country's GDP is 2.03% and it supported 12.85 million jobs.





ASSAM MICRO FINANCE INCENTIVE & RELIEF SCHEME (AMFIRS) IMPLEMENTATION

While the sector was dealing with several issues due to the pandemic, microfinance lenders in Assam were faced with an additional crisis of rising PAR resulting from multiple contributing factors and events since 2019. Till this time, microfinance had evolved through an incredible journey in the state - in less than a decade, the state's microfinance sector increased its outreach from just over Rs 10 billion in FY 2011-12 to cross Rs 120 billion in FY 2020-21 – making Assam the sixth largest portfolio in India. Assam was also the 3rd best state in terms of portfolio quality.

Economic slowdown in Tea garden areas, CAA protest, promises of microfinance loan waiver and COVID all put together exacerbated the repayment collections with PAR 30 reaching 39%

in March 2021. MFIN brought all lenders together and engaged with the highest echelons of the State Government including the Chief Minister in constructive dialogue, emphasizing on the significance of credit discipline, the deleterious effects of waiver, and nudging the Government to shift its focus from 'waiver' to 'relief.' After closely reviewing the data and considering the pros and cons of different options, the Government announced the Assam Micro Finance Incentive & Relief Scheme (AMFIRS) in June 2021 with a budgetary allocation of Rs 75 billion. The Scheme is premised on incentive and relief rather than 'waiver,' relaying a strong message in favour of responsible lending and maintaining credit discipline. The Scheme offers incentives and relief to customers under 3 categories based on their repayment status.

A MOU for joint implementation of AMFIRS 2021 was signed between the State Government and 37 lenders in August 2021 at Guwahati. The Steering Committee of 5 members appointed by the lenders assigned MFIN to play the role of Nodal Agency for receiving funding contributions from lenders for AMFIRS implementation and managing the expenses.

The Government of Assam rolled out distribution of cheques of incentive to beneficiaries eligible under Category 1 of AMFIRS in a phased manner from November 2021 with the last 3 of a total of 33 districts launched in early May 2022. MFIN proactively facilitated coordination between credit bureau and lenders for submission of data of Category 1 eligible borrowers to the Government basis which incentive payments were conducted.

MFIN continues to play a supportive role along with the lenders' Steering Committee for coordinating with the state government and lenders for smooth implementation of the Scheme.



CAPACITY BUILDING

With the normalisation of business post pandemic and advent of the new Harmonized Regulation, it was imperative to create general awareness and increase engagements with stakeholders essentially customers, employees, and microfinance providers. MFIN, as an industry association continued with its effort of stepping up to support its Members and the industry with extensive Capacity Building Initiatives.

Training program for loan officers

A comprehensive training programme (audiobooks & videos) was developed for micro-credit loan officers who are the primary interface with customers and undertake the responsibility and ownership on critical aspects other than business, such as the brand image of the lender and micro-credit in the market, identifying and addressing risks and ensuring adherence to the process and regulations etc. Videos were curated as part of an industry-wide online training-certification program

that was aimed to train-assess-certify micro-credit officers. To date, around 7,000 loan officers have completed the assessment.

General Awareness Films

- A short film on the employment generated by the industry and its role in building capacities amongst the local youth was developed in English and Hindi.
- A film was developed to encourage Assam borrowers to avail the Assam Micro Finance Incentive & Relief Scheme 2021 (AMFIRS'21), an initiative of the Assam State Government in partnership with 39 MFI lenders of Assam. The film, in Assamese, features Ms Chetana Das, a renowned actress from Assam. Referring to lacs of women who have already collected their incentives, she urges Assam borrowers



Webinars



Webinar on Employee Bureau (EB) was conducted for lenders in collaboration with Equifax to introduce new features (reference check utility, ongoing alerts, API for data ingestion and search) within the Bureau. Further, key quality issues were also discussed.

Webinar on Digital Payments was organized on 12th October 2021. Mr Anand Rao, Jt. MD - Chaitanya India Fin Credit and Mr Sasidhar N Thumuluri, CEO & MD - Sub-K IMPACT Solutions shared their organizational experience with Members.

Micrometer Release Event: For the first time ever, the 37th Issue of Micrometer for Q4 FY 2020-21 was released in an online event on 30th June 2021 to build confidence and a favourable narrative on the operations of NBFC-MFIs. The event was attended by 100 participants representing rating agencies, lenders, and investors. Later, Q1 and Q2 FY 2021-22 Micrometer release events were held on 14th September and 15th December 2021 respectively.

Workshops



Workshop on Financial Literacy in partnership with RBI Dehradun (Financial Inclusion Development Department) was organised for field officers. Similarly, another workshop was organised in Patna which was attended by 175 participants

Workshop was conducted in association with BFSI-SSC for Members to understand the rules/procedures/practical guidance on the Apprentice Act in context of the micro-credit industry.



to avail the benefits. Under this initiative, the Assam Government will reward customers who have been regular with repayment of their microfinance loans and enable others who are in difficult circumstances to become regular and be a part of the mainstream.



- **International Women's Day:** As an ode to women on International Women's Day 2022, a short video, was developed internally, applauding the commitment and hardwork of the women credit officer/loan officer employed in the industry.

New Regulatory Framework - Important Information Dissemination

With the release of the "Regulatory Framework for Microfinance Loans 2022" by the Reserve Bank of India, a series of initiatives were introduced to familiarize microfinance employees and customers on key features/changes in the regulation:



Brief guide for customer's awareness on the new 'Regulatory Framework of Microfinance loans, 2022'



Brief guide for microfinance loan officer on Household Income Assessment in Hindi



Audio Snippets

Eight audio messages were developed in 9 languages each for customers ensuring memorability, understanding and a quick recall! The messages were curated to be used across centre meetings, integration within IVR's etc. A few examples are:



लोन लेते वक्त, हमेशा अपने सही पहचान के कागज़ ही दें और किसी भी तरह के धोकाधरी या हेरा-फेरी से बचे. लोन कंपनी आपके दिए गए कागज़ को चेक करती हैं और गलत डाक्यूमेंट्स देने पर आपका लोन पास नहीं होगा।



सही समय पर लोन का भुगतान न करने से एक तो ब्याज बढ़ता है और साथ ही आपका क्रेडिट ब्यूरो रिकॉर्ड भी खराब हो जाता है, जिससे आगे चल के आपको लोन मिलने में परेशानी होगी।



लोन लेते वक्त, हमेशा अपने घर की आमदनी और खर्चों की सही जानकारी दे, ताकि लोन आपको, अपनी क्षमता के अनुसार ही मिले और आप उसे आसानी से चूका पाए।

Posters

Posters capturing key messages were developed in **English, Hindi, Bengali, Oriya, Marathi, Gujarati, Tamil, Kannada, and Malayalam** for branch employees.



INDUSTRY STANDARDS

Guidance Note on Household Income Assessment, 2022

Suggesting an approach to household income and credit assessment, this guidance note was created as an indicative framework for regulated entities to frame their policies. It was structured around four themes:

- Personal information or know your customer (KYC) including indicators and pointers about capturing the borrower and co-borrowers key identity/address information who are part of the household as defined by the RBI.
- Income assessment proposing a three-step approach combining profiling of household, income, and expense assessment.
- Ground rules laying down the foundational aspects underlying the entire process.
- A suggested model providing with indicators, weightages, and explanation, for lenders to adapt/enhance and seek required approvals from their Boards.

Guidance Note on Pricing, 2022

The latest regulation by the Reserve Bank of India deregulates the pricing (interest rate charged to customers) for NBFC-MFIs to ensure that the microcredit pricing is fair, transparent, and competitive. This paradigm and strategic shift will offer an opportunity to lenders especially NBFC-MFIs to frame their individual policies ‘which would be in the best interest for both lenders and the customers, keeping the market dynamics in mind’. It also opens the window to apply a broader risk-based approach to pricing, factoring customer profiles and other macro segment attributes of product and customers (age, income, occupation, location, etc.)

The Guidance Note on Pricing was created to provide an indicative framework for lenders to use and adapt to frame their individual policies. However, the note does not give specific calculations/weightages/math for the

actual pricing model and has primarily drawn references from the prevailing pricing methods.

Guidance Note on Employee Engagement Practices, 2021

To advance the industry's employee ecosystem (occupation standards), employee bureau, learning programs for field-level employees, benchmarking studies, and employee engagement standards, a Guidance Note was issued. The Note contains foundational principles, and four key milestones for employee recruitment, orientation, well-being and exits.

Advisory on Surge in Covid 19 Cases, 2021

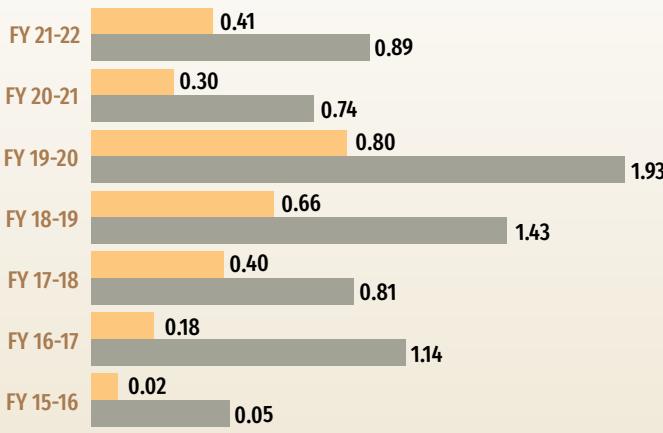
This Advisory was introduced in April 2021 owing to a sudden surge in the Covid cases to ensure that micro-credit operations remained fully aligned to industry standards concerning customer engagement, employee engagement and risk/internal controls during the pandemic situation.

Customer Grievance Redressal Mechanism (CGRM)

Given the educational-social-economic background of microfinance customers, they can be susceptible to being misinformed and influenced in the overall process of credit lending. Therefore, a system ensuring that the customer's voice is heard, and their interests are protected is necessary. While CGRM of NBFC-MFIs is the first port of call for the customers, it is widely acknowledged that recourse to an independent redressal process must be available to customers to address complaints that are not efficiently resolved via the financial service provider's internal dispute resolution mechanisms.

The MFIN Toll-free number gives the right and access to the customers of MFIN member NBFC-MFIs to register their complaints/grievances directly with MFIN. This independent system of linking the customer to MFIN directly helps to get their voices heard, protect their interests, and get insights into their needs, requirements, and expectations. MFIN CGRM over the year

NUMBER OF CALLS (IN LAKHS)



■ No. of incoming calls ■ No. of unique callers

NUMBER OF COMPLAINTS



has evolved considerably and is an efficient and effective channel for the customers to register grievances in 12 languages. It has also been recognized by the RBI as integral to customer satisfaction and protection.

LEVERAGING CGRM TO GAIN DEEPER INSIGHTS

While the primary objective of CGRM mechanism is to resolve customer complaints, it can be leveraged to identify the efficiency of processes/policy. Obtaining customer feedback through structural data is an important tool in this regard.

Customer Surveys

Four customer surveys were undertaken through CGRM via outbound calls in the year. These are as follows:

Staff behaviour issues: Fair interaction with customers, including respectful/decent behaviour by employees, is the foremost principle of the customer protection norms. However, the objective measure of employee misbehaviour is not always easy. Customer complaints about employee misbehaviour on the Customer Grievance Redressal Mechanism (CGRM) can be a powerful source to measure this. During the pandemic when a significant percentage of repayments were under stress, a survey was undertaken with customers to get an understanding on the problems and concerns.

Impact of the second wave: As the second Covid wave since April 2021 further exacerbated the impact of Covid 19, a brief survey was conducted through MFIN

MFIN's Toll-free Number:

1800 102 1080

MFIN CGRM STATISTICS DURING 2021-22

Calls Total calls received: 89K
Unique callers: 41K

Complaints Total: 1947

An increase from last FY 2019-20: 21%

CGRM to understand the impact of Covid on income and repayment of the customers.

Household income, pricing, debt serviceability, choice: In the micro-credit segment, there are varied viewpoints, assumptions and thin evidence about customers' monthly earnings and debt serviceability, their awareness/sensitivity to pricing and what factors do they consider in choosing a credit product. To bridge these knowledge gaps and understand customers' thoughts and perspectives on these issues, customers who called on MFIN CGRM were surveyed.

Centre meeting: There has been increasing feedback about the dilution in the culture of centre meetings. Delinquencies arising from the demonetization phase and now Covid-19 have further weakened the discipline of centre meetings. Other factors such as the gradual shift towards digital payments and social distancing have also further contributed. Due to the lack of data/evidence either on the scale of the issue or the probable reason, a survey was undertaken.

Other Initiatives

Employer Reference Check: In collaboration with Equifax, a new utility of Employer Reference Check was integrated with the Employee Bureau. This is an optional utility automating the process of reference check of new employees.

Loan Card Contest: To emphasize customer-centricity, a ‘loan card contest’ was initiated for Members to seek innovative and new thoughts/ideas/designs for the loan card. The idea was to improve the loan card design from the customer’s viewpoint and disseminate it in the industry for broader adoption. Centrum Microcredit’s entry was adjudged the best.

Survey on Employee Exits: To improve the employee exit processes, a survey was undertaken, and responses were obtained from members for a deeper understanding of their perspective and practices concerning employee exits – termination/absconding, etc.

MFIN'S OUTREACH

Important Stakeholders Engagement

MFIN's objective of creating an enabling ecosystem is met by the team's active engagement with State Governments where MFIN engages with a diverse set of external stakeholders at the state and district level ranging from law makers, bureaucracy, administration, law and order machinery, regulators, Inter Institutional formal structures to create a positive understanding of mission, objective, implementation, and impact of microfinance.

Highlights

- Letters requesting priority vaccination for employees of microfinance institutions were sent to the Health Minister, Principal Secretary Health, and Principal Secretary Finance of 21 states in April 2021.
- In May 2021, during the COVID second wave, MFIN engaged with the Chief Secretary and



Principal Secretary Finance for the inclusion of microfinance institutions under the exemption category as Government of India in its order in 2020 had included MFIs as Essential Services. Various states/UTs where favourable orders were issued by Assam, Tamil Nadu, Bihar, Rajasthan, Madhya Pradesh, Punjab, Uttar Pradesh and Uttarakhand.

- In June 2021, MFIN reached out to the Chief Secretary, Principal Secretary Finance, RBI-regional offices and SLBC of 19 states - Bihar, Chhattisgarh, Delhi, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Puducherry, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, Uttarakhand, West Bengal - apprising them about implementing various relief measures provided in RBI's resolution framework 2.0 to stressed customers. MFIN sought support in enabling MFIs to continue playing an important role in bringing the economy back on track.
- MFIN also requested to invite MFIs in the State Level Bankers' Committee (SLBC) and State Level Coordination Committee (SLCC) to present the sectoral work and activities undertaken to strengthen credit flow in the respective states. The state of Assam responded positively to this request. MFIN and members participated in State Level Bankers Committee (SLBC) meetings on May 28th and October 6th, 2021. MFIN also joined SLBC meetings held for December and March quarters in May 2022.



Rural Livelihoods Missions virtual meeting which discussed the contribution of microfinance institutions in rural lending, status of lending policy by NBFC-MFI considering RBI Regulations, relief offered to customers during Covid, and the challenges faced by institutions. The meeting was chaired by Hon'ble Minister for Rural Development, Panchayats & Panchayat Union, Poverty Alleviation Programmes, Rural Indebtedness and was attended by the Additional Chief Secretary - Rural Development, MD - Tamil Nadu Corporation for Development of Women, GM - Financial Inclusion Development Department, AGM- State Level Bankers' Committee and Additional Director - Tamil Nadu Corporation for Development of Women.

Elections

- MFIN shared timely representations to the State Electoral Officers apprising them of the operational aspects of RBI-regulated MFIs, including their financial transactions with their customers and sought cooperation from the district election machinery for day-to-day microfinance in the field during state elections/ panchayat elections/council elections/ by-elections in Tripura, Tamil Nadu, Odisha, Gujarat, Uttar Pradesh, Punjab, Uttarakhand, and West Bengal.
- In Bihar, meetings were held with the Hon'ble Deputy Chief Minister and Finance Minister, Government of Bihar, Chief Secretary - Government of Bihar, Additional Director General of Police-Economic Offence Unit - Government of Bihar, Additional Director General – Police Headquarters - Government of Bihar and Deputy General Manager, Department of Supervision, RBI Patna. The meetings focussed on strengthening a supportive ecosystem for the microfinance industry within the state.
- Meetings were held with the Principal Secretary to the Government of Assam, Finance Department and Secretary & Commissioner, Finance Department - Government of Assam to discuss the implementation of the Assam Microfinance Incentive Relief Scheme (AMFIRS).
- MFIN was invited to the Tamil Nadu State

Key Interventions

- In the wake of stress reported from the field, MFIN extensively engaged with the newly appointed DCs, SPs, LDMs and ZP (CEOs) of Kolhapur, Solapur, Satara, Dhule, Jalgaon districts of Maharashtra. MFIN apprised them of the RBI Regulated Entities operating in the districts and the difficulties they faced from the violent agitations and protests led by local leaders hampering microfinance services and creating an atmosphere of threat and fear among their staff. MFIN updated the administration about its dedicated Toll-Free No 1800 102 1080, and the special grievance redressal contact numbers set up for Kolhapur, Solapur and Sangli districts, in addition to the existing redressal mechanism of MF Institutions.
- In the backdrop of discussion in Maharashtra State Assembly over the alleged complaints of coercive loan recovery practices, meetings were organised with the Principal Secretary - Chief Minister Office, Additional Chief Secretary - Finance and Home, Regional Director (RBI) to address the concerns.
- With reference to the unlawful public deposit collection by 'Mother Teresa Future Foundation Trust' in East Champaran and its adjoining districts in Bihar, the matter was brought to the attention of the RBI Regional Office, Additional Director General of Police - Special



Task, Additional Director General of Police - Economic Offence Unit, Government of Bihar and District Administration, East Champaran. Subsequently, necessary directions were issued by the EOU department, Government of Bihar to the Superintendent of Police, East Champaran and fraudsters were arrested.

- In Punjab, there was loan waiver demand from Farmers' Union including microfinance loans. MFIN met with the Secretary Finance, Agriculture Secretary, Cooperation Secretary and Advisor to the Department of Finance, Government of Punjab on December 22, 2021 and explained that microfinance loans are provided by RBI regulated institutions and are collateral free. Further, loan recovery is guided by the canons of Fair Practices Code of the RBI. Following it, representation was made to the Chief Secretary of the state. This led to the exclusion of microfinance loan from the subsequent "loan waiver scheme" announced by the Government.

State Chapters, District Forums & Outreach

MFIN plays a key role in creating an informed and supportive environment for microfinance services and service providers. To institutionalize these interventions, 'State Chapters' and 'District Forums' have been formed across all states. These platforms proactively work as representative bodies of the industry and engage with external stakeholders including customers and community in the field. Further, they help in increasing coordination and cooperation



among Members in the field, providing robust support for connecting with the external ecosystem and bringing together all operative microfinance institutions on a common platform to discuss the scenario, challenges, and the desired interventions.

State Chapters and District Forum Meetings

MFIN has formed 13 State Chapters and extensively supports 4 State Associations namely UPMA in Uttar Pradesh, AMFI in West Bengal, KASAFI in Kerala and AKMi in Karnataka. It has also formed 286 District Forums and supports 114 District Forums of State Associations. Each State Chapter has identified its coordination committee members who facilitate the smooth functioning of the Chapter. Similarly, each District Forum has a Lead and Co-Lead MFI, responsible

STATE AND DISTRICT FORUMS

State Chapters	Districts in the State	Individual District Forums in the State	Composite District Forums in the State	District Covered
PJ-HP -J&K	22	16	3	21
Uttarakhand	13	4	0	4
Delhi & Haryana	26	14	2	18
Rajasthan	33	13	1	16
Madhya Pradesh	52	40	2	44
Chhattisgarh	27	19	2	21
Maharashtra	36	18	7	36
Gujarat	33	9	2	33
Odisha	30	24	3	30
Jharkhand	24	9	5	24
Bihar	38	34	2	38
Northeast	86	15	11	39
Tamil Nadu & Puducherry	33	29	2	33
Karnataka in association with AKMI*	30	30	0	30
Kerala in association with KASAFI*	14	14	0	14
Uttar Pradesh in association with UPMA*	75	0	50	75
West Bengal in association with AMFI-WB*	23	23	0	23
Total	595	311	92	499

* MFIN works jointly with Local Associations.

COLLECTIVE PLATFORM MEETINGS AT STATE & DISTRICT LEVEL

State Chapters	State Chapter Meeting Conducted	State Coordination Committee Meetings	District Forum Meetings Conducted	Special Meetings Conducted	RADAR Workshops
PJ-HP -J&K	4	10	80	8	25
Uttarakhand	4	4	16	1	12
Delhi & Haryana	4	5	60	2	20
Rajasthan	4	4	60	5	15
Madhya Pradesh	4	4	176	1	2
Chhattisgarh	4	4	84	2	1
Maharashtra	4	4	101	2	39
Gujarat	4	4	36	1	18
Odisha	4	4	54	1	34
Jharkhand	4	4	60	2	2
Bihar	4	4	144	4	2
Northeast	4	4	52	3	34
Tamil Nadu & Puducherry	4	4	152	2	80
Karnataka in association with AKMI*	2		31		33
Kerala in association with KASAFI*	2		23		2
West Bengal in association with AMFI-WB*	2	69	69	1	23
Uttar Pradesh in association with UPMA*			5		6
Total	58	128	1203	35	348

* MFIN coordinates with Local Associations to deliver collective platform meetings.



2400 participants

trained through 80 RADAR Lead & Co-Lead
Coordinators Capacity Building Workshops

300 participants

reached out through the Training of Trainers
RADAR Capacity Building Workshop

320 participants

attended 4 RADAR SPOC
Capacity Building Workshops

1050 participants

participated from State Chapter Meetings
combined with 34 Handholding Workshops

8000 participants

benefitted from the District Forum Meetings
along with 400 Handholding Workshops

for district level coordination among member MFIs. MFIN regional representatives actively work with the State Coordination Committee and the District Lead Coordinators. In FY 2021-22, a series of State and District Level meetings were organised to address state-specific issues and concerns along with desired interventions.

MICROFINANCE RADAR APPLICATION

RADAR is an in-house application developed to ensure that the granular field level information (issues and challenges) generated from MFIN district forums is available to member institutions in a secured and systematized form. Launched in July 2021, RADAR digitally captures four crucial parameters: repayment challenges, loan pipelining, ring leaders, and disturbance created by external inciters. Both qualitatively and quantitatively, this micro-level information plays a significant role in flagging “early warning symptoms” to enable microfinance institutions to take timely measures to avert a crisis.

It is of immense importance for MFIs to understand the risks and dynamics of the field-situation.

To familiarise and create an understanding about the functionality, role and importance of the Application, Capacity Building Workshops and Training of Trainers Workshops were organised pan India on a regular basis.

COMMUNITY DEVELOPMENT INITIATIVES

MEDICAL CAMPS IN 22 FLOODS AFFECTED DISTRICTS IN BIHAR

Any distress situation affects the social and economic wellbeing of low-income households. Natural disasters specifically, have the potential to disrupt these communities severely owing to their poor safety nets. The microfinance industry has always been at the forefront in providing relief to the affected communities in-case of cyclone or floods. For the vulnerable community who had already faced the effect of the COVID pandemic, floods in Bihar in the months of August – September 2021 further added to the misery.

To support these communities, MFIN collaborated with 'Doctors For You' (DFY), a pan India humanitarian organization working in disaster hit zones for 13 years, to provide medical relief to children, women, and the elderly, affected by floods across the state.

Sixteen microfinance organizations came together to organize 43 medical health camps in 22 flood affected districts aiding over 10,000 patients. The DFY medical team comprising doctors and paramedics worked tirelessly reaching the remotest of flood affected villages, providing free

health check-up, hypertension and blood sugar check-up, antenatal check-up, and distributed medicines free of cost. Pregnant women were given iron, calcium, and multivitamins tablets.

The medical health camps were supported by Adi Chitrugupta Finance Ltd, Annapurna Finance Pvt. Ltd., Arohan Financial Services, Centrum MicroCredit (now Unity Small Finance Bank), CreditAccess Grameen Ltd, Fusion Micro Finance Ltd, Jana Small Finance Bank Ltd, Kaleidofin Pvt. Ltd., Midland Microfin Ltd, Muthoot Microfin Ltd, Northern Arc Capital Ltd, RBL FinServe Ltd, Saija Finance Pvt. Ltd., Satya MicroCapital Ltd, SAVE Microfinance Pvt. Ltd., Svantra Microfin Pvt. Ltd..





SKILLING AND FINANCIAL LITERACY WORKSHOPS IN PUNJAB



It has been observed that income generated by women contributes towards the welfare and improvement of the entire family; thereby helping them to become self-reliant and independent.

The Microfinance industry has been empowering rural women through various capacity building initiatives. To ensure sustainable livelihood for women, MFIN in partnership with B-ABLE Foundation (Basix Academy for Building Lifelong Employability) launched a series of skilling and financial literacy workshops in Mansa, Faridkot, Sri Muktsar, Sangrur and Moga of Punjab.

The workshops were supported by Satya MicroCapital Ltd, Satin Creditcare Network Ltd, Muthoot Microfin Ltd, Midland Microfin Ltd and Fusion Micro Finance Ltd.

The financial literacy sessions aimed at educating women on adequate financial practices, maintaining a good credit score, understanding the importance of loan repayments and insurance, importance of savings habits and management of income etc. The tailoring and beauty care training was undertaken with the objective of enhancing the technical and entrepreneurial abilities of women, presenting an opportunity to contribute towards improving the livelihood of their family.





HEALTH CAMPS IN FLOOD AFFECTED DISTRICTS OF ASSAM

In its state-wide intervention by MFIN, health camps were organised in flood affected districts of Assam in collaboration with Doctors for You (DFY) supported by Arohan Financial Services Ltd.

The first phase of camps was held in December 2021 in the districts of Sonari, Sivasagar, Jorhat, Majuli, Golaghat, Sonitpur and Biswanath aiding 760 beneficiaries. Similarly in March 2022,

the health camps were organised in Silchar, Hailakandi, Karimganj, Kamrup Metro, Pathsala, Chirang and Hojai reaching out to 864 patients. Health promotion and disease prevention were given equal importance while curative care was provided at the camps.



WEAVING A STORY

Customer stories* of grit throughout India

The sector is extremely proud of its customers - Women who display such strength of character and fortitude! They have the foresight to plan a future and the determination to achieve it. Just access to information and support keeps them back from pursuing. We share here a few stories of these exceptional women across the length and breadth of our country who made a small start and are today an inspiration for others.



NORTH
EAST

ASSAM

Malaya Shil

Owner of a dairy business in Bongaigaon district, Malaya Shil had been a microfinance customer for six years. Her business was operating smoothly till the pandemic hit the globe. This is when she found it impossible to pay EMIs for the third loan cycle of Rs. 45,000 which she had taken to expand her business.

The announcement of the Assam Micro Finance Incentive & Relief Scheme 2021 (AMFIRS'21) proved to be a relief for customers like Malaya, where the Government of Assam rewarded customers regular with repayment and further aided others in difficult circumstances to become regular. With the one-time incentive of Rs 25,000, she was able to repay her instalments and restructure her business as well. Malaya not only made the right use of the one-time opportunity to repay her EMIs and maintain a healthy Credit Bureau record but also restored normalcy in her livelihood activities, thus supporting her family during a tough time.



SOUTH

KARNATAKA

Nagamma

Nagamma, a resident of Jagalur district in Karnataka is a fine example of how determination can overcome any hardship. As her husband's income was insufficient to meet the daily household expenses, Nagamma decided to use her skill and stitch clothes to support her husband. However, purchasing a sewing machine proved to be difficult. While she was exploring solutions, she was introduced to microfinance by one of her neighbours. With her first loan amount of Rs 10,000, she purchased a sewing machine and started receiving orders.

Gradually, with her perseverance, the demand for bulk orders increased which in turn increased her income capacity. As her business grew, she took another loan of INR 25,000 to expand her tailoring unit and ventured into animal husbandry. She invested in a sheep. With timely repayments of her EMIs, she received a larger loan amount of Rs 50,000 and invested in farming. The improved living of her family made her an inspiration to all other women in the village.

*Customers of MFIN Members



WEST

MAHARASHTRA

Vedika Lakan

The entrepreneurial journey of Vedika Lakan, a resident of Diva, Kalyan in Maharashtra, is a story of resilience and determination that took her family from severe financial distress to financial stability and an improved standard of living.

Vedika had a small tiffin service business, and her husband worked as a security guard in Ghatkopar. During lockdown, he was unable to commute to his workplace which led to the loss of his job. The pandemic had shattered several households and survival was a challenge for Vedika's family as well. With no source of income, the family struggled to manage necessities.

This made Vedika start a business of her own. On receiving her first loan amount, she started making sweets on an order basis to sell it in and around her locality. Initially, she faced challenges however, with sheer hardwork and dedication, her business gained momentum. She was able to make profits which led to the required financial stability in her family.



SOUTH

KARNATAKA

Sandhya

Sandhya, a resident of Tumakuru (Tumkur) in Karnataka supported her family of seven by operating a dairy business along with her husband. She started her entrepreneurial journey four years ago. While she was running the dairy business to meet the necessities of her family, life was not easy as they had no access to a toilet and safe drinking water. The family defecated in the open field with high risk of contracting diseases. Moreover, Sandhya had to walk long distances to collect water from an unprotected source to sustain her family. The process of queuing up and transporting the water back to her house took considerable time which otherwise could have been utilized in her business.

This is when she was introduced to the Water and Sanitation loans which provided an easy access to safe water and toilets. She received a loan to construct a toilet and get a tap water connection for her house which had a significant impact on her family's living. Sandhya feels that with a private toilet, her family's health, safety, and comfort are now ensured. Moreover, there is sufficient water for domestic use, right at home which has saved travelling time.



CENTRAL

MADHYA PRADESH

Ramkali Bai

Ramkali Bai and her husband worked as daily wage workers at a tile fitter place in a village in Madhya Pradesh. The total household income earned by the couple was as low as Rs 500 per month. They had the responsibility of managing the household along with providing for the children. Sustaining with the meagre income was becoming challenging for Ramkali Bai and her family.

Ramkali then joined a Self-Help Group whereby she underwent numerous trainings. Soon she developed an interest in apparel making and worked tirelessly to get trained to start her own venture. With financial assistance, she progressed one step closer to reach her dream. She used the loan to purchase a motorized tailoring machine. Over a short period, her business grew manifold, and her income tripled allowing her to make small savings.

Eventually, she expanded her business and diversified into multiple businesses. Besides managing her tailoring unit, she operates a kiosk centre which generates a decent income for her family. The multi-talented Ramkali, also dabbles in the sale of modern energy-efficient cooking equipment that would make the lives of several women comfortable.



EAST

ODISHA

Manorama Sahu

Manorama Sahu of Ekadashi village, Odisha lived with her husband and three children. Her husband, being a daily wage labourer, earned an extreme low wage of Rs 150-200 per day which was severely impacting the living condition of the family. Moreover, being a labourer there was no certainty of getting work daily.

When a worried Manorama was seeking financial aid, her neighbour informed her about microcredit loans being offered to underprivileged women to help them in income generation. On receiving her first loan amount of Rs 20,000, Manorama opened a small hotel in her locality and managed it single-handedly as her husband continued to work as a wage labourer. The hotel business gradually grew and so did her profits. Manorama maintained her credit score by making timely repayments and later received a second loan of Rs 50,000. The couple is now managing the hotel jointly. Receiving the assistance at the right time, has helped the family improve its standard of living with the children now being encouraged for higher studies.





CENTRAL

CHHATTISGARH

Taran Bai Kumar

A resident of Seepat village in Bilaspur, Chhattisgarh, Taran Bai Kumar lived with her husband and four children. The couple made mud pots and sold them in the local market. The income earned was insufficient to support the basic requirements of the family of six. Moreover, they had to purchase mud on credit from non-reliable sources which led them to debt.

For a sustainable income, Taran Bai decided to scale up her business. She joined a Joint Liability Group and availed a loan of Rs 15,000 to purchase pottery tools. Her dedication saw her work through sleepless nights and soon the pottery business flourished. As she hand painted her mudpots and matkas, not only were they loved by the villagers but also by handicrafts enthusiasts in the vicinity of the village. With increasing demand, the couple was able to purchase additional inventory and accept bulk orders. Three years have passed, and with each cycle of additional financial support, Taran has managed to purchase more supplies to expand her product range.



SOUTH

PUDUCHERRY

Arokia Jansi

Arokia Jansi, a mother of two and a resident of Anandha Nagar in Puducherry, was determined to become financially independent as her husband's income wasn't enough to meet the basic needs of the family. She decided to convert her tailoring skills into a business opportunity and contribute to the monthly expenses of her family.

On receiving her first loan amount of Rs 30,000, she utilised it to purchase a sewing machine, colourful fabrics, and other stitching equipment to start her venture in a rented shop. Traditional women clothing like churidar, blouses, shawls, lehangas etc stitched by Arokia, were in demand within a short period of time. Special festive discount offers ensured good customer retention and business continuity. The first year of her tailoring business gave her good returns in terms of positive feedback from customers, high demand, and profits. This eventually allowed her to fully support her children's' education and improve the financial health of her family. She further plans to employ local village women as assistants to cater to the growing demand and expand her business. She is now on her third loan cycle of Rs 50,000 which she used to purchase embroidery and other sewing equipment for the planned expansion.

STATING THE FACTS

Throughout the year, MFIN provided an analytical perspective around important developments for the sector including RBI's new framework, industry's performance during or post Covid, relief measures announcements by the RBI, among others, on National Media.



"The Market" with Ms Ayesha Faridi and Ms Aabha Bakaya sharing a perspective on the microfinance industry outlook and impact of Covid during the second wave. [ET Now](#)



Discussed the sector's expectations and reactions post the relief measure announcements made by the RBI Governor on CNBC TV 18 anchored by Ms Ritu Singh. [CNBC TV18](#)



"Midcap-Radar" with Mr Prashant Nair & Ms Sonal Bhutra sharing an overview on the impact of ground collection efficiency and asset quality of MFIs during Covid 19 disruption. [CNBC TV18](#)



In conversation with CNBC TV 18 "Bazaar Corporate Radar" with Ms Latha Venkatesh discussing about RBI's proposed framework to regulate MFI's. [CNBC TV18](#)



Experts discuss on CNBC TV 18 – "Trading Hour" with Ms Latha Venkatesh sharing their opinion on "What does Government fresh stimulus mean for the economy" [CNBC TV18](#)



Fireside Chat on Formalizing Credit for Informal Sector at the 2nd ET BFSI Converge. [ET BFSI Converge](#)



Small Finance Banks : Can they make it Big?
Shared a detailed outlook at the Business Standard BFSI Insight Summit Session



Experts discuss on RBI's decision to remove all rate limits on MFI loans at "Bazaar Corporate Radar" with Ms Latha Venkatesh, [CNBC TV 18](#).



In conversation with Mr Alex Mathew, ET Now welcoming the scheme as announced by the Honourable Finance Minister. [ET Now](#)



A new era for microfinancing.

The Financial Express



**Resilient Microfinance:
needs policy support.**

Prajavani



**Various rates emerging for different
products and customer segments.**

The Financial Express



**Microfinance business may attract closer
scrutiny on the way it is done.**

Business Standard



**Microfinance sector rides on choppy
waters with Govt support.**

The Hindu Business Line



MFI's need bold policy support.

The Hindu Business Line



**"MFI's" qualifying asset
threshold has to be lowered.**

Business Standard



**BFSI Insight Summit: Small Bank
model has proven a success.**

Business Standard



**The new restructuring package for small
borrowers has little chance of taking off.**

Business Standard

THE POWER OF WORDS

MFN plays an important role in being the voice of the industry and in filling the gap in operational delivery of microfinance institutions through policy reforms and/or addressing operational challenges like liquidity concerns.

For the same, it occasionally shares opinion pieces in national newspapers which allows the reader an insight into the functioning of the sector and its requirements to ensure access to credit for the unserved.

KNOWLEDGE REPORTS

Micro Matters, Macro View INDIA MICROFINANCE REVIEW

October 2021 saw the launch of this important report which presents a snapshot of the Microfinance sector, its regulatory environment, performance during a tough financial year and critical developments including continued customer focus and changing market dynamics.

The report was launched by Mr S Ramann, Chairman & Managing Director, Small Industries Development Bank of India (SIDBI), Chief Guest for the auspicious occasion amidst an august gathering comprising microfinance institutions, investors and analysts, regulators, among others.

"MFIs have been playing a significant role in contributing to financial inclusion in the country specially in the aspirational districts. I welcome the industry to leverage SIDBI support for scaling up innovation and digital underwriting."

Mr S Ramann, Chairman & Managing Director, SIDBI



"Drawing from our unique position as an RBI-recognised SRO and an industry association, we feel the need and responsibility to present a holistic perspective of the Microfinance industry in India. The broader complex context within which the industry operates should be understood and gaps arising from a fragmented picture that arises as a result of different perspectives, must be filled.

It is important that all stakeholders associated with the industry remain cognizant of its core objective and frame their risk and return expectations with a broader and long-term perspective."

Dr Alok Misra, CEO & Director - MFIN

PRESENT AND POTENTIAL CONTRIBUTION OF MICROFINANCE TO INDIA'S ECONOMY



Dr Rajiv Kumar
Vice Chairman, NITI Aayog

PRESENT AND POTENTIAL CONTRIBUTION OF MICROFINANCE TO INDIA'S ECONOMY

In March 2022, MFIN launched 'Present and Potential Contribution of Microfinance to India's Economy', along with the National Council of Applied Economic Research (NCAER). The report was released by Dr Rajiv Kumar, Vice Chairman, NITI Aayog amidst an august gathering comprising microfinance providers, investors and analysts, regulators, among others, on a virtual platform.

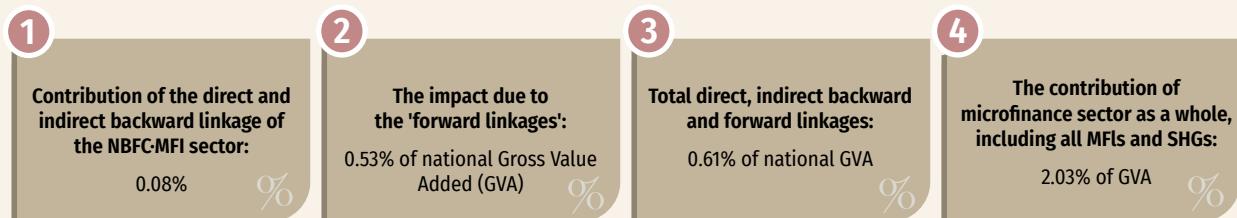
The study presents an analysis of the contribution to the overall economy in terms of income or 'Gross Value Added', a measure of the national economic output and employment.

Though the sector accounts for only a small part of the financial sector, the employment created is estimated to be about 1.28 crore jobs by the sector as a whole and 38.54 lakh jobs by the NBFC-MFIs alone, a significant contribution to the generation of employment."

The MFIN-NCAER report points that during 2018-19, the contribution of microfinance sector as a whole, to India's GVA was 2.03%. The projected contributions of the microfinance sector to overall GVA, including the backward & forward linkages by 2025-26 would be a significant 2.7% in the base case scenario and nearly 3.5% in best case scenario.

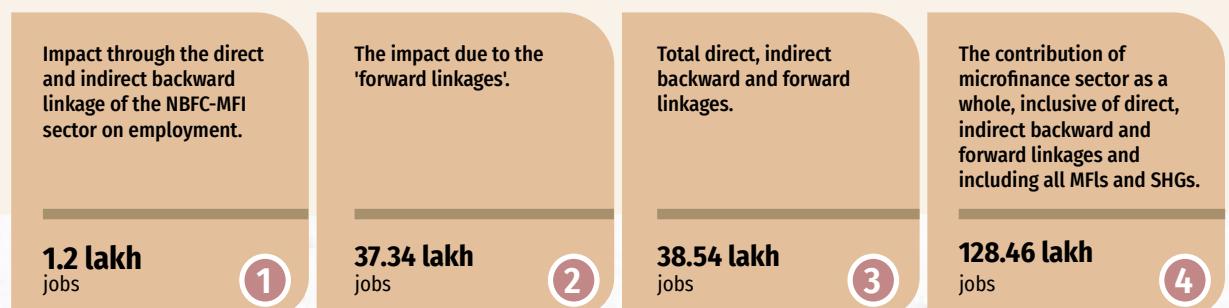
MFIN - NCAER Report Key Findings

Contribution to Gross Value Added (GVA)



The projected contributions of the microfinance sector to overall GVA, including the backward & forward linkages by 2025-26 would be a significant 2.7% in the base case scenario and nearly 3.5% in best case scenario.

Contribution to Employment



SIDBI HOSTS ITS 3RD NATIONAL MICROFINANCE CONGRESS WITH MFIN AS THE KNOWLEDGE PARTNER



Dr Alok Misra, CEO & Director, MFIN with Mr Arup Kumar, CGM, SIDBI.



Diya lighting by Smt. Nirmala Sitharaman, Hon'ble Union Finance Minister

MFIN was the knowledge partner at SIDBI's National Microfinance Congress focusing on "Micro Enterprise Finance - Amrit Kaal – Road Map Ahead".

The conference was inaugurated by Smt. Nirmala Sitharaman, Hon'ble Union Finance Minister and attended by microfinance practitioners, policy makers and other stakeholders.

Thanking the key partner - FDCO, Knowledge Partner - MFIN and Media Partner - CNBC TV 18, SIDBI Chairman and Managing Director (CMD), Mr Ramann said "The deliberations of the Congress are expected to help us understand the evolving roles of the stakeholders and fine tune policy making, wherever required, so that the objectives of Amrit Kaal are realised."



Panel discussion on Microfinance 3.0

- Towards Greater Financial Inclusion
moderated by Ms Latha Venkatesh, Executive Editor, CNBC TV 18

Seen L-R: Shri J P Sharma, CGM-Department of Regulation, RBI, Ms Mamta Kohli, Senior Social Development Advisor, Foreign Commonwealth and Development Office, Dr Alok Misra, CEO & Director - MFIN, Mr Rajeev Yadav, MD & CEO - Fincare Small Finance Bank, Late Dr P Satish, Executive Director, Sa-Dhan, Ms Latha Venkatesh.



Panel discussion on Scaling Up Individual Lending: Does it Suit the Microfinance DNA? moderated by Mr Tamal Bandyopadhyay, Consulting Editor, Business Standard.

Seen L-R: Mr Navin Chandani, MD & CEO - CRIF High Mark Credit Information Services, Mr Mukul Jaiswal, MD - Cashpor Micro Credit, Mr Balamurugan D, IAS, CEO cum State Mission Director, Bihar Rural Livelihoods Promotion Society, JEEViKA, Mr Sivakumar B. S., President & Business Head, Agri Finance, Kotak Mahindra Bank, Mr Udaya Kumar Hebbar, MD & CEO, CreditAccess Grameen Ltd and Mr Tamal Bandyopadhyay.



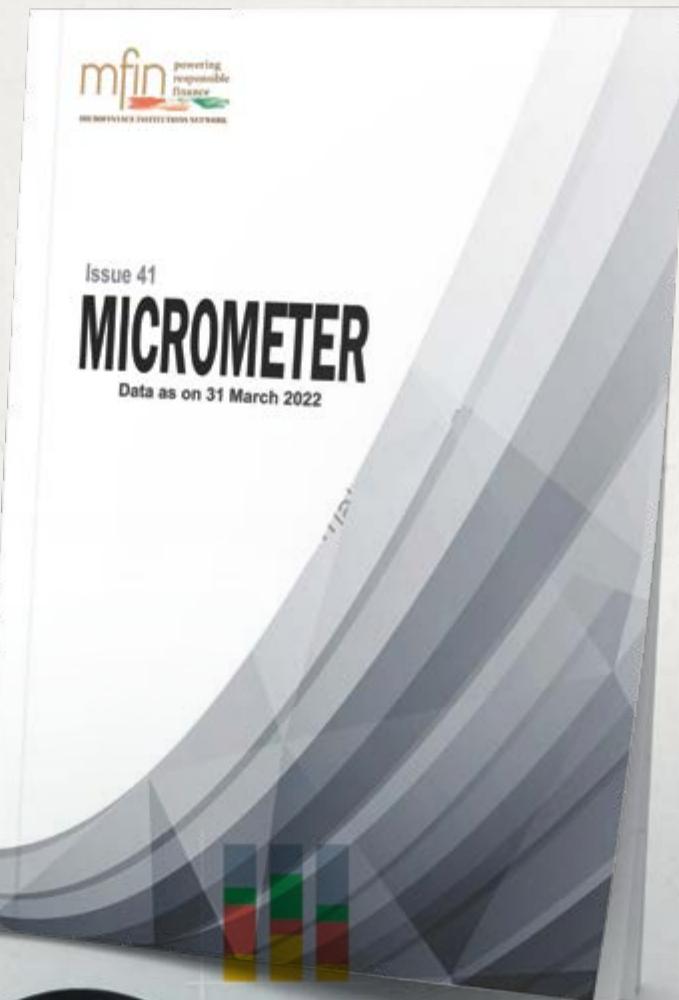
Panel discussion on Digitalisation in Microfinance – High Touch to High Tech moderated by Prof M S Sriram, Visiting Faculty, Public Policy & Chairperson, Centre for Public Policy, IIM-Bangalore.

Seen L-R: Mr Amit Arora, Senior Financial Inclusion Advisor – World Bank, Mr Ajay Kanwal, MD – Jana Small Finance Bank, Mr Devesh Sachdev, MD & CEO, Fusion Micro Finance Ltd, Dr Pawan Bakhshi, India Lead, Financial Services for the Poor, Bill & Melinda Gates Foundation, Mr Deepak Amin, Promoter & MD, Light Microfinance Pvt. Ltd. and Prof M S Sriram.

MICROMETER AND DRI REPORTS

Micrometer continues to be MFIN's flagship publication. The report provides quarterly trends of key operational and financial indices for the industry. From 2012, when it was launched, Micrometer has come a long way. As the sector advanced, a new segment providing data of all microfinance entities 'Microfinance universe' was added along with sections on cost of funds, borrowing analysis, Asset Liability Management analysis, among others. Year end March 2022 edition was the 41st edition of the report, today the single point of reference by all microfinance stakeholders including investors for India's microfinance data.

MFIN also publishes MicroMirror & DRI Maps, both providing predictive analysis to microfinance institutions. MicroMirror is a quarterly District Risk Index (DRI) Report that analyses the district level outreach and progress of the 'Universe' to provide the required intelligence to MFIN Members and Associates to manage their district presence in a more informed manner. The Universe includes all types of lenders in the microfinance space like Banks, NBFC-MFIs, SFBs, NBFCs and others (non-profit institutions).



INCLUSION

As seen through numbers

As we talk about financial, gender or digital inclusion through microfinance, there are the tangible aspects which data captures and the intangible which share close cross interlinkages. It is important to understand the present outreach of Microfinance to appreciate its role in inclusion as also its potential for the future.

Including those formerly unserved/ underserved

From 2011 when the Reserve Bank of India (RBI) introduced a new category for microfinance called NBFC-MFIs to today, the micro-credit sector has become very diverse with over 200 regulated

players – Banks, SFBs, NBFC-MFIs and NBFCs. The foresight of the RBI in allowing these multiple entities to extend credit throughout the country helped address the financial needs of a nation of our scale. The sector presently has 5.8 crore borrowers, predominantly women, serviced through its Joint Liability Group (JLG) Model.

Therefore, though the sector brought many more into the folds of financial inclusion, as the beneficiaries were primarily women, it helped India become more gender inclusive, and spurred women empowerment and entrepreneurship. Success stories of these women can be viewed on page 45.

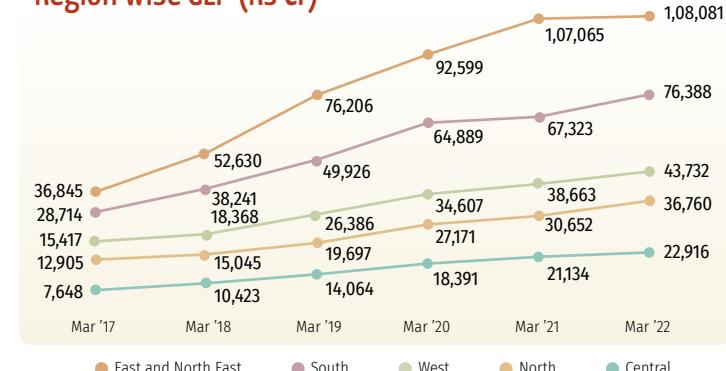
Borrower Outreach



Outreach in the Country

Besides reaching out to a greater population once excluded from Microcredit, having a larger sector also helped make inroads into the interiors of India. Today microfinance operations are present in 28 states and 8 union territories including a very small portfolio in the UT of Ladakh and Lakshadweep. 64% of the portfolio is concentrated in the East, North-East and South Regions.

Region wise GLP (Rs Cr)

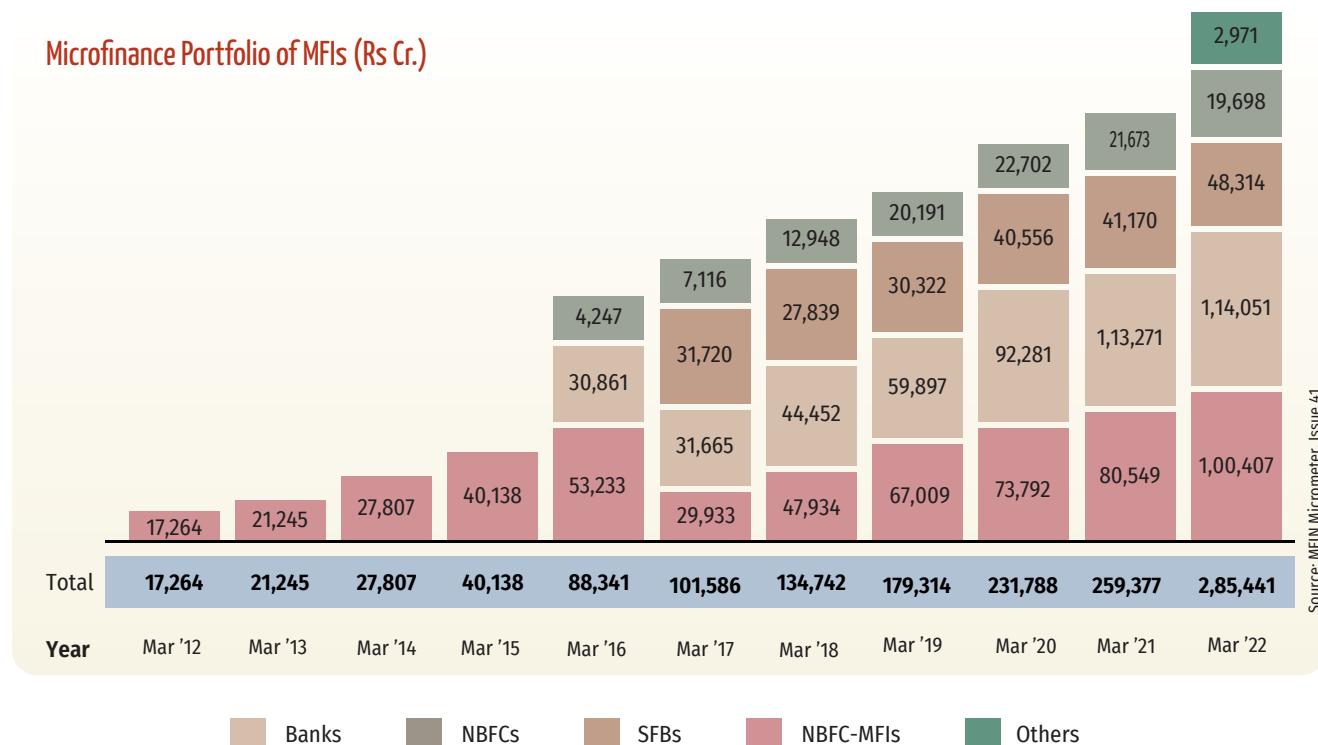


Number of districts covered by Microfinance in India



The Credit Outlay

To understand the impact of Microfinance, we do not really need to go too far. Just five years ago, FY 17-18 end-year Micrometer report states the Gross Loan Portfolio (GLP) of the sector to be Rs 1,34,742 crore. Today, with a greater reach across India, the GLP stands at Rs 2,85,441 crore.



MicroFinance has been successful in providing access to credit.

NABARD SBLP: As on 31 March 2021, around 57.8 lakhs SHGs had an outstanding portfolio of Rs 1,03,290 Cr.

The Universe Size (GLP) as on 31 March 2022 (after adding SHGs) is estimated at Rs 4,01,723 Cr.

This portfolio is a direct reflection of the demand for credit from the community. There is no doubt that Microfinance has helped individuals explore a plethora of livelihood options thereby helping decrease abject poverty while allowing them a decent opportunity to work, thus fulfilling many of the sustainable development goals.

Number of loan accounts have gone up from 6.25 Cr to 11.53 Cr which is a clear reflection of the increase in bankable customers and reach.

Number of active loan accounts (Rs Cr)



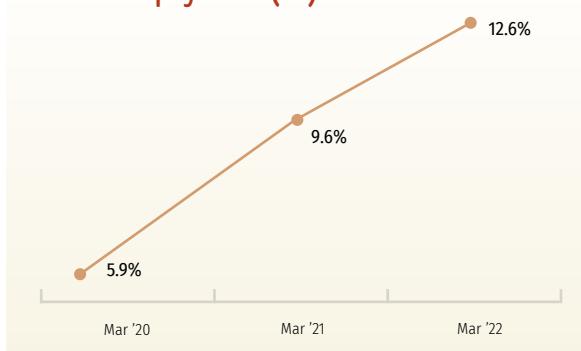
Disbursements (Rs Cr)



Digital Inclusion

The microfinance model on ground boasts of a high customer-connect and as the service is financial in nature, the low-income customers often need to be educated on financial and digital matters. With handholding from microfinance institutions, customers are adopting digital technologies. Already the loan disbursals are completely cashless. Increasingly customers are adopting different tools for repayment. Ranging from UPI to POS Modes, E-Nach or BC Point, customers endorsed different technologies based on their convenience. Some even using internet banking and mobile wallets.

Cashless repayment (%)



PERFORMANCE OF NBFC-MFIs IN FY 21-22

Indicator	31 March 2022
Branches	16,890
Employees	1,42,811
Clients (Cr)*	3.4
Loan accounts (Cr)	3.9
Gross Loan Portfolio (Rs Cr)	96,561
Loans disbursed (during the year, Cr)	2.3
Loan amount disbursed (during the year, Rs Cr)	83,354

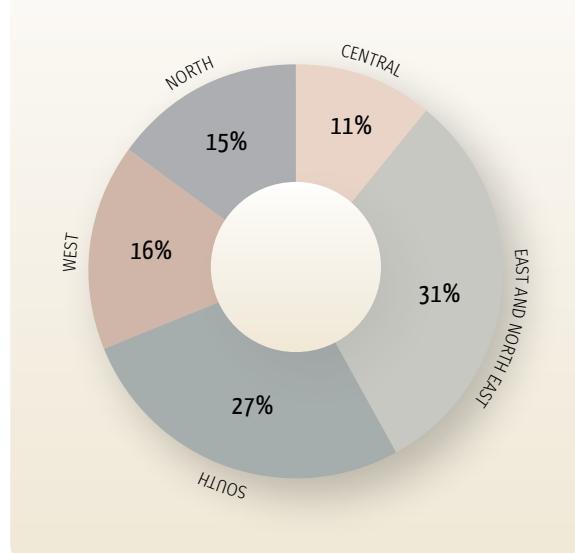
*The clients' number here is the aggregate of clients of member MFIs. Given some degree of overlaps, it does not reflect the number of 'unique' clients

Pan India presence of NBFC-MFIs

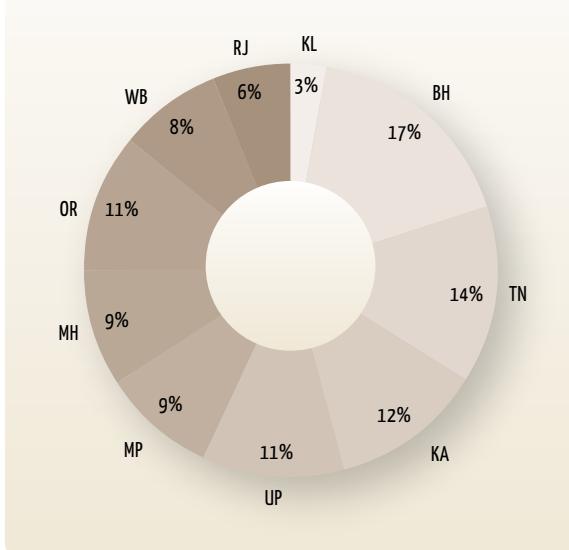
In terms of regional distribution of portfolio (GLP), East and Northeast accounts for 31% of the total NBFC MFI portfolio, South 27%, West 16%, North 15%, and Central contributes 11%.

Five top states in terms of loan amount outstanding are Bihar, Tamil Nadu, Karnataka, Uttar Pradesh, and Madhya Pradesh. They account for 53.2% of GLP and Top 10 states account for 83.4% of the total loan amount outstanding.

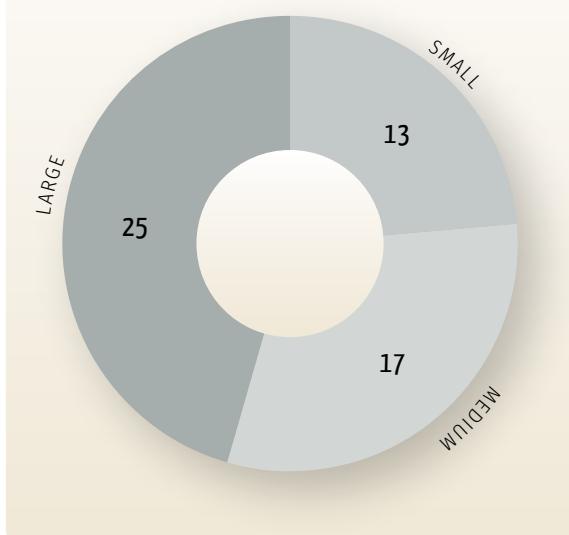
REGIONAL DISTRIBUTION OF GLP 31 MARCH 2022



STATE WISE DISTRIBUTION OF DISBURSEMENT (DURING FY 21-22)



DISTRIBUTION OF MFIs AS PER SIZE



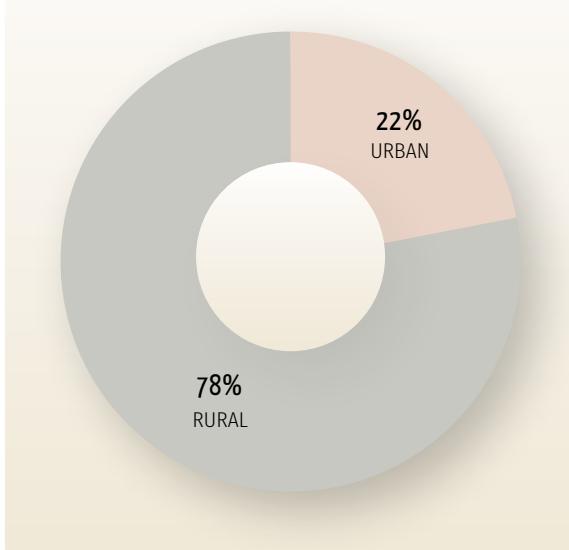
Portfolio

As on 31 March 2022, aggregated GLP of NBFC-MFIs stood at Rs 96,561 Cr, growth of 19.4% in comparison to 31 March 2021 and 12.5% over the quarter ending 31 December 2021.

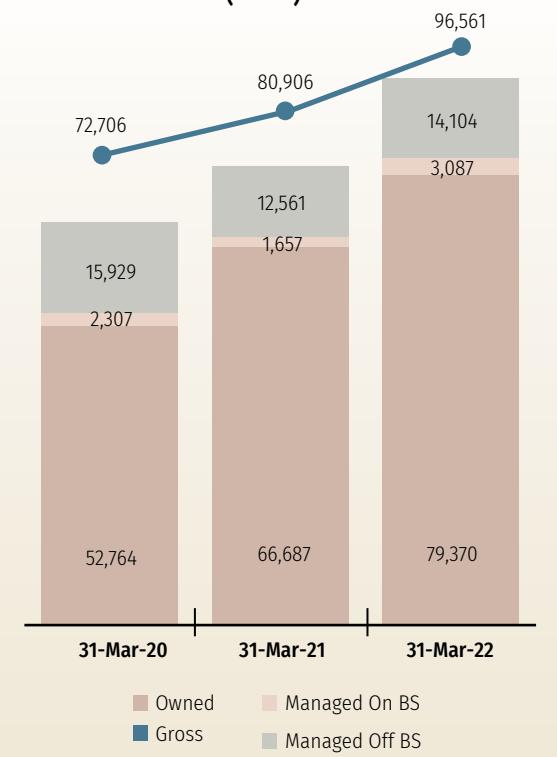
Managed portfolio is Rs 17,191 Cr, which includes Rs. 3,087 Cr of On-balance sheet managed portfolio (due to IndAS) and Rs 14,104 Cr of Off-balance sheet managed portfolio.

Within the managed portfolio, portfolio created under Business Correspondent (BC) partnership has 20.1% share amounting to Rs 3,458 Cr. Securitization (PTC & DA) contributes majority (79.9%) of total managed portfolio. As on 31 March 2022, Top 10 MFIs accounted for 71.8% of the industry portfolio.

BREAKUP OF GLP - GEOGRAPHY 31 MARCH 2022



LOAN PORTFOLIO (Rs CR)

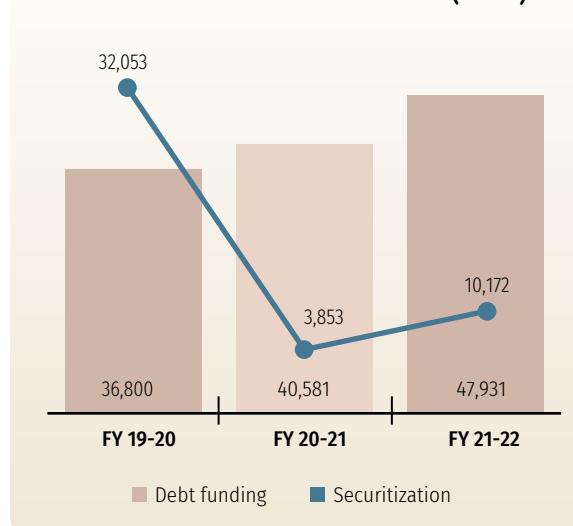


Portfolio of NBFC-MFIs Industry Funding

During FY 21-22, NBFC-MFIs received a total of Rs 47,931 Cr in debt funding (from Banks and other Financial Institutions) which is an increase of 18.1% as compared to FY 20-21.

71% of debt funding for Large and Medium MFIs was from Banks and Small MFIs received 50% of their debt funding from Banks. This is mainly due to Credit Guarantee Scheme for MFIs. MFIN had played a major role in structuring it.

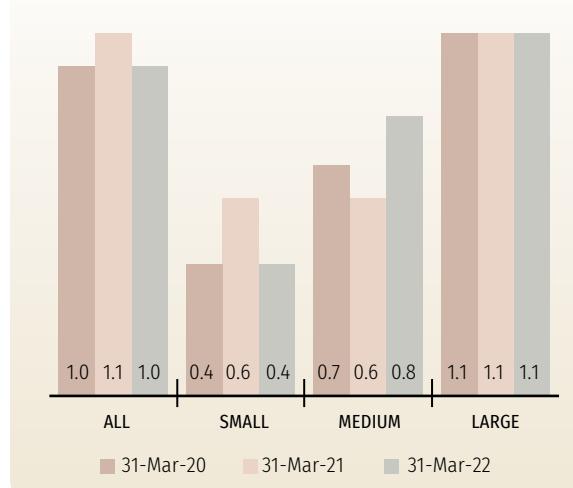
DEBT FUNDING AND SECURITIZATION (Rs CR)



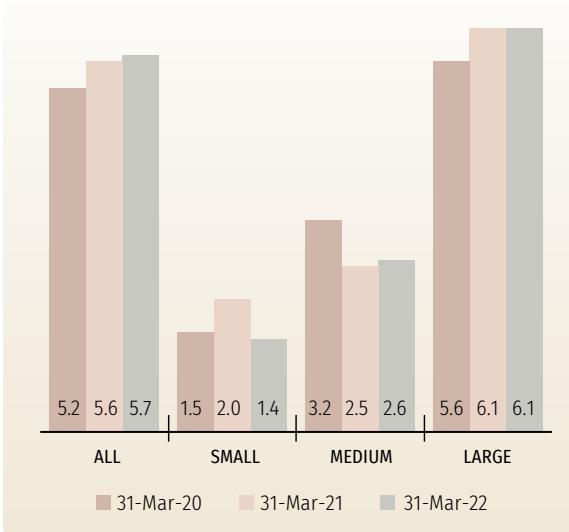
Productivity

On an average a loan officer caters to 361 clients with a portfolio of Rs 1.0 Cr. Similarly, on an average a branch caters to 1,989 clients with a portfolio of Rs 5.7 Cr.

AVERAGE GLP PER LOAN OFFICER (Rs CR)



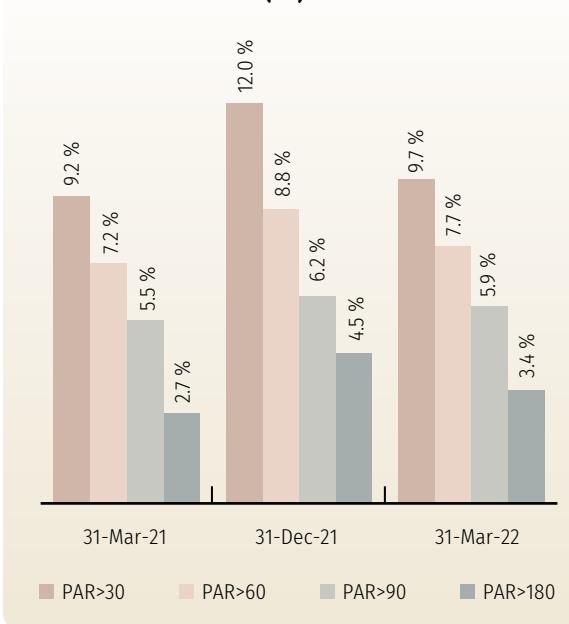
AVERAGE GLP PER BRANCH (Rs CR)



Portfolio Quality

PAR >30 has increased to 9.7% as on 31 March 2022 as compared to 9.2% as on 31 March 2021. In comparison to previous quarter portfolio quality has improved significantly.

PORTFOLIO AT RISK (%)





AUDITED FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

To the Governing Board of Micro Finance Institutions Network (MFIN)

(A Society registered under the Andhra Pradesh Societies Registration Act, 2001)

Opinion

We have audited the accompanying financial statements of Micro Finance Institutions Network [MFIN] (herein after "the Society"), which comprise the Balance Sheet as at March 31, 2022 and the Income & Expenditure account for the Period ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Society as at March 31, 2022, and of its surplus for the year then ended in accordance with the Accounting standards issued by the Institute of the Chartered Accountants of India (ICAI), to the extent applicable.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) issued by ICAI. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with the aforesaid Accounting Standards, and for such Internal control as management determines is necessary to enable the preparation of financial statement

that are free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's Responsibility for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the Financial Statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we

have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We also report as under:

- a) We have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Society so far as appears from our examination of those books.
- c) The Balance Sheet and the Statement of Income & Expenditure dealt with by this report are in agreement with the books of account.

For Ray & Ray
Chartered accountants
Firm Registration No. 301072E

sd-
(Samir Manocha)
Partner
Membership No.: 091479
UDIN - 22091479ALLNGF5396

Place: New Delhi
Date: 22 June, 2022

AUDITED FINANCIAL STATEMENTS
BALANCE SHEET AS AT 31ST MARCH 2022

		Amount in ₹	
	Note No.	As at 31032022	As at 31032021
I. SOURCES OF FUNDS			
Reserve & Surplus	1	22,23,07,225	19,34,64,858
Fund for Specific ProjectActivities	2	1,11,19,586	15,28,658
Total		23,34,26,811	19,49,93,516
II.APPLICATION OF FUNDS			
Fixed assets	3		
Tangible assets		22,03,474	22,35,496
Intangible assets		21,27,099	7,35,500
Capital work in progress		-	25,41,303
		43,30,573	55,12,299
Investments	4	19,20,01,001	14,13,34,457
Current assets, loans and advances			
Cash and bank balances	5	5,69,39,484	4,48,54,858
Amount Receivable	6	1,16,70,303	1,84,23,736
Total [A]		6,86,09,787	6,32,78,594
Less: Current liabilities and provisions	7	3,15,14,550	1,51,31,835
Total [B]		3,15,14,550	1,51,31,835
Net Current assets [A-B]		3,70,95,237	4,81,46,759
Total		23,34,26,811	19,49,93,516
Significant Accounting Polices and Notes to Accounts	18		

The accompanying notes referred to above form an integral part of these financial statements.

In terms of our report of even date

For Ray & Ray

Chartered Accountants

Firm's Registration no. 301072E

sd-
(Samir Manocha)

Partner
Membership No.: 091479

Place: Gurugram New Delhi
Date: 22nd June 2022

**For and on behalf of Board Members of
MICRO FINANCE INSTITUTIONS NETWORK**

sd-
Devesh Sachdev
(Chairperson)

sd-
Dr. Alok Misra
(CEO & Director)

sd-
Vivek Tiwari
(Vice Chairperson)

AUDITED FINANCIAL STATEMENTS

STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 31ST MARCH 2022

Amount in ₹

	For the Year Ended March 31, 2022	For the Year Ended March 31, 2021
Note No.		
REVENUE		
Subscription from Members		
(i) Annual Subscription		
Primary Members	11,36,08,985	11,53,16,940
Associate Members	2,75,24,666	2,59,36,667
	<hr/>	<hr/>
	14,11,33,651	14,12,53,607
(ii) Initial Subscription		
Primary Members	1,01,000	4,04,000
Associate Members	2,04,000	51,000
	<hr/>	<hr/>
	3,05,000	4,55,000
Funds for specific purpose (refer Note 18 (C) (6))	56,18,223	-
Income on Investments	8	72,82,462
Other Income	9	30,62,740
Total	15,74,02,076	15,14,78,265
EXPENDITURE		
Human Resource Cost	10	8,35,54,493
Professional and Consulting Charges	11	1,39,74,030
Travelling Expenses	12	37,88,881
Conference and Meeting Expenses	13	18,96,246
Media and Publicity Expenses	14	95,91,697
Administration Expenses	15	1,16,19,381
Sponsorship paid by MFIN	16	-
Governance Expenditure	17	17,00,000
Depreciation on Fixed Assets	3	20,65,012
Total	12,81,89,740	10,71,12,822
Surplus		2,92,12,336
Tax adjustment related to earlier year		<hr/>
Surplus transferred to Reserve and Surplus	2,92,12,336	4,46,65,443
Significant Accounting Policies and Notes to Accounts	18	

The accompanying notes referred to above form an integral part of these financial statements.

In terms of our report of even date

For Ray & Ray

Chartered Accountants

Firm's Registration no. 301072E

sd-

(Samir Manocha)

Partner

Membership No.: 091479

**For and on behalf of Board Members of
MICRO FINANCE INSTITUTIONS NETWORK**

sd-

Devesh Sachdev

(Chairperson)

sd-

Dr. Alok Misra

(CEO & Director)

sd-

Vivek Tiwari

(Vice Chairperson)

Place: Gurugram New Delhi
Date: 22nd June 2022

NOTES TO AUDITED FINANCIAL STATEMENTS AS AT 31ST MARCH, 2022

NOTE 3: FIXED ASSETS

Name of Assets	GROSS BLOCK			DEPRECIATION			NET BLOCK	Amount in ₹			
	As on April 01, 2021	Additions before 30th September 2021	Deductions	As on March 31, 2022	As on April 01, 2021	For the Year	Adjustment	As on March 31, 2022	As on March 31, 2021		
A. Tangible assets											
Furniture and Fixtures	6,36,501	—	48,656	—	6,85,157	81,907	57,892	—	1,39,799	5,45,358	5,54,596
Computers	28,59,779	14,152	4,02,737	5,95,920	26,80,748	19,85,620	4,07,099	5,23,990	18,68,729	8,12,019	8,74,159
Computers -FCRA	46,600	—	—	46,600	37,340	3,704	—	41,044	—	5,556	9,260
Computers -PMU	—	—	55,805	—	55,805	—	11,161	—	11,161	44,644	—
Office Equipment	5,38,230	49,915	2,20,077	64,810	7,43,412	2,65,338	59,318	27,416	2,97,240	4,46,172	2,72,893
Leasehold Improvement	5,67,122	—	—	5,67,122	42,534	1,74,863	—	2,17,397	3,49,725	5,24,588	
TOTAL [A]	46,48,232	64,067	7,27,275	6,60,730	47,78,844	24,12,739	7,14,037	5,51,406	25,75,370	22,03,474	22,35,496
B. Intangible assets											
Software	12,19,375	25,41,303	2,01,271	—	39,61,949	4,83,875	13,50,975	—	18,34,850	21,27,099	7,35,500
TOTAL [B]	12,19,375	25,41,303	2,01,271	—	39,61,949	4,83,875	13,50,975	—	18,34,850	21,27,099	7,35,500
C. Work-in-Progress											
Software	25,41,303	—	—	25,41,303	—	—	—	—	—	—	25,41,303
TOTAL [C]	25,41,303	—	—	25,41,303	—	—	—	—	—	—	25,41,303
TOTAL [A+B+C]	84,08,910	26,05,370	9,28,546	32,02,033	87,40,793	28,96,614	20,65,012	5,51,406	44,10,220	43,30,573	55,12,299

NOTES TO AUDITED FINANCIAL STATEMENTS

	As at 31032022	As at 31032021
NOTE 1: RESERVE & SURPLUS		
A. Special Reserves		
Opening balance	4,46,46,001	4,01,79,457
Add :- Amount transferred from Statement of Income and Expenditure	29,21,234	44,66,544
Closing Balance	4,75,67,235	4,46,46,001
B. SRO Fund		
Opening balance	5,00,00,000	5,00,00,000
Add :- Amount transferred from Statement of Income and Expenditure	-	-
Closing Balance	5,00,00,000	5,00,00,000
C. Contingency Reserves		
Opening balance	1,00,00,000	1,00,00,000
Add :- Amount transferred from Statement of Income and Expenditure	-	-
Closing Balance	1,00,00,000	1,00,00,000
D. Income & Expenditure Account		
Opening balance	8,88,18,857	4,87,20,597
Add: Surplus transferred from Income & Expenditure Ac	2,92,12,336	4,46,65,443
Less: Surplus transferred to Special Reserve	29,21,234	44,66,544
Less: Interest earned on Restricted Grant (HSBC Project) - Transferred to Restricted Grant	80,833	78,215
Less: Interest earned on Restricted Funds (AMFIRS) - Transferred to Restricted Funds	2,70,768	-
Less: Interest earned on Restricted Grant (RBI Project) - Transferred to Restricted Grant	18,368	22,424
Closing Balance	11,47,39,990	8,88,18,857
Total (A+B+C+D)	22,23,07,225	19,34,64,858
NOTE 2: FUND FOR SPECIFIC PROJECTACTIVITIES		
(Refer Note 18 B (4) (ii) and Note 18 C 6)		
A. HSBC (FCRA)		
Opening balance	11,29,354	10,51,139
Add: Bank Interest Received	80,833	78,215
Closing Balance	12,10,187	11,29,354
B. Reserve Bank of India		
Opening balance	3,99,304	3,76,880
Add: Bank Interest Received	18,368	22,424
Closing Balance	4,17,672	3,99,304
C. PMU (AMFIRS)		
Opening balance	-	-
Add: Contribution ReceivedReceiveable	1,50,00,000	-
Add: Bank Interest Received	2,70,768	-
Less: Contribution Receiveable	1,60,818	-
Less: Expenditure Incurred	56,18,223	-
Closing Balance	94,91,727	-
Total (A+B+C)	1,11,19,586	15,28,658

NOTES TO AUDITED FINANCIAL STATEMENTS

	As at 31032022	As at 31032021
NOTE 4: INVESTMENTS		
A. Fixed deposits with Banks		
- Special Reserves		
Axis Bank	1,51,79,457	1,51,79,457
State Bank of India	44,66,544	-
- SRO Fund		
State Bank of India	3,75,00,000	2,50,00,000
Kotak Mahindra Bank	1,25,00,000	2,50,00,000
- Contingency Reserves		
Axis Bank	1,00,00,000	1,00,00,000
- Short-term Investment (Operating Funds)		
State Bank of India	5,61,55,000	3,11,55,000
Kotak Mahindra Bank	1,62,00,000	50,00,000
Axis Bank	50,00,000	50,00,000
ICICI Bank	1,00,00,000	-
B. Mutual Funds	2,50,00,000	2,50,00,000
(Market Value current year - Rs. 3,02,65,584, previous year Rs. 2,88,59,132)		
Total	19,20,01,001	14,13,34,457
NOTE 5: CASH AND BANK BALANCES		
Cash in Hand	5,685	9,650
Balance with Scheduled banks		
- IDFC First Bank	4,00,03,226	4,24,39,560
- Axis Bank	18,47,442	3,65,862
- State Bank of India	10,000	3,18,277
- Kotak Mahindra Bank	4,07,137	12,053
- ICICI Bank	10,62,846	-
Balance with Banks (Specific Funds)		
- RBL Bank - FCRA Account	13,90,986	13,10,153
- IDFC First Bank - Project Account	4,17,672	3,99,304
- IDFC First Bank - PMU (AMFIRS)	1,17,94,490	-
Total	5,69,39,484	4,48,54,858
NOTE 6: AMOUNT RECEIVABLE		
A. From Members (Refer Note 18 C 4 (iii))		
Annual subscription receivable		
Due from Member	10,75,954	40,89,411
Due from Ex-Member	28,27,042	52,77,532
Due from Associates	10,37,427	10,07,327
Contribution for Special Campaign - Demonetisation		
Due from Member	21,90,706	21,90,706
Due from Ex-Member	63,69,199	76,42,047
Due from Associates	10,00,000	10,00,000
Others		
Due from Member	10,000	63,100
Due from Associates	10,000	10,000
Sub-Total	1,45,20,328	2,12,80,123
Less: Provision for doubtful debts (refer note 18 C 4 (iii))	1,36,75,366	1,57,67,481
Net Amount Receivable from Members	8,44,962	55,12,642

NOTES TO AUDITED FINANCIAL STATEMENTS

	As at 31032022	As at 31032021
B. From others		
Income Tax Recoverable	42,47,388	71,42,427
Security deposit against Rent	18,29,028	18,21,028
Salary Advance	6,54,869	13,92,496
Advance to vendors employees	62,127	1,07,647
Other Recoverables	13,45,955	-
Accrued Interest on FD's	8,00,647	5,42,086
Prepaid expenses	3,69,917	3,69,553
GST Input Credit	15,15,410	15,35,857
Net Amount Receivable from others	1,08,25,341	1,29,11,094
Total	1,16,70,303	1,84,23,736

NOTE 7: CURRENT LIABILITIES AND PROVISIONS

A. Current Liabilities

Expenses payable	2,78,56,441	1,20,57,817
Tax Deduction at sources	18,72,490	11,79,784
Employees Provident Fund	4,14,070	3,62,710
Advance Course Fee Received From Members	5,85,000	6,75,000
Labour Welfare Fund	5,250	5,250
Total [A]	3,07,33,251	1,42,80,562

B. Provisions

Gratuity	7,81,299	8,51,273
Total [B]	7,81,299	8,51,273
Total [A+B]	3,15,14,550	1,51,31,835

NOTE 8: INCOME ON INVESTMENTS

Interest on Fixed Deposits with Banks	72,82,462	48,97,526
Total	72,82,462	48,97,526

NOTE 9: OTHER INCOME

Sale of Publications	1,75,000	3,63,500
Interest -		
- from Saving Bank	20,45,838	39,59,941
- from Income Tax Refund	3,13,199	1,31,950
- from Other	64,903	1,69,881
Other Income	4,63,800	2,46,860
Total	30,62,740	48,72,132

NOTE 10: HUMAN RESOURCE COST

Salaries, Bonus and Allowance to employees	7,84,94,160	6,68,74,579
Employees Provident Fund - Employer's Contribution	28,90,821	26,83,986
Gratuity expenses	3,18,325	3,27,402
Staff welfare	7,23,504	8,04,700
Leave encashment	3,90,649	3,49,313
Mediclaim Insurance Premium	4,46,389	5,86,448
Employee Training expenses	2,76,870	10,54,274
Labour Welfare Fund	13,775	36,938
Total	8,35,54,493	7,27,17,640

NOTES TO AUDITED FINANCIAL STATEMENTS

	For year ended March 31, 2022	For year ended March 31, 2021
NOTE 11: PROFESSIONAL AND CONSULTING FEES		
Professional Charges - Data Requirement	37,05,000	27,95,838
Professional Charges - Surveillance	19,70,400	16,34,052
Professional Charges - Lawyers' Fee for AP Case	51,89,814	16,85,409
Professional Charges - Surveys & Studies	-	13,48,000
Professional Charges - Recruitment Cost	7,250	9,76,800
Professional charges - Others	6,60,566	9,49,221
Professional charges - Software Maintenance	5,05,000	-
Professional Charges - Special Fund	19,36,000	-
Total	1,39,74,030	93,89,320
NOTE 12: TRAVELING EXPENSES		
Traveling Expenses	9,24,855	2,69,853
Boarding & Lodging Expenses	12,01,434	2,64,667
Local Conveyance (Cab charges)	11,68,675	6,11,511
Car Lease & Running Charges	4,93,917	2,57,570
Total	37,88,881	14,03,601
NOTE 13: CONFERENCE AND MEETING EXPENSES		
State Chapters Meeting Expenses	10,12,213	22,656
Other Meeting Expenses	8,84,033	-
Total	18,96,246	22,656
NOTE 14: MEDIA AND PUBLICITY EXPENSES		
Public Relation (PR) Expenses	39,70,900	43,71,168
Publicity Expenses	40,36,063	38,93,641
Printing & Designing Expenses	15,84,734	11,47,401
Total	95,91,697	94,12,210
NOTE 15: ADMINISTRATIVE EXPENSES		
Office Rent	44,83,628	32,16,462
Office Maintenance	22,47,076	16,71,855
Communication Expenses (TelephoneInternet expenses)	10,41,734	11,12,124
Repairs and Maintenance	11,46,306	6,49,640
Website Maintenance Charges	4,91,113	5,12,894
Auditor's Remuneration (refer note 18 C (5))	4,20,000	4,12,500
Miscellaneous Expenses	40,940	34,320
Provision Write off- Debts Advances	16,31,223	24,42,464
Loss on Sale discard of Assets (net)	38,494	5,900
Membership Fee	78,867	-
Total	1,16,19,381	1,00,58,159
NOTE 16: SPONSORSHIP FEES PAID BY MFIN		
Access Assist	-	2,00,000
Total	-	2,00,000
NOTE 17: GOVERNANCE EXPENDITURE		
Governing BoardCommittee Meeting Sitting Fee	17,00,000	29,20,000
Total	17,00,000	29,20,000

NOTE 18: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS:

A) GENERAL INFORMATION

Micro Finance Institutions Network (MFIN), having its registered office in Hyderabad, Telangana and its head office in Gurugram, Haryana was established on December 14, 2009 as a Society under the Andhra Pradesh Societies Registration Act 2001. The Society is also recognized as a "Self-Regulatory Organisation" (SRO) for NBFC-MFIs by the Reserve Bank of India since June 16, 2014. The primary activities and objectives of the Society are to liaise and work in unison with the relevant regulatory authorities regulating the business of microfinance, to promote microfinance and develop best practices, conduct research and training so as to strengthen the capacity of institutions engaged in microfinance in general, including those who are members of the Society.

The total number of members, Non-Banking Finance Companies-MFI, as on March 31, 2022, was 56. In addition, the Society includes 41 institutions as Associates as per its byelaws, which are Banks, other NBFCs, etc.

The Society is registered under section 12A of the Income Tax Act 1961 with effect from 1st April 2021.

B) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation of financial statements:

The financial statements that comprise of the Balance Sheet, Statement of Income and Expenditure together with Notes, are prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with applicable Accounting Standards issued by The Institute of Chartered Accountants of India. The financial statements are prepared under the historical cost convention on going concern basis using accrual method unless otherwise stated. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year, unless otherwise stated.

2. Use of estimates:

- (i) The preparation of financial statements is in conformity with Indian GAAP which requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amount of assets or liabilities in future periods.
- (ii) The Society has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of receivables. The Society has assessed the carrying amounts based on subsequent events and the state of the business operations during the period of the pandemic and related information including economic forecasts. As a result of this assessment, and based on current estimates, the Society expects that the carrying amount of these assets will be recovered. The impact of COVID-19 on the Society's financial statements may differ from that estimated as at the date of approval of these financial statements.

3. Appropriation:

(i) Special Reserve

Out of the surplus earned during the year, 10% of the surplus funds as per the Income and Expenditure Statement shall be transferred to this fund. Additionally, a specified amount, as decided by the Board from time to time and as required by the Society's byelaws, may be transferred to the fund so as to maintain a minimum of 110th of the annual subscription fee on a cumulative basis.

(ii) Contingency Reserve

Out of the surplus earned during the year, a specified amount as decided by the Board from time to time, may be transferred to Contingency Reserve for meeting industry requirements in emergency situations.

4. Revenue recognition:

The Revenue is recognized as follows:

(i) Subscription from members

Annual Subscription fee from members is accounted on the basis of invoices raised when they become due. Fees received for subsequent periods in advance is treated as liability and recognized as income in the year to which it pertains.

The registration and initial subscription fee are recognized as and when the invoice is raised.

(ii) Funds Received for specified projects activities

The Society receives funds from both local and foreign sources, which are restricted in nature with regard to its utilization as per fund provider's agreements. As such, the restricted funds received during the year are in the first instance credited directly under the "Fund with Specific projectactivities" account in the Balance Sheet and is thereafter transferred to the Income & Expenditure Account to the extent of related expenditure incurred during the year. The balance amount along with income generated out of Restricted Grant is carried forward in the Fund with Specific projectactivities account in the Balance Sheet for use in future periods.

- (iii) Interest income from banks on fixed deposits is recognized on the basis of proportionate lapse of time as applied to the amount outstanding and rate applicable. Other interest is recognized as and when received.
- (iv) Income earned from investments in mutual funds is accounted for as & when the funds are redeemed.
- (v) Other income is recognized as and when accrued.

5. Fixed Assets:

All fixed assets have been shown at cost less accumulated depreciation. The cost comprises of purchase price and all incidental costs related to acquisition and installation.

6. Depreciation:

Depreciation has been provided on assets based on written down value method at the rates prescribed under the Income Tax Act 1961. Written Down Value as on 1st April 2021 has been considered to calculate the depreciation for the period from April 2021 to March 2022.

7. Valuation of Investments:

All investments are held at cost. Any diminution in value of investments, other than those which are held to maturity or withdrawn before maturity, are provided for in the accounts, while appreciation is accounted for when realized.

8. Employee Benefits:

- (a) Short Term Employee Benefit
 - (i) Salary and other short terms benefits are recognized as an expense in the Statement of Income & Expenditure in the year in which related service is rendered.
 - (ii) Encashment of leave is done in the year of entitlement and no leave can be carried forward for encashment in future.
- (b) Postemployment and other long-term employee benefits are provided for in the Accounts in the following manner:
 - (i) Provident Fund contribution: The Contributions are made with Provident Fund Commissioner as per the provision of the Employees Provident Funds and Miscellaneous Provisions Act, 1952.
 - (ii) Gratuity: Maintained as a defined benefit retirement plan and contribution is made to the Life Insurance Corporation of India. Provision write back, if any, is made on the basis of the present value of the liability as at the Balance Sheet date determined by actuarial valuation following the Projected Unit Credit Method.

9. Leases:

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised as expense in the Statement of Income and Expenditure on a straight-line basis over the lease term.

10. Impairment of fixed assets:

The carrying value of assets at each balance sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated, and impairment recognised. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Income and Expenditure.

11. Taxes on Income:

Up to last financial year, the Society was operating under the "Principle of Mutuality" and as a Mutual Benefit Institution no tax liability was anticipated on the mutual contributions received from members and utilized for the benefits of the members. In respect of other income, provision for taxation was made as per provision of the Income Tax Act, 1961.

The Society has received registration under section 12A of the Income Tax Act 1961 vide registration number AACTM4934HE20206 as a charitable organization with effect from 1st April 2021. The activities of the Society are within the scope of its main objectives and are charitable in nature as defined in section 2(15) of the Act. As such, no taxes are payable by the Society.

12. Foreign currency transactions:

- (i) Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- (ii) Foreign currency monetary items are reported using the closing rate. Non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

- (iii) Exchange differences arising on the settlement of monetary items or on reporting Society's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

13. Prior period adjustments, extra ordinary items and changes in Accounting Policies:

Prior period adjustments, extraordinary items and changes in accounting policies having material impact on the financial affairs of the Society are disclosed.

14. Provision and contingent liabilities:

Society creates a provision where there is a present obligation as a result of past event that probably requires an outflow of resources and reliable estimate can be made of the amount of obligation. A disclosure of contingent liability is made, when there is a possible obligation or a present obligation that will probably not require outflow of resources or where reliable estimate of the obligation cannot be made.

15. Events after the Balance Sheet:

Events occurring after the date of the Balance Sheet, which affect the financial position to the material extent, are taken cognizance of.

C) NOTES TO ACCOUNTS:

1. Related Party Transactions:

Name of the related party with whom there were transactions during the year*

Name of the party	Relationship	Nature of transaction	For the year ended 31st March 2022 (₹)	For the year ended 31st March 2021 (₹)
Dr. Alok Misra	Chief Executive Officer & Director	Salary, etc.	93,02,429	49,15,227
Harsh Shrivastava	Chief Executive Officer	Salary, etc.	NIL	24,33,276

*Note: As identified by the management

2. Transaction in Foreign Currency

(i) Earnings in Foreign Currency: Amount in ₹

Nature of Income	31-03-2022	31-03-2021
Sale of Publication (Online)	7,080	48,972

(ii) Expenditure in Foreign Currency:

Nature of Expenses	31-03-2022	31-03-2021
Sponsorship & Membership Fee paid	78,867	NIL

3. Employee Benefits:

(i) Defined Contribution Plans

The Society makes contribution towards Provident Fund for each employee as per The Employees Provident Funds & Miscellaneous Provisions Act, 1952. The Provident Fund plan is operated by regional Provident Fund Commissioner. The Society is required to contribute a specified percentage of payroll cost to the retirement benefit schemes to fund the benefits under the said Act. The only obligation of the Society with respect to

their retirement benefit plan is to make specified contribution at specified rates.

The CEO & Director of the Society is on extra ordinary leave from another institute where he is an employee. As such, his provident fund contribution aggregating to Rs. 15,85,512- (previous year Rs. 9,05,177-) has been deposited with the Employees' Provident Fund Trust of the Institute in which he is regularly employed.

(ii) **Defined Benefit Plan**

Gratuity

The Society makes annual contribution to Employees Group Gratuity Scheme of Life Insurance Corporation of India (funded). The scheme provides for lump sum payments of an amount equal to 15 days salary (last drawn) for each completed year of service to vested employees on departure. Vesting occurs on completion of 5 years of service. The valuation of liability has been carried out by a practicing actuary under Projected Unit Credit Method. Provisions have been made to bring gratuity liability in line with actuarial valuation. The funds are invested by LIC of India.

Disclosure relating to Defined Benefit Plan on 31st March 2022 as per Actuarial Valuation using Projected Unit Credit Method and recognized in the Financial Statements in respect of Employees Group Gratuity Scheme:

Gratuity (Funded)

S. No.	Description	As at 31st March	
		2022 (₹)	2021 (₹)
1. Expenses recognized in the statement of Income & Expenditure for the year ended 31st March			
a)	Current Service cost	1,128,226	1,031,837
b)	Interest Cost	310,066	274,512
c)	Expected return on plan assets	(253,649)	(213,562)
d)	Net Actuarial (Gains) Losses	(866,318)	(765,385)
e)	Past Service cost	—	—
f)	Total Expense	318,325	327,402
2. Net Asset (Liability) recognized in the balance sheet as on 31st March			
a)	Present value of Defined Benefit Obligation as at 31st March	5,076,900	4,559,795
b)	Fair Value of plan assets as at 31st March	4,295,601	3,730,136
c)	Funded status {Surplus (Deficit)}	(781,299)	(829,659)
d)	Net asset (liability) as at 31st March	(781,299)	(829,659)
3. Change in Defined Benefit Obligations during the year ended 31st March			
a)	Present value of Defined Benefit Obligation at the beginning of the year	4,559,795	4,036,940
b)	Service Cost	1,128,226	1,031,837
c)	Interest Cost	310,066	274,512
d)	Past Service Cost	—	—
e)	Actuarial (Gains) Losses	(921,187)	(783,494)

S. No.	Description	As at 31st March	
		2022 (₹)	2021 (₹)
f)	Benefit Paid	—	—
g)	Present value of Defined Benefit Obligation at the end of the year.	5,076,900	4,559,795
4. Change in Assets during the year ended 31st March			
a)	Plan assets at the beginning of period	3,730,136	2,874,323
b)	Actual Return on Plan Assets	198,780	195,453
c)	Contributions by Employer	366,685	660,360
d)	Actual benefits paid	—	—
e)	Plan assets at the end of the Year	4,295,601	3,730,136
f)	Actuarial Gains (Losses) on Plan Assets	(54,869)	(18,109)
g)	Expected return on plan assets	253,649	213,562
5. Major categories of plan assets as a percentage of total plan		Invested with LIC in Group Gratuity Scheme	
6. Actuarial Assumptions			
a)	Discount rate (%)	7.22%	6.80%
b)	Expected rate of return on plan assets	Invested by LIC	
c)	Mortality rate	IAALM (2012-14)	
d)	Future Salary increase (%)	11%	11%

- (iii) With respect to leave accumulation and encashment, the Society encourages all employees to avail leaves and allows limited leaves for encashment during the year. Accordingly, a sum of Rs. 3,90,649- has been accounted for towards Leave Encashment during the year. No encashable leave can be accumulated.
- 4.** (i) As per practice, periodic confirmation reconciliation of balances recoverable from members/others is carried out. Confirmation for some of the balances are yet to be received.
- (ii) In the opinion of the Board, the value on realization of current assets, Loans and Advances in the ordinary course of business will not be less than the amount at which they are stated in the balance sheet.
- (iii) Certain amounts due from current erstwhile members on account of annual membership fee and contribution for the special campaign for demonetization are pending recovery. Management is following up with the members for recovery of the dues. However, as per the policy of the Society, provision aggregating to Rs. 1,36,75,366- as on year end (previous year: Rs. 1,57,67,481-) has been made.
- (iv) During the year, Rs. 37.23 lakhs due from Future Financial Services Limited (FFSL) since 2016 has been written off by adjusting the same against the provision created in earlier years. This, however, has no impact on the surplus during the year.

5. Details of Auditor's Remuneration

Amount in ₹

Particulars	31-03-2022	31-03-2021
Statutory Audit Fee	4,20,000	4,00,000
Expenses Reimbursement	—	12,500
Total	4,20,000	4,12,500

Input credit has been availed with respect to GST on Auditor's Remuneration.

- 6.** (a) The Society has a proper system of recording all direct expenses related to funds received for specific projectactivities which have been classified under the respective expense heads in the financial statement along with expenses related to other unrestricted funds. The details of funds received for such projectsactivities, income generated out of funds received, expenses incurred and unspent balance, etc. with respect to restricted grants are given below:

Amount in ₹

Particulars	31-03-2022	31-03-2021
Opening Balance	15,28,658	14,28,019
Funds received during the year	1,50,00,000	—
Interest on restricted funds Balance	3,69,969	1,00,639
Total Income (A)	1,68,98,627	15,28,658
Expenses Incurred		
Human Resource Cost	11,80,000	—
Professional and Consulting Charges	27,61,000	—
Travelling Expenses	4,25,438	—
Conference and Meeting Expenses	6,531	—
Media and Publicity Expenses	11,61,500	—
Administration Expenses	27,949	—
Capital Expenditure	55,805	—
Total Expenses (B)	56,18,223	—
Unspent Grant (A-B)	1,12,72,404	15,28,658

7. SRO Fund

As required by the MFIN Bye-Laws, the Society shall maintain an SRO Fund and contribution or donation to this fund may be made by MembersAssociates and non-memberassociate entities, or any other person, as the Board may decide from time to time. As decided by the Board, an amount of Rs 1,00,00,000 was appropriated out of surplus in earlier years to be utilised for expenses towards self regulatory activities.

- 8.** During the year, the Society received provisional registration under section 12A of the Income Tax Act 1961 with retrospective effect from 1st April 2020 till 31st March 2023. Subsequently, validation under section 12 AB of the Act for the provisional registration has been completed within the due date. Based on this, the Society is no longer subject to tax as the activities are as per the object of the Society and are charitable in nature as defined under section 2 (15) of the Act.

Up to last financial year, the Society was operating under the "Principle of Mutuality" concept and no tax liability accrued on the mutual contributions received from members and utilized for the benefits of the members. In respect of other income, provision for taxation was made as per provision of the Income Tax Act, 1961, as and when applicable.

9. Certain reserves have been created out of surplus in earlier years as decided by the Board of the Society from time to time in compliance with the byelaws of the Society and were classified as funds. During the year, these funds been reclassified as reserves to be utilized in future for specific purposes as decided and approved by the Board.
10. The Society has incurred significant amount on crisis management during the year. These expenses have been classified under the respective expense heads in the financial statement along with other expenses incurred under those heads. The details of expenses incurred on crisis management are given below:

Particulars	Amount in ₹	
	31-03-2022	31-03-2021
<u>Expenses Incurred</u>		
Traveling Expenses	2,61,678	1,39,683
Conference and Meeting Expenses	5,34,408	—
Media & Publicity Expenses	26,91,563	25,16,500
Total Expenses	34,87,649	26,56,183

11. Corresponding figures of the previous year has been regrouped, wherever necessary, to make them comparable with the figures of the current period.

As our report of even date

For Ray & Ray
Chartered Accountants

**For and on behalf of Board Members of
MICRO FINANCE INSTITUTIONS NETWORK**

sd-
(Samir Manocha)
Partner
Firm Reg. No.: 301072E
Membership No.: 091479

Place: Gurugram New Delhi
Date: 22nd June 2022

sd-
Devesh Sachdev
(Chairperson)

sd-
Dr. Alok Misra
(CEO & Director)

sd-
Vivek Tiwari
(Vice Chairperson)



ANNEXURES

BOARD ATTENDANCE

Name of Board Member	Organisation	Date of Joining	Date of Retirement Resignation	23 Jun 21	06 Oct 21	11 Nov 21	15 Mar 22	Attendance
				Online	Online	Online	Online	(%)
Mr Devesh Sachdev	Fusion Micro Finance Ltd.	10 Jul 20		1	1	1	1	100%
Mr Dibyajyoti Pattanaik	Annapurna Finance Pvt. Ltd.	10 Jul 20		1	1	1	1	100%
Mr Udaya Kumar Hebbar	CreditAccess Grameen Ltd.	23 Jul 21		NA	1	1	1	100%
Mr Harish Raghu	SaGgraha Management Services Pvt. Ltd.	06 Mar 19	15 Mar 22	1	1	1	1	100%
Dr Aruna Sharma	Independent Member	06 Mar 19	15 Mar 22	1	1	A	1	75%
Mr Gyan Mohan	Adi Chitragupta Finance Ltd.	28 Jun 19		1	1	1	1	100%
Mr Prashant Thakker	Centrum MicroCredit Pvt. Ltd.	10 Jul 20	31 Oct 21	1	1	1	NA	100%
Mr Vivek Tiwari	Satya Micro Capital Ltd.	10 Jul 20		1	1	1	1	100%
Dr Alok Misra	Ex Officio Member Director	01 Aug 20		1	1	1	1	100%
Dr Harsh Bhanwala	Independent Member	22 Sep 20		1	1	1	1	100%
Mr Sudarshan Sen	Independent Member	20 Nov 20		1	1	1	1	100%
Mr Amardeep Samra	Midland Microfin Ltd.	23 Jul 21		NA	1	1	1	100%

LIST OF MEMBERS

Sl. no	Institution	Website
1	Adhikar Microfinance Pvt. Ltd.	www.adhikarindia.in
2	Adi Chitragupta Finance Ltd.	www.acfl.co.in
3	Agora Microfinance India Ltd.	www.amil.co.in
4	Annapurna Finance Pvt. Ltd.	www.ampl.net.in
5	Arohan Financial Services Ltd.	www.arohan.in
6	Arth Micro Finance Pvt. Ltd.	www.arthfinance.com
7	ASA International India Microfinance Ltd.	www.asaindia.in
8	Asirvad Microfinance Ltd.	www.asirvadmicrofinance.co.in
9	Avanti Finance Ltd.	www.avantifinance.in
10	Aviral Finance Pvt. Ltd.	www.aviralfinance.com
11	Belstar Microfinance Ltd.	www.belstar.in
12	BWDA Finance Ltd.	www.bwda.in
13	Chaitanya India Fin Credit Pvt. Ltd.	www.chaitanyaindia.in
14	CreditAccess Grameen Ltd.	www.creditaccessgrameen.com
15	Fino Finance Pvt. Ltd.	www.finofinance.in
16	Fusion Micro Finance Ltd.	www.fusionmicrofinance.com
17	G U Financial Services Pvt. Ltd.	www.gufinance.com
18	Hindusthan Microfinance Pvt. Ltd.	www.hindusthanmfi.com
19	Humana Financial Services Pvt. Ltd.	www.humanafinancial.com
20	Inditrade Microfinance Ltd.	www.inditrade.com
21	Jagaran Microfin Pvt. Ltd.	www.jagaranmf.com
22	Janakalyan Financial Services Pvt. Ltd.	www.janakalyan.net
23	Light Microfinance Pvt. Ltd.	www.lightmicrofinance.com
24	Madura Microfinance Ltd.	www.maduramicrofinance.com
25	Magenta Financial Services Pvt. Ltd.	www.magentafinance.co.in
26	Midland Microfin Ltd.	www.midlandmicrofin.com
27	Mitrata Inclusive Financial Services Pvt. Ltd.	www.mitrata.in
28	M Power Micro Finance Pvt. Ltd.	www.mpowersmicro.com
29	MSM Microfinance Ltd.	www.msmmicrofinance.com
30	Muthoot Microfin Ltd.	www.muthootmicrofin.com
31	Namra Finance Ltd.	www.namrafinance.com
32	NEED Livelihood Microfinance Pvt. Ltd.	www.needmfi.in
33	Nightingale Finvest Pvt. Ltd.	www.nightingalefinvest.in
34	Saija Finance Pvt. Ltd.	www.saija.in
35	Samasta Microfinance Ltd.	www.samasta.co.in
36	Samavesh Finserv Pvt. Ltd.	www.samaveshmfi.com

LIST OF MEMBERS

Sl. no	Institution	Website
37	Sarala Development & Microfinance Pvt. Ltd.	www.sarala.co.in
38	Sarwadi Finance Pvt. Ltd.	www.sarwadi.in
39	Satin CreditCare Network Ltd.	www.satincreditcare.com
40	Satya MicroCapital Ltd.	www.satyamicrocapital.com
41	SAVE MicroFinance Pvt Ltd.	savemicrofinance.com
42	Share Microfin Ltd.	www.sharemicrofin.com
43	Sindhuja Microcredit Pvt. Ltd.	www.sindhujamicrocredit.com
44	Sonata Finance Pvt. Ltd.	www.sonataindia.com
45	South India Finvest Pvt. Ltd.	www.southindiainvest.com
46	Spandana Sphoorty Financial Ltd.	www.spandanaspohorty.com
47	SV Creditline Ltd.	www.svcl.in
48	Svamaan Financial Services Pvt. Ltd.	www.svamaan.in
49	Svasti Microfinance Pvt. Ltd.	www.svasti.in
50	Svantra Microfin Pvt. Ltd.	www.svantramicrofin.com
51	Unacco Financial Services Pvt. Ltd.	www.unacco.in
52	Unnati Microfin Pvt. Ltd.	www.unnatimfi.com
53	Vaya FinServ Pvt. Ltd.	www.vayaindia.com
54	Vector Finance Pvt. Ltd.	www.vectorfinance.in
55	Village Financial Capital Ltd.	www.village.net.in
56	Vruksha Microfin Pvt. Ltd.	www.vrukshamicrofin.com

LIST OF ASSOCIATES

Sl. no	Institution	Website
1	Axis Bank Ltd.	www.axisbank.com
2	Buldana Urban Management Services Pvt. Ltd.	www.bumspl.org
3	Care Health Insurance	www.careinsurance.com
4	Community Finance Pvt. Ltd.	www.communityfinance.in
5	Craft Silicon Pvt. Ltd.	www.craftsilicon.com
6	Davinta Financial Services Pvt. Ltd.	www.davintafinserv.com
7	DBS Bank Ltd.	www.dbs.cominindex
8	Dvara KGFS	www.dvarakgfs.com
9	Equifax Credit Information Services Pvt. Ltd.	www.equifax.co.in
10	Equitas Small Finance Bank Ltd.	www.equitasbank.com
11	ESAF Small Finance Bank Ltd.	www.esafbank.com
12	Fincare Small Finance Bank Ltd.	fincarebank.com
13	Fortune Credit Capital Ltd	www.itiorg.com
14	Fullerton India Credit Company Ltd.	www.fullertonindia.com
15	Hinduja Leyland Finance Ltd.	www.hindujaleylandfinance.com
16	ICICI Bank Ltd.	www.icicibank.com
17	IDFC First Bank Ltd.	www.idfcfirstbank.com
18	IDFC First Bharat Ltd.	www.idfcbhارت.com
19	IndusInd Bank Ltd.	www.indusind.com
20	Jana Small Finance Bank Ltd.	www.janabank.com
21	Kaleidofin Pvt. Ltd.	www.kaleidofin.com
22	Kamal Fincap Pvt. Ltd.	www.kamalkfc.com
23	Kotak Mahindra Bank	www.kotak.com
24	L&T Financial Services Ltd.	www.ltfs.com
25	MAS Financial Services Ltd.	www.mas.co.in
26	M-Insure Services Pvt. Ltd.	www.m-insure.in
27	New Opportunity Consultancy Pvt. Ltd.	www.nocpl.in
28	Northern Arc Capital Ltd.	www.northernarcc.com
29	RBL Bank Ltd.	www.rblbank.com
30	RBL FinServe Ltd.	www.rblfinserve.com
31	SaGraha Management Services Pvt. Ltd.	www.sagraha.com
32	Sub-K Impact Solutions Ltd.	www.subk.co.in
33	Sumeru Software Solutions	www.sumerusolutions.com
34	Suryoday Small Finance Bank Ltd.	www.suryodaybank.com
35	Tata Capital Financial Services Ltd.	www.tatacapital.comtcfl.html

LIST OF ASSOCIATES

Sl. no	Institution	Website
36	TransUnion CIBIL	www.transunioncibil.com
37	Ujjivan Small Finance Bank Ltd.	www.ujjivansfb.in
38	Unity Small Finance Bank Ltd.	www.theunitybank.com
39	Utkarsh Small Finance Bank Ltd.	www.utkarsh.bank
38	Vivriti Capital Pvt. Ltd.	www.vivriticapital.com
40	Water.Org	www.water.org
41	Yes Bank Ltd.	www.yesbank.in

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Our commitment for building an “Inclusive India” is strong and the future will bear testimony to it. It is time for the industry to reap the benefits of conducive policy and regulation and redeem the trust of stakeholders.

Dr Alok Misra

CEO & Director

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Microfinance Institutions Network (MFIN)

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