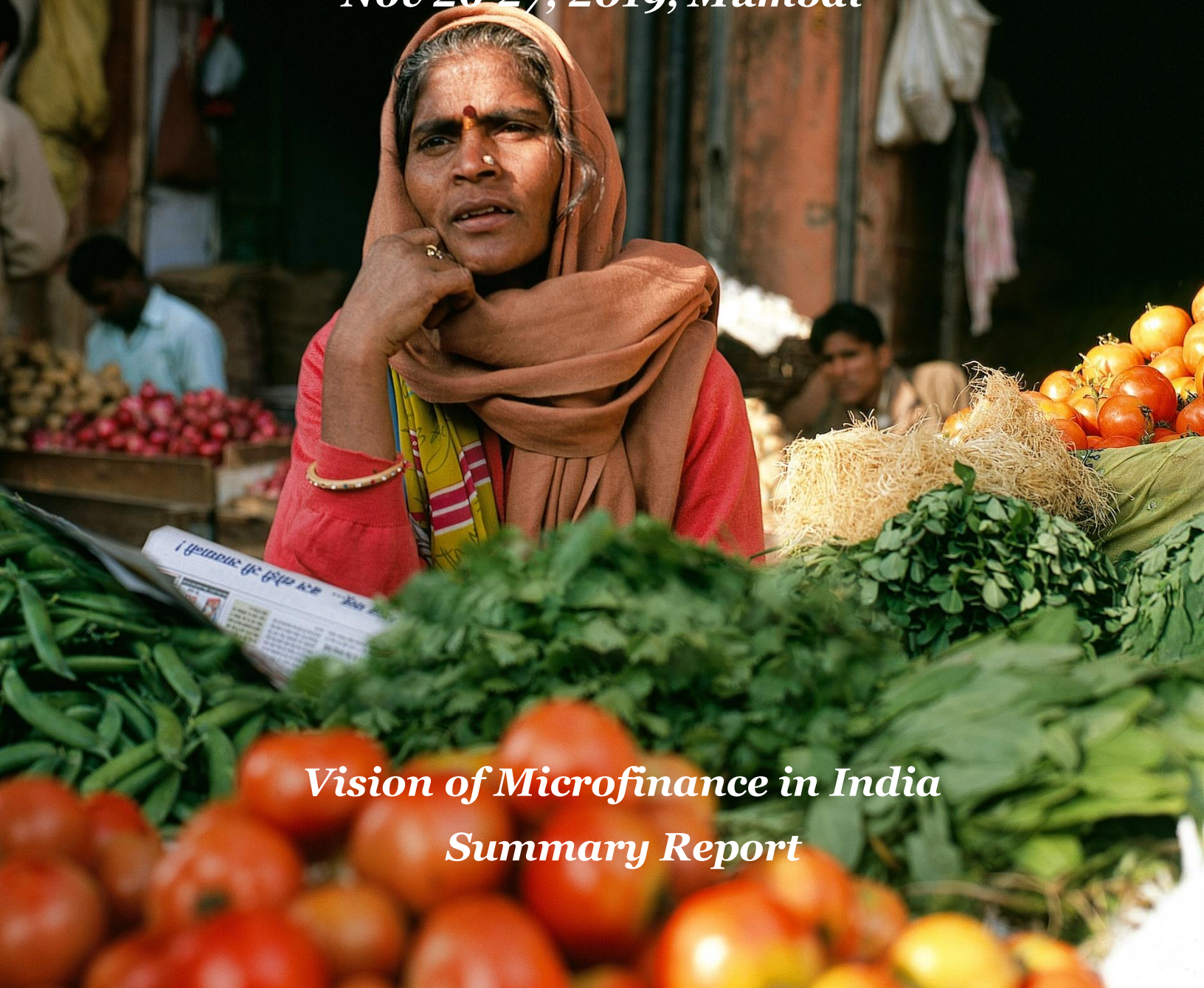


2nd SIDBI National Microfinance Congress 2019

Nov 26-27, 2019, Mumbai

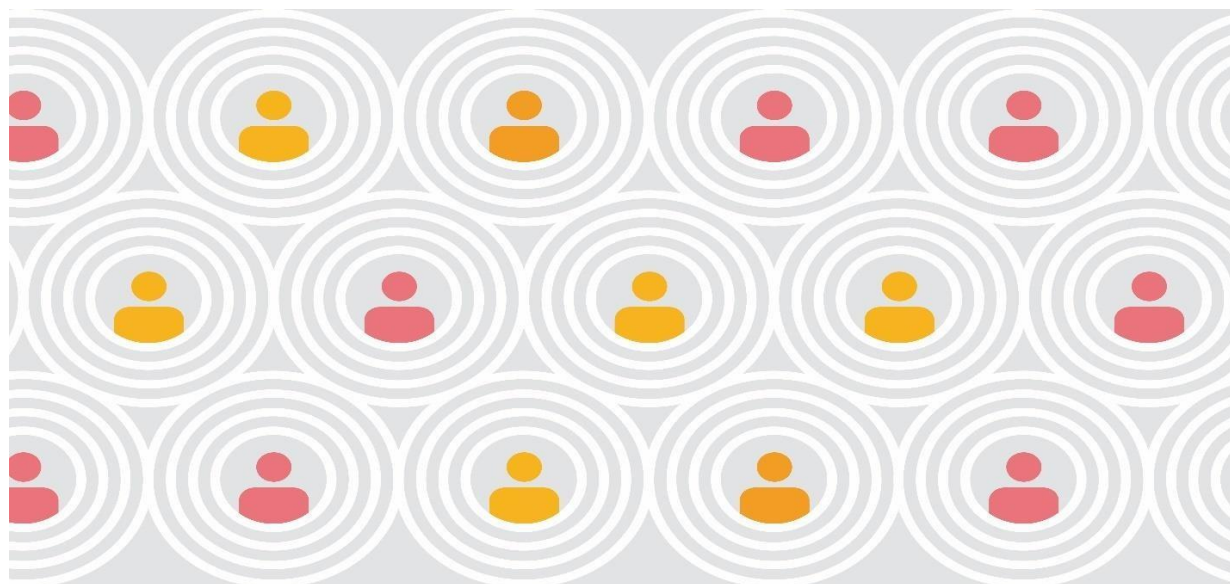


*Vision of Microfinance in India
Summary Report*



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Foreword

Mr. Mohammad Mustafa **Chairman & Managing Director**

The Microfinance sector plays an important role in promoting inclusive growth by providing credit to borrowers at the bottom of the pyramid. It has been creating opportunities for millions of low-income households by providing credit access including social empowerment.

Currently, the Microfinance sector is undergoing a multitude of changes, amidst a constantly evolving regulatory landscape, shifting consumer demand and technological advancements. The sector is expected to widen its horizon beyond Microfinance to transform the livelihoods of the borrowers.

With this backdrop, SIDBI organized the second edition of SIDBI National Microfinance Congress, at Hotel Trident in Mumbai, on Nov 26th and 27th, 2019, to deliberate on the Vision of Microfinance in India and means to achieve the same in an evolving regulatory, political and economic landscape.

The primary goal of the event was to bring together the leaders from the Microfinance sector to discuss the emerging challenges and develop possible strategies and vision for the Microfinance sector. During the course of the event, we had eminent personalities across two days who shared their rich industry experience across multitude of topics ranging from Access to Affordable Credit, True Essence of Financial Inclusion, Digital Microfinance, Women Empowerment, Entrepreneurship and Emerging Risks in the sector. We also had an opportunity to learn from international Microfinance experts who imparted great insights regarding the current global Microfinance landscape. The event was extremely successful with the partnerships across Institutions. We believe this platform will continue to serve the Microfinance sector in the years to come at a much larger scale.



1. Context and Overview

The second edition of SIDBI National Microfinance Congress saw a significant participation from more than 200 organizations with 300+ national and international delegates. The Congress was attended by dignitaries / panelists / participants from leading commercial banks, Small Finance Banks (SFBs), Microfinance Institutions (MFIs), Non-Banking Finance Companies (NBFCs), the Reserve Bank of India, academicians, Fintech etc.

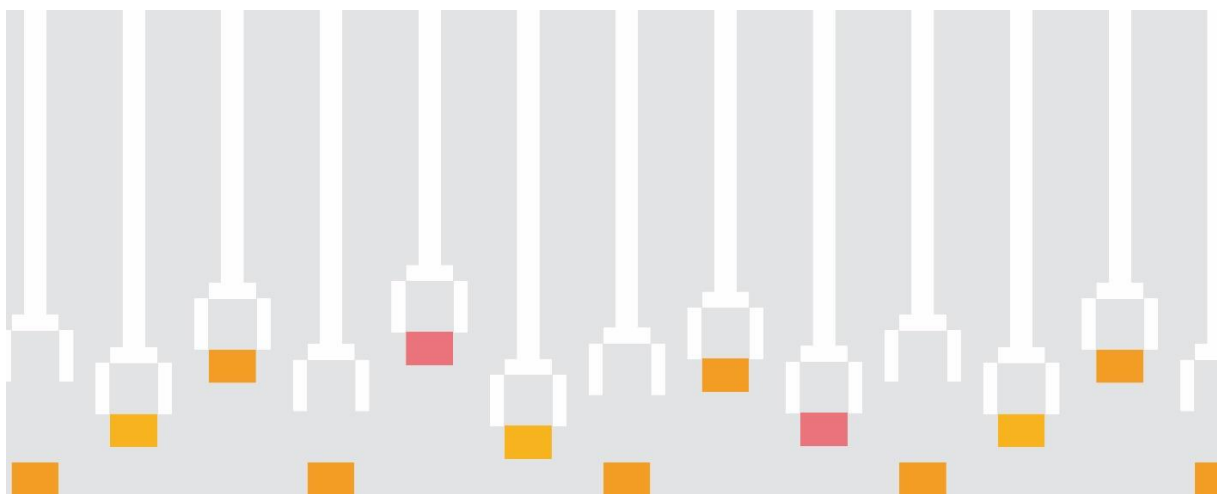
Over the course of two days, six technical sessions were held at the Congress over various sector relevant topics. The conversations and discussions during the sessions were setup to be highly interactive and intended to cover the following areas:

- Emerging concerns/ issues faced due to the major changes in the sector in recent years
- Strategic drivers, trends and possible solutions for stimulating industry growth
- Innovative, futuristic and high-impact business models being adopted across the sector
- Opportunity areas of policy intervention and technological transformation in the industry

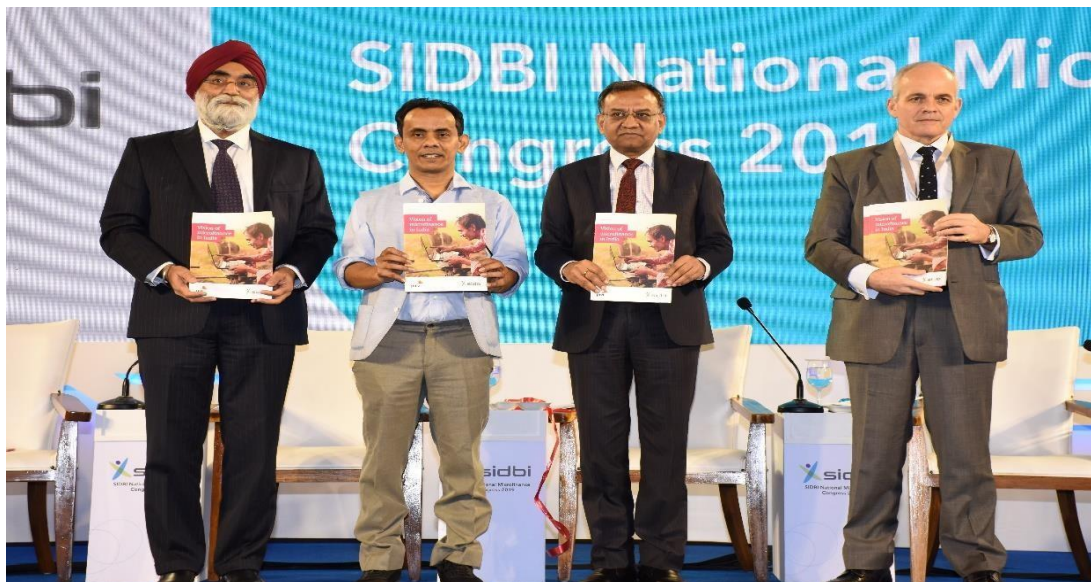
To ensure the event is given the right direction, the sessions were thoughtfully contemplated so as to enrich, encapsulate and extract the ideas of the sector experts. Further, to augment the deliberations of Vision of Microfinance, panelists included SFBs, Microfinance Practitioners, Academicians, Fintechs etc.

The event witnessed interactions with three international sector experts – Mr. Xavier Martin, Professor at Digital Frontiers Institute, South Africa; Mr. Sumedi Nalia from PT Bank Mandiri, Indonesia and Mr. John Fischer, Chief Investment Officer, Accion. These experts shared their experiences across global landscape and provided an outlook on recent developments in the Microfinance industry across Africa and South East Asia.

The deliberations at the Congress were critical in developing future course of action for the Microfinance sector. This report seeks to present a synopsis of various discussions and global interactions. The report also includes key takeaway collectively deliberated in the Congress that would guide the growth of Microfinance sector in the years to come.



2. Highlights of PwC White Paper- 'Vision of Microfinance in India'



As a knowledge partner, PwC in collaboration with SIDBI, conducted an extensive study on Microfinance in India through detailed interactions with leading industry experts and released the white paper titled 'Vision of Microfinance in India', which was presented at the event. The paper was developed with an intention to understand the emerging challenges in the industry, road ahead for Microfinance and create baseline for discussions during the event. The white paper covered the current status of the Microfinance industry globally and in India, emerging challenges and future of the Microfinance sector.

43% of the executives of financial institutions have recognised that people known to borrowers through family and friends or community influencers are the most influential people in a customer's borrowing journey.

More than 70% of the executives have acknowledged the high importance of providing easy access to financial services and creating financial awareness in encouraging borrowers to approach formal channels of microfinance.

PwC's Microfinance Lenders Survey 2019

“ Presence of stronger and more effective risk management procedures is our competitive advantage over the smaller ones” – 25% of the CXOs from the larger Microfinance providers

35% of executives from financial institutions have recognised high operating costs as a roadblock in working towards financial inclusion. ”

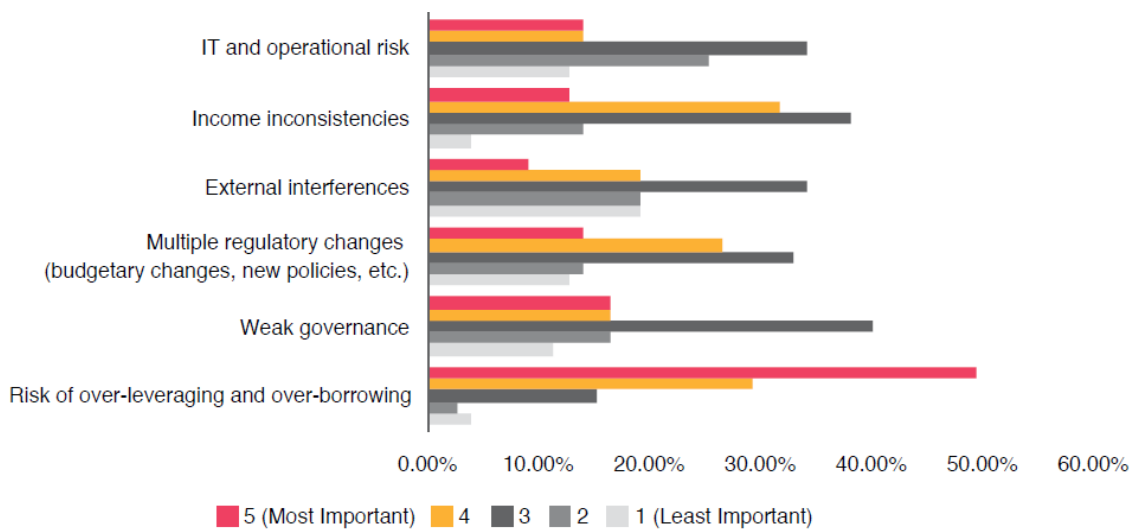
PwC's Microfinance Lenders Survey 2019

As part of the research on Microfinance industry in India, PwC conducted two surveys during the month of Sep-Oct 2019, designed to understand the issues and challenges faced in the Microfinance industry and to gain insights on the expectations of the industry. One survey was directed to the microlenders like Microfinance institutions, NBFCs, Banks and NGOs. Senior management of 20 organizations from Banks, MFIs, NBFCs, NGOs responded to the survey with total of 85 responses from senior management including CEO, CFO, Managing Director and other senior management professionals.

Second survey was designed specifically to understand the customer sentiments regarding the Microfinance industry. There were 200 respondents for this survey from various fields of small-scale businesses like transportation, logistics, agriculture, textile and many more.



Fig 1: Challenges in accessing credit from the formal sector¹



Majority of the financial institution's executives recognise over-borrowing (79%), regulatory changes (41%) and income inconsistencies among borrowers (44%) as the most important emerging risks in the financial landscape, emphasising the need for a mature regulatory landscape and preparedness on the part of financial institutions to manage these risks.

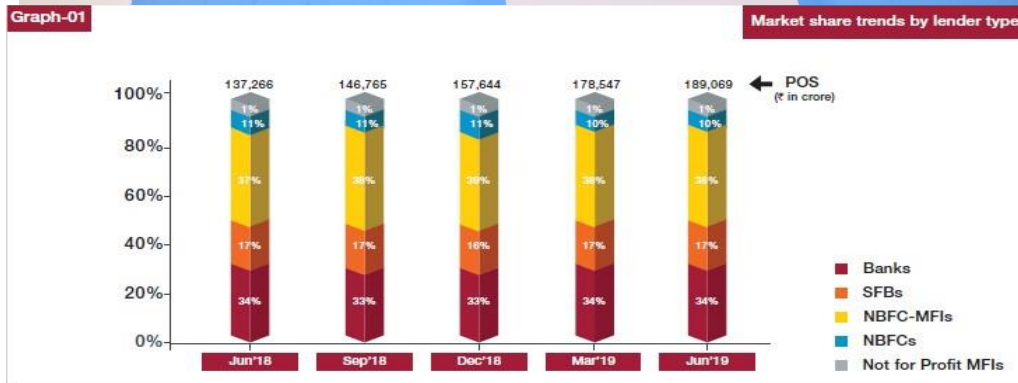
PwC's Microfinance Lenders Survey 2019

Fig 2: Risk in the Microfinance landscape

¹ Source: Vision of Microfinance in India-Nov 2019

3. Highlights of SIDBI-Equifax ‘Microfinance Pulse Report’

Equifax, in collaboration of SIDBI took the opportunity to display their efforts for providing insights about the Microfinance Industry through “Microfinance Pulse” and released its Volume 3 for the audience.



MFI Snapshot of 30 th June 2019	Banks	SFBs	NBFC-MFIs	NBFCs	Not for Profit MFIs	Total Industry
Unique Live Borrowers ('000)	19,593	12,957	26,998	8,434	981	68,963
Active Loans ('000)	24,734	15,707	41,239	9,122	1,157	91,959
Portfolio (₹ in crore)	64,367	31,959	71,768	18,997	1,978	1,89,069
Disbursed Amount (₹ in crore) - AMJ'19	19,397	7,960	20,972	3,719	540	52,588
Average Ticket Size (in ₹) - AMJ'19	45,350	32,946	27,330	32,726	28,577	33,512
30+ Delinquency	0.63%	0.94%	1.02%	2.19%	0.42%	0.99%
90+ Delinquency	0.18%	0.43%	0.42%	1.04%	0.20%	0.40%

Fig 3: Microfinance Industry Overview²

² (Source: Microfinance Pulse Report - 3rd edition²)

Microfinance industry has total loan portfolio of INR 1,89,069 crore as on June 30, 2019, which represents a growth of 38% over June 2018. Across lender categories, NBFC-MFIs continue to dominate the industry in terms of portfolio outstanding with 37% market share as on June 30, 2018, which increased to 38% as on June 30, 2019. Among lenders, Banks have highest average ticket size as on June 30, 2019.

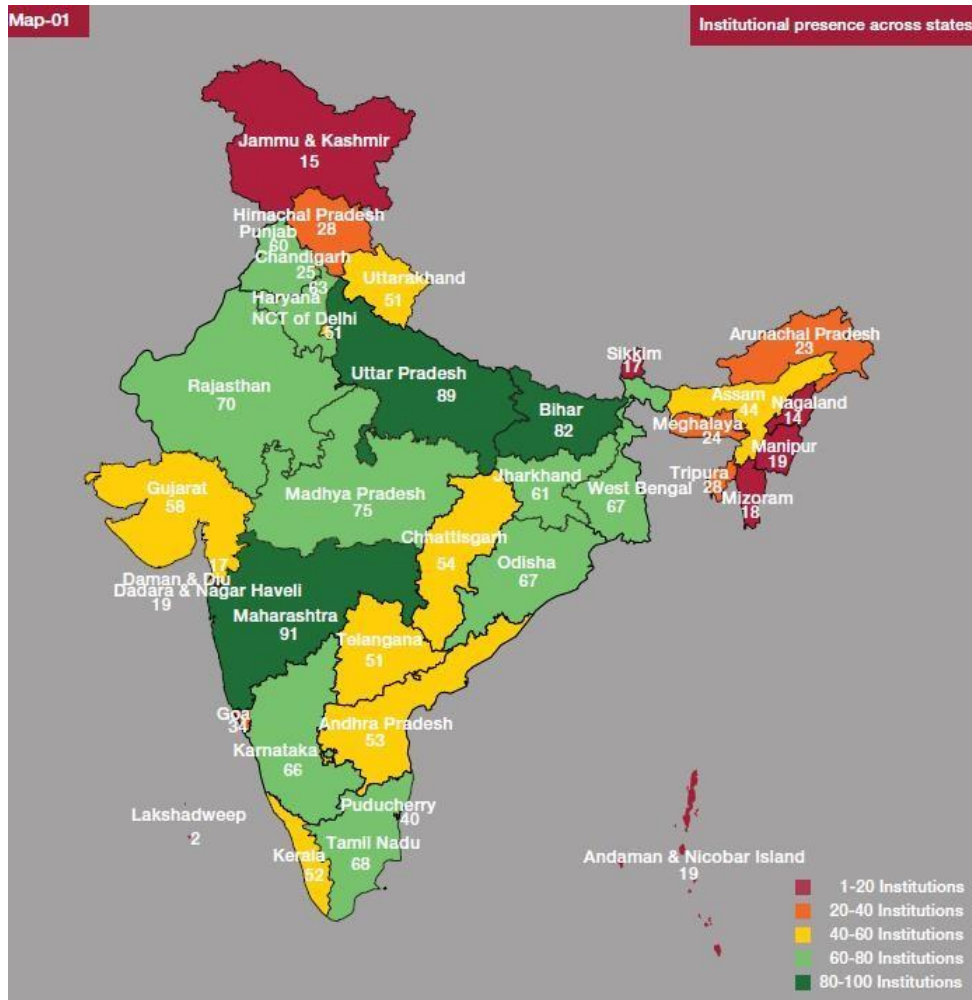
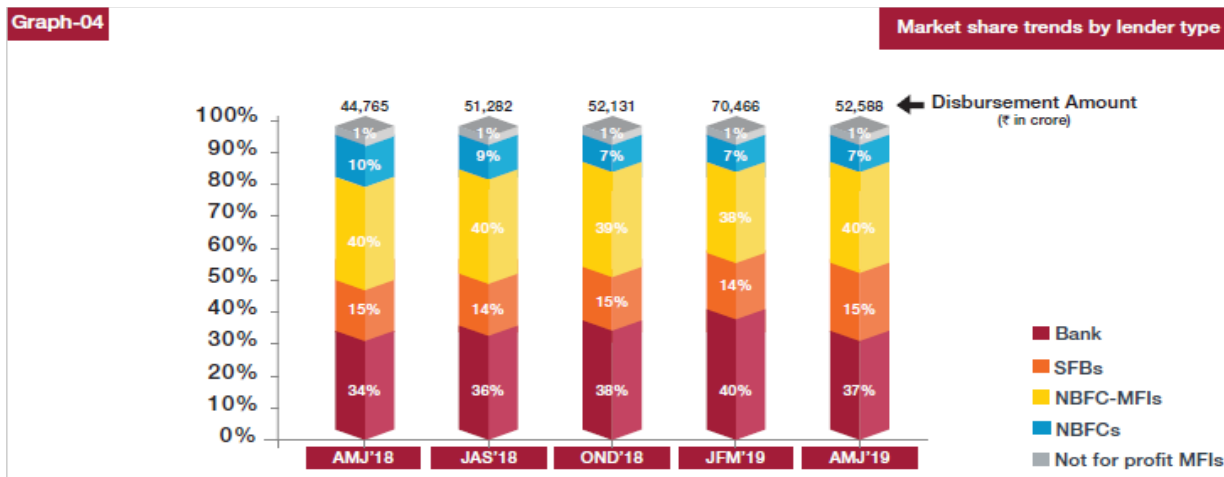


Fig 4: Institutional exposure by geography³

Majority of extreme east zone states and Jammu & Kashmir from north zone show low presence of Microfinance lending institutions as on 30th June 2019. Only 3 states - Maharashtra, Uttar Pradesh, Bihar show institutional concentration ranging between 80-100 institutions, as on 30th June 2019

³ (Source: Microfinance Pulse Report - 3rd edition³)

Image in Fig 4 refers to India Map pre demarcation of J&K and Ladakh



No. of Loans Disbursed (in lakh)

Lender Categories	AMJ'18	JAS'18	OND'18	JFM'19	AMJ'19
Bank	39	44	49	64	43
SFBs	22	25	24	31	24
NBFC-MFIs	73	80	79	96	77
NBFCs	16	16	12	14	11
Not for Profit MFIs	2	2	2	3	2
Total	152	167	166	208	157

Fig 5: Disbursement trends – Institution wise⁴

- Disbursement by value saw a growth of 17% from AMJ'18 to AMJ'19 (AMJ- April May June). Disbursement by volume grew by 3% in AMJ'19 compared to AMJ'18

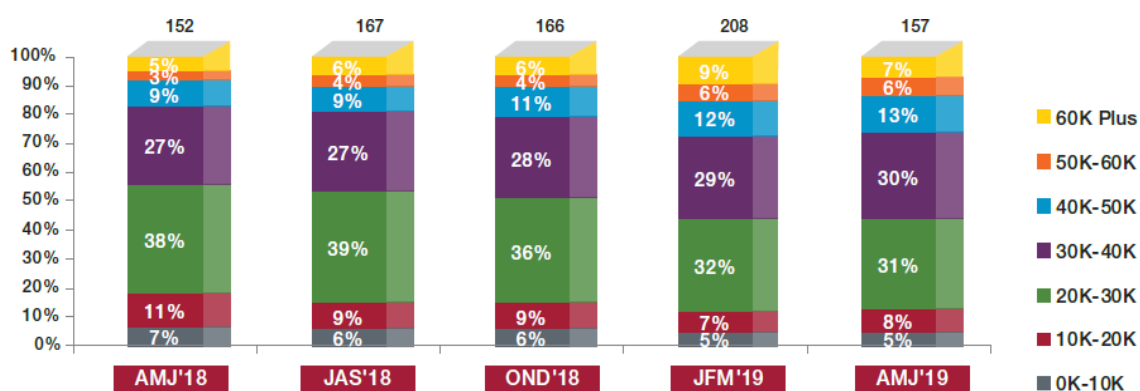


Fig 6: Industry ticket size trends

- INR 40K-50K ticket size loans have registered a growth of 54% from AMJ'18 to AMJ'19

⁴ (Source: Microfinance Pulse Report - 3rd edition⁴)

4. Inaugural Session

The Congress was inaugurated by Mr. Mohammad Mustafa, Chairman & Managing Director, SIDBI who in his inaugural speech highlighted the role of SIDBI in bringing all Microfinance stakeholders (Regulator, Industry Participants, SROs, Credit Rating Agencies among others) on the same platform and the significance of such an initiative considering the growth of Microfinance over the past years.



Mr. Mustafa highlighted the instrumental

support provided by RBI for SIDBI's initiative, the 'Prayaas' scheme which focusses on lending to

"Through multiple initiatives, SIDBI has impacted lives of 4 cr. people and worked with 100+ MFIs, with focus on providing affordable lending to the borrowers." – Shri Mohammad Mustafa

the borrowers at the bottom of the pyramid through new alternative lending models. He spoke about how Microfinance industry has developed over the years and business models like Business Correspondent model has played a major role in this development. He discussed the role of MUDRA in promoting lending and business loans and its impact on the beneficiaries. He also spoke about SIDBI's collaborations highlighting the partnership with Usha International aimed towards bolstering women empowerment by enhancing their skillset through tailoring and other similar activities. He urged the panelists and the delegates to have a fruitful discussion on affordable borrowing and promote inclusive growth.

Mr. M K Jain, Deputy Governor, RBI in his keynote address, drew attention towards the need of developing tailored products for providing credit to first-time borrowers, bundling of credit products with insurance and for addressing entrepreneurial, consumption and needs related to social occasions through credit.



He further stressed on the need of providing financial literacy to borrowers for the sector growth. He also expressed that the goal of Universal Financial Inclusion can only be achieved through synergistic efforts between the mainstream financial entities and other players like MFIs, Fintechs, etc. which play a complementary role in championing this cause. He urged the banks and NBFCs to explore the possibility of partnerships with diverse players as it could be pivotal in accelerating the agenda of Financial Inclusion.

Mr. M.K. Jain also threw light on several innovative measures adopted by RBI to create a conducive environment for providing banking services to the unserved and underserved

population for achieving the objective of sustainable and inclusive economic growth. He discussed the institutionalization of Business Correspondents (BCs) framework which has been a major step towards enhancing access to banking services. The RBI also advocated a combination of 'Brick and Mortar' structure with technology for extending Financial Inclusion in the geographically dispersed areas. With all these measures, the number of banking outlets in villages has gone up significantly.

Additionally, a co-origination model, which enables the scheduled commercial banks (excluding Regional Rural Banks and Small Finance Banks) to co-originate loans with the non-deposit taking systemically important NBFCs has also been rolled out for credit delivery to the priority sector. This is expected to reduce the credit risk through risk sharing between NBFCs and banks, leading to affordable borrowing through lower interest rates, which would eventually boost lending to Micro enterprises, small and marginal farmers, Self Help Groups (SHGs), etc.

Globally, the Microfinance industry has impacted the lives of 139.9 million borrowers worldwide, 80% of whom are women and 65%, from rural background.

PwC Financial Services partner, Mr. Asim Parashar took the opportunity to set up the context for the 2 days of the Congress. Mr. Parashar highlighted the potential of the global Microfinance industry which is worth over INR 8.90 trillion with the loan disbursed amount growing at an average annual rate of 11.5% over the last 5 years. Mr. Parashar expressed the need for quality policy changes for sustainable sector growth while highlighting the role of government initiatives, namely National strategy for Financial Inclusion in developing the Microfinance sector.

He further encouraged the panelists to highlight the need for development of affordable products and services for the borrowers. He also shared a few prominent insights from PwC Microfinance survey intended for financial institutions and the end beneficiaries which determined that 70% of the borrowers are more comfortable to take loan from MFIs rather than banks. He emphasized on women empowerment and creating customer focused accessible technology which would help in last mile delivery. This will play a major role in reducing the cost of operations across the lending cycle thus making the products accessible to women in rural and remote geographies.

South Asia has the largest number of borrowers in 2018 (85.6 million), with a rate of 13.8%, which is much higher than that of other geographies.

In his special address, Dr Charan Singh, CEO & Director, Foundation for Economic Growth and Welfare expressed how growth of any economy depends on the availability of labor and capital.



Self-employment and development of MSMEs will play a major role in driving the growth of the Indian economy. He also focused on how refinance institutions have started to play a bigger role in the success of the growing MSMEs. He expressed the need to develop better accounting practices, labor laws and inventory management. He discussed how nationalization of banks and empowering the rural economy has played a major

role in driving the Microfinance sector, with enhanced focus on business correspondent and JAM (Jan Dhan-Aadhar-Mobile) trinity. Jan Dhan yojana has changed the landscape and has reached out to women, illiterate people and small farmers across remote rural geographies, creating employment and mobilizing the Self-Help Groups.

He proposed the need of research institutions contributing to focused research for development of structured products and development of training institutes dedicated to MFI employees. He also expressed the need for standardization of risk management techniques, accounting procedures and government norms for MFIs. Employment scenario and access to credit will drive the development of Indian workforce. Pioneering institutions like MSME university



will help in training the individuals involved in MSMEs in various fields like finance, accounting, marketing, operations and business administration, entrepreneurship and risk management. Special courses on agricultural technology and food processing would add value to the priority sector and the growth of the MSMEs in a significant way.

In his special address, Mr. Gavin McGillivray, Head of DFID India, expressed his aim to develop a shared vision for the Indian Microfinance sector and collaboration among all the stakeholders towards achieving the vision. He expressed his gratitude for the partnership with SIDBI and success of the PSIG program which has reached 600,000 women across India and has deepened penetration across remote geographies. PSIG program has been instrumental in building the

capacity of several MFIs and has demonstrated remarkable progress in terms of number of coverage of people creating a positive impact on the Microfinance sector. Focus has always been on growth and inclusion, supporting the poor and the marginalized sector.

He discussed how new learning techniques like behavioral science can be applied for deeper understanding of impact of MFIs on the borrowers. He stated that these techniques can be used to design programmes which can work towards elevating the marginalized sections of the society and support the budding entrepreneurs in their growth trajectory. He urged the participants to ask questions if they are employing the right people and if their services are truly inclusive, beneficial and green.

The event also marked the release of white paper by PwC – “Vision of Microfinance in India” in collaboration with SIDBI. Mr. Kalengada Nanaiah, India Country Leader, Equifax, in collaboration with SIDBI took the opportunity to display their efforts for providing insights about the Microfinance Industry through “Microfinance Pulse” and released its Volume 3 for the audience.

The technical sessions spread over 2 days witnessed eminent panelists brainstorm the emerging challenges of the Microfinance sector and the way forward.



5. Technical Session 1 : Affordable Borrowing for One and All: Easy Access to Micro Credit

Technical Session 1, moderated by Mr. Joydeep K Roy, Partner, PwC, constituted of following experts:

- ❖ Mr. Gavin McGillivray, DFID India Head
- ❖ Dr. L.H. Manjunath, Executive Director, SKDRDP
- ❖ Mr. Rajeev Yadav, MD& CEO, Fincare Small Finance Bank
- ❖ Mr. Jinand Shah, CEO, Online PSB Loans
- ❖ Mr. Arup Kumar, General Manager, SIDBI
- ❖ Mr. KB Nagaraju, CEO, Innovative Retail, BigBasket

The delegates discussed on the need for affordable borrowing through low cost funds and development of new models. They also deliberated how dedicated monitoring of the credit extended would help in understanding the credit utilization with an accuracy of 70%-80%. The Panelists agreed that there is a need to manage the borrowing cost, operating cost and risk cost for a sustainable business model. The panelists brainstormed on ways to reduce operational expense through user insights and analytics.



In summary, the session was structured around three areas:

1. Different ways in which cost of funds can be brought down
2. Development of new array of financial products aligned to the evolving needs of the customer
3. New models for effective functioning of the Microfinance industry

DFID India Head, Mr. Gavin deliberated on venturing into cost effective funds through grant or subsidized rate to experiment and research innovative financial products. Executive Director, SKDRDP, Dr. L.H. Manjunath expressed that need based products should be developed and efforts should be made to reduce the operational costs through training and enablement of rural borrowers.

The main discussion points of the session are as follows:

- Increased engagement in the lending journey will help in better understanding of the purpose of the loan and the utilization of the loan. Quality disbursement is expected to improve the overall loan portfolio of the Microlender.
- Government initiatives like JAM and e-KYC have played a major role in reducing the turnaround time from 17-18 days to couple of hours for financial institutions. With necessary trainings and streamlined customer lending journey, the turnaround time is expected to further reduce with time.

- The discussion also included the role of Community banking in Microfinance sector. Community banking helps in facilitating the credit access by connecting borrowers living in proximity with a prior trusted relationship. This will help in reducing the disconnect of the community with corporate leaders, government officials among others. There needs to be a shift towards Community banking which would be a source of immense user insights. These insights accompanied with enhanced monitoring on the platform will help in better tracking of the utilization of the funds.
- MFIs incorporate three aspects of financing: time-based, need-based and hassle-free financing. Today need based financing is in nascent stage and the cap of INR 1.25 lac per individual limits the growth of entrepreneurs. Focused need-based financing will help in efficient allocation of funds.
- The panelists also discussed the challenge of last mile delivery. They deliberated on the need of collaboration with rural borrowers with focus on women to bring down the cost of operations. Furthermore, incorporating models like Agency banking will play a major role in deepening the network, thereby reducing the operating costs and dependency on the capital.
- The panelists expressed the need to measure social impact which would truly reflect the impact of Microfinance in improving the lives of the borrowers. They expressed how parameters like water and sanitation facility, affordable housing, education of children and nutrition quality can help in understanding the social impact.

A few potential areas of consideration to provide affordable credit to all borrowers are as follows:

- Need for scalability of the Microfinance sector- Integrating potential cities and towns, providing more visibility to the borrowers and expansion towards a larger community is expected to boost up the Microfinance sector
- Provide advisory services to the new business entrepreneurs
- Encourage experimentation in Microfinance sector
- Develop new partnerships with national and international Financial Institutions to get access to grants or subsidized capital
- Develop products that are self-sufficient and which would create social impact

6. Technical Session 2: Reaching the Doorstep of Every Unbanked Customer: Financial Services for All

Technical Session 2, moderated by Ms. Latha Venkatesh, Banking Editor, CNBC, constituted of following experts:

- ❖ Mr. Tamal Bandyopadhyay Consulting Editor, Business Standard
- ❖ Mr. Aalok Gupta, CEO, MUDRA
- ❖ Mr. Prabhat Labh, Chief Executive Officer, Grameen Foundation
- ❖ Dr Anand Shrivastav, Founder & Chairman, Intercorp Group & BCFI
- ❖ Prof. Alok Misra, School of Public Policy, MDI
- ❖ Mr. Sarosh Amaria, Head Commercial Finance, Tata Capital

The delegates discussed developing a shared vision for Microfinance through collective understanding of the demand and supply side. They focused on the need to build livelihood and economic capability. Discussion also involved the need to target aspirational districts in potential geographies to broaden the scope for financial literacy.



Important topics discussed during the panels are as follows:

- The panelists discussed about distinct geographical bias that exists in the Indian Microfinance sector with 50% of the portfolio concentrated in only 100 districts. In order to reach the remote geographies, most of the models and products have to be developed in the local context. For instance, Kenya had free market and the regulation followed the markets. This resulted in the success of m-Pesa providing livelihood opportunity
- Efforts have to be made through partnerships to improve the penetration of products like Pradhan Mantri Jeevan Jyoti Bima Yojana, Atal Pension Yojana etc., which currently have less penetration as compared to basic lending products
- Need to focus on the consumption pattern of the borrowers to provide more curated products for the borrowers. Bottom 40% spends nearly 57% on food and 8.8% on fuel. Insights from these data points will be helpful in targeting products to the potential customers
- With majority of the Microfinance products being unsecured, the only collateral in such scenario is human connectivity, which can be achieved by developing trust in the community
- Microfinance sector has to focus on delinquency management, viability of loans and better pricing models for healthy competition
- Need to focus on the 4 Ps - People, Pricing, Promotion and Penetration for Ease of Access

1. People-targeting potential customers by aligning the suitable products through dedicated agents
 2. Pricing – viable rates for the products to improve the accessibility and inclusion of the borrowers
 3. Promotion – need to develop promotional strategy to reach out to the remote geographies
 4. Product penetration – development of product penetration strategy by creating different types of loans- small loans, product leasing (operating lease of the NBFC's assets can be done which would be an off-balance sheet item) etc. Heat maps could be developed to understand the pattern of BCs, ATMs, customers etc. to analyze the mismatch of the product
- Some of the interventions that can be assessed and adopted include, but not limited to- Certified trainings of BCs and customers, infotainment videos for the products, tactical below the line activities at Gram Sabha local mandi through cooperation with BCs, incentivizing customers for UPI transactions, approachable Grievance Redressal Mechanism and Grameen Mitra for last mile services
 - For accessible funds, banks should reduce bulk-lending rate to MFIs
 - Standardization of regulation is expected to benefit the Microlenders through transformation from legal firm-based regulation to activity -based regulation. This will help in standardizing regulations across all Microlending products.
 - Focus on credit protection through insurance against natural calamities would help develop a sustainable model for Microfinance

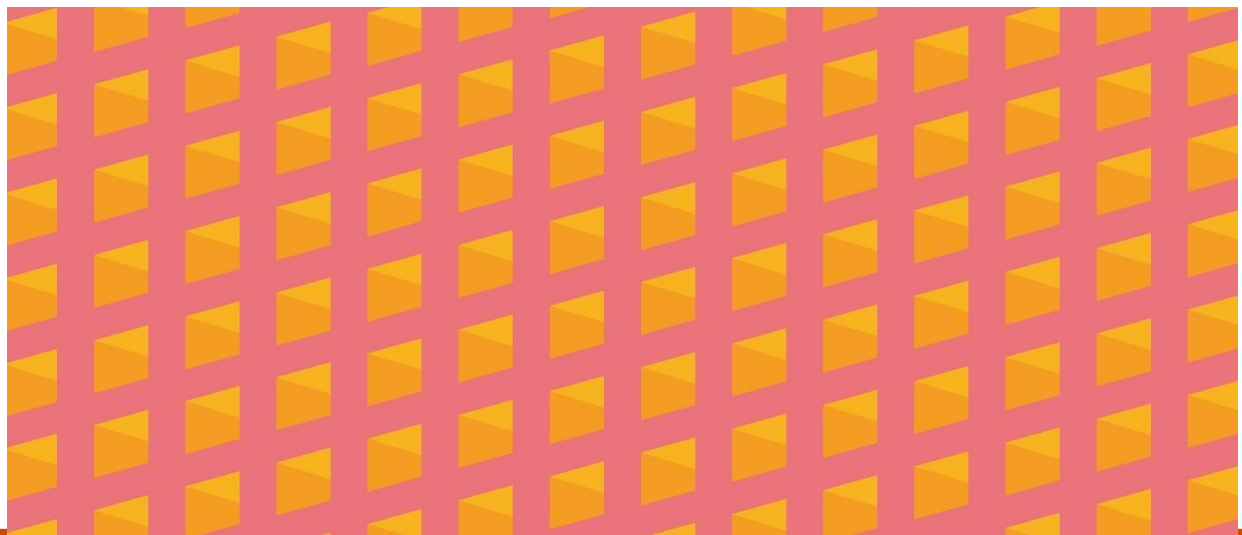
The panelists also shared their thoughts on redefining focus on migrants who are either from different districts of same state or belong to different states. They also agreed with the views of Dr. Charan Singh on developing training Institutes for MFIs and developing MSME University to teach accounting, entrepreneurship and add value through agro based industry courses. The panelists discussed on the need to serve both sections of the society: the excluded poor and the budding entrepreneurs.



7. International Experience Sharing: Mr. Xavier Martin, Digital Frontiers Institute, South Africa

Mr. Martin discussed about leveraging technology in Microfinance and how digital footprints of borrowers can be used to formalize the Microfinance sector. A few important points of discussion in the interaction are as follows:

- The challenge of expanding access to formal credit can be addressed by understanding the innovation in Microfinance sector through history
- He also discussed the current focus on digitizing Microcredit beyond mobile Nano loan, with lenders venturing into digital and instant loans
- He discussed the challenges of expanding the credit beyond the inner circle and the need to focus on the credit worthiness of the borrowers through incentives and deterrents. Solidarity lending, Self-help groups, algorithmic lending and progressive lending can play a major role in formalizing informal lending sector as the Microfinance sector moves beyond the inner circle
- Alternative data namely browsing activity and social media activity, call and SMS data logs, mobile balances and charges data, GPS data, psychometric data through online quizzes and clickstream data are currently being used in creating a robust customer profile. There is a need to explore new data points and develop new models for deeper analysis of the customer profile.



8. Technical Session 3: Road Ahead for Digital Microfinance

Technical session 3, moderated by Mr. Asim Parashar, Partner, PwC, constituted of following experts:

- ❖ Mr. Dhananjaya Tambe, Deputy Managing Director & CIO, State Bank of India
- ❖ Mr. Samir Bhatia, Founder & CEO, SMEcorner
- ❖ Mr. Sunil Prabhune, Chief Executive - Rural Finance & Group Head – Digital, IT and Analytics, L&T Financial Services
- ❖ Mr. Arun Nayyar, CEO, NeoGrowth Credit Pvt. Ltd.
- ❖ Mr. Subodh Kumar, GM, SIDBI
- ❖ Mr. Mukund Sivasubramaniam, CEO, Puratech Solutions (India) Pvt. Ltd.

The session discussed innovations and emerging need for digital products and accessible technology. The panelists discussed the need for end to end digitization and nudging the users to develop a habit of transaction through formal Financial Institution which would provide opportunity to borrowers to avail lending facility . The discussion also revolved around the relevance of analytics in identification of the optimum market, customer segments and its impact on industry growth.

A few important topics of discussion in this panel are as follows:

- Need to focus on end to end digitization through private and Fintech partnerships starting from acquisition, processing, underwriting and disbursement. The panelists discussed the need to control the movement of credit determined by the cash flow for effective utilization of funds
- Behavioral algorithms should be used to develop collection models which can also include daily installment model and predict the future cashflow
- Encourage users to start transacting through banks which will increase the borrowers' opportunity to get loan
- Use of analytics beyond the customer acquisition and disbursement model in determining potential geographies
- Better customer profiling by leveraging the digital footprints of the customers at grocery stores, pharmacy, restaurants etc.
- Exploring the use of OCR technology to extract data from typed, handwritten documents to machine readable formats, targeted for users who lack access to requisite documents.
- Developing a lending model, a combination of physical and digital medium, to incorporate the human touch even in a contactless loan. This would play a major role in promoting the last mile connectivity.
- Focus on agile development of new products with shifting consumer demands



The discussions revolved around the importance of streamlining operations by end to end digitization and the need to bring down the cost of funds through operationally efficient models. The panelists agreed on the need to work on the demand side of Microfinance sector by creating awareness and financial literacy programmes.

9. International Experience Sharing: Mr. Sumedi Nalia, PT Bank Mandiri, Indonesia

Mr. Sumedi discussed on Indonesian Microfinance landscape, current challenges and initiatives



being taken towards the growth of this sector. He shared the need to change the perception of the borrowers who often treat the Microcredit as grant rather than a loan. He expressed that the Indonesian Microfinance sector, with rise in digital banking, has started focusing on digitizing the existing services and operations to create an integrated digitized operation. He shared the idea of building ecosystem to offer products and services beyond core business through partnership with Fintech (Application Programming Interface/API) and creating new

business models. India, on similar front, can leverage the digital infrastructure in creating new products. Indian Microfinance sector could play a major role in supporting government initiatives as it continues doing through MUDRA and similar programs.

10. International Experience Sharing: Mr. John Fischer, Chief Investment Officer, Accion

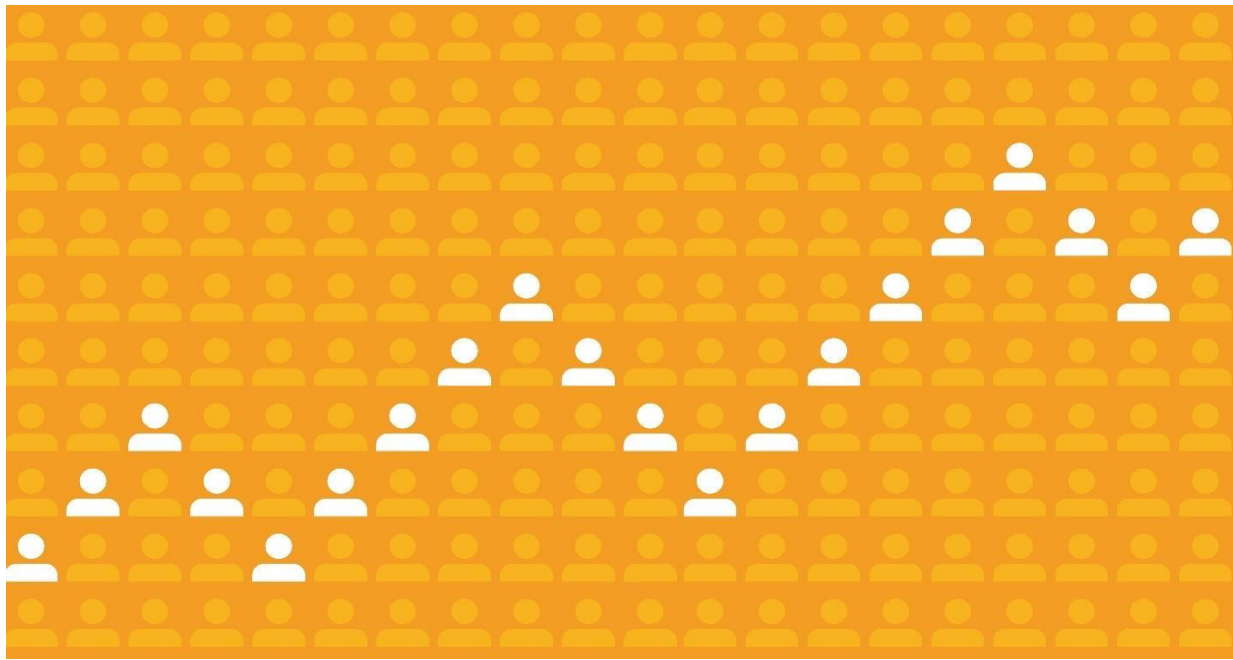


Mr. Fischer discussed the Global Financial Inclusion landscape and the challenges and current trends in the global Microfinance industry.

He expressed how digitization adds new complexity to client protection, thus requiring developing of a model with an optimal involvement of technology and touch. He also discussed the need to build financial and digital capabilities for clients as the market continues to provide range of new products, services and channels.

He urged the Microfinance sector to follow a sustainable growth strategy by focusing on the long-term goal rather than the short-term urgency of the mission. He expressed the need to focus on a quality portfolio rather than a quantity-based portfolio.

He shared how MFIs are lowering customer acquisition costs, easing distribution, and providing customers with seamless experiences by embedding financial services in other products. He discussed the usage of new sources of data such as digital invoices and tax records, POS devices, mobile phone usage to lower costs, strengthen underwriting, and improve the customer experience. He expressed the need to expand the portfolio of client services by developing a consolidated platform that provide communications, logistics, tax preparation, customer acquisition, and other offerings beyond financial services.



11. Technical Session 4: Women Empowerment through Microfinance - A Synchronized Growth

Technical session 4, moderated by Ms. Ritu Singh, CNBC, constituted of following experts:

- ❖ Ms. Sucharita Mukherjee, Co-Founder & CEO, Kaleidofin Pvt. Ltd.
- ❖ Ms. Jayshree Vyas, Managing Director, Shri Mahila Sewa Sahakari Bank Ltd / Public Interest Director, Bombay Stock Exchange
- ❖ Ms. Mamta Kohli, Senior Social Development Advisor, DFID
- ❖ Mr. Mukul Jaiswal, MD, Cashpor Micro Credit
- ❖ Ms. Yamini Atmavilas, India Lead, Gender Equality at Bill & Melinda Gates Foundation

The panelists discussed the challenges of limited understanding of the aspirational needs of women from supply side. They pondered upon the need for targeting women as 4 different groups- not aware of Microcredit, aware with no access to Micro-credit, having access to Microcredit but not utilizing it effectively and women led Micro-enterprises. The discussion also revolved around the need of digitization to strengthen trust between lending institutions and women. Other deliberated areas included simplification of products to become more customer-centric, emphasis on ensuring confidentiality of financial transactions, privacy of decisions for women and collaborating with women as influencers.

Few important points of discussion in this panel were as follows:

- Specialized programs need to be developed to promote female literacy and social empowerment of the female borrowers
- Reducing the intermediaries between the borrowers and the Microlenders through youth upskilling programs
- Develop public and private partnerships to create funds primarily for marketing and communication assistance to the SHGs
- Development of digital platforms like e-Shakti that would bring all the women borrowers to a single platform. This would help in centralizing the financial transactions of all women through unique ID
- Open discussions should be conducted regarding women borrowers' goals and tailor investments and tools to achieve the same
- Financial Planning and financial literacy services should be provided through customized trainings to customers and encourage the move from products to customer centric solutions
- Develop specific trainings to create awareness about the natural calamities and devise risk mitigation plan for the same



12. Technical Session 5: Mobilizing the Entrepreneurial Landscape

Technical session 5, moderated by Mr. Muralidharan Rajamani, Practice Head- Leadership Centre Pvt Ltd, constituted of following experts:

- ❖ Ms. Prema Gopalan, Founder and Executive Director, SwayamShikshan Prayog
- ❖ Ms. Shweta Aprameya, CEO, Arth
- ❖ Ms. Silky Raheja, Head of planning, National Skill Development Corporation (NSDC)
- ❖ Prof Sanjeev Kapoor, IIM Lucknow
- ❖ Dr. R.K. Singh, General Manager, SIDBI

The panelists discussed importance of collaboration with local business network, the necessity of last-mile facilitation and the need to promote women entrepreneurs for an inclusive growth. They also discussed on various ways to tackle the high cost of setting up a Micro-enterprise and the importance of training institutes to promote Micro-enterprises and the involvement of family dynamics for growth of Micro-enterprises.

A few important topics of discussion in this panel are as follows:

- Setting up enterprises for financial literacy, centres for sectoral intervention, Swavalamban Connection Centres which would help in shaping ideas, handholding and pooling of localized service providers
- Develop women entrepreneurship leadership model which would be an inbuilt self-reliant ecosystem through special credit access, dedicated training and specialized business correspondents
- Focus on creating hyper localized products by bringing women of common interest together through hyper local occupation mapping. The credit connect and market connect will help synchronize the entrepreneur ecosystem,
- Development of incubation centres at university level and corporate level to convert ideas into products will help promote entrepreneurs. These centres coupled with entrepreneurship focused curriculum in schools are expected to change the mindsets of youth and parents towards entrepreneurial careers.
- Occupation mapping has to be taken forward by interest mapping of businesses to reduce failure rates of businesses. Alignment of the interests of the entrepreneurs with their respective business models will help in improving the success rate of the business.



13. Technical Session 6: Emerging Risks in Microfinance Sector in India

Technical session 6, moderated by Mr. Kuntal Sur, PwC, constituted of following experts:

- ❖ Ms. Kalpana Pandey, Managing Director & CEO, CRIF High Mark
- ❖ Ms. Arpita Pal Agrawal CEO, M-CRIL
- ❖ Mr. Kalengada Nanaiah, India Country Leader, Equifax
- ❖ Mr. S.S. Bhatt, Managing Director, Ananya Finance
- ❖ Mr. Mr. Suman Chowdhury, President - Ratings, Acuité Ratings & Research
- ❖ Prof. M.S. Sriram, IIM Bangalore

The session discussed upon controlling the credit risk by using quality data and analytics to access the new to credit borrowers. The panelists shared the relevance of Microfinance Bureau and the need for standardization of regulation.



A few important points of discussion in this panel were as follows:

- Development of Microfinance focused bureaus would help in standardization of all Microfinance reports across the industry
- Focus on standardized regulation for responsible lending to develop a healthy competitive market for the industry
- Handholding of matured clients to move towards individual lending
- High priority focus on data leakages, fraud risks and tracking biases in the portfolio
- Focus on advance traceability and cashflow tracking through analysis of pattern and usage of the behavioral analytics for predictive lending

- Reduce the refinancing risk by tracking payment cycle to determine the repayment propensity of the borrowers. Trend analysis of repayments will help in developing a robust collection model
- Deeper understanding of cultural difference between collective responsibility and individual responsibility will help in better analytics of the risks involved and developing customized products. The lenders need to understand the impact of lending to individual borrowers and Self-help groups to deliver well suited products

The panel agreed for the need to have a balance between sustainable future growth and acquiring potential borrowers in conjunction with deeper analysis of refinancing risk to the borrowers and lenders. They discussed the role of bureaus and government initiatives in developing a standardized credit regulation environment for Microfinance sector.



14. Valedictory Session



In the concluding session, Mr. Manoj Mittal, DMD, SIDBI shared the following key takeaways / thought processes distilled from the Congress.

- Power of aggregation and clustering model which can be implemented in Microfinance Industry
 - Development of new business models worldwide beyond the Self-help Groups (SHG) and Joint Liability Groups (JLG) for the new age borrowers. The scope of microfinance to be diversified for encompassing the ultra-poor and micro enterprises.
- Need for demand side interventions through development of customer centric products and deeper analysis of demographic divides
 - Design products / services with client in focus.
 - Special drive to create better awareness among clients and organizations.
 - Mass movement on financial literacy programs through private organizations, Self - Regulatory Organizations (SROs) and international development institutions. Also creation of special methodology on educating children about personal finance.
 - Hyperlocal business mapping through community engagements.
 - Enhance affordability of loans by leveraging technology to bring down opex .
 - Develop a lending value chain with a combination of digital and physical presence for enhanced last mile connectivity.
 - Digital / Analytics to be used not only to affect acquisition of client but also for choosing the market / deciding exposure limit.
 - Focus on behavioral algorithms to understand the circumstances of default
 - Exploring low cost funds to help sector take experimental projects and better focused research to develop customized and affordable products for the borrowers
 - Establishment of training institute for MFI staff and MSME university for training the entrepreneurs
 - Standardization of risk management, governance practices and uniform matrix for social impact for sustainable growth of the industry
 - Creation of consolidated database for all the Microfinance Institutions to mitigate the emerging risks in the Microfinance industry.
 - Shift from legal firm-based regulation to activity based regulation.

In the valedictory address, Mr. Rajkiran Rai G, Managing Director & CEO, Union Bank of India expressed his thoughts on reducing operational expenses in the sector, development of new models to reach the unbanked customers, leveraging public infrastructure and minimizing risks across the credit portfolio. He stated the need to provide needy borrowers the access to credit; understanding the cost and the terms involved, need to not over lend and provide one view of indebtedness of the borrowers was also emphasized. He expressed that Microfinance industry is in the right path of enabling millions of people through access to credit, business enablement and technology.



15. Conclusion and Way Forward

The event witnessed six technical sessions and three global experience sharing in the course of two days. The sessions had rich discussions among delegates on multitude of topics ranging from emerging challenges in the industry, development of new models, risk management frameworks and embracing latest technology. Key areas of action for future growth of Microfinance sector were identified across five dimensions of Affordable borrowing, Operations and technology, Education development and training, Regulations and controls & Women empowerment and entrepreneurship.

The recommendations provided across the five dimensions will be prioritized and acted upon for the development of the Microfinance Industry. Exploring new funds through grants and investments will help in creating opportunities for experiments and research to develop innovative array of financial products. These new innovative products should be targeted to potential customer segments through analytics-based research. Robust last mile connectivity will bolster the supply of the products and through development of platforms that are technologically advanced with a provision of physical medium will boost the last mile connectivity for the borrowers. The combination of technology and touch will improve the accessibility of these products in remote geographies and excluded societies who were beyond the reach of traditional banking services. As Microfinance becomes more accessible, there will be a need to develop training centres, educational curriculum for Microlenders and the borrowers. Educational courses dedicated to personal finance and entrepreneurship will help in unlocking potential of borrowers who have limited access to higher education. Dedicated educational trainings will also help in uplifting women entrepreneurs by bridging the literacy gap and better utilization of credit for business growth. The credit journey of the borrower can be facilitated by developing standardized regulation benefiting the entire ecosystem. There is a need to explore the shift from legal firm-based regulations to activity-based regulations. This will help in developing an intermediary agnostic Microfinance landscape, primarily benefiting the borrowers and the lenders in the long run.

A forum like the National Microfinance Congress plays a pivotal role in bringing together all the prominent stakeholders across the Industry. There is significant interest expressed by leaders in

organizing these events annually, which would give an opportunity to brainstorm and provide recommendations to drive the growth of the Microfinance sector.

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Glimpses from the SIDBI National Microfinance Congress 2019







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