

I. MFI Entity level recommendations

a. Separate category of NBFC MFI recommended by the report.

- i. This is not a new recommendation, has been part of the proposed Microfinance Bill
- ii. While this clarifies the question of who should govern MFIs, the definition is actually opposite of financial inclusion as it does not allow these organizations to offer the full basket of financial Services and the end result would be the poor would not be able to reduce their vulnerabilities through better usage of financial products.
- iii. It is also commendable that MFIs are out of the Moneylender's Act and the AP Ordinance (Act) is to be rendered null. The first though is out of purview of RBI and would need a constitutional feedback.

b. Minimum networth of 15 cores

- i. There is no impact on large MFIs which would meet this criterion under normal cap ad Requirements, i.e. those with portfolio larger than Rs. 100 crores.
- ii. However for new / small / startups, this is a major financial impact. There is no ground to have 2crore networth requirements for say a leasing NBFC or truck financing NBFC where as having Rs.15 crores for a MFI NBFC. This is the single biggest disincentive for new players to enter the Industry and this is anti-customer as well.

c. Provisioning at 1% of loan outstanding or 50% of overdue installments > 90 days and 100% of 180 day overdue installments

- i. Financial impact high as provisioning norms steeper than normal NBFC requirements
- ii. Banks provisioning requirements towards delinquent microfinance exposure has been temporarily stepped down vide RBI circular RBI/2010-11/376 - DBOD.BP.BC.No. 74 /21.04.132/2010-11 but recommendations for higher provisioning by MFIs made.

d. MFI loans to enjoy PSL status for MFIs that meet prescribed norms

- i. Good news for both banks and MFIs as this is the primary source of debt for MFIs but this is probably a temporary measure as RBI itself would like to review PSL guidelines

e. Disclosures to be made in financial statements regarding securitization / assignment

- ii. No impact of this as this matches the current practice followed