

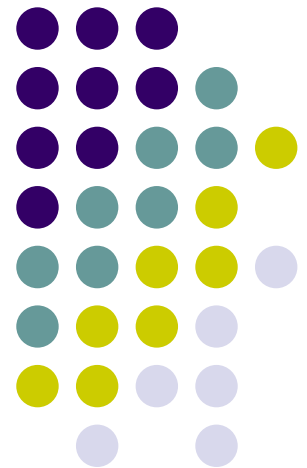
NABFINS

-Opportunities & Challenges for mF Industry
in India-



Vrutti Livelihoods Resource Centre

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About NABFINS.....

- It is NABARD Financial Services
- It is a micro Finance Institution to be owned by NABARD
- Aims to provide micro Finance Services to disadvantaged communities
- Legally it would be a Non Banking Financial Company
- Would be based at Bangalore; initially focus on Karnataka State
- *NABARD is one of the Apex Institution in India relating to micro Finance Industry*



Macro Trends in micro Finance.....

- Has grown to be an Industry
- SHG – Bank Linkage: One of the largest micro Finance Program in World
- Banks (both Private & Public) keen to provide micro Finance
- Majority Development Programs leveraging from SHGs/mF Programs
- Corporate Entities also started leveraging from mF Programs
- *mF Bill in Parliament – Need & Scope for Regulation being debated*



Trends in mFIs.....

Increase in

- Number of mFIs
- Outreach of mFIs – by number of clients
- Portfolio of mFIs
- No of mFIs becoming Financially Sustainable
- Access to Bulk Loans from Private & Public Sector Banks
- Different models of mFIs

But still some Issues are of Concern.....



Some Issues relating mFIs...

Key Issues:

- Lack of transparency in accounting disclosure
- High transaction costs
- Poor diversification of products
- High rates of interests on Loans

Overall Issues:

- Governance
- Regulation
- Efficiency of Operations

NABFINS aims at becoming a Role Model mFI addressing these Issues





Past Roles of NABARD relating mF...

- Facilitated SHG – Bank Linkage Program
- Supported training of Bankers, NGO Functionaries, SHG Functionaries
- Provided institutional support to some RRBs and DCCBs to take up SHG Bank Linkage
- Provided refinance to Banks to finance SHGs
- Also provided Revolving Fund & Bulk Loans to mFIs for on lending
- Facilitated regulatory support from RBI to mF Sector
- Coordinated/Supported Govt. at District, State and National level on micro Finance

At Apex Level, NABARD & MF Promotion in India looks synonymous

(Role of NGOs, mFIs & Stat Govt. have been critical at field level)



Additional Roles....

Present Roles:

- Facilitator
- Promoter
- Financer – Refinance (Whole Sale)

Additional Roles:

- Regulator (mF Bill)
- Financer – Retail Finance (through NABFINS)



In the Background....

- Decline in demand for Refinance – Availability of Low cost deposit
- Rural Banks promoted by Commercial Banks – merged as their State specific single subsidiary; Need for less support to RRBs
- mF Portfolio seen amongst the best performing portfolio of Banks – Increasingly, Banks are keen to invest their own money
- *Also need for promotion of micro Finance is fast declining*



Does this mean that...

NABARD's role in mF need to transform from being:

- A Promoter to Regulator
- A Refinancer to Financer



Debate Continues....

Questions unanswered...

- Can one promote mF movement & regulate it simultaneously?
- Is direct demonstration through NBAFINS to address issues relating mFI best option or best practices could be encouraged through market led incentive mechanisms?
- Is it necessary for an Apex Institution to enter into retail finance when market is expanding/maturing?

Larger Question still remains:

Do mFIs have a role, when SHG Bank Linkage Program has demonstrated results?

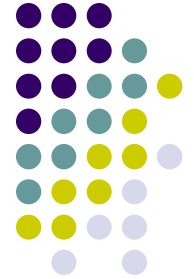


Still Difficult to Understand...

When macro trend is towards...

- Market led mechanisms
- Privatization
- Minimalist Regulation
- Public Institutions becoming more of Facilitators

**Why disturb the mF Industry (through Regulation & Retail Finance)
that is serving the Disadvantaged???**



micro Finance has grown from a Child to Adult in India.....

Let us allow it to grow further & contribute to the Society particularly for strengthening Livelihoods of Disadvantaged in India.....



Thank you

