Indian Micro Finance: Evolution of Regulatory Framework

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Abstract:
The imagination, with which microfinance was put into practice, has been turning into a reality in India. The unparalleled growth of microfinance institutions, to cover a vast majority of unbanked population in need of financial services, is just a step towards achieving the goals of development for building an equitable society. Microfinance initiatives have been accepted at different levels viz. the policy makers, the regulators and the implementers, as an effective way to address the financial needs of the poor. The various high-level government committees’ has acknowledged the crucial role of microfinance in alleviating poverty and need for an enabling regulation for microfinance sector. These committee’s being a network of community development financial institutions in India, has been endeavoring to develop better understanding among a diverse set of stakeholders on different legal and regulatory frameworks for the microfinance sector. The purpose of this research paper is to examine the existing legal framework under which the entire microfinance sector operates in India. The paper concludes, while societies and trusts provide an initial breakthrough to start microfinance operations; these structures are not appropriate for supporting the scaling-up of operations.

Keywords: - Indian Microfinance Sector, Regulatory Framework, Financial services, MFI, MFI Bil

1. Introduction
The imagination, with which microfinance was put into practice, has been turning into a reality in India. The unparalleled growth of microfinance institutions, to cover a vast majority of unbanked population in need of financial services, is just a step towards achieving the goals of development for building an equitable society. Microfinance initiatives have been accepted at different levels viz. the policy makers, the regulators and the implementers, as an effective way to address the financial needs of the poor. The various high-level government committees’ has acknowledged the crucial role of microfinance in alleviating poverty and need for an enabling regulation for microfinance sector. These committee’s being a network of community development financial institutions in India, has been endeavoring to develop better understanding among a diverse set of stakeholders on different legal and regulatory frameworks for the microfinance sector.

In the past two years, due to low repayment rates, microfinance institutions, with exposure to Andhra Pradesh, suffered significant losses. Banks stopped lending to microfinance institutions all over India, for fear that a similar situation would occur elsewhere, resulting in a liquidity crunch for microfinance institutions, which are largely dependent on bank lending as a funding source. With the sector at a standstill, microfinance institutions, microfinance clients, banks, investors, and local governments were calling for new regulation to address the prominent issues of the sector. The Reserve Bank of India (RBI) responded by appointing an RBI sub-committee known as the Malegam Committee.

This committee aimed to address the primary customer complaints that led to the crisis, including coercive collection practices, usurious interest rates, and selling practices that resulted in over-indebtedness. The existing regulations did not address these issues, thus, who should respond to these issues, and how they should respond, was uncertain. This prolonged the general regulatory uncertainty and the resulting repayment and institutional liquidity issues. The Malegam Committee released their recommended regulations in January 2011. These recommendations were ‘broadly accepted’ by RBI in
May 2011, though specific regulation was only released regarding which institutions qualify for priority sector lending at this time.

During the past decade of operation in the Indian microfinance sector, it has been learnt that a better understanding of these frameworks would lead to informed choices and building a consensus among all the partners in this change.

2. Literature Review

Financial inclusion is the delivery of financial services to all the people in a fair, transparent and equitable manner at affordable cost. Financial inclusion has the potential to improve the standards of life of the poor and the disadvantaged as financial services permit individuals and households to manage the risk and uncertainties to save on better terms, to invest in a business venture or property or cope with unforeseen expenses. The cause of poverty in developing economies among other things is that the poor does not have access to credit for the purpose of working capital as well as its investment for small business. (Jean-Luc C. 2006)

According to CGAP 2011 consensus guidelines, microfinance can be defined as “the provision of formal financial services to low-income people, as well as others systematically excluded from the financial system, including a range of products to fund social obligations as well as savings, money transfers and insurance.” Peck( 2011) MFIs are defined as “institutions whose major business is the provision of microfinance services.” According to Guha, Samapti Financial inclusion refers to the “policy goal of reaching all financially excluded households with a full range of responsibly delivered, affordably priced, reasonably convenient financial services.” Peck and Christian (2011)

Establishing a rational legal or regulatory framework to govern private microfinance activities is generally considered a better way to promote microfinance, and to increase the depth and breadth of financial services, than for governments to directly participate in market transactions. Ledgerwood, Joanna and White, Victoria (2006) With this in mind, and paired with the rapid growth of microfinance in the developing world, many countries have recently adopted specialized regulatory and supervisory frameworks for microfinance. CGAP defines regulation as the “binding rules governing the conduct of legal entities and individuals, whether they are adopted by a legislative body (laws) or an executive body (regulations)” and supervision as the “external oversight aimed at determining and enforcing compliance with regulation.” As microfinance has continued to grow, policymakers have realized that existing financial regulatory frameworks must be tailored and revised to account of the unique characteristics of microfinance activities.

Over the past centuries practical visionaries, from the Franciscan monks who founded the community-oriented pawnshops of the 15th century, to the founders of the European credit union movement in the 19th century (such as Friedrich Wilhelm Raiffeisen) and the founders of the microcredit movement in the 1970s (such as Muhammad Yunus) have tested practices and built institutions designed to bring the kinds of opportunities and risk-management tools that financial services can provide to the doorsteps of poor people.

Brigit Helms in her book 'Access for All: Building Inclusive Financial Systems', distinguishes between four general categories of microfinance providers, and argues for a pro-active strategy of engagement with all of them to help them achieve the goals of the microfinance movement. The growth of MFI’s have recorded about 8.5 million clients during the year 2008-09, a growth of 60% over the previous year. More than 50 percent of low income households are covered by some form of microfinance product.

3. Research Objective

The purpose of this research paper is to examine the existing legal framework under which the entire microfinance sector operates in India. It covers the whole array of laws, regulations and an assortment of requirements by the microfinance institutions for their operations.
The study covers the legal and regulatory aspects of Indian Microfinance Institutions in detail. It explains the structural evolution of microfinance institutions and also outlines their evolutionary and legal context in India.

4. Methodology

The research is an exploratory research. To understand key aspects of the research ‘Indian Micro Finance: Evolution of Regulatory Framework’, is done by reviewing the literature done in past and also studying the working papers which are currently been researched. This connects with the theoretical background of the research. For the analysis of the Regulatory framework, the study of M-Cril, NABARD and relevant publication on the development of related area in the country is been studied. Also Interviews with experts in the area of micro finance is conducted. These interviews are semi-structured. Semi-structured interviewing starts with more general questions and topics relevant to Micro finance especially related to the moral, ethical and governance implications of evolution of regulatory framework in India.

4.1 Structural Evolution of MFI in India

The exchange of money in the form of credit as well as cash between various participants in the economy is a practice that has been traced back some 5,000 years to the ancient civilizations of Greece and Mesopotamia. Ancient India was one of the early adopters of the monetary exchange system with evidence of its use over 3,000 years ago and the dating of the earliest Indian coins to shortly after the death of the Lord Buddha around 400 BC. India and South Asia developed their own monetary tradition, albeit subject to the influences of Iran and the Graeco-Roman world. The first references to credit occur in Vedic texts and followers of the Lord Mahavira, the Jains, initially took on the role of India’s bankers. Williams(1997)

4.1.1. Overview of the Indian Microfinance Sector

India provides probably the largest market for microfinance in the World. Microfinance in India started in the early 1980s with small efforts at forming informal self-help groups (SHG) to provide access to much-needed savings and credit services. Siriam, and Upadhyayula, (2009) Microfinance has generally been defined as an activity that is undertaken by the alternative sector, either by NGOs or SHGs, predominately with the poor and for explicit/implicit economic and social development related objectives. Recent developments in microfinance in India are critical to an analysis of the genesis of the 2011 MFI Bill, and its implications for MFIs and microfinance consumers.

4.1.2 Recent Developments in Indian Microfinance

The most significant recent developments in Indian microfinance include the rise of the private NBFC MFIs vis-à-vis SHGs, the increase in clients taking on multiple loans (loan concentration rates), and the concentration of MFI loans in particular states, especially Andhra Pradesh. In only four years, NBFCs have increased their customer penetration from approximately 10 million to over 26 million customers. Srinivasan( 2010) NBFCs now account for more than four-fifths of all MFI loans and are dominated by five large MFIs. CGAP( 2010) This dramatic increase in the importance of NBFCs is exemplified by the recent initial public offering (IPO) by SKS, India’s largest MFI. In stark contrast to the decentralized nature of the SHG model, 80% of microfinance loans in India are now concentrated in the top 16 MFIs. M-Cril (2011) .This exponential growth in microfinance has been experienced most dramatically by the Southern states of Andhra Pradesh, Tamil Nadu and Karnataka. For example, the residents of Andhra Pradesh make up approximately 20 percent of all outstanding loans in India. Shankar, Savita and Asher, Mukul( 2009) Loan concentration is also a significant problem in Andhra Pradesh- with an average of 9.63 microfinance loan accounts for every household.

4.1.3 Microfinance as a Priority Sector

Commercial banks in India are required to make a percentage of loans to priority sectors. Priority loans must account for 40% and 32% of net bank credit in the case of domestic and foreign banks, respectively. Peck, Christen; Lauer, Kate; Lyman, Timothy and Rosenberg (2011) In 2011, the RBI
officially delineated important guidelines for MFIs to qualify for priority sector status, that complement the 2011 Bill. These requirements are among the most restrictive regulatory requirements MFIs must now fulfil. First, the loan must not exceed Rs 60,000 to rural borrowers and Rs1, 20,000 to non-rural borrowers. Second, total indebtedness of a borrower must not exceed Rs50, 000. Third, the RBI established a margin cap of 12% for all MFIs. Fourth, the interest cap for priority sector loans is capped at 26% per annum. It is important to note the benefits and costs of priority sector designation: On the one hand, the designation provides a steady flow of capital from the commercial banking sector to MFIs, in accordance with the RBI’s financial inclusion objectives. On the other hand, it ties these loans to prudential restrictions and places the RBI firmly in control of important performance indicators in the microfinance sector.

Over the past 20 years, the Indian financial system has made significant progress in terms of resource mobilization, geographical and functional reach and financial viability. Exhibit 1.1 provides a summary presentation of the financial system in India (with particular reference to microfinance).

At end- March 2012, the banking sector was comprised of 86 scheduled commercial banks with a consolidated asset base of Rs73 lakh crore (US$1.43 trillion). In addition, there were 82 Regional Rural Banks (RRBs) consolidated from the 196 that originally existed before the amalgamation process started in 2006. In 1996, the RBI mandated the establishment of Local Area Banks – essentially RRBs under private ownership – but only six were ever licensed and just four are functioning today. In addition, there were 12,375 Non-Bank Finance Companies in India in May 2012, out of which just 271 were permitted to accept/hold public deposits.

There is also a network of cooperative banks, with 31 state cooperative banks (SCBs) and 371 district central cooperative banks (DCCBs). The main aim of the rural cooperative banks is to provide crop and other working capital loans, primarily for short term purposes to farmers and rural artisans. The cooperative banks do this either directly or by financing those of the 93,400 primary agricultural cooperatives functioning in their operational areas. In urban areas, the financial services of the banks and NBFCs are supplemented by the operations of over 1,645 urban cooperative banks.
In recent years, the Reserve Bank of India has attempted to promote financial inclusion by introducing the device of business correspondents, individuals or business outlets in diverse locations, providing basic banking services to small account holders. By end-March 2012, the number of business correspondents in India grew to nearly 96,000. These were in addition to the 83,000 branches of scheduled commercial banks and over 14,000 branches of RRBs as well as 93,000 rural PACs and around 2,000 branches of UCBs.

Yet, according to the Human Development Report, 2011 of the UNDP, 41.6% of India’s population, or around 500 million people, live on less than the poverty benchmark of $1.25 a day (at PPP). The proportion of population below the $2 a day benchmark is 75.6% or (nearly 900 million people). In this context, while the importance of financial inclusion for facilitating peoples’ lives is apparent, the level of inclusion achieved is not great. While accurate information on financial inclusion is not available, at least 65% of the adult population is said to be unbanked (or lacking an account with a formal financial institution).

With 747 deposit accounts with commercial banks per 1,000 population and another 69 with cooperatives in India, amounting to little more than 1.5 accounts per adult (a large proportion in multiple holdings), India is well behind the 3.2 accounts per adult average of the developed world. It is not surprising, therefore, that over the past few years the Indian microfinance industry, both the bank- financed self help group programme and the microfinance sector served by NBFCs and NGO MFIs engaged in providing micro-credit services, grew very substantially with a peak of some 75 million credit accounts by March 2011. As a result, India was said, by 2010, to be the world’s largest microfinance market having surpassed Bangladesh’s total of around 30 million accounts around 2006.
4.1.4. Legal Forms of Microfinance in India

Since microfinance was taken up mainly as a development initiative rather than as a commercial activity, the voluntary development agencies (or NGOs) who were registered either as societies, trusts or Section 25 companies, did not think of looking at alternative institutional forms for providing these services – though some cooperatives and one cooperative bank were also engaged specifically in microfinance. As the scale of operations of microfinance activities started growing and, along with that, the desirability of undertaking such activity on a for-profit basis started coming into focus, the larger institutions started to feel the need for a transformation in their legal structure. As a result, MFIs in India can now be found in the form of NBFCs as well.

4.2 Legal and Regulatory Aspects of MFI in India

It is accepted that the regulation and supervision of financial institutions should attempt to minimize risks to the financial stability of the institutions that participate in the sector, and the financial system as a whole, in a cost effective manner. Peck(2011) Regulation of microfinance is increasingly viewed as a tool to increase access to financial services for the unbanked and poor by providing incentives to microfinance institutions (MFIs) to lend while protecting borrowers from predatory lending practices. Theses dual objectives, however, may not be mutually reinforcing. For MFIs, the poor represent a large market of borrowers who also pose considerable risk. Therefore, there is an incentive to provide more and more loans with higher interest rates to serve the market and manage risk. This can quickly create a situation of borrower over indebtedness and a high risk of borrower default. To combat these dangers, an effective regulatory regime must provide stability and predictability both for consumers and for MFIs.

4.2.1 Defining Microfinance in India: Legal Forms

The majority of microfinance is provided by commercial banks, regional rural banks (RRBs), self-help groups (SHGs) (with special linkage programs to banks), cooperative societies, and microfinance institutions that take a variety of forms, including NGOs (registered associates, trusts or Section 25 companies) and non-bank financial companies (NBFCs). Please see Appendix One for a table outlining the various legal forms.

4.2.2 Regulatory Framework

The theoretical rationale for microfinance regulation, and for financial regulation in general, is predicated on the notion of social costs, as developed by R.H Coase. Coase clearly delineates how actors, both economic and social, are endowed with differentiated sets of rights and capacities to produce social costs. These variable levels of rights create a situation of power asymmetry among actors in any socioeconomic environment. The cost of exercising a right (of using a factor of production) is always the loss which is suffered elsewhere in consequence of the exercise of that right. Coase (1960) When constructing a new social arrangement, akin to the reorganization of the microfinance sector through the 2011 MFI bill, we have to bear in mind that a change in the existing system which will lead to an improvement in some respects may well lead to a worsening of others. This framework of costs and benefits, created through a set of rules or regulation, to borrowers and lenders should be kept in mind when considering the regulation of microfinance in India.
4.2.3 Synopsis of Costs and Benefits of Microfinance Regulation:
While there is general consensus on the need for a constructive regulatory environment for microfinance, there is less consensus with respect to how to create such an environment. There are generally two approaches advocated in the literature. The first focuses on the benefits of microfinance regulations and argues for a tiered-approach with a concentration on enabling MFIs to be transformed into deposit taking institutions. The second strand of the literature focuses on the costs of regulation and warns of the difficulties of regulating the broad and diverse range of institutions involved in providing microfinance services. During the past 10 years, best practice guidelines have been developed to provide recommendations for country regulators on how to construct a favourable regulatory framework for MFIs. By and large, these best practice guidelines advocate for a risk based rather than ratio based approach to MFI regulation. Rather than primarily focusing on financial statement analysis (ratio based), regulators have been urged to create a dynamic regulatory framework that provides principles of internal governance and management, external supervision and sanctions when appropriate. It has been advocated that the regulatory regime should identify thresholds of financial intermediation activities so MFIs can progressively evolve into formal (deposit taking) financial institutions. Greuning, Hennie; Gallardo, Joselito, and Randhawa( 1998). Within the other, more cautionary literature, there is a focus on seriously considering the challenges facing a given country’s supervisory agency, and the realistic obstacles to meeting those challenges when examining proposals for regulating microfinance. Christien, Peck, Rosenberg and Richard( 2000) Regulation and supervision entail significant costs, and it has been suggested that the regulatory agencies should view themselves more as enabling bodies than as managers of the entire MFI sector.

4.2.4 Regulatory Actors
There are a wide variety of classifications, legal forms and overlapping structures involved in providing microfinance services in India. This proliferation of organizational entities and related regulatory requirements makes analysis difficult and the identification of the appropriate regulator unclear. Of the two main models of microfinance in the country, the SHGs are linked to commercial banks regulated by the RBI. SHGs themselves are regulated by NABARD. CGAP( 2011). In the MFI model, while NBFCs are regulated by the RBI, societies, trusts, not-for profit companies (section 25) and cooperatives are technically regulated by state governments and the Registrar of Cooperative Societies (RCS). This complexity is one of the reasons the 2011 MFI Bill establishes the RBI as the sole regulator for all MFI services.
The Banking Regulation (BR) Act, 1949 provides the legal framework for formal banking in India. With the objective of integrating NBFCs with the financial mainstream, the RBI brought NBFCs under its regulatory arm by way of an amendment to the RBI Act, 1934 in 1996. This paved the way for mandatory registration of companies undertaking financial services with the RBI, compulsory credit rating of deposit taking NBFCs and the requirement that NBFCs comply with prudential norms. However, SHGs continued to be registered under NABARD, creating competition between SHGs and NBFCs for clients, and competition between NABARD and the RBI with respect to the complex task of supervision and regulation. The RBI has also issued a variety of acts related to consumer protection that form an important backdrop to the 2011 MFI Bill. See Appendix Two

4.2.4.1 The 2011 MFI Bill
The 2010-2011 Maelgem Committee was formed by the RBI in order to “study issues and concerns in the microfinance sector and delineate the objectives and scope of regulation of NBFCs undertaking microfinance by the RBI and the regulatory framework needed to achieve these objectives.” It was formed to provide a national level response to the situation in Andhra Pradesh. Many of the Committee’s recommendations have found their way into the 2011 Bill. In July 2011, six months after the Maelgem Recommendations were issued; the RBI released a draft microfinance regulation Bill for comment.
Salient elements of the Bill are as follows:
• The Bill would legitimize private microfinance and microfinance institutions by defining both of those terms broadly, and the Bill delegates’ primary regulatory authority to the RBI.
• The Bill asserts precedence of national over state laws, providing the RBI with sole regulatory authority over microfinance activities in India and provides that any MFI registered with the RBI will not be subject to State legislation related to money-lending and usurious loans.
• The Bill provides that MFIs can accept deposits—as well as remittances and insurance with respect to microfinance activities.

The 2011 MFI Bill has been widely heralded as addressing most of the needs for microfinance reform. N. Srinivasan, writing for CGAP, called the Bill “comprehensive and well rounded.” David Roodman, writing for the Center for Global Development (CGD), remarked that “for an industry still reeling from the blow of last October (2010) AP ordinance, the draft looks like very good news.” M-Cril stated that the bill “represents a major step forward in the government’s engagement with the microfinance sector.”

The draft 2011 MFIB provides a sound starting point for comprehensive regulation of microfinance activities in India. The Bill seeks to strike a balance between promoting microfinance activities while enhancing consumer protection of microfinance customers. In this sense it provides a starting point for a balance of social costs and benefits to MFIs and consumers. The Bill makes strides in eliminating regulatory confusion by defining a clear registration process, establishing the RBI as the sole regulator of microfinance institutions and activities and eliminating the threat of duplicative and inconsistent regulatory requirements that could arise from state legislation. It remains to be seen, however, whether the more detailed regulations and requirements to be issued by the RBI will follow through on the Bill’s initial promise. Education of consumers with respect to financial literacy, enforcement of the Bill’s provisions with respect to lending practices, insisting on adequate capital levels and, perhaps most significantly, the development of effective and credible complaint resolution mechanisms are aspects of the legislation that are yet to be “fleshed out”. Effective implementation of these parts of the legislation are key to its ultimate success, and are necessary if the regulations are to meet the standards established for microfinance regulation by international best practices frameworks. Finally, as with any regulatory framework, adequate funding must be made available to ensure that knowledgeable regulators are put in place to implement the legislation and enforce its provisions. In the end, the issue will be whether the political and regulatory leaders in India believe that microfinance, and its financial inclusion benefits, are a high enough priority to justify the funds and commitment necessary to make the promise of the Bill a reality. Further research will be needed to judge how the Draft 2011 Bill is implemented on the ground and how the different actors interpret and act on the provisions set forth in the 2011 MFI Bill.

4.2.4.2 The Micro Finance Institutions (Development and Regulation) Bill, 2012

It is generally thought that the bill has the following positive features:
1. It specifies that the central bank, Reserve Bank of India, will be the regulator of MFIs.
2. It provides for MFIs regulated by RBI to accept thrift from their borrowers – thus, no public deposits but the provision of a savings service to borrowers.
3. It clearly removes microfinance from the ambit of state-level money lending laws greatly reducing the risk of interference by state governments in the provision of financial services to low income families.
## Summary of the revised Regulatory Framework

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<tr>
<th>Norms/conditions</th>
<th>Revised after circular of 3 August 2012</th>
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<tr>
<td>Registration as NBFC-MFI:</td>
<td>Fresh applications to be submitted by 31 October 2012 [earlier this was 31 March 2012] in a revised format*</td>
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<td>Minimum capital (“net owned funds”) requirement</td>
<td>Amount (Rs crore) (US$ million) By date</td>
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<td>NBFC-MFIs in the Northeastern states</td>
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<td>New companies must have the higher level of capital immediately</td>
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<td>Qualifying assets:</td>
<td>All NBFC-MFIs are required to maintain at least 85% of assets that qualify as microfinance. <strong>Assets originated after 1 January 2012 must meet all qualifying assets criteria:</strong> any assets originated before that will be deemed to be qualifying assets but must be allowed to run off and will not be accepted as qualifying, if renewed.</td>
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<tr>
<td></td>
<td>The qualifying asset criteria continue to be</td>
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<td></td>
<td><strong>1) Annual household income levels</strong> of borrowers: Rural, Rs60,000; urban/semi-urban: Rs1,20,000</td>
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<td><strong>2) Total indebtedness</strong> of borrowers: Rs35,000 for the first cycle; Rs50,000 from the second cycle; for this purpose, MFIs must be members of at least one credit information company/credit bureau + undertake checks in the community by MFI staff</td>
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<td><strong>3) Loan tenure</strong>, 12 months for amounts &lt; Rs15,000 and 24 months for loans greater than that amount</td>
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<td><strong>4) Repayment frequency</strong> to be decided in discussion with the borrower – monthly, fortnightly, weekly</td>
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<td><strong>5) Collateral</strong> – none for microfinance loans</td>
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<td><strong>6) Lending for income generation activities &amp; restriction on multiple lending</strong> (see next 2 points)</td>
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<td>Lending for income generation activities</td>
<td><strong>Reduced to 70%</strong> (from the earlier 75%); the remaining 30% can be used to lend for education, health, housing &amp; emergencies</td>
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<tr>
<td>Multiple lending</td>
<td><strong>Only two MFIs can lend to a single borrower</strong> whether as a member of SHG, joint liability group or as an individual. Every NBFC-MFI must be a member of at least one credit information company/credit bureau</td>
</tr>
<tr>
<td>Pricing cap/margin cap</td>
<td><strong>Pricing cap removed</strong> but the margin cap has been retained at 10% for large NBFC MFIs (assets &gt; Rs100 crore/$20 million) and 12% for smaller institutions. Therefore, <strong>interest rate cap</strong> = average borrowing cost during the financial year (April-March) + margin cap. Yield = borrowing cost + margin cap + 1% processing fee</td>
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5. Conclusion & Recommendation

Based on literature review and exploratory qualitative research this paper clearly underlines the regulatory limitations of the legal framework for the microfinance sector in India. Though many innovative initiatives have been undertaken by Indian MFIs over the past five to seven years, their efficacy has been limited and their operations hamstrung by the absence of a supportive regulatory environment.

MFIs would like to provide financial services to low-income clients with the objectives of providing financial services to large numbers of low-income clients, and ensuring long-term sustainability, while operating within the boundaries of the legal framework. As the discussion suggests, the problems of these MFIs are manifold. While societies and trusts provide an initial breakthrough to start microfinance operations; these structures are not appropriate for supporting the scaling-up of operations. The Microfinance Institutions (Development and Regulation) Bill, 2012 puts the Reserve Bank of India firmly in control of the sector. First, it defines microfinance much more widely than micro-credit; it includes savings, insurance and money transfers. Secondly, it firmly places RBI as the regulator. Thirdly, it has taken into account the concerns about consumer grievances and consumer
protection issues. It is a good balance between ensuring the sustainability of the providers and protecting the consumers.

6. Limitations
The whole research is conducted based on the views and reviews of the microfinance practitioners and microfinance researchers. Hence scope for further research is to understand the sentiments and preferences of clients of microfinance.

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