

Press Release

For Immediate Publication

MICROFINANCE INSTITUTIONS NETWORK (MFIN) TO ENSURE RESPONSIBLE LENDING

- *Members adopt self-regulatory Code of Conduct*
- *Invest Rs. 2 Crore in a credit bureau*
- *Commit to register the first 100 million people under Government of India's UIDAI programme*

Mumbai, March 9th, 2010: In a proactive move that will go a long way in enhancing responsible lending and institutionalising the process of credit information sharing, 35 NBFC - Microfinance Institutions (NBFC-MFIs), including all the top 10, have come together to set up Microfinance Institutions Network (MFIN), a self-regulatory organization of NBFC MFIs that aims to work with regulators to promote microfinance to achieve larger financial inclusion goals.

MFIN members have invested in Alpha Micro Finance Consultants P Ltd (Alpha), which in turn has invested Rs. 2 Crore in setting up a credit bureau which will help improve credit risk management within the sector and ensure multiple borrowing and over indebtedness is checked. Often MFIs have to extend credit to customers with inadequate information on their history of indebtedness. Working with CIBIL and High Mark and enabling all members of MFIN to contribute data to these CBs would allow MFIN members to have a good idea of overall indebtedness of clients and ensure they have repayment capability before extending credit to them.

MFIN has also defined a Code of Conduct which focuses on fair practices with borrowers including promoting transparency, fixing overall lending limits at client level, data sharing, recruitment practices, whistle blowing and enforcement mechanisms. Members have committed to communicate interest rates on reducing balance method and other charges clearly to members while following fair recovery mechanisms. A whistle blower policy allows violation of Code by any member to be reported to the Enforcement Committee which would investigate and take action against the erring MFI. An Ombudsman is also being appointed for any appeal against the Enforcement Committee decisions and the final action in case of continued violation of the code would be cessation of membership of MFIN for such erring member

Alpha would seek to be appointed as one of the Registrars by the Unique Identification Authority of India (UIDAI) and the members would help complete 100 million registrations under the Government of India programme through identification of its clients and their family members.

Speaking on the occasion, Vijay Mahajan, President, MFIN and Chairman of Basix said "MFIN is the response of NBFC MFIs in the country to concerns of over borrowing by clients and unregulated credit practices in microfinance sector. This level of unity and commitment to client protection is unique and has not been seen in any other sector in India. MFIN members now collectively represent almost 80% of the entire microfinance sector in the country. We are confident that a co-ordinated and united approach from the members of MFIN would enable us to support the Government's initiative of taking forward on a significant manner the process of financial inclusion to the masses in a transparent and sustainable basis."

MFIN is supported by Omidyar Network, a philanthropic investment firm, and the International Finance Corporation (IFC), a member of the World Bank Group. Omidyar Network is funding the project to support MFIN in its above efforts. IFC is providing advisory services and technical consultancy to Alpha in its effort to get the credit bureau services being made available to the MFI sector.

The Board of MFIN consists of Vijay Mahajan (Chairman, Basix) as Chairman, along with Suresh Gurumani (CEO, SKS Microfinance), Chandrasekar Ghosh (CEO, Bandhan), Rekam Jayasurya (CEO, Asmitha), Shubhankar Sen Gupta (CEO, Arohan) , Ajay Verma (MD & CEO , Sahayata Microfinance), H P Singh (CMD, Satin Creditcare Network), Samit Ghosh (CEO, Ujjivan) and P.N.Vasudevan (MD, Equitas Microfinance) as Directors.

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