



REGULATION OF MICRO FINANCE INSTITUTIONS

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ACTIVITIES OF MFIs

- Collection of thrift / small savings
- Grant of Loans
- Remittance of Funds



REGULATORY CHALLENGES

COLLECTION OF SAVINGS / THRIFT

- Who can be permitted?
Corporates, Charitable and Religions Organizations,
Trusts, Societies, Other Association of Persons
- Cap on the amount that can be collected
- Minimum Capital
- Responsible Management
- Cash reserves and Minimum investment in Government Securities
- Constant vigil to ensure that depositors money is safe.



LENDING ACTIVITY

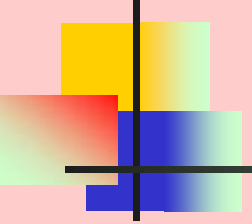
- Lending after assessment of capacity to repay and ensuring that there is no excess borrowing
- Regulation of interest rates
- Recovery practices

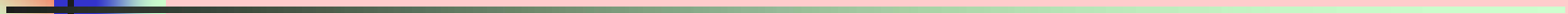
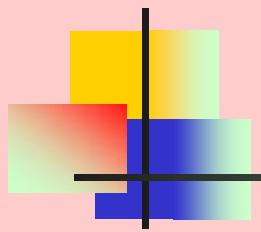


OTHER CHALLENGES

- Commercialization on account of good returns
- Shift of focus to help poor and promote financial inclusion to investor protection
- Number of MFIs is very large and hence regulating them is a challenge
- Compliance with KYC norms under money laundering legislations

SOME SUGGESTIONS

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- SHG Linkage programme
 - MFIs as business correspondents of Banks
 - New Regulator for MFI Sector



THANK YOU