

Loan repayments improve at MFIs

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Kolkata, November 20:

The micro-finance industry seems to be on a path towards recovery with loan repayments (from customers) improving and disbursements resuming over the last few days.

Repayments/loan recoveries for MFIs had come to a near standstill since old ₹ 500 and ₹ 1,000 ceased to be legal tender.

Almost 11 days since that announcement, some major names like Ujjivan and Arohan claim that re-payment have improved on a comparative basis (since the days demonetisation was announced). Disbursements too have begun from their end.

However, on the other side, there's Village Financial Services (VFS) which still claim repayments to be an issue.

Bandhan, on its part, may not face issues of repayment but it has still not resumed disbursements. The company will review the decision to resume disbursements after November 19.

"Collections have started picking up a little and is varying the range of 10-35 per cent depending on the size of the micro finance institution," Ratna Viswanathan, CEO, Micro Finance Institutions Network (MFIN) — the self regulatory body of MFIs — told *BusinessLine*. This means that on an industry level, for every ₹ 100 that MFIs were supposed to get back, they are recovering between ₹ 10 and ₹ 35.

If sources are to be believed, then original expectations in terms of recovery for the sector were far bleaker.

Collections resume

As Manoj Nambiar, Managing Director, Arohan Financial Services, points out, there's been an improvement in collections over the last two/three days. Against every ₹ 100 due, Arohan is able to collect around ₹ 40-60. This number had previously fallen to ₹ 30.

"There is slow recovery now. This comes after the first week of demonetisation, when repayments had fallen or stopped," he maintained.

Nambiar adds that if all MFIs were allowed to accept old ₹ 500 and ₹ 1,000 notes from customers, then repayments wouldn't have been impacted. Arohan — which has an outstanding loan book of ₹ 1,000 crore — has also begun cash disbursements.

Ujjivan Financial Services' Managing Director Samit Ghosh talks of a similar recovery. He too claims that repayments have started coming-in and at improved levels over the time demonetisation announced. Disbursements too have begun. The company's outstanding loan book is around ₹ 6,000 crore.

Kartick Biswas, Managing Director of Utrayan Financial Services, also talks of there being a regularisation in repayment cycles over the last few days.

"Collections were stopped for two to three days since November 9. Collections improved last week (November 14 onwards)," he said.

Rural scenario

However, MFIs which work predominantly in rural belts are not that happy. Repayment cycles there are still slow compared to elsewhere banks and ATMs have comparatively more cash.

Ratna Vishwanathan, the CEO of MFIN too agrees that repayment cycles in urban areas seem to be better; when compared to predominantly rural ones.

In fact, **Kuldip Maity, MD, VFS, said the issues with repayment persist at his end.**

"Since cash flow in the hinterlands are still an issue we see problems with repayments. They have slowed down substantially for us," he maintained.

"May be recoveries are better in areas where cash (at banks and ATMs) is being replenished fast," Maity added.

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(This article was published in the Business Line print edition dated November 21, 2016)

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