

# How digital disbursal boosts rural loans of microfinance institutions

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Steady growth In India, the willingness of rural customers to accept the digital mode has been 'very high'. - ISTOCK

## HYDERABAD, SEPTEMBER 12

G Naga Sridhar

Micro loan disbursal in rural areas is undergoing a digital transformation with Microfinance Institutions (MFIs) preferring the cashless mode. Bharat Financial Inclusion (BFIL) recorded 90 per cent cashless disbursal levels after the launch of a digital initiative, which went up further to more than 98 per cent at the end of the first quarter of the current fiscal.

“Apart from bringing in operational efficiencies for the company, it will result in great customer convenience while creating a platform for customer analytics and study of consumer behaviour,” a spokesperson for BFIL told *BusinessLine*.

It handles this through a network of service points in rural areas which enable cashless transactions, and also offer various services such as utility payments, e-ticketing and top-up of mobile phone credit. A pilot of this model is being undertaken, which will be scaled up across India. According to Microfinance Institutions Network, a body of NBFC-MFIs, the loan amount disbursed through the cashless mode was 87 per cent in the first quarter of FY19. The total amount disbursed was ₹11,404 crore in over 42-lakh loan accounts.

Of the 42 members of MFIN, 28 witnessed more than 90 per cent of cashless disbursements, while 25 reported 100 per cent cashless disbursements.

The increase has been steep as cashless disbursal was 55 per cent in the second quarter of FY18 and 73 per cent in the fourth quarter of last fiscal.

The aggregate gross loan portfolio (GLP) of MFIs is ₹51,878 crore as on June 30, 2018, representing a year-on-year growth of 53 per cent.

According to BR Diwakar, Chief Financial Officer, CreditAccess Grameen, most of the lenders disburse 70 to 80 per cent of their loans online to the savings bank accounts of the customers at an individual level. “The willingness of rural customers to accept the digital mode has been ‘very high’. For CreditAccess Grameen, 45 per cent of the current disbursement goes directly into the borrowers’ accounts as we go by specific customer requirements,” he said.

Demonetisation and awareness created by Jan Dhan Yojana on financial inclusion/bank accounts have boosted digitisation, say experts.

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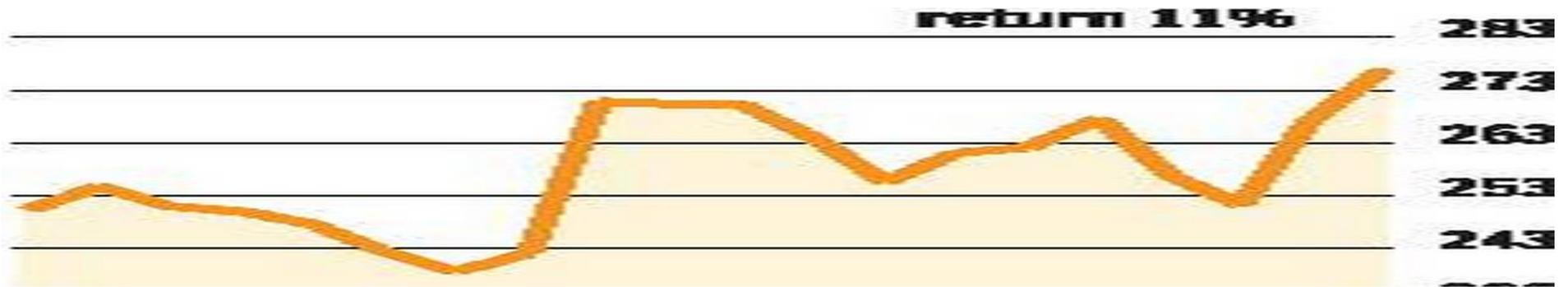
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