Current Status of Microfinance Credit Reporting in India

South Asia Workshop on Credit Reporting
14th December, 2011
Introduction to MFIN

MISSION:

Help provide inclusive financial services to 100 million low income households by the year 2020, in a responsible and transparent manner.

About MFIN:

• Established in December 2009 as the Self-regulatory organization (SRO) for the Indian Microfinance industry.
• SRO function blended with developmental goals.
• Current membership - 47 leading NBFC-MFIs.
• The combined business of member MFIs constitutes over 85% of Indian microfinance sector.
OBJECTIVES

Development of robust, socially oriented Microfinance industry, by promoting:

• Responsible lending,
• Client protection,
• Good governance, and
• A supportive regulatory environment

Thrust of MFIN’s activities in 3 key areas, namely:

• Self-regulation
• Policy advocacy
• Sector-wide Developmental initiatives
Credit Bureau for Microfinance Sector – Strategic Approach

- Multiple Bureau approach: Engagement with CIBIL, Equifax, Experian, and High Mark to encourage extension of Credit Bureau services to MFIs & development of dedicated solutions for the sector
  - Adequate customization for Microfinance client data
  - Competitive pricing for MFIs
  - Innovative products and services

- **Alpha Micro Finance Consultants Pvt Ltd (Alpha)** - SPV established by MFIN to fast track establishment of Credit Bureau infrastructure for Microfinance Industry
  - Alpha invested equity in a dedicated Credit Bureau for Microfinance clients - to be established by High Mark

- **Qadit** – Third party facilitator/data aggregator for liaising with Credit Bureaus for data collection

- Currently 2 active Credit Bureaus for Microfinance clients – **High Mark** and **Equifax**
Credit Bureau for the Microfinance Sector – Landmarks

- December 2010 – High Mark launches test product in Tumkur, Karnataka with 3 MFIs (Ujjivan, Grameen Koota, SKS)
  - Test limited to looking for overlaps (multiple borrowing) among loans eligible for renewal
- Feb – March 2011 – Bureau Accelerator Workshops launched for MFIN members (Hyderabad, Chennai, Bangalore, Mumbai, Delhi, Kolkata)
  - On-going challenges in data quality and potential solutions to create top-notch bureau infrastructure
  - Evaluate early results from product tests with High Mark’s early pilot participants (Phase I MFIs)
  - Roadmap for products and bureau launch
  - Experiences and perspective of pilot participant MFIs
- May 2011 – Equifax completes development of a system which can handle MFI data and queries.
Multi-Bureau approach

Standardization of processes for efficient sharing of data

- Standardization of customer data points
  - Borrower Name
  - Key Person Name and Relationship (e.g. Spouse’s name)
  - Father’s Name
  - Borrower Address – village, town, district, state, pin code - all mentioned separately
  - Borrower Age as on Date OR Date of Birth

- Standardization of reporting format
Credit Bureau for the Microfinance Sector – Progress

![Bar chart showing membership and data sharing progress]

- **Membership (# MFIs)**
- **# MFIs sharing data**
- **# MFIs testing product**

Days:
- Jan-11
- Feb-11
- Mar-11
- Apr-11
- May-11
- Jun-11
- Jul-11
- Aug-11
- Sep-11
- Oct-11
- Nov-11

Values:
- Y-axis: 0 to 45
Credit Bureau for the Microfinance Sector – Progress
CHALLENGES

• Capacity and technological challenges vis-à-vis participation of smaller MFIs
• Data quality
• Report quality
• Linkage of client data among different Bureaus
• Non-availability of SHG data
NEXT STEPS

Efforts ongoing to have all MFIN members start using Bureau reports.

• All MFIN member institutions to mandatorily join both High Mark and Equifax

• All members to prepare and submit a detailed plan for:
  • Data sharing with Credit Bureaus,
  • Using data reports from Bureaus for credit decisioning.

• Going forward – encourage other mainstream Credit Bureaus to enter the Microfinance space
  • Comprehensive database of Banking as well as Microfinance clients for potential overlap in credit activity.
Thank You!