



EUROPEAN  
MICROFINANCE WEEK 2014  
DEVELOPING BETTER MARKETS

**MICROFINANCE INSTITUTIONS NETWORK OF INDIA (MFIN)**

**INDUSTRY BODY  
SELF REGULATORY ORGANISATION**



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GENERAL  
BODY



## STRUCTURE OF SRO





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# RBI Mandates for SRO



Industry  
Surveillance



Grievance  
Redressal



Dispute  
Resolution



Data &  
Analytics



Training &  
Knowledge  
Dissemination





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## Responsible Business Index Self Assessment Tool to Effect Compliance

### Responsible Business Index (RBIndex)

In addition to it being an exercise by Industry to collectively assess their Responsible Business principles and practices, Responsible Business Index is created as a tool to help individual MFIs to systematically measure, manage and integrate Responsible Business Practice in following ways:

- **Gap analysis**, helping MFIs identify both the strengths in their management and the gaps where future progress can be made
- **Benchmarking**, performance against sector peers and leading practice from across the RBIndex
- **Tracking progress**, reinforcing good practice and driving continuous improvement

RBIndex , comprehensively covers RBI Fair Practice Code and Industry CoC under four broad areas namely,

- Disclosures to Customers,
- Customer Engagement,
- Institutional Processes and
- Transparency

These are further divided in 83 sub – parameters to form the maximum total score of 100.

As of now, MFIN does limited validation of some key parameters like, disclosure in loan cards, disclosure in loan agreement, disclosure of client grievance Redressal and disclosure on website.

In order to further strengthen the surveillance, MFIN is in the process of empanelling assessors to do a comprehensive validation of the index.



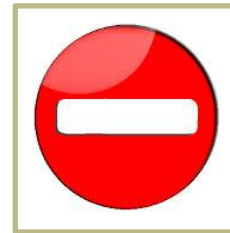
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# SRO – Advantages & Disadvantages



Possible  
Advantages

- Driven by those being regulated
- Embeds responsibility for compliance
- Flexible
- Low cost



Possible  
Disadvantages

- Conflicts of interest
- Lack of confidence in the process
- Weak sanctions
- Lack of transparency
- Creative interpretation of the rules

## RISKS OF FAST GROWING ENTITIES AMONGST MEMBERS

- Uncontrolled growth
- Market heating
- Over indebtedness
- Unsustainable growth bubble
- Political implications



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## The Price of Failure

- **Failure of RBI's "Leap of Faith" = RBI's "Loss of Faith"**
- **Failure = more stringent, less industry friendly regulations**
- **Failure = Reputational damage & fall in franchise value of MF Industry**
- **Collateral Damage - Failure of "SRO" model of regulation; negative impact on entire BFSI sector**

