Extant Regulation of Microfinance sector – a discussion paper

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Regulation of MFIs – a discussion paper

Microfinance regulation in India had been vociferously demanded by the sector, hesitantly introduced by RBI in the aftermath of AP crisis and eagerly accepted by the MFIs. The Powers available under Chapter III B the RBI Act to regulate non-banking companies was made use of to regulate the MFIs in company form. The Department of Non-Banking Supervision deals with regulation of NBFCs of different kinds such as Core Investment Companies, Loan Companies, Asset Finance Companies, MFIs and the Deposit Taking Companies. While the powers to regulate NBFCs were available to RBI right from 1964, the regulation was more prudential in character and did not look in to operational and customer aspects of NBFCs' functioning. The political nuances of financial institutions dealing with numerous small customers eventually compelled RBI to adopt a granular approach to regulation of microfinance activities by establishing a separate category of NBFC – MFIs and issue specific regulatory guidelines. But these regulations do not apply directly to MFIs that are not in company form such as cooperatives, trusts, societies, associations and microfinance projects involving SHGs and JLGs. But these MFIs in other forms are subject to indirect regulation in case they access loans from banks for on-lending. Banks have been asked to ensure that the MFIs availing loan facilities from them comply with most of the regulatory guidelines relating to customer protection and market conduct, if these loans are to be reckoned for priority sector lending. *In substance the regulation of microfinance by RBI is more form based than function based.* In case of banking RBI has a clear function based regulation in force and banks regardless of form – such as cooperatives, companies, and chartered institutions created by an act of Parliament – are subject to RBI regulation.

The new regulatory framework for NBFC MFIs is based on the recommendations of the Malegam Committee. The provocation for issuance of new guidelines and introducing a rigorous regulatory framework for MFIs was the attempt by the Government of Andhra Pradesh to regulate Micro Finance Institutions which clearly overlap with the jurisdiction of the Reserve Bank of India over financial sector institutions. In the aftermath of the crisis in the micro finance sector brought about by one State's regulation, which virtually put a stop to all micro finance activity in the State, the RBI appointed a committee under the chairmanship of V H Malegam, a member of the RBI Board to suggest suitable measures for strengthening the regulatory framework of micro finance. Based on recommendations the RBI created a new class of institutions viz. NBFC-MFI and announced a separate set of regulations governing them. The major aspects covered in regulation of micro finance were (a) conditions for registration, (b) definition of micro finance through a loan size, (c) definition of micro finance clients through an income ceiling norm, (d) definition of qualifying assets through a loan ceiling norm, (e) introduction of restriction on multiple loans, (f) insistence on adoption of fair practices as also code of good conduct in the field, (g) stipulations as to purposes for which loans can be given and (h) restriction on lending by MFIs to purposes other than micro finance. The guidelines were comprehensive in their scope and range and included ceilings on rate of interest that can be charged and also the financial margins that can be earned by the MFIs. RBI also differentiated between MFIs that are large (with an asset base of Rs.100 crores or more) and small MFIs and had a differentiated set of norms on certain aspects.

Parallel instructions were issued to commercial banks on their financing of micro finance institutions. The instructions ensured that banks apply more or less the same norms that RBI had for NBFC MFIs on other forms of MFIs when they finance them for their on-lending requirements. As a result, the

RBI had direct regulation over NBFC MFIs that had 85% market share and indirect regulation through financing banks applied on MFIs in other forms. In effect more than 98% of the micro finance institutions became the subject of RBI regulation and substantially complied with client selection, lending, interest rate caps and code of conduct in the field.

In substance the RBI regulations applicable to MFIs are as follows.

1) NBFCs should apply to RBI that they comply with the regulations and ask for a change in registration from NBFC to NBFC-MFI; the statutory auditors will certify every year whether the company complies with the requirements of classification as NBFC-MFI; 2) CRAR guidelines have been issued with a requirement of 15% capital to risk-weighted assets - MFIs with more than 25% portfolio in AP can maintain a lower CRAR of 12% for the year 2012 after which they should raise it to 15%; 3) Entry level minimum net owned funds at Rs 5 crores and Rs 2 crores have been stipulated for MFIs in the rest of India and North East respectively; 4) Asset classification and Provisioning norms have been stipulated; 5) Method of calculating the margin based on fortnightly average balances has been prescribed; 6) NBFCs that do not qualify as MFIs have been restrained from lending more than 10% of their portfolio to microfinance clients; 7) Definition of NPA as an asset on which principal or interest has remained unpaid beyond due date for 90 days or more; and 8) The smaller MFIs with less than Rs 100 crores portfolio had been given time till end of March 2012 to raise their CAR to 15%.9. NBFC-MFIs are required to maintain not less than 85 per cent of their net assets as Qualifying Assets. The qualifying assets have to fufill the following norms

A) Income generation activities should constitute at least 70 per cent of the total loans of the MFI and the remaining 30 per cent can be for other purposes such as housing repairs, education, medical and other emergencies.
B) Annual household income levels of borrowers should not exceed Rs 60000 in Rural areas and Rs 120000 in urban/semi-urban locations
C) Loan amounts to be limited to a maximum of Rs35,000 for the first cycle; and Rs50,000 from the second cycle onwards; total indebtedness not to exceed Rs. 50,000, MFIs must be members of at least one credit information company/credit bureau. The credit officers and other staff are to be trained to verify the debt levels of borrowing customers.
D) Loan tenure can be 12 months for amounts less than Rs15,000 and a minimum of 24 months for loans greater than that amount
E) Repayment frequency to be decided in consultation with the borrower – with monthly, fortnightly, weekly installment options offered
F) Lending should be collateral free

The RBI had been proactively examining the field developments and also the representations from the sector and resetting its regulations in a manner designed to help MFIs to overcome their problems and improve the quality of their services. In particular changes to regulations relating provisioning norms for AP based MFIs, relaxing networth requirements of AP MFIs, extending the period of implementation of lower margins for larger MFIs till the year 2014-14 and introduction of alternative interest rate cap by linking it to base rates of banks were announced. However, there are certain issues with some aspects of the regulatory guidance that need to be examined in greater detail.

Income limits for customer selection

As regards client selection, the annual income limits up to Rs.60,000 in rural areas and up to Rs.1,20,000 in urban areas reduce the customer population and might push MFIs towards to serving households that might not be able to absorb credit. The income levels in many local contexts are seen to be very low and it would be difficult to acquire many customers within this income range. An income level of Rs.60000 per household in rural areas may not even be sufficient to fulfil basic needs of the family as it is very close to the poverty line income of the country. The country poverty line income per household of five persons in rural areas was Rs 49000 in 2011-12[1]. But this was different in different states. The range was between Rs 42000 in Odisha and Rs 78000 in Puducherry. Clearly the customer segment in Puducherry as defined by RBI will be well below poverty line and might not be able to handle credit. There were seven states in which the poverty line household income in rural areas was above Rs 60000 in 2011-12. If inflation[2] is interpolated in to the poverty line, then the average at the country level poverty line income increases to Rs 61000. This renders all possible clientele of MFIs to be below the poverty line. While targeting of microfinance at vulnerable sections of population is appropriate so that small credit needs are met by niche institutions, asking the MFIs to serve the poorest of the poor is not a feasible strategy. Those households hovering near the poverty line are best equipped to utilise credit well and improve their livelihood activities. Households that are well below the poverty line are ideally supported by a combination of welfare and social benefit programmes and once such households improve their skill and asset base they would be in a position to utilise credit. RBI income norms should provide flexibility to MFIs to choose from near the poverty line, which could be up to 25% above the line as it is set every year. Hard wiring of the income limit in absolute terms will make customer selection extremely difficult. The current income limits were set in 2011 and in the years that followed inflation at consumer level has exceeded 20%, rendering the limits unrealistic. The income limits should be set as a proportion of a dynamic parameter such as poverty line income reset each year based on movement of CPI or the minimum wages for agricultural workers and urban manual workers, etc. This will ensure that limits do not become dated at any point of time.

A connected issue is that progress of customers over time through successive rounds of credit and resultant enterprise expansion. A customer acquired within the current limits of income might add to her income over time and exceed the limits laid down in a couple of years. When this happens whether the MFI should be asked to stop lending to such a customer? Just because the customer reaches a certain level laid down by regulation, one cannot expect that a bank or other financial institution will start financing such a customer. ***Stoppage of credit on account of changes in customer income is a sure way of bringing the customer household back in to poverty***. The regulations should allow MFIs to retain acquired customers, despite their improving incomes beyond the regulatory limit, subject to the overall loan limits laid down for microfinance. This will ensure that customers do not face a disruption of their livelihoods on account of denial of credit, the MFIs are able to recover the costs of developing new customers overtime with reasonable pricing and sustainability of both customer and MFI is not compromised.

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[1] See press note on poverty estimates 2011-12 issued by Planning Commission in July 2013 for the relevant data.

[2] The year on year increase in CPI inflation was 11.17 % in 2012and 9.13 % in 2013

The third issue with the income criteria is that of measurement. In the rural areas there is little awareness of what constitutes an income and how it is different from sales revenue. Most often people report the sales revenue from their enterprise or trading activities as income without reckoning the cost of materials that went into the sale value. Secondly it is difficult to ascertain the incomes that arise from different sources especially for vulnerable people who have multiple occupations at the same time and in different seasons of the year. Any income assessment will have to rely extensively on recall and hope that the recall by the customer is accurate. The RBI has instructed that a declaration by the customer may be taken as one of the ways of assessing the income levels. This however, is a highly unsatisfactory arrangement where the field officers would be hard put to provide any kind of certification of the accuracy or otherwise of what is declared. The income levels stipulation runs contrary to the appraisal requirement of an MFI. While strong income flows help MFIs provide loans through appropriate credit decisions, the income norms require that customers and MFI suppress the income level in order to make the customer comply with the definitions of micro finance. This is entirely avoidable by raising the income level for qualification of customers.

Excessive debt and multiple loans

The limit on total loans to MFI clients is set at Rs 50000. The limit, while appearing reasonable to most MFIs, should be flexible and linked to a dynamic parameter. In a couple of years the increasing size of enterprises at the base level and inflation led reduction of purchasing power will make the current loan limit out of date. RBI could link the loan size to the inflation rate and automatically allow MFIs to reset the limit by the extent of movement in CPI from year to year.

RBI has also advised MFIs that no more than two MFIs can give loans to the same customer. MFIs have a responsibility to ensure that their loan at worst is only the second loan. This has to be ensured not only through enquiring from the customers but also through reference to credit bureaus. The overall amount that a customer can take from all MFIs put together is set at Rs.50,000. The RBI has sought to tackle two different issues, (1) that of avoiding excessive debt (by setting Rs.50,000 as the limit of affordable debt) and (2) avoidance of multiple loans which produce pressure on the customers on account of having to service multiple instalments from time to time. RBI has also stipulated that in case MFIs breach this stipulation and become a third lender, their loan should not recovered during the currency of the earlier loans. There is no evidence of MFIs monitoring this in the field or stopping recovery of their loans till the earlier loans are repaid[3].

MFIs apart from taking information on existing debts in the applications and appraisal formats from the customers also make reference to the credit bureaus to get to know of the customer's level of debt and number of loans. The credit bureaus are supplied with credit sanction information and repayment information by the MFIs on a periodic basis. Based on this information the credit bureaus analyse whether the referred customers already have loans taken from other MFIs and if so, the details thereof. The credit referencing through the credit bureaus has brought in a lot of discipline in the market and has made the customers aware that they should not apply to a third MFI

[3] Some MFIs that tested the customers for multiple loans three to six months after disbursement of their loans have found that 5% to 8% of the sample customers have three loans or more.

for a loan. However, there are locations in which people persist with applying for loans to many MFIs as a time. In some locations almost 20% of the applications received have to be rejected on account of pre-existing loans to two other MFIs. In the case of credit referencing there are several issues that can potentially create risky conditions. Presently the data upload in a number of MFIs is done on a monthly basis relating to their sanctions and also defaults of their customers. There is a blind period of upto one month in such cases during which other MFIs could provide loans in the absence of any information to indicate that a second loan has already been given but the data upload is still pending. Similarly some MFIs after having received a credit report take 7 to 15 days to sanction and disburse the new loan. This provides another window during which a third or fourth loan could be availed by the borrowers. Proposals under consideration for sanction are not part of the credit bureau records. So the MFIs, the Credit bureau have to work together to ensure that the data uploads to the credit bureau take place more frequently and the time lag between receiving a credit report and disbursement of the loan is reduced to the barest minimum. A more worrisome fact is that some MFIs do not upload loan data in some locations to credit bureaus. Some others do not make a reference to the credit bureau from some of their branches on the ground that there is no competition in the area covered by the branches. This is seen by MFIs as a cost cutting measure. Both these practices erode the confidence in the measures taken by the sector to deal with excessive debt. The regulator has perhaps not been closely examining the status of submission of credit records by MFIs to credit bureaus. If such an examination is made at the country level by asking MFIs for state-wise number of loans disbursed each month and the credit bureau for the state-wise number of credit records uploaded by the MFI, selective non-compliance by MFIs can be easily curbed. Further to avoid multiple loans arising from the timelag in data submission, there is a need to shift to weekly data uploads and eventually to daily data uploading. MFIs should also be required to use a credit report that is less than five days old while making disbursements.

RBI also required MFIs to ensure that the customers are not members of more than one JLG or SHG. This requirement is not taken seriously by MFIs and the regulator. While through credit bureaus it might be possible to establish whether customers borrow from more than one MFI (and whether they members of a JLG or SHG for that purpose), it is difficult if not impossible to ascertain the number of groups with which a member is enrolled. The practical difficulties have made all parties overlook this requirement and focus on the number MFI loans as a more convenient proxy.

The regulatory initiative on avoiding multiple debt is not comprehensive. The measure of excessive debt is taken as number of loans from MFIs (not more than 2) and amount of loans from MFIs (not more than Rs 50000). Households can and do have loans from other sources and far in excess of Rs 50000. Sample surveys carried out by CMF[4] estimated that about 77% households in Tamil Nadu and 55% households in Punjab had sourced loans from multiple formal and informal sources. If customer is the focus on the regulatory initiative, the means of measurement of excessive debt should be very different. With even formal sector debt not fully accounted for in the credit bureau records, whether limited exercises of the type mandated by regulation will serve any real purpose? At best the current regulatory guidance will avoid unhealthy competition among MFIs. The regulator can attempt to limit non-collateralised credit availed by vulnerable customers from formal institutions including banks. In such a case all loans given to defined vulnerable customers either individually or through groups of any description should be part of credit bureau records. If banks

[4] This was carried out by CMF, IFMR, Chennai in 2013, commissioned by GIZ.

are persuaded to submit all loans provided to SHGs, JLGs and individual customers to the credit bureaus, it might be possible to estimate the level of formal financial sector debt in the hands of individual customers; decisions of affordable level debt and enforcement of lending and borrowing disciplines can then have some meaningful impact.

Interest and margin caps

In imposing interest rate and margin caps RBI has moved away from its stand of not imposing specific interest rate controls in the financial sector[5]. The interest and margin caps are more a response to the political challenge to RBIs jurisdiction. In case of banks till the mid 1990s interest controls over both deposit and credit existed and that too in great detail. With the financial sector reforms, RBI gave up muscular regulation and shifted to prudential and risk based regulation, leaving operational freedom to banks, which were supposed to be businesses. The AP regulation set up a challenge, virtually accusing the regulator of being a party to extortionate pricing by MFIs. A valid point of view at that time was that without price control it might be difficult to convince governments that RBI can be effective in regulating MFIs. Subsequently RBI has tweaked the interest and margin caps keeping the ground realities of finance costs and operating costs of MFIs. RBI allowed MIs to exceed the 26% cap on certain conditions, in case of high finance costs. RBI's circular (August 2012) rightly states that "in a low cost environment, the ultimate borrower will benefit, while in a rising interest rate environment the lending NBFC-MFIs will have sufficient leeway to operate on viable lines". Most MFIs in the sector have welcomed the caps as they lend certainty as also legitimacy to their pricing strategies. The margin cap in particular has a positive impact, driving MFIs to improve efficiency and productivity levels so that they can manage their profitability with the margin. Many leading MFIs have dropped interest rates by about 1 to 2% from the first quarter of 2014, so that they are able to comply with the lower margin cap of 10%. But the margin cap can also be seen as a license to price loans to the extent of regulatory limits. There are MFIs that have much lower operating costs and risk costs. They can operate at margins of about even 8%, profitability. Given that demand for MFI loans is unlimited, even in competitive markets MFIs have pricing power. The interest rates may not seek lower levels on account of competition, but remain guided by the regulatory limits. The regulator has to figure out how to foster competition in the market between that will influence MFIs to optimise costs and offer better prices to customers.

Many commentators have pointed out in the past that margin caps restrict expansion in to new and remoter geographies as the extra costs cannot be absorbed by the MFIs. The markets in the margin, which require credit services more than the already covered areas will have to wait that much longer till the MFIs feel able to manage the higher costs of new locations. There will also be some regions which will never be covered where the margins will be inadequate to do business. MFIs have tended to adjust to the margin caps by raising the loan size. Over the last two years most MFIs have

[5] Unlike in the case of banks where RBI has explicit powers of selective credit control under section 21 of Banking Regulation Act, in case of NBFCs, chapter III B of RBI Act does not provide specific powers for direction on interest rates. The powers mentioned in section 45 l (1) (b) are ***"give to such institutions either generally or to any such institution in particular, directions relating to the conduct of business by them or by it as financial institutions or institution".*** The provision is vague and general enough to cover any aspect of NBFC functioning. Interestingly in 45 L (2) the powers to call for information mentions interest rates in particular.

increased the loan size significantly and particularly so in the second and subsequent cycles. MFIN data reports that the average loan disbursed per account increased (by about 21%) from Rs 11872 in 2011-12 to Rs 14340 in 2013-14. With staff costs remaining the same, the higher loan size leads to a fall in operating cost ratio, enabling the MFIs to cope with reduced margins. But there should be limits to such loan size led reduction in costs, as other risks will crop up with larger loans.

RBI has asked MFIs to have only one processing charge not exceeding 1 % apart from the interest rate. Actual insurance premium can also be charged to the client. The interest rates have to be expressed as APR so as to provide a clear idea to customers and a basis of comparison between different MFIs loans. Regulation relating to pricing of MFI loans has demystified pricing, ensured transparency, reduced the load on customers and ensured that competition is real, based on comparable prices. Margin caps also ensure that customers of MF benefit from any fall in finance costs of MFIs.

Responsible finance

The emphasis of regulatory guidance on fair practices and observance of code of conduct are well laid and should continue. The key aspects stressed are that a) the MFIs should be transparent in communicating their loans terms and interest rates to customers; b) customers choice on preferred instalment frequency (weekly, fortnightly or monthly) should be respected; c) field conduct of staff towards customers should be appropriate; d) a well defined grievance handling and complaint redress process should be put in place and e) the MFIs should comply with the industry code of conduct as well as RBI fair practices code. The MFI regulations issued by RBI are a significant departure in the level of detail relating to responsible and market conduct of financial institutions. Normally RBI focuses on the desired outcomes of business and leaves operational aspects and market conduct to the institutions concerned. In case of MFIs the regulatory premise has shifted from avoidance of systemic risks (such risks are a remote possibility as the volume of credit handled is less than 0.5% of bank credit) to protection of vulnerable customers interests as there are political economy consequences of doing business with the poor. The field level implementation on the responsible finance practices has been enthusiastic. SIDBI introduced the Code of Conduct Assessments (COCA) as a means of testing compliance of MFIs with market conduct guidelines. The COCAs indicate that by and large institutions have introduced several desirable measures that will improve customer comfort in dealing with MFIs. COCAs have the potential to be supervision tools. The results from the assessments are not yet fully used to drive desirable changes in the MFIs. While knowing scores on the COCA tool makes the position of MFI clear, the lenders and regulator can pursue improvements with MFIs concerned.

RBI has been firm in calling upon MFIs to eschew coercive recovery practices. RBI has specifically stipulated transparency in communicating loan terms to the customers and has indicated the minimum information relating loan size, instalments, interest rates and other charges, annualised percentage rates of interest, contact information to lodge complaints and acknowledging receipt of repayments in the loan cards/passbooks issued to borrowers which should be in the local language. The further directions of RBI were to restrict collection of any kind of security deposits, collateral for loans and imposition of penalties for late repayment.

Self Regulatory Organisations

When the first set of MFI regulations were issued RBI had indicated that it will recognise some industry networks as self-regulatory organisations and entrust supervision over the code of conduct compliance and some other matters with the SROs. All MFIs should become members of such a network in order remain registered as a RBI regulated MFI. The concept of SRO is now revisited after more than a decade. The task force on regulatory and supportive framework for microfinance headed by Mr Y.C.Nanda, then chairman of NABARD recommended creation of a SRO in 1999. The committee recommended that the major functions of SROs would be: (i) overseeing functioning of MFIs as base-level regulators, (ii) undertaking registration, (iii) evolving a proper systems for maintenance of accounts and reporting, (iv) setting performance standards, (v) conducting inspections, (vi) undertaking training, and (vii) representing MFIs in various forums. RBI is reportedly moving towards recognising Sadhan and MFIN as the two SROs that will have responsibility of regulating members. This is expected to relieve the burden on RBI and provide the inputs for refining regulation and space for policy making without having to spend time and effort on detailed regulation of small institutions. The institutional arrangements for the SRO are awaited. The willingness of member based and member-supported networks to regulate and discipline is yet to be proved in any sector. In a group of peers it will be difficult to bring a member for disciplining and actually impose sanctions of any kind. MFIN has an enforcement committee dealing with complaints from members against each other; and Sadhan has a Committee on Ethics dealing with grievances from customers of MFIs. The MFIN website carries a well-defined complaint procedure. There is not enough information in either network of any complaints received, handled and action taken against the member MFIs (and it is not as if there had been no circumstances in specific MFIs warranting disciplining). MFIN annual report 2013 states that " *In FY 2012-13, the Enforcement Committee (EC) handled more than six hundred complaints, most of them related to cases of multiple lending to single client based on Credit Bureau reports. The issues were dealt with as per procedure and brought to satisfactory closures. This we believe has had a salutary impact* …" Salutary impact could have been created by a public disclosure of the name of the organisation, nature of the complaint and the action taken by the committee. Dealing with such issues behind closed doors and keeping the information secret do not engender confidence in self-regulation. RBI may have to introduce external members in SRO committees to drive the agenda supervision forward. A silver lining is that both the networks already have external members in their disciplinary committees. RBI should ensure that the committees are able to set the agenda, set up a mechanism that can receive complaints from anywhere (including whistle blowers) and have a link with DNBS of RBI to inform either specifically or periodically of developments taking place in its work. RBI should also ensure that information is placed in the public domain of issues dealt with by the SRO with details of nature of complaints, institutions involved and the action taken. Investments in developing suitable Human Resources for self-regulation will be needed. In the initial periods, RBI may need to depute some of its experienced staff to guide the SROs.

Prudential norms for MFIs

Entry capital has been set at Rs 5 crores except MFIs in North East that can register with a lower capital of Rs 2 Crores. Regulatory capital is set at 15% as compared to only 9% in case of banks, which are deposit-taking institutions. This seems to have been done consciously to limit leverage and ensure larger doses of promoter capital in business. The provisioning norms have been well accepted by MFIs, especially after the special dispensations made in respect of AP based MFIs that were part of the Corporate Debt Restructuring package.

Registration of MFIs

The process of registration of NBFC-MFIs has been ongoing. The information to be supplied by MFIs for registration is detailed. Several MFIs have not been awarded registrations yet on account of their not meeting norms of different types – such as capital, qualifying assets, governance standards, etc. MFIs that were in existence when the regulations were announced should be given registration and provided time to comply with the new norms introduced. Banks and equity investors are interested in supporting those MFIs that are registered by RBI. The support of banks and investors is necessary for some of the smaller MFIs to scale up which might be critical to comply with new norms. Hence deferment of registration to MFIs till they comply with new norms does not appear to be a well thought out response.

Conclusion

Through a combination of direct and indirect regulation has effectively covered nearly all the MFIs, whether companies or others. One should recognise that the RBI regulations are far more comprehensive and cover a wide territory. RBI has managed to contain the possible contagion of the AP type legislation to other states. The regulations introduced were not only sound on the technical aspects but were appropriate politically too. The shift in emphasis from systemic soundness to customer protection is significant and has far reaching implications. In a reversal of its post financial sector reform stance relating to interest rate controls, RBI thought it fit to use interest rate controls to bring the MF sector back from the brink. What has been remarkable is the continuing engagement of RBI with sector and tweaking of the regulations from time to time to ensure that the regulations do not become an impediment to orderly growth of the sector. RBI has effectively managed to communicate its positive outlook of the sector to all stakeholders, its concerns at the negative aspects of MFIs' working to the industry players and crafted a set of regulations that balance the requirements of responsible finance with needs of business growth and viability. The infirmities and weaknesses in some of the regulatory guidelines are remediable. With the willingness shown by RBI to create an enabling environment for the sector there is no doubt that suitable solutions will be found.

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