



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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RBI releases Consultative Document on Regulation of Microfinance

In the [Statement on Developmental and Regulatory Policies dated February 5, 2021](#) released with the [fifth Bi-monthly Monetary Policy Statement for 2020-21](#), the Reserve Bank of India had announced that a consultative document will be issued for harmonising the regulatory frameworks for various regulated lenders in the microfinance space. Accordingly, [the Consultative Document on Regulation of Microfinance](#) has been released today for feedback from all stakeholders.

The suggested framework in the Consultative Document is intended to be made applicable to the microfinance loans provided by all entities regulated by the Reserve Bank and is aimed at protecting the microfinance borrowers from over-indebtedness as well as enabling competitive forces to bring down the interest rates by empowering the borrowers to make an informed decision. The key proposals of the Consultative Document are enumerated below:

- i. A common definition of microfinance loans for all regulated entities.
- ii. Capping the outflow on account of repayment of loan obligations of a household to a percentage of the household income.
- iii. A Board approved policy for household income assessment.
- iv. No pre-payment penalty; no requirement of collateral; and greater flexibility of repayment frequency for all microfinance loans.
- v. Alignment of pricing guidelines for NBFC-MFIs with guidelines for NBFCs.
- vi. Introduction of a standard simplified fact sheet on pricing of microfinance loans for better transparency.
- vii. Display of minimum, maximum and average interest rates charged on microfinance loans on the websites of regulated entities.

Comments/observations/suggestions on the Consultative Document, especially on the discussion points mentioned therein, are invited from banks, NBFCs including NBFC-MFIs, industry associations and other stakeholders latest by July 31, 2021.

Feedback on the Consultative Document may be sent to:

The Chief General Manager-in-Charge
Reserve Bank of India
Department of Regulation
2nd Floor, Main Office Building
Shaheed Bhagat Singh Marg
Fort, Mumbai – 400001

or

preferably, by [email](#) with the subject line '**Feedback on the Consultative Document on Microfinance**'.