

Public sector banks open to forge alliance with MFIs

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PUBLIC sector banks are open to forming collaborations with microfinance institutions and have asked these "lenders to the poor" to become business correspondents for activities like mopping up savings deposits etc., top executives of two state-run banks said on Wednesday.

Microfinance institutions (MFIs) at present rely on bank funding to run their businesses as NBCF-MFIs. Though being regulated, microfinance institutions are not allowed to accept deposits. They have funding costs varying from 12 to 16 per

cent. These funds are then lent to the poor and marginalised, who pay interest to MFIs. Besides lending, MFIs also conduct several other financial activities, earning extra income.

"Collaboration between banks and MFIs is desirable. We are open to such tie-ups. Business correspondents help in reaching more people. Term lending to microfinance institutions is a separate issue," said Arun Kaul, chairman and managing director, UCO Bank, at an Association of Microfinance Institutions, West Bengal, (Amfi-WB) summit.

In June 2014, the Reserve Bank of India (RBI)



HELPING HAND: MFIs have funding costs varying from 12 to 16% which are lent to the poor and marginalised, who pay them interests

had permitted banks to appoint non-banking finance companies (NBFCs) that do not accept deposits as their business correspondents (BCs).

However, NBFCs operating as microfinance institutions have more tie-ups with private sector banks compared to state-run lenders.

"Collaboration is the mode of working. This model of MFIs and banks working together is certainly going to pick up pace in future as more small banks will come into the picture. Becoming a business correspondent (BC) will enable MFIs to offer a host of services such as savings products to low-income segments," said P Srinivas, managing director and chief executive officer, United Bank of India.

A number of NGO-MFIs have enrolled as BCs to offer credit, savings, insurance and remittance services. Under this approach, the MFI seeks to offer additional services

on top of what it already offers (often extending new savings services in addition to the already provided credit).

Shubhankar Sengupta, chief executive officer, Arohan Financial Services, said that there had been some positive developments in this sector in the past three years. "But funding from the banks is not sufficient. There is a huge market which needs to be tapped," Sengupta said, urging the banks to allow MFI agents to act as business correspondents and collect deposits from the people on their behalf.

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Puma to expand in metros

German sportswear firm Puma today said it would go for a balanced approach for its expansion in India by opening new stores in tier II & III cities.

Centre plans garment units in NE

The centre has initiated a process of setting up readymade garments' manufacturing centres in all the N-E states to generate employment, the Union textiles minister said on Wednesday.

Jute packaging by rice mills made mandatory in Bengal

RITWIK MUKHERJEE

Kolkata

THE Rs 8,000 crore plus jute industry in West Bengal, which has been passing through a demand crisis and closure of mills, may get a new lease of life with Mamata Banerjee government deciding that rice mills in the state will now have to pack at least 70 per cent of their total production in new jute bags. There are more than 1,200 rice mills in the state.

Jute mills from West Bengal will be given requisitions by the jute commissioner and accordingly jute bags for packaging of rice will be supplied to rice mills.

In addition, a comprehensive list of rice mills in respective districts will be provided to the jute commissioner by the department of food and supplies to track the entire process of procurement.

The decision was taken on Wednesday at a meeting between the group of ministers and a delegation from the Indian Jute Mills Association (IJMA).

It was also decided that a 5-member committee com-

New lease of life

■ West Bengal houses 64 of the total 84 jute mills in the country

■ There are more than 1,200 rice mills in West Bengal

■ Jute mills till recently had been running at only 60% of their capacity

prising senior officials from the departments of finance and commerce, food and supplies, agriculture and labour will be set up. The committee will coordinate with the jute commissioner in future. The committee will have its first meeting on May 25 to work out the modalities.

West Bengal houses 64 of the total 84 jute mills in the country. According to industry officials, jute mills in West Bengal till recently had been running at only 60 per cent of their capacity rendering a large number of workers jobless. There had also been a production cut of 30-40 per cent few months ago, thanks to lack of orders.

"The meeting with the

state government-appointed group of ministers was positive from the perspective of the jute industry in West Bengal.

"The decision taken during the meeting to ensure that rice mills purchase new jute bags for packing of levy rice is positive and encouraging. We are optimistic about the support and guidance provided during the extensive meeting with ministers and hope that the rich legacy of the jute industry will be taken into consideration while adopting a policy direction to revive the industry," IJMA deputy chairman Ashutosh Bhagat told *Financial Chronicle*.

Under the present system, the state government has been procuring 25-30 per cent of levy rice from nearly 1,200 rice mills. Through this mechanism, states buy paddy from millers for selling it through ration shops, the subsidy burden of which falls on the centre. The centre has already decided to do away with the levy purchase system by October 1, 2015.

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