

loan disbursals: Over 60% of MFIs adopt cashless disbursement: MFIN

More than 60 per cent [microfinance institutions](#) have gone [cashless](#) for [loan disbursals](#) in their bid to improve operational efficiency, says an industry report.

"In fiscal 2017, over 60 per cent [MFIs](#) disbursed loans through cashless means of which nearly 88 per cent were through NEFT/IMPS. However, in the fourth quarter of fiscal 2017 which was the note ban period, only 39 per cent disbursements were cash-lite transactions," according to a report by the industry lobby [Microfinance](#) Institutions Network ([MFIN](#)).

The report said the rise in MFIs' cashless payment models are largely attributed to benefits of risk mitigation and increased operational efficiency that includes improved cash management practises, increased safety and staff productivity.

"Demonetisation and government's push to adopt digital transactions have helped in MFIs' transition to cashless modes. It has also helped in increasing awareness about non-cash transaction methods among the beneficiaries even in rural areas," MFIN CEO Ratna Vishwanathan said.

However, in the fourth quarter of FY17, only 39 per cent of disbursements were cash-lite, it said without attributing any reasons for the fall.

While MFIs are increasingly going cashless for disbursements, only 5 per cent of repayments are happening through cashless modes by customers, the report said.

It said while 88 per cent of the total cashless disbursements were through NEFT/IMPS by MFIs in 2016-17, repayments through cheques constituted 50 per cent and 33 per cent in ECS.

Other transaction methods that were used by both MFIs and clients included Aadhar enabled payments, mobile wallet and pre-paid cards.

"Usage of Aadhar payment bridge system (APBS) for disbursements has been quite low (4 per cent) in 2016-17 but it may prove to be suitable for MFIs in the long run with its low transaction cost and faster roll out benefits," the report said.

Similarly, Aadhar enabled payment systems (AEPS) and UPI may provide quicker, safe and secure transactions to customers for repayments along with easier adoption.

It said while the adoption rate of cashless transactions is increasing, infrastructure and connectivity problems still adversely affect the growth. Another major challenge is that for a typical MFI client both income and expenditure avenues are through cash.

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