



Microfinance Company in india

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About Enterslice

Enterslice is an award-winning cloud based legal and compliance platform driven by AI. It is among the leading firms in Asia, providing exceptional legal, compliance, audit, risk, and assurance advisory services in the country. We serve globally to our clientele spread over India, China, Hong Kong and 15 other countries.

We are winners of the “Top 100 Companies in Asia” award served by the Red Herring International (Previous winners include Google, Facebook, Xiaomi, Snapdeal). We work with 1000+ seasoned lawyers and company incorporation professionals who are experts in their fields to guarantee 100% timely and efficient services. Our army of experienced CAs, CSs, lawyers and business professionals help entrepreneurs in their business journey right from registration of their organization to the IPO stage in the domestic and international markets.

Enterslice assists domestic start-ups firm to globally established businesses and everything in between. We act as an all-inclusive solution for our clients, helping them achieve their business goals and operating unhindered and compliantly. Our technology-driven solutions enable us to become your partner and help you grow your venture to superior heights of success.

Microfinance Company in India

Learn about the role of microfinance companies in India and the regulatory framework governing them. Discover the impact of microfinance on poverty alleviation and rural development.



What is Microfinance?

Financial Services for Marginalized Communities

Microfinance provides small loans and other financial services to individuals who have little or no access to traditional banking services.

Poverty Alleviation

Microfinance plays an important role in lifting low-income individuals and underserved communities out of poverty and promoting economic development.

FINANCE



Microfinance Industry

With a brisk 2% growth rate per quarter, the Indian microfinance industry expanded by 24% to ₹2.93 lakh crore in June 2022 and anticipates growing at a CAGR of 40% through 2025. Microloan disbursements in the quarter rose sharply to ₹45,830 crore, catering to 60 million unique borrowers through 120 million loan accounts.

Microfinance in India



Rural Reach

Microfinance has been instrumental in expanding access to financial services in remote and rural areas of India.



Growth of Sector

The microfinance industry in India has grown significantly over the years, with a diverse range of institutions serving the needs of different communities.



Community Empowerment

Microfinance has empowered women and promoted gender equality by providing them with the means to start their own businesses and improve their livelihoods.



Regulatory Framework

1 Licenses Required

Microfinance companies in India must hold a license from the Reserve Bank of India (RBI) to operate.

2 Limits on Interest Rates

The RBI sets caps on the interest rates that microfinance companies can charge their clients to prevent over-indebtedness and exploitation.

3 Prudential Norms

Microfinance companies are required to comply with prudential norms and guidelines to ensure financial stability and good governance.

Types of Microfinance Institutions

Section 8 Companies

These are non-profit organizations that prioritize social impact and operate under Section 8 of the Companies Act, 2013.



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Non-Banking Financial Company-Microfinance Institution (NBFC-MFI)

These companies are registered with the RBI and specialize in providing microfinance services.



Microfinance Company Registration Process

Step 1: Incorporate the Company

Register the company with the Registrar of Companies (ROC) and obtain a Certificate of Incorporation.

Step 2: Apply for RBI Registration

Submit an application to the RBI for registration and receive a Certificate of Registration.

Step 3: Register with Credit Bureaus

Register with credit bureaus such as CIBIL and Equifax to build a credit history and assess creditworthiness.

Eligibility Criteria for Microfinance Company Registration

Minimum Net Owned Fund

Microfinance companies must have a minimum net owned fund of INR 5 crore for NBFC-MFIs and INR 10 lakh for Section 8 companies.

CIBIL Score of Promoters

The promoters of microfinance companies must have a CIBIL score of at least 700.

No Default History

The promoters must have a clean track record with no history of defaulting on loans or other credit facilities.

Capital Requirements and Funding

Type of Institution	Minimum Net Owned Fund
NBFC-MFI	INR 5 crore
Non-NBFC-MFI Microfinance Institutions	INR 2 crore

1 Sources of Funding

Microfinance companies can raise funds through bank loans, debt issuances, equity investments, and grants.

2 Impact Investment

Impact investors play a key role in funding microfinance institutions that prioritize social impact and financial inclusion.

Prudential Norms and Governance

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Portfolio Diversification

Microfinance companies must have a diversified portfolio of loans to minimize risk.

2

Limits on Lending and Borrowing

Microfinance companies are subject to caps on their lending and borrowing activities to maintain financial stability.

3

Board Composition

The board of directors of microfinance companies must have a majority of independent directors to ensure good governance.

Social Impact

Microfinance has had a profound impact on the social and economic empowerment of underserved communities in India, particularly women and rural populations.

Reporting and Compliance

1 Financial Reporting

Microfinance companies must file regular financial reports with the RBI and other regulatory authorities.

2 Compliance Measures

Microfinance companies are required to comply with a wide range of prudential norms and governance guidelines to ensure financial stability and good governance.