Microfinance Regulation for Financial Inclusion:

The 'street child' needs nurturing…

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ABOUT THE SERIES

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Introduction: Poverty and Microfinance Outreach in India Today

AT AROUND 350-400 MILLION people or some 70-80 million families, India has the largest absolute number of the world's poor.[1] To tackle this poverty problem, India has (over many decades) undertaken some of the largest poverty reduction programs in the world. One major program – the Integrated Rural Development Program (IRDP), once referred to as the largest microfinance program in the world – was based upon a combination of subsidies and micro-loans as 'directed credit' from government-owned banks. However, it achieved limited success and was discontinued at the end of the 1990s, only to be revived immediately in other forms more akin to modern microfinance.

It is partly in response to the limited success of these government poverty reduction programs and the related failure of banks to address the needs of low-income families that the microfinance sector became established in India. Starting with a few pilot programs of women's organizations in the mid-1970s, it has now grown to over 500 Non-government Microfinance Institutions (NGO-MFIs), several hundred independent cooperative societies, and around two dozen finance companies focusing on low-income clients.[2] In addition, the National Bank for Agriculture and Rural Development (NABARD) – the leading rural development bank in India – is spearheading efforts to promote direct lending by commercial banks to savings-led self-help groups (SHGs)[3] of low-income clients.

Despite these efforts, fewer than 15% of low-income clients – and fewer than 10% of those who are defined as "poor" – currently have access to formal or semi-formal microfinance services.[4] Most knowledgeable observers agree that some policy support will be required to facilitate and expand outreach to a meaningful proportion of those who are excluded from the formal financial system.

In this context, the Indian policy makers' approach to microfinance has been akin to that of most people towards street children: everyone agrees that they need nurturing, but no one wants to do anything about it. To begin with, the country's central bank, the Reserve Bank of India (RBI), has repeatedly stated both in private meetings and at microfinance seminars that it regards both the lending and deposit-taking activities of microfinance institutions as extra-legal. However, since banks and other formal institutions have failed to provide financial services to the poor in any meaningful way, the RBI has felt that it would not be socially responsible for it to attempt to terminate these activities. Nevertheless, the RBI has consistently fended

1. HDR, 2006. Human Development Report 2006. New York: United Nations Development Program (available at http://hdr.undp.org/hdr2006/). The document states that 34.7% of the population is below the $1 a day income poverty line and 28.6% below the national poverty line. This implies a population in the 315 million to 380 million range. The figures in the text are the author's estimate.

2. Estimate by Micro-Credit Ratings International Limited (M-CRIL).

3. Self-help groups are essentially village banking groups of 12-20 women in India. Their activities are largely savings-led but also include the accessing of credit from banks or MFIs and often also the operation of joint enterprises (such as snack-food businesses) or community projects (such as village sanitation facilities).

4. The calculations to support these figures are presented in Sinha & Rasmussen, 2007. *Microfinance in South Asia: Towards Financial Inclusion*. Washington DC: World Bank (forthcoming).

off requests for the development of an enabling regulatory framework for MFIs, largely because it lacks the necessary supervisory capacity (as will be discussed below).

The approach of the Ministry of Finance to microfinance has also been one of benign neglect. In recent years, however (partly for populist reasons), the Government of India (the federal government) has started to give grudging recognition to microfinance. Through Sa-Dhan – the major network of MFIs in India – leaders of the microfinance movement have repeatedly discussed with senior officials in the Ministry of Finance certain regulation and promotion issues that currently limit the emergence of a vibrant microfinance sector. Bureaucrats and politicians have been taken on field visits to observe the operations of MFIs in low-income communities, and presentations have been made to the Finance Minister and other ministers. These efforts have stimulated some action, including the following: a reference to microfinance – self-help groups, in particular – has become a regular feature of the annual budget speeches; a few small changes have been made to the rules governing microfinance; and a fund of $21 million was announced in Year 2000 for the promotion of microfinance activities. These and other initiatives are discussed in greater detail below.

Overview of the Formal Financial Sector

The country has a panoply of financial institutions. These include

- 28 public-sector scheduled commercial banks with some 45,000 branches.
- 56 private-sector domestic and foreign commercial banks with some 5,000 branches.
- 102 Regional Rural Banks (RRBs) – which act as rural subsidiaries of the public-sector commercial banks – with another 14,000 branches.
- 1,850 (single town) urban cooperative banks, 31 state-level cooperative banks at the apex of over 367 district cooperative banks, and over 100,000 primary (village-level) cooperative societies.
- Approximately 13,000 registered non-bank finance companies (NBFCs), of which around 430 are authorized to accept public deposits.[5]

The RBI does not directly supervise all of these, but all (except the primary societies) are supposed to be regulated by it, at least in some manner.[6] The central government still controls much of the banking sector, including the public-sector commercial banks and the RRBs. Furthermore, since the province- and district-

5. RBI, 2006. *Trend and Progress of Banking in India 2005-06*. Mumbai: Reserve Bank of India (*available at http://www.rbi.org.in/scripts/AnnualPublications.aspx?head=Trend%20and%20Progress%20of%20Banking%20in%20India*). Note that fewer than two dozen of the NBFCs are seriously engaged in microfinance.

level authorities are responsible for the supervision of the cooperative system, the government must accept responsibility for the performance of the cooperative network as well.

Over the two decades of the 1970s and 1980s – the era of "Gandhian socialism" – all of these government-controlled banks were required to earmark a large proportion of their loan portfolios for 'directed credit' in the interests of rural development and poverty reduction.[7] Extremely poor recovery rates on these portfolios – combined with political interference in the banks' day-to-day operations – resulted in a government-owned and -supervised banking system that was largely financially crippled.

The era of reform – which began with a hesitant start in the 1990s – was devoted to various efforts to revive the fortunes of the public-sector banks and the RRBs (the most visible parts of the banking system). The RBI gained greater independence as a central bank; however, it needed to re-learn the science of independent regulation, which was largely lost during the years of Gandhian socialism. In the public-sector milieu of the RBI, this has posed a huge challenge with respect to skills development and motivation of its regulatory personnel. Its task in regulating the vast number of formal-sector financial institutions in India is daunting.

The challenge of regulation has been further complicated in recent years: first, by the spectacular failure of a number of high-profile NBFCs; and then, more recently, by panic runs on several urban cooperative banks. The failure of the NBFCs – and the resultant loss of a huge quantity of small depositors' savings – led to the introduction of registration and regulation requirements for NBFCs for the first time. The vast number of registration applications that these new requirements generated (over 38,000) – combined with the simultaneous failure of several urban cooperative banks – has led the RBI to throw up its hands in despair at the prospect of having to regulate the microfinance sector as well.

The government, on the other hand, has been focusing on improving the performance of a substantially government-owned commercial banking sector that was suffering from large proportions of non-performing assets (still around 15-20% in the late 1990s), low productivity, poor work culture, excess employment, and obsolete technology. Several of the government-owned scheduled banks needed to be recapitalized, as did most of the RRBs. Concerted efforts in the 1990s have resulted in significant improvements for many of these banks, but non-performing assets continued to be a problem until quite recently, and the Finance Ministry has had its hands full.

6. State-level cooperative banks, district-level cooperative banks, and RRBs are supervised by NABARD, but the regulatory norms for their supervision are still set by the RBI. Primary societies are supervised by state-level Departments of Cooperatives under the aegis of a Registrar of Cooperative Societies.

7. The "priority sector" lending requirement was set at 40% of bank credit; stricter requirements for particular sub-categories were instituted in the 1990s. The priority sector requirement continues today, but it is now liberally defined and loosely implemented.

Initial Efforts to Support Microfinance Institutions

Under such trying circumstances, it is not surprising that through 2002, the RBI and the government were only able to do the following to promote microfinance:

- Exempt not-for-profit "Section 25 Companies"[8] engaged predominantly in the business of micro-lending – but specifically not engaged in deposit mobilization – from the registration requirements introduced for NBFCs in 1996.

- Allow NBFCs engaged in microfinance to obtain foreign equity investment (minimum $0.5 million), and facilitate external commercial borrowing for all MFIs.

- Provide the National Bank for Agriculture and Rural Development (NABARD) with a Rs. 1 billion ($21 million) Microfinance Development Fund (MFDF) to finance skills development, provide institutional support, and capitalize microfinance initiatives.

8. This refers to companies that are registered under Section 25 of the Companies Act, which enables the establishment of not-for-profit companies.

More recently (over the past 4 years), the RBI has clarified that lending by banks to MFIs qualifies for classification as 'priority sector' lending under its continuing (if relatively liberal) directed credit requirements.[9] Furthermore, the government has doubled the allocation of funds dedicated to the microfinance sector to Rs. 2 billion ($42 million). In addition, it has expanded the scope of this fund to allow investment in the equity of NBFCs that are dedicated to microfinance, thus renaming the MFDF the Microfinance Development and Equity Fund (MFDEF).

9. Commercial banks are required to direct 40% of their total lending to the "priority sector." The definition of "priority" is fairly liberal, however, and includes activities ranging from agriculture to software that are defined as being "national priorities."

Results of these Initial Efforts

These measures have provided some impetus to the microfinance sector. In particular, there has been an acceleration in the transformation of NGO-MFIs into both for-profit and not-for-profit NBFCs. As a result, there are now:

- 10 for-profit NBFCs active in microfinance that have transformed from NGO-MFIs or have been established directly as microfinance companies;
- 6-7 companies that were already functioning as NBFCs that are in the process of down-scaling increasingly to serve the microfinance segment of the market; and
- Around 10 not-for-profit Section 25 Companies that also transformed from NGO-MFIs.

The transformation of NGO-MFIs into for-profit NBFCs has occurred largely to take advantage of the market-oriented capital structure enabled by this institutional form. This benefits the MFI in two ways: it facilitates the raising of equity capital from social investors or institutional funds; and in doing so, it

facilitates the flow of debt capital to the MFI, since lenders prefer to limit the debt-to-equity ratios of their borrowers. In India, debt-to-equity ratios of microfinance companies have averaged about 5:1 in recent years, though these have even risen to 10:1 in a few cases. Thus, MFIs with larger amounts of owned funds can receive larger volumes of debt funds for on-lending to their clients. This process is, of course, reinforced by the comfort factor stemming from the transparency and range of strategic ideas that result from the participation of a wider set of equity investors in a for-profit MFI's governance. In addition, the RBI's decision to credit bank lending to MFIs towards the 'priority sector' lending requirements was a critical factor in the development of linkages between commercial banks and MFIs over the past 3-4 years.

Similarly, down-scaling by commercial NBFCs to cater to the microfinance market has been stimulated by the advent of social investors into microfinance and reinforced by the 'priority sector' qualification for bank lending to MFIs.

The transformation of NGO-MFIs into Section 25 Companies has, on the other hand, been motivated by the desire of some NGOs to be viewed as more professionally oriented and more closely supervised (as implied by a company registration) than an NGO registered as a society or a trust. Such companies are subject to the more strictly applied rules and governance norms of the Registrar of Companies compared to the Registrars of Societies and Trusts. However, as indicated above, Section 25 Companies do not have to apply to the central bank for registration as finance companies so long as they undertake predominantly microfinance and do not mobilize deposits.

The microfinance fund (MFDEF), however, has stimulated little activity so far. This is largely because the government-controlled NABARD has taken a long time to devise policy and procedures for the 'responsible' utilization of this money. While some progress has been made in this direction and around Rs. 800 million (nearly $18 million) is said to have been committed, very little has actually been deployed.

Recent Regulatory Concerns: Client Protection and Politics

More recently, a new issue has emerged to stir the melting pot of debate caused by the regulation conundrum: client protection. Since early 2006, MFIs in some states have been characterized as 'exploiters of the poor,' and every aspect of their functioning has come under scrutiny. It all started with action taken by a district administrator in the state of Andhra Pradesh against two MFIs in response to reported coercion of MFI clients who were unable to repay their loans. Scratch the surface, though, and a whole can

of worms spills out; it is a tale of burning ambition, on the one hand, and unfair competition on the other. Burning ambition to become market leaders leads some of the country's largest MFIs to contest each other's every action at the village level. At the same time, funds are pushed onto MFI management by over-eager commercial banks that are keen to burnish their images as lenders to the poor. This leads to the following sequence of events:

MFI staff are exhorted to lend at all costs, in order to increase gross loan portfolio and numbers of clients.

- Loan sizes increase in order to disburse all available funds.
- Clients of other MFIs (including clients of government-sponsored microfinance programs) are enticed, partly by promises of larger sums of money, which are promptly disbursed.
- In due course, a few of the clients encounter repayment problems, not just because this is inevitable in any credit program but also because they find that they have borrowed beyond their capacity to generate sufficient income and repay the loans.
- MFI staff, eager to preserve their 100% collection records and avoid foregoing any incentives, become overzealous in their pursuit of repayment from the client. Staff may lock the delinquent borrower out of her home or threaten to auction her few assets (pots, pans, furniture).
- Government staff, jealous of the desertions of members from their programs and of the better repayment records of the MFIs, report the incidents of overzealousness to the district administration.
- The senior district administrator – who is responsible both for the protection of consumers and for the performance of government-sponsored development programs in the district – decides to take drastic action: he declares the MFIs to be in violation of human rights and promptly shuts down their branches in the district.
- The local media is alerted and – smelling a good story – engages in sensationalism, blowing the incidents out of proportion.
- In the meantime, local politicians – ever anxious to cash in on an event with populist implications – paint a dismal picture of MFI behavior, questioning their transparency, the interest rates that they charge, and their collection practices.

The net result of this sequence of events in the southern state of Andhra Pradesh has been a sustained campaign by the state government against the MFIs. The two leading MFIs that were originally targeted have been pressured into reducing their interest rates to the unrealistic level of 15%, while pressure has been placed upon others to follow suit. Bureaucrats and politicians in other states have also jumped on the bandwagon: similar action has been taken against an MFI in the state of

Karnataka, and the Orissa government has questioned the interest rates charged by MFIs operating in that state.

By mid-2006, the situation possessed all of the elements of a spreading disease. MFIs were castigated for their activities, with neither the politicians nor the media attempting either to understand the limited nature of the consumer protection problem or to appreciate the conflict of interest entailed in the state's acting as both a competitor to the MFIs and a protector of the consumers' interests at the same time. At the time of this writing (January 2007), the local problem persists for some MFIs, as petty bureaucrats in a number of places feel that the time is ripe to pressure MFIs in order to gain public popularity (and sometimes for personal gain).

The only silver lining in this dark MFI sky has been the impeccable behavior of the central bank as guardian of the financial system. The Reserve Bank of India refused to be swayed by considerations of cheap media popularity; it defended the MFIs' right to charge cost-covering interest rates, while decrying (in a balanced manner) the cases of overzealous collection practices that came to light. The RBI's role in dampening unnecessary regulatory interest in Orissa and Karnataka has been both timely and salutary. It has since written to all state governments clarifying that as NBFCs are regulated by the central bank, state-level laws on moneylending do not apply to them. Hence, NBFCs are outside the jurisdiction of the state government in the matter of interest rate control. This does not, of course, resolve the issue of consumer protection, which is still a matter of state-level control and where there is a strong conflict of interest.

Banking Correspondents: A Promising Initiative?

While concurrently addressing the consumer protection issues in microfinance discussed earlier, the RBI (with encouragement from the government) has been exploring other ideas for promoting financial inclusion. In January 2006, the RBI officially approved the use of "business correspondents" by the banking sector in India for the purpose of disbursal and recovery of "small value credit;" collection of small deposits; offering of microinsurance and pension products; and provision of remittances and other payment instruments.[10] The circular specifically lists NGOs and MFIs (among others) as entities that may act as business correspondents on behalf of banks, and it provides for the banks to pay a 'reasonable' fee to these entities, while prohibiting the correspondents themselves from charging any fees directly to the customers for services rendered. In some countries, such as Brazil, this approach is reported to have considerably expanded outreach of financial services to poor and underserved households.[11]

The banking correspondent model diminishes the argument for regulation to officially permit deposit collection by MFIs,

10. RBI, 2006. Financial Inclusion by Extension of Banking Services – Use of Business Facilitators and Correspondents. Circular No. DBOD. BL BC 58/22.01.001/2005-2006, January 25, 2006. Mumbai: Reserve Bank of India. (*available at* http://fiuindia.gov.in/downloads/68417.pdf).

11. *See* Kumar et al., 2006. Expanding Bank Outreach through Retail Partnerships – Correspondent Banking in Brazil. Washington, DC, USA: World Bank (available at http://siteresources.worldbank.org/INTTOPCONF3/Resources/363980Retail0p101OFFICIAL0USE0ONLY1.pdf).

because it will facilitate the provision of small deposit-taking services – particularly passbook savings accounts – and microcredit and other microfinance services directly from banks (through their MFI business correspondents, who act on the banks' behalf). In practice, however, it is taking some time to develop a successful business model for banking through correspondents, because the level of fees and a series of rules governing such operations need to be determined. Even more importantly, the cost of compensating banking correspondents would substantially increase the banks' operating expenses, and due to interest rate restrictions on small loans, they already lose money on small accounts. [12] Indeed, there is no reason to expect that the banks' cost of delivering financial services to low-income clients will be any lower through the banking correspondent model than it is through the Self Help Group (SHG)-bank linkage model. On the contrary, to the extent that group liability and transparency of operations are significant risk-mitigating factors in the SHG-bank linkage model, their potential absence in the business correspondent model could become an important impediment to the latter's growth.

12. Banks are not allowed to charge small borrowers (with loans less than Rs 200,000 ($4,500)) an interest rate in excess of their benchmark Prime Lending rate (currently around 11.5%). By contrast, MFI lending rates average 25% (*see* M-CRIL, 2006. M-CRIL Microfinance Review. Gurgaon, India: Micro-Credit Ratings International Limited (*available at* http://www.m-cril.com/pdf/M-CRIL%20Microfinance%20Review%202005%20-%20India.pdf).

Bank outreach through the correspondent option is unlikely significantly to increase access beyond the levels that have already been achieved through the linkage model. By December 2006, almost a year after the announcement of the banking correspondent option, the measure remained dormant, as banks were unable to obtain any serious response from potential correspondents (NGOs, MFIs, and others) to the low-value offers that they had extended for such services. As with the SHG-bank linkage model, it is likely that banks will extend financial services via this model only to the point at which the marginal real cost of operations equals the marginal return gained from appearing to be a socially responsible institution; it is unlikely to go further. Removing the interest rate restrictions on small-value loans would certainly help.[13] However, while substantial numbers of low-income clients may be served through the correspondent option, this does not negate the potential value of facilitating the collection of deposits by MFIs at the same time, leaving the regulation conundrum unresolved.

13. This recommendation is discussed in greater detail in the conclusion.

Future Prospects: Developing a Regulatory Framework for Microfinance

In recent months, the focus has shifted back to discussions on developing a regulatory framework for microfinance. For several years, MFIs have been making considerable efforts to obtain meaningful policy support at the national level. Sa-Dhan and other leaders in Indian microfinance have developed a canvas of proposed regulatory measures to provide the microfinance sector with an environment of legitimacy in which to forward the agenda of financial inclusion. After much effort, persuasion, and field visits, some success was achieved: in the 2005 budget speech, the Finance Minister made a formal commitment on

behalf of the government to present a legal framework for microfinance to Parliament. As of December 2006, the drafting of such a framework was in its final stages, but recent events have resulted in a number of unexpected twists and turns.

The framework, agreed upon with the Ministry of Finance in August 2006 (after many months of discussion), took the form of an amendment to the NABARD Act[14] to mandate the establishment of a Micro Finance Advisory Council (MFAC) "for the development and regulation of the micro finance sector." The proposed amendment also would have mandated the creation of two categories of microfinance service providers: the microfinance organization (MFO) and the microfinance institution (MFI). Both MFOs and MFIs were to be recognized, regulated, supervised, and promoted by the MFAC, which itself would be housed at NABARD.

14. This is the statute that established the National Bank for Agriculture and Rural Development in 1982. *See* http://finmin.nic.in/the_ministry/dept_eco_affairs/banking/Nabard%20Act.pdf.

MFOs would be all NGOs (societies, trusts, cooperatives, or not-for-profit companies) with at least 80% of their portfolio consisting of loan accounts below a specified amount (Rs 50,000 ($1,150)). MFOs would be subject to a maximum aggregate loan portfolio of Rs 10 million ($230,000) and maximum aggregate savings (limited to members only, not open to the general public) of Rs 2.5 million ($56,000).

In excess of these limits, all MFOs would need to register as either for-profit or not-for-profit companies created for the purpose of offering microfinance services, and they would then be termed MFIs. While MFOs would have simple reporting requirements vis-à-vis the MFAC, MFIs would be subject to prudential regulation and supervision. The difference between MFIs and non-bank finance companies (NBFCs) would be the restriction of MFI activities to savings facilities being offered to members only (and up to a limit of Rs 5,000 ($115) per member),[15] while NBFCs could offer deposit facilities to the general public. A further proposal for the establishment of microfinance banks that could offer public deposit facilities was strongly opposed by the RBI and rejected by the government.

15. For the purposes of this amendment, "members" would be defined as the borrowers of MFIs.

During the long process of debate and discussion over a regulatory framework for microfinance in India, the Reserve Bank of India's main concern was the need to prevent the entry of unscrupulous operators into the formal financial system. The RBI feared that such operators would creep into the formal financial system through the backdoor as microfinance operators, and would then collect and embezzle the deposits of the public, especially those of low-income families. Were this to happen, the regulator would be blamed. The RBI not only has its hands full regulating and supervising a vast financial system, it also has to cope with a multitude of urban cooperative banks that are crumbling around it on a quarterly if not monthly basis. According to the RBI, allowing for the creation of regulated microfinance entities would open the floodgates to large numbers of institutions, increasing the magnitude of its task as well as multiplying the risk to the financial system if the operations of existing microfinance institutions were to be

regularized. The aforementioned limit on individual deposits proposed in the amendment was inserted precisely to discourage the entry into the ambit of microfinance of unscrupulous operators interested in collecting funds in order to defraud the clients.

However, after internal deliberations within the Ministry of Finance, the proposed amendment of the NABARD Act was transformed in November 2006 into an independent bill. The newly-designed bill removed NBFCs (both for-profit and not-for-profit) from coverage under the new legislation – leaving them to continue to be regulated directly by the RBI – and limited the proposed Act's coverage solely to NGOs. Furthermore, the limits on savings mobilization from NGO members were also removed. Though the legislation was no longer part of the NABARD Act, NABARD was to be given sole responsibility for regulating and supervising NGO-MFIs, with the Microfinance Advisory Council playing only an advisory role and lacking any significant decision-making authority.

It is this version of the Microfinance Bill that was submitted to the Cabinet of Ministers of the central government for approval in early December. Though immediate approval was expected, the draft encountered considerable opposition from some ministers and was then referred to a sub-committee. Two ministers are reported to have opposed it on different grounds. One minister reportedly opposes excluding part of the financial system from the jurisdiction of the central bank, believing that this could have damaging implications for the agenda of financial inclusion. The other preferred the populist agenda and objected to the legitimization of MFIs as 'exploiters' of poor women.

Whatever the reasons for the delay, the current impasse is only to be welcomed. If the goal of financial inclusion is to be served, microfinance clients need to be regarded as an integral part of the financial system rather than as an insignificant pocket to be placed in a separate segment unworthy of attention by the main national institutions. Second, all deposit-taking microfinance institutions need to be covered by the same regulator if a coherent growth of the financial system is to take place. Thus, microfinance NBFCs should also be covered by the microfinance regulator. Third, the lack of quantitative restrictions on the collection of savings even from microfinance clients is an invitation to unscrupulous operators to garner savings and defraud the poor. Quantitative restrictions would reduce such parties' interest. This delay provides one more opportunity for the microfinance sector to convince the central government and the RBI on these matters. Determining the shape of microfinance legislation in India is still a work in progress; in this context, the next few months could prove to be crucial.

Conclusion

Against this background, the government's acceptance of limited regulation of MFIs that accept thrift from members rather than public deposits – and yet would legitimize microfinance operations – is a promotional measure that could have far-reaching implications for financial inclusion. The street child still needs to be nurtured.

Yet, the agenda for financial inclusion is a wider one and should not be pursued by following a narrow approach. MFIs certainly need to be nurtured, but banks also need to be encouraged to take a more direct interest in down-scaling their products and services to suit micro-clients. The first step in this process must be the removal of the interest rate cap on small loans. The only impact of the interest rate cap is to reduce banks' interest in making such loans. Research shows that the real cost to banks of providing micro-credit is around 20%.[16] Banks should be allowed to fix their own rates at levels that will cover this cost as well as provide for a small profit margin. Such a measure is likely to lead to experimentation in product design and, thereby, gradually open the gates to a far greater degree of financial inclusion than has been possible so far. If the government wants a much larger proportion of the country's low-income people to gain access to financial services, it should both loosen interest rate controls for banks and create enabling regulations for MFIs.

16. See Sinha, Sanjay, Tanmay Chetan, Orlanda Ruthven, and Nilotpal Pathak. 2003. "*The Outreach-Viability Conundrum: Can India's Regional Rural Banks Really Serve Low Income Clients?*" Working Paper No. 229. Overseas Development Institute, London, *available at http://www.odi.org.uk/publications/working_papers/wp229.pdf*.