

## **II. Target Customer related recommendations**

*a. Loan is to be given to a household whose annual income is less than Rs. 50,000.*

i. This basically translates to a target household definition of those who earn Rs. 140 per day which makes a large portion of eligible poor out of the microfinance ambit.

ii. Establishing household income is tricky in the urban scenarios as well so this does seem a practical recommendation even if MFIs were to follow it.

III. Deputy Governor, RBI in a presentation in July 2009 said that financial exclusion exists even among household with higher income than 50,000 so this seems a contradiction of financial inclusion ambitions.

*b. Customer cannot be member of two JLGs. Not more than 2 MFIs can lend to one borrower*

i. This is operationally an unfeasible recommendation - how can an MFI ensure that borrower is not member of multiple groups?

ii. Restricting to 2 MFIs, it would appear that the existing large MFIs / older MFIs have advantage to the newer MFIs and in principle seems to an anti market-making, client centric.