

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3388
ANSWERED ON:13.08.2010
REGULATION OF MICRO FINANCE SECTOR
Singh Shri Ravneet

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government proposes to regulate the lending procedure of micro finance sector since the micro finance institution loans are often priced at more than twenty per cent;
- (b) if so, the details thereof and if not, the reasons therefore;
- (c) whether the Government proposes to encourage the Non-Banking Financial Companies (NBFCs) as critical link in the Micro Finance Sector; and
- (d) if so, the details thereof and if not, the reasons therefor alongwith the Government's reaction thereto?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (Shri S.S. Palanimanickam)

(a) to (d): There is no separate category of Non Bank Finance Companies (NBFCs) registered as Micro Finance Institutions. However, there are NBFCs registered with the Reserve Bank of India (RBI) that are undertaking microfinance activities. These NBFCs are subject to all regulations as applicable to other NBFCs. RBI has not issued any guidelines on interest rates to be charged by NBFCs for loans granted by them. However, in order to ensure transparency in such matters NBFCs have been advised to adopt a Fair Practices Code and to layout appropriate internal principles and procedures in determining interest rates and processing and other charges.