

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5200
ANSWERED ON:10.12.2010
MICRO FINANCE COMPANIES
Rajbhar Shri Ramashankar

Will the Minister of FINANCE be pleased to state:

- (a) whether the Micro Finance Companies are facing a lot of difficulties to execute their expansion plans;
- (b) if so, the details thereof and the reasons therefor;
- (c) whether the said companies are mainly operating in South India;
- (d) if so, the details thereof and the reasons therefor;
- (e) whether the Government is contemplating to expand the operation of such companies in other parts of the country; and
- (f) if so, the details thereof alongwith the time by which the said companies are likely to expand their operation in North India?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (f): Small industries Development Bank of India (SIDBI) has reported that, as per Sa-Dhan's Quick Report (Sa-dhan is an association of community development finance institutions with a member base of 237 members comprising Microfinance Institutions, Capacity building institutions and technical service providers, banks etc.), the All India data in respect of the Micro Finance Institutions (MFI) sector for the last three years is given below:

FY 2008 FY 2009 FY2010

Client outreach (lakh) 141 226 267

Outstanding portfolio (Rs. crore) 5954 11734 22500

Borrowings (Rs. crore) 2500 9923 17000

As per the above Report nearly 45% of the MFIs in the sample have their operations in the Southern States of India. Though southern India tops the tally of MFIs, the eastern region is catching-up very rapidly with a sizable proportion of MFIs (36,4% of the sample) in this region-Further, there has also been flurry of MFIs in northern and western parts of the country. Both of these regions have separately contributed about 22% of the MFIs in the sample.

SIDBI has reported that it is taking several steps to increase the flow of assistance to hitherto underserved areas, viz. North Eastern Region (NER), and in States like Rajasthan, Uttar Pradesh, Madhya Pradesh, Uttarakhand, Bihar, West Bengal, Jharkhand, Orissa and Chattisgarh. These include development of local MFIs, inducing larger MFIs from the Southern states to expand outreach in underserved areas, incubation of new start-up MFIs promoted by microfinance professionals, intensifying efforts in identifying suitable MFIs who have the potential of becoming long term partners, and providing stand-alone Capacity Building support.