

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1731

ANSWERED ON:19.11.2010

LOANS TO MFIS

Das Gupta Shri Gurudas;Lingam Shri P.;Panda Shri Prabodh;Reddy Shri Magunta Srinivasulu

Will the Minister of FINANCE be pleased to state:

- (a) the details of the credit extended to the Micro-Finance Institutions (MFIs) by the Public and Private Sector Banks and other financial institutions alongwith the rate of interest charged on such credit during the last three years and the current financial year;
- (b) whether the said Banks and financial institutions have refused to provide loans to MFIs due to the recent controversies over opaque corporate governance and usurious interest rates;
- (c) if so, the details thereof;
- (d) whether such refusal of loans to MFIs will further restrict the loans to women Self Help Group and thus adversely affected the worm empowerment programmes in the country;
- (e) if so, the details thereof; and
- (f) the corrective steps taken/being taken by the Government in this regard?

Answer

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

(a) to (f): The loans outstanding to the MFIs by the banks for the last 3 years upto 31 March 2010, as reported by National Bank for Agriculture and Rural Development (NABARD) are at Annex. For the category of other financial institutions, data in respect of SIDBI has been provided for the year 2009-10 which is also annexed. As regards the rate of interest charged by banks, the interest rates have been deregulated by Reserve Bank of India (RBI) and different banks are charging different rates of interest based on their Board approved Policy.

Banks are free to take decision on lending to sectors based on their risk perception and return to the portfolio.

NABARD has further reported that the total amount of loan outstanding as on 31 March 2010 against Self Help Groups (SHGs) supported directly by the banks was Rs. 28.038.28 crore, whereas total amount of loan outstanding against Micro Finance Institutions (MFIs) was Rs. 10:147.54 crore. Including Small Industrial Development Bank of India (SIDBI), the outstanding stood at Rs. 13955.75 crore.

In view of the recent developments in the sector, the RBI has set up a Sub-Committee of the Central Board of Directors of the Reserve Bank under the Chairmanship of Shri Y. H. Malegam, a senior member of the Central Board of Directors of Reserve Bank of India to study the issues and concerns in this sector, including ways and means of making interest rates charged by them reasonable. The Sub-Committee is expected to submit its report in three months.