

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2694
ANSWERED ON:11.03.2011
MICRO FINANCE IN RURAL AREAS
Mandal Shri Mangani Lal

Will the Minister of FINANCE be pleased to state:

- (a): whether any scheme under micro finance programme is being implemented in rural areas to remove poverty and unemployment and to make them economically self-reliant;
- (b): if so, the details thereof alongwith results;
- (c): whether any scheme is being implemented by the Government to give pace to micro finance programmes and to cover remote areas and villages having population of 2000 for directly connecting them with banking network for which year-wise targets have been given to all nationalized banks under sanctioned action plan; and
- (d): if so, the details thereof?

Answer

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

(a) & (b): The poor in rural India are being provided microfinance mainly through the Self Help Group (SHG) - Bank Linkage Model and the Micro Finance Institution (MFI) - Bank Linkage Model.

SHG Bank Linkage Model: Self Help Groups (SHGs) are economically homogeneous groups of up to 10-20 members belonging to poor families that are formed to save small amounts of money on a regular basis. The savings of the SHGs are utilized by them for on lending to group members. SHGs are free to determine the rate of interest to be charged on the loans extended by them. The SHGs are financed directly by the banks. As on 31st March, 2010, 69.53 lakh SHGs have Saving Bank accounts with banks and the amount of saving with the banks was Rs.6,199 crore. Under the SHG - Bank Linkage model thrift and savings precede credit. About 9.7 crore rural households have been covered under this scheme. As on 31st March 2010, 48.51 lakh SHGs had loans outstanding with the banks in the country with an average loan outstanding of Rs 57,795 per SHG.

The other type of lending is under the MFI – Bank Linkage Model which has been growing in the last few years. Under the MFI bank linkage model the banks lend to the MFIs for on lending to the poor. As on 31 March 2010 loans outstanding against 1513 MFIs in the books of banks amounted to Rs. 10,147.54 crore

The Government of India and the Reserve Bank of India (RBI) have taken following steps to encourage SHGs:

(i) To give an impetus to microfinance the Reserve Bank of India (RBI) has categorized microfinance under priority sector lending and lending to SHGs has been brought under advances to weaker sections in priority sector lending. Once SHGs attain maturity in handling their own resources, Banks grade them and extend credit to the qualified Groups in multiples of their savings.

(ii) RBI has permitted banks to use the services of Non Governmental Organizations (NGOs)/SHGs, Micro Finance Institutions (MFIs) and other Civil Society Organisations as intermediaries in providing financial and banking services through Business Facilitator (BF) and Business Correspondent (BC) models.

(iii) RBI has advised banks to provide adequate incentives to their branches for financing SHGs.

(iv) The National Bank for Agriculture and Rural Development (NABARD) extends refinance to Banks for on lending to SHGs at a rate of 8.25 % p.a. to commercial banks [7.75% p.a. for financing in NER including Sikkim] and at 7.75% p.a. to RRBs and Cooperatives (subject to periodic revision).

(v) NABARD has introduced training and capacity building of SHGs / grading of SHGs, etc.

(vi) Microfinance Development and Equity Fund has been set up in NABARD with a corpus of Rs. 200 crore. This corpus has been enhanced by another Rs. 200 crore in the Financial Year 2010-11.

(c) & (d): In order to extend the reach of banking to the rural hinterland, Banks were advised in 2010-11 to provide appropriate banking facilities to habitations having a population in excess of 2000 (as per 2001 census) by March, 2012. These services are to be provided using the Business Correspondent and other models, with appropriate technology back up. This Campaign has been

named "Swabhiman". The Banks have formulated their road maps for Financial Inclusion through the mechanism of the State Level Bankers Committee and have identified approximately 73,000 habitations across the country having a population of over 2000 for providing banking facilities. These habitations have been allocated to Public Sector Banks, Regional Rural Banks, Private Sector Banks and Cooperative Banks for extending banking services by March, 2012. It is estimated that approximately 5 crore rural households shall open bank accounts under this initiative.