

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3686
ANSWERED ON:16.12.2011
MICRO-FINANCING IN INDIA
Dhruvanarayana Shri R.

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government proposes to take micro-finance to 100 million households by 2050;
- (b) if so, the details thereof;
- (c) the areas including rural and remote areas identified so far in this regard;
- (d) whether the growth of the Microfinance sector is linked with growth of the rural economy; and
- (e) if so, the details thereof and steps being taken in this direction for the remaining period of Eleventh Five Year Plan?

Answer

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

(a)to(e): The Self Help Group-Bank linkage programme is being promoted by National Bank for Agriculture and Rural Development (NABARD).

While NABARD is targeting the entire country, it is giving emphasis on 13 priority states viz Uttar Pradesh, Bihar, Himachal Pradesh, Jharkhand, Madhya Pradesh, Rajasthan, Uttarkhand, Maharashtra, Gujarat, West Bengal, Orissa, Assam and Chhattisgarh, which exhibit ample potential for formation of SHGs.

Microfinance contributes positively to the growth of overall country. The Government of India and the Reserve Bank of India (RBI) have taken several steps to encourage SHGs:

- (i) To give an impetus to microfinance the RBI has categorized microfinance under priority sector lending subject to certain conditions 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.
- (v) NABARD has introduced training and capacity building of SHGs / grading of SHGs, etc.
- (vi) A 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.
- (vii) Creation of Women SHG development fund with a corpus of Rs.500 crore to empower the women by promotion of Women SHGs.