

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2573
ANSWERED ON:09.12.2011
CHEAP FUNDS TO MFIS
Dhruvanarayana Shri R.

Will the Minister of FINANCE be pleased to state:

- (a) whether Micro Finance Institutions (MFIs) are likely to lose access to cheap funds from banks;
- (b) if so, the details thereof and reasons therefor; and
- (c) the steps being taken to avoid such situation in future?

Answer

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

(a) to (c): As per Reserve Bank of India's Circular dated May 3, 2011, Bank loans extended on or after 1st April, 2011 to MFIs have been given the status of priority sector advances subject to certain conditions like 85% of total assets of MFIs is in the nature of qualifying assets, aggregate amount of loan, extended for income generating activity, is not less than 75% of the total loans given by MFIs and pricing guidelines are follows. The circular inter alia provides for margin cap at 12% for all MFIs, interest cap on individual loans at 26% per annum for all MFIs that there should not be any penalty for delayed payment and that no security deposit/margin are to be taken.

RBI has also introduced a new category of Non Banking Financial Companies-Micro Finance Institutions (NBFCs-MFIs) on 2nd December, 2011.