

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2575  
ANSWERED ON:09.12.2011  
BANK LOANS TO MFIS  
Choudhry Smt. Shruti

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the micro finance sector has witnessed some positive developments after the Reserve Bank of India(RBI) allowed the continuance of Priority Sector Lending (PSL) status for bank loans to Micro Financial Institutions(MFIs);
- (b) if so, the details thereof and the developments witnessed so far, State-wise including Haryana; and
- (c) the number of people benefited so far from such MFIs?

**Answer**

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

(a) to (c): Reserve Bank of India (RBI) issued a circular on May 3, 2011 wherein it has been stated that bank credit to Micro Finance Institutions extended on, or after, April 1, 2011 for on-lending to individuals and also to members of SHGs/ JLGs will be eligible for categorisation as priority sector advance under respective categories viz., agriculture, micro and small enterprise, and micro credit (for other purposes), as indirect finance, provided not less than 85% of total assets of MFI (other than cash, balances with banks and financial institutions, government securities and money market instruments) are in the nature of 'qualifying assets'. In addition, aggregate amount of loan, extended for income generating activity, is not less than 75% of the total loans given by MFIs.

RBI has reported that the micro finance sector has started witnessing some positive developments after it allowed the continuance of priority sector lending (PSL) status for bank loans to NBFC-MFIs in May this year.

Banks have extended a Corporate Debt Restructuring (CDR) package to MFIs and many microfinance organizations especially in Andhra Pradesh have adopted CDR to restructure their bank loans.