

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:920

ANSWERED ON:25.11.2011

MFIS

Alagiri Shri S. ;Singh Rajkumari Ratna

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has received complaints with regard to growing MFI-Banks Linkage model during each of the last three years and the current financial year:

(b) if so, the details thereof alongwith action taken on such complaints;

(c) whether the Government has conducted any study in this regard; and

(d) if so, the details thereof and if not, the reasons therefor?

Answer

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

(a) to (d) : In view of the developments in the Microfinance sector, particularly in Andhra Pradesh, the Reserve Bank of India (RBI) had in October, 2010 constituted a Sub-Committee under Shri Y.H. Maiegam, Member of the Central Board of Directors of RBI, to study issues and concerns of the Micro Finance Sector including interest rates charged by the lenders in this area. The Maiegam Committee in its Report has inter alia recommended the following.

(i) Creation of a separate category of NBFCs viz. NBFC-MFIs to be regulated, and supervised, by the RBI.

(ii) An average `margin cap` of 10 per cent for MFIs having a loan portfolio of Rs.100 crore and of 12 per cent for smaller MFIs. An interest cap of 24% on individual loans of MFIs.

(iii) In the interest of transparency, an MFI can levy only three charges, namely, (a) processing fee (b) interest and (c) insurance charge,

(iv) A borrower can be a member of only one Self- Help Group (SHG) or a Joint Liability Group (JLG).