

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:3740  
ANSWERED ON:16.12.2011  
DEVELOPMENT OF MICROFINANCE  
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**Will the Minister of FINANCE be pleased to state:**

- (a) whether there is a lot of potential for development of financial services like microfinances in various States in the country including Bihar;
- (b) if so, the details thereof;
- (c) the action being taken/proposed to be taken by the Government in this regard; and
- (d) the number of such institutions in the country, State-wise?

**Answer**

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

(a) to (d): Microfinance is an effective tool for poverty alleviation as it meets various needs of the poor like thrift, credit, remittances and insurance. Therefore, there is immense potential for development of such financial services especially in less developed states including Bihar.

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.

The State wise details of progress under microfinance- Saving of SHGs as on 31st March 2011 is given in Annex-I. The details of Non Banking Financial Companies (NBFC)- MFIs registered with Reserve Bank of India is given in Annex-II.

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 SHG.