

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1683
ANSWERED ON:23.03.2012
QUESTION EYE ON MFI LENDING
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India(RBI) has delegated its responsibility to keep an eye on MFI lending to the Banks; and
(b) if so, the details thereof and the present status thereof in each State especially in Andhra Pradesh?

Answer

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

(a) & (b): Reserve Bank of India had set up a Sub-committee of the Central Board of Directors of the Reserve Bank to study the issues and concerns in the microfinance sector, including ways and means of making interest rates charged by them reasonable. The Sub-Committee recommended creation of a separate category of NBFCs operating in the microfinance sector to be designated as NBFC-MFIs. Bank lending to NBFCs which qualify as NBFC-MFIs will be entitled to 'Priority lending' status. For monitoring compliance with regulations, the sub-Committee has proposed a four-pillar approach with the responsibility being shared by (a) MFI (b) industry associations (c) banks and (d) the Reserve Bank of India.

Based on the recommendation of the Malegam Committee, RBI issued a circular on May 03, 2011 wherein it has been stated that bank credit to Micro Finance Institutions extended on, or after, April 01, 2011 for on-lending to individuals and also members of SHG/JLGs will be eligible for categorization 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 should not be less than 75% of the total loans given by MFIs.