

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5838

ANSWERED ON:11.05.2012

CONTROL ON MICRO FINANCE

Devappa Anna Shri Shetti Raju Alias;Maharaj Shri Satpal;Sayeed Muhammed Hamdulla A. B.

Will the Minister of FINANCE be pleased to state:

- (a) the rate of interest charged by the micro financing companies during the last three years;
- (b) the details of mechanism put in place by the Government to put a check on private financial institutions charging exorbitant rates of interests;
- (c) the details of cases arising therefrom during the last three years;
- (d) the measures taken or proposed to be taken to safeguard the loan seekers from exorbitant rates of interest in future?

Answer

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

(a) to (d): The Reserve Bank of India had set up a sub-committee of the Central Board of Directors of the Reserve Bank headed by Shri Y.H. Malegam, Director on the Bank's Board, to study the issues and concerns in this sector, including ways and means of making interest rates charged by them reasonable . The sub-committee has since submitted its report. As per Reserve Bank of India's circular dated May 3, 2011, bank loans to MFIs have been given the status of priority sector subject to certain conditions. 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, no penalty for delayed payment and no security deposit/margin to be taken. The Department of Financial Services is formulating a Micro Finance Institutions (Development and Regulation) Bill, 2012 after taking into account the views of Malegam Committee and other stakeholders.