

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4820
ANSWERED ON:07.08.2009
NABARD
Maadam Shri Vikrambhai Arjanbhai

Will the Minister of FINANCE be pleased to state:

- (a) whether National Bank for Agriculture and Rural Development's (NABARD) rising cost of fund is going to affect the programme of financial inclusion of the Government;
- (b) if so, the details and the remedial measures taken by the Government in this regard;
- (c) the ambit of functioning of the proposed Micro-Finance Institution formed by NABARD;
- (d) whether NABARD's foray into retail segment like Micro Finance would deflect NABARD from its principal mandate to serve the rural underprivileged; and
- (f) if so, the details thereof?

Answer

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

(a) & (b): In order to facilitate the process of Financial Inclusion in the country, the Government of India (GoI) has constituted two viz. Financial Inclusion Fund (FIF), for meeting the cost of developmental and promotional interventions for ensuring financial inclusion, and Financial Inclusion Technology Fund (FITF) to meet the cost of technology adoption with an overall corpus of Rs.500 crore each. Both the funds are housed in National Bank for Agriculture and Rural Development (NABARD). The initial funding to these funds is to be contributed by the GoI, Reserve Bank of India and NABARD in a ratio of 40:40:20.

(c): NABARD has restructured the existing 'Karnataka Agri Development Finance Company Limited' into NABARD Financial Services Limited (NABFINS). It is a subsidiary of NABARD. It would be providing all kinds of Microfinance services and work within the regulatory framework of Reserve Bank of India. NABFINS would act as a Model Micro Finance Institutions (MFIs), and would be facilitating setting up of benchmarks and standards for the MFI sector.

(d) & (f): NABARD does not intend to enter the retail segment with objective of making profit. Entry into the retail segment through a subsidiary with the objective of setting up benchmarks and standards for the MFI sector is likely to further strengthen the developmental role of NABARD in the Microfinance Sector. This will further enable NABARD to serve the rural, underprivileged populace.