GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1955
ANSWERED ON:08.03.2013
BANKS EXPOSURE TO MFI
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Will the Minister of FINANCE be pleased to state:

(a) the details of the credit extended to the Micro Finance Institutions (MFIs) by the scheduled commercial banks and other financial institutions along with the rate of interest charged thereon during the last three years and the current year, bank/ institution-wise;

(b) whether the Government/Reserve Bank of India (RBI) has laid down any guidelines with regard to exposure of banks to non-financial and financial entities;

(c) if so, the details thereof;

(d) whether any violations of such guidelines have come to the notice of the Government /RBI during the aforesaid period; and

(e) if so, the details thereof and the action taken/proposed to be taken by the Government thereon?

Answer

The Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a): The details of the credit extended to the Micro Finance Institutions (MFIs) by the Public Sector Banks and Small Industrial Development Bank of India are given in Annexure.

(b) & (c): The guidelines of RBI dated 2nd July, 2012 to Scheduled Commercial Banks (excluding Regional Rural Banks) about exposure to Non Banking Financial Companies (NBFCs) (available at the RBI website www.rbi.org.in) inter-alia require that the exposure of a bank to a single NBFC (other than NBFCs in Asset Financing and Infrastructure Finance) should not exceed 10 % of the Bank's capital funds as per its last audited balance sheet. This exposure can go upto 15% provided that the additional exposure is on account of funds on-lent by the NBFC to the infrastructure sector.

(d) & (e): RBI has reported that due to adverse movement in exchange rates the banks have exceeded the regulatory limits on few occasions. RBI had condoned such excess but advised banks to take into account the possibility of adverse movements in exchange rates while sanctioning the loans so that such eventualities do not normally arise.