

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5264
ANSWERED ON:26.04.2013
LOAN FROM MFIS
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Will the Minister of FINANCE be pleased to state:

- (a) whether Reserve Bank of India (RBI) has directed banks to go easy on Micro Finance Institutions (MFIs) by relaxing loan norms;
- (b) if so, the details thereof; and
- (c) the manner in which this move is likely to help the poor people to get loans at reasonable rate from MFIs?

Answer

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

(a) & (b): Under the Priority Sector Lending (PSL) guidelines of Reserve Bank of India (RBI) issued on 20th July, 2012 bank credit to Micro Finance Institutions (MFIs) extended on, or after, April 1, 2011 for on-lending to individuals and also to members of Self Help Groups (SHGs)/ Joint Liability Groups (JLGs) will be eligible for categorisation as priority sector advance, 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, is not less than 75% of the total loans given by MFIs.

A qualifying asset shall mean a loan disbursed by MFI which inter-alia satisfies some conditions on household income, indebtedness of the borrower, amount and tenure of loan as well as periodicity of repayment.

(c): As per extant guidelines on Priority Sector Lending (PSL), all domestic Scheduled Commercial Banks (SCBs) are mandated to earmark 40 percent of their Adjusted Net Bank Credit (ANBC) or Credit Equivalent Amount of Off- balance Sheet Exposure (OBE), whichever is higher, as on March 31 of the previous year, for lending to priority sector.

The categorisation of bank credit to MFIs as priority sector advance as explained above is likely to improve the flow of funds to the sector.