

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:6942
ANSWERED ON:08.05.2015
MICRO FINANCE INSTITUTIONS
Mondal Shri Sunil Kumar

Will the Minister of FINANCE be pleased to state:

- (a) whether micro-finance sector has grown rapidly over the years on account of inadequate banking reach in various parts of the country;
- (b) if so, the details thereof along with the number of Micro-Finance Institutions (MFIs) registered with the Reserve Bank of India (RBI), State/UT-wise;
- (c) whether MFIs have reportedly been involved in charging of high rate of interest using coercive methods for recovery of loans and other irregularities and if so, the details thereof, including rate of interest allowed to them;
- (d) the regulatory framework put in place by the Government for regulation of MFIs; and
- (e) the measures taken/proposed to be taken for the development of MFIs and also safeguarding the interest of the borrowers?

Answer

(MINISTER OF STATE IN THE MINISTRY OF FINANCE) (SHRI JAYANT SINHA)

(a) & (b): The number of bank branches in the country has increased to 1,22,294 in December, 2014 from 60,220 in 1991 indicating improved banking reach in various parts of the country. The Micro Finance Institutions have also grown in the country which has further supplemented the financial services across the country. As per Sa-Dhan Bharat Micro Finance Report 2014, number of MFI borrowers increased to 3.30 crore in 2014 from 0.03 crore in 2001. The report also states that the gross loan portfolio of MFIs increased to Rs. 29,442 crore in 2014 from Rs. 65 crore in 2001. These data indicate the growth of micro finance sector over the years.

There are 63 NBFC - MFIs registered with Reserve Bank of India's (RBI) Regional offices. The list is attached at Annexure I.

(c): As per information furnished by RBI, not many such instances/ complaints against NBFC-MFIs have been received. Details of the complaints received against NBFC-MFIs for charging high rate of interest / using coercive methods for recovery of loans and other irregularities, for the last 2 years, is enclosed as Annexure II.

RBI has advised the NBFC-MFIs that the interest rates charged by it to its borrowers will be the lower of the following:

- i. The cost of funds plus margin
- ii. The average base rate of the five largest commercial banks by assets multiplied by 2.75.

(d): RBI has issued regulatory guidelines vide Master Circular on 'Non Banking Financial Company-Micro Finance Institutions' (NBFC-MFIs) dated 01.07.2014 containing regulatory framework for NBFC-MFIs. Further, to safeguard the interest of borrowers of the companies which are registered with RBI as NBFC-MFIs, from NBFC-MFIs, RBI has issued detailed Guidelines on Fair Practices Code in 2008 and revised the same from time to time. The last such revision was on February 18, 2013.

(e) Government of India has created "India Microfinance Equity Fund" (IMEF) of Rs.100 crore with SIDBI with the primary emphasis of providing equity and quasi equity to smaller MFIs to help them maintain growth and achieve scale and efficiency in their operations. A further allocation of Rs.200 crore has been made to the IMEF in the budget for FY 2014. As on March 31, 2015 an amount of Rs. 162.25 crore has already been committed.

SIDBI is also implementing the World Bank supported "Scaling up Sustainable and Responsible Microfinance Project" to be implemented over a period of 5 years. With a view to up scaling the micro credit portfolio SIDBI has contracted a Line of Credit of USD 300 million (with USD 200 million IBRD and USD 100 million equivalent IDA) with the World Bank. The objective of the project is to scale up access to sustainable microfinance services, particularly to clients in the underserved areas of the country, through among other things, introduction of innovative financial products and fostering transparency and responsible finance.