

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:358

ANSWERED ON:15.12.2006

MICRO FINANCING SYSTEM

Gohain Shri Rajen;Nahata Smt. P. Jaya Prada

**Will the Minister of FINANCE be pleased to state:**

- (a) whether India is one of the largest emerging markets for Micro Finance in the World;
- (b) if so, whether out of the total estimated demand of Micro Credit of Rs. 1,50,000 crore actual disbursement till now as per the Reserve Bank of India is only Rs. 8,000 crore;
- (c) whether in order to regulate Micro Credit Sector, the Government proposes to bring forward a legislation to focus on developing the Micro Finance movement in the Rural Areas;
- (d) if so, the detailed strategy chalked out by the Government to Tap this emerging market;
- (e) whether any target has been fixed by the public sector banks to sanction loans during the current year through Micro Financing System; and
- (f) if so, the details thereof?

**Answer**

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI P.CHIDAMBARAM)

(a) to (f) : A Statement is laid on the Table of the House.

Statement referred to Parts (a) to (f) of Lok Sabha Starred Question No.358 to be answered on 15th December, 2006 regarding Micro Financing System, tabled by Shri Rajen Gohain and Shrimati Jayaprada.

(a) & (b) : Yes, Sir. There are different models for purveying microfinance. Commercial Banks, Regional Rural Banks and Cooperative Banks lend directly to Self Help Groups(SHG) organised by them/Non Government Organisations(NGOs) under SHG Bank Linkage Programme or lend to Micro Finance Institutions(MFIs) for on lending to SHG s, organised by the MFIs. As on 31st October, 2006, Banks have directly lent Rs.12,618 crores to over 23.72 lakh SHGs. Additionally, 23.89 lakh SHGs have been provided Rs.7498.57 crores of credit and subsidy under the Swaranjayanti Gram Swarajgar Yojana (SGSY) Programme as on 30th October, 2006.

(c) & (d) : The enactment of a new law on Micro Financial Sector (Development & Regulation) will ensure a legal framework for the entities engaged in micro finance and facilitate an environment for development of micro finance services in the country with greater transparency, effective management and better governance. The flow of micro finance services to the un-banked population of the country will facilitate wider financial inclusion.

(e) & (f) : A target of credit linkage of 3,85,000 new SHGs by banks under the SHG Bank Linkage Programme has been fixed for the year 2006-07.