

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3452

ANSWERED ON:15.12.2006

LOAN TO MICRO FINANCING INSTITUTIONS

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Will the Minister of FINANCE be pleased to state:

- (a) Whether the Government is contemplating to ban loans to the micro financing institutions by the banks for providing credit;
- (b) if so, the reasons therefore;
- (c) Whether inquiry has been completed on funds given to these institutions during first six months of the current year; and
- (d) if so, the total funds made available alongwith the number of such institutions which have been given funds for this purpose?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) : No, Sir.

(b) : Does not arise.

(c) : There were some issues regarding Micro Finance Institutions,(MFIs) in Andhra Pradesh. The State Government of Andhra Pradesh had appointed Dr. V.P. Johari to enquire into the issues relating to MFIs. The Committee in its report has, inter-alia, recommended that :-

A Government official should be a special invitee on the Board of the MFI.

Before financing MFIs the banks should ensure that they follow a model code of conduct while transacting with the poor and that MFIs should not be involved in the Government sponsored programmes such as SGSY.

(d) : The present system of data collection by Reserve Bank of India does not generate the information of funds made available by banks to Micro Finance Institutions. However, the cumulative lending by banks to 23.72 lakh Self Help Groups(SHG) under SHG Bank Linkage Programme upto 31st October, 2006 is Rs.12,618 crores. Additionally, 23.89 lakh SHGs have been provided Rs.7498.57 crores of credit and subsidy under the Swarnajayanti Grata Swarojgar Yojana (SGSY) Programme as on 30 October, 2006.