

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

RAJYA SABHA

UN-STARRED QUESTION NO. 726

TO BE ANSWERED ON 13th DECEMBER, 2022 /22 AGRAHAYANA, 1944 (SAKA)

'REGULATION OF PRIVATE MICROFINANCE COMPANIES'

726: SHRI AYODHYA RAMI REDDY ALLA:

Will the Minister of FINANCE be pleased to state:

(a) whether Government is planning to release any additional restrictions on the interest rate or other parameters affecting final borrowers with respect to private microfinance companies, if so, the details thereof, and if not, the reasons therefor; and

(b) whether Government has sanctioned or conducted any study in the last two years into how the privatization of rural credit would affect the final borrowers, especially women, if so, the details thereof, and if not, the reasons therefor?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(DR. BHAGWAT KARAD)

(a) : Reserve Bank of India (RBI), being the regulator of all the financial Micro Financial Institution including Non-Banking Financial Companies (NBFC-MFIs), had already issued the regulatory framework on pricing of microfinance loans on March 14, 2022, wherein each regulated entity shall put in place a board-approved policy regarding pricing of microfinance loans. These directions, *inter alia*, cover a well-documented interest rate model for arriving at the all-inclusive interest rate; delineation of the components of the interest rate such as cost of funds, risk premium and margin, etc. in terms of the quantum of each component based on objective parameters; range of spread of each component for a given category of borrowers; and a ceiling on the interest rate and all other charges applicable to the microfinance loans.

(b) : As apprised by Ministry of Rural & Development and NABARD, no such study has been conducted in last two years.

However, as informed by Microfinance Institutions Network (MFIN), National Council of Applied Economic Research (NCAER) has conducted a study on "Present and Potential Contribution of Microfinance to India's Economy" which highlights *inter-alia* the social or non-economic benefits of credit, the key area being women empowerment.
