

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA

UN-STARRED QUESTION NO. 1216

ANSWERED ON 11th DECEMBER, 2023 / AGRAHAYANA 20, 1945 (SAKA)

PRIVATE MICROFINANCE COMPANIES

1216: SHRIMATI POONAM MAHAJAN:

MS. RAMYA HARIDAS:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is planning to impose any additional restrictions on the interest rate or other parameters affecting final borrowers with respect to private microfinance companies;
- (b) if so, the details thereof;
- (c) the time by which a final decision is likely to be taken in this regard;
- (d) whether the Government has conducted any study during the last two years as to how the privatization of rural credit would affect the final borrowers, especially women; and
- (e) if so, the details thereof and if not, the reasons therefor?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a), (b) & (c) Reserve Bank of India (RBI), being the regulator of all the financial Micro Financial Institution including Non-Banking Financial Companies (NBFC-MFIs), has 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.

(d) & (e) 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” in 2022 which highlights inter-alia the social or non-economic benefits of credit, the key area being women empowerment.
