

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES

**LOK SABHA**

**STARRED QUESTION NO. \*94**

**TO BE ANSWERED ON 26<sup>th</sup> JULY, 2021 / SRAVANA 4, 1943 (SAKA)**

**'Credit Support to MFIs'**

**\* 94: SHRI NAMA NAGESWARA RAO:**

Will the Minister of FINANCE be pleased to state:

- (a) whether Micro Finance Institutions (MFIs) have sought emergency credit line support to mobilise funds to tide over the crisis of lower collections due to the business disruptions caused by the Corona pandemic and if so, the details thereof;
- (b) the steps taken by the Government to facilitate flow of funds from commercial banks to micro finance institutions;
- (c) whether the Government has identified any priority States including Telangana to increase the coverage of micro finance credit facility in such States;
- (d) if so, the details thereof and if not, the reasons therefor; and
- (e) the extent to which this initiative is likely to help achieve the target of financial inclusion of the Government?

ANSWER

FINANCE MINISTER

**(SMT. NIRMALA SITHARAMAN)**

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

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**STATEMENT REFERRED IN REPLY TO PART (a) TO (e) OF THE LOK SABHA STARRED QUESTION NO. \*94 FOR ANSWER ON 26<sup>th</sup> JULY 2021, TABLED BY SHRI NAMA NAGESWARA RAO REGARDING CREDIT SUPPORT TO MFIs.**

**(a) to (e):**

Representations have been received by Government from industry stakeholders regarding requirement of liquidity support by NBFC-MFIs, especially smaller ones following the second wave of the pandemic. In recognition of the business disruptions caused by the pandemic and the resultant liquidity stress being felt by MFIs on account of lower loan collections, rise in credit delinquencies, drying up of funds for making fresh disbursements and meeting operational expenses, Government, have announced a scheme, namely, Credit Guarantee Scheme for Micro Finance Institutions (CGSMFI). This scheme provides Credit Guarantee of 75% of default amount for a maximum period of three years, for loans given by lenders to Non-Banking Financial Companies- Micro Finance Institutions (NBFC-MFIs) and Micro Finance Institutions (MFIs). The guarantee cover under the scheme is being provided by National Credit Guarantee Trustee Company Ltd. (NCGTC).

This scheme has been designed to encourage lenders to provide liquidity to NBFC-MFIs/ MFIs to enable such NBFC-MFIs/ MFIs to provide credit facility at lower rates to an estimated 25 lakh small borrowers, thereby supporting the Government's endeavour towards financial inclusion.

The CGSMFI facility is applicable across all states including the State of Telangana.

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