

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA

UN-STARRED QUESTION NO. 157

TO BE ANSWERED ON 19th July, 2021 / ASHADHA 28, 1943 (SAKA)

Credit by Microfinance Companies

157: SHRIMATI MANEKA SANJAY GANDHI

Will the Minister of FINANCE be pleased to state:

- (a) the amount of credit extended through microfinance companies during the period from 2000 till now;
- (b) the amount out of the same classified under stressed assets till now; and
- (c) the details of the mechanisms introduced to deal with the issue of stressed assets with respect to microfinance companies?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(Dr. BHAGWAT KARAD)

(a) & (b): Reserve Bank of India (RBI) is the regulator of microfinance entities which are having corporate (company) legal structure i.e. Non-Banking Financial Companies (NBFC-MFIs). As informed by RBI details of loans & advances and stressed asset of such NBFC-MFIs (with asset size of above Rs. 500 crore) are available only from FY 2009-10 to FY 2020-21 and the same is placed at **Annexure I**.

(c): As per RBI's Prudential Framework for Resolution of Stressed Assets dated June 07, 2019, as applicable to Micro Finance Companies, the fundamental principles underlying the regulatory approach for resolution of stressed assets are as under:

- (i) Early recognition and reporting of default in respect of large borrowers by lenders;
- (ii) Complete discretion to lenders with regard to design and implementation of resolution plans, subject to the specified timeline and independent credit evaluation;
- (iii) Harmonised framework for resolution of stressed assets, in supersession of all earlier resolution schemes;
- (iv) A system of disincentives in the form of additional provisioning for delay in implementation of resolution plan or initiation of insolvency proceedings;
- (v) Withdrawal of asset classification dispensations on restructuring. Future upgrades to be contingent on a meaningful demonstration of satisfactory performance for a reasonable period;
- (vi) Signing of inter-creditor agreement (ICA) by all lenders to be mandatory, which will provide for a majority decision making criteria.

In addition, Government has announced a 'Credit Guarantee Scheme for MFIs' to provide guarantee cover to banks /lending institutions for loans to MFIs, for on lending to approximately 25 lakh small borrowers. The scheme, inter-alia, provides for guarantee cover to the extent of 75% of default amount with rate of interest on loans from Banks capped at Marginal Cost of Lending Rates plus 2%, and rate of interest to small borrowers **at least** 2% below maximum rate prescribed by RBI.

Annexure-I referred in reply to Lok Sabha Un-starred Question No. 157 for answer on 19th July, 2021 regarding Credit by Microfinance Companies

Loans & advances and stressed asset of NBFC-MFIs (with asset size of above Rs. 500 crore)		
Amount in Rs. Crore		
Financial Year	Gross Loans and Advances	Stressed Assets
2009-10	6,546	NA
2010-11	11,563	NA
2011-12	9,069	3,551
2012-13	11,771	3,361
2013-14	14,349	3,073
2014-15	21,081	2,724
2015-16	34,187	2,704
2016-17	39,480	3,143
2017-18	41,444	3,114
2018-19	51,992	2,252
2019-20	59,349	1,986
2020-21	68,254	3,571

Source: RBI