

**GOVERNMENT OF INDIA**

**MINISTRY OF FINANCE**

**RAJYA SABHA**

**QUESTION NO 09.11.2010**

**ANSWERED ON**

**HARRASSMENT BY MICRO FINANCE INSTITUTIONS**

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Shri Y. S. Chowdary

Will the Minister of FINANCE be pleased to state :-

- (a) the details of major domestic and foreign companies engaged in micro- finance in India and their annual turn-over during the last three years;
- (b) the details of annual interest earned by these companies during the last three years;
- (c) whether Government is aware of the suicide committed by people in Andhra Pradesh and other States due to harassment by these companies;
- (d) if so, the details thereof;
- (e) whether Government intends to impose cap on rates of interest charged by these companies and also to bring in any regulatory authority; and
- (f) if so, the details thereof?

**ANSWER**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI NAMO NARAIN MEENA )

(a) & (b): The Small Industrial Development Bank of India(SIDBI) has reported details of the major companies engaged in Micro Finance in India and their annual turnover during the last three financial years(FY), as under: (Rs. Crore)

(c ) to (f): The Government of India had in September, 2010 written to all Chief Executive Officers of Public Sector Banks advising them to ensure that the rates of interest charged by the MFIs to the eventual beneficiaries are reasonable. The Banks were also advised to ensure that MFIs do not resort to ever greening of the loans. In this regard, the RBI through its Master Circular on the Fair Practice Code dated July 1st, 2010, advised NBFCs that though Interest Rates are not regulated by the RBI, rates of interest beyond a certain level may be seen to be excessive and can neither be sustainable nor be confirming to normal financial practice. The Boards of NBFCs were therefore advised to lay out appropriate principles and procedures and determine interest rates, processing and other charges. There have been reports about suicides in the State of Andhra Pradesh(A.P) . The A.P. Government was of the view that these suicides are related to the usurious rates of interest and the recovery practices being adopted by the MFIs. To curb these practices, the A.P. Government promulgated the Andhra Pradesh Microfinance Institution (Regulation of Moneylenders) Ordinance, 2010 on 15th October, 2010. Recently, the RBI has set up a Sub-Committee of the Central Board of Directors of the Reserve Bank to study the issues and concerns in the microfinance sector.