

**PRESS INFORMATION BUREAU  
GOVERNMENT OF INDIA**

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**STRONG ARM TACTICS ADOPTED BY MFIS FOR RECOVERY OF LOANS**

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There have been some concerns in the recent past expressed in the media about high interest rates, coercive recovery processes and multiple lending practiced by some microfinance institutions. In order to study these and other related issues and implications for its policies and given the useful role played by the microfinance institutions in providing access to financial services to the poor and excluded, the Reserve Bank of India set up a sub-committee of the Central Board of Directors of the Reserve Bank headed by Shri Y.H. Malegam, Director on the Bank's Board, to study the issues and concerns in this sector, including ways and means of making interest rates charged by them reasonable. The Sub-Committee has since submitted its report. As per Reserve Bank of India's Circular dated May 3, 2011, Bank loans to MFIs has been given the status of priority sector. The circular inter alia provides for margin cap at 12% for all MFIs, interest cap on individual loans at 26% per annum for all MFIs, there should not be any penalty for delayed payment and no security deposit/margin are to be taken.

This information was given by the Minister of State for Finance, Shri Namo Narain Meena in written reply to an Unstarred Question in Rajya Sabha today.

**DSM/ Hb**