

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

CAP ON LENDING RATES TO MFIs

**New Delhi, Agrahayana 29, 1933
December 20, 2011**

As per Reserve Bank of India (RBI)'s Circular dated May 3, 2011, bank loans extended on or after 1st April, 2011 to MFIs have been given the status of priority sector advances subject to fulfillment of certain conditions like 85% of total assets of MFIs being in the nature of qualifying assets, aggregate amount of loan extended for income generating activity not less than 75% of the total loans given by MFIs and compliance to pricing guidelines. The circular inter alia provides for margin cap at 12% and interest cap on individual loans at 26% per annum for all MFIs, no penalty for delayed payment and no security deposit/margin to be taken. RBI has also reported that the micro finance sector has started witnessing some positive developments after it allowed the continuance of priority sector lending (PSL) status for bank loans to NBFC-MFIs in May this year.

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.

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EXTENSION OF CREDIT FACILITIES TO FARMERS AND SMALL INDUSTRIES**New Delhi, Agrahayana 29, 1933****December 20, 2011**

As per Dr. Rangarajan Committee Report on Financial Inclusion (2008), 51.4 per cent farmer households in the country do not access credit, either from institutional or non-institutional sources. In terms of Reserve Bank's extant guidelines on lending to priority sector, a target of 40 per cent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent amount of Off-Balance Sheet Exposures (OBE), whichever is higher, as on March 31 of the previous year, has been mandated for lending to the priority sector by domestic scheduled commercial banks, both in the public and private sector. Within this, a sub-target of 18 per cent of ANBC or Credit Equivalent amount of OBE, whichever is higher, as on March 31 of the previous year, has been mandated for lending to agriculture sector.

The Government of India has taken several measures for the availability of credit to farmers through banks. These include:

(i) The Interest Subvention Scheme is being implemented by the Government of India since 2006-07 to make short-term crop loans up to Rs. 3 lakh for a period of one year available to farmers at the interest rate of 7 percent per annum. The Government of India has since 2009-10 been providing additional interest subvention to prompt payees farmers, i.e., those who repay their loan in time. The additional subvention was 1% in 2009-10 and 2% in 2010-11. This is being increased to 3% in 2011-12.

(ii) The Agricultural Debt Waiver and Debt Relief Scheme (ADWDRS), 2008 has de-clogged the lines of credit that were clogged due to the debt burden on the farmers

(iii) Banks have been advised to dispense with the requirement of "no dues" certificates for small loans up to Rs.50,000 to small and marginal farmers, share-croppers and the like and instead obtain a self-declaration from the borrower

(iv) RBI has advised banks to waive margin/security requirements for agricultural loans up to Rs 1,00,000.

(v) To extend the reach of banking facilities to the rural hinterland, banks have identified approximately 73,000 villages with population of more than 2000 to provide banking facilities by March, 2012. As per reports received from State Level Bankers Committee (SLBC) Convener Banks, over 45,000 such villages have been covered upto October, 2011.

(vi) General permission has been granted to domestic Scheduled Commercial Banks (other than RRBs) to open branches/mobile branches/Administrative Offices/CPCs (Service Branches): (i) In Tier 2 to Tier 6 centres (with population upto 99,999) and (ii) in rural, semi urban and urban centres of the North-Eastern States and Sikkim, subject to reporting. RBI has advised banks that while preparing their Annual Branch Expansion Plan (ABEP), the Banks should allocate at least 25 percent of the total number of branches proposed to be opened during a year in unbanked rural (Tier 5 and Tier 6) centres.

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