THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA): (a) Yes, Sir.

(b) No, Sir.

(c) Does not arise.

(d) No such information has been received in the Ministry of Finance.

(e) Does not arise in view of (d) above.

(f) The existing Constitutional and Parliamentary procedure does not mandate separate budget for Agriculture.

Recommendation of the Malegam Committee

670. SHRI R.C. SINGH: Will the Minister of FINANCE be pleased to state:

(a) whether the Malegam Committee has recommended for creation of non-banking finance company to be termed as NBFC-MFI;

(b) what are the other recommendations made by the Committee;

(c) whether any consultations have been held with the representatives of MFIs; and

(d) if so, the outcome of such consultations?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA): (a) to (d) The Malegam Committee appointed to look into the functioning of MFIs has submitted its Report on January 19, 2011 to Reserve Bank of India (RBI). The Committee, heard the views of the stakeholders including representatives of MFIs. The Committee *inter-alia,* recommended the following:

(i) Creation of a separate category of Non-Banking Financial Companies (NBFCs) *viz.* Non Banking Financial Companies (NBFC)-Micro Financial Institutions (MFIs) to be regulated, and supervised, by the RBI.

(ii) To qualify as a NBFC-MFI, the NBFC should be "a company which provides financial services pre-dominantly to low-income borrowers, with loans of small amounts, for short-terms, on unsecured basis, mainly for income-generating activities, with repayment schedules which are more frequent than those normally stipulated by commercial banks' and which further satisfies the regulations specified in that behalf.

(iii) Continuation of priority sector lending status to bank loans to these separate category of NBFC-MFIs.

(iv) Exemption of such NBFC-MFIs from the provisions of State Money Lending Laws, etc.

(v) The NBFC-MFI will hold not less than 90% of its total assets (other than cash and bank balances and money market instruments) in the form of qualifying assets.

(vi) There are limits of an annual family income of Rs.50,000 and an individual ceiling on loans to a single borrower of Rs.25,000.

(vii) Not less than 75% of the loans given by the MFI should be for income-generating purposes.

(viii) There is a restriction on the other services to be provided by the MFI which has to be in accordance with the type of service and the maximum percentage of total income as may be prescribed.

(ix) An average "margin cap" of 10 per cent for MFIs having a loan portfolio of Rs.100 crore and of 12 per cent for smaller MFIs. An interest cap of 24% on individual loans of MFIs.

(x) In the interest of transparency, an MFI can levy only three charges, namely, (a) processing fee (b) interest and (c) insurance charge.

The Committee has also made a number of recommendations to mitigate the problems of multiple-lending, over borrowing, ghost borrowers and coercive methods of recovery. These include:

(i) A borrower can be a member of only one Self-Help Group(SHG) or a Joint liability group (JLG).

(ii) Not more than two MFIs can lend to a single borrower.

(iii) There should be a minimum period of moratorium between the disbursement of loan and the commencement of recovery.

(iv) The tenure of the loan must vary with its amount

(v) A Credit Information Bureau has to be established

(vi) The primary responsibility for avoidance of coercive methods of recovery must lie with the MFI and its management

(vii) The Reserve Bank of India must prepare a draft Customer Protection Code to be adopted by all MFIs

(viii) There must be grievance redressal procedures and establishment of ombudsmen

(ix) All MFIs must observe a specified Code of Corporate Governance.

While reviewing the proposed Micro Finance (Development and Regulation) Act, the Committee has recommended that entities governed by the proposed Act should not be allowed to do business of providing thrift services.

The Reserve Bank of India has placed the Report in the public domain, and based on the feedback received from all stakeholders, it will take a considered view on the sector. Further, the Department of Financial Services will consider introducing a Micro Finance (Development and Regulation) Bill after taking into account the views of RBI on the Committee's recommendations.

India's participation in FATF

671. SHRI NAND KUMAR SAI: Will the Minister of FINANCE be pleased to state:

(a) whether India has become a member of the Eurasian Group, a Financial Action Task Force (EFTF) enforcing global standards on anti money laundering and combating the financing of terrorism;

(b) if so, the details thereof;

(c) the names of other members of the Eurasian Group; and

(d) the extent to which Government will be able to check diversion of money to terrorism after obtaining membership in the group?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA): (a) and (b) Yes, Sir. India has become a member of the Eurasian Group (EAG) on Anti-Money Laundering and Combating the Financing of Terrorism on December 15, 2010. EAG is a Financial Action Task Force (FATF) Styled Regional Body, responsible for enforcing global standards on anti-money laundering (AML) and combating the financing of terrorism (CFT).