

Microfinance Bill likely in Winter Session

The government is likely to introduce a Bill that seeks to make it mandatory for all microfinance institutions to be registered with the Reserve Bank of India (RBI) and entrusts the task of regulating the sector to the central bank in the Winter Session of Parliament.

The Finance Ministry is in discussion with all concerned stakeholders for fine-tuning the draft Microfinancial Sector (Development and Regulation) Bill, 2011, official sources said.

The ministry hopes to table the Bill in the upcoming Winter Session of Parliament, sources said.

The draft Microfinancial Sector (Development and Regulation) Bill, 2011, was circulated for public comments in July this year.

In an earlier Bill, it was proposed that the National Bank for Agriculture and Rural Development (Nabard) would be the regulator of the sector.

The government had introduced the Microfinancial Sector Bill in the Lok Sabha in March, 2007. However, the Bill lapsed when the term of the 14th Lok Sabha expired in 2009.

The latest draft Bill proposes to make it mandatory for microfinance institutions (MFIs) to be registered with the RBI and have minimum net-owned funds of Rs 5 lakh.

In addition, a Microfinance Development Council will be set up to advise the government on formulation of policies, schemes and other measures required in the interest of orderly growth and development of the sector and microfinance institutions with a view to promote financial inclusion.

The council will comprise members not below the rank of Executive Director from Nabard, National Housing Bank, RBI and Sidbi. In addition, joint secretaries from the Ministry of Finance and the Ministry of Rural Development will also be its members.

The draft Bill also proposes that any micro-finance institution which is not a company registered under the Companies Act, 1956, and which becomes a systemically important micro-finance institution shall convert its institution into a company registered under the Companies Act, 1956, with or without a licence, under Section 25 of the Act.

This should happen within six months from the date of the balance sheet that shows the MFI has become a systematically important microfinance institution in terms of the rules prescribed by the central government, the draft Bill said.

The RBI may pass an order directing an MFI to cease and desist from carrying out micro-finance activities if it is found acting in manner prejudicial to the interest of its

clients or depositors.

The RBI will cancel the certificate of registration granted to an MFI if it fails to comply with the directives or condition, the draft Bill states.

(PTI)