

To step up lending to microfinance institutions

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Mumbai, In order to provide funding to **microfinance institutions (MFIs)**, the **Small Industries Development Bank of India (SIDBI)** has tied up funds amounting to \$300 million from the World Bank. The loan includes \$200 million from the International Bank for Reconstruction and Development and Special Drawing Rights equivalent of \$100 million from the International Development Association.

SIDBI, in a statement, said the World Bank loan would be used to provide funding to MFIs to help scale-up their operations, enhance their financial strength, and enable them to leverage the funds for onward lending. The funding would include senior debt, sub-debt and equity. Further, the funds would be used to create a lenders' forum for promoting cooperation among MFI lenders to encourage responsible lending practices. The loan would also support the development and piloting of a code of conduct assessment, which would serve as an innovative rating tool, measuring the performance of MFIs in regard to their adherence to the code of conduct.

Development of an India Microfinance Platform for collection and dissemination of operational and financial data pertaining to MFIs is also envisaged with the help of the loan. This would help management decision making, lower cost of delivery and potentially be used to avoid systemic or large-scale credit problems. During FY2010, SIDBI's sanctions under its microfinance portfolio increased by 56 per cent to Rs 2,970 crore (Rs 1,904 crore in FY09) while disbursements increased by 55 per cent to Rs 2,669 crore (Rs 1,718 crore). As of March-end 2010, SIDBI has an outstanding microfinance portfolio of Rs 3,811 crore (Rs 2,136 crore as of March-end 2009).

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