

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2066
ANSWERED ON:15.03.2002
PRIORITY SECTOR LENDING OBLIGATIONS
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Will the Minister of FINANCE be pleased to state:

- (a) whether the nationalised banks are using the NABARD channel to fulfil their priority sector lending obligations;
- (b) if not, the funds placed at the disposal of NABARD nationalised banks for priority sector lending during last three years;
- (c) to what extent is RBI satisfied with this kind of obligation fulfilled by nationalised banks;
- (d) whether nationalised banks avoid assisting individual farmers and artisans through the NABARD route;
- (e) if so, the steps proposed by RBI to consider alternate methods for banks to fulfil their priority sector lending obligations?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL):

(a) Reserve Bank of India (RBI) and National Bank for Agriculture Rural Development (NABARD) have reported that all domestic commercial banks, including nationalised banks, which have not reached the agriculture/priority sector lending targets are required to make contribution to the Rural Infrastructure Development Fund (RIDF), with NABARD for on-lending to the State Governments toward creation of rural infrastructure.

(b) A total of Rs. 13000 crore have been allocated to domestic scheduled commercial banks in the last three years for making contribution to RIDF.

(c) to (e) RBI has been reviewing the performance of banks under priority sector as well as agricultural sector on an ongoing basis to ensure timely and adequate flow of credit to this sector. RBI has also set a deadline of 3 years for defaulting private as well as public sector banks for achieving the priority sector targets including agricultural lending. With a view to dissuade banks from going the RIDF route, RBI has linked the rate of interest payable on RIDF deposits inversely to the banks' performance in lending to agriculture. RBI has also broadened the scope of priority sector lending by including lending of food and agro-processing sector, financing of agriculture and tiny sector through Non-Banking Finance Companies, purchase of land by small and marginal farmers, setting up of agri-clinics by agricultural graduates, housing finance, etc.