

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:5074

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FINANCING OF SEZ

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**Will the Minister of FINANCE be pleased to state:**

(a) whether the Government proposes to review the Reserve Bank of India decision to treat bank financing of SEZ projects as exposure to commercial real estate which attract higher interest rates as compared to infrastructure projects;

(b) If so, the details thereof and the reasons therefor; and

(c) the manner in which the Government proposes to limit the share of banks in such SEZ projects?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a)&(b) : Decisions on prudential norms to be followed by banks are taken by Reserve bank of India (RBI) as the regulator. Keeping in view the current market conditions, RBI issued guidelines on 20th September, 2006, directing all commercial banks that the exposure of banks to entities for setting up Special Economic Zones (SEZs) or for acquisition of units in SEZs, which includes real estate would be treated as exposure to commercial real estate sector with immediate effect and banks would have to make provisions as also assign appropriate risk weights for such exposures as per the existing guidelines. While formulating these guidelines, RBI had also kept in view the lack of track record in lending for these activities and also the elements of SEZ regulations which, inter-alia, do not permit real estate in SEZs to be liberally sold. Risk weights, exposure limits, etc. in respect of banks for different activities are constantly kept under review by RBI.

(c): As a prudential measure aimed at avoidance of concentration of credit risks, the Reserve Bank of India has advised the banks to fix limits on their exposure to specific industry or sectors and has prescribed regulatory limits on banks` exposure to individual and group borrowers in India.