

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:325

ANSWERED ON:11.12.2009

PRIORITY SECTOR LENDING

Deshmukh Shri K. D.;Sharma Shri Jagdish

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

- (a) whether the Government has issued guidelines to scheduled commercial banks to follow a percentage criterion for providing loan under the priority sector;
- (b) if so, the details thereof and the reasons therefor;
- (c) whether all the banks are following these guidelines;
- (d) if not, the action taken by the Government against such banks;
- (e) whether service sector has now been included in the list of borrowers in the priority sector;
- (f) if so, the details thereof; and
- (g) the quantum of loans disbursed to this new sector by the end of September 2009?

**Answer**

MINISTER OF FINANCE(SHRI PRANAB MUKHERJEE)

(a) to (g) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PART (A), (B), (C), (D), (E), (F) & (G) OF LOK SABHA STARRED QUESTION NO. + 325 TO BE ANSWERED ON 11 DECEMBER, 2009 TABLED BY SHRI K.D. DESHMUKH AND SHRI JAGDISH SHARMA REGARDING PRIORITY SECTOR LENDING.

(a) & (b): In terms of Reserve Bank of India's (RBI) extant guidelines on Priority Sector Lending (PSL), a target of 40 per cent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent amount of Off-Balance Sheet Exposures (OBE), whichever is higher, has been stipulated for lending to the priority sector. This includes domestic scheduled commercial banks, both in the public and private sector. Further, in respect of foreign banks operating in India, the target is 32 per cent of ANBC.

The basic objective of setting priority sector targets/sub-targets has been to ensure greater flow of credit to certain sectors where credit would 'normally' not flow to the desired extent. The credit requirement for these sectors is justified in terms of their employment generation potential and also social objective of reaching out to large masses of economically vulnerable sections of population.

(c) and (d) : All the scheduled commercial banks are required to follow the guidelines issued by RBI from time to time and to lend to priority sector as per the targets set in this regard. As on the last reporting Friday of March, 2009, out of 27 Public Sector Banks (PSBs), 24 had achieved the stipulated target of 40 % and out of 22 private sector banks, 17 banks had achieved the targets.

The domestic scheduled commercial banks, which fail to achieve the priority sector targets/sub-targets, are required to deposit shortfall amounts into Rural Infrastructure Development Fund (RIDF), set up with the National Bank for Agriculture and Rural Development (NABARD) and other funds as decided by the RBI.

Foreign banks operating in India, which fail to achieve the priority sector targets/sub-targets, are also required to deposit shortfall amounts into certain funds set up with Small Industries Development Bank of India (SIDBI) or other financial institutions, as decided by RBI.

(e) and (f): The service sectors form part of PSL for scheduled commercial banks in the country. Micro (service) Enterprises with an investment in equipment not exceeding Rs. 10 lakh, and Small (service) Enterprises with an investment in equipment of more than Rs. 10 lakh but not exceeding Rs. 2 crore, are categorized under priority sector.

The small and micro (service) enterprises include small road & water transport operators, small business, professional & self-employed persons, retail trade and all other service enterprises, subject to certain credit limits.

(g): As reported by RBI, the total loans outstanding to service sector, as on the last reporting Friday of March 2009 for all scheduled commercial banks was Rs. 83,842 crore (provisional).