

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1502
ANSWERED ON:05.03.2010
GUIDELINES TO BANKS
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Will the Minister of FINANCE be pleased to state:

- (a) the details of guidelines issued by Government to cooperative/ nationalised/foreign banks in the country for providing loans to various sectors and rate of interest thereon;
- (b) whether any percentage of loan has been mandated for Scheduled Castes/Scheduled Tribes/Other Backward Classes /Marginal Farmers/ Petty artisans;
- (c) if so, the details thereof;
- (d) whether the priority sector has been redefined alongwith the criteria and definition of these sectors included therein; and
- (e) the extent by which said guidelines have been followed?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAEV MEENA)

(a): 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 by domestic scheduled commercial banks, both in the public and private sector. In respect of foreign banks operating in India, the target is 32 per cent. Within the overall target of 40%, sub targets of 18% of ANBC for agricultural advances and 10% for lending to weaker sections of the priority sector have been stipulated for domestic scheduled commercial banks. Detailed guidelines are consolidated in the Master Circular of RBI on Lending to Priority Sector which is available on the website of RBI at www.rbi.org.in.

As per extant guidelines of RBI, banks are free to decide interest rates on loans and advances above Rs. 2 lakh with the approval of their Boards subject to Benchmark Prime Lending Rate (BPLR) and Spread guidelines. Loans and Advances upto Rs. 2 Lakh carry the prescription of not exceeding the BPLR. The detailed guidelines are available on the website of RBI.

(b) & (c): Scheduled Castes/Scheduled Tribes/Marginal Farmers/Petty Artisans are part of the weaker section of the priority sector lending for which a target of 10% of ANBC has been stipulated.

(d): The guidelines on priority sector lending have been revised by RBI with effect from 30-04-2007. The guiding principle of the revised guidelines on lending to priority sector has been to ensure adequate flow of bank credit to those sectors of the economy that impact large segments of the population, the weaker sections, and the sectors which are employment-intensive such as agriculture, and tiny and small enterprises. As per the Reserve Bank's extant guidelines on lending to priority sector, the broad categories of priority sector include agriculture, micro and small enterprises, micro credit, education and housing.

(e): 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, the overall target of 40% had been exceeded by the Public Sector Banks (PSBs) at 42.5% and the Private banks, at 46.8%. Besides, out of 27 PSBs, 24 have achieved the stipulated target of 40 % and out of 22 private sector banks, 17 banks have achieved the targets.