

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1028
ANSWERED ON:30.07.2010
GUIDELINES TO BANKS FOR LOANS
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Will the Minister of FINANCE be pleased to state:

- (a) the existing guidelines in operation relating to provision of loans by banks;
- (b) whether priority sector has been redefined recently;
- (c) if so, the details thereof alongwith the reasons therefor; and
- (d) the steps taken or proposed to be taken for effective ensuring compliance of the guidelines?

Answer

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

(a): As per the existing Reserve Bank of India (RBI) guidelines, the domestic commercial banks are required to lend 40% of their Adjusted Net Bank Credit (ANBC) or credit equivalent amount of Off- Balance Sheet exposure, whichever is higher to the priority sector areas. Similarly, the targets for these banks for agriculture and weaker sections are 18% and 10% respectively of their ANBC or credit equivalent amount of Off-Balance Sheet exposure, whichever is higher. For foreign banks, the overall priority sector target is 32% of ANBC or credit equivalent amount of Off-Balance Sheet exposure, whichever is higher. Within this target, there are targets for lending to MSE and export sectors at 10% and 12% respectively.

(b) & (c): On the recommendations of Reserve Bank of India's Internal Working Group, guidelines on lending to priority sector were revised with effect from April 30, 2007 to examine, review and recommend changes in the existing policy on priority sector lending including the segments constituting the priority sector, targets and sub-targets, etc. In terms of revised guidelines on lending to priority sector, it was decided to include only those sectors as part of the priority sector, that impact large sections of the population, the weaker sections and the sectors which are employment-intensive such as agriculture, and tiny and small enterprises. The broad categories of priority sector for all scheduled commercial banks, inter-alia, include, Agriculture (Direct and Indirect finance), Small Enterprises (Direct and Indirect Finance), Micro Credit, Education Loans, Housing Loans.

(d): In order to ensure that scheduled commercial banks in India extend credit to priority sectors as per target/sub-targets mandated under extant guidelines on lending to priority sector, banks are required to send returns to the Reserve Bank of India on regular basis. The performance of banks in lending to priority sector is reviewed in quarterly meetings of District Level Consultative Committee (DLCC), District Level Review Committee (DLRC) and State Level Bankers' Committee (SLBC) set up under the Lead Bank Scheme at district/ state level. Besides, these banks are also required to allocate the amount of shortfall in lending to their priority sector targets in the Rural Infrastructure Development Fund and other Funds, in operation with National Bank for Agriculture and Rural Development, National Housing Bank and Small Industries Development Bank of India, as stipulated by RBf.