

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5098

ANSWERED ON:10.12.2010

CREDIT TO AGRICULTURAL AND MSM SECTORS

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Will the Minister of FINANCE be pleased to state:

- (a) the details of the allocations for Agriculture and Micro, Small and Medium Industries through various banks in the year 2009-10;
- (b) whether there is any mechanism to check if such allocations are fully utilised;
- (c) if not, the reasons therefor;
- (d) whether financial institutions have been advised that 60 per cent of MSE advances should be earmarked for micro enterprises; and
- (e) if so, the details thereof?

Answer

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

(a) to (e): As per extant guidelines of Reserve Bank of India (RBI) on Priority Sector Lending (PSL), Agriculture, Micro & Small Enterprises (MSE) and Exports are part of the overall PSL target of 40% of the Adjusted Net Bank Credit (ANBC) for domestic Scheduled Commercial Banks (SCBs).

The sub-target for lending under Agriculture is 18% of ANBC for the domestic SCBs while there is no sub-target for MSE and Export sectors for these banks. However, for foreign banks operating in India there is a sub-target of 10% of ANBC for MSE and 12% of ANBC for the Exports sector under the overall PSL target of 32% of ANBC,

The shortfall in priority sector lending by banks to agriculture and/or to the priority sector is contributed by these banks through the Reserve Bank of India (RBI) to the Rural Infrastructure Development Fund (RIDF) operationalized by National Bank for Agriculture and Rural Development (NABARD) in 1995-96 to finance ongoing rural infrastructure projects and other corpus created for reaching credit to these sectors through the National Housing Bank (NHB), Small Industries Development Bank of India (SIDBI) and NABARD.

The Government of India has announced a Package for stepping up credit to Small and Medium Enterprises (SMEs) in August, 2005 with the objective that Public Sector Banks (PSBs) fix their own targets for funding SMEs in order to achieve a minimum 20% year-on-year growth in credit to SME sector and to double the flow of credit within a period of 5 years.

Further, in terms of the recommendations of the Prime Minister's Task Force on MSMEs, Banks have advised on June 29, 2010 that 60 per cent of MSE advances should go to the micro enterprises and the allocation of 60% of the MSE advances to the micro enterprises is to be achieved in stages viz. 50% in the year 2010-11, 55% in the year 2011-12 and 60% in the year 2012-13. Banks have been advised to achieve a 20 per cent year-on year growth in credit to micro and small enterprises and a 10 per cent annual growth in the number of micro enterprise accounts.