

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:222
ANSWERED ON:11.03.2011
PRIORITY SECTOR LENDING TO SCS STS
Dhurve Jyoti;Gulshan Smt. Paramjit Kaur

Will the Minister of FINANCE be pleased to state:

- (a) the details of rates at which loans are disbursed to the weaker sections under the Priority Sector Lending (PSL) by the public and private sector banks;
- (b) the amount of loan disbursed to the weaker sections including Scheduled Castes (SCs) and Scheduled Tribes (STs) communities for establishment of business during the last three years, year-wise;
- (c) whether the Government proposes to further reduce the rate of interest on such loans or extend interest free credit;
- (d) if so, the details thereof; and
- (e) the other steps taken by the Government to restructure PSL in order to facilitate better credit access to the people belonging to SC/ST communities?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PRANAB MUKHERJEE)

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

STATEMENT REFERRED TO IN REPLY TO PART (A), (B), (C), (D) & (E) OF LOK SABHA STARRED QUESTION NO. 222 TO BE ANSWERED ON THE 11th MARCH, 2011 TABLED BY SHRIMATI JYOTI DHURVE AND SHRIMATI PARAMJIT KAUR GULSHAN REGARDING PRIORITY SECTOR LENDING TO SCs/STs.

(a),(c) and (d): With effect from 18th October, 1994, the Reserve Bank of India (RBI) has deregulated the interest rates on advances including advances under Priority Sector by all Scheduled Commercial Banks including Public and Private Sector Banks. The Banks determine these rates themselves with the approval of their Board. With a view to enhance transparency in lending rates, the Banks are required to adopt Base Rate system introduced by RBI with effect from 1st July, 2010. The actual lending rate charged by banks includes the Base Rate and other customer specific charges as considered appropriate. Thus the lending rates may vary from bank to bank.

However, under Differential Rate of Interest (DRI) Scheme the banks including Public and Private Sector banks are required to provide loans to eligible borrowers at concessional rate of interest at 4% per annum.

(b): Out of the total priority sector lending a sub-target of 10 % has been fixed for weaker sections. Banks are being monitored as per these targets. As per RBI data, total loans outstanding to weaker sections, including loans to Scheduled Caste/Scheduled Tribe (SC/ST), of public and private sector banks as on last reporting Friday of March, 2008, 2009 and 2010 are as under:

Rs. in Crore

As on last reporting Friday of March Total loans outstanding to Weaker Sections Out of which loans outstanding to SC/ST

Public Sector Banks	Private Sector Banks	Public Sector Banks	Private Sector Banks
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2009 165829 14262 39057 1755

2010 212214 25690 NA NA

Source: RBI data. Data provisional. NA=Not Available.

(e): With a view to ensure smooth flow of credit to SCs/STs, RBI has been issuing instructions to banks from time to time. The latest Master Circular on Priority Sector Lending- Credit facilities to Scheduled Castes (SCs) & Scheduled Tribes (STs) has been issued by RBI on 1st July, 2010, whereby banks have been advised about the measures to be taken in order to step up advances to SCs/STs. These are as follows:

(1) Beginning with the planning process at the block level, a certain weightage is to be given to scheduled castes/ scheduled tribes. Banks are to analyse the credit needs of these communities and incorporate them in the credit plan. Credit planning is to be weighted in favour of scheduled castes/scheduled tribes and special schemes suited to these communities are to be drawn up. Utmost sympathy and understanding is to be extended while considering loan proposals of these communities. Banks are to create greater awareness amongst SCs/ STs in order to encourage them to access credit facilities. Field staff should contact such borrowers to explain schemes and their advantages. Banks should not insist on deposits while considering loan applications under Government sponsored poverty alleviation schemes/ self-employment programmes from borrowers of these communities. In case of rejection of applications of SCs/ STs, it should be done at the next higher level instead of at the branch level indicating proper reasons for rejection. A special cell at the Head Office should monitor the flow of credit to SC/ST beneficiaries and a periodical review should be done. The Board of Director should also review on a quarterly basis.

(2) Under the major centrally sponsored schemes there is significant reservation / relaxation for the members of the SC/ST communities. Under Swarnajayanti Gram Swarozgar Yojana (SGSY)/ National Rural Livelihood Mission (NRLM) not less than 50 percent of the families assisted should belong to SCs/STs. Under Swarna Jayanti Shahari Rozgar Yojana (SJSRY), advances should be extended to SCs/STs to the extent of their strength in the local population. Under the DRI scheme, banks provide finance to weaker sections of the community for engaging in productive and gainful activities, upto Rs.15,000, at a concessional rate of interest of 4 % per annum. 40% of total DRI advances are to be given to SCs/ STs borrowers. They may also avail Housing Loan upto Rs.20,000 over and above the individual loan of Rs.15,000.

(3) While `adopting` villages for intensive lending, those with sizeable SCs/ STs population should be chosen. Banks may also consider adopting specific localities (basis) in villages where these communities are concentrated.

(4) Banks should render necessary institutional support to the National SCs/ STs Finance and Development Corporations (NSFDC). Representatives of NSFDC and State SCs/ STs Financial and Development Corporation (SCDC) are to be invited to State Level Banker's Committee (SLBC) meetings along with representatives of National Commission of SCs/STs,