

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2966

ANSWERED ON:30.03.2012

PRIORITY SECTOR LENDING

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

- (a) whether the Nayar Committee on Priority Sector Lendings (PSL) has submitted its report;
- (b) if so, the main recommendations of the committee alongwith the implementation status thereof;
- (c) whether the loans disbursed by the scheduled commercial banks under PSL have decreased in comparison to the total loans disbursed by such banks during each of the last three years and the current year;
- (d) if so, the details thereof, bank-wise and sector-wise and the reasons therefor;
- (e) whether the said banks including foreign banks have shown reluctance to provide loans under PSL during the said period; and
- (f) if so, the details thereof and the reasons therefor alongwith the remedial measures taken/being taken by the Government/RBI to ensure adequate lending under PSL?

**Answer**

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

(a) and (b): The Nair Committee constituted to re-examine the existing classification and suggest revised guidelines with regard to Priority Sector Lending classification has recently presented its report. The main recommendations of the Committee inter-alia are as under:

# Target under priority sector lending for domestic scheduled commercial banks retained at 40% of Adjusted Net Bank Credit (ANBC) or credit equivalent of Off Balance sheet exposure (CEOBE), whichever is higher. However, a target of 40% for Foreign Banks is proposed;

# Distinction of Direct and Indirect agriculture within the overall target of 18% for Agriculture credit is proposed to be discontinued. A sub-target of 9 per cent of ANBC is proposed for loans extended by banks to small and marginal farmers, to be achieved in stages latest by 2015-16. Similarly, a sub-target of 7 per cent of ANBC for loans extended to micro enterprises, to be achieved in stages latest by 2013-14 is proposed;

# Establishment of Agriculture Credit Risk Guarantee Fund for Small and Marginal Farmers, similar to Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), is proposed;

# Scope of weaker sections proposed to be widened by including priority sector loans to individual women and housing loans to economically weaker sections & low income group segments;

# The ceilings for various activities for qualifying under priority sector are proposed to be revised;

# Inclusion of loans given to individuals for setting up off-grid solar and other renewable energy solutions for households proposed to be included in priority sector.

The report has been placed on the RBI's website for seeking views/comments from Banks, non-bank financial institutions, other institutions and members of public.

(c),(d),(e) and (f): As reported by RBI, the outstanding loans of scheduled commercial banks under priority sector advances have not decreased during the last three years.

Bank wise and sector wise achievement under priority sector advances as percentage of ANBC or CEOBE of Public and Private Sector Banks is at Annexure-I and for Foreign Banks is at Annexure-II

Banks which fail to achieve the priority sector targets have to allocate the shortfall for contribution to the Rural Infrastructure Development Fund (RIDF) or Funds with other Financial Institutions, as specified by the Reserve Bank of India.