

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5092
ANSWERED ON:26.04.2013
CREDIT TO PRIORITY SECTOR
Bishnoi Shri Kuldeep

Will the Minister of FINANCE be pleased to state:

- (a) whether most of the Public Sector Banks (PSBs) in the country are not meeting the obligation of 40 per cent of the net bank credit to the priority sector;
- (b) if so, the reasons therefor;
- (c) whether certain PSBs have suggested to do away with Cash Reserve Ratio (CRR);
- (d) if so, the details thereof along with the reaction of the Government thereon; and
- (e) the steps taken by the Government to ensure that the PSBs fulfil obligation of 40 per cent of the net bank credit to the priority sector?

Answer

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

(a) and (b): As per Reserve Bank of India (RBI) extant guidelines on Priority Sector Lending (PSL), all domestic Scheduled Commercial Banks (SCBs), including Public Sector Banks (PSBs), are mandated to earmark 40 per cent of their Adjusted Net Bank Credit (ANBC) or Credit Equivalent amount of Off-Balance Sheet Exposures (OBE), whichever is higher, as on March 31 of the previous year, for lending to priority sector.

RBI has reported that as on 31st March 2012, 10 out of 26 Public Sector Banks had achieved the mandated target of 40 percent.

(c) and (d): RBI has informed that as per Section 42 of the Reserve Bank of India Act, 1934, every Scheduled Bank has to maintain Cash Reserve Ratio (CRR) as prescribed by them from time to time. In order to manage liquidity conditions to ensure adequate flow of credit to productive sectors of the economy, RBI has reduced the CRR by 25 basis points to 4.00 per cent in the Third Quarter Review of Monetary Policy on January 29, 2013. Since January 2012, the CRR has been reduced by 200 basis points cumulatively.

(e): As per extant guidelines of RBI, all domestic SCBs, including PSBs, having shortfall in lending to overall priority sector target/agriculture target and weaker sections target shall allocate amounts for contribution to the Rural Infrastructure Development Fund (RIDF) established with NABARD or Funds with NHB/SIDBI/other Financial Institutions, as specified by RBI.