

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:71
ANSWERED ON:24.07.2015
Disbursement of Loan
Azad Shri Kirti (JHA)

Will the Minister of FINANCE be pleased to state:

the details of the guidelines issued by Government for the disbursement of agricultural loans and loans to micro, small and medium enterprises by the Nationalised and other Cooperative Banks along with the rate of interest levied thereon;

(b) whether the Government has received any complaint against the Nationalised and Cooperative Banks for violation of guidelines including their reluctance to disburse loan and the interest component exceeding the original loan amount;

(c) if so, the details thereof including the number of such complaints reported during the last three years and the current year, bank and State/UT-wise;

(d) the details of the procedures and guidelines for one time repayment of loan by willing parties; and

(e) whether the Government/Reserve Bank of India (RBI) has issued any specific guidelines to hold bankers accountable in case of any delay in the process of one-time payment and if so, the details thereof?

Answer

The Minister of Finance
(Shri Arun Jaitley)

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

Statement referred to in reply to parts (a) to (e) in Lok Sabha Starred Question No. 71 for answer on 24 July 2015 regarding Disbursement of Loan raised by Shri Kirti Azad, MP.

(a): As per the Priority Sector Lending (PSL) guidelines of Reserve Bank of India (RBI), all Domestic Scheduled Commercial Banks and foreign banks with 20 and above branches have been mandated to earmark 18 percent of their Adjusted Net Bank Credit (ANBC) or Credit Equivalent amount of Off-Balance Sheet Exposure (OBE), whichever is higher, as on the corresponding date of the previous year, for lending to Agriculture. Within the 18 percent target for agriculture, a target of 8 percent of ANBC or Credit Equivalent Amount of OBE, whichever is higher is prescribed for Small and Marginal Farmers, to be achieved in a phased manner i.e., 7 per cent by March 2016 and 8 per cent by March 2017. Foreign banks with 20 branches and above have to achieve the Agriculture Target within a maximum period of five years starting from April 1, 2013 and ending on March 31, 2018.

Besides, all Domestic Commercial Banks and foreign banks with 20 and above branches have been mandated to earmark 7.5 percent of ANBC or Credit Equivalent Amount of OBE, whichever is higher for lending to micro enterprises, which is to be achieved in a phased manner i.e. 7 per cent by March 2016 and 7.5 per cent by March 2017. The sub-target for Micro Enterprises for foreign banks with 20 branches and above would be made applicable post 2018 after a review in 2017.

Besides, Government of India has been setting an annual target for the flow of credit to the agriculture sector by banks, which has been fixed at Rs.8,50,000 crore for 2015-16.

The interest rates on loans have been deregulated by RBI and it is now based on the Base Rate fixed by the banks. However, with a view to ensuring availability of agriculture credit at a reasonable cost, the Government provides interest subvention to make available the short-term crop loans upto Rs. 3 lakhs for a period of one year at the interest rate of 7 percent per annum and in case of prompt repayment, the same gets reduced to 4 percent. Similarly, in order to give fillip to the flow of credit to micro and small enterprises (MSEs), RBI has advised banks that while pricing their loans to MSE borrowers, banks should take into account the incentives available to them in the form of the credit guarantee cover of the Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE).

(b) & (c): If any complaint against any bank against violation of guidelines issued by RBI is received, the matter is immediately taken up by Government/RBI with the concerned bank for remedial action. However, the data regarding violation of guidelines by the Nationalised and Cooperative Banks including their reluctance to disburse loan and the interest component exceeding the original loan amount is not maintained separately by respective agencies.

(d) & (e): RBI has deregulated the matters related to One Time Settlement (OTS)/Compromise Settlements. Banks are free to engage in OTS/ Compromise Settlements with borrowers as per their Board approved internal policy, their commercial judgment and extant regulatory guidelines. Accordingly, Banks have been advised by RBI to put in place a policy for Non-discretionary OTS scheme for recovery of non-performing loans, duly approved by their Board. Banks have also been advised to give wide publicity to the OTS

scheme by placing it on their website and through other possible modes of dissemination. They are also advised to allow reasonable time to the MSE borrowers to submit the application and make payment of the dues in order to extend benefits of the scheme to the eligible borrowers.
