

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1809

ANSWERED ON:10.03.2017

Bank Credit Growth

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Will the Minister of FINANCE be pleased to state:

- (a) whether according to data released by Reserve Bank of India (RBI), bank credit growth fell to a 62 year low in 2016 and if so, the details thereof along with the reasons therefor;
- (b) whether the Government has asked leading banks to assess credit off take in some of the most labour intensive sectors in the wake of demonetization and push for easier loans on a priority basis, if so, the details thereof and the response of banks thereto;
- (c) whether his Ministry held meeting with the banks, Ministries concerned and industry representatives to further discuss the matter in this regard;
- (d) if so, the details thereof and the outcome thereto; and
- (e) the corrective measures taken/being taken by the Government to boost credit growth for labour intensive sectors in the country?

Answer

The Minister of State in the Ministry of Finance

(a) to (e): Reserve Bank of India (RBI) has informed that the Annual credit growth of Public Sector Banks (PSBs) slowed down from 7.12% as at end of March 2015 to 3.82% as at end of March 2016. Lower credit growth of PSBs could possibly be on account of rebalancing of portfolio in the wake of impairments leading to higher credit costs including provisions, stress in certain sections etc.

The management of loan sanctioning / recovery activity, in a bank is essentially an internal management function and each bank's Board is authorized to frame suitable policies. Banks have been advised to prepare a well-defined loan policy approved by their Board of Directors which should lay down exposure limits to individual/group borrowers, documentation standards, margin, security, sectoral exposure limits, delegation of powers, maturity and pricing policies, factors taken into consideration for deciding interest rates etc. Banks have to consider different loan proposals based on their commercial judgment and merits of each case keeping in view the loan policies approved by their Board of Directors.
