

LOK SABHA

UNSTARRED QUESTION NO. 2612

ANSWERED ON MONDAY, MARCH 17, 2025/PHALGUNA 26, 1946 (SAKA)

Involvement of Private Sector Banks in Government Schemes

2612. Shri Maddila Gurumoorthy:

Will the Minister of FINANCE be pleased to state:

- (a) the steps taken by the Government to involve more private sector banks in the implementation of Government schemes such as the Kisan Credit Card (KCC) and financial assistance to Self-Help Groups (SHGs) under SERP and MEPMA;
- (b) whether the Government has issued any guidelines or directives to private sector banks to increase their participation in these schemes and if so, the details thereof;
- (c) the measures taken/being taken to ensure that private sector banks provide timely and adequate credit to beneficiaries of these schemes, especially in rural and underserved areas; and
- (d) whether there is any challenges in involving private sector banks in these Government schemes and if so, the steps taken/being taken by the Government to address these challenges and increase private sector participation?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) to (d): Government of India under Modified Interest Subvention Scheme (MISS) provides Interest Subvention of 1.5% to banks including rural and semi-urban branches of Private Sector Banks for providing short-term working capital loans upto Rs. 3 lakh at 7% p.a. Further, a Prompt Repayment Incentive of 3% is also provided to farmers on timely repayment of loans. Therefore, effective interest rate for farmers is 4%. In the Union Budget 2025-26, the Government has announced to enhance loan limit under the MISS from Rs. 3 lakh to Rs. 5 lakh for loans taken through the KCC.

The Reserve Bank of India has, from time to time, issued a number of instructions / guidelines to banks regarding Priority Sector Lending. The provisions of these directions apply to every Commercial Bank including Private Sector Banks. Banks are required to meet targets and sub-targets set under priority sector lending. So, the lending to agriculture sector including Farm Credit (Agriculture and Allied Activities), Agriculture Infrastructure, and Ancillary Activities by Private Sector Banks are eligible under Priority Sector Lending, subject to RBI's directions.

In order to ensure that the benefits of financial services reach the poorest of the poor and the marginal sections of the society, participation of all banks is ensured in social welfare schemes of the Government. Performance of Private Sector Banks on a matrix of various Government initiatives and schemes is reviewed from time to time and used as a criteria for bank to undertake Government Business.
