

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:1933
ANSWERED ON:29.11.2002
CREDIT TO RURAL SECTOR
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Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

- (a) whether the expert committee on rural credit has opined that the commercial banks shunning away from lending to the farm sector despite their network of 19,000 rural branches;
- (b) if so, the details thereof;
- (c) whether the Government propose to make it obligatory for foreign and private sector banks to provide credit to the priority sector as per norms of RBI; and
- (d) if so, the steps taken in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAOVITHOBA ADSUL):

- (a) and (b) Reserve Bank of India (RBI) has reported that the Expert Committee on Rural Credit has in its report looked into the various issues relating the rural credit provided by commercial banks. The Committee has, inter-alia, observed that commercial banks which were made to expand their rural operations substantially after nationalization, seem to have turned shy, as in such operations they find themselves servicing vast number of small accounts—both deposit and borrowing—costly and cumbersome.
- (c) and (d) RBI has fixed targets for lending to priority sector by private sector banks and foreign banks. The details of the target so fixed and achievements there under are given below:

Statement

	Private Sector Banks	Foreign Banks
Priority Sector	40% of net	32% of net bank
Lending: Target	banks credit	credit
Lending to	40.9% of net	34.2% of net bank
agriculture:	bank	credit
Achievement		

Foreign banks which do not achieve the target as on the last reporting Friday of March are required to deposit the entire shortfall with Small Industries Development Bank of India (SIDBI) for a period of one year. As regards private sector banks, those having shortfall in priority sector/agriculture lending are allocated amounts for contribution to the Rural Infrastructure Development Fund (RIDF). RBI has been reviewing the performance of banks in lending to the priority sector and has been emphasizing the need for taking appropriate steps for achieving the target/sub-targets so as to ensure increased flow of credit to priority sector/agriculture, weaker sections in a time bound manner. During April/ May, 2001, it was decided by RBI to set a timeframe of two years within which private and public sector banks should achieve the target and sub-targets for lending to priority sector/agriculture/weaker sections. Accordingly, these banks have been advised to step up credit flow to these sectors so as to reach the targets by March 2003.