

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1543

ANSWERED ON:01.12.2006

GUIDELINES FOR LOAN TO PRIORITY SECTOR

Chinta Mohan Dr. ;Singh Shri Chandra Bhushan;Suman Shri Ramji Lal

Will the Minister of FINANCE be pleased to state:

- (a) whether there is need for further increase the quantum of loan amount in the priority sector by the Public Sector Banks;
- (b) if so, whether Reserve Bank of India (RBI) has issued any new guidelines for the purpose;
- (c) if so, the details thereof,
- (d) the percentage of loan to be provided by the banks in the priority sector under these guidelines; and
- (e) the quantum of additional funds likely to be generated by using this new percentage in the coming years?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a), (b), (c), (d) & (e): The existing guidelines of Reserve Bank of India (RBI) stipulate a target of 40% of Net Bank Credit (NBC) for lending to the priority sector by domestic scheduled commercial banks both in the public and private sector. Within this, sub-targets of 18% and 10% of NBC have been stipulated for lending to agriculture and weaker sections., respectively. RBI has reported that it has not yet issued any revised guidelines on lending to priority sector.

Consequent upon the announcement made in the RBI's Annual Policy Statement for the year 2005-06, an Internal Working Group was set up in the RBI to examine the need for continuance of priority sector lending prescriptions, review the existing policy on priority sector lending, including the segments constituting; the priority sector, targets and sub-targets, etc. and to recommend changes, if any, required in this regard. The draft Technical Paper submitted by the Group was placed on the RBI's website on September 30, 2005 for wider dissemination and comments. Based on the feedback received from the banks., financial institutions & other concerned institutions/agencies, the RBI has formulated revised draft guidelines on lending to priority sector and placed it on its website on November 8, 2006 for inviting further comments.

Government has also recently finalized a new 'Prime Minister's 15-Point Programme for the Welfare of Minorities'. One of the objectives of the Programme is to ensure that an appropriate percentage of the credit is targeted for the minority communities. The RBI has accordingly advised all Scheduled Commercial Banks and the Urban Co-operative Banks (UCBs) to issue necessary instructions to their branch offices to ensure: that within the overall target for priority sector lending and the sub-target for weaker sections, sufficient care is taken to ensure that the minority communities also receive an equitable portion of the credit.