

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

RAJYA SABHA
UNSTARRED QUESTION NO. 2162

Answered on the 8th August, 2023 / Sravana 17, 1945 (Saka)

Domestic credit to private sector

2162 # **Smt. Mausam Noor:**

Will the Minister of FINANCE be pleased to state:

- (a) whether Government has taken note of the significant disparity in India's domestic credit to the private sector, which stands at 55 per cent of GDP in 2020, in comparison to the world average of 148 per cent;
- (b) if so, the reasons therefor;
- (c) whether Government has formulated strategies or policies to address this issue; and
- (d) if so, the details thereof?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(DR. BHAGWAT KARAD)

(a) to (d): As per data from Bank for International Settlements (BIS), the total credit to the private non-financial sector, as % of Gross Domestic Product (GDP), of India was at 99.4% in 2020. Also, most emerging market economies individually have a ratio of less than 100.

Significant steps have been taken to increase flow of bank credit and to improve reliance and access of formal credit, to the private non-financial sector, which includes, *inter alia*, the following –

- (i) Improved ease of doing business and easing access to credit for self-employment through various credit schemes, e.g. Pradhan Mantri MUDRA Yojana, Stand-up India, Start-up India, etc.
- (ii) Increasing thrust on infrastructure development through initiatives like PM GatiShakti and National Infrastructure Pipeline
- (iii) Enabling-schemes like PLI incentivising investment for incremental production in select manufacturing sectors
- (iv) Increasing flow of formal credit to informal sector of the society through several schemes, e.g. PM SVANidhi, Agri Infrastructure Credit Schemes, Weaver Mudra Scheme, Self-Employment Scheme for Rehabilitation of Manual Scavengers, etc.

Enabled by the above-mentioned steps, the compound annual credit growth of India was recorded at 5.22% between 2013 and 2022, in comparison to aggregate compound annual credit growth of 3.93% for all 43 reported economies, 4.09% for G20 and 5.12% for top 7 economies during the same period (Data source: BIS).
