

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA

UNSTARRED QUESTION NO. 4691

TO BE ANSWERED ON THE 23RD MARCH 2020/ CHAITRA 3, 1942 (SAKA)

Bank Credit Growth

4691. SHRI VASANTHAKUMAR H.:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has taken action against the slowing credit growth in banks and financial sectors;
- (b) if so, the details thereof and the action taken by the Government to overcome this issue across the banks in the country;
- (c) whether the Government proposes to announce important developments this year that are likely to shape the banking sector; and
- (d) if so, the details thereof?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI ANURAG SINGH THAKUR)

(a) to (d): Government has announced several important measures for the banking sector in the current financial year and has taken wide-ranging action for banks and the financial sector extending credit including, *inter alia*, the following:

(1) To facilitate and incentivise lending—

(i) By reduction in lending rates:

- I. Successive cuts effected in the benchmark Repo rate since February 2019, resulting in the weighted average lending rate of banks on fresh loans reducing by 69 basis points till December 2019,
- II. All fresh floating loans for retail and micro, small and medium enterprises (MSMEs) lending have been linked to an external benchmark rate, and
- III. RBI, on 6.2.2020, has announced relief in the Cash Reserve Ratio requirement of banks on incremental outstanding loans for automobiles, residential housing and MSMEs between 31.1.2020 and 31.7.2020;

(ii) For MSMEs, measures taken include:

- I. Introduction of a scheme for restructuring of loans,
- II. Up to 25% enhancement by PSBs in existing working capital limits in standard MSME accounts,
- III. Launch of MSME Outreach Initiative by PSBs,
- IV. Online bill discounting via TReDS platform, and
- V. Time-bound in-principle approval on the PSBloansin59minutes.com platform;

- (iii) For export, measures taken include:
 - I. expanding the eligibility for classification of such credit as priority sector lending, and
 - II. infusing capital in Exim Bank;
- (iv) For retail, measures taken include:
 - I. reduction in risk weight on consumer loans other than on credit cards, and
 - II. introduction of in-principle approvals for retail lending through PSBloansin59minutes.com;
- (v) For infrastructure, equity support has been provided to India Infrastructure Finance Company Limited (IIFCL) to enable it to borrow and finance infrastructure projects; and
- (vi) External commercial borrowings have been facilitated through expansion of eligibility to include all entities eligible to receive FDI and reduction in the minimum average maturity requirement of the borrowing to three years.
- (vii) To provide liquidity and credit support to non-banking financial companies (NBFCs)—
 - I. Overall positive liquidity has been maintained through open market operations by RBI, including introduction of long term repo operations facility of one to three years tenure subject to a maximum of Rupees one lakh crore, on 6.2.2020, to enable durable liquidity and flow of credit at reasonable cost;
 - II. Treating incremental credit of banks to NBFCs as high-quality liquid assets for calculation of former's liquidity coverage ratio;
 - III. National Housing Bank's Liquidity Infusion Facility (LIFt) for refinance to Housing Finance Companies (HFCs) for affordable housing;
 - IV. Substantial increase in credit extended by banks;
 - V. Partial Credit Guarantee Scheme for purchase of high-rated pooled assets of NBFCs;
 - VI. Bank credit to NBFCs for on-lending being classified as priority sector; and
 - VII. Banks co-originating loans with NBFCs.
- VIII. Financing for affordable and middle-income housing sector and real estate projects, including stalled projects, has been enabled through an Alternate Investment Fund and NBFCs, including HFCs, are also eligible for finance from the fund, and
- (2) For protection, deposit insurance cover for depositors in insured banks has been enhanced from ₹1 lakh per depositor earlier to ₹5 lakh per depositor.
