

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES

**LOK SABHA**

**UNSTARRED QUESTION NO. †1056**

TO BE ANSWERED ON THE 26<sup>TH</sup> JULY 2021/ SRAVANA 4, 1943 (SAKA)

**Lending Capacity of Banks**

†1056. SHRI KUNWAR PUSHPENDRA SINGH CHANDEL:

Will the Minister of FINANCE be pleased to state:

- (a) whether the credit lending capacity of banks has been affected during the recent past, if so, the details thereof;
- (b) whether the Government has issued guidelines for banks to disburse loan at very affordable rates but banks are unable to disburse loans as expected;
- (c) if so, whether the Government is contemplating to bring change in the credit lending policy and to extend financial assistance to the banks; and
- (d) if so, the details thereof?

**ANSWER**

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

(a) to (c): Despite contraction in GDP (-7.3%) during FY 2020-21 due to the COVID-19 pandemic, overall credit growth of Scheduled Commercial Banks (SCBs) has remained positive for FY 2020-21. As per RBI's, 'Gross Loans and Advances – Outstanding' of SCBs, have increased from Rs. 109.19 lakh crore as on 31.3.2020 to Rs. 113.99 lakh crore as on 31.3.2021. Further, as per RBI data of loans to Agriculture and allied activities, Micro, Small & Medium enterprises, housing and vehicle have witnessed a year-on-year growth of 12.3%, 8.5%, 9.1% and 9.5% respectively during the year. Ability of Public Sector Banks (PSBs) to further increase lending is evident through Capital to Risk Weighted Assets Ratio of PSBs which stood at 14.04% as on 31.3.2021, as against regulatory requirement of 10.875%.

In addition, with a view to sustain the flow of credit to various sectors of the economy in the wake of COVID-19, the Government and RBI have taken several monetary and liquidity measures which, *inter alia*, included the following:

- (i) Government announced a three-month extension of its Rs 3 lakh crore Emergency Credit Line Guarantee Scheme to 30.9.2021, from 30.6.2021, or till guarantees for an amount of Rs 3 lakh crore are issued. Also, a 100% guarantee cover is provided to loans up to Rs 2 crore to hospitals, nursing homes, clinics, medical colleges for setting up on-site oxygen generation plants with the interest rate capped at 7.5%. Banks and NBFCs have sanctioned loans amounting to Rs. 2.77 lakh crore under this scheme as on 20.7.2021.

- (ii) To incentivise new credit flow to the micro, small, and medium enterprise (MSME) borrowers, SCBs were allowed to deduct credit disbursed to 'New MSME borrowers' from their net demand and time liabilities (NDTL) for calculation of Cash Reserve Ratio (CRR). This exemption is available till 31.12.2021.
- (iii) Reduction of 115 basis points (bps) in policy repo rate reducing interest burden on borrowings and a 155 bps reduction in reverse-repo rate to induce banks to on-lend surplus funds to productive sectors of the economy.
- (iv) Reduction in CRR by 100 bps releasing primary liquidity of around Rs.1.37 lakh crore, uniformly across the banking sector.
- (v) Expansion in banks' limit for borrowing overnight under the marginal standing facility from 2% of NDTL to 3%.
- (vi) Term liquidity facility of Rs. 50,000 crore to ease access to Emergency Health Services.
- (vii) Special refinance facilities for a total amount of Rs. 1,41,000 crore at the policy repo rate to the National Bank for Agriculture and Rural Development, the Small Industries Development Bank of India , the National Housing Bank (NHB) and the Export-Import Bank of India (EXIM Bank) to meet sectoral credit needs.
- (viii) RBI announced on tap Targeted Long Term Repo Operation for a total amount of up to Rs. 1,00,000 crore at a floating rate linked to the policy repo rate.
- (ix) Special Long-Term Repo Operations of Rs. 10,000 crore for Small Finance Banks (SFBs).
- (x) On-tap Liquidity Window of Rs.15,000 crore for Contact-intensive Sectors.

Further, as per RBI, the loan policy of banks are required to lay down exposure limits to individual/ group borrowers, documentation standards, margin, security, sectoral exposure limits, repayment terms, delegation of powers, maturity and pricing policies, factors taken into consideration for deciding interest rates etc. The regulatory guidelines are reviewed based on the prevailing conditions and feedback received from various stakeholders and appropriate changes in the guidelines are carried out by the RBI as and when it is considered necessary.

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