

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES

**LOK SABHA**  
**UNSTARRED QUESTION NO. 5753**

ANSWERED ON MONDAY, 30 MARCH, 2026/ 09 CHAITRA, 1947 (SAKA)

**Banking Liquidity Stress on Rural Credit and Development Schemes**

5753. MS IQRA CHOUDHARY:

SHRI PUSHPENDRA SAROJ:

ADV PRIYA SAROJ:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Union Government has assessed the impact of tightening banking liquidity conditions on the flow of institutional credit to rural development programmes and self-help groups in the country, if so, the details thereof, State-wise, particularly for Uttar Pradesh;
- (b) the extent to which banks implementing rural development schemes have increased reliance on short-term market borrowings, such as Certificates of Deposit, State-wise and district-wise for Uttar Pradesh;
- (c) whether any review has been conducted by the Government regarding delays in credit-linked rural livelihood and infrastructure projects due to tightening liquidity conditions, if so, the details thereof;
- (d) the number of instances where financial support to rural development programmes faced delays due to banking sector liquidity pressures, State-wise and district-wise for Uttar Pradesh; and
- (e) the corrective steps proposed by the Union Government to ensure uninterrupted credit flow for rural development initiatives despite emerging stress in banking liquidity?

**ANSWER**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

(a) and (b): Reserve Bank of India (RBI) endeavours to maintain sufficient liquidity in the banking system to ensure that the productive requirements of the economy including rural sector are met and transmission to market rates remains robust. As informed by the State Level Banker's Committee (SLBC) Uttar Pradesh, the overall flow of institutional credit under priority sectors including to rural development programmes and self-help groups in Uttar Pradesh, has shown an increasing trend during the last three financial years.

While State-wise data on the flow of institutional credit to rural development programmes and self-help groups in the country is not readily available, the details of loans disbursed in priority sectors in the state of Uttar Pradesh during the last three years as reported by SLBC Uttar Pradesh are as under:

<b>Amt. in ₹ Crore</b>			
<b>Sector</b>	<b>FY 2023-24</b>	<b>FY2024-25</b>	<b>FY 2025-26 (Till December 2025)</b>
Agriculture	168791	187697	152807
MSME	203834	236036	257351
Other Priority Sector	14840	13484	14608
<b>Total Priority Sector</b>	<b>387465</b>	<b>437217</b>	<b>424766</b>
SHG Credit Linkage	<b>1992</b>	<b>2463</b>	<b>646</b>

The details of short-term borrowings including Certificates of Deposits by banks are not readily available.

(c) and (d): No instances pertaining to delays in financing support to rural development programmes faced due to banking sector liquidity pressures have been reported by SLBC Uttar Pradesh.

(e): The Government has taken various measures to ensure uninterrupted credit flow for rural development initiatives, including SHGs, which *inter-alia* include:

- The Priority Sector Lending (PSL) Guidelines of Reserve Bank of India (RBI) issued to banks and Ground Level Agriculture Credit (GLC) targets by the Government to banks act as key policy instruments in scaling up Kisan Credit Card (KCC) coverage and enhancing institutional credit to farmers.
- As per PSL guidelines issued by RBI, Commercial Banks including Regional Rural Banks, Small Finance Banks, Local Area Banks and Primary (Urban) Co-operative Banks (UCBs) other than Salary Earners' Banks are mandated to allocate at least 18% of their Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off-Balance Sheet Exposures (CEOBSE), whichever is higher, to agriculture, out of which a sub-target of 10 percent is prescribed for Small and Marginal Farmers (SMFs). Further, it also prescribes an incentive framework for districts with comparatively lower flow of credit to priority sector which also include credit to agriculture and Small & Marginal farmers and a dis-incentive framework for districts with comparatively higher flow of priority sector credit for more equitable distribution of credit flow to the agricultural sector.
- The limit for collateral free short-term agricultural loans, including loans for allied activities, has been raised from ₹ 1.60 lakh to ₹ 2.00 lakh per borrower by RBI w.e.f. 01 January 2025.
- Concessional refinance is provided to eligible Rural Financial Institutions (RFIs) through various funds created out of PSL shortfall viz. Short-Term Cooperative Rural Credit Fund (STCRCF), Short-Term RRB Credit Refinance Fund (STRRBF) and Long-Term Rural Credit Fund (LTRCF)
- NABARD implements the following schemes/programmes for supporting SHGs:
  - Training support to SHGs for onboarding onto E-Commerce platforms/ Open Network for Digital Commerce (ONDC)/ social media platforms
  - Skill upgradation for women led microenterprises through “m-Suwidha”
  - Support for training and capacity building of microfinance clients through Financial Inclusion Fund (FIF) of NABARD
  - Tribal Development Programme wherein activities such as SHG formation, health and sanitation camps, training on microenterprise development, etc. are supported.

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