

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES

**RAJYA SABHA**  
**UNSTARRED QUESTION NO. 1033**

ANSWERED ON – 7/12/2021

**Negative industrial loan growth**

1033. Shri Bhaskar Rao Nekkanti:

Will the Minister of FINANCE be pleased to state:

- (a) measures to be taken to reverse the contraction of working capital loans in the form of cash credit, overdraft and demand loans as reported by the RBI;
- (b) whether Government is concerned that an overwhelming majority of loan accounts created under scheduled commercial banks as well as outstanding credit comes from the household sector and not the business sector, particularly in Odisha State, if so, the reaction of Government thereto; and
- (c) whether Government is aware that despite having 61.2% of total bank credit, metropolitan bank branches only accounted for 1.4 percent growth according to the RBI?

**ANSWER**

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

(a): As per inputs received from Reserve Bank of India (RBI), working capital loans in the form of cash credit, overdraft and demand loans have increased to Rs. 36.87 lakh crore as on 31.3.2021 from Rs. 36.12 lakh crore as on 31.3.2020. Thus, no contraction is observed in the aforementioned category of loans. Further, as per weekly data of RBI as on 5.11.2021, year-on-year credit growth of Scheduled Commercial Banks (SCBs) has also increased to 7.1% in November 2021 from 5.8% in November 2020.

In addition, with regard to working capital loans, several measures have been taken to address working capital needs of borrowers which include, *inter alia*, the following:

- (i) Public Sector Banks introduced COVID-19 emergency relief schemes for their existing borrowers under MSME, Corporate, Agriculture, Self Help Groups for providing additional loan facility of minimum 10% of existing working capital loan limits without additional margin / security / or processing charge and enhancement in the existing working capital limits based on the reassessment of the working capital cycle of the borrowers.

(ii) Emergency Credit Line Guarantee Scheme (ECLGS) was announced as part of the AatmaNirbhar Bharat Package in 2020 to help MSMEs/small businesses to meet their operational liabilities and resume businesses in view of the distress caused by the COVID-19 crisis subject to maximum additional ECLGS assistance to each borrower being limited to 40% of loan outstanding or Rs.200 crore, whichever is lower. ECLGS provides banks with 100% guarantee against any losses suffered by them due to non-repayment by borrower, and the interest rate under the scheme was capped at 9.25% for banks and Financial Institutions. Validity of ECLGS has been extended to 31.3.2022 or till guarantees for an amount of Rs.4.5 lakh crore are issued and disbursement under the scheme has been permitted up to 30.6.2022. Under the Scheme, loans worth Rs. 2.97 lakh crore have been sanctioned to 1.30 crore accounts of eligible borrowers up to 26.11.2021.

(iii) Government has launched nationwide Credit Outreach Programme on 16.10.2021. Under this programme, banks have been holding special camps across various parts of the country to sanction loans (including working capital loans) to eligible borrowers. Banks have sanctioned loans worth Rs. 94,063.61 crore to 20.57 lakh accounts of eligible borrowers up to 26.11.2021.

(b): Loans to Household sector include, *inter alia*, Agriculture and Retail loans to individuals like agriculture loans, MUDRA loans, housing loans, consumer loans, vehicle loans, education loans etc., predominantly comprising of small ticket loans extended to large number of borrowers which is reflective of Government's commitment to provide financial inclusiveness and support to the marginalized and socio-economically neglected classes. Further, in terms of outstanding loan amount, share of Household sector as per RBI data, has increased to 53.7% as on 31.3.2021 from 51% as on 31.3.2020 due to various reasons including, *inter alia*, deleveraging of balance sheets by corporates.

(c): During FY2020-21, economic impact of COVID-19 pandemic was more pronounced in metropolitan centres as compared to rural and semi-urban centres. Despite this adverse impact on businesses, metropolitan branches of banks have recorded positive credit growth during FY2020-21.

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