

Why is rural economy in distress? Here's what RBI data on bank credit show

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The priority sector lending growth has languished in single digit, remaining between 3.3 per cent in July 2017 and 9.3 per cent in October 2018, over the last 18 months.



RBI data shows slowdown in Priority Sector Lending by banks

The improvement in gross bank credit, which has pushed up the economic growth in the country, has not been accompanied by the growth in lending to the priority sector, a probable reason behind lagging rural growth, The Indian Express said in a report.

This can be observed from the data collected by the [RBI](#) over the last five years. The priority sector lending growth has languished in single digit,

remaining between 3.3 per cent in July 2017 and 9.3 per cent in October 2018, over the last 18 months.

Priority Sector refers to those sectors which the government and the central bank regard as important for the development of the basic needs of the economy and thus, should be given priority over other sectors. The banks are mandated to set aside 40 per cent of their lending to it. These sectors include categories such as agriculture and allied activities, micro and small enterprises, export Credit, education, housing, social Infrastructure, Renewable Energy and others.

A closer look at the numbers shows that even within the priority sector, the growth of credit to agriculture and allied activities continues to remain below the double-digit which can be attributed to its low performance. The sector recorded a growth of 7.5 per cent in November 2018, much lower than 15.4 per cent and 12.8 per cent in September and October 2016, respectively.

According to the two-year credit data by RBI, most of the recovery in priority sector lending has been due to a significant increase in lending to the service sector in the micro and small enterprises category a year post demonetisation.

Even the manufacturing sector has experienced one of the weakest growth rates among the important categories of the priority sector lending which has

recorded a growth of around 2.8 per cent between November 2016 and November 2018.

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