

PRESS RELEASE

Text of the D.O. letter dated 8.9.2020 of Thiru. Edappadi K. Palaniswami, Hon'ble Chief Minister of Tamil Nadu, addressed to Shri. Narendra Modi, Hon'ble Prime Minister of India

The recent Master Directions for Priority Sector Lending issued vide RBI Master Directions FIDD. CO. Plan. BC.5/ 04..09.01/2020-21 dated 4th September, 2020 contain a very disturbing and discriminatory provision. Para 7 of the Master Directions entitled "Adjustments for weights in PSL Achievement" contains a provision to incentivise flow of priority sector credit to districts with comparatively lower flow of credit with a higher weightage of 125 percent. Prima facie this is not objectionable. However what we find unacceptable is the dis-incentive frame work contained in the guideline for districts with comparatively higher flow of priority sector credit with a lower weightage of 90 percent.

As per Annexure 1A of the Master Directions, all 32 districts of Tamil Nadu (prior to bifurcation) are categorised as districts with comparatively high flow of priority sector credit. Hence, all of Tamil Nadu has been covered in the dis-incentive frame work for priority sector lending. In no other State have so many districts been covered in the dis-incentive frame work. Tamil Nadu appears to have been singled out for particularly adverse treatment in the Master Directions.

While attempts can and should be made to increase credit flow to districts where it is low, such efforts ought to be by increasing the overall credit flow and not by attempting diverting credit from other districts / States. **The overall size of the pie needs to be increased alongside greater financial penetration.**

Districts in Tamil Nadu have received a higher flow of credit on account of the enterprise, hard work, diligence and timely repayment of loans by households and businesses in the State. These households and businesses have been good borrowers, utilising the loans for the intended purpose and servicing the debt on time. They should not now be penalised for having abided by the rules, by directing the flow of credit away from them. On the contrary, they should be encouraged to expand the economic activities in the country.

Hence, this policy of the RBI is unfair and regressive and must be reversed immediately. Hard working, law abiding borrowers who serviced their debt on time, deserve to be encouraged by higher flow of credit. All parts of the country and Tamil Nadu in particular have been affected by

COVID-19 pandemic. Uninterrupted flow of credit at this time is critical for revival of economic activity. No such retro grade action, adversely affecting flow of credit, should be taken.

Dis-incentivising good borrowers who repay on time is a short-sighted and counter-productive strategy, for not just the overall economic well-being of the nation, especially when the nation is combating the impact of COVID, but also for the health of the banking system which is struggling with rising non-performing assets. I request you to prevail upon the RBI to immediately reverse this decision and restore the earlier weightage system for free flow of priority sector credit.

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