



रिज़र्व बैंक ऑफ़ इंडिया

**RESERVE BANK OF INDIA**

www.rbi.org.in

**RBI/ 2004-05/292**

**RPCD.PLNFS.BC.No. 61 /06.02.31(WG)2004-05**

**December 08, 2004**

**The Chief Executive Officer  
(All foreign banks operating in India)**

Dear Sir,

**Working Group on Flow of Credit to SSI Sector - Interest Rates on Deposits with SIDBI in lieu of Shortfall in Priority Sector Obligations**

Please refer to our circular RPCD.Plan.BC.41/04.09.09/2003-04 dated November 03, 2003 regarding the interest rate on deposits placed with SIDBI.

2. In this connection, a reference is invited to the recommendation of the Ganguly Working Group in regard to evaluation of methods of utilisation of deposits made by foreign banks with SIDBI for shortfall in their priority sector obligation (Paragraph3). The recommendation has since been accepted and accordingly, the structure of the current scheme is revised with the following features.

- (i) The amount of shortfall in priority sector obligation will be placed with SIDBI by foreign banks for a tenor of three years.
- (ii) The funds placed with SIDBI will have a graded interest rate structure linked to the Bank Rate as indicated below:

<b>Sr.No.</b>	<b>Shortfall in overall target (32 per cent of net bank credit) or aggregate shortfall in sub-targets SSI (10 per cent) and export credit (12 per cent), whichever is higher.</b>	<b>Rate of interest on the entire deposit to be made with SIDBI (Per cent per annum)</b>
1.	Less than 2 percentage points	Bank Rate (6 per cent at present)
2.	2 and above, but less than 5 percentage points	Bank Rate minus 1 percentage point
3.	5 and above, but less than 9 percentage points	Bank Rate minus 2 percentage points
4.	9 percentage points and above	Bank Rate minus 3 percentage points

- (iii) SIDBI will pass on the lower interest rates to the borrowers.

their resources.

3. Banks are requested to initiate necessary action in this regard.
4. Please acknowledge receipt.

Yours faithfully,

(G. Srinivasan)  
Chief General Manager.