

**Risk Weight on deposits placed with SIDBI/NABARD
in lieu of shortfall in lending to priority sector**

BP.BC. 91 /21.01.002/2000

March 22, 2001

All Commercial Banks
(excluding Regional Rural Banks)

Dear Sir,

**Risk Weight on deposits placed with SIDBI/NABARD
in lieu of shortfall in lending to priority sector**

As you are aware, scheduled commercial banks (other than foreign banks operating in India), are required to make good the shortfall in the lending sub-target to agriculture sector by depositing an amount equivalent to the shortfall with RIDF, set up in NABARD, subject to maximum of 1.5 per cent of net bank credit. Likewise, foreign banks are required to make good the shortfall in the priority sector lending target by depositing an amount equivalent to the shortfall with SIDBI.

2. In terms of paragraph 2(d) (Sl.No.8) of our circular DBOD No..BP.BC.103 /21.01.002/98-99 dated October 31, 1998, claims on Public Financial Institutions including NABARD / SIDBI were to be assigned risk weight of 20%. It is now clarified that all deposits placed with NABARD / SIDBI in lieu of shortfall in advance to priority sector vis-à-vis the prescribed target would attract 100% risk weight since these deposits are in lieu of shortfall in assets which carry 100% risk weight.

Yours faithfully,

(**B. Mahapatra**)
General Manager