



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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RBI/2012-13/253

RPCD. CO. Plan. BC 37 /04.09.01/ 2012-13

October 17, 2012

**The Chairman/ Managing Director/
Chief Executive Officer**
*[All scheduled commercial banks
(excluding Regional Rural Banks)]*

Dear Sir,

PRIORITY SECTOR LENDING –TARGETS AND CLASSIFICATION

Please refer to our [circular No.RPCD.CO.Plan. BC 13/04.09.01/ 2012-13 dated July 20, 2012](#) on the captioned subject. During the interaction Governor had with bankers on July 31, 2012 in connection with the first quarter review of [Monetary Policy Statement 2012-13](#), certain concerns were raised by the banks on the revised priority sector guidelines. Accordingly, discussions were held with CMD/CEOs of select banks and also with priority sector heads of select banks. Based on the feedback received, it has been decided to make certain additions and amendments, as per the Annex, in the guidelines on priority sector issued vide circular dated July 20, 2012.

The additions and amendments will be operational with effect from July 20, 2012.

Yours faithfully,

(T V Rao)
Deputy General Manager

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हिंदी आसान है, इसका प्रयोग बढ़ाइए

चेतावनी: रिज़र्व बैंक द्वारा मेल -ड्राक, एसएमएस या फोन कॉल के जरिए किसी की भी व्यक्तिगत जानकारी जैसे बैंक के खाते का ब्यौरा, पासवर्ड आदि नहीं मांगी जाती है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी तरीके से जवाब मत दीजिए।

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1. Agriculture

1.1 Direct Agriculture

Bank loans to following entities would also qualify for lending to direct agriculture:-

Loans to corporates including farmers' producer companies of individual farmers, partnership firms and co-operatives of farmers directly engaged in Agriculture and Allied Activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture (up to cocoon stage) up to an aggregate limit of ₹2 crore per borrower for the following purposes.

(i) Short-term loans for raising crops, i.e. for crop loans.

This will include traditional/non-traditional plantations, horticulture and allied activities.

(ii) Medium & long-term loans for agriculture and allied activities (e.g. purchase of agricultural implements and machinery, loans for irrigation and other developmental activities undertaken in the farm, and development loans for allied activities).

(iii) Loans for pre-harvest and post-harvest activities, viz., spraying, weeding, harvesting, grading and sorting.

(iv) Export credit for exporting their own farm produce.

[Effect on July 20, 2012 circular: A new sub paragraph under Paragraph (III) (1.1) gets added]

1.2 Indirect Agriculture

If the aggregate loan limit per borrower is more than ₹2 crore in respect of para 1.1 above, the entire loan should be treated as indirect finance to agriculture.

[Effect on July 20, 2012 circular: Paragraphs (III) (1.2.1) (i), (ii), (iii), (v) and (vi) would stand amended accordingly]

2. Micro and Small Enterprises (Service Sector)

Bank loans to Micro and Small Enterprises (MSE) engaged in providing or rendering of services will be eligible for classification as direct finance to MSE Sector under priority sector upto an aggregate loan limit of ₹2 crore per borrower/unit, provided they satisfy the investment criteria for equipment as defined under MSMED Act, 2006.

[Effect on July 20, 2012 circular: Paragraph (III) (2) (2.1.2) would stand amended accordingly]

3. Housing

(i) Bank loans to any governmental agency for construction of dwelling units or for slum clearance and rehabilitation of slum dwellers subject to a ceiling of ₹10 lakh per dwelling unit.

(ii) Loans sanctioned by banks for housing projects exclusively for the purpose of construction of houses only to economically weaker sections and low income groups, the total cost of which does not exceed ₹10 lakh per dwelling unit, will qualify for priority sector status. For the purpose of identifying the economically weaker sections and low income groups, the family income limit of ₹1,20,000 per annum, irrespective of location, is prescribed.

[Effect on July 20, 2012 circular: Paragraph (III) (4) (iii) & (iv) would stand amended accordingly]

(iii) Bank loans to Housing Finance Companies (HFCs), approved by NHB for their refinance, for on-lending for the purpose of purchase/construction/reconstruction of individual dwelling units or for slum clearance and rehabilitation of slum dwellers, subject to an aggregate loan limit of ₹10 lakh per borrower, provided the all inclusive interest rate charged to the ultimate borrower is not exceeding lowest lending rate of the lending bank for housing loans plus two percent per annum.

(iv) The eligibility under priority sector loans to HFCs is restricted to five percent of the individual bank's total priority sector lending, on an ongoing basis. The maturity of bank loans should be co-terminus with average maturity of loans extended by HFCs. Banks should maintain necessary borrower-wise details of the underlying portfolio.

[Effect on July 20, 2012 circular: A new sub paragraph under Paragraph (III) (4) gets added]

4. It is also clarified that:-

(i) The investments in non-SLR securities, under HTM category for computation of ANBC will include only non-SLR bonds/debentures.

(ii) Off-balance sheet interbank exposures are excluded for computing Credit Equivalent of Off - Balance Sheet Exposures for the priority sector targets.

(iii) The term “all inclusive interest” includes interest (effective annual interest), processing fees and service charges.

(iv) Banks should ensure that loans extended under priority sector are for approved purposes and the end use is continuously monitored. The banks should put in place proper internal controls and systems in this regard.

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