


भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई-400001

DEPARTMENT OF COMMUNICATION, Central Office, S.B.S.Marg, Mumbai-400001

फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 22660358

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**RBI releases Report of the Internal Working Group to
Revisit the Existing Priority Sector Lending Guidelines**

The Reserve Bank of India today placed on its website, the [Report of the Internal Working Group to Revisit the Existing Priority Sector Lending Guidelines](#) (Chair: Lily Vadera, Chief General Manager, Department of Banking Regulation). Suggestions/comments, if any, on the recommendations of the Report, may be sent by post/[email](#) to the Principal Chief General Manager, Reserve Bank of India, Financial Inclusion and Development Department, Central Office Building, 10th Floor, S.B.Marg, Mumbai-400001 on or before March 15, 2015.

Background

The Indian economy has changed since priority sector lending guidelines were conceived. There is a need to reorient guidelines towards today's growth and inclusion agenda. As such, an Internal Working Group was constituted by the Reserve Bank with the objective of revisiting the existing priority sector lending guidelines and suggesting revised guidelines in alignment with the national priorities as well as financial inclusion goals of the country. The objectives also included suggesting ways on how to achieve the priority sector targets in the most effective way as well as measures to be taken in case of under-achievement of the priority sector targets.

The Working Group has focused on channelling credit to segments that get crowded out in the absence of specific targets. These include small and marginal farmers, micro enterprises and the weaker sections while broadening the scope to include other underserved categories of national priority, such as agriculture infrastructure, social infrastructure, renewable energy, exports and medium sized enterprises.

The key recommendations of the Report include:

- i) **Overall Priority sector target:** The target for lending to the redefined priority sector is retained uniformly at 40 per cent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off-Balance Sheet Exposure (CEOBE), whichever is higher, for all scheduled commercial banks. However, foreign banks, which will all now come under the norms, have been given time to comply with the target.
- ii) **Agriculture:** Target of 18 per cent of ANBC retained. A sub-target of 8 per cent of ANBC has been recommended for small and marginal farmers to be achieved in a phased manner. More flexibility has been recommended for banks to lend the remaining 10 per cent of the overall agriculture loan target to other farmers, agricultural infrastructure and ancillary activities as defined by the Group. To give a fillip to agri-infrastructure and agri-processing, no caps on loan limits have been stipulated.

iii) **MSME:** In addition to micro and small enterprises, medium enterprises are included within the ambit of priority sector lending. To ensure that the micro enterprises are not crowded out, a sub-target of 7.5 per cent for micro enterprises has been recommended, which is to be achieved in a phased manner.

iv) **Other sectors:** In addition, loans to sanitation, health care and drinking water facilities and renewable energy will come under the priority sector ambit, as will incremental loans made to exports, with certain ceilings.

v) **Priority sector lending certificates:** The Working Group recommends introduction of priority sector lending certificates (PSLCs) which will enable banks to meet their PSL requirements even while leveraging their comparative advantage in lending.

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Sangeeta Das
Director