



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI/2014-15/573

FIDD.CO.Plan.BC.54/04.09.01/2014-15

April 23, 2015

The Chairman / Managing Director/
Chief Executive Officer
[All Scheduled Commercial Banks, (excluding Regional Rural Banks)]

Dear Sir/ Madam,

PRIORITY SECTOR LENDING-TARGETS AND CLASSIFICATION

An Internal Working Group (IWG) was set up in July 2014 to revisit the existing priority sector lending guidelines. The report of the IWG was placed in the public domain inviting comments. The recommendations of the IWG were examined in the light of the comments / suggestions received from Government of India, banks, and other stakeholders and revised guidelines are being issued in supersession of guidelines mentioned in the Master Circular RPCD.CO.Plan.BC10/04.09.01/2014-15 dated July 1, 2014 on Priority Sector Lending -Targets and Classification.

The salient features of the guidelines are as under. The extracts from the guidelines pertaining to Renewable Energy are given below:

- (i) Categories of the priority sector: Medium Enterprises, Social Infrastructure and Renewable Energy will form part of priority sector, in addition to the existing categories.
- (ii) The loan limits for housing loans and MFI loans qualifying under priority sector have been revised.
- (ii) The priority sector non-achievement will be assessed on quarterly average basis at the end of the respective year from 2016-17 onwards, instead of annual basis as at present.

The revised guidelines are operational with effect from the date of this circular. The priority sector loans sanctioned under the guidelines issued prior to this date will continue to be classified under priority sector till repayment/maturity/renewal.

Yours faithfully,

(A. Udgata)

Principal Chief General Manager

I. Categories under priority sector

- (i) Agriculture
- (ii) Micro, Small and Medium Enterprises
- (iii) Export Credit
- (iv) Education
- (v) Housing
- (vi) Social Infrastructure
- (vii) Renewable Energy
- (viii) Others

The details of eligible activities under the above categories are specified in paragraph III.

II. Description of the eligible categories under priority sector

Bank loans to Micro, Small and Medium Enterprises, for both manufacturing and service sectors are eligible to be classified under the priority sector as per the following norms:

Renewable Energy

Bank loans up to a limit of Rs.15 crore to borrowers for purposes like solar based power generators, biomass based power generators, wind mills, micro-hydel plants and for non-conventional energy based public utilities viz. street lighting systems, and remote village electrification. For individual households, the loan limit will be Rs.10 lakh per borrower.

Banks should comply with the following common guidelines for all categories of advances under the priority sector.

1. Rate of interest

The rates of interest on bank loans will be as per directives issued by our Department of Banking Regulation from time to time.

2. Service Charges

No loan related and adhoc service charges/inspection charges should be levied on priority sector loans up to Rs. 25,000.

3. Receipt, Sanction/Rejection/Disbursement Register

A register/ electronic record should be maintained by the bank, wherein the date of receipt, sanction/rejection/ disbursement with reasons thereof, etc., should be recorded. The register/electronic record should be made available to all inspecting agencies.

4. Issue of Acknowledgement of Loan Applications

Banks should provide acknowledgement for loan applications received under priority sector loans. Bank Boards should prescribe a time limit within which the bank communicates its decision in writing to the applicants.

III. Amendments

These guidelines are subject to any further instructions that may be issued by the RBI from time to time.

IV. Definitions/Clarifications

1. On-lending: Loans sanctioned by banks to eligible intermediaries for onward lending only for creation of priority sector assets. The average maturity of priority sector assets thus created should be broadly co-terminus with maturity of the bank loan. Contingent liabilities/off-balance sheet items do not form part of

priority sector target achievement. However, foreign banks with less than 20 branches have an option to reckon the credit equivalent of off-balance sheet items, extended to borrowers for eligible priority sector activities, along with priority sector loans for the purpose of computation of priority sector target achievement. In that case, the credit equivalent of all off-balance sheet items (both priority sector and non-priority sector excluding interbank) should be added to the ANBC in the denominator for computation of Priority Sector Lending targets.

2. Off-balance sheet interbank exposures are excluded for computing Credit Equivalent of Off -Balance Sheet Exposures for the priority sector targets.
3. The term “all inclusive interest” includes interest (effective annual interest), processing fees and service charges.
4. 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.