



PRIORITY SECTOR ADVANCE

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INTRODUCTION

1968-1972

- National Credit Council held in 1968.
- Description of Priority Sector formalized in 1972.

1974-1979

- Initially no specific targets for PSAs.
- In 1974 it was decided that share of PSAs should increase to 33 1/3 % of total advances by March 1979.

1980-2006

- Meeting of Union Finance Minister with chief of PSBs, it was agreed to raise the share of PSAs to 40% of Total Advances by March 1985.

2007-2012

- The guidelines were revised in the year 2007.
- On recommendation of the M V Nair Committee, revised guideline was effect from July 20, 2012.

23/4/2015

- On recommendation of Internal Working Group (IWG), RBI has revised the existing Priority Sector Lending guidelines w.e.f. 23/04/2015.

TARGETS UNDER PRIORITY SECTOR ADVANCES

Domestic commercial Banks / Foreign Banks with 20 & above branches

40% of ANBC or Credit equivalent amount of Off - Balance Sheet exposure, Whichever is higher.

Foreign Banks with less than 20 branches

40% of ANBC or Credit equivalent amount of Off - Balance Sheet exposure, Whichever is higher, to be achieved by 2020.

Foreign Banks with 20 & above branches

40% of ANBC or Credit equivalent amount of Off - Balance Sheet exposure, Whichever is higher. Target had to achieved by 31 March 2018.

Regional Rural Bank

75% of total outstanding Advances w.e.f. 1st Jan 2016.

NEW SECTORS OF PRIORITY SECTOR ADVANCE



Adjusted Net Bank Credit (ANBC)

Bank Credit in India (As prescribed in item No. VI of Form 'A' as on 31 st March) under Sec 42 [2] of RBI Act, 1934	I
Bills rediscounted with RBI and other approved Financial institutions	II
Net Bank Credit(NBC)	III (I-II)
Investment in non-SLR bonds in HTM category +Other investments eligible to be treated as PSAs + O/s Deposits under RIDF, other eligible funds with NABARD, NHB and SIDBI on a/c of PSA shortfall + o/s PSLCs	IV
Eligible amount for exemptions on issuance of long term bands for infrastructure and affordable housing as per circular DBOD.BP.BC.No. 25/08.12.014/2014-15 dated July 15, 2014	V
Eligible advance extended in India against the incremental FCNR(B)/NRE deposits, qualifying for exemption from CRR/SLR requirements.	VI
Investments made by public sector banks in the Recapitalization Bonds floated by Government of India.	VII
Adjusted Net Bank Credit (ANBC)	III+IV-V-VI-VII

Off-Balance Sheet Exposures:- An asset or Debt that does not appear on a bank's balance sheet. Such as: LC, BG, Forward contract etc.

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The total priority sector target of 40% for foreign bank with less than 20 branches has to be achieved in a phased manner as under.

Financial year	The total priority sector percentage of ANBC or Credit equivalent amount of Off - Balance Sheet exposure, Whichever is higher
2015-16	32
2016-17	34
2017-18	36
2018-19	38
2019-20	40

TARGETS UNDER AGRICULTURE

Domestic commercial Banks / Foreign Banks with 20 & above branches:-

❖ 18% of ANBC or Off- Balance Sheet exposure, Whichever is higher.

❖ Within the 18% target of agriculture, target of 8% is prescribed for Small & Marginal Farmer.

❖ **Foreign Banks with less than 20 branches:- No specific target.**

SMALL & MARGINAL FARMERS

Computation of 8% loan to small and marginal farmers include the following:

- ❖ Marginal Farmer: Farmer Landholding up to 1 hectare,
- ❖ Small Farmer: Farmer Landholding up to 2 hectare,
- ❖ Landless agricultural labourers, tenant farmers, oral lessees and share-croppers,
- ❖ Loan to SHG or JLG engaged in agriculture and allied activities,
- ❖ Loan to farmer producer companies of individual farmers and co-operative society having 75% Small and Marginal farmer engaged in agriculture activities.

AGRICULTURE ADVANCE

Farm Credit Loans to individual farmers, SHG, JLG:

- Short term loan for raising crops, i.e. Crop Loans.
- Medium & long term loan to farmers for agriculture & allied activities.
- Loan to farmers for pre & post harvest activities.
- Loan to farmers up to 50 lakh against agriculture produce (including warehouse receipt) for 12 months.
- Loans to farmers under KCC Scheme.
- Loans to distress farmers indebted to non institutional lenders.
- Loan to small & marginal farmers to purchase of land for agriculture purpose.

AGRICULTURE ADVANCE

Farm Credit Loan to corporate farmer, farmer producer organization, Partnership forms, Co operative societies engaged in Agriculture and Allied activities for Loans limit up to 2 crore per borrower. This will include:

- **Crop Loans to farmer which will include traditional/ Non-traditional plantations and horticulture, and loans to allied activities.**
- **Medium & long term loan to farmers for agriculture & allied activities.**
- **Loan to farmers for pre & post harvest activities.**
- **Loan to farmers up to 50 lakhs against agriculture produce(including warehouse receipt)for 12 months.**

AGRICULTURE INFRASTRUCTURE

Loan for aggregate sanction limit of Rs. 100 crore per borrower from the banking system.

- **Loans for construction of storage facilities (Warehouse, Godowns, market yards) including cold storage units designed to store Agriculture produce, irrespective of their location.**
- **Soil conservation and watershed development**
- **Plant tissue culture and agri-biotechnology, seed production, production of bio-pesticides, bio-fertilizer, and vermi composting.**

AGRICULTURE ANCILLARY ACTIVITIES

- Loans up to Rs. 5 crore to co-operative societies of farmers for disposing of the produce of farmers.
- Loans for setting Agriclinc & Agribusiness centre.
- Loan sanction to MFIs for on lending Ag activities.
- Loans for Food & Agro-processing up to an aggregate sanction limit of Rs. 100 crore per borrower from the banking system.
- Bank loans to Primary Agricultural Co operative Society(PACS), Farmer's Service Societies (FSS) and Large sized Adivasi Multi Purpose Scheme (LAMPS) for on lending to Agriculture.
- Outstanding deposits under RIDF and eligible funds with NABRD on account of priority sector shortfall.

MICRO, SMALL & MEDIUM ENTERPRISES

Domestic commercial Banks / Foreign Banks with 20 & above branches:- All Bank loan to Micro, Small & Medium Enterprises both manufacturing and services are eligible to classified under Priority Sector Advances.

Micro Enterprises: 7.5 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.

Manufacturing Enterprises: The Micro, Small & Medium Enterprises engaged in the manufacture or production of goods to any industry.

Service Enterprises: All Bank loan to Micro and Small Enterprises engaged in providing or rendering of services in terms of investment and defined under MSMED Act shall qualify under priority sectors without any credit cap.

Foreign Banks with less than 20 branches:- No specific target.

MICRO, SMALL & MEDIUM ENTERPRISES

Khadi and Village Industries Sector (KVI): All loan given to units of KVI sector will eligible for classification of 7.5% prescribed to Micro Enterprises.

Other finance to MSMEs:

- Loans to person involve in assisting the Artisans, Cottage Industry.
- Loan to cooperative of producers in the Artisans, Cottage Industry .
- Loan sanction to Banks, MFIs for on lending to MSE sectors.
- Credit outstanding under all General Credit Cards.
- Outstanding deposits with SIDBI on account of priority sector shortfall.

TARGETS UNDER EXPORT CREDIT

Domestic commercial Banks:- Incremental export credit over corresponding date of preceding year, up to 2% of ANBC or Off- Balance Sheet exposure, whichever is higher, effective from April 1, 2015 subject to sanction limit of Rs. 40 crore per borrower.

Foreign Banks with 20 & above branches:- Incremental export credit over corresponding date of preceding year, up to 2% of ANBC or Off- Balance Sheet exposure, whichever is higher, effective from April 1, 2017.

Foreign Banks with less than 20 branches:- Export Credit will be allowed up to their given target for that year of ANBC or Off- Balance Sheet exposure, whichever is higher.

WEAKER SECTION

Weaker Section:-10% of ANBC for Domestic commercial Banks and Foreign branch having 20 branch and above. 15% target for RRB.

- Loan to Small and Marginal farmers,
- Beneficiaries of Govt. Sponsored Schemes such as NRLM, NULM, SRMS,
- Artisans, Village and cottage industries where individual credit limits do not exceed Rs. 1 lakh per borrower,
- Loan to individual SC & ST category ,
- Loan to persons with disabilities,
- Loans to individual women beneficiaries up to Rs1 lac per borrower etc.,
- Loans to distressed farmers indebted to non-institutional lenders,
- Loans to distressed persons other than farmers not exceeding Rs. 1 lac per borrower to prepay their debt to non-institutional lenders,
- OD limit to PMJDY account holder upto Rs. 10,000/- with age limit of 18-65 years.
- Minority communities as may be notified by Government of India from time to time.

EDUCATION LOAN & SOCIAL INFRASTRUCTURE

- ❖ Education loan Rs.10 lakh to individual including vocational course irrespective of sanction amount.
- ❖ Loan limit of Rs. 5 crore per borrower for building social infrastructure namely school, health care facilities, drinking water, and sanitation in Tier II to Tier VI centers.

RENEWABLE ENERGY

Loans up to limit of Rs. 15 crore to borrowers for purpose like solar based power generation, 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.

HOUSING LOAN

For Purchase/Construction: Metro (Population 10 lakh) Rs. 35 lakh & other centres Rs. 25 lakh provided overall cost not exceed Rs. 45 lakh & Rs. 30 lakh respectively
For Repair/Renovation: Metro Rs. 5 lakh and other centre Rs. 2 lakh.

Note: The housing loans to banks' own employees will be excluded.

Housing Finance Companies (HFCs), approved by NHB for on-lending for the purpose of purchase/construction of individual dwelling units or for slum clearance and rehabilitation of slum dwellers, subject to an aggregate loan limit of Rs. 10 lakh per borrower. 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.

Assistance given to any Govt. agency for construction of dwelling units or for slum clearance and rehabilitation of slum dwellers subject to ceiling of Rs. 10 lakh per dwelling units.

For construction of houses to economically weaker sections & low income groups, the total cost of which do not exceed Rs. 10 lakh per dwelling unit. For the purpose of identifying the EWS and LIG, the family income limit is revised to Rs. 3 lakh per annum for EWS and Rs. 6 lakh per annum for LIG, in alignment with the income criteria specified under the Pradhan Mantri Awas Yojana.

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OTHERS

Loans up to Rs. 50,000/- per borrower provided directly by banks to individuals and their SHG/JLG provided the borrower's household annual income in rural areas not exceeding Rs. 100,000/- and for non-rural areas not exceeding Rs.1,60,000/-.

Loans sanction to State Sponsored organization for SC/ST for specific purpose of purchase and supply of inputs .

Loans sanctioned to distressed person not exceeding Rs. 100,000/- per borrower to prepay their debt to non-institutional lenders.

Overdrafts, up to Rs. 5,000 /- per a/c, granted PMJDY accounts provided the borrowers household annual income in rural areas does not exceed Rs. 100,000 and for non rural areas it should not exceed Rs. 1,60,000/-.

PRIORITY SECTOR LENDING CERTIFICATES

The outstanding priority sector lending certificates bought by banks will be eligible for classification under respective categories of priority sector provided the assets are originated by banks, are eligible to be classified as priority sector advances and fulfill the Reserve Bank of India guidelines on Priority Sector Lending Certificates issued vide Circular FIDD.CO.Plan. BC.23/04.09.001/2015-16 dated April 7 2016.

INVESTMENTS BY BANKS IN SECURITISED ASSETS

- (i) Investments by banks in securitised assets, representing loans to various categories of priority sector, except 'others' category, are eligible for classification under respective categories of priority sector depending on the underlying assets provided:
 - (a) the securitised assets are originated by banks and financial institutions and are eligible to be classified as priority sector advances prior to securitisation and fulfil the Reserve Bank of India guidelines on securitisation.
 - (b) the all inclusive interest charged to the ultimate borrower by the originating entity should not exceed the Base Rate of the investing bank plus 8 percent per annum.
- (ii) Investments made by banks in securitised assets originated by NBFCs, where the underlying assets are loans against gold jewellery, are not eligible for priority sector status.

TRANSFER OF ASSETS THROUGH DIRECT ASSIGNMENT /OUTRIGHT PURCHASES

- (i) Assignments/Outright purchases of pool of assets by banks representing loans under various categories of priority sector, except the 'others' category, will be eligible for classification under respective categories of priority sector provided:**
 - (a) the assets are originated by banks and financial institutions which are eligible to be classified as priority sector advances prior to the purchase and fulfil the Reserve Bank of India guidelines on outright purchase/assignment.**
 - (b) the eligible loan assets so purchased should not be disposed of other than by way of repayment.**
 - (c) the all inclusive interest charged to the ultimate borrower by the originating entity should not exceed the Base Rate of the purchasing bank plus 8 percent per annum.**

TRANSFER OF ASSETS THROUGH DIRECT ASSIGNMENT /OUTRIGHT PURCHASES

- (ii) When the banks undertake outright purchase of loan assets from banks/ financial institutions to be classified under priority sector, they must report the nominal amount actually disbursed to end priority sector borrowers and not the premium embedded amount paid to the sellers.**
- (iii) Purchase/ assignment/investment transactions undertaken by banks with NBFCs, where the underlying assets are loans against gold jewellery, are not eligible for priority sector status.**

INTER BANK PARTICIPATION CERTIFICATES

- ❖ Inter Bank Participation Certificates (IBPCs) bought by banks, on a risk sharing basis, are eligible for classification under respective categories of priority sector, provided the underlying assets are eligible to be categorized under the respective categories of priority sector and the banks fulfil the Reserve Bank of India guidelines on IBPCs.
- ❖ With regard to the underlying assets of the IBPC transactions being eligible for categorization under 'Export Credit' the IBPC bought by banks, on a risk sharing basis, may be classified from purchasing bank's perspective for priority sector categorization. However, in such a scenario, the issuing bank shall certify that the underlying asset is 'Export Credit', in addition to the due diligence required to be undertaken by the issuing and the purchasing bank as per the guidelines in this regard.

NON-ACHIEVEMENT OF PRIORITY SECTOR TARGETS

- ❖ All scheduled commercial banks having shortfall in lending to priority sector target/sub shall be allocated amounts for contribution to rural Infrastructure Development Fund (RIDF) established with NABARD and other Funds with NABARD/NHB/SIDBI/other Financial Institutions as decided by the RBI from time to time.
- ❖ Non-Achievement of priority sector targets and sub-targets will be taken into account while granting regulatory clearances/approvals for various purposes.
- ❖ While computing priority sector target achievement, shortfall / excess lending for each quarter will be monitored separately.
- ❖ The interest rates on banks' contribution to RIDF or any other Funds, tenure of deposits, etc. shall be fixed by Reserve Bank of India from time to time.

Thank You

