भारतीय रिज़र्व बैंक
---------------------RESERVE BANK OF INDIA----------------
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December 3, 2015

The Chairman
All Regional Rural Banks

Dear Sir/Madam,

Regional Rural Banks - Priority Sector Lending – Targets and Classification

During the last decade, Regional Rural Banks (RRBs) have undergone significant structural and operational changes, be it two-phased amalgamation, implementation of CBS platform or recapitalization, inter alia. Considering the growing significance of RRBs in pursuit of financial inclusion agenda, it has been decided to revise the priority sector guidelines for RRBs. Accordingly, the comprehensive revised guidelines on Priority Sector Lending – Targets and Classification for Regional Rural Banks are enclosed as Annex. The revised guidelines supersede all earlier guidelines mentioned in the Master Circular RPCD.CO.RRB.BC 5/03.05.33/2014-15 dated July 1, 2014 on Regional Rural Banks - Lending to Priority Sector.

Some of the salient features of the guidelines are as under:-

(i) Targets: 75 per cent of total outstanding to the sectors eligible for classification as priority sector lending and sub sector targets as indicated in subsequent paragraphs.

(ii) Categories of the Priority Sector: Medium Enterprises, Social Infrastructure and Renewable Energy will form part of the Priority Sector, in addition to the existing categories, with a cap of 15 per cent of total outstanding.

(iii) Agriculture: 18% per cent of total outstanding should be advanced to activities mentioned under Agriculture.

(iv) Small and Marginal Farmers: A target of 8 percent of total outstanding has been prescribed for Small and Marginal Farmers within Agriculture.*

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(v) Micro Enterprises: A target of 7.5 per cent of total outstanding has been prescribed for Micro Enterprises. **

(vi) Weaker Sectors: A target of 15 per cent of total outstanding has been prescribed for Weaker Sections.

(vii) Monitoring: Priority Sector Lending will be monitored on a quarterly as well as annual basis.

(* RRBs that have not achieved the 8 percent sub target may achieve the same in a phased manner i.e. 7 per cent by March 2016 and 8 per cent by March 2017.)

(**RRBs that have not achieved the 7.5 percent sub target may achieve the same in a phased manner i.e. 7 per cent by March 2016 and 7.5 per cent by March 2017.)

The revised guidelines will be operational with effect from January 1, 2016. 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

Annexure

I. CATEGORIES UNDER PRIORITY SECTOR

i. Agriculture
ii. Micro, Small and Medium Enterprises (MSMEs)
iii. Education
iv. Housing
v. Social Infrastructure
vi. Renewable Energy
vii. Others

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

II. Targets /Sub-targets for Priority sector

RRBs will have a target of 75 per cent of their outstanding advances for priority sector lending and sub-sector targets as indicated in table below.

Categories	**Targets**
Total Priority Sector	75 per cent of total outstanding*
Agriculture	18 per cent of total outstanding
Small and Marginal Farmers	8 percent of total outstanding**
Micro Enterprises	7.5 per cent of total outstanding***
Weaker Sections	15 per cent of total outstanding

* The overall Priority Sector target may be achieved across all prescribed categories viz. – Agriculture, MSME, Education, Housing, Social Infrastructure, Renewable Energy and Others. However, lending to Medium Enterprises, Social Infrastructure and Renewable Energy shall be reckoned for priority sector achievement only up to 15 per cent of total outstanding.

** RRBs that have not achieved the 8 percent sub target may achieve the same in a phased manner i.e. 7 per cent by March 2016 and 8 per cent by March 2017.

*** RRBs that have not achieved the 7.5 percent sub target may achieve the same in a phased manner i.e. 7 per cent by March 2016 and 7.5 per cent by March 2017.

The computation of priority sector targets/sub-targets achievement will be based on the total outstanding as on the corresponding date of the preceding year.

III. Description of the eligible categories under priority sector

1. Agriculture

The lending to agriculture sector will be categorized as (i) Farm Credit (which will include short-term crop loans and medium/long-term credit to farmers) (ii) Agriculture Infrastructure and (iii) Ancillary Activities. A list of eligible activities under the three sub-categories is indicated below:

1.1 Farm credit	A. Loans to individual farmers [including Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual farmers, provided banks maintain disaggregated data of such loans], directly engaged in Agriculture and Allied Activities, *viz.*, dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture. This will include: (i) Crop loans to farmers which will include traditional/non-traditional plantations and horticulture, and, loans for allied activities. (ii) Medium and long-term loans to farmers 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 developmental loans for allied activities.) (iii) Loans to farmers for pre and post-harvest activities, *viz*., spraying, weeding, harvesting, sorting, grading and transporting of their own farm produce. (iv) Loans to farmers up to ₹50 lakh against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months.

	(v) Loans to distressed farmers indebted to non-institutional lenders. (vi) Loans to farmers under Kisan Credit Card Scheme. (vii) Loans to small and marginal farmers for purchase of land for agricultural purposes. B. Loans to corporate farmers, farmers' producer organizations/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 an aggregate limit of ₹2 crore per borrower. This will include: (i) Crop loans to farmers which will include traditional/non-traditional plantations and horticulture, and, loans for allied activities. (ii) Medium and long-term loans to farmers 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 developmental loans for allied activities.) (iii) Loans to farmers for pre and post-harvest activities, *viz.*, spraying, weeding, harvesting, sorting, grading and transporting of their own farm produce. (iv) Loans up to ₹50 lakh against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months.
1.2. Agriculture infrastructure	i) Loans for construction of storage facilities (warehouses, market yards, godowns and silos) including cold storage units/ cold storage chains designed to store agriculture produce/products, irrespective of their location. ii) Soil conservation and watershed development. iii) Plant tissue culture and agri-biotechnology, seed production,

	production of bio-pesticides, bio-fertilizer, and vermi composting. For the above loans, an aggregate sanctioned limit of ₹100 crore per borrower from the banking system, will apply.
1.3.Ancillary activities	(i) Loans up to ₹5 crore to co-operative societies of farmers for disposing of the produce of members. (ii) Loans for setting up of Agriclinics and Agribusiness Centres. (iii) Loans for Food and Agro-processing up to an aggregate sanctioned limit of ₹100 crore per borrower from the banking system. (iv) Loans to Custom Service Units managed by individuals, institutions or organizations who maintain a fleet of tractors, bulldozers, well-boring equipment, threshers, combines, etc., and undertake farm work for farmers on contract basis.

For the purpose of computation of 7 per cent / 8 per cent target, Small and Marginal Farmers will include following:-

- Farmers with landholding of up to 1 hectare are considered as Marginal Farmers. Farmers with a landholding of more than 1 hectares and up to 2 hectares are considered as Small Farmers.
- Landless agricultural laborers, tenant farmers, oral lessees and share-croppers, whose share of landholding is within the limits prescribed for small and marginal farmers.
- Loans to Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual Small and Marginal farmers directly engaged in Agriculture and Allied Activities provided banks maintain disaggregated data of such items.
- Loans to farmers' producer companies of individual farmers, and co-operatives of farmers directly engaged in Agriculture and Allied Activities, where the membership of Small and Marginal Farmers is not less than 75 per cent by number and whose land-holding share is also not less than 75 per cent of the total land-holding.

2. Micro, Small and Medium Enterprises (MSMEs)

2.1. The limits for investment in plant and machinery/equipment for manufacturing / service enterprise, as notified by Ministry of Micro, Small and Medium Enterprises, vide S.O.1642(E) dated September 9, 2006 are as under:-

Manufacturing Sector	
Enterprises	**Investment in plant and machinery**
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees
Service Sector	
Enterprises	**Investment in equipment**
Micro Enterprises	Does not exceed ten lakh rupees
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	More than two crore rupees but does not exceed five crore rupees

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:

2.2. Manufacturing Enterprises

The Micro, Small and Medium Enterprises engaged in the manufacture or production of goods to any industry specified in the first schedule to the Industries (Development and Regulation) Act, 1951 and as notified by the Government from time to time. The Manufacturing Enterprises are defined in terms of investment in plant and machinery.

2.3. Service Enterprises

Bank loans up to ₹5 crore per unit to Micro and Small Enterprises and ₹10 crore to Medium Enterprises engaged in providing or rendering of services and defined in terms of investment in equipment under MSMED Act, 2006.

2.4. Khadi and Village Industries Sector (KVI)

All loans to units in the KVI sector will be eligible for classification under the sub-target of 7 per cent/7.5 per cent prescribed for Micro Enterprise under priority sector.

2.5. Other Finance to MSMEs

(i) Loans to entities involved in assisting the decentralized sector in the supply of inputs to and marketing of outputs of artisans, village and cottage industries.

(ii) Loans to co-operatives of producers in the decentralized sector viz. artisans, village and cottage industries.

(iii) Credit outstanding under General Credit Cards (including Artisan Credit Card, Laghu Udyami Card, Swarojgar Credit Card, and Weaver's Card etc. in existence and catering to the non-farm entrepreneurial credit needs of individuals).

2.6. To ensure that MSMEs do not remain small and medium units merely to remain eligible for priority sector status, the MSME units will continue to enjoy the priority sector lending status up to three years after they grow out of the MSME category concerned.

2.7 Overdrafts under PMJDY:

Overdrafts extended by banks after April 8, 2015 upto ₹ 5,000/- under Pradhan Mantri Jan-DhanYojana (PMJDY) accounts provided the borrowers household annual income does not exceed ₹ 100,000/- for rural areas and ₹ 1,60,000/- for non-rural areas. These overdrafts will also qualify for target of Micro Enterprises and Weaker Section under Priority Sector Lending.

3. Education

Loans to individuals for educational purposes including vocational courses upto ₹ 10 lakh irrespective of the sanctioned amount will be considered as eligible for priority sector.

4. Housing

(i) Loans to individuals up to ₹ 20 lakh in for purchase/construction of a dwelling unit per family provided the overall cost of the dwelling unit should not exceed ₹ 25 lakh. The housing loans to banks' own employees will be excluded.

(ii) Loans for repairs to damaged dwelling units of families up to ₹ 2 lakh.

(iii) 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.

(iv) The loans sanctioned by banks for housing projects exclusively for the purpose of construction of houses for economically weaker sections and low income groups, the total cost of which does not exceed ₹ 10 lakh per dwelling unit. For the purpose of identifying the economically weaker sections and low income groups, the family income limit of ₹ 2 lakh per annum, irrespective of the location, is prescribed.

5. Social Infrastructure

Bank loans up to a limit of ₹ 5 crore per borrower for building social infrastructure for activities namely schools, health care facilities, drinking water facilities, sanitation facilities, construction/refurbishment of household toilets and household level water improvements in Tier II to Tier VI centres.

6. Renewable Energy

Bank loans up to a limit of ₹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 ₹10 lakh per borrower.

7. Others

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

7.2. Loans to distressed persons [other than farmers already included under III (1.1) A (v)] not exceeding ₹ 100,000/- per borrower to prepay their debt to non-institutional lenders.

7.3. Loans sanctioned to State Sponsored Organisations for Scheduled Castes/ Scheduled Tribes for the specific purpose of purchase and supply of inputs and/or the marketing of the outputs of the beneficiaries of these organisations.

IV. Weaker Sections

Priority sector loans to the following borrowers will be considered under Weaker Sections category:-

No.	Category
1.	Small and Marginal Farmers
2.	Artisans, village and cottage industries where individual credit limits do not exceed ₹ 1 lakh
3.	Beneficiaries under Government Sponsored Schemes such as National Rural Livelihood Mission (NRLM), National Urban Livelihood Mission (NULM) and Self Employment Scheme for Rehabilitation of Manual Scavengers (SRMS)
4.	Scheduled Castes and Scheduled Tribes
5.	Beneficiaries of Differential Rate of Interest (DRI) scheme
6.	Self Help Groups
7.	Distressed farmers indebted to non-institutional lenders
8.	Distressed persons other than farmers, with loan amount not exceeding ₹ 1 lakh per borrower to prepay their debt to non-institutional lenders
9.	Individual women beneficiaries up to ₹ 1 lakh per borrower
10.	Persons with disabilities
11.	Overdrafts upto ₹ 5,000/- under Pradhan Mantri Jan-DhanYojana (PMJDY) accounts, provided the borrowers' household annual income does not exceed ₹ 100,000/- for rural areas and ₹ 1,60,000/- for non-rural areas
12.	Minority communities as may be notified by Government of India from time to time

In States, where one of the minority communities notified is, in fact, in majority, item (12) will cover only the other notified minorities. These States/ Union Territories are Jammu & Kashmir, Punjab, Meghalaya, Mizoram, Nagaland and Lakshadweep.

V. Monitoring:

The data on priority sector advances has to be furnished by RRBs to NABARD at quarterly and annual intervals. The quarterly and annual reporting formats are annexed. For the purpose of calculation of priority sector lending targets, total outstanding will be calculated as on corresponding date of the previous year. (i.e. for reporting PSL data for quarter ending June 2016, total outstanding will be considered as on June 30, 2015).

VI. Other Guidelines

RRBs can issue Inter Bank Participation Certificates (IBPCs) to Scheduled Commercial Banks in respect of their priority sector advances in excess of 75 per cent of their outstanding advances.

VII. Common guidelines for priority sector loans

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

1. Rate of interest

The rate 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 ₹ 25,000. In case of lending to SHGs/JLGs, the loan limit shall be applicable per member of SHG/JLG and not to the group as a whole.

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.

VIII. Amendments

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

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.