



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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RBI/2013-14/318

UBD CO BPD (PCB) MC. No.18/09.09.001/2013-14

October 8, 2013

The Chief Executive Officer
All Primary (Urban) Co-operative Banks

Dear Sir / Madam,

Revised guidelines on lending to Priority Sector for UCBs

Please refer to our circular [UBD PCB Cir. No.11/09.09.01/2007-08 dated August 30, 2007](#) and the amendments thereto issued from time to time on the captioned subject, consolidated in [Master Circular UBD BPD \(PCB\) MC No.7/09.09.001/2012-13 dated July 02, 2012](#). It may be recalled that the Reserve Bank of India had set up a Committee to re-examine the existing classification and suggest revised guidelines with regard to Priority Sector lending classification and related issues (Chairman: Shri M.V. Nair). The recommendations of the Committee have been examined based on the interface with various stakeholders and in the light of the comments / suggestions received from Government of India, banks, financial institutions, Non-Banking Financial Companies, Associations of industries, members of public and Indian Banks' Association it has been decided to revise certain existing guidelines (as per Annex) in supersession of the guidelines mentioned in the Master Circular.

शहरी बैंक विभाग, केंद्रीय कार्यालय, गारमेंट हाऊस, पहली मंज़िल, डॉ. एनी बेसेंट मार्ग, वरली, मुंबई - 400018 भारत

फोन: 022 - 2493 9930 - 49; फैक्स: 022 - 2497 4030 / 2492 0231; ई-मेल: cgmincubd@rbi.org.in

Urban Banks Department, Central Office, Garment House, 1st Floor, Dr. Annie Besant Road, Worli,
Mumbai - 400018, India

Phone: 022 - 2493 9930 - 49; Fax: 022 - 2497 4030 / 2492 0231; E-mail: cgmincubd@rbi.org.in

हिंदी आसान है, इसका प्रयोग बढ़ाइए—

चेतावनी: भारतीय रिज़र्व बैंक द्वारा ई-मेल, डाक, एसएमएस या फोन कॉल के जरिए किसी की भी व्यक्ति की 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।
Caution: RBI never sends mails, SMSs or makes calls asking for personal information like bank account details, passwords, etc. It never keeps or offers funds to anyone. Please do not respond in any manner to such offers.



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

Yours faithfully,

(A.K. Bera)
Principal Chief General Manager
Encl: Annex



Annex

Revised guidelines on lending to priority sector

I. Categories under priority sector

- (i) Agriculture
- (ii) Micro and Small Enterprises
- (iii) Education Loans
- (iv) Housing Loans
- (v) Others

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

II. Targets /Sub-targets for Priority sector

- i) The targets under priority sector lending would be linked to Adjusted Net Bank Credit (ANBC) (total loans and advance minus bills rediscounted with RBI and other approved Financial Institutions plus investments made after August 30, 2007 in non-SLR bonds under HTM category) or Credit Equivalent amount of Off-Balance Sheet Exposures (OBE), whichever is higher, as on March 31 of the previous year. For the purpose of calculation of credit equivalent of off-balance sheet exposures, banks may use current exposure method. Inter-bank exposures including inter-bank off-balance sheet exposures will not be taken into account for the purpose of priority sector lending targets / sub-targets.

- (ii) The targets and sub-targets set under priority sector lending for UCBs are furnished below. The stipulation regarding priority sector lending is not applicable to the Salary Earners' Banks.

Total Priority Sector	40 percent of Adjusted Net Bank Credit [ANBC defined in sub paragraph (i) above] or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.
Total agriculture	No target.
Micro & Small Enterprises	(i) Advances to micro and small enterprises sector will be reckoned in computing achievement under the overall priority sector target of 40 percent of ANBC or credit equivalent



(MSE)	<p>amount of Off-Balance Sheet Exposure, whichever is higher.</p> <p>(ii) 40 percent of total advances to micro and small enterprises sector should go to Micro (manufacturing) enterprises having investment in plant and machinery up to ₹ 10 lakh and micro (service) enterprises having investment in equipment up to ₹ 4 lakh;</p> <p>(iii) 20 percent of total advances to micro and small enterprises sector should go to Micro (manufacturing) enterprises with investment in plant and machinery above ₹ 10 lakh and up to ₹ 25 lakh, and micro (service) enterprises with investment in equipment above ₹ 4 lakh and up to ₹ 10 lakh.</p> <p>The targets for Micro Enterprises within the Micro and Small Enterprises segment (MSE) will be computed with reference to the outstanding credit to MSE as on preceding March 31st.</p>
Advances to Weaker Sections	10 percent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.

Note:

(i) Banks should not deduct / net any amount like provisions, accrued interest, etc, from ANBC.

(ii) With effect from the fortnight beginning August 24, 2013, incremental FCNR (B) deposits as also NRE deposits with reference to base date of July 26, 2013, and having maturity of three years and above, mobilized by banks, will be exempted from the maintenance of CRR / SLR. Advances granted in India against the incremental FCNR (B) / NRE deposits qualifying for exemption from CRR / SLR requirements, as detailed above, will also be excluded from Adjusted Net Bank Credit for computation of priority sector targets.

III. Description of the Categories under priority sector

1. Agriculture

1.1. Direct Agriculture

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 on such loans] engaged in Agriculture and Allied Activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture (up to cocoon stage).



Loans to others [such as corporates, partnership firms and institutions] for Agriculture and Allied Activities (dairy, fishery, piggery, poultry, bee-keeping, etc.) 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, 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, irrespective of whether the farmers were given crop loans for raising the produce or not.

(v) Loans to small and marginal farmers for purchase of land for agricultural purposes.

(vi) Loans to distressed farmers indebted to non-institutional lenders, against appropriate collateral.

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

1.2. Indirect agriculture

1.2.1. Loans to corporates, partnership firms and institutions engaged in Agriculture and Allied Activities [dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture (up to cocoon stage)]

If the aggregate loan limit per borrower is more than ₹ 2 crore in respect of eligible advances under direct agriculture, the entire loan should be treated as indirect finance to agriculture

(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 such as spraying, weeding, harvesting, grading and sorting.
- (iv) Loans up to ₹ 50 lakh against pledge / hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months, irrespective of whether the farmers were given crop loans for raising the produce or not.
- (v) Export credit to corporates, partnership firms and institutions for exporting their own farm produce.
- (vi) Loans upto ₹ 5 crore to Producer Companies set up exclusively by only small and marginal farmers under Part IXA of Companies Act, 1956 for agricultural and allied activities.

1.2.2. Other indirect agriculture loans

- (i) Loans up to ₹ 5 crore per borrower to dealers / sellers of fertilizers, pesticides, seeds, cattle feed, poultry feed, agricultural implements and other inputs.
- (ii) Loans for setting up of Agriclincs and Agribusiness Centres.
- (iii) Loans to Custom Service Units managed by individuals, institutions or organisations who maintain a fleet of tractors, bulldozers, well-boring equipment, threshers, combines, etc., and undertake farm work for farmers on contract basis.
- (iv) Loans for construction and running of storage facilities (warehouse, market yards, godowns and silos), including cold storage units designed to store agriculture produce/products, irrespective of their location.

If the storage unit is a micro or small enterprise, such loans will be classified under loans to Micro and Small Enterprises sector.

2. Micro and small enterprises

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 29, 2006 are as under:-



Manufacturing sector	
Enterprises Micro Enterprises Small Enterprises	Investment in plant and machinery Does not exceed ₹ 25 lakh Is more than ₹ 25 lakh but does not exceed ₹ 5 crore.
Service Sector	
Enterprises Micro Enterprises Small Enterprises	Investment in equipment Does not exceed ₹ 10 lakh Is more than ₹ 10 lakh but does not exceed ₹ 2 crore.

Bank loans to micro and small enterprises both manufacturing and service are eligible to be classified under priority sector as per the following:

2.1. Direct Finance

2.1.1. Manufacturing Enterprises

Loans to the Micro and Small 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 the activities notified by the Government from time to time are eligible for classification under priority sector. Loans to MSEs engaged in manufacturing or production of goods under MSMED Act 2006 are eligible for classification under priority sector as direct finance to MSEs.

2.1.1.1. Loans for food and agro processing

Loans for food and agro processing will be classified under Micro and Small Enterprises, provided the units satisfy investment criteria prescribed for Micro and Small Enterprises, as provided in MSMED Act, 2006.

2.1.2 Service Enterprises

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



2.1.3. Export credit to MSE units (both manufacturing and services) for exporting of goods/services produced by them.

2.1.4. Khadi and Village Industries Sector (KVI)

All loans sanctioned to units in the KVI sector, irrespective of their size of operations, location and amount of original investment in plant and machinery. Such loans will be eligible for classification under the sub-target of 60 percent prescribed for micro enterprises within the micro and small enterprises segment under priority sector.

2.2. Indirect Finance

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

(ii) Loans to producers in the decentralised sector viz. artisans, village and cottage industries.

3. Education

Loans to individuals for educational purposes including vocational courses upto ₹ 10 lakh for studies in India and ₹ 20 lakh for studies abroad. Loans granted to institutions will not be eligible to be classified as priority sector advances.

4. Micro Credit

Provision of credit and other financial services and products of amounts not exceeding ₹50,000 per borrower or the maximum permissible limit on unsecured advances whichever is lower.

5. Housing

(i) Loans up to ₹ 25 lakh irrespective of location, to individuals for purchase / construction of a dwelling unit per family, excluding loans sanctioned by banks to their own employees.

(ii) Loans given for repairs to the damaged dwelling units of families up to ₹ 2 lakh in rural and semi- urban areas and up to ₹ 5 lakh in urban and metropolitan areas.



(iii) Assistance given to any governmental agency for construction of dwelling units or for slum clearance and rehabilitation of slum dwellers subject to a ceiling of loan component of ₹ 5 lakh per dwelling unit.

(iv) Assistance given to a non-governmental agency approved by the NHB for the purpose of refinance for construction / reconstruction of dwelling units or for slum clearance and rehabilitation of slum dwellers, subject to a ceiling of loan component of ₹10 lakh per dwelling unit.

(v) Investments made by UCBs in bonds issued by NHB / HUDCO on or after April 1, 2007 shall not be eligible for classification under priority sector lending.

6. Others

6.1. Loans, not exceeding ₹ 50,000/- per borrower provided directly by banks to individuals;

6.2. Loans to distressed persons [other than farmers-already included under III (1.1) (vi)] not exceeding ₹ 50,000/- per borrower to prepay their debt to non-institutional lenders.

6.3. Loans to SHGs / JLGs for agricultural and allied activities would be considered as priority sector advance. Further, other loans to SHGs / JLGs up to ₹ 50,000 would be considered as Micro Credit and hence would be treated as priority sector advances.

6.4. Loans sanctioned to State Sponsored Organisations for Scheduled Castes / Scheduled Tribes for the specific purpose of purchase and supply of inputs to 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:-

(a) Small and marginal farmers;

(b) Artisans, village and cottage industries where individual credit limits do not exceed ₹ 50,000/-;

(c) Scheduled Castes and Scheduled Tribes and women;

(d) Education loans to persons having monthly income not exceeding ₹5000/-.



- (e) Loans to Self Help Groups;
- (f) Loans to distressed farmers indebted to non-institutional lenders;
- (g) Loans to distressed persons other than farmers not exceeding ₹ 50,000/- per borrower to prepay their debt to non-institutional lenders;
- (h) Persons from 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 (h) will cover only other notified minorities. These States / Union Territories are Jammu & Kashmir, Punjab, Sikkim, Mizoram, Nagaland and Lakshadweep. UCBs should initiate steps to enhance / augment flow of credit under priority sector to artisans and craftsmen as also to vegetable vendors, cart pullers, cobblers, etc. belonging to minority communities. The minority communities notified in this regard are Sikhs, Muslims, Christians, Zoroastrians and Buddhists. Within the overall target for priority sector lending and the sub-target of 25 per cent for the weaker sections, sufficient care may be taken to ensure that the minority communities also receive an equitable portion of the credit.

V. Priority Sector-Data Reporting System

- (i) A robust reporting system with granularity and system generation of priority sector data is of utmost importance for proper monitoring and appropriate policy making.
- (ii) In order to ensure that due emphasis is given to lending under priority sector, it is considered desirable that the performance is reviewed periodically. For this purpose, apart from the usual reviews, which the banks are periodically undertaking, specific reviews by the Board of Directors of the respective banks may be made on half-yearly basis. Accordingly, a memorandum may be submitted to the Board of Directors at half-yearly intervals i.e. as on September 30 and March 31 of each year giving a detailed critical account of the performance of the bank during the period showing increase / decrease over the previous half-year (Statement I).



- (iii) Further, annual review of the performance under priority sector advances as on March 31 may also be placed before the Board (Statement II-part A) by 15th of the following financial year. A copy of the annual review (Statement II, part A to E) complete in all respect as on March 31 may be forwarded to the concerned Regional Office of the Reserve Bank with the Board's observations, indicating the steps taken / proposed to be taken for improving the bank's performance. The report should reach the Regional Office within a period of 15 days from the end of the period to which it relates.
- (iv) The banks should submit Statement III (part A and B) as on March 31 within 15 days thereafter showing the position of direct loan and advances to agriculture and allied activities to the concerned Regional Office of this department under whose jurisdiction they function.
- (v) In order to facilitate compilation of the relative figures, banks may maintain a register to indicate all the items of priority sector advances and also another register for weaker section advances showing particulars, with separate folios to each activity so that the total of advances to priority sector and weaker sections under each activity and to each type of beneficiary may be available at any given point of time. The proforma of these registers may be on the lines of the annual return to be submitted to RBI.

VI. Common guidelines for priority sector loans

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

1. Service charges

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

2. 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.

3. 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.

VII. Amendments

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

VIII. Definitions

Small and Marginal Farmers: Farmers with landholding of up to 1 hectare are considered as Marginal Farmers. Farmers with a landholding of more than 1 hectare but less than 2 hectares are considered as Small Farmers. For the purpose of priority sector loans 'small and marginal farmers' include landless agricultural labourers, tenant farmers, oral lessees and share-croppers, whose share of landholding is within above limits prescribed for "Small and Marginal Farmer".



State-Wise List of Minority Concentrated Districts

(vide para no. IV (h))

Andamans		Maharashtra	
1.	Nicobars	61.	Akola
2.	Andamans	62.	Mumbai
Andhra Pradesh		63.	Aurangabad
3.	Hyderabad	64.	Mumbai (suburban)
Arunachal Pradesh		65.	Amaravati
4.	Tawang	66.	Buldhana
5.	Changlang	67.	Parbhani
6.	Tirap	68.	Wasim
7.	West Kameng	69.	Hingoli
8.	Param Pare	Manipur	
9.	Lower Subansiri	70.	Tamenglong
10.	East Kameng	71.	Ukhrul
Assam		72.	Churachandpur
11.	Dhubri	73.	Chandel
12.	Goalpara	74.	Senapati
13.	Barpeta	75.	Thoubal
14.	Haikandi	Meghalaya	
15.	Karimganj	76.	West Garo Hills
16.	Nagaon	Mizoram	
17.	Marigaon	77.	Lawngtlai
18.	Darrang	78.	Mamit
19.	Bongaigaon	Odisha	
20.	Cachar	79.	Gajapati
21.	Kokrajhar	Puducherry	
22.	North Cachar Hills	80.	Mahe
23.	Kamrup	Rajasthan	
Bihar		81.	Ganganagar
24.	Kishanganj	Sikkim	
25.	Kathiar	82.	North
26.	Araria	83.	South
27.	Purnia	84.	East
28.	Sitamarhi	85.	West
29.	Darbhanga	Tamil Nadu	
30.	Paschim Champaran	86.	Kanyakumari
Delhi		Uttar Pradesh	
31.	Central	87.	Rampur
32.	North East	88.	Bijnor
Goa		89.	Moradabad
33.	South Goa	90.	Saharanpur
Haryana		91.	Muzaffarnagar
34.	Gurgaon	92.	Meerut
35.	Sirsa	93.	Baharaich



Himachal Pradesh		94.	Balarampur
36.	Lahul and Spiti	95.	Gaziabad
37.	Kinnaur	96.	Pilibhit
Jammu and Kashmir		97.	Bareilli
38.	Leh (Ladakh)	98.	Siddharthanagar
Jharkhand		99.	Shrawasti
39.	Pakaur	100.	Jyotiba Phule Nagar
40.	Sahibganj	101.	Baghpat
41.	Gumla	102.	Bulandshahar
42.	Ranchi	103.	Shahajahanpur
Karnataka		104.	Budaun
43.	Dakshin Kannada	105.	Barabanki
44.	Bidar	106.	Kheri
45.	Gulbarga	107.	Lucknow
Kerala		Uttaranchal	
46.	Malappuram	108.	Hardwar
47.	Ernakulam	109.	Udham Singh Nagar
48.	Kottayam	West Bengal	
49.	Idukki	110.	Murshidabad
50.	Wayanad	111.	Maldah
51.	Pathanamthitta	112.	Uttar Dinajpur
52.	Kozhikode	113.	Birbhum
53.	Kasargode	114.	South 24 - Parganas
54.	Thrissure	115.	Nadia
55.	Kannur	116.	Dakshin Dinajpur
56.	Kollam	117.	Haorah
57.	Thiruvananthapuram	118.	North 24-Paraganas
58.	Palkkad	119.	Koch Bihar
59.	Alappuzha	120.	Kolkata
Madhya Pradesh		121.	Barddhaman
60.	Bhopal		



Statement - I

Memorandum to be submitted to the Board of Directors of the Bank

Statement - II

Proforma of the annual return on lending to priority sector and weaker section

Statement - III

Proforma on credit flow under priority sector to minorities



List of circulars consolidated in the Master Circular

No.	Circular	Date	Subject
1	UBD.CO.BPD.(PCB).Cir.No.13/09.22.010/2013-14	10.09.13	Finance for Housing Schemes - Primary (Urban) Co-operative Banks - Loans for Repairs / Additions / Alterations - Enhancement of Limits
2	UBD.BPD.(PCB).CIR.No.5/13.01.000/2013-14	27.08.13	Section 42(1) of the Reserve Bank of India Act, 1934 and Section 18 and 24 of the Banking Regulation Act, 1949 (AACS) - FCNR (B) / NRE Deposits - Exemption from Maintenance of CRR / SLR and Exclusion from ABC for Priority Sector Lending
3	UBD.BPD.(PCB).CIR.No.33/09.09.001/2011-12	18.05.12	Priority Sector Lending -Indirect Finance to Housing Sector.
4	UBD.BPD.(PCB)CIR.No.50/13.05.000(B)/2010-11	02.06.11	Financing of Self Help Groups (SHGs) and Joint Liability Groups (JLGs) by Primary (Urban) Co-operative Banks (UCBs)
5	UBD.CO.BPD.No.70/09.09.001/2009-10	15.06.10	Advances to MSEs engaged in exports and export credit to agriculture / allied activities
6	UBD.BPD(PCB).Cir.No.50/09.09.01/2009-10	25.03.10	Categorisation of activities under Services
7	UBD.PCB.Cir.No.26/09.09.001/07-08	30.11.07	Priority Sector lending-Revision of target - UCBs
8	UBD.PCB.Cir.No.11/09.09.01/07-08	30.08.07	Revised Guidelines on Lending to Priority Sector for UCBs
9	UBD.PCB.Cir.No.11(126A)/09.09.001/2007-08	30.08.07	Priority Sector Advances - List of minority Concentrated Districts

List of other circulars from which instructions relating to Priority Sector Lending have also been consolidated in the Master Circular

No.	Circular	Date	Subject
1	RPCD.CO.Plan.BC.72/04.09.01/2012-13	03.05.13	Priority Sector Lending-Targets and Classification-Revision of Limits
2	RPCD.MSME & NFS.BC.No.54/06.02.31/2012-13	31.12.12	Revision in existing investment limits in plant & machinery / equipment for lending to Micro Enterprises in the 40:20 proportion
3	RPCD.CO.Plan.BC.37/04.09.01/2012-13	17.10.12	Priority Sector Lending - Targets and Classification
4	RPCD.CO.Plan.BC.13/04.09.01/2012-13	20.07.12	Priority Sector Lending - Targets and Classification