

RBI revises priority sector lending norms, adds more categories

Does away with distinction between direct and indirect agriculture lending

OUR BUREAU

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The spectre of farmer suicides due to crop failure seems to have prompted the Reserve Bank of India to revise priority sector lending guidelines for banks, doing away with the distinction between direct and indirect agriculture lending and ensuring loan disbursement to the farm sector is evenly spread out throughout the year.

In its revised guidelines for priority sector lending for banks, the central bank said the present distinction between direct and indirect agriculture is dispensed with.

Henceforth, lending to the agriculture sector will include farm credit (which will include short-term crop loans and medium/long-term credit to farm-

ers), agriculture infrastructure and ancillary activities. Bank loans to food and agro processing units will form part of agriculture.

Lending target

As of now, within the priority sector lending (PSL) target of 40 per cent of average net bank credit (ANBC) as at March-end of the previous year, banks have to achieve a sub-target of 18 per cent (13.5 per cent direct lending and 4.5 per cent indirect lending) for agriculture.

PSL includes loans given by banks to agriculture, micro, small and medium enterprises, export, education, housing, social infrastructure and renewable energy.

Under the new guidelines, banks have been set a lending



Lending to agriculture sector will include farm credit, agriculture infrastructure and ancillary activities and loans to food and agro processing units.

target of 8 per cent of ANBC for small and marginal farmers within agriculture. This is to be achieved in a phased manner - 7 per cent by March 2016 and 8 per cent by March 2017. Small farmer means a farmer cultivating (as owner or tenant or share cropper) agricultural land of more than 1 hectare and up to 2 hectares (5 acres). Marginal farmer means a farmer cultivat-

ing (as owner or tenant or share cropper) agricultural land up to 1 hectare (2.5 acres). The RBI said 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.

"Assessment of targets on quarterly average basis will ensure that banks give loans to the

PSL throughout the year and not rush towards the year end to achieve the targets," said a senior public sector bank official.

The RBI said a target of 7.5 per cent of ANBC has been prescribed for micro-enterprises. This is to be achieved in a phased manner - 7 per cent by March 2016 and 7.5 per cent by March 2017.

The loan limits for housing and MFIs sectors under priority sector have been revised under the new guidelines.

Loans to individuals up to ₹28 lakh (₹25 lakh earlier) in metropolitan centres (with population of 10 lakh and above) and loans up to ₹20 lakh (₹15 lakh) in other centres for purchase/construction of a dwelling unit per family provided the overall cost of the dwelling unit in the metropolitan and other centres should not exceed ₹35 lakh and ₹25 lakh respectively.