



Revised Priority Sector Lending Guidelines

Why in News

Recently, the [Reserve Bank of India \(RBI\)](#) released revised [Priority Sector Lending \(PSL\)](#) guidelines, which align with emerging national priorities and also bring sharper focus on inclusive development.

- The PSL guidelines were last reviewed for **commercial banks in April 2015** and for [Urban Co-operative Banks \(UCBs\) in May 2018](#).

Key Points

▪ Revised Guidelines:

- **Fresh Categories:** Bank finance to **start-ups up to Rs. 50 crore**, loans to farmers for installation of solar power plants for [solarisation of grid connected agriculture pumps](#) and loans for **setting up Compressed BioGas plants** have been included as fresh categories eligible for finance under priority sector.
- **Farmers' Related:** Higher credit limit has been specified for [Farmers Producers Organisations](#) (FPOs) undertaking farming with assured marketing of their produce at a predetermined price.
 - Loans for these activities will be subject to an **aggregate limit of Rs. 2 crore** per borrowing entity.
 - The targets prescribed for **small and marginal farmers** and **weaker sections** will be increased in a phased manner.
 - It has defined **farmers with land holding of up to one hectare as marginal farmers**, and farmers with a landholding of **more than one hectare and up to 2 hectares as small farmers**.
- **Boosting Credit:** The credit limits for renewable energy, health infrastructure, including the projects under '[Ayushman Bharat](#)', have been doubled.
 - Bank loans up to a limit of **Rs. 30 crore** to borrowers for purposes like solar-based and biomass-based power generators, windmills, non-conventional energy-based public utilities, etc. For individual households, the loan limit will be **Rs. 10 lakh per borrower**.
 - Bank loans up to a **limit of Rs.10 crore per borrower** for building healthcare facilities including under 'Ayushman Bharat' in Tier II to Tier VI centres, have been allowed.
- **Addresses Disparity:** It seeks to **address** the issues concerning **regional disparities** in the **flow of priority sector credit** at **district level** which includes:
 - Ranking districts on the basis of per capita credit flow to the priority sector.
 - **Building an incentive framework** for districts with comparatively low flow of credit and a **dis-incentive framework** for districts with comparatively high flow of priority sector credit.
 - Higher weightage has been assigned to priority sector credit in 'identified districts' where priority sector credit flow is comparatively low.

▪ **Benefits:**

- Revised PSL guidelines will enable better credit penetration to credit deficient areas; increase the lending to small and marginal farmers and weaker sections; boost credit to renewable energy, and health infrastructure.

Priority Sector Lending

- The RBI mandates banks to lend a certain portion of their funds to **specified sectors**, like **agriculture, [Micro, Small and Medium Enterprises \(MSMEs\)](#), export credit, education, housing, social infrastructure, renewable energy** among others.
 - All **scheduled commercial banks** and **foreign banks** (with a sizable presence in India) are mandated to set aside **40% of** their **Adjusted Net Bank Credit (ANDC)** for lending to these sectors.
 - **Regional rural banks, co-operative banks** and **small finance banks** have to allocate **75% of ANDC** to PSL.
- The idea behind this is to ensure that adequate institutional credit reaches some of the vulnerable sectors of the economy, which otherwise may not be attractive for banks from the profitability point of view.

[Source: IE](#)

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