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RBI Raises Cap on Home Loan under PSL

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RBI has raised eligibility cap on home loans for regional **rural banks (RRB)** and **small finance banks (SFBL)** to ₹35 lakh in metropolitan areas and ₹25 lakh in other centres. All such loans will be now classified by these banks as **priority sector loans**.

- It is done to bring SFBs and RRBs at a **level playing field** with other Scheduled Commercial Banks.
- **The loan limit under PSL is revised:** The family income of ₹3 lakh per annum for Economically Weaker Sections (EWS) and ₹6 lakh per annum for Low-Income Groups (LIG) is set, in alignment with the income criteria specified under the **Pradhan Mantri Awas Yojana**.

Priority Sector Lending

It means those sectors which the Government of India and Reserve Bank of India consider as important for the development of the basic needs of the country and are to be given priority over other sectors. The banks are mandated to encourage the growth of such sectors with adequate and timely credit.

RBI guidelines for PSL for scheduled commercial banks:

1. 40% of the total net bank credit should go to priority sector advances.
2. 10% of the priority sector advances or 10% of the total net bank credit, whichever is higher should go to weaker section.
3. 18% of the total net bank credit should go to agricultural advances. Within the 18 target for agriculture, a target of 8 per cent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher is prescribed for Small and Marginal Farmers, to be achieved in a phased manner.
4. 7.5 of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher should go to Micro enterprises.

Priority Sector includes the following categories:

- Agriculture
- Micro, Small and Medium Enterprises
- Export Credit
- Education
- Housing
- Social Infrastructure
- Renewable Energy
- Others