

Priority Sector Lending/Government Sponsored schemes/NABARD Schemes





CCP CHAPTER 16 MODULE D

✓ What is Priority Sector Lending (PSL)?








✓ It refers to a policy in which banks are required to **allocate a specific portion of their total lending** to certain sectors that are considered crucial for economic growth and social welfare.

✓ These sectors typically include agriculture, micro, small & medium enterprises (MSMEs), education, housing, renewable energy, and weaker sections of society.

📌 Categories of Priority Sector Lending (PSL)






 Category	 Description
 Agriculture	Loans for farming, allied activities, agri-infrastructure, and farm mechanization.
 Micro & Small Enterprises (MSEs)	Credit to small-scale industries & startups.

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 Export Credit	Credit to exporters for working capital & business expansion.
 Housing	Loans for low-income housing & slum rehabilitation.
 Education	Student loans for higher studies in India & abroad.
 Social Infrastructure	Loans for schools, hospitals & rural infrastructure.
 Renewable Energy	Financing for solar, wind & biomass projects.
 Other Low-Income Groups	Financial support for marginalized sections.
 Weaker Sections	Loans to farmers, laborers & self-help groups.

Agriculture – Subcategories

✓ **Agricultural lending is classified into three major subcategories:**

 Category	 Description
 Farm Credit	Direct finance to farmers, SHGs & Joint Liability Groups (JLGs) for crop production & allied activities.
 Agriculture Infrastructure	Loans for warehouses, irrigation, soil conservation, biopesticides & cold storage chains.
 Ancillary Activities	Financing for agro-processing, agri-clinics, contract farming & equipment leasing.

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 **Example:**

A **dairy farmer** seeking a **loan to buy cattle & install a milk refrigeration unit** qualifies under **Farm Credit & Agriculture Infrastructure PSL**.

 **Farm Credit – Direct Loans to Farmers**

 **Eligibility & Loan Types**






 Loan Type	 Details
 Crop Loans	Financing for traditional & non-traditional crops, horticulture & plantations.
 Farm Machinery	Loans for tractors, irrigation pumps, and farm tools.
 Post-Harvest Activities	Loans for sorting, grading, packaging & transport of farm produce.
 Distressed Farmers Relief	Loans to farmers indebted to moneylenders.
 Land Purchase Loans	Loans for small & marginal farmers to buy farmland.
 Solar Irrigation & Power	Loans for solar-powered water pumps & on-farm solar plants.

 **Example:**

A **marginal farmer** applying for a **loan under the Kisan Credit Card (KCC) scheme** is covered under **Farm Credit PSL**.

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📌 Loans to Agri-Based Businesses (Corporate Farmers & FPOs)

 Loan Type	 Maximum Loan Limit
 Farm Loans (Corporate/FPOs)	Up to ₹2 crore per borrower.
 Warehouse Receipts Loans	Up to ₹75 lakh for Negotiable Warehouse Receipts and eNWRs – Electronic Negotiable Warehouse Receipts, ₹50 lakh for other receipts.
 FPOs with Assured Marketing Contracts	Up to ₹5 crore per borrower.



💡 Example:

A farmer producer company (FPC) borrowing ₹4 crore for large-scale organic farming qualifies under PSL.

🏗️ 16.2.3 Agriculture Infrastructure

 Loan Purpose	 Details
 Storage & Cold Chains	Loans for warehouses, silos, market yards & cold storage units.
 Soil Conservation & Watershed Development	Loans for land reclamation & sustainable farming.

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 Agri-Biotech & Seed Production	Financing for plant tissue culture, bio-pesticides & vermicomposting.
 Bio-Fuel & Green Energy	Loans for oil extraction, bio-fuel storage & Compressed Bio Gas (CBG) plants.

✓ **Aggregate limit per borrower: ₹100 crore.**

 **Example:**

A company setting up a ₹90 crore cold storage chain for agricultural produce qualifies under **PSL Agriculture Infrastructure.**

16.2.4 Ancillary Agricultural Activities

 Loan Type	 Loan Limits
 Cooperative Societies	Up to ₹5 crore for purchasing farmers' produce.
 Agri-Startups	Up to ₹50 crore for agri-tech startups.
 Food & Agro-Processing	Up to ₹100 crore per borrower.
 Custom Service Units	Loans for contract farming services using tractors, harvesters & irrigation tools.
 Microfinance & NBFCs	Loans for on-lending to agriculture.

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 **Example:**







An agri-tech startup creating AI-powered irrigation systems can get ₹40 crore under PSL.

 **Sub-Target for Small & Marginal Farmers (SMFs)**

✓ **Definition:**

- **Marginal Farmers** – Landholding up to **1 hectare**.
- **Small Farmers** – Landholding up to **2 hectares**.

✓ **Eligibility for PSL Sub-Target**

 Eligible Borrowers	 Loan Details
 Tenant Farmers & Sharecroppers	Loans for land leasing & crop production.
 SHGs & JLGs of Small Farmers	Group-based lending for agriculture & allied activities.
 Allied Activities without Land	Loans up to ₹2 lakh for dairy, poultry, beekeeping.
 FPOs/FPCs with 75% Small Farmer Membership	Loans for farm production & processing.

 **Example:**

A group of tenant farmers forming an SHG to apply for a ₹10 lakh farming loan qualifies under PSL Small Farmer Sub-Target.

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Priority Sector Lending (PSL) – MSMEs, Export Credit & Education

◆ 16.2.5 Micro, Small and Medium Enterprises (MSMEs)



New MSME Classification (Effective from 2025)

New MSME Classification Criteria as per Union Budget 2025

ENTERPRISE CATEGORY	CURRENT INVESTMENT LIMIT	REVISED INVESTMENT LIMIT	CURRENT TURNOVER LIMIT	REVISED TURNOVER LIMIT
MICRO ENTERPRISE	₹1 crore	₹2.5 crore	₹5 crore	₹10 crore
SMALL ENTERPRISE	₹10 crore	₹25 crore	₹50 crore	₹100 crore
MEDIUM ENTERPRISE	₹50 crore	₹125 crore	₹250 crore	₹500 crore

Category	Investment Limit	Turnover Limit
● Micro Enterprise	Up to ₹2.5 crore	Up to ₹10 crore
● Small Enterprise	Up to ₹25 crore	Up to ₹100 crore
● Medium Enterprise	Up to ₹125 crore	Up to ₹500 crore

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✓ **No differentiation** between **manufacturing & service sectors**.

 **Factoring Transactions**

✓ **Factoring is a financing method** where businesses sell their unpaid invoices to a bank or a factoring agency for immediate cash.

✓ **PSL Classification of Factoring Transactions**

 Type of Factoring	 PSL Eligibility
 With Recourse Factoring	Eligible if the assignor is an MSME.
 Trade Receivables Discounting System (TReDS)	Transactions on TReDS qualify for PSL .
 Lending Bank's Responsibility	Must obtain certificates on factored receivables to prevent double financing .

 **Khadi & Village Industries (KVI)**

✓ **All loans to KVI units qualify under PSL.**









✓ **Counted towards the 7.5% PSL sub-target for Micro Enterprises.**

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 **Other Finance to MSMEs**

✓ Includes **supporting agencies & indirect finance** to MSMEs.

 Loan Type	 Eligibility
 Cooperatives & Artisan Societies	Loans to producer cooperatives & cottage industries.
 NBFC & MFI On-Lending	Banks lending to NBFCs & MFIs for MSME finance.
 Credit Cards for Artisans & Entrepreneurs	Loans under General Credit Card, Laghu Udyami Card, Swarojgar Credit Card, Weavers' Card.
 Overdrafts under PMJDY	Up to ₹10,000 overdrafts for Jan Dhan account holders.
 SIDBI & MUDRA Deposits	PSL credit shortfalls deposited with SIDBI/MUDRA.
 Startups (Govt. Recognized)	Loans up to ₹50 crore for PSL-eligible startups.

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 Example:

An **artisan cooperative selling handicrafts** receives a **₹2 crore** loan under PSL for production expansion.

 **16.3 Export Credit under PSL**

- ✓ Export credit under Agriculture & MSME sectors is PSL-eligible.
- ✓ Other Export Credit eligibility depends on **incremental lending limits**.

✓ Export Credit PSL Limits for Banks

 Bank Type	 Export Credit PSL Limit
 Domestic Banks	Incremental export credit up to 2% of Adjusted Net Bank Credit (ANBC) or ₹40 crore per borrower , whichever is higher.
 Foreign Banks (≥ 20 Branches)	Incremental export credit up to 2% of ANBC or Off-Balance Sheet Exposure.
 Foreign Banks (< 20 Branches)	Export credit up to 32% of ANBC or Off-Balance Sheet Exposure.

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- ✓ Includes both pre-shipment & post-shipment credit..
- ✓ Governed by RBI's Master Circular on Rupee/Foreign Currency Export Credit.


💡 Example:

A domestic bank lending ₹30 crore additional export credit qualifies fully under PSL.

🎓 Education Loan under PSL

- ✓ Education is a priority sector because skilled manpower fuels economic growth.
- ✓ Loans enable poor but meritorious students to pursue higher education.

✅ PSL Eligibility for Education Loans

 Loan Type	✅ Maximum Loan Amount
🎓 Education Loans for Higher Studies in India & Abroad	Up to ₹20 lakh per student.
🏠 Vocational Courses	Included under PSL.

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✓ Existing PSL-classified education loans remain PSL until maturity.

💡 Example:







A student taking a ₹15 lakh loan to pursue MBA abroad qualifies fully under PSL.

Housing Loans Under PSL

✓ Home loans drive real estate growth and enable individuals to become homeowners without large upfront capital.







✓ They support both home buyers & developers, sustaining the real estate sector.

✓ **Eligibility for PSL Housing Loans**

 Loan Type	 Metropolitan Centers (Population ≥ 10 Lakh)	 Other Centers
 Individual Home Loan	Up to ₹35 lakh (Total cost \leq ₹45 lakh)	Up to ₹25 lakh (Total cost \leq ₹30 lakh)
 Repair of Homes	Up to ₹10 lakh	Up to ₹6 lakh
 Govt. Agency Slum Rehabilitation	PSL-eligible if dwelling area ≤ 60 sq.m.	

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 Loan Type	 Metropolitan Centers (Population ≥ 10 Lakh)	 Other Centers
 Affordable Housing Projects	At least 50% Floor Area Ratio (FAR) or Floor Space Index (FSI) used for ≤ 60 sq.m. homes	
 Housing Finance Companies (HFCs) Loans	PSL-eligible for on-lending (up to ₹20 lakh per borrower)	
 Deposits with NHB for Priority Shortfall	PSL-eligible	

 **Exclusions:**

- **Concessional staff housing loans.**
- **Loans backed by long-term bonds** (exempted from Adjusted Net Bank Credit - ANBC).

 **Example:**

A middle-class home buyer in **Delhi** takes a **₹30 lakh home loan** to buy a **₹42 lakh apartment**, qualifying under **PSL Housing Loans**.

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 **Social Infrastructure**






- ✓ Loans up to ₹5 crore for schools, sanitation, drinking water, and rural facilities.
- ✓ Loans up to ₹10 crore for healthcare facilities (including Ayushman Bharat) in Tier II to Tier VI centers.
- ✓ PSL eligibility for Microfinance Institutions (MFIs) providing loans for water & sanitation.

 **Example:**





A rural school trust borrows ₹4 crore to build sanitation & drinking water facilities, qualifying under PSL Social Infrastructure.

 **16.7 Renewable Energy**

- ✓ PSL-eligible loans for green energy projects.

 Purpose	 Loan Limit
 Solar Power Plants	Up to ₹30 crore per borrower
 Biomass Power Generators	Up to ₹30 crore per borrower
 Windmills & Micro Hydel Projects	Up to ₹30 crore per borrower

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 Purpose	 Loan Limit
 Public Utilities (Street Lighting, Village Electrification)	Up to ₹30 crore per borrower
 Household Solar Equipment	Up to ₹10 lakh per borrower

 Example:

A startup setting up a ₹25 crore wind farm is fully PSL-eligible under Renewable Energy.





16.8 Other Priority Sector Loans

✓ Loans for low-income & weaker sections to meet basic needs & financial empowerment.

 Loan Type	 Max Loan Limit
 Loans to Individuals/SHGs	Up to ₹1 lakh (Rural Income ≤ ₹1 lakh, Urban ≤ ₹1.6 lakh)
 Loans to SHGs/JLGs (Non-Agriculture & MSME)	Up to ₹2 lakh
 Loans to Distressed Individuals (Debt Repayment)	Up to ₹1 lakh per borrower

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 Loan Type	 Max Loan Limit
 State-Sponsored SC/ST Programs	PSL-eligible
 Startup (Non-Agriculture/MSME)	Loans Up to ₹50 crore

 **Example:**

A small businesswoman in Kolkata gets a ₹1 lakh loan to expand her tailoring shop, qualifying under PSL Weaker Sections.








 **Weaker Sections Under PSL**

✓ Loans to the following groups qualify as PSL under Weaker Sections:

 Category	 Eligibility
 Small & Marginal Farmers	PSL sub-target applies.
 Artisans & Cottage Industries	Loans up to ₹1 lakh.
 Govt. Scheme Beneficiaries	NRLM, NULM, SRMS, etc.
 SC/ST Communities	PSL sub-target applies.

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 Category	 Eligibility
 Differential Rate of Interest (DRI) Beneficiaries	PSL-eligible.
 Women Borrowers	Loans up to ₹1 lakh.
 Persons with Disabilities	PSL-eligible.
 PMJDY Overdrafts	PSL-eligible.
 Minority Communities	PSL-eligible, except in majority-minority states (J&K, Ladakh, Punjab, Meghalaya, Mizoram, Nagaland, Lakshadweep).

 **Example:**

A Dalit entrepreneur taking a ₹1.5 lakh business loan qualifies under Weaker Sections PSL.

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