

The image shows the front facade of the Reserve Bank of India building. The name 'RESERVE BANK OF INDIA' is prominently displayed in large, grey, capital letters above a wide glass entrance. The building has a modern architectural style with grey stone or concrete panels and large glass windows.

RESERVE BANK OF INDIA

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RBI Priority Sector Lending Directions, 2025

A comprehensive overview for banking professionals

Overview & Purpose

Official Title

Reserve Bank of India Priority
Sector Lending – Targets and
Classification Directions, 2025

Effective Date

1st April 2025

Core Purpose

Ensure adequate credit flow to crucial and underserved sectors of
the economy

Applicable to all Commercial Banks (including RRBs, SFBs, LABs) and
Urban Co-operative Banks



Eight Priority Sector Categories



Agriculture



MSMEs



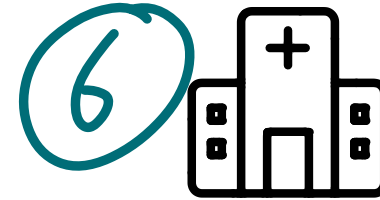
Export Credit



Education



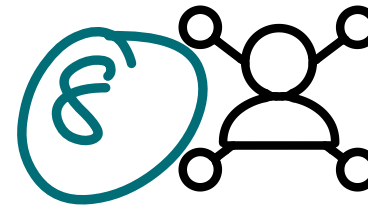
Housing



Social Infrastructure



Renewable Energy



Others

PSL Targets: Commercial Banks, RRBs & SFBs

Category	<u>Domestic Commercial Banks & Foreign Banks</u> (≥20 branches)	RRBs	SFBs
Total Priority Sector	40% <i>(Handwritten: ANBC/CEOBSE, 40%)</i>	75%	75%
Agriculture	18%	18%	18%
↳ Small & Marginal Farmers	10%	10%	10%
Micro Enterprises	7.5%	7.5%	7.5%
Weaker Sections	12%	15%	12%

Targets as percentage of ANBC or CEOBSE, whichever is higher

Understanding ANBC & CEOBSE

ANBC

Adjusted Net Bank Credit

Bank's total credit exposure after RBI-specified adjustments

Calculation starts with Net Bank Credit (NBC)

Key adjustments include:

- RIDF deposits
- PSL-eligible investments
- Infrastructure/affordable housing bond exemptions

CEOBSE

Credit Equivalent of Off-Balance Sheet Exposures

Credit risk from off-balance sheet activities

Includes: Financial guarantees, letters of credit, commitments

Calculated per RBI's Large Exposures Framework



"Whichever is Higher" Rule

- Banks must use the higher value between ANBC and CEOBSE
- Ensures targets based on broadest measure of business activity
- Prevents lower targets for banks with significant off-balance sheet business
- Creates comprehensive base for priority sector credit flow



PSL Targets: Urban Co-operative Banks



Distinct Target Structure

60%

Total Priority Sector

Of ANBC or CEOBSE

7.5%

Micro Enterprises

Minimum allocation

12%

Weaker Sections

Social inclusion target

FB

< 20

10%

Agriculture: Category 1



#1

Farm Credit

Crop loans, machinery, Kisan Credit Card

- Warehouse receipts: ₹90 lakh (individuals)
- ₹4 crore for FPOs/corporates

NWR/eNWRs

2nd.

2.5% → omer than NWR/eNWR



#2

Agriculture Infrastructure

Up to ₹100 crore per borrower

Storage, processing facilities



#3

Ancillary Services

Food/agro-processing: ₹100 crore

Agri-Startups: ₹50 crore



> 1 hct upto 2 hct upto 1 hectare

Extending Credit: Small & Marginal Farmers

1

Landholding Criteria

Farmers with landholding up to 1 hectare (Marginal) or between 1 and 2 hectares (Small).

2

Labourers & Tenants

Includes landless agricultural labourers, tenant farmers, oral lessees, and share-croppers within SMF landholding limits.

3

Group Support

SHGs/JLGs of individual SMFs directly engaged in agriculture and allied activities (banks must maintain disaggregated data).

4

Allied Activities

Loans up to ₹2.5 lakh for individuals solely engaged in allied activities, without land holding criteria.

5

FPO/FPC Loans

Loans to FPOs/FPCs where SMFs constitute at least 75% of members, subject to specified loan limits.

Note: Urban Co-operative Banks (UCBs) are not permitted to lend to co-operatives of farmers.

Lending via NBFCs & MFIs

NBFC-MFIs & MFIs

Bank credit for on-lending to individuals/SHGs/JLGs qualifies for agriculture PSL, subject to specific conditions.

Other NBFCs

Bank credit to registered NBFCs (non-MFIs) for agricultural 'term lending' is eligible for PSL up to ₹10 lakh per borrower.

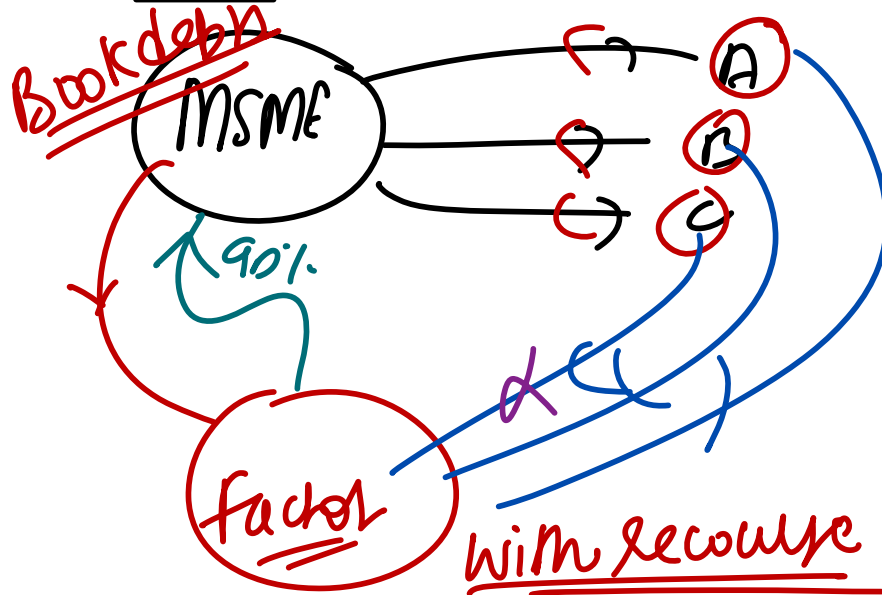
Note: These provisions do not apply to RRBs, UCBs, SFBs, and LABs.



MSMEs: Category 2

Comprehensive Coverage

- All bank loans to MSMEs per government definition
- **Start-ups:** Up to ₹50 crore (MSME-qualified)
- **PMJDY Overdrafts:** Classified as Micro Enterprise lending



B → NM →

B → N → MSME 20 Lac



B → N (Not MSME) → Agr 10 Lac

New MSME Classification (Effective April 1, 2025)

The updated guidelines introduce a composite criteria, considering both investment in plant & machinery/equipment and annual turnover, for a more accurate categorisation of enterprises.

	<u>Investment</u>	<u>Turnover</u>
Micro	Not more than ₹2.5 crore	Not more than ₹10 crore
Small	Not more than ₹25 crore	Not more than ₹100 crore
Medium	Not more than ₹125 crore	Not more than ₹500 crore

This revised classification aims to simplify definitions and align with global best practices, facilitating better targeting of support for MSMEs.

Export Credit & Education

Export Credit



Domestic Banks / WOs / SFB / UCBs

Incremental export credit up to **2% of ANBC**

Maximum: ₹50 crore per borrower

Foreign Banks

(<20 branches)

Up to **32% of ANBC** eligible

Education



Loans to individuals for educational purposes

- Including vocational courses
- Maximum limit: **₹25 lakh**
- Skill development programmes

Housing: Category 5

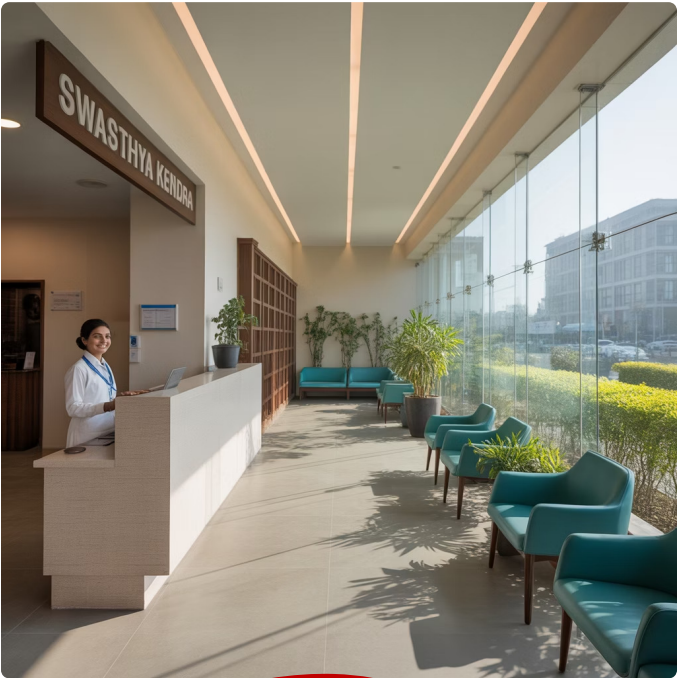
Loans for purchase, construction, or repair of dwelling unit per family

Population of Centre	Max Loan (Purchase)	Max Loan (Repairs)
≥ 50 lakh ✓ <u>63</u> <u>632</u>	₹50 lakh	63 ₹15 lakh $50 \geq$
10 lakh to 50 lakh ✓ <u>57</u> <u>574</u>	₹45 lakh	57 ₹12 lakh $10 - < 50$
< 10 lakh ✓ <u>44</u> <u>444</u>	₹35 lakh	44 ₹10 lakh < 10

❑ Housing loans to bank's own employees are not eligible for PSL

Social Infrastructure & Renewable Energy

Social Infrastructure



₹8 crore

Schools & Water

Drinking water, sanitation facilities

₹12 crore

Healthcare

Tier II-VI centres

Renewable Energy



₹35 crore

Projects

Renewable energy installations

₹10 lakh

Households

Individual installations

Weaker Sections & Others

SNG/JLG 2Lac

Women

Small & Marginal Farmers

Artisans

Credit limit: ₹2 lakh

SC/ST Communities

Persons with Disabilities

Self Help Groups

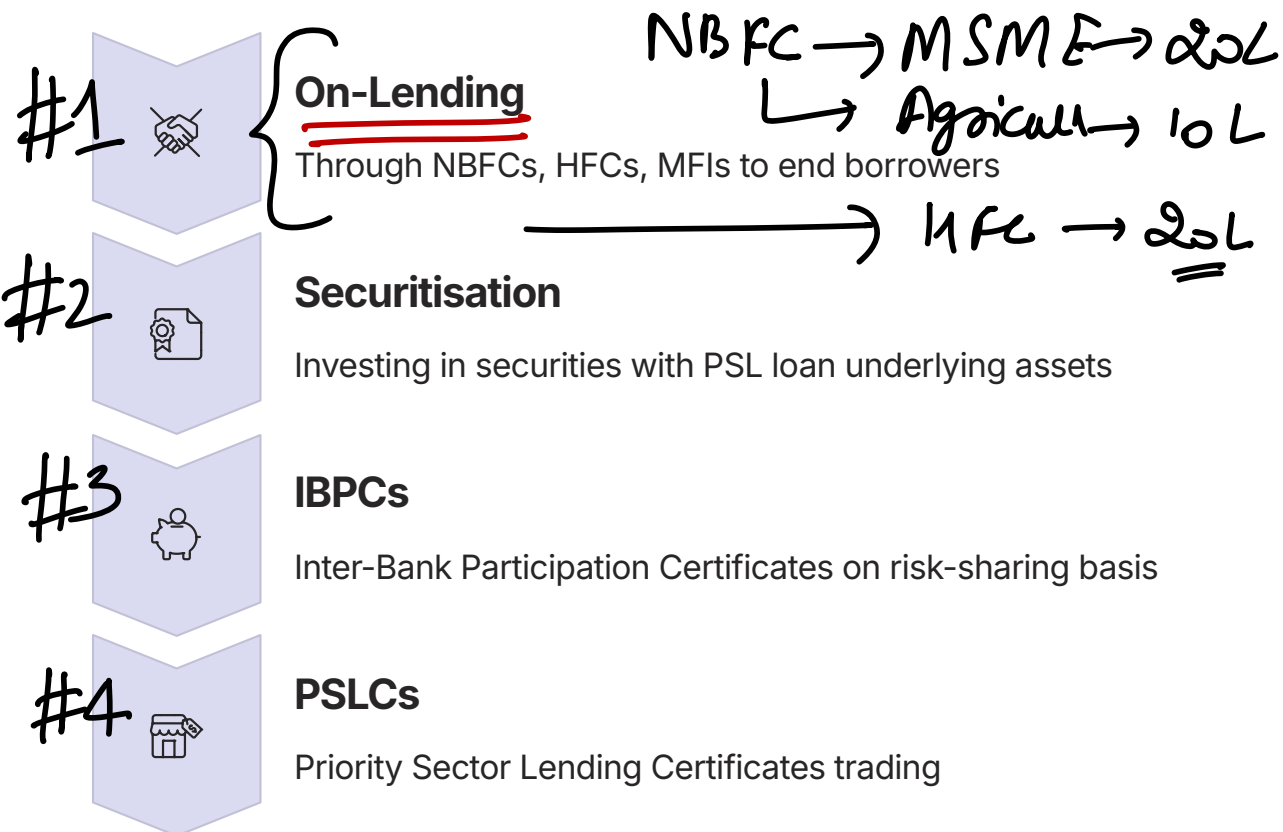
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Others Category

- Start-ups (non-Agri/MSME): ₹50 crore
- Debt relief for distressed persons: ₹1 lakh

Alternative Mechanisms to Meet Targets

Banks can use various channels beyond direct lending



Monitoring & Consequences

Monitoring Framework

01

Quarterly Basis

Regular compliance monitoring

02

Year-End Calculation

Simple average of all four quarters



Shortfall Consequences

RIDF Contribution

Rural Infrastructure Development Fund deposits required

1

2

Reduced Interest

Interest earned decreases with shortfall magnitude

Severe Penalty

≥ 10

Over 10% shortfall: Bank Rate minus 4 percentage points

3



Implementation Success

Effective April 2025

New directions take effect

Enhanced Coverage

Improved credit flow to priority sectors

Regional Balance

Addressing geographical disparities

Thank You

Questions & Discussion

Your expertise and insights are valued

