

Monetary and Credit Policy for the year 2003-04 - Priority Sector Advances

Ref.No.UBD.BPD.45/09.09.01/2002-03

May 14, 2003

To

The CEOs of all
Primary (Urban) Co-operative Banks

Dear Sir/Madam,

Monetary and Credit Policy for the year 2003-04 - Priority Sector Advances

In pursuance of paragraph Nos.86 and 87 (copies enclosed) of the Statement on Monetary and Credit Policy for the year 2003-04, the following changes have been effected in respect of advances by urban co-operative banks under priority sector :

(a) Credit for drip irrigation/sprinkler irrigation system/agricultural machinery

It has been decided that advances upto Rs.20 lakh per dealer, granted by urban co-operative banks to dealers in drip irrigation / sprinkler irrigation systems and agricultural machinery, may be classified under 'Indirect Finance to Agriculture' as a part of priority sector lending and reported under the above heading in the annual statement sent to RBI.

(b) Housing Loan

According to Para 2 (i) of UBD.Circular Plan.PCB.17/09.09.01/99-2000 dated December 22, 1999, direct housing loans by banks upto Rs.10 lakh for construction of houses by individuals in urban and metropolitan areas are eligible for inclusion under priority sector. It has now been decided that banks, with the approval of their Boards, will be free to extend direct housing loans upto Rs.10 lakh in rural and semi-urban areas also, as part of priority sector lending.

Yours faithfully,

(Sudarshan Sen)
General Manager

(a) Priority Sector Lending

(i) Liberalisation of credit for drip irrigation/sprinkler irrigation system/ agricultural machinery

86. In the mid-term Review of October 2002, the limit on advances granted to dealers in drip irrigation/sprinkler irrigation system/agricultural machinery, located in rural/semi-urban areas was increased from Rs.10 lakh up to Rs.20 lakh under priority sector lending for agriculture. As the scheme has been of benefit to the farming community, the following further liberalisation is proposed:

- Dealers in drip irrigation/sprinkler irrigation system/agricultural machinery, irrespective of their location, would be eligible for such advances, under priority sector lending for agriculture.

(ii) Housing loans

87. At present, the quantum of direct housing loans for construction of houses by individuals to be counted under priority sector advances is Rs.5 lakh in rural and semi-urban areas and Rs.10 lakh in urban and metropolitan areas. In view of increasing demand for housing in rural and semi-urban areas, and to improve financing to housing sector in these areas, it has been decided that:

- Banks, with the approval of their Boards, will be free to extend direct finance to the housing sector up to Rs.10 lakh in rural and semi-urban areas as part of priority sector lending.