

RBI/ 2004-2005/241

RPCD. PLFS. BC. No. 48 /05.02.02/2004-05

October 26,2004

The Chairman and Managing Director/Chief Executive Officer
(All Scheduled Commercial Banks)
(Excluding Regional Rural Banks)

Dear Sir,

**Lending to dealers in agricultural machinery
and distributors of inputs for allied activities**

Please refer to paragraph Nos. 1.2.1 (ii) and 1.2.7 (ix) of the Master Circular on Lending to Priority Sector forwarded with our circular RPCD No. PLAN.BC. 7 /04.09.01/2004.05 dated July 20,2004, in terms of which the following advances are treated as indirect lending to agriculture:

- (i) Loans up to Rs. 25 lakh granted for financing distribution of inputs for the allied activities such as cattle feed, poultry feed, etc.
- (ii) Finance extended to dealers in drip irrigation/sprinkler irrigation system/agricultural machinery, irrespective of their location, subject to a ceiling of up to Rs. 20 lakh per dealer.

2. In this connection, please refer to paragraph No. 78 of the Governor's Statement on Mid-Term Review of the Annual Policy for the year 2004-05 (copy of paragraph enclosed). As recommended by the Advisory Committee on Flow of Credit to Agriculture and Related Activities from the Banking System (Vyas Committee) and with a view to further improving credit delivery to the agriculture sector, it has been decided to increase the limit on advances under priority sector for dealers in agricultural machinery including drip/ sprinkler irrigation systems from Rs. 20 lakh to Rs.30 lakh and for distribution of inputs for allied activities from Rs.25 lakh to Rs.40 lakh.

3. This may please be brought to the notice of your Controlling Offices and branches for immediate action.

4. Please acknowledge receipt.

Yours faithfully,

(G.Srinivasan)
Chief General Manager

(a) Priority Sector Lending

(i) Enhanced Lending to Agriculture and Distribution of Inputs

78. As recommended by the Vyas Committee, with a view to further improving credit delivery to the agriculture sector, it is proposed:

- To increase the limit on advances under priority sector for dealers in agricultural machinery from Rs. 20 lakh to Rs.30 lakh and for distribution of inputs for allied activities from Rs.25 lakh to Rs.40 lakh.

Withdrawn w.e.f May 13, 2022