

November 28, 2006

**The Chairman/ Managing Director/  
Chief Executive Officer**

***[All scheduled commercial banks  
(excluding Regional Rural Banks)]***

Dear Sir,

**Priority Sector Lending – Loans to Self-Help Groups**

Please refer to paragraph 3.9 of Section I of our Master Circular dated July 3, 2006 on Lending to Priority Sector, in terms of which loans provided by banks to Non-Government Organizations (NGOs)/Self-Help Groups (SHGs) for on-lending to SHG/members of SHGs/discrete individuals or small groups which are in the process of forming into SHGs are eligible for classification as priority sector advances.

2. We have been receiving requests from various banks for treating loans granted to Self-Help Groups engaged in agriculture and allied activities, as direct finance to agriculture within the priority sector.

3. The issue has been examined by us and it has been decided to classify loans granted to such SHGs which are engaged in agriculture and allied activities, as direct finance to agriculture, as long as the bank is able to maintain such disaggregated data on the SHG/microcredit portfolio.

4. We shall be glad if you please issue necessary instructions to your controlling offices/branches for appropriate action.

5. Please acknowledge receipt.

Yours faithfully,

(C S Murthy)

Chief General Manager-in-Charge