

RBI/2007-08/314

RPCD.CO.Plan. BC.No.65/04.09.01/2007-08

May 6, 2008

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

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

Dear Sir,

Weaker Section Lending Targets – Ensuring Adherence

Please refer to the Master Circular on Lending to Priority Sector forwarded vide our Circular RPCD.No.Plan.BC.5/04.09.01/2007-08 dated July 2, 2007, in terms of which the domestic scheduled commercial banks (SCBs) are required to lend 40 per cent of adjusted net bank credit (net bank credit plus investment made by banks in non-SLR bonds held in HTM category) or credit equivalent amount of off-balance sheet exposures, whichever is higher, to the priority sector. On the same basis, the domestic SCBs are also required to lend at least 18 per cent to the agriculture sector and 10 per cent to weaker sections. However, it has been observed that most of the banks have not been achieving the sub-target of 10 per cent for lending to weaker sections.

2. In this connection, please refer to paragraph No. 136 of the Reserve Bank's Annual Policy Statement for the year 2008-09 dated April 29, 2008 (copy of the paragraph enclosed).

3. In order to ensure that the sub-target of lending to the weaker sections is achieved, it has been decided to take into account the shortfall in lending to weaker sections also, as on the last reporting Friday of March of each year, for the purpose of allocating amounts to the domestic SCBs for contribution to the Rural Infrastructure Development Fund (RIDF) maintained with NABARD or funds with other Financial Institutions, as specified by the Reserve Bank, with effect from April 2009.

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,

(G Srinivasan)
Chief General Manager-in-Charge

(b) Weaker Sections' Lending Target: Ensuring Adherence

136. In terms of the revised guidelines on lending to priority sector effective from April 30, 2007 domestic SCBs are required to lend 40 per cent of adjusted net bank credit (net bank credit plus investments made by banks in non-SLR bonds held in the held to maturity category) or credit equivalent of off-balance sheet exposures, whichever is higher, to the priority sector. These SCBs are also required to lend at least 18 per cent to the agriculture sector and 10 per cent to weaker sections covering small and marginal farmers with land holding of five acres and less; landless labourers, tenant farmers and share croppers; artisans, village and cottage industries where individual credit limits do not exceed Rs. 50,000; beneficiaries of Swarnjayanti Gram Swarozgar Yojana (SGSY), Swarna Jayanti Shahari Rozgar Yojana (SJSRY), the Scheme for Liberation and Rehabilitation of Scavengers (SLRS) and the Differential Rate of Interest (DRI) scheme; scheduled castes and scheduled tribes; self-help groups (SHGs); and distressed poor who have to prepay their debt to the informal sector against appropriate collateral or group security. It has been observed that banks have not been achieving the sub-target of 10 per cent for lending to weaker sections. At present, domestic SCBs having shortfall in the 54 priority sector lending target and/or the agriculture sub-target are allocated amounts for contribution to the Rural Infrastructure Development Fund (RIDF) maintained with the National Bank for Agriculture and Rural Development (NABARD). It is, therefore, proposed:

- to take into account shortfall in lending to weaker sections also for the purpose of allocating amounts to the domestic SCBs for contribution to RIDF or funds with other financial institutions as specified by the Reserve Bank, with effect from April 2009.