

PRESS RELEASE



PRESS RELATIONS DIVISION, Central Office, Post Box 406, Mumbai 400001
Phone: 2266 0502 Fax: 2266 0358, 2270 3279

RESERVE BANK OF INDIA

www.rbi.org.in
www.rbi.org.in/hindi
e-mail: helpprd@rbi.org.in

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Draft Guidelines on Lending to Priority Sector – Revised

The draft Technical Paper submitted by the Internal Working Group (Chairman: Shri C.S. Murthy) set up by the Reserve Bank to review the existing policy on priority sector lending was placed on the Reserve Bank's website on September 30, 2005 for wider dissemination and comments. Based on the feedback received from the banks, financial institutions, Non-Banking Financial Companies, Associations of Industries, media, public and Indian Banks' Association, the guidelines on priority sector lending have been revised.

As per the revised draft guidelines, the priority sector will broadly comprise agriculture, small scale industries, small business/service enterprises, micro credit, education loans and housing loans. The priority sector lending target and sub-targets for all banks would now be linked to Adjusted Net Bank Credit (Net Bank Credit plus investments made by banks in non-SLR bonds held in HTM category) or Credit Equivalent of Off-Balance Sheet Exposures, whichever is higher, as on March 31 of the previous year. For this purpose, outstanding FCNR (B) and NRNR deposits balances will no longer be deducted for computation of Net Bank Credit for priority sector lending purposes. These guidelines also take into account the revised definition of small and micro enterprises as per the Micro, Small and Medium Enterprises Development Act, 2006.

As announced in the Mid-Term Review of the Annual Policy Statement 2006-07, the Reserve Bank of India has placed the Revised Draft Circular on Lending to Priority Sector on its website (www.rbi.org.in). Views/ comments on the revised draft circular may be sent to cgmincrpcd@rbi.org.in or faxed to 022-22610943 or 22610948.

G. Raghuraj
Deputy General Manager

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