RBI/2015-16/132
FIDD.CO.Plan.BC.08/04.09.01/2015-16

July 16, 2015

The Chairman/ Managing Director
Chief Executive Officer
[All Scheduled Commercial Banks (excluding Regional Rural Banks)]

Dear Sir/ Madam,

Priority Sector Lending – Targets and Classification

Please refer to our Master Circular No. FIDD.CO.Plan.BC.04/04.09.01/2015-16 dated July 1, 2015 on the above subject.

2. The target for direct lending by banks to agriculture under Priority Sector Norms has aimed to increase the flow of credit directly to farmers. Direct lending to the most disadvantaged farmers, the small and marginal farmers, has been around 6 percent of Adjusted Net Bank Credit (or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher). In an effort to increase direct lending to agriculture, the target for direct lending to small and marginal farmers under the recently revised Priority Sector Norms has been increased to 7 percent for 2015-16 and to 8 percent for 2016-17. Furthermore, a variety of corporate loans have been precluded from getting direct lending status. This should ensure that overall direct lending to agriculture, including medium and large farmers, will increase.

3. Government has nevertheless expressed concerns about the adverse impact of any reduction in direct credit to individual farmers, given the recent weather-related difficulties the agricultural sector is experiencing. Banks are, therefore, directed to ensure that their overall direct lending to non-corporate farmers does not fall below the system-wide average of the last three years achievement (to be notified shortly, and henceforth at the beginning of each year), failing which they will
attract the usual penalties for shortfall. They should also continue to maintain all efforts to reach the level of 13.5 percent direct lending to the beneficiaries who earlier constituted the direct agriculture sector.

Yours faithfully,

(A Udgata)
Principal Chief General Manager