

# Priority Sector Lending

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## ORIGIN & EVOLVEMENT OF PRIORITY SECTOR LENDING:

1972- Description of priority sector lending formalised

1974- 33.3% target fixed, to be achieved by year 1979

1980- Target revised to 40%, Concept of weaker section introduced

2007- Review by RBI in-house group (CS Murthy committee)

2012- Major changes – MV nair committee

2015 – Major changes RBI working group wef 23.04.2015

## PRIORITY SECTIR LENDING:

### Activities:

1. Agriculture
2. Micro, Small & Medium enterprises
3. Export credit
4. Education Loan
5. Housing Loan
6. Social Infrastructure
7. Renewable energy
8. Other priority sector
9. Investment which qualify for priority sector classification

## LINKAGE TO TARGET:

<b>Target expressed as % of</b>	ANBC or CEoBE whichever is higher as on 31 <sup>st</sup> March of previous year
<b>ANBC</b>	Adjusted net bank credit (i.e Fund based exposure)
<b>CEoBE</b>	Credit equivalent of off balance sheet exposure (i.e Non Fund based exposure)
<b>Target Achievement</b>	Average of 4 qly outstanding priority sector loans During the current year to be taken

## ANBC Calculation

1. Bank credit in India (item vi, form A special return)
2. Bills rediscounted with RBI/other approved FIs
3. Net Bank Credit (1-2)
4. Bond/debentures in non SLR category under HTM category + other investments eligible to be treated as priority sector + deposit with RIDF/other funds with NABARD/NHB/SIDBI
5. Eligible amount of exemptions on issue of long term bonds for infrastructure and affordable housing
6. Eligible advances in India against incremental FCNR/NRE FD qualifying for exemption from CRR/SLR
7. Adjusted net bank credit (3+4-5-6)

## GOALS/TARGET

**(Domestic banks + Foreign banks with 20 or more branches)**

**Priority sector loans** – Minimum 40% of ANBC or CEoBE

### Mandatory sub target within 40% -

1. Agriculture advances
2. Weaker section
3. Micro enterprise
4. Minority community

### Mandatory sub Target – Agriculture

1. Agriculture loans – 18% of ANBC or 45% of priority sector
2. Loans to non corporate farmers (individual) minimum 13.50% of ANBC
3. Loans to Marginal & Small farmers – 8% of ANBC (it has now become applicable to foreign banks from FY 2018-19)

Marginal farmer – Land holding up to 1 Hectare

Small Farmer – land Holding above 1 Hectare but up to 2 Hectare

System wide average – of the last 3 years achievement with regard to overall direct lending to non-corporate farmers is notified by RBI every year. For the FY 2019-20 it was 12.11% ( against 13.50%)

### Priority sector Targets – Weaker section

- Weaker section -10% of ANBC or 25% of priority sector loans

### Weaker section activities –

- Small & marginal farmers
- Artisan & village cottage industries loans upto Rs.1.00 lakhs
- Self help group

- SC/ST
- Distressed farmers for debt swap of non institutional loans
- Distressed persons other than farmers (loan upto 1 lakh) for debt swap
- Individual women beneficiaries (Loan upto Rs.1.00 Lakh)
- Disabled persons
- Beneficiaries of deendayal antyodaya yojana – national Rural livelihood mission DAY-NRLM
- Beneficiaries of Deendayal antodaya yojna – National urban livelihood mission DAY-NULM
- Beneficiaries of DRI scheme
- Scheme of Rehabilitation of Manual Scavengers (SRMS)
- Jan dhan yojan (OD upto Rs.10,000/-) annual income max. Rs.1.00 lakh in Rural & Rs.1.60 lakhs for others

### **Domestic Banks + Foreign banks (20 or more branches)**

Sub target for micro enterprises-

- 7.50% of ANBC (to become applicable to foreign banks for FY 2018-19)

### **PM task Force Target**

1. Annual increase in No. Of micro enterprises loan accounts -10%
2. Annual increase in MSE advances -20%
3. 60% of MSE lending should be to Micro enterprises
4. All loans to KVIC, to be classified as loans to micro enterprises

### **Target under Govt. Sponsored Schemes**

#### **DRI – No overall target**

- Within DRI 40% to SC/ST
- Within DRI 2/3<sup>rd</sup> disbursement through rural & semi urban branches

PMEGP – 50% of total cases through rural branches

NRLM- All loans to women self help groups

NULM – SC/ST – In the ratio of local population (within this 30% to women, 3% to disabled and 15% to minorities)

### **Foreign banks less than 20 Branches**

1. Priority sector loans – 40% of ANBC or CEoBE (increased from 32% to 40% within 5 years by 31/03/2020)

Mandatory sub targets – MSE Laons

This is same as in case of domestic banks

### **Urban co-operative banks**

- Overall Target -40% of ANBC

- There is no Sub target

### **Target for minority community**

- 15% of priority sector loans should be given to minority community (as per ministry of minority affairs 12/12/2013)
- Minority communities are – Muslims, Sikhs, Christians, Buddhist, Jains & parsi (Total-6)
- No. Of minority concentration districts in India-121

### **Regional Rural banks**

-Overall priority sector target – 75% of total outstanding credit (Not ANBC)

#### **Sub target within overall target –**

1. Agriculture Loans – 18% of total outstanding
2. Small and marginal farmers – 8% of total outstanding credit
3. Weaker section – 15% of total outstanding credit
4. Micro Credit -7.5% of total outstanding credit

## **SHORTFALL IN PRIORITY SECTOR LENDING TARGETS (FOR SC 3/4/5)**

### **If lending targets are not achieved by domestic banks & foreign banks –**

Shortfall in

1. Priority sector target of 40%
  2. Agriculture advances target by 18%
  3. Weaker section target by 10%
- To be deposited with Rural infrastructure Development Fund(RIDF) Or any other fund decided by RBI.
  - In balance sheet, the amount deposited with these funds to be classified as Other Assets(schedule-11)
  - In Priority sector, it is classified as part of respective activity wef 31/03/2014
  - ROI on deposit with RIDF – Bank rate - 2 to 4%
  - ROI on Loan from RIDF – Bank rate – 1.5%

## **PRIORITY SECTOR LOANS –MSME INVESTMENT, LOAN, COLLATERAL**

### **As per MSME Development Act 2006 (notified on 2<sup>nd</sup> Oct 2006)**

MSME comprises 3 types of enterprises-

1. Micro
2. Small

### 3. Medium

	Mfg. Or production and processing or preservation units Investment in P&M	Service/Business units Investment in Equipments
Micro Enterprises	Max. Rs.25 lakhs(Original Cost)	Max. Rs.10 Lakhs
Small Enterprises	>25 L to 5.00 Crore	>10 L to 2.00 Crore
Medium Enterprises	>5.00 Cr to upto 10.00 Crore	>2.00 Cr to 5.00 Cr

Clubbing of investment of 2 units of same person not to be made, for the purpose of classification.

### Original Cost of Investment

Following items as notified by ministry of MSME(oct 05,2006), are to be excluded while calculating original cost –

1. Land & Building
2. Pollution control equipments
3. Tools
4. Dies
5. Generator set
6. Few other items

#### Rule for registration of MSME

- Registration as MSME can be got done with state Govt.
- To give loan, registration is not mandatory
- Loan can be granted to non registered units also.

#### Mandatory Registration for-

- Medium enterprises in manufacturing or production and preservation only.

#### Optional Registration for –

- All micro enterprises
- All type of small enterprises
- All type of service enterprises

### LOAN TO MSMEs

#### Amount of Loan

- Need based working capital (including export credit or Term loan or non fund based loans like LC/BG).

#### Composite Loan under Single Window (TL & WC in one loan account)

- Max. Amount is restricted to Rs.100 Lakhs

#### Loans given under KVI sector (Irrespective of investment & Location)

- To be classified as loans to micro enterprise loans

### **Other Loans to MSMEs**

- Persons involved in assisting decentralised sector in supply of inputs and marketing of output of Artisan/Village & Cottage industries
- Co-operatives of producers in decentralised sector (Artisan & VC industries)
- Loan to MFIs for on lending to MSE sector
- Loan under GCC (LUCC, WCC, SCC) – classified as MSE
- Outstanding deposits with SIDBI in lieu of, priority sector shortfall
- OD upto Rs.10,000/- under PMJDY
- Factoring of MSE receivables

Loan application disposal period – At Bank’s discretion

### **Collateral Security Rules –**

1. Loan amount upto 10 Lakhs - No Collateral (Even if customer offers the security)
2. Loan upto Rs.200 lakhs guaranteed by CGT-MSE - No collateral or III Party Guarantee
3. Good track record account borrowers with loan upto Rs.25.00 lakhs – Bank’s discretion

## **PRIORITY SECTOR LOANS – MSME**

### **NATIONAL EQUITY FUND:**

NEF has created to provide margin to MSEs:

- Margin available as soft loan
- Eligible project cost- Max. Rs. 50 lakhs
- Soft loan @25% of project cost Max. Rs.10 lakhs
- Repayable in 7-10 years (3 Year moratorium)
- DER to be 1.875:1
- Promoter Contribution – 10%
- Condition: All needs should be met by one bank only.

### **CREDIT LINKED SUBSIDY SCHEME**

Objective – Technology up gradation of MSEs

Eligible amount of Loan - max. Rs.100 lakhs

Rate of Subsidy – 15% of purchase price of plant & Machinery

SIDBI & NABARD are the implementing agency (Nodal Agency)

### **GENERAL CREDIT CARD**

- Any individual engaged in NON-Farm activities, which is eligible for priority sector
- Loan includes working capital & Term Loan
- Card to be issued as smart card or Debit card

- Validity – Available on revolving basis
- Max. Amount – Bank discretion
- Collateral security – As per RBI rates
- Loan given under other cards like LUCC, WCC, SCC to be reported under GCC
- Outstanding amount to be classified as MSE priority sector advance.

### **LAGHU UDYAMI CREDIT CARD**

- LUCC is available to MSE
  - Eligibility – 3year standard account.
  - Max. Amount – Rs. lakhs (but bank has discretion to increase it)
- Calculation of Limit
1. 20% of projected sales (For manufacturers & sellers)
  2. For professionals & self employed persons – 50% of gross income
  3. Card Validity – 3 Year (annual Review)
  4. Card is not available for transport operators

### **WEAVER'S CREDIT CARD**

1. Scheme by ministry of textiles for handloom weavers (not for power weavers)
2. Type – Term Loan or CC (card Validity – 3 yrs, annual review)
3. Amount Max. Rs.2.00 lakhs
4. CGT-MSE guarantee is available
5. Interest subvention - @3% for first 3 years

### **SWAROZGAR CREDIT CARD**

1. It is NABARD scheme
2. Card issued to weaker section persons
3. Amount Rs.25000/-
4. No collateral security
5. Validity period – 5 years
6. Classification – MSE advance

### **MUDRA (Micro Unit Development & Refinance Agency)**

- Mudra Regd., under companies act 2013 in April 2015, it is wholly owned subsidiary of SIDBI(Paid up capital- Rs.750 Crore)
- It is engaged in development & refinancing of micro enterprise sector.
- Corpus –Rs.20,000 Crore
- Guarantee Fund – Rs.3,000 Crore

#### **3 Type of schemes-**

Shishu – upto Rs.50,000/- (target-60% of total MUDRA)

Kishore - >50,000/- upto 5.00 lakhs

Tarun - >5.00 lakhs upto 10.00 lakhs

### **CREDIT GUARANTEE SCHEME FOR MICRO UNITS (CGSMU)**

Guarantee provided by - NCGTC – National Credit Guarantee trust company

1. Eligible Loans – Loan under Mudra Scheme & OD upto Rs.10,000/- under PMJDY
2. Guarantee Fee – Standard rate 1% + Risk Premium on NPA level & claim payout ratio

3. Fee payable within 16 days from beginning of the year

Cover –

1. First 5% of amount is loss to MLI
2. Out of remaining 95%, 50% cover on amount of default is available.(Amount of default means NPA for 6 months)
3. Claim Payment period – 60 days (60 days within account become NPA)

### **CREDIT GUARANTEE SCHEME FOR STAND UP INDIA**

1. Guarantee provided by – National Credit guarantee trust company
2. Eligible borrowers – SC/ST, women with loan amount above Rs.10 Lakhs upto Rs.1.00 Crore
3. ROI - Base rate or MCLR + 3%+ Tenor premium (means maturity premium)
4. Guarantee fee – Standard rate 0.85%+Risk premium on NPA level & claim payout ratio
5. Cover – Upto 50 Lakhs -80% i.e Max.40 Lakhs, Above 50 Lakhs -50% i.e Max.25.00 lakhs, Total maximum coverage -65.00 Lakhs
6. Claim Payout – 30 days, 75% immediately. Balance 25% on conclusion of recovery proceedings



## CGT-MSE GUARANTEE SCHEME

1. Scheme offered by SIDBI + Govt. Of India
2. Existing, New units, rehabilitation of already financed units, IT & software
3. Eligible accounts –
  - A. Loan amount upto Rs.200 lakhs (Rs.50 lakhs for RRBs) – Term Loan, Working capital, Non Fund based loans
  - B. No collateral or III party guarantee can be obtained. If collateral obtained for part of laon (Hybrid), remaining part upto Rs.200 lakhs can be covered by CGT-MSE guarantee.
  - C. ROI – as per RBI guidelines
  - D. For Retail Traders – Eligible amount upto 100.00 lakhs
  - E. Guarantee Fee -2% and Guarantee cover -50%

## CREDIT GUARANTEE FEE

Three components of fee –

Standard rate + NPA level + Claim payout ratio

Standard rate of annual guarantee fee(per annum)

	For Loans to Women, MSEs & NE states	Other Loans
Upto Rs.5.00 Lakhs	1.00%	1.00%
Above Rs.5.00 lakhs upto Rs. 50 Lakhs	1.35%	1.50%
Loan above 50 L upto 200 Lakhs	1.80%	1.80%

(Fee on sanction amount first year, on outstanding balance subsequently)

**If fee is not paid in time**, CGT-MSE may permit the continuation of guarantee on payment of fee along with interest @ Bank Rate+4%

## CGTMSE GUARANTEE COVER

	Women & NE states	Other MSEs	Other Loans
Loan upto 5.00 lakhs	85%	85%	75%
Loan >5L upto 50 lakhs	80%	75%	75%
Loan above Rs. 50 Lakhs	75%	75%	75%

**Example-** Loan to women enterprise. Outstanding balance 80 lakhs in default. What is the amount of Guarantee cover?

Loan -80 Lakhs, Coverage-75%

Claim Amount- $80 \times 75\% = 60$  Lakhs

## GUARANTEE INVOCATION

1. Account is NPA, Suit Filed & Guarantee Fee paid
2. Claim Lodgement within 3 Year (max. Period)

3. This 3 Year will start from date of account becoming NPA. If 18 months Lock in Period is complete.
4. From completion of 18 month lock in period, if account become NPA within 18 Months
5. 18 months lock in period starts from date of guarantee fee payment or last disbursement, whichever is later.

### **Claim Payment-**

1. 75% claim within 30 days (For delay payment – interest @Bank rate)
2. Balance amount on conclusion of recovery process
3. Time gap between initial claim payment and final payment – 3 years
4. Suit File mandatory – if amount is above Rs.50,000/- (Upto Rs.50,000/- no suit to be filed)
5. After getting recovery, proceedings to be returned to CGTMSE. If delay in remitting recovered amount, **interest @ bank rate+4% to be paid.**

**CAP ON CLAIM – 2 TIMES OF (AMOUNT OF FEE + RECOVERY REMITTED IN PREVIOUS FY)**

### **PRIORITY SECTOR –AGRICULTURE LOANS (1)**

1. Overall Target – 18% of ANBC or 45% of Priority sector
2. Direct loans to farmers (Individual) – Minimum 13.50% of ANBC
3. Loan to Marginal & Small farmer – 8% of ANBC (This includes producer companies & co-operatives of farmers where the membership of SF/MF is min.75% by number & whose thresh holding share is not less than 75% of total landholding.

### **Segments –**

1. Farm Credit
2. Agriculture Infrastructure
3. Allied Activities

### **FARM CREDIT – Non Corporate (individual) farmers**

Loan to farmers (including SHG/JLG – disaggregated data is maintained) engaged in Agriculture & allied activities.

1. Production Credit – Like Crop Loans
2. Investment Credit – Like Tractor/ Other equipment
3. Loan to pre-harvest and post harvest activities (e.g. spraying, weeding, harvesting etc.)
4. Produce Marketing loans – Pledge/hypothecation of produce or ware house receipt) upto 50 lakhs for 12 month.
5. Loan to small/Marginal farmers to purchase land & then cultivate it.
6. Loan to poor farmers for pre-payment of non-institutional loans (Called rural debt swap scheme)

## FARM CREDIT – Corporate farmers

Farmer's producer organizations/companies of individual farmers, partnership firms and co-operative of farmers **upto Rs.2 crore for –**

1. Production Credit – Like Crop Loans
2. Investment Credit – Like Tractor/ Other equipment
3. Loan to pre-harvest and post harvest activities (e,g spraying, weeding, harvesting etc.)
4. Produce Marketing loans – Pledge/hypothecation of produce or ware house receipt) upto 50 lakhs for 12 month.

## CROP LOAN

1. Amount of crop Loan – Need based
2. Loan amount calculated with reference to **Scale of Finance** prepared by **Dist. Technical committee(DTC)**
3. Disbursement through Kisan Credit Card (KCC)

### Damage to crop due to natural calamities – Relief

In this case

- Crop Loan can be converted to Medium term loan and period will be according to crop damage level
- If damage level is 33% to 50% - 2 Years
- If damage is more than 50% - Then conversion period is 5 Years

Under this relief scheme, farmer can also be given consumption loan upto Rs.10,000/-

## KISAN CREDIT CARD-2012 BHASIN COMMITTEE

Amount – Need based for crop loans (Consumption credit + investment credit)

### Calculation of amount for 1<sup>st</sup> year –

(Scale of finance\*Area) + 30% of calculated amount (10% for post harvesting expences & 20% for repair, insurance et.)

### Limit for 2<sup>nd</sup> year onwards –

Add 10% as escalation cost, to previous limit

**Maximum amount of limit** – Short term limit for 5 Years + Term Loan repayable in 5 years

**Limit for Marginal farmers** – Rs.10,000/- to 50,000/-

**Validity** – at bank discretion (to be renewed annually)

### Personal Accident Insurance –

1. Rs.50,000/- in case of death or permanent disability
2. In case of partial disability – Rs.25000/-
3. Insurance premium is negotiable. Premium will be shared between bank and borrower (Ratio- 2:1)
4. **Age** – At the time of Insurance – max.70 years
5. For credit balance in KCC account, SB interest will be apid

6. **Delivery channel** – Branch, Cheque, ATM, Mobile, PoS, BCs

### Interest subvention – Short term crop loans

Interest subvention for Banks-

1. Eligible Loans – Short term crop loan upto Rs.3.00 lakhs
2. ROI from farmers – 7%
3. Subvention for banks from central Govt. - 2%
4. Claim through RBI on half yearly basis.

### Additional subsidy to farmers for prompt repayment

- Rate of subvention -3% (farmers who are doing regular payments, they will get effective rate @7-3=4% will be effective rate)
- Claim through RBI on yearly basis

### Collateral security rules for crop loans

- Loan amount upto Rs.1.60 Lakhs (earlier it was Rs.1.00 Lakh) - No margin, No collateral
- If there is recovery tie up (with some III party) , collateral security upto Rs.3.00 lakhs not required. (e.g sugarcane loan- tie up with sugar mills)

### No Dues Certificate

-not to be insisted for any priority sector loan as per RBI guideline -2015.

## PRIORITY SECTOR – AGRICULTURE LOANS (2)

### AGRICULTURE INFRASTRUCTURE

- Loan for construction of storage facility (warehouse, Market yards, Godowns) including cold storage units to storage agriculture produce irrespective of location.
- Soil conservation and watershed development
- Plant tissue culture projects and agri bio-technology, seed production, production of bio-pesticides, bio-fertilizers and vermin composting.
- Aggregate loan limit from banking system - **Rs.100 Crore**

### ANCILIARY ACTIVITIES

- Loan upto Rs.5 Crore to co-operative societies for farmers for disposal of farmer produce
- Loans given under Agri-clinic & Agro business centres scheme of NABARD
- Loan for food & agro processing units upto aggregate loan limit of **Rs.100 Cr** from banking system

- Loan to PACS, FSS and LAMPS for onlending to farmers
- Loan to MFIs (Satisfying qualifying asset criteria) for on lending to farmers
- Outstanding deposit in RIDF/other funds with NABARD

## PM FASAL BIMA YOJNA

- Scheme launched on 18.02.2016, replacing rashtriya krishi bima yojna
- Operated by AICL (agri insurance Co.Ltd.) + other insurance companies
- All crops with crop yield data eligible
- All farmers are eligible. It is mandatory for borrower farmers.

## Risk Covered –

1. Yield Loss or production loss
2. Prevented sowing (25%)
3. Post harvest (for 14 days)
4. War & Nuclear risk is **not covered**

## Sum Insured –

Notional Threshold yield \* MSP

## Premium –

Kharif – 2%

Rabi – 1.5%

Annual Crop – 5%

## Level of indemnity or Level of risk or level of coverage

- 70%, 80% & 90% according to insurance Co.

## CROP DURATION – VYAS COMMITTEE

Crop Classification –

- Crops are either short duration or long duration crops
- Short duration – harvested within 12 months
- Long Duration – Harvested after 12 months
- Classification of individual crop as short duration or long duration, based on state level Bankers’ committee decision in each state

## CROP SEASON (TRADITIONAL)

Rabi Crop - Oct- May

Kharif Crop - May-Oct

## AGRI CLINIC & AGRO BUSINESS CENTRES (NABARD SCHEME)

**Eligible** – Agri graduates (max-5, in case of joint ventures)

**Project** – Individual – upto 20 Lakhs (25 Lakh for highly successful cases)

Joint Ventures (JV) of 5 persons – 100 Lakhs

**Margin** – Upto project cost Rs.5.00 lakhs – NIL

**Project cost above 5 Lakh** – margin 25% on entire amount

**Collateral Security** – Upto 5 lakh – NIL, Beyond 5 lakh – Bank's discretion

**Capital Subsidy (Called composite subsidy)** – 36% of project cost (44% for SC/ST, Women, NE states)

**Repayment** – 5-10 years + Moratorium period upto 2 years

## FARMERS' CLUB

NABARD financial support – Rs.10,000/-p.a. for first 3 years (50% advance & rest 50% reimbursement) for the purpose of:-

1. Formation/Maintenance of Club – Rs.2000/-
  2. Awareness creation & Orientation creation – Rs.5000/-
  3. Meet with experts – Rs.3000/-
- If amount exceeds Rs.10,000/- in first 3 years, it is to be met by Banks upto Rs.5000/-
  - 4<sup>th</sup> & 5<sup>th</sup> year contribution by banks – Rs.10,000/-
  - No. Of members – Min. 10, Max.- No limit
  - 2 office bearers (1 Chief Co-ordinator & 1 Asst. Co-ordinator)

## CULTURES & REVOLUTIONS

Sericulture	Silk Revolution
Mulbery	sericulture
Aquiculture	Shrimp farming, fish production
Apriculture	Mushroom Production
Apiculture	Rearing of honey bees
Pisciculture	Fish farming
Olericulture	Vegetable production
White revolution	Milk Production
Green revolution	Crop Production
Yellow Revolution	Pulse production
Blue revolution	Pisciculture
Rainbow revolution	Flower production

## FINANCING THROUGH JOINT LIABILITY GROUPS (JLGs)

- JLG is a group of 4-10 small/MF and landless farmers
- Objective – is to give loans to farm, Non-farm, Off-farm activities, on the security of group guarantee

There are 2 models of Loan

Model-1                      To a member individually  
Model-2                      To the group as a whole

NABARD Refinance        -            100%

Incentive of Rs.2000/- (Payment in 3instalments) from NABARD for prompt JLG.

## PRIORITY SECTOR –HOUSING /EDUCATION

### Housing loan (direct housing Loan) –

#### Housing loan per dwelling unit –

Places with population 10lakhs & above – Max. House cost Rs.45 lakhs, Max. Housing Loan-35 Lakhs (both conditions should be fulfilled)

Population less than 10 Lakhs

Max. House cost Rs.30 lakhs and Max. Loan Rs.25 lakhs

Repair of House –

Rural/SU/Urabl area        -            max. Loan 2 lakh

Metro Area                    -            Max. Loan 5 lakh

### Indirect Housing Loan –

#### through Govt. Agencies engaged in construction of house or slum clearance

Loan – Need based but per dwelling unit max. Rs. 10 lakhs

#### Housing project for EWS/LIG

Annual family income

EWS – 3 Lakhs p.a                      LIG – 6 lakhs pa

Loan amount is need based (but per dwelling unit cost Max. 10 Lakhs)

#### NHB approved housing finance companies for on-lending –

- Rs.20 Lakhs per borrower (earlier it was 10 lakhs. This 20 lakh limit is upto 3.03.2020, which will be reviewed by RBI)
- Total loan to HFCs, Max.5% of priority sector loans of bank on ongoing basis.
- Loans to staff members under staff loan scheme are not part of priority sector lending.

## PM AWAS YOJANA

	LIG	MIG-1	MIG-2
Annual family Income	3 to 6 Lakh	>6 L to 12 Lakh	>12 L to 18 Lakh
Eligible Loan	Rs.6 Lakh	Rs.9 Lakh	Rs.12 Lakh
Interest Subsidy	6.5%	4%	3%
Repayment	20 Yrs	20Yrs	20 Yrs
Carpet Area	60Sq. Mt	160 Sq. Mt.	200 Sq. Mt.
Discount Rate	9%	9%	95

**Affordable Housing** – Include housing loan under priority sector + Housing Lon upto 50 lakh (Cost 654 Lakh) in 6 metro centres and Rs.40 lakhs (House cost Rs.50 Lakhs) in other places.

## HOUSING LOAN – GUARANTEE FUND

**Credit risk guarantee fund trust for low income housing**

**Eligible Loans** – Upto Rs.5 Lakhs, if No collateral

**ROI** – Max. 2% above MCLR of Bank

**Cover** – Upto 2 Lakh – 90%      above 2 L to 5 Lakh -85%

**One time Guarantee fee** – 1% (to be paid within 30 days)

**Claim** – 75% claim within 60 days, balance on completion of recovery proceedings.

## EDUCATION LOAN –IBA MODEL SCHEME

**Max. Amount to be classified as priority sector** – 10 lakhs

(Earlier it was 10 lakh for education in India & 20 L for education abroad)

**Margin** –

Loan upto Rs.4.00 lakhs      NIL

Beyond 4 lakhs (margin will be on entire loan amount) - 5% for education in India & 15% for education abroad

**Repayment**      -      15 years after moratorium period

**Moratorium**      -      One Year + Period of studies (in case of non completion of studies, it can be extended upto 2 years)

**Security Rule** –

1. Parents to be co-borrower in all loans
2. For loan upto Rs.4 lakhs – No other security required
3. Loan above Rs.4.00 lakhs to Rs.7.50 lakhs      -      3<sup>rd</sup> Party guarantee required
4. If loan is above 7.50 lakhs      -      Collateral security to be taken

## EDUCATION LOAN - INTEREST SUBSIDY

### 1. Scheme for Economically weaker students interest subvention

- for loan with annual family income (AFI) Max. Rs.4.50 Lakhs
- These students need not to pay interest during moratorium



- Interest during moratorium will be funded by interest subsidy

**2. Ambedkar interest subsidy for Economic Backward Class EBC/OBC**

- Only overseas courses are eligible. Courses like – masters, M.Phil, Phd for EBC/OBC
- For EBC students Max. AFI not more than 2.50 lakhs p.a
- For OBC students AFI not more than 8 Lakh p.a
- Here also interest during moratorium will be funded by subsidy.

## NCGTC – NATIONAL CREDIT GUARANTEE TRUST COMPANY

### National Credit Guarantee for Education Loan

**Eligible** - Loan upto Rs.7.50 lakhs as per IBA scheme

**ROI** – MCLR+2%

**Margin** – IBA Scheme margin

**Guarantee fee** – 0.5% of outstanding balance, payment of fee within 30 days in beginning of FY

**Cover** – 75% of default amount. Claim within 1 year of NPA

**Claim Payment** – 75% within 30 days, Balance after completion of recovery proceedings/Write off

## GOVT. SPONSORED SCHEMES – NULM (NATIONAL URBAN LIVELIHOOD MISSION)

- Scheme by **Ministry of housing & Urban poverty Alleviation** replacing SJSRY scheme wef 01.04.2014. Now this scheme is names as “**Dindayal Antyoday Yojana**”
  - Target Group** - urban unemployed/underemployed poor identified by Urban Local Body (ULB), SHG or direct by Banks
  - Target** – Women -30%, Disabled-3%, Minority -15% and SC/St in the ratio of % in local population.
  - Education** – No condition, 3 to 7 days EDP training, Age -18 years
  - Project cost for loan to individual – Max. Rs.2.00 lakhs
  - Margin** – Nil upto 50,000/- , above Rs.50,000/- - 5 to 10%
  - Collateral** – No collateral but CGT-MSE guarantee available
  - Repayment** – 5 to 7 years (after 6 to 18 months moratorium)
  
- Group Enterprise (GE)** – Minimum 5 members (70% from urban poor families). Age of all members should be minimum 18 years
- Project cost for GE** – Max. Rs.10 Lakhs (per person Max. Rs.2 Lakhs)
- Margin** – upto 50,000/- Nil,  
Above 50,000/- - 5-10% of entire project cost
- Collateral** - No collateral only CGTMSE Guarantee
- Repayment** – 5 to 7 years excluding 6 to 18 months moratorium period
- Capital Subsidy** – Not available (capital subsidy is available in PMEGP only)
- Time limit to process loan application** - 15 days
- SHG can be sanctioned SB account linked OD limit of 1 to 4 times of SB balance.

**Interest subvention for Banks****Eligible Loan** – Upto Rs.3.00 lakhs**ROI from borrower** – 7%**Subsidy rate** – ROI of bank less 7%**Additional subsidy for Women SHG (only Women)**

- For prompt repayment @3%
- Effective ROI – 7-3=4%

**Funding of Scheme** - between Central & State (75:25)

In selected states (Hilly states) - 90:10

## DIFFERENTIAL RATE OF INTEREST (DRI)

Annual Family Income Ceiling

**Rural Area** – Rs.18000/-p.a      **Urban/Semi Urban areas**- Rs.24000/- p.a**Loan** – Three type of Loans

1. For economic activity – max. Rs.15000/-
2. Additionally loan for Physically handicapped(PH) – Rs.5000/- for special equipment to run the activity
3. House Loan – Rs.20,000/- for
  - A. SC/St
  - B. Person eligible under Indira Awas Yojna

**Target** –

- 40% of DRI loans to be given to sC/St &
- 2/3<sup>rd</sup> of DRI loans to be disbursed through rural & semi urban branches

**ROI** – 4% p.a**Repayment** – upto 5 years including moratorium period upto 2 years.

## SCHEME FOR REHABILITATION OF MANUAL SCAVANGERS (SRMS)

**Scheme launched by:** National Safai karamchari Finance development corporation(NSKFDC) under prohibition of employment as Manual scavengers and their rehabilitation Act-2013**Eligibility** – age Min.18 Yrs, 2 Year training with Stipend Rs.3000/-**Cash assistance** – total amount Rs.40,000/- (max.per month withdrawal 7000/-)**Loan** - max.10 lakhs (Rs.15.00 lakhs for sanitation projects)**Repayment** –

Project upto Rs. 5.00 lakh – 5 years(including 2 yr moratorium period)

Project above Rs.5.00 lakhs – 7 Years (including 2 yr moratorium period)

**Rate Of Interest** –

Project cost upto Rs.25000/- - 5% (for women it is 4%)

Above Rs.25000/- - 6%



**Rural area means –**

1. Places notified as Rural area by state Govt.
2. Small Town upto 20,000 population

**Collateral security exemption** – Upto 10 lakh Loan – No security to be insisted, CGT-MSE cover to be taken.

**Repayment Period** – 3 to 7 years

**Moratorium Period** – to be fixed by bank (Bank’s discretion)

**Family Income** – Family means borrower and spouse only, not whole family (loan to one member only of one family)

## **NATIONAL RURAL LIVELIHOOD MISSION (NRLM-DAY)**

- Launched by Ministry of Rural Development GOI on 01.04.2013

**Objective** – To promote poverty reduction

**Eligible** – SHGs – 10-20 women (individuals are not eligible)

In difficult areas & for physically handicapped, Minimum number of members can be 5.

**Two type of financial assistance –**

**1. Revolving Fund**

- Minimum Rs.10,000/-, Maximum Rs.15,000/-
- SHG should be minimum 3 months old
- Follow panchsutra ( i.e Regular meetings, Savings, Internal Lending, Recoveries and record keeping)

**2. Loan to economic activity –**

- Eligibility: 1. SHG to be minimum 6 month old & 2. SHG follow panchsutra.

**Loan to be given in 4 doses as under-**

	<b>Repayment</b>
1 <sup>st</sup> Dose - 6 time of group corpus Min. Rs.1.00 lakh	6-12 month
2 <sup>nd</sup> Dose - 8 times of group corpus Minimum Rs.2.00 Lakh	2-24 Month
3 <sup>rd</sup> Dose – Minimum Rs.3.00 lakh	24-36 Month
4 <sup>th</sup> Dose - Minimum Rs.5.00 Lakh	3-6 years

**Type of Loan –**

Term Loan or Cc limit (Fresh loan allowed even when existing loan is outstanding but regular)

**Security & Margin** - NIL upto Rs.10.00 lakh Loan (No Margin/No collateral)

**Interest subvention for banks –**

- Available to all women SHG
- Loan upto Rs.3.00 Lakh in 250 identified districts
- ROI from borrower – max. 7%

**Subvention rate** – Differs from bank to bank – max.5.50%

**Additional subsidy for prompt repayment** –

**Rate** -3% then effective ROI after additional subsidy 7-3=4%

**Capital subsidy is not available wef 01.04.2013**

## **SOCIAL INFRASTRUCTURE**

**Objective** – Building social infra in Tier II to Tier VI places such as :

1. School
2. Health care facilities
3. Drinking water & sanitation facilities

**Loan amount** – max. Rs.5.00 Crore per project

## **EXPORT CREDIT**

Incremental export credit over corresponding date of the preceding year, upto 2% of ANBC or CeoBE whichever is higher can be included in priority sector loan wef 01.04.2015.

Conditions:

1. Sanction limit of **Rs.40.00 Crore(earlier it was 25 crore)** wef 22.09.2019
2. Turnover condition of upto **Rs.100 crore is removed now.**

## **RENEWABLE ENERGY**

**For project loan** – Loan upto Rs.15.00 Crore per borrower

(Project loan consists – 1. Solar power generators      2. Bio-mass based power generators      3. Wind Mills      4. Micro Hydel Plants      5. Non conventional energy based public utility e.g street lighting

**For Individuals** – Max. 10 lakh per individual

## OTHER PRIORITY SECTOR –

1. Loan upto Rs.50,000/- per borrower to individual as their SHG/JLG (annual income – rs.1.00 Lakh in Rural & Rs.1.60 Lakhs in other areas)
2. Loan upto Rs.1.00 lakh to distressed poor (Other than farmers) for debt swap

## INVESTMENT – PART OF PRIORITY SECTOR

1. Investment made by a bank in Securitised assets representing priority sector advances of (other banks other than in “ other priority sector category)
2. **Purchase** of priority sector advances from other banks. Loan adjustment from recoveries only (other banks other than in “Other priority sector category”)
3. Investments in **Interbank Participation Certificates (IBPCs)** issued by other banks on risk sharing basis, representing priority sector advances
4. Investment in **priority sector lending certificates (PSLCs)** issued by other banks on risk sharing basis, representing priority sector advances. **Minimum size of PSLC -25 Lakh, Maturity – 31<sup>st</sup> March of FY, Trading Through E-Kuber of RBI.**

## SHG (NABARD) CAPACITY BUILDING STAGE

- Concept started in Bangladesh Gramin Bank
- Group can be formal or Registered
- Member -10 to 20, 70% below poverty line(BPL) persons , rest 20-30% can be above BPL
- SHG can be given revolving fund facility for capacity building, if a group fulfils the following conditions:-
  - A. Group should be in existence for 6 months
  - B. Group has savings called “Group Corpus”

## Revolving fund comprises

- A. Subsidy, equal to group corpus, minimum Rs 5,000, maximum Rs 10,000, second time subsidy Rs 10,000 for successful utilisation.
- B. Bank loan CC/OD upto 4 times of group corpus which can be enhanced by banks at their discretion.

Subsidy would be adjusted against the loan at the end of cash credit period on request of the group.

## **MICRO CREDIT**

- Micro credit includes loans of small amount not exceeding Rs 50,000 per borrower
- Loan can be given by bank either.
  1. Directly, or
  2. Indirectly through SHG/JLG mechanism, or
  3. To NBFC/MFI for on lending up to Rs 50,000 per borrower provided NBFC/MFI fulfils the qualifying asset criteria prescribed by RBI on recommendations of YH Malegam committee.

## **MISCELENEOUS ASPECTS IN PRIORITY SECTOR**

- Disposal period of loan application – at bank discretion.
- For rejection of application, reason in writing to be given to applicant.
- For rejection of SC/ST loan applications, no rejection at branch level but next higher authority. – Data on priority sector lending to be send to RBI on quarterly and yearly basis within 15 days and 1 month respectively.
- Relaxation for loan up to Rs 25,000 – No service fees, no processing fees, no inspection charges, no margin, no collateral.