

RBI PSL Revised Guidelines 2025

RBI Priority Sector Lending (PSL) Revised Guidelines, 2025

RBI released the guidelines in accordance with powers conferred under **Sections 21 and 35A** read with **Section 56** of the **Banking Regulation Act, 1949**.

- **Section 21**- Allows RBI to determine policies for Advances, which all banks must follow.
- **Section 35A**- Empowers RBI to issue directions to banks for promoting public interest, preventing harm to depositors and ensuring proper management of banking companies.
- **Section 56**- Provides that the provisions of BR Act, 1949 apply to Co-operative societies, subject to certain modifications.

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|-------------------------------|--|
| Replaces | RBI PSL Directions, 2020 |
| Date of Implementation | 1st April, 2025 |
| Applicability | Every Commercial Bank including Regional Rural Banks (RRBs), Small Finance Banks (SFBs), Local Area Banks (LABs) and Primary (Urban) Co-operative Bank (UCB) other than Salary Earners' Bank |
| Purpose | To provide a framework to ensure adequate flow of credit from the banking system to the sectors of economy crucial for socio-economic development, with a special focus on creditworthy underserved segments of population. |
| Categories | <ol style="list-style-type: none"> 1. Agriculture 2. Micro, Small and Medium Enterprises (MSMEs) 3. Export Credit 4. Education 5. Housing 6. Social Infrastructure 7. Renewable Energy 8. Others |

Targets/ Sub Targets for Priority Sector

| Type of Bank | Total target | Agriculture | Micro Enterprises | Advances to Weaker Sections |
|---|--|---|--|---|
| Domestic Commercial Banks (Excluding SFBs and RRBs) & Foreign Banks with 20 or more branches | 40% of ANBC or CEOBSE, whichever is higher | 18% of ANBC or CEOBSE, whichever is higher | 7.5% of ANBC or CEOBSE, whichever is higher | 12% of ANBC or CEOBSE, whichever is higher |
| Foreign Banks with Less than 20 branches | 40% of ANBC or CEOBSE, whichever is higher, out of which maximum 32% can be in form of export credit and minimum 8% can be to any other priority sector | Not Applicable | Not Applicable | Not Applicable |

| Type of Bank | Total target | Agriculture | Micro Enterprises | Advances to Weaker Sections |
|--------------------------------|--|--|---|--|
| Regional Rural Banks | 75% of ANBC or CEOBSE, whichever is higher | 18% of ANBC or CEOBSE, whichever is higher | 7.5% of ANBC or CEOBSE, whichever is higher | 15% of ANBC or CEOBSE, whichever is higher |
| Small Finance Banks | 75% of ANBC or CEOBSE, whichever is higher | 18% of ANBC or CEOBSE, whichever is higher | 7.5% of ANBC or CEOBSE, whichever is higher | 12% of ANBC or CEOBSE, whichever is higher |
| Urban Cooperative Banks (UCBs) | 60% of ANBC or CEOBSE, whichever is higher | Not Applicable | 7.5% of ANBC or CEOBSE, whichever is higher | 12% of ANBC or CEOBSE, whichever is higher |

ANBC- Adjusted Net Bank Credit; **CEOBSE-** Credit Equivalent of Off-Balance Sheet Exposures

Sub Targets within Agriculture Sector (Applicable to all banks)

Out of 18% target of Agriculture, 14% is prescribed for Non-Corporate farmers, out of which 10% is prescribed for Small and Marginal farmers (SMFs).

Non-Corporate farmers include individual farmers including SMFs, Self Help Groups (SHGs), Joint Liability Groups (JLGs) and proprietorship of farmers engaged in agriculture and allied activities.

Eligible Categories Under Priority Sector

1. Agriculture- Includes Farm Credit (Agriculture and Allied Activities), lending for Agri Infrastructure and Ancillary activities. It includes-

- loans to farmers under Kisan Credit Card scheme
- Loans for installation of stand-alone solar agriculture pumps, solarization of grid connected pumps and installation of solar power plants on barren/fallow land owned by farmer.
- Loans to SMFs for purchase of land for agriculture purposes.
- Loans against pledge/hypothecation of agricultural produce against Warehouse Receipts for a **maximum period of 12 months** subject to a limit up to

| | Against Negotiable Warehouse Receipts (NWRs and e-NWRs) | Against other Warehouse Receipts |
|--|---|----------------------------------|
| Individual Farmer | Up to Rs 90 lakh | Up to Rs 60 lakh |
| Corporate Farmers, FPOs/FPCs, Farmer Co-operatives and Partnership Firms | Up to Rs 4 crore | Up to Rs 2.5 crore |

- Loans **up to Rs 4 crore** for farming activities in case of corporate farmers, FPOs, FPCs, Farmer Cooperatives and Partnership Firms
- Loans Up to aggregate limit of **Rs 100 crore per borrower for agriculture infrastructure**
- Loans up to **₹50 crore to Start-ups** that are engaged in agriculture and allied services

- viii. Loans for **Food and Agro-processing** up to an aggregate sanctioned limit of **₹100 crore per borrower**
- ix. Bank credit to registered NBFC-MFIs and other MFIs for on-lending to individuals, members of SHG and JLGs. (Credit extended to NBFCs other than MFIs for on lending up to **Rs 10 lakh per borrower** for agriculture will also be eligible for PSL)

What is On-lending?

In On-lending, bank provides funds to intermediaries like NBFCs, MFIs, or other eligible financial institutions, with the expectation that these intermediaries will further lend the funds to end borrowers, such as individuals, SHGs, farmers, or MSMEs.

2. Micro, Small and Medium Enterprises (MSMEs)

- i. All bank loans to MSMEs shall classify as PSL.
- ii. Loans up to Rs 50 crore for startups, that conform to definition of MSME
- iii. Factoring transactions pertaining to MSMEs taking place through Trade Receivables Discounting System (TReDS)
- iv. Bank credit to registered NBFCs other than MFIs for on-lending of MSMEs **up to Rs 20 lakh per borrower**.

3. Export Credit

4. Education- Loans to individuals for educational purposes, including vocational courses, not exceeding **₹25 lakh**.

5. Housing- Loans to individuals for purchase/construction of a dwelling unit per family

| Category | Loan Limit |
|--|------------|
| City population 50 lakh and above | 50 lakh |
| City population 10 lakh to less than 50 lakh | 45 lakh |
| City population less than 10 lakh | 35 lakh |

6. Social Infrastructure- Includes loans of up to Rs 8 crore per borrower for setting up schools, drinking water facilities and sanitation facilities and Rs 12 crore per borrower for building health care facilities in tier-2 to tier-6 cities.

7. Renewable Energy (RE)- Loans up to Rs 35 crore to borrowers for RE based power generators and RE based public utilities such as street lights. **For individuals**, loan limit for PSL classification will be **Rs 10 lakh per borrower**.

8. Others and Weaker Sections-

- i. Loans up to **₹50 crore to Start-ups** engaged in activities other than agriculture or MSME
- ii. **Artisans, village and cottage industries** where individual credit limits do not exceed **₹2 lakh**
- iii. Beneficiaries under Government Sponsored Schemes such as National Rural Livelihood Mission (NRLM), National Urban Livelihood Mission (NULM)
- iv. Individual **women beneficiaries up to ₹2 lakh per borrower**
- v. Persons with disabilities, transgenders, minorities.
- vi. Overdraft availed by Jan Dhan Account holders

Assignment of weights to districts as per PSL achievement

Districts are ranked on the basis of per capita credit flow to priority sector to address regional disparities in the flow of priority sector credit at the district level.

- **125% weight** to incremental priority sector credit in the districts with per capita credit flow of **less than Rs 9,000**.
- **90% weight** to incremental priority sector credit in the districts with per capita credit flow of **more than Rs 42,000**.
- Rest of the districts will be assigned a normal 100% weight.

This will be implemented w.e.f. FY 2024-25.

Let's understand with an example:

Let's say **Bank A** lends **₹100 crore** under PSL in FY 2024-25 in three different districts:

| District | Type of PSL Area | Lending Amount (Rs) | Weight | PSL Credit accounted (Rs) |
|----------------------|-------------------------|---------------------|--------|---------------------------|
| X | Low-PSL (< ₹9,000) | 30 cr | 125% | 37.5 cr |
| Y | Normal (₹9,000–₹42,000) | 40 cr | 100% | 40 cr |
| Z | High-PSL (> ₹42,000) | 30 cr | 90% | 27 cr |
| Total Actual Lending | | Rs 100 crore | | |
| Total PSL Credited | | Rs 104.5 crore | | |

So, even though the bank lent ₹100 crore in reality, it will be credited with **₹104.5 crore** under PSL targets — **more weight for underserved areas, less for overserved.**

Cap on On-Lending

Bank credit to NBFCs (including HFCs) for on-lending will be eligible for PSL classification up to an overall limit of **5% of individual bank's total priority sector lending** of the previous financial year.

Non-achievements of PSL targets

All banks (excluding UCBs) reporting shortfall in PSL vis-à-vis the prescribed target/sub-targets shall be allocated amounts for contribution to the **Rural Infrastructure Development Fund (RIDF)** and other funds with NABARD/NHB/SIDBI/MUDRA Ltd., as decided by the Reserve Bank from time to time.

