

Priority Sector Lending (PSL)

- ★ RBI mandate to banks to provide a specified portion of their lending to specific 'vulnerable' sectors.
- Goal: To ensure credit flow to sectors that may not get timely & adequate credit (e.g., Agriculture, small businesses).

Main Categories under PSL

- Agriculture & Allied Activities
- Micro, Small and Medium Enterprises (MSMEs)
- Export Credit
- Education
- Housing
- Social Infrastructure
- Renewable Energy
- Others (e.g., Weaker Sections, SHGs)

PSL Targets & Sub-targets (Crucial!)

★ Overall Target for Commercial Banks (SCBs) & Foreign Banks (>20 branches):
40% of ANBC

Sub-targets (within 40%):

1. Agriculture: 18%

↳ Within Agri: 10% for Small & Marginal Farmers (SMFs)

2. Micro Enterprises: 7.5%

3. Weaker Sections: 12%

★ Note: Regional Rural Banks (RRBs) & Small Finance Banks (SFBs) have a higher overall target of 75%.

Weaker Section Criteria (Who is included?)

- Small & Marginal Farmers
- Scheduled Castes (SCs) & Scheduled Tribes (STs)
- Self Help Groups (SHGs) & Joint Liability Groups (JLGs)
- Distressed farmers/persons (for debt prepayment)
- Minority Communities (notified by Govt.)
- Individual women beneficiaries (up to limits)
- PM Jan Dhan Yojana (PMJDY) account overdrafts

Other Important Points

- Shortfall? Banks buy PSL Certificates (PSLCs) or contribute to funds like RIDF (NABARD).
- Recent Updates: Startups included; higher loan limits for Education & Housing.