

RBI ALTERS PRIORITY SECTOR NORMS TO HELP START-UPS, FARMERS AVAIL LOANS

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

The Reserve Bank of India (RBI) on Friday released revised priority sector lending guidelines to augment funding to segments including start-ups and agriculture.

Bank finance of up to Rs. 50 crore to start-ups, loans to farmers both for installation of solar power plants for solarisation of grid-connected agriculture pumps, and for setting up compressed biogas (CBG) plants have been included as fresh categories eligible for finance under the priority sector.

Higher weightage has been assigned to incremental priority sector credit in 'identified districts' where priority sector credit flow is comparatively low.

The targets prescribed for 'small and marginal farmers' and 'weaker sections' are being increased in a phased manner and higher credit limit has been specified for farmer producer organisations (FPOs)/farmers producers companies (FPCs) undertaking farming with assured marketing of their produce at a pre-determined price.

Besides, loan limits for renewable energy have been doubled. Commercial banks have been instructed to adhere to the revised guidelines.

"The RBI's revision in PSL guidelines will incentivise credit flow to specific segments like clean energy, weaker sections, health infrastructure and credit deficient geographies," commented Krishnan Sitaraman, senior director, CRISIL Ratings.

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