

# RBI broadens scope of loans under priority sector norms

## Enhances limits for housing loans

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The Reserve Bank of India (RBI) has revised norms for loans under priority sector, enhancing limits for housing loans and broadening the purposes based on which loans are classified under renewable energy (RE). The new norms will come into effect from April 1, 2025.

For housing, loans up to ₹50 lakh for centres with population of over 5 million and above can be classified as priority sector, with the maximum cost of the dwelling unit at ₹63 lakh.

For centres with population of more than one million and up to 5 million, loans up to ₹45 lakh with cost of dwelling unit at ₹57 lakh would be classified as priority sector.

Centres with population less than 10 lakh, loans up to ₹35 lakh with dwelling unit cost at ₹44 lakh are also classified as priority sector.

“The enhanced coverage of the revised guidelines is expected to facilitate better targeting of bank credit to the priority sectors of the economy,” RBI said in a statement. The revised norms have taken into account feedback from stakeholders, the RBI said. Earlier, loans to individuals up to ₹35 lakh in metropolitan centres (with population of 10 lakh and above), and up to ₹25 lakh in other centres, having the overall cost of the dwelling unit capped at ₹45 lakh and ₹30 lakh, respectively, were classified as priority sector.

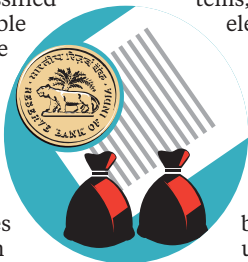
As of January, housing loans worth ₹7.47 trillion was classified under priority sector. The new norms hiked the bank loan limit to ₹35 crore from ₹30 crore for borrowers for RE-based power generators and RE-based public utilities like streetlighting systems, remote village electrification, etc.

Such loans will be eligible for priority sector classification.

For individual households, the loan limit has been kept unchanged at ₹10 lakh per borrower.

The new norms also revised overall priority sector lending (PSL) target for urban cooperative banks (UCBs) to 60 per cent of Adjusted Net Bank Credit (ANBC), or Credit Equivalent of Off-Balance Sheet Exposures (CEOBSE), whichever is higher.

Earlier UCBs were required to achieve an overall PSL target of 75 per cent of ANBC, or CEOBSE, whichever is higher, by FY26, with interim targets of 60 per cent (FY24) and 65 per cent (FY25). The new norms expanded the list of eligible borrowers under the category of “Weaker Sections” along with removal of the existing cap on loans by UCBs to individual women beneficiaries. According to the report on Trend and Progress of Banking in India 2023-24, scheduled commercial banks’ priority sector lending rose by 16.9 per cent in FY24 from 10.8 per cent in FY23. All bank groups managed to achieve their overall priority sector lending targets and sub-targets.



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