

The logo of Galgotias University is a stylized circular emblem with three curved, overlapping bands in shades of yellow, blue, and red, set against a light pink circular background.

Fund management in Banking and Insurance

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Lecture-2

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Topic Covered

1. Priority sector lending
2. Conception priority sector lending
3. Categories of priority sector lending
4. Agriculture
5. Micro and macro enterprise
6. Education
7. Housing
8. Export credit

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Priority Sector Lending

In a developing economy some sectors of society need special & priority attention as they are starved for capital.

- The Reserve Bank of India (RBI), has clearly specified the sectors that are termed the priority sectors
- These sectors are termed the 'Priority Sectors'
- The lending that is done to them is referred to as 'Priority Sector Lending'
- RBI has come out with its policies, whereby it makes it compulsory for Banks to take credit exposure on Priority Sector.
- This explains the need for PSL by Commercial Banks

Conception of Priority sector lending

Meeting of National Credit Council held in July 1968. Emphasis laid on Commercial Banks to increase their involvement in financing of Priority Sector. Priority Sector Broadly defined to include Agriculture & Small Scale Industries.

Banks were advised to raise share of Priority Sector lending in their aggregate lending to 33.33% by March 1979.

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Categories of Priority Sector

As per revised guidelines with effect from 20th July 2012

1. Agriculture
2. Micro & small enterprises
3. Education
4. Housing
5. Export credit
6. Others

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Agriculture

Allied Activities (Direct and Indirect finance): Direct finance of short, long, medium term loan given to this sector, basically to farmers.

Limit is up to 20 lakh for

1. Self Help Groups (SHGs)
2. Joint Liability Groups (JLGs)
3. Individual farmers

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Micro and small enterprises

Loans given to such SSI involved in manufacture, processing or preservation of goods and whose investment in plant and machinery (original cost).

SSI shall be finance to

1. Artisans,
2. Village and cottage industries,
3. Hand-loom and to cooperatives of producers in this sector.

Micro credit of very small amount of 50,000 per borrower to poor in rural, semi-urban and urban areas.

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Education loans and Housing loan

Education loans include loans and advances granted to only individuals for educational purposes up to Rs. 10 lakh for studies in India and Rs. 20 lakh for studies abroad, and do not include those granted to institutions;

Housing loans -Loans up to Rs. 50 lakh in metropolitan cities where population is above 10 lakh and Rs. 25 Lakh at other centers for construction/purchase of a dwelling unit per family provided total cost of the unit in metropolitan centers and at other centers does not exceed Rs. 45 Lacs and Rs. 30 Lacs respectively.

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Export Credit

- Export credit to eligible
- Activities under
- Agriculture and MSE
- will be reckoned for
- Priority sector lending
- Under respective
- Categories.

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2. George E. Rejda: Principles of Risk Management & Insurance, Pearson: New Delhi.

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School of Finance and Commerce

Course Code : MBAF6024

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Thank You

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Program Name: MBA(FM)