JAIIB IE & IFS Module A (Unit 4- Role of Priority Sector & MSME in the Indian Economy)

Priority Sector Lending

36.2 APPLICABILITY:- The targets and sub-targets as fixed for each category are applicable to every commercial bank [including Regional Rural Bank (RRB), Small Finance Bank (SFB), Local Area Bank] and Primary (Urban) Co-operative Bank (UCB) other than Salary Earners' Bank.

- **Banks are required to provide a part of their credit to a particular set of borrowers. This is done to** [redacted]

It is popularly called as "rationing of credit".

- Sectors [redacted]tant for the develop[redacted]
- Given pr[redacted]
- The ban[redacted]growth o[redacted]nely credit.

Sectors of PSL:

1. Agricult[redacted]
2. Micro, sm[redacted]s
3. Export c[redacted]
4. Educatio[redacted]
5. Housing[redacted]
6. Social in[redacted]tu[redacted]
7. Renewab[redacted]rgy
8. Others

36.4.9 Weaker Sections

Priority sector loans to the following borrowers are considered under Weaker Sections category:-

(a) Small and marginal farmers;
(b) Artisans, village and cottage industries where individual credit limits do not exceed ₹ 1 lakh;
(c) Beneficiaries under Government Sponsored Schemes such as National Rural Livelihood Mission (NRLM), National Urban Livelihood Mission (NULM) and Self Employment Scheme for Rehabilitation of Manual Scavengers (SRMS);
(d) Scheduled Castes and Scheduled Tribes;
(e) Beneficiaries of Differential Rate of Interest (DRI) scheme;
(f) Self Help Groups;
(g) Distressed farmers indebted to non-institutional lenders;
(h) Distressed persons other than farmers with loan amount not exceeding ₹ 1 lakh per borrower to prepay their debt to non-institutional lenders;
(i) Individual women beneficiaries up to ₹ 1 lakh per borrower;
(j) Persons with disabilities
(k) Minority communities as may be notified by Government of India from time to time.

What has changed now?

- **New activities eligible for finance under the priority sector now include:**
  - Bank finance of up to ₹50 crores to start-ups,
  - Loans to farmers so as install solar power plants for solarisation of grid-connected agriculture pumps,
  - Loans for setting the compressed biogas (CBG) plants
- High weightage has been assigned to incremental priority sector credit in ‘identified districts’ where priority sector credit flow is comparatively low.

- **Agriculture specific targets has been revised:**
  - T[redacted]’ are being i[redacted]
  - H[redacted] or farmers p[redacted]eir produce a[redacted]
- The loan[redacted]

DEFINITION OF MSME

- In terms[redacted]e definition of Micro,[redacted]

Definition of MSMEs - Old and New			
	Old Definition		New Definition
	Manufacturing	Services	Manufacturing/Services
Micro	Investment in Plant and Machinery: Does not exceed Rs. 25 Lakh.	Investment in Equipment: Does not exceed Rs. 10 Lakh.	Investment in Plant and Machinery or Equipment and turnover: The investment in plant and machinery or equipment does not exceed Rs. 1 Crore and turnover does not exceed Rs. 5 crores.

[redacted]

	Old Definition		New Definition
	Manufacturing	Services	Manufacturing/Services
Small	Investment in Plant and Machinery: More than Rs. 25 lakhs but does not exceed Rs. 5 crores.	Investment in Equipment: More than Rs. 10 Lakh but does not exceed Rs. 2 crores.	Investment in Plant and Machinery or Equipment and turnover: The investment in plant and machinery or equipment does not exceed Rs. 10 crore and turnover does not exceed Rs. 50 crores.
Medium	Investment in Plant and Machinery: More than Rs. 5 crores but does not exceed Rs. 10 crores.	Investment in Equipment: More than Rs. 2 crores but does not Rs. 5 crores.	Investment in Plant and Machinery or Equipment and turnover: The investment in plant and machinery or equipment does not exceed Rs. 50 crore and turnover does not exceed Rs. 250 crores.

Q. What is the target percentage of ANBC or CEOBE, is prescribed by RBI for PSL under Agriculture sector for Schedule commercial banks?

A. 18% of ANBC or CEOBE whichever is higher

B. 12% of ANBC or CEOBE whichever is higher

C. 40% of ANBC or CEOBE whichever is higher

D. 7.5% of ANBC or CEOBE whichever is higher

Ans: (a)

Q. What is the landholding for farmers to be considered as Small farmers?

A. Upto [redacted]

B. Upto [redacted]

C. More [redacted]

D. Upto [redacted]

Ans: (d) [redacted]

Q. What is [redacted]ommercial Banks? [redacted]

A. 18% [redacted]

B. 12% [redacted]

C. 40% [redacted]

D. 7.5% [redacted]

Ans: (b) [redacted]

Q. What is [redacted]

A. Rs. 1 [redacted]

B. Rs. 2 [redacted]

C. Rs. 5 [redacted]

D. Rs. 1 [redacted]

Ans: (b) [redacted]

Q. Which of the following statements best defines Micro, Small, and Medium Enterprises (MSMEs) according to the MSME Development Act, 2006?

A. MSMEs are defined only based on the number of employees working in the enterprise.

B. MSMEs are defined based on the annual turnover of the enterprise, without considering investment in plant and machinery.

C. MSMEs are defined based on the investment in plant and machinery or equipment and annual turnover, depending on the category of the enterprise.

D. MSMEs are defined based solely on the number of years the enterprise has been operational.

Ans: (c)

Q. Which of the following statements is true regarding the revised agriculture-specific targets?

A. The loan limits for renewable energy have been reduced to encourage alternative energy sources.

B. High credit limits have been specified for Farmer Producer Organizations (FPOs) or Farmer Producer Companies (FPCs) engaged in farming with assured marketing and pre-determined pricing of their produce.

C. The targets prescribed for 'small and marginal farmers' have been decreased.

D. No changes have been made to the credit limits for renewable energy.

Ans: (b)

Q. Which o[redacted]ctor as per the new[redacted]

A. Bank[redacted]ture pumps, and l[redacted]

B. Loan[redacted] large-scale manu[redacted]

C. Loan[redacted]rcial us[redacted]e residential comp[redacted]s.

D. Loan[redacted]utes,[redacted]ns fo[redacted] for foreign trade[redacted]

Ans: (a)