



भारतीय रिज़र्व बैंक

-----RESERVE BANK OF INDIA-----

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January 19, 2026

Reserve Bank of India (Priority Sector Lending – Targets and Classification) (Amendment) Directions, 2026

Please refer to the [Reserve Bank of India \(Priority Sector Lending – Targets and Classification\) Directions, 2025](#) (hereinafter referred to as “the Directions”).

2. On a review, in exercise of the powers conferred by Sections 21 and 35A read with Section 56 of the Banking Regulation Act, 1949, and all other provisions / laws enabling the Reserve Bank of India (hereinafter called the Reserve Bank) in this regard, the Reserve Bank, being satisfied that it is necessary and expedient in the public interest to do so, hereby issues the Amendment Directions hereinafter specified.

3. The Amendment Directions modify the Directions as below:

- i. **Item no. V in the table at paragraph 6.1** shall be partially modified as below:
“Eligible amount for exemptions on issuance of long-term bonds for infrastructure and affordable housing as per circular DBOD.BP.BC.No.25/08.12.014/2014-15 dated July 15, 2014 Reserve Bank of India (Resource Raising Norms) Directions, 2025 as applicable to Commercial Banks and Small Finance Banks.”
- ii. **Paragraph 6.1** shall be partially modified by adding a footnote to item VI of the table at para 6.1:
“The incremental advances extended out of the resources generated from the eligible incremental FCNR(B)/NRE deposits is calculated as the difference between outstanding advances in India as on March 7, 2014 (June 13, 2014, in case of UCBs) and the Base Date (July 26, 2013). The amount to be excluded from ANBC for computation of priority sector targets will not exceed incremental



FCNR (B) / NRE deposits eligible for exemption from maintenance of CRR / SLR in terms of the circulars mentioned above. In case, the difference in the amount outstanding is zero or negative, no amount would be eligible for deduction from ANBC for the purpose of arriving at the priority sector lending targets.”

iii. **Paragraph 6.2** shall be partially modified as below:

“For the purpose of calculation of Credit Equivalent of Off-Balance Sheet Exposures (CEOBSE), banks shall be guided by the circular on ‘Large Exposures Framework’ issued by Department of Regulation, RBI vide [DBR.No.BP.BC.43/21.01.003/2018-19 dated June 03, 2019](#) and as updated from time to time. UCBs shall be guided by the relevant provisions of the [Master Circular dated April 20, 2023](#) on ‘Prudential Norms on Capital Adequacy – Primary (Urban) Co-operative Banks (UCBs)’ issued by Reserve Bank of India [Reserve Bank of India \(Commercial Banks - Concentration Risk Management\) Directions, 2025](#), and [Reserve Bank of India \(Prudential Norms on Capital Adequacy\) Directions, 2025](#), as applicable to Small Finance Banks, Urban Co-operative Banks and Regional Rural Banks. In the case of Local Area Banks, for the purpose of calculation of credit risk exposure attached to off-balance sheet items, banks may refer to [Reserve Bank of India \(Local Area Banks – Prudential Norms on Capital Adequacy\) Directions, 2025](#).”

iv. **Paragraph 6.3** shall be partially modified as below:

“SFBs shall be further guided by ~~Para 6.5 (ii to vii) of the Operating Guidelines for Small Finance Banks issued by Department of Regulation (RBI/2016-17/81 DBR.NBD. No.26/16.13.218/2016-17 dated October 06, 2016)~~, by the following pertaining to treatment of grandfathered loans, for computation of ANBC:

- a. The provisions in Paragraph C.10.33 of [Reserve Bank of India \(Small Finance Banks – Licensing\) Guidelines, 2025](#) will apply to cases where an existing NBFC/MFI sets up a SFB and transfers its business to the SFB. apart from conversion cases.
- b. The lending banks will be permitted to avail the PSL classification for the loans made to such NBFCs, as long as the assets financed out of such loans are PSL eligible assets. This dispensation to the lending banks



would be extended only up to the extent of actual outstanding balance supported by existing underlying assets as on the opening balance sheet of the SFB, and only till repayment of underlying loans.

- c. The assets financed out of the above loans from the banks would not be reckoned for the ANBC for priority sector calculation for the SFB, to the extent the lending bank enjoys PSL status on such grandfathered loans.
- d. Any fresh assets created out of such outstanding grandfathered lending or any fresh assets created by the SFB post commencement of operations, in general, would be reckoned in the ANBC of the SFBs and the PSL norms as applicable to SFBs would kick in.
- e. The above treatment would be applicable for grandfathered borrowings in the cases of converting entities as well.
- f. The first audited balance sheet as on March 31st post commencement of operations of the SFB would form the basis for the first PSL target for the SFB (for the subsequent year)."

v. The table at **para 7.1** shall be partially modified as below:

Categories	Targets/ Sub-targets			
	Domestic Commercial Banks (excl. RRBs & SFBs) & Foreign Banks with 20 branches and above	Foreign Banks with less than 20 branches	Regional Rural Banks	Small Finance Banks
Total Priority Sector	40 per cent of ANBC as computed in para 6 above or CEOBSE, whichever is higher.	40 per cent of ANBC as computed in para 6 above or CEOBSE, whichever is higher; out of which up to 32% can be in the form of Export Credit and not less than 8% can be to any other priority sector.	75 per cent of ANBC as computed in para 6 above or CEOBSE, whichever is higher. However, lending to Medium Enterprises, Social Infrastructure and Renewable Energy shall be reckoned for priority sector achievement up to	75 <u>60</u> per cent of ANBC as computed in para 6 above or CEOBSE, whichever is higher.



Categories	Targets/ Sub-targets			
	Domestic Commercial Banks (excl. RRBs & SFBs) & Foreign Banks with 20 branches and above	Foreign Banks with less than 20 branches	Regional Rural Banks	Small Finance Banks
			15 per cent of ANBC only.	

- vi. **Paragraph 9.3(iv)** shall stand deleted.
- vii. **Paragraph 10.2(iv)** shall stand deleted.
- viii. **Paragraph 11(i)** shall be partially modified as below:

“Export credit includes pre-shipment and post-shipment export credit (excluding off-balance sheet items) as defined in [Master Circular on Rupee / Foreign Currency Export Credit and Customer Service to Exporters, issued vide DBR No.DIR.BC.14/04.02.002/2015-16 dated July 1, 2015](#) and updated from time to time. Reserve Bank of India (Credit Facilities) Directions, 2025, as applicable to Commercial Banks, Small Finance Banks and Urban Co-operative Banks.”

- ix. **Paragraph 11(ii)** shall be partially modified as below:

“Export credit to agriculture and MSMEs shall be eligible for classification as PSL in the respective categories and subject to the aggregate limits mentioned therein.”

- x. **Paragraph 13** shall be partially modified with the insertion of the following note at the end of the paragraph:

“Note: Banks may refer to the population at the level of ‘Urban Agglomerations’ (U.A.s)/ Towns as given in the Table “A-04” of the Census 2011 for determining adherence to the population-based classifications. For housing loans to properties situated in villages/rural areas (which are not part of the Table A-04 of the Census 2011), the loan limits as per “Centres with population below 10 lakh” may be adhered to.”



- xi. **Paragraph 14.2** shall be partially modified as below:

“Loans up to a limit of ₹12 crore per borrower for building health care facilities in Tier II to Tier VI centres. In case of UCBs, the equivalent centres are those in Category ‘D’ with population of less than 1 lakh.”

- xii. **Paragraph 16(i)** shall be partially modified as below:

“Microfinance loans provided directly by banks to individuals and individual members of SHGs/JLGs satisfying the criteria as prescribed in Master Direction on Regulatory Framework for Microfinance Loans Directions, dated March 14, 2022 Reserve Bank of India (Credit Facilities) Directions, 2025, as applicable to Commercial Banks, Small Finance Banks, Regional Rural Banks, Urban Co-operative Banks and Local Area Banks.”

- xiii. **Item no. iii of the table at paragraph 17.1** shall be partially modified as below:

“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)”

- xiv. **Item no. vii of the table at paragraph 17.1** shall be partially modified as below:

“Individuals and individual members of SHGs/JLGs ~~satisfying criteria as prescribed in~~ Master Direction on Regulatory Framework for Microfinance Loans Directions, dated March 14, 2022 ~~availing microfinance loans satisfying the criteria as prescribed in~~ Reserve Bank of India (Credit Facilities) Directions, 2025, as applicable to Commercial Banks, Small Finance Banks, Regional Rural Banks, Urban Co-operative Banks and Local Area Banks.”

- xv. **Paragraph 18(i)** shall be partially modified as below:

“The assets are originated by banks and financial institutions and are eligible to be classified as priority sector advances prior to securitisation and fulfil the ~~Reserve Bank of India guidelines on ‘Securitisation of Standard Assets’ issued vide~~ Master Directions DOR.STR.REC.53/21.04.177/2021-22 dated September 24, 2021 ~~as updated from time to time.~~ provisions of Reserve Bank of India (Securitisation Transactions) Directions, 2025, as applicable to various entities”



- xvi. New **paragraph 18A** shall be inserted after paragraph 18 of the said Directions as below:

“To ascertain priority sector status of the underlying portfolio, banks may rely on a combination of any external auditors’ certification provided by the originating entity and conduct of sample check by their own staff or by an auditor for the purpose. This may be specified in their internal policy.”

- xvii. **Note at the paragraph 18** shall be partially modified as below:

“Note: The provisions of para 18 are not applicable to SFBs, LABs, RRBs and UCBs.”

- xviii. **Paragraph 19(i)** shall be partially modified as below:

“The assets are originated by banks and financial institutions and are eligible to be classified as priority sector advances prior to the purchase and fulfil the ~~Reserve Bank of India guidelines on ‘Transfer of Loan Exposures’ issued vide Master Directions DOR.STR.REC.51/21.04.048/2021-22 dated September 24, 2021~~ as updated from time to time provisions of the Reserve Bank of India (Transfer and Distribution of Credit Risk) Directions, 2025, as applicable to Commercial Banks and Small Finance Banks.”

- xix. **Note at the paragraph 19** shall be partially modified as below:

“Note: The provisions of para 19 are not applicable to LABs, RRBs and UCBs.”

- xx. **Paragraph 20(i)** shall be partially modified as below:

“IBPCs bought by banks, on a risk sharing basis, are eligible for classification under the respective priority sector categories, provided the underlying assets are eligible to be classified under the respective categories and the banks fulfil the ~~Reserve Bank of India guidelines on IBPCs issued vide circular DBOD.No.BP.BC.57/62-88 dated December 31, 1988~~ and updated from time to time the relevant provisions of the Reserve Bank of India (Transfer and Distribution of Credit Risk) Directions, 2025, as applicable to Commercial Banks and Small Finance Banks.”

- xxi. **Note at the paragraph 20** shall be partially modified as below:



“Note: The provisions of para 20 are not applicable to LABs, RRBs and UCBs.”

xxii. **Paragraph 21** shall be partially modified as below:

“Banks are permitted to purchase/sell PSLCs in terms of Reserve Bank of India guidelines on Priority Sector Lending Certificates issued vide Circular FIDD.CO.Plan.BC.23/04.09.001/2015-16 dated April 7, 2016 read with Circular FIDD.CO.PSD.BC.No.12/04.09.001/2024-25 dated March 24, 2025 as detailed in Annex IIIA. The net nominal value of the PSLCs issued and purchased will be eligible for classification under the respective priority sector categories provided the underlying assets originated by banks are eligible to be classified as priority sector advances. SFBs shall further be guided by the terms and conditions specified in Para 1.9 of DBR circular No. DBR.NBD.26/16.13.218/2016-17 dated October 6, 2016 on credit risk transfer and portfolio sales/purchases are permitted to purchase PSLCs only for the specific purpose of meeting the PSL sub-targets within the overall PSL target.

xxiii. A New Annex IIIA providing details of the Priority Sector Lending Certificate (PSLC) Scheme shall be inserted.

xxiv. **Paragraph 22** shall be partially modified as below:

“Loans disbursed by banks to MFIs under para 22 (i) and 22 (ii) below are eligible for categorisation as priority sector advances under respective categories viz., Agriculture, MSME, Social Infrastructure and Others, provided the MFIs adhere to the conditions prescribed in Chapter II (xx) and Chapter VIII of Master Directions DNBR PD.007/03.10.119/2016-17 and Chapter II (xx) and Chapter IX of Master Directions DNBR PD.008/03.10.119/ 2016-17 dated September 1, 2016, as updated from time to time Reserve Bank of India (Non-Banking Financial Companies – Microfinance Institution) Directions, 2025 and banks obtain external auditors’ certificates from MFIs confirming that on-lending benefit in respect of these loans has not been claimed from any other bank”

xxv. **New Sr. no. iii** shall be inserted at **paragraph 23** as below:

“(iii) Banks shall obtain external auditors’ certificates from the NBFCs confirming that on-lending benefit in respect of such loans has not been claimed from any other bank.”



xxvi. **Paragraph 24** shall be partially modified as below:

“Bank credit to Housing Finance Companies (HFCs), approved by NHB for their refinance, for on-lending for the purpose of purchase/construction/reconstruction of individual dwelling units or for slum clearance and rehabilitation of slum dwellers, will be eligible for classification as PSL subject to an aggregate loan limit of ₹20 lakh per borrower, under ‘Housing’ category. Banks shall maintain necessary borrower-wise details of the underlying portfolio and obtain external auditors’ certificates from the HFCs, confirming that on-lending benefit in respect of such loans has not been claimed from any other bank.”

xxvii. New **paragraph 24A** shall be inserted after paragraph 24 as below:

“24A. Bank loans to NCDC for on-lending

Bank credit to National Co-operative Development Corporation (NCDC) for on-lending to co-operative societies for purposes and activities as laid down in this Master Direction will be eligible for classification as priority sector lending under the respective categories. This is subject to NCDC furnishing quarterly certificates by a CAG¹ empanelled chartered accountant firm, to the lending banks, confirming that the bank credit has been utilized for extending loans to co-operative societies for PSL eligible purposes and that on-lending benefit in respect of such loans has not been claimed from any other bank.

Note: (i) The provisions of para 24A are applicable to loans sanctioned by banks to NCDC after January 19, 2026.

(ii) The provisions of para 24A are not applicable to RRBs, UCBs, SFBs and LABs.”

xxviii. **Paragraph 25** shall be partially modified as below:

“Bank credit to NBFCs (including HFCs) and NCDC for on-lending as applicable in para 23, 24 and 24A above, will be eligible for PSL classification up to an overall limit of 5% of individual bank’s total priority sector lending of the previous financial year. Banks shall determine adherence to the prescribed cap by averaging the eligible portfolio under on-lending mechanism across four

¹ Comptroller and Auditor General of India



quarters of the current financial year. In case of a newly licensed bank, the cap shall be applicable on an on-going basis during its first year of operations.

xxix. **Paragraph 26** shall be substituted as below:

“26. Co-lending

Banks are permitted to enter into co-lending arrangements for lending to priority sectors as per Reserve Bank of India (Commercial Banks – Transfer and Distribution of Credit Risk) Directions, 2025. Loans extended as per circular FIDD.CO.Plan.BC.No.8/04.09.01/2020-21 dated November 5, 2020 on Co-Lending by Banks and NBFCs to Priority Sector and as per circular No. FIDD.CO.Plan.BC.08/04.09.01/2018-19 dated September 21, 2018 on Co-origination of loans by Banks and NBFCs for lending to priority sector, shall continue to be eligible for priority sector classification till repayment/ maturity, whichever is earlier.

Note: The provisions of para 26 are not applicable to RRBs, UCBs, SFBs and LABs.”

xxx. The reporting formats at **paragraph 28(ii)** shall be updated:

“The data on priority sector advances shall be furnished by banks at quarterly and annual intervals as per the respective reporting format, within fifteen days and one month, respectively from the end of each quarter and financial year.”

xxxi. **Paragraph 30(i)** shall be partially modified as below:

“Rate of interest: The rates of interest charged on loans shall be in accordance with the Master Direction—Reserve Bank of India (Interest Rate on Advances) Directions, 2016, ~~as amended from time to time~~ Reserve Bank of India (Interest Rate on Advances) Directions, 2025, as applicable to Commercial Banks, Small Finance Banks, Regional Rural Banks, Local Area Banks and Urban Co-operative Banks.”

xxxii. **Paragraph 30(ii)** shall be partially modified as below:

“Service charges: No loan related charges (including guarantee fees of credit guarantee schemes), and *ad hoc* service charges/inspection charges shall be



levied on priority sector loans up to ₹50,000. In the case of eligible priority sector loans to SHGs/JLGs, this limit will be applicable per member and not to the group as a whole.”

xxxiii. The following districts are deleted from Annex IA:

Sl. No	State	District name
144	Rajasthan	Neem Ka Thana

xxxiv. The following districts are deleted from Annex IB:

Sl. No	State	District name
157	Rajasthan	Gangapurcity
158	Rajasthan	Jodhpur Rural
160	Rajasthan	Sanchoe

4. The above amendment shall come into force with immediate effect.

Yours faithfully,

(Nisha Nambiar)

Chief General Manager-in-Charge



Annex IIIA

“Priority Sector Lending Certificates - Scheme

i) Purpose: To enable banks to achieve the priority sector lending target and sub-targets by purchase of these instruments in the event of shortfall and at the same time incentivize the surplus banks; thereby enhancing lending to the categories under priority sector.

ii) Nature of the Instruments: The seller will be selling fulfilment of priority sector obligation and the buyer would be buying the same. There will be no transfer of risks or loan assets.

iii) Modalities: The PSLCs will be traded through the CBS portal (e-Kuber) of RBI. The detailed operational instructions for carrying out the trades are available through the e-Kuber portal.

iv) Sellers/Buyers: Scheduled Commercial Banks (SCBs), Regional Rural Banks (RRBs), Local Area Banks (LABs), Small Finance Banks (SFBs) and Urban Co-operative Banks (UCBs) who have originated PSL eligible category loans subject to such regulations as may be issued by the Bank.

v) Types of PSLCs: There would be four kinds of PSLCs :–

i) PSLC Agriculture: Counting for achievement towards the total agriculture lending target.

ii) PSLC SF/MF: Counting for achievement towards the sub-target for lending to Small and Marginal Farmers.

iii) PSLC Micro Enterprises: Counting for achievement towards the sub target for lending to Micro Enterprises.

iv) PSLC General: Counting for achievement towards the overall priority sector target.

As stated in the [Master Directions - Reserve Bank of India \(Priority Sector Lending – Targets and Classification\) Directions, 2025](#), Priority Sector comprises several categories, including Agriculture and Micro Enterprises. In addition to the overall target and sectoral targets for lending to agriculture and



micro enterprises, banks are required to achieve specified sub-target for lending to Small and Marginal Farmers. Accordingly, to avoid computational issues in assessing the achievement/shortfall of PSL targets, it is advised that the above four types of certificates will represent specific loans and count for specific sub-targets/targets as indicated hereunder:

S. No.	Type of PSLCs	Representing	Counting for
1.	PSLC - Agriculture	- All eligible Agriculture loans except loans to SF/MF for which separate certificates are available	Achievement of agriculture target and overall PSL target
2.	PSLC - SF/MF	All eligible loans to small/marginal farmers	Achievement of SF/MF sub-target, Weaker Sections sub-target, NCF sub-target, agriculture target and overall PSL target
3.	PSLC - Micro Enterprises	All PSL Loans to Micro Enterprises	Achievement of micro-enterprise sub-target and overall PSL target
4.	PSLC - General	The residual priority sector loans i.e. other than loans to agriculture and micro enterprises for which separate certificates are available	Achievement of overall PSL target

Thus, a bank having shortfall in achievement of any sub-target (e.g. SF/MF, Micro), will have to buy the specific PSLC to achieve the target. However, if a bank is having shortfall in achievement of the overall target only, as applicable to it, may buy any of the available PSLCs.



vi) Computation of PSL achievement: A bank's PSL achievement would be computed as the sum of outstanding priority sector loans, and the net nominal value of the PSLCs issued and purchased. Such computation will be done separately where sub targets are prescribed as on the reporting date.

vii) Amount eligible for issue: Normally PSLCs will be issued against the underlying assets. However, with the objective of developing a strong and vibrant market for PSLCs, a bank is permitted to issue PSLCs upto 50 percent of previous year's PSL achievement without having the underlying in its books. However, as on the reporting date, the bank must have met the priority sector target by way of the sum of outstanding priority sector lending portfolio and net of PSLCs issued and purchased. To the extent of shortfall in the achievement of target, banks may be required to invest in RIDF/other funds as hitherto.

viii) Credit Risk: There will be no transfer of credit risk on the underlying as there is no transfer of tangible assets or cash flow.

ix) Expiry date: All PSLCs will expire by March 31st and will not be valid beyond the reporting date (March 31st), irrespective of the date it was first sold.

x) Settlement: The settlement of funds will be done through the platform as explained in the e-Kuber portal.

xi) Value and Fee: The nominal value of PSLC would represent the equivalent of the PSL that would get deducted from the PSL portfolio of the seller and added to the PSL portfolio of the buyer. The buyer would pay a fee to the seller which will be market determined.

xii) Lot Size: The PSLCs would have a standard lot size of ₹ 25 lakh and multiples thereof.

xiii) Accounting: The fee paid for purchase of the PSLC would be treated as an 'Expense' and the fee received for the sale of PSLCs would be treated as 'Miscellaneous Income'.

xiv) Disclosures: Both seller and buyer shall report the amount of PSLCs (category-wise) sold and purchased during the year in the 'Disclosures to the Balance Sheet'.



Illustration:

1. Bank A may sell PSLCs with a nominal value of ₹100 crores to Bank B on July 15, 2025. Bank B will reckon ₹100 crore towards its priority sector achievement as on the reporting dates of September 30, 2025, December 31, 2025 & March 31, 2026, while Bank A will subtract the same from its achievement figures for the respective reporting dates. The PSLC will expire by March 31, 2026.
2. Bank C may buy ₹100 crore PSLC on March 30, 2026 from Bank D. Bank D will subtract ₹100 crore from its PSL reporting on March 31, 2026 while Bank C will reckon the same towards its achievement. The PSLC will expire by March 31, 2026.”