

RBI/2009-10/164

RPCD.CO.Plan.BC. 24 /04.09.01/2009-10

September 18, 2009

The Chairman/ Managing Director/
Chief Executive Officer

*[All scheduled commercial banks
(excluding Regional Rural Banks)]*

Dear Sir,

Priority Sector Lending - Categorisation of activities under service under the MSMED Act, 2006

In terms of paragraphs 2.1.1 and 2.1.2 of Section I of the Master Circular dated July 1, 2009 on Lending to Priority Sector, credit to small enterprises includes loans granted to micro and small (manufacturing and service) enterprises, provided investment in plant and machinery [original cost excluding land and building and the items specified by the Ministry of Small Scale Industries vide its notification no. S.O. 1722 (E) dated October 5, 2006] does not exceed Rs. 5 crore in respect of manufacturing enterprises and investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006) does not exceed Rs. 2 crore in respect of service enterprises. Further, in terms of paragraphs 3.1 and 3.2, Retail Trade forms a separate category under priority sector.

2. The Government of India, vide communication No. 5(6)/2/2009-MSME POL dated June 12, 2009, has indicated the categorisation of activities under services under the Micro Small and Medium Enterprises Development (MSMED) Act, 2006. On examination, it has been decided to include loans granted by banks in respect of following activities under Micro and Small (Service) Enterprises within the priority sector, provided such enterprises satisfy the definition of Micro and Small (Service) Enterprises in respect of investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006) (i.e. not exceeding Rs. 10 lakh and Rs. 2 crore respectively).

(a) Consultancy Services including Management Services;

- (b) Composite Broker Services in Risk and Insurance Management;
- (c) Third Party Administration (TPA) Services for Medical Insurance Claims of Policy Holders;
- (d) Seed Grading Services;
- (e) Training-cum-Incubator Centre;
- (f) Educational Institutions;
- (g) Training Institutes;
- (h) Retail Trade;
- (i) Practice of Law, i.e. legal services;
- (j) Trading in medical instruments (brand new);
- (k) Placement and Management Consultancy Services; and
- (l) Advertising agency and Training centres

3. Accordingly, there will be no separate category for "Retail Trade" under priority sector. Loans granted by banks for Retail Trade [*i.e. advances granted to retail traders dealing in essential commodities (fair price shops), consumer co-operative stores; and advances granted to private retail traders with credit limits not exceeding Rs. 20 lakh*] would henceforth be part of the Small (Service) Enterprises.

4. The commercial banks may report such loans under the head "Total credit to Small Enterprises" in the half-yearly (Ad-hoc) [under 2 (a) and 2 (ii)] and yearly (final) [under 14, 15, 19, 20 and 21] return on priority sector advances.

5. You may please issue necessary instructions to your controlling offices/branches for appropriate action.

6. Please acknowledge receipt.

Yours faithfully,

(B. P. Vijayendra)
Chief General Manager