

May 22, 2008

The Chairman
All Regional Rural Banks

Dear Sir

Increasing opportunities for flow of credit to priority sector

Please refer to paragraph 137 of the Annual Policy Statement for the year 2008-09 (copy enclosed). As indicated in the Annual Policy Statement, it has been decided to allow RRBs to sell loan assets held by them under priority sector categories in excess of the prescribed priority sector lending target of 60 per cent.

2. Please acknowledge receipt to our respective Regional Office.

Yours faithfully

(G.Srinivasan)
Chief General Manager-in-Charge

137. In terms of the revised guidelines on lending to the priority sector, scheduled commercial bank can undertake outright purchase of any loan asset eligible to be categorised under the priority sector from other banks and financial institutions and classify the same under the respective categories of priority sector lending (direct or indirect), provided the loans purchased are held at least for a period of six months. To enable greater flow of credit to the priority sectors, it is proposed:

to allow RRBs to sell loan assets held by them under priority sector categories in excess of the prescribed priority sector lending target of 60 per cent.