

LOK SABHA
Unstarred Question No. 17

ANSWERED ON MONDAY, 21 JULY, 2025/ ASHADHA 30, 1947 (SAKA)

Lending Norms for Small Finance Banks (SFBs)

17. Shri Basavaraj Bommai

Will the Minister of Finance be pleased to state:

- (a) whether there is a huge shortfall in priority sector lending in the last three years;
- (b) if so, the year-wise details along with the reasons thereof;
- (c) whether the RBI eases priority sector lending norms for Small Finance Banks (SFBs);
- (d) if so, the details thereof; and
- (e) the extent to which the new norms would promote various sectors particularly agriculture, education, housing, renewable energy, MSME and weaker sections in the country?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a)and (b) In terms of Master Directions on Priority Sector Lending (PSL) dated March 24, 2025 issued by Reserve Bank of India (RBI), Banks having shortfall in priority sector lending vis-à-vis the prescribed target/sub-targets shall be allocated amounts for contribution to the Rural Infrastructure Development Fund (RIDF) and other funds with NABARD/NHB/SIDBI/MUDRA Ltd., as decided by the Reserve Bank from time to time.

The details of the aggregate PSL Shortfall of all banks, allocated to various funds for the last three years are as follows:

Year	Amount (in ₹ crore)
FY 2022-23	2,10,000
FY 2023-24	1,50,000
FY 2024-25	1,63,000

The PSL shortfall decreased considerably in recent years, due to the reason that banks were able to lend more under priority sector viz. Agriculture, Micro, Small and Medium Enterprises (MSMEs), Education, Housing, etc., as deemed crucial for socio-economic development and inclusive growth of the country.

(c) to (e): A Small Finance Bank (SFB) was earlier required to extend 75% of its Adjusted Net Bank Credit (ANBC) to eligible sectors under Priority Sector Lending (PSL).

In terms of the revised guidelines on Priority Sector Lending Norms on Small Finance Banks dated 20 June 2025 issued by RBI, PSL target of SFBs has been reduced from 75% to 60% of ANBC. As per norms, 40 % of its ANBC should be allocated to different sub-sectors as per the extant PSL prescriptions. The additional 20% can be allocated to any one or more sub-sectors under the PSL which include agriculture, small and marginal farmers, micro enterprises, education, housing, renewable energy and advances to weaker sections, where it may have a competitive advantage.
