

RBI eases priority loan eligibility norm for MFIs onlending

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NEW DELHI: Bank credit for onlending by **Micro Finance Institutions (MFIs)** will now be eligible for categorisation as priority sector lending if at least 70 per cent of loans given by MFIs is for income generating activity. "...it has been decided that bank credit to MFIs for onlending will now be eligible for categorisation as priority sector advance if aggregate amount of loan, extended for income generating activity, is not less than 70 per cent of the total loans given by MFIs," RBI said in a notification.

Earlier this cap was at least 75 per cent. Lending towards agriculture, **micro and small enterprises, education, housing**, and export credit are termed as priority sector lending. RBI has asked banks to increase their involvement in the financing of priority sector for overall economic development. As per RBI norms, domestic banks are advised to achieve the target of priority sector lending at 40 per cent. However, foreign banks with 20 and above branches in the country are required to be at par with domestic banks for priority sector targets in a phased manner over a maximum period of 5 years beginning April 1, 2013 i.e., till March 31, 2018.

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