



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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June 20, 2025

All Small Finance Banks

Madam/ Dear Sir,

Review of Priority Sector Lending norms - Small Finance Banks

Please refer to the '[Guidelines for Licensing of Small Finance Banks in Private Sector dated November 27, 2014](#)' and the '[Guidelines for 'on-tap' Licensing of Small Finance Banks in Private Sector released by Reserve Bank on December 5, 2019](#)'. In terms of paragraph II (9) of the aforesaid Licensing Guidelines, a small finance bank (SFB) is required to extend 75 per cent of its Adjusted Net Bank Credit (ANBC) to the sectors eligible for classification as priority sector lending (PSL) by the Reserve Bank. Further, while 40 per cent of its ANBC should be allocated to different sub-sectors under PSL as per the extant PSL prescriptions, the bank can allocate the balance 35 per cent to any one or more sub-sectors under the PSL where it has competitive advantage.

Revised provisions

2. On a review, it has been decided that financial year 2025-26 onwards, the additional component (35 per cent) of PSL shall be reduced to 20 per cent, thereby making the overall PSL target as 60 per cent of ANBC or Credit Equivalent of Off-Balance Sheet Exposures (CEOBE), whichever is higher. The SFB shall continue to allocate 40 per cent of its ANBC or CEOBE, whichever is higher, to different sub-sectors under PSL as per the extant PSL prescriptions, while the balance 20 per cent shall be allocated to any one or more sub-sectors under the PSL where the bank has competitive advantage.

3. These instructions are issued in exercise of the powers conferred on the Reserve Bank of India under Section 22 (1) of the Banking Regulation Act, 1949.

Yours faithfully,

(Manoranjan Padhy)
Chief General Manager