CHAPTER - II

PRIORITY SECTOR LENDING :
CONCEPT & COMPOSITION
IN\vRODUCTION:

In the earlier chapter we have examined the development and working of commercial banking in Assam during post-nationalisation period along with a brief introduction of the priority sector lending. In this chapter, it is proposed to analyse the process of evolution and emergence of priority sector concepts, in particular, the definition and composition of priority sector, the targeting pattern adopted at the national level as well as in Assam.

The Preamble to the Bank Nationalisation Act, 1970, clearly lays down that the banking system has to function in conformity with national priorities and objectives. The scheduled commercial banks have been used as an active and fruitful instrument of economic growth for securing a reduction in inequalities of income and wealth and removal of regional disparities. These objectives have been sought to be realised through the extention of banking facilities to unbanked areas, mobilisation of deposits and deployment of credit in such a manner as to attain an equitable and fair distribution of credit according to the priorities of socio-economic development of the country. As a result of which, a new term i.e. Priority Sector Lending has been evolved.

2.1. Evolution of Priority Sector Concept: One of the major objective of bank nationalisation was to bring about a radical change in the credit deployment of commercial banks in our country. Some sectors of the economy which were neglected prior to nationalisation, such as, agriculture, tiny sector, village artisan etc. were given emphasis only after nationalisation.
The credit gaps in respect of the key sectors of the economy such as agriculture were identified systematically, only by the Gadgil Study Group of the National Credit Council. The Agricultural sector which contributed almost one-half to the national income received only an insignificant share of the bank credit while the industrial sector which contributed barely 15 percent to the national income received two-thirds of bank credit.

Hence, in the words of the Gadgil Study Group - "Modern banking owed its origin to the development of trade and commerce and later to organised industry. The doyens of commerce and industry were, until recently, in substantial control of the management and policies of banks and hence commercial banks had a pronounced urban orientation in their development and did not encompass the rural areas to any significant extent. Against this background, banks evolved procedures and practices primarily suited to cater to the industrial and commercial clientele on conventional basis. Banking norms established under such procedures and practices were not suited to meeting the needs of the rural sector and other non-conventional borrowers. Nor did they feel any urge to modify these procedures because there was no motivation on their part to spread to the rural areas and undertake non-conventional business".  

The National Credit Council had agreed that the main issues in banking were deposit mobilisation and credit allocation to particular sector. At the second meeting of the council it was decided that banks should take-up

financing of agriculture and small scale sector as a matter of urgency. Specific lending targets in terms of amount were fixed, marking the first attempt to promote target oriented lending to priority sector.\(^2\)

During the period of social control preceding nationalisation, major banks did make an attempt to defend their position in respect of social banking. They pointed out that commercial banks were indirectly assisting the agricultural sector by providing credit for marketing of agricultural product. At that time lending to agriculture also covered both direct finance and indirect finance. The latter included finance provided by the commercial banks (i) for distribution of fertilizers and other inputs; and (ii) to electricity boards for low tension connection for pumpsets. Moreover, commercial banks also provided finance to plantations such as tea, coffee and rubber. But even after that, the lending to agriculture did not exceed 2 percent of the total bank credit.

In the meantime, the major banks in India set up the Agricultural Finance Corporation Ltd. to provide guidance and suggest projects in the agricultural sector for extending financial assistance by the commercial banks. This has been one of the attempts to project the contribution of banks to the development of agriculture. There were others such as provision of remittance facilities to rural centres and lending to sugar factories also. But practically, all these were nothing but a fraction of the total credit. Hence Reserve Bank of India was compelled to lay down targets for lending specified sectors, i.e. priority sectors. Initially the priority sector was defined

\(^2\) \textit{ibid.}
to include (a) agriculture (b) small scale industries and (c) export. Therefore, each major bank was given a target for lending to these sectors and the performance was monitored by RBI. It would be worth mentioning here that the suggestion regarding target setting emanated at a meeting of the representatives of major banks with the Governor of Reserve Bank of India in October, 1968. As a result of which the then Reserve Bank Governor Shri L.K. Jha in his letter to the commercial banks stated that "banks need to allocate 15 percent and 31 percent respectively of their deposits (after providing for statutory liquidity requirements) to agriculture and small scale industries".

In the initial years, RBI provided liberal refinance facilities to encourage the commercial banks to come forward for priority sector lending which were unfamiliar field of lending for most of the banks. At one stage, the entire amount of lending to agriculture was refinanced by RBI. However, these refinance facilities were withdrawn latter when the banking system became familiar and got used to lending to priority sector. Another supportive measure for bank lending to priority sector was the introduction of a credit guarantee scheme as recommended by the Working Group under the chairmanship of Shri S.S. Shiralkar in 1969.

2.2. **Meaning & Importance of Priority Sector**: One of the basic objectives to nationalise the major commercial banks in India was to convert them from "class banking" to "mass banking". It has been in the post nationalisation period that priority sector lending and social banking concepts have been crystallised and adopted for the purpose of credit deployment. The word "priority sector" is used for those activities which have national importance and have been assigned priority for development but which had not received due attention from the private sector commercial banks. Hence, in the scheme of social control, emphasis was laid on larger allocation of bank credit mainly to the three important sectors, namely, agriculture, small scale industries and exports which were termed as "priority sector".

Mr. V. Dhall has said that priority sector means "certain sector of the economy, where growth is important from the economic and social point of view. These sectors are agriculture, small scale industries, cottage industries and small road transporters, who would enjoy a high priority in allocation of bank resources".5

The meaning of the "priority sector" was elaborated at the conference of custodians of nationalised banks held in New Delhi in July 1970, by the then Finance Minister in the following words, "when we talk of priority sectors, the emphasis is on the needs of the common man, the man who is engaged or is willing to be engaged in a productive endeavour, which is socially useful and economically viable but is handicapped for lack of finance on reasonable terms".

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Hence, looking into the economic significance and importance, it was decided to give priority in sanctioning loans & advances to those sectors of the economy of the country which closely related to the betterment of the lives of the mass people, therefore, they have been categorised as "priority sector". The concept of priority sector has emerged as a new dimension to the Indian banking. The concept has been evolved to ensure that the assistance from the banking system flowed in an increasing measure to national priority.

2.3. Composition of the Priority Sector: It is interesting to note that the composition of the priority sector remained somewhat ambiguous even after nationalisation. Hence, the priority sector lending data among the banks revealed a heterogeneity in compilation in data. Therefore, in the year 1972, RBI adopted a more comprehensive definition of the priority sector on the basis of the Report submitted by the Informal Study Group on Statistics Relating to Priority Sectors. The definition accepted on the basis of the Study Group's recommendations, included Agriculture - direct and indirect, Small scale industries, Industrial estates, Road and water transport operators, Retail trade, Small business, Professionals and Self-employed persons and Education etc.

Moreover, after the enunciation of the 20 point Economic Programme and the Integrated Rural Development Programme (IRDP), the composition of the priority sector was reviewed by the Working Group under the Chairmanship of Dr. K.S. Krishnaswamy, then Deputy Governor of RBI. The Working Group made a concise study of the matter and found that there
was a lack of uniformity in the classification of the priority sector. The inclusion of a particular category in the priority sector confers certain specific advantages to the borrowers not only in the matter of availability of credit but also in the terms and conditions on which such credit is made available. Therefore, the Working Group recommended that "if the concept of weaker section, in the priority sector is accepted, the concessions that are being offered to the priority sector as a class could be oriented to meet the needs of the weaker sections".6 This makes the path to treat weaker section as a distinct sub-category within the priority sector and the system of stipulating sub-targets for bank lending for the latter. Following the adoption of the above composition of priority sector, guidelines were issued by RBI indicating the scope and items to be included in the priority sector for the purpose of bank credit. But the guidelines indicated only the general description of advances. The qualifying ceilings, quantum of advances and turnover of units for the purpose of extending credit were adopted at a later stage.

Over a period of three decades the composition of priority sector has undergone some modification in the activities covered, such as the addition of housing for weaker sections and pure consumption loans under the priority sector.

The existing segments of priority sector as provided in the RBI guidelines of 1997 consists of the following and details of each item are incorporated in Annexure-I.

1. Agriculture - direct and indirect
2. Small scale industries
3. Small road & water transport operators
4. Retail trade
5. Small business
6. Professional & self-employed persons
7. State sponsored organisations for scheduled castes/scheduled tribes
8. Education
9. Housing
10. Consumption loans
11. Funds provided to Regional Rural Banks (RRBS)
12. Loans to SHGs/NGOs.

2.4. Targets Set for Priority Sector Advances: No doubt, the Reserve Bank of India issued guidelines regarding the scope and items to be included in the priority sector for the purpose of bank credit. But initially these guidelines indicated only the general description of advances. At the second meeting of the National Credit Council in July 1968, the priority sector was defined to include only two activities, i.e. agriculture and small scale industries. The Reserve Bank of India brought out a list indicating the type of advances which would be eligible for compliance with the lending targets for those sectors and the list was sent to the banks. While stipulating lending targets for agriculture and small scale industries, the then Finance Minister stated at the inaugural meeting of the National Credit Council in July 1968 that "the
importance of priority sector should not make us unmindful of the requirements of other important sectors. When we remove credit gaps which undoubtedly exists in the priority sectors, we should not in the process create credit gaps in other areas. The legitimate needs of our large and medium industries have to be met. This is true not only of industry but also of trade and many other tertiary activities".\(^7\) This indicated that emphasis is given to achieve a balanced flow of credit among different sectors of the economy.

2.4.1. **Evolution of Lending Targets**

The evolution of lending targets of priority sector can be divided into two phases. During the first decade since nationalisation, there was only a single target for priority sector lending. For the first time the Reserve Bank of India had set some targets for priority sector lending. In November 1974, the commercial banks were advised to raise the share of priority sector lending to 33.3 percent by March 1979.\(^8\) Besides, Banks were advised to deploy 60 percent of deposits mobilised in the rural and semi-urban areas in the respective areas. Banks were asked to provide credit to at least two additional borrowers per branch per month on an annual aggregate basis.\(^9\)

The next upward revision in the priority sector lending target was in March 1980, when the then Finance Minister at the meeting with the Chief Executives of banks announced that the banks should aim to increase

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7. *Speech of the Finance Minister at the inaugural meeting of the National Credit Council*, July 1968.
their priority sector lending to 40 percent by March 1985. This target was recommended by the Krishnaswami Working Group. The Working Group suggested that in view of the position that agriculture occupies in the national economy, at least 40 percent of priority sector credit should be extended to the agricultural sector.\(^\text{10}\) Hence, as per the recommendations by the Working Group on the Modalities of Implementation of the priority sector lending and 20 point Economic Programme by Banks, the Reserve Bank of India had advised the banks on October 29, 1980, on the following matters:

i) Out of total credit in the priority sector at least 40 percent should be extended to agriculture by March 1985.

ii) 50 percent of direct lending by commercial banks to agriculture and allied activities should be directed to weaker sector such as small and marginal farmers, agricultural labourers etc. by March 1983.

iii) 12.5 percent of total credit advanced to small industries should be disbursed for rural artisans, village craftman, cottage industries by March 1985.\(^\text{11}\)

2.4.2. **Revision of Target for Priority Sector Lending**:

In the year 1982, a refinement in the sub-targets for priority sector lending were introduced following the declaration of 1982 as the 'Productivity Year' by the then Prime Minister Mrs. Indira Gandhi. She had

also announced in her broadcast to the Nation on the 14th January 1982, a new 20 point economic programme. It is worth mentioning what Prime Minister Mrs. Indira Gandhi said regarding the implementation of the 20 point programme. In her words "this agenda for the nation had dovetailed into the overall plan of development. It pinpoints the areas of special thrust which will show immediate tangible results for various segments".12

Moreover, the Sixth Five Year Plan gives emphasis on alleviation of poverty. Almost all elements of the New 20 point programme are taken from the Sixth Plan and bank assistance aimed at upliftment of the poorer and weaker section of the society. At the meeting of the Chief Executives of the Public Sector Banks with the then Finance Minister held on 15th February 1982 at New Delhi, it was decided to set up a Working Group under the Chairmanship of Shri A. Ghosh, former Deputy Governor of the RBI to review the existing targets and sub-targets of priority sector lending with reference to the needs of the weaker sections and target groups under poverty alleviation programmes and the new 20 point programme. The Ghosh working group while leaving the existing 40 percent target for priority sector lending untouched, came out with major modifications in regard to the sub targets. It suggested that the advances to the weaker section together should account for 10 percent of net credit or 25 percent of priority sector lending by March 1985.

As per recommendation of the Ghosh committee, the RBI in July, 1987 changed the target of agricultural credit as follows:

a) Direct lending target for agriculture has been revised to 16

percent to be achieved by March 1987 and further to 17 percent set for 1989 and again to 18 percent to be realised by March 1990.

b) DRI advances to constitute at least one percent of the total advances which should go to Scheduled Caste and Schedule Tribes. Two-third of such advances should be disbursed through rural and semi-urban branches.\textsuperscript{13}

2.5. \textbf{Other Supportive Measure of RBI for Promoting Priority Sector Lending} : The commercial banks in India have been able to improve their priority sector lending several fold within three decades of nationalisation in 1969. This significant achievements were made possible through certain policy support measures introduced by the Government of India and the Reserve Bank of India. Some of these supportive measures are :

\textbf{2.5.1. Branch Licencing Policy :}

The branch expansion policy of RBI was used as a device for promoting social banking and priority sector lending. In early stages, the branch licencing policies of RBI directed mandatory opening of branches at rural and other unbanked centres. The motive behind that was to extend banking facilities. The policy also facilitated the opening of branches in a given proportion at other centres so that the low return from opening branches at centres is compensated by quicker return. The branch licencing policy provided that for every four branches opened in rural areas, banks could open

one metropolitan and one urban branch which is popularly known as 4.1.1 formula. Such a policy followed during the seventies visualised a branch network in rural and semi-urban centres which provided remarkable urge for priority sector lending.\textsuperscript{14} Detailed discussion on branch expansion policy of RBI had already been done in previous chapter.

2.5.2. \textit{Credit Guarantee Scheme}:

Another important promoting device for priority sector lending was Credit Guarantee Scheme of RBI which initially administered the scheme for small scale industries only since 1960. But the need for financing other priority sectors was felt after discussion in the seminar on the Financing of small scale industries organised by RBI in July 1969. A working group was set up by the Government of India under the Chairmanship of Mr. S.S. Shiralkar. The outcome of the recommendation of this Working Group was the establishment of the Credit Gurantee Corporation of India limited on January 14, 1971. To cover increased number of potential borrowers and to reduce the risk of lending institutions "Small Loan Guarantee Scheme (1971)" was introduced with effect from April, 1971, by the Credit Guarantee Corporation of India Ltd. This scheme covers credit facilities within certain limits, granted by scheduled commercial banks to individual transport operators, individual firms, co-operative societies trading in fertilizers, professional & self-employed persons, person engaged in agriculture & allied activities etc. all of which are important segments of priority sector.\textsuperscript{15}


However, in 1978, the Credit Guarantee Corporation was merged with the Deposit Insurance Corporation established in 1962 and a new corporation, i.e. the Deposit Insurance Credit Guarantee Corporation (DICGC) was formed. The DICGC performed a remarkable role in promoting priority sector lending. It operated mainly three credit guarantee schemes viz. Small Loans Guarantee Scheme 1971, Small Loans (Co-operative Banks) Guarantee Scheme, 1984 (both meant for small borrowers) and Small Loans (SSI) Guarantee Scheme, 1981 successfully till date.  

2.5.3. **Differential Rate of Interest Scheme (DRI):**

There was a long urge that lower interest rates should be charged from certain sectors of the economy which need financial assistance. The scheme of Differential Rate of Interest (DRI) was initially launched in 1972 for implementation by public sector banks in 163 selected districts in the country. Within a year, the operation of the scheme was extended to 265 districts, and later to the entire country in 1977. The scheme aims at augmenting the income of the weaker sections of society by engaging them in productive small enterprises with financial support from banks.  

2.5.4. **District Credit Planning:**

The district credit planning system was adopted just after the nationalisation as a part of the lead bank scheme. The scheme is basically attached to the disbursement of priority sector credit in each district and

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hence, local planning of deposits and deployment of resources were essential. Basic knowledge of the district allotted to each bank has been considered a prime requisite for each lead bank. The district credit planning system has brought about distinct change in the pattern of priority sector lending and it has been responsible to a considerable extent for achieving the rural thrust in bank lending and increasing the coverage of borrowers in backward districts.18

2.5.5. Service Area Approach (SAA):

The Service Area Approach to be operative from 1st April, 1989 represents a step in rural lending with equal emphasis on growth and equity. Under the SAA, each rural branch has service village numbering on an average 15 to 25. Moreover, since 1985 the public sector banks are required to prepare an Action Plan for every two year period.19

2.6. Guidelines of Reserve Bank of India during Post-Reform Period:

The overall target for priority sector lending at 40 percent has continued unchanged since 1980. Moreover, the RBI issued guidelines to banks regarding priority sector lending targets from time to time. Some of these guidelines are:

i) Foreign Banks were advised effective from April 1993 to increase their priority sector advances from 15 percent of their net credit to 32 percent by March 1994. Within the enhanced target of 32 percent, two

sub-targets of 10 percent each in respect of advances to (a) small scale industries and (b) export sector were fixed.  

ii) Banks were required to contribute to the Rural Infrastructure Development Fund (RIDF), newly set up at NABARD, an amount equivalent to shortfall in the priority sector target for agriculture lending, subject to a maximum of 1.5 percent of the bank's net credit.  

iii) Banks, falling short of the priority sector target, were required to provide Rs. 1,000 crore on a consortium basis to the Khadi and Village Industries Commission, on top of lending to the Handloom Co-operatives, for the purpose of financing viable Khadi and Village Industrial Units which would be reckoned as priority sector lending.  

iv) The target for scheduled commercial banks was raised in October 1996 to 12 percent of net bank credit to be reached by end. March 1997 from the present 10 percent fixed in November 1992.  

As a result of these guidelines, the credit pattern of banks perceived a remarkable change both in functional and geographical coverage. The target setting process has compelled banks to look after the small borrowers and neglected sectors like agriculture. Now each bank has to sit at a meeting with the Finance Ministry and Reserve Bank of India to review their performance regarding priority sector lending and rural credit. They also have to make close contact with various forums like Regional Consultative Committee,
District Consultive Committee and State Level Bankers Committee etc. This encouraged individual banks to improve their performance in this field.

2.6.1. Enlargement of Priority Sector Credit in the Post-Reform Period:

During the year 1998-99, the coverage of priority sector credit was widened considerably. Bank credit to NBFCs (Non-banking financial companies) for the purpose of lending to Small Road & Water Transport Operators (i.e. those owing a fleet of vehicles not exceeding ten) is now being treated as priority sector lending provided the ultimate borrowers satisfy the eligibility requirements for being classified under priority sector. Further, lending by banks to NBFCs or other financial institution for lending to the tiny sector is being classified under priority sector.

In October 26, 1998, it was decided by the Reserve Bank of India that loans to software industry having credit limit upto Rs. one crore from the banking system would be eligible for inclusion under the priority sector.

In view of the escalation in the cost of goods and products sold by retail traders, it was decided by RBI, effective November 13, 1998, to increase the existing ceiling of bank advances under priority sector to retail traders from Rs. 2 lakhs to Rs. 5 lakhs.

Again in January 1999, it was decided by the RBI that the food & agro based processing sector should be included within the definition of priority sector for bank lending. Moreover, banks were advised on April 24, 1999 that investment in Venture Capital would be eligible for inclusion in priority sector lending.24

Following an announcement made by the Union Budget 2000-01 in respect of the SSI sector, the RBI in its monetary and credit policy 2000-01 has raised the loan limit for the tiny sector from Rs. one lakh to Rs. 5 lakh for which no collateral would be required. The composite loan limit for providing working capital and term loans has been increased from Rs. 5 lakh to Rs.10 lakh. Moreover, public sector banks have been advised to accelerate their programme of SSI branches. These SSI branches are being asked by the Central Government to obtain ISO certification. The basic reason behind this is to improve the quality of banking services. Moreover, after the announcement of a credit guarantee scheme for SSI in the previous year's Union Budget, the Government has formulated a new central scheme for this purpose and also made a provision for Rs. 100 crore in the Union Budget for 2000-01. The scheme is proposed to be implemented through SIDBI and would cover loans up to Rs. 10 lakhs from the banking sector.

Micro-finance is a novel approach to "banking with poor" with the apparent advantages of lower transaction costs and high repayments due to, inter alia, the involvement of potential beneficiaries of rural credit in the credit-delivery mechanism. As a result, various micro-finance initiatives have gathered pace in the recent past. The major thrust of these initiatives is towards setting up of institutions such as SHG/NGO, credit unions etc. and strengthening their financial intermediation capabilities. It was announced in the Budget for the year 2000-2001, that both NABARD and SIDBI shall cover an additional one lakh Self-Help Group during this financial year. To give a further boost to this programme, the RBI in its SIDBI shall cover an additional one lakh Self-Help Group during this financial year. To give a further
boost to this programme, the RBI in its monetary and credit policy for 2000-2001 has proposed the creation of a micro-finance development fund at NABARD with a start up contribution of Rs. 100 crore from the institutions concerned. This fund will provide start-up funds to micro-finance institution and infrastructure support for training and development. 25

2.6.2. Narasimham Committee and Priority Sector Lending:

After bank nationalisation of 1969, utmost attention was given to priority sector lending with the setting up of various study and working groups and with substantial target earmarked for lending to these sectors. But it suffered a setback during the nineties as the financial sector reforms acted as an impediment despite the reluctance of the RBI to prune down lending to these sectors as recommended by the Narasimham Committee.

The Committee had proposed to marginalize the large and medium farmer and most of the SSI outside the preview of priority sector lending with only the small and marginal farmers, tiny sector of industry, small business and transport operators, village and cottage industries, rural artisans and other transport operators, village and cottage industries, rural artisans and other weaker section coming under the ambit of the redefined priority sector. Only these segments of the redefined priority sector should be assisted by the directed credit programme subject to a ceiling of 10 percent of aggregate bank credit at a start, with gradual phasing out within three years. At the end of these three years, a Review Committee is to be set up to decide

the continuance of the above programme. Simultaneously, the stipulation of concessional interest to this redefined priority sector would need to be reviewed with a view to its eventual elimination in about three years. Besides, credit for agriculture and small industry should be on the basis of supervised credit and on a proper techno-economic appraisal of proposals and without any interference, either political, administrative or judicial in credit decisions.26

Moreover, actualities donot corroborate with the set policy decisions, which is a direct fallout of the Narasimham Committee recommendation, with depleting finance and shrinking of the gamut of priority sector. Finally, the poorer states has to bear the blunt of the procedure of targetting priority sector lending.

It would be pertinent to mention here what the then RBI Governor, Dr.C. Rangarajan said in support of Reserve Bank of India's policy of directing 40 percent of net bank credit to the priority sector. In his lecture on 'Economic Growth and the Financial Sector' on the occasion of the Silver Jubilee Celebrations of the Institute for Social and Economic Change, Dr. Rangarajan said "In the context of promoting efficiency of the financial system it has been argued that the existence of a directed credit programme could go against the liberalisation process based on market principles. We have continued with priority sector lending because of the continued imperfection in the credit market". According to the RBI Governor, directed credit programmes encourage efficiency in the economy or not would depend on how productive such credits to the society.27

26. ibid.
Despite these, commercial banks continued to record impressive expansion of credits, notwithstanding the subdued growth of bank deposits since nationalisation. The monetary and credit policies of the Reserve Bank of India have successfully withstood the ever changing economic scenario by its adoption of various measures, aimed at strengthening the banking system in India. These policies have addressed various issues pertaining to the financial sector reform process and as a result substantial improvement have taken place in recent past. Among the short term credit policy measures, the important areas relate to the changes in the Bank Rate, Cash Reserve Ratio (CRR) and other rate variables such as the repo rate, the refinance rate, the deposit and lending rates.

The new millennium also saw a paradigm shift of the Indian economy ever since its opening up and is now being eyed as a world player. This is seen as a direct reflection of the present economic policies of the banking sector being underway. Hence, in consonance with the present scenario, it is felt that the policy to be adopted should continue in the present form with emphasis laid on the provision of reasonable liquidity, stable interest rates with preference for softening to the extent possible with the existing operational and structural constraints, orderly development of financial markets and ensuring financial stability.

**CONCLUSION:**

The real thrust in the development of commercial banking and that of the geographical and functional diversification came only after nationalisation of banks in 1969. The allocational targets have induced the
banks to put in vigorous efforts to bring about major changes in the distribution of bank credit.

It is well accepted that over the years the Indian banking system has significantly achieved the goals of extending geographical reach and functional spread of banking services. Various schemes of lending have been introduced and targets for advances to priority sectors and for different sub-groups, especially the weaker-sections, have been introduced. It is also stipulated that a major portion of the total deposits mobilised in the rural and semi-urban areas, i.e. 60 percent, should be deployed in the respective areas. Banks are, therefore, needed to involve in promotional and developmental activities and their assistance to priority sectors and lending under the subsidy linked programmes like Differential Interest Rate (DIR), Integrated Rural Development Programme, Self-employment Schemes for the educated unemployed and the urban poor, Scheduled Castes and Scheduled Tribes etc.