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RBI sets the rule for joint priority sector lending

BY [ATMADIP RAY](#), ET BUREAU | SEP 21, 2018, 07.17 PM IST

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KOLKATA: [Reserve Bank of India](#) told banks to share a maximum 80% credit risk when they originate priority sector [loans](#) jointly with non-banking finance companies (NBFCs). The regulator also said the lenders will charge a single interest rate to borrowers.

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[RBI](#) has allowed joint lending to push priority sector loans and to reap the benefit of the strengths of two sets of lenders. On Friday, it has set the rules and regulations for this new concept.

"It is envisaged that the benefit of low cost funds from banks and lower cost of operations of NBFCs would be passed on to the ultimate beneficiary through the blended rate/ weighted average rate," it said.

A single blended interest rate (for fixed rate loans) should be offered to the ultimate borrower based on the respective interest rates and proportion of risk sharing.

For floating rate customers, the lending rate will be arrived at by taking weighted average of the benchmark interest rates in proportion to the respective loan contribution.

RBI said that "minimum 20% of the credit risk by way of direct exposure shall be on NBFC's books till maturity and the balance will be on bank's books."



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Banks are mandated to lend 40% of their net bank credit in the previous fiscal to priority areas such as agriculture, affordable housing and others.

Total priority sector loans stood at Rs 24.97 lakh crore, up 6.3% year-on-year, according to latest RBI data.

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