

On lending by banks to NBFCs, HFCs to be part of priority sector in FY21: RBI

The move will help boost credit disbursement in the targeted segment like agriculture, MSME and housing sector. After undertaking a review, it has been decided to extend the priority sector classification for bank loans to NBFCs for on-lending for 2020-21, RBI said in a statement.

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Further, it said, the existing loans disbursed under the on-lending model will continue to be classified under Priority Sector till the date of repayment/maturity.

Mumbai, Mar 23 (PTI) The Reserve Bank on Monday said bank credit to registered **NBFCs** towards agriculture, MSEs and housing sector up to prescribed limits will be treated as priority sector loans during the next fiscal starting April.

The move will help boost **credit disbursement** in the targeted segment like agriculture, MSME and housing sector.

After undertaking a review, it has been decided to extend the priority sector classification for bank loans to NBFCs for on-lending for 2020-21, RBI said in a statement.

Further, it said, the existing loans disbursed under the on-lending model will continue to be classified under Priority Sector till the date of repayment/maturity.

"Bank credit to registered NBFCs (other than MFIs) and HFCs for on-lending will be allowed up to an overall limit of five per cent of individual bank's total **priority sector lending**. Further, banks shall compute the eligible portfolio under on-lending mechanism by averaging across four quarters, to determine adherence to the prescribed cap," it said.

As per the revised norms, on-lending by NBFCs for 'term lending' component under agriculture will be allowed up to Rs 10 lakh per borrower.

In case of **micro and small enterprises** (MSEs) the limit will be Rs 20 lakh per borrower.

In the housing sector, the limit has been enhanced from Rs 10 lakh to Rs 20 lakh per borrower for classification of the loan as priority sector lending.

Under the revised on-lending model, banks can classify only the fresh loans sanctioned by NBFCs out of bank borrowing.

However, loans given by [housing finance companies](#) under the existing on-lending guidelines will continue to be classified under priority sector by banks.

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