

RBI releases draft circular on Limits on Exposure to Single and Group Borrowers/Parties and Large Exposures and Revision in Priority Sector Lending Targets for UCBs

The Reserve Bank of India released draft circular on limits on exposure to single and group borrowers/parties, large exposures and revision in priority sector lending targets for primary (urban) co-operative banks (UCBs) for feedback/suggestions.

The circular stipulates that the prudential exposure limits for UCBs for a single borrower/party and a group of connected borrowers/parties shall be 10% and 25%, respectively, of their Tier I capital and that at least 50% of their loan portfolio shall comprise loans not more than 25 lakh per borrower/party.

It further stipulates that the target for loans and advances to priority sector for UCBs shall stand increased to 75% of adjusted net bank credit or credit equivalent amount of off balance sheet exposure, whichever is higher, by March 31, 2023. An appropriate glide path is proposed to be provided to UCBs for compliance with the aforesaid norms/limits/targets.

The above measures are expected to reduce credit concentration risk of the UCBs and promote financial inclusion.

RBI seeks comments on their draft circular on Limits on Exposure to Single and Group Borrowers/Parties and Large Exposures and Revision in Priority Sector Lending Targets for UCBs (enclosed for your kind reference). Therefore, you are requested to kindly share your inputs on the same (if any) at research@phdcci.in by 10 January, 2020.

Please contact for any query related to this mail to Ms Preeti Rajput, Research Associate at Preeti.rajput@phdcci.in with a cc to Dr S P Sharma, Chief Economist at spsharma@phdcci.in and Ms Surbhi Sharma, Associate Economist at surbhi@phdcci.in, PHD Chamber of Commerce & Industry.



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