

Bank credit to registered NBFCs for on-lending will be eligible for classification as Priority Sector

In order to boost credit to the needy segment of borrowers, it has been decided by RBI that bank credit to registered NBFCs (other than Micro Finance Institutions- MFIs) for on-lending will be eligible for classification as priority sector under respective categories subject to the following conditions:

- **Agriculture:** On-lending by NBFCs for 'Term lending' component under Agriculture will be allowed up to ₹ 10 lakh per borrower.
- **Micro & Small enterprises:** On-lending by NBFC will be allowed up to ₹ 20 lakh per borrower.
- **Housing:** Enhancement of the existing limits for on-lending by Housing Finance Companies (HFCs) vide para 10.5 of RBI's Master Direction on Priority Sector lending, from ₹ 10 lakh per borrower to ₹ 20 lakh per borrower.

Under the above on-lending model, banks can classify only the fresh loans sanctioned by NBFCs out of bank borrowings, on or after the date of issue of this circular. However, loans given by HFCs under the existing on-lending guidelines will continue to be classified under priority sector by banks.

Bank credit to NBFCs for On-Lending will be allowed upto a limit of five percent of individual bank's total priority sector lending on an ongoing basis. Further, the above instructions will be valid for the current financial year upto March 31, 2020 and will be reviewed thereafter. However, loans disbursed under the on-lending model will continue to be classified under Priority Sector till the date of repayment/maturity.

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Warm Regards,

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