



PHD Research Bureau
PHD Chamber of Commerce and Industry



RBI allows lending by Commercial Banks to NBFCs and Small Finance Banks (SFBs) to NBFC-MFIs, for the purpose of on-lending to priority sectors

This is in reference to para nos. 21.2, 21.3, 22 and 24 of the Master Directions on Priority Sector Lending dated September 4, 2020 (updated from time to time), along with notifications FIDD.CO.Plan. BC.No.15/04.09.01/2021-22 dated October 8, 2021 and FIDD.CO.Plan.BC.No.10/04.09.01/2021-22 dated May 5, 2021 wherein lending by commercial banks to NBFCs and lending by Small Finance Banks (SFBs) to NBFC-MFIs, for the purpose of on-lending to certain priority sectors, was permitted up to March 31, 2022.

2. To ensure continuation of the synergies that have been developed between banks and NBFCs in delivering credit to the specified priority sectors, it has been decided to allow the above facility on an on-going basis.

3. Bank credit to NBFCs (including HFCs) for on-lending will be allowed up to an overall limit of 5 percent of an individual bank's total priority sector lending in case of commercial banks. In case of SFBs, credit to NBFC-MFIs and other MFIs (Societies, Trusts, etc.) which are members of RBI recognized 'Self Regulatory Organisation' of the sector, will be allowed up to an overall limit of 10 percent of an individual bank's total priority sector lending. These limits shall be computed by averaging across four quarters of the financial year, to determine adherence to the prescribed cap.

4. SFBs are allowed to lend to registered NBFC-MFIs and other MFIs which have a 'gross loan portfolio' (GLP) of up to ₹500 crore as on March 31 of the previous financial year, for the purpose of on-lending to priority sector. In case the GLP of the NBFC-MFIs/other MFIs exceeds the stipulated limit at a later date, all priority sector loans created prior to exceeding the GLP limit will continue to be classified by the SFBs as PSL till repayment/maturity, whichever is earlier.

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Warm Regards,

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