



Finance Industry Development Council

(A Representative Body of Assets and Loan Financing NBFCs)

101/103, Sunflower, 1st Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

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April 26, 2022

**Shri Shaktikanta Das
Governor,
Reserve Bank of India,
Central Office Building,
Shahid Bhagat Singh Marg, Fort,
Mumbai – 400 001**

Respected Sir,

SUB: BANK LOANS TO NBFCs FOR ON-LENDING - PRIORITY SECTOR

This is in reference to “Master Directions – Priority Sector Lending (PSL) – Targets and Classification (Updated as on October 26, 2021)” wherein Bank credit to registered NBFCs (other than 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.

2. We submit that the above dispensation expired at the end of March 2022. It may not be out of place to mention that renewal of the dispensation will provide much desired boost to credit to the needy segment of borrowers as NBFCs form the last mile link in delivery of credit to small & medium businesses for financing of equipment, business expansion, working capital and for similar business purposes.





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3. We may reiterate that:

- (i) The end borrowers of NBFCs continue to be those who face challenges in accessing formal credit and for whom NBFCs have devised credible ways to service.
- (ii) The above inclusion will ease access to credit at cheaper rates for the under banked borrowers as very aptly demonstrated by the sector by almost doubling their exposure to this sector in last decade or so.
- (iii) Continuous flow of credit to these segments of PSLs is very important not only for their survival and growth but also for generation of employment opportunities.
- (iv) It is well known that MSMEs account for a lion's share of employment generation in the Indian economy. For the NBFCs to extend continuous credit lines to MSMEs also requires concomitant, stable and multiple sources of funds. Availability of the funds from banks plays a pivotal role in this cycle.
- (v) Banks can also very efficiently and effectively channelize their resources to the most needy segment of the society by extending on-lending facilities to NBFCs. Financing NBFCs for such on-lending being categorised as priority sector lending will incentivise smooth, cost effective and continuous flow of credit to MSMEs.





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We, therefore, urge RBI to consider extending the above dispensation of the bank loans to NBFCs for on-lending to the aforementioned Agriculture and MSME sectors, to be reckoned as a part of Priority Sector Lending, as hitherto, for a further period till March 2023.

We would be grateful if you could give us an opportunity to discuss with you the aforesaid matter at a date and time convenient to you.

Thanking you,

Yours Faithfully,

For **FINANCE INDUSTRY DEVELOPMENT COUNCIL**

**MAHESH THAKKAR
DIRECTOR GENERAL
9820035553**



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