Policy Initiatives - Reserve bank of India

The following are the important initiatives taken by the RBI in Agriculture and Rural Sector:

1. Priority Sector Lending – Targets and Classification- Regional Rural Banks and Small Finance Banks

i. In terms of the Master Direction for RRBs, loans to individuals up to Rs.20 lakh for purchase/construction of a dwelling unit per family provided the overall cost of the dwelling unit does not exceed Rs.25 lakh are eligible to be classified under priority sector. In terms of the Compendium for SFBs, loans to individuals up to Rs.28 lakh in metropolitan centres (with population of ten lakh and above) and Rs.20 lakh in other centres, are eligible to be classified under priority sector, provided that the cost of dwelling unit does not exceed Rs.35 lakh and Rs.25 lakh, respectively.

ii. In order to bring the RRBs and SFBs at a level playing field with other Scheduled Commercial Banks, it has now been decided to enhance the housing loan limits for eligibility under priority sector lending. Accordingly, in respect of RRBs and SFBs, housing loans to individuals up to Rs.35 lakh in metropolitan centres (with population of ten lakh and above) and Rs.25 lakh in other centres, provided the overall cost of the dwelling unit in the metropolitan centres and at other centres does not exceed Rs.45 lakh and Rs.30 lakh, respectively will be eligible for classification under Priority Sector Lending.

iii. Furthermore, the existing family income limit of Rs.2 lakh per annum, prescribed under Para 9.4 of the above Master Direction for RRBs/Para 5.4 of the Compendium for SFBs, eligible for loans to housing projects exclusively for the purpose of construction of houses for Economically Weaker Sections (EWS) and Low Income Groups (LIG), is revised to Rs.3 lakh per annum for EWS and Rs.6 lakh per annum for LIG, in alignment with the income criteria specified under the Pradhan Mantri Awas Yojana.

iv. Accordingly, the RRBs/SFBs are allowed to reckon their outstanding portfolio of housing loans meeting the revised criteria for classification under priority sector lending from the date of this circular.

(RBI/2019-20/ 179 - FIDD.CO.Plan.BC.18 /04.09.01/2019-20 dated May 6, 2019)

2. Financial Inclusion- Access to Banking Services – Basic Savings Bank Deposit Account (BSBDA)

The Basic Savings Bank Deposit (BSBD) Account was designed as a savings account which will offer certain minimum facilities, free of charge, to the holders of such accounts. In the interest of better customer service, it has been decided to make certain changes in the facilities associated with the account. Banks are now advised to offer the following basic minimum facilities in the BSBD Account, free of charge, without any requirement of minimum balance.

i. The deposit of cash at bank branch as well as ATMs/CDMs
ii. Receipt/ credit of money through any electronic channel or by means of deposit /collection of cheques drawn by Central/State Government agencies and departments
iii. No limit on number and value of deposits that can be made in a month
iv. Minimum of four withdrawals in a month, including ATM withdrawals
v. ATM Card or ATM-cum-Debit Card
vi. The BSBD Account shall be considered a normal banking service available to all.

(RBI/2019-20/206-DBR.LEG.BC. No.47/09.07.005/2018-19 dated June10, 2019)

3. Priority Sector Lending – Lending by banks to NBFCs for On-Lending

i. In order to boost credit to the needy segment of borrowers, 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:

   a. Agriculture: On-lending by NBFCs for 'Term lending' component under Agriculture will be allowed up to Rs.10 lakh per borrower.

   b. Micro & Small enterprises: On-lending by NBFC will be allowed up to Rs.20 lakh per borrower.

   c. Housing: Enhancement of the existing limits for on-lending by HFCs vide para 10.5 of our Master Direction on Priority Sector lending, from Rs.10 lakh per borrower to Rs.20 lakh per borrower.

ii. 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.

iii. 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.

iv. The existing guidelines on bank loans to MFIs for on-lending as detailed in para 19 of Master Directions on Priority Sector Lending will continue to be applicable for NBFC-MFIs.

(RBI/2019-20/39-FIDD.CO.Plan.BC.7/04.09.01/2019-20 dated August 13, 2019)

4. Interest Subvention Scheme for Kisan Credit Card (KCC) to Fisheries and Animal Husbandry farmers during the years 2018-19 and 2019-20

RBI extending KCC facility to animal husbandry farmers and fisheries for their working capital requirements and conveying Government's approval to extend the benefits of Interest Subvention at 2% and Prompt Repayment Incentive (PRI) at 3% to fisheries and animal husbandry farmers to meet their working capital needs under the KCC scheme.

In this regard, Government of India has now issued the operational guidelines of the Interest Subvention Scheme for Kisan Credit Card facility to fisheries and animal husbandry farmers for a period of two years i.e. **2018-19 and 2019-20** with the following stipulations:

i. In order to provide short-term loans up to Rs. 2 lakh to farmers involved in activities related to Animal Husbandry and Fisheries, through a separate KCC for these activities, apart from the existing KCC for crop loan, at a concessional interest rate of 7% per annum during the years 2018-19 and 2019-20, it has been decided to provide interest subvention of 2% per annum to lending institutions viz. Public Sector Banks (PSBs) and Private Sector Commercial Banks (in respect of loans given by their rural and semi-urban branches only) on use of their own resources. This interest subvention of 2% will be calculated on the loan amount from the date of its disbursement / drawal up to the date of actual repayment of the loan by the farmer or up to the due date of the loan fixed by the banks, whichever is earlier, subject to a maximum period of one year. In case of farmers possessing KCC for raising crops and involved in activities related to animal husbandry and/or fisheries, the KCC for animal husbandry/fisheries shall be within the overall limit of Rs.3 lakh.

ii. To provide an additional interest subvention of 3% per annum to such of those farmers repaying in time i.e. from the date of disbursement of the working capital loan upto the actual date of repayment by farmers or up to the due date fixed by the banks for repayment of loan, whichever is earlier, subject to a maximum period of one year from the date of disbursement. This also implies that the farmers repaying promptly as above would get short term loans @ 4% per annum during the years 2018-19 and 2019-20. This benefit would accrue to only those farmers who repay their **both** short term crop loan and working capital loan for animal husbandry/fisheries activities in time.

iii. Interest subvention is to be provided on a maximum limit of Rs.2 lakh short term loan to farmers involved in animal husbandry and fisheries. The farmers already possessing KCC (crop loan) and involved in animal husbandry & fisheries activities, can avail a sub-limit for such activities. However, the interest subvention and prompt repayment incentive benefit on short term loan (i.e. crop loan+ working capital loan for animal husbandry and fisheries) will be available only on an overall limit of Rs.3 lakh per annum and subject to a maximum limit of Rs.2 lakh per farmer involved in activities only related to animal husbandry and / or fisheries. **The limit for crop loan component will take priority for interest subvention and prompt repayment incentive benefits and the residual amount will be considered towards animal husbandry and / or fisheries subject to cap as mentioned above.**

iv. To ensure hassle-free benefits to farmers under Interest Subvention Scheme, banks are advised to make Aadhar linkage mandatory for availing short-term loans for Animal Husbandry and Fisheries in 2018-19 and 2019-20.

v. The Interest Subvention Scheme is being put on DBT mode on 'In Kind/services' basis and all short term loans processed from 2018-19 are required to be brought on ISS portal / DBT platform. Banks are advised to capture and submit the category wise data of beneficiaries under the scheme and report the same on ISS portal individual farmer wise once it is launched by the Ministry of Agriculture and Farmers Welfare to settle the claims arising from 2018-19 onwards.

(RBI/2019-20/48-FIDD.CO.FSD.BC. No.10/05.02.001/2019-20 dated 26 Aug 2019)

5. Priority Sector Lending (PSL) – Classification of Exports under priority Sector

i. In order to boost credit to export sector, it has been decided to effect following changes in para 8 of the "Master Direction on Priority Sector Lending-targets and Classification" dated July 7, 2016 (updated as on December 4, 2018) pertaining to export credit.

   a. Enhance the sanctioned limit, for classification of export credit under PSL, from Rs. 250 million per borrower to Rs. 400 million per borrower.
   b. Remove the existing criteria of *'units having turnover of up to Rs. 1 billion'*

ii. The existing guidelines for domestic scheduled commercial banks to classify 'Incremental export credit over corresponding date of the preceding year, upto 2 per cent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher' under PSL will continue to be applicable subject to the criteria mentioned at (i) above.

iii. There is no change in the present instructions in respect of foreign banks.

(RBI/2019-20/66-FIDD.CO.Plan.BC.12/04.09.01/2019-20 dated Sept 20, 2019)

6. Lending by banks to Infrastructure Investment Trust (InvITs)

Banks and other stakeholders have been seeking clarity on provision of credit facilities to InvITs. The matter has been examined and it has been decided that banks may be permitted to lend to InvITs subject to the following conditions:

i. Banks shall put in place a Board approved policy on exposures to InvITs which shall inter alia cover the appraisal mechanism, sanctioning conditions, internal limits, monitoring mechanism, etc.

ii. Without prejudice to generality, banks shall undertake assessment of all critical parameters including sufficiency of cash flows at InvIT level to ensure timely debt servicing. The overall leverage of the InvITs and the underlying SPVs put together shall be within the permissible leverage as per the Board approved policy of the banks. Banks shall also monitor performance of the underlying SPVs on an ongoing basis as ability of the InvITs to meet their debt obligation will largely depend on the performance of these SPVs. As InvITs are trusts, banks should keep in mind the legal provisions in respect of these entities especially those regarding enforcement of security.

iii. Banks shall lend to only those InvITs where none of the underlying SPVs, which have existing bank loans, is facing 'financial difficulty' as defined in para 2 of Annex-I to the circular DBR.No.BP.BC.45/21.04.048/2018-19 dated June 07, 2019.

iv. Bank finance to InvITs for acquiring equity of other entities shall be subject to the conditions given in para 2.3.7.4 (iv) of the Master Circular on Loans & Advances – Statutory & Other Restrictions dated July 1, 2015.

v. The Audit Committee of the Board of banks shall review the compliance to the above conditions on a half yearly basis.

(RBI/ 2019-20/ 83 - DBR.No.BP.BC.20/08.12.014/2019-20 dated October 14, 2019)

7. Interest Subvention Scheme for MSMEs

i. With reference to the operational guidelines for the captioned scheme contained in circular on 'Interest Subvention Scheme for MSMEs' issued vide FIDD. CO. MSME. BC.No. 14/06 .02.031/ 2018-19 dated February 21, 2019 it has been decided by the Government of India to bring, inter alia, following modifications in the operational guidelines:

   a. Submission of statutory auditor certificate by June 30, 2020 and in the meantime, settle claims based on internal / concurrent auditor certificate.
   b. Acceptance of claims in multiple lots for a given half year by eligible institutions.
   c. Requirement of UdyogAadhar Number (UAN) may be dispensed with for units eligible for GST. Unit not required to obtain GST, may either submit Income Tax Permanent Account Number (PAN) or their loan account must be categorized as MSME by the concerned bank.
   d. Allow trading activities also without Udyog Aadhar Number (UAN)

ii. Further, with the trading activity also eligible for interest subvention as indicated at (iv) above, the 'Format of Certificate for claiming Subsidy' i.e. Annex I of the above referred circular has been revised. Banks are advised to submit claims to SIDBI as per the revised format.

(RBI/2019-20/155-FIDD.CO.MSME.BC.No.17/06.02.031/2019-20 dated Feb 5, 2020)

8. COVID-19- Operational and Business Continuity Measures

i. The World Health Organization (WHO) has declared the recent outbreak of the novel coronavirus disease (COVID-19) a pandemic indicating significant and ongoing person-to-person spread in multiple countries, with the uncertainty about the extent of spread and the likely impact on the global economy. Several confirmed cases have also been detected in India, which highlight the need of a co-ordinated strategy for handling the emerging situations for protecting the resilience of the Indian financial system.

ii. While the Government of India, in co-ordination with the state machineries, is already taking steps for preventing and controlling the local transmission of disease, further steps, including the indicative list presented below, are required to be taken by the respective banks/financial institutions as a part of their existing operational and business continuity plans:

   a. Devising strategy and monitoring mechanism concerning the spread of the disease within the organisation, making timely interventions for preventing further spread in case of detection of infected employees including travel plans and quarantine requirements as well as avoiding spread of panic among staff and members of the public;
   b. Taking stock of critical processes and revisiting Business Continuity Plan (BCP) in the emerging situations/scenarios with the aim of continuity in critical interfaces and preventing any disruption of services, due to absenteeism either driven by the individual cases of infections or preventive measures;
   c. Taking steps of sharing important instructions/ strategy with the staff members at all levels, for soliciting better response and participation and sensitizing the staff members about preventive measures/steps to be taken in suspected cases, based on the instructions received from health authorities, from time-to-time;
   d. Encourage their customers to use digital banking facilities as far as possible.

iii. Besides taking steps as above for ensuring business process resilience, supervised entities should also assess the impact on their balance sheet, asset quality, liquidity, etc. arising out of potential scenarios such as further spread of COVID-19 in India and its effect on the economy, contagion from wider disruption in the global economy and the global financial system, etc. Based on the above studies, they should take immediate contingency measures to manage the risks.

iv. As the situation requires to be monitored closely, both from business and social perspective, a Quick Response Team may be constituted for the purpose, which shall provide regular updates to the top management on significant developments and act as a single point of contact with regulators/outside institutions/agencies.

(RBI/ 2019-20/ 172 - DoS.CO.PPG.BC.01/11.01.005/2019- dated March 16, 2020)

9. Priority Sector Lending - Lending by banks to NBFCs for On-Lending

i. The bank loans to registered NBFCs (other than MFIs) for on-lending will be eligible for classification as priority sector under respective categories up to March 31, 2020 and will be reviewed thereafter.

ii. Accordingly, after undertaking a review, it has been decided to extend the priority sector classification for bank loans to NBFCs for on-lending for FY 2020-21. Further, existing loans disbursed under the on-lending model will continue to be classified under Priority Sector till the date of repayment/maturity.

iii. Bank credit to registered NBFCs (other than MFIs) and HFCs for on-lending will be allowed up to an overall limit of five percent 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.

(RBI/2019-20/179-FIDD.CO.Plan.BC.No.19/04.09.01/2019-20 dated March 23, 2020)

10. COVID-19 – Regulatory Package

With reference to the Statement of Development and Regulatory Policies released on March 27, 2020 where inter alia certain regulatory measures were announced to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic and to ensure the continuity of viable businesses. In this regard, the detailed instructions are as follows

i. Rescheduling of Payments – Term Loans and Working Capital Facilities

a. In respect of all term loans (including agricultural term loans, retail and crop loans), all commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, all-India Financial Institutions, and NBFCs (including housing finance companies) ("lending institutions") are permitted to grant a moratorium of three months on payment of all instalments1 falling due between March 1, 2020 and May 31, 2020. The repayment schedule for such loans as also the residual tenor, will be shifted across the board by three months after the moratorium period. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.

b. In respect of working capital facilities sanctioned in the form of cash credit/overdraft ("CC/OD"), lending institutions are permitted to defer the recovery of interest applied in respect of all such facilities during the period from March 1, 2020 upto May 31, 2020 ("deferment"). The accumulated accrued interest shall be recovered immediately after the completion of this period

c. **Easing of Working Capital Financing**
In respect of working capital facilities sanctioned in the form of CC/OD to borrowers facing stress on account of the economic fallout of the pandemic, lending institutions may recalculate the 'drawing power' by reducing the margins and/or by reassessing the working capital cycle. This relief shall be available in respect of all such changes effected up to May 31, 2020 and shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19.

ii. Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA)

a. Since the moratorium/deferment/recalculation of the 'drawing power' is being provided specifically to enable the borrowers to tide over economic fallout from COVID-19, the same will not be treated as concession or change in terms and conditions of loan agreements due to financial difficulty of the borrower under paragraph 2 of the Annex to the Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 dated June 7, 2019 ("Prudential Framework"). Consequently, such a measure, by itself, shall not result in asset classification downgrade.
b. The asset classification of term loans which are granted relief as per paragraph 2 shall be determined on the basis of revised due dates and the revised repayment schedule. Similarly, working capital facilities where relief is provided as per paragraph 3 above, the SMA and the out of order status shall be evaluated considering the application of accumulated interest immediately after the completion of the deferment period as well as the revised terms, as permitted in terms of paragraph 4 above.
c. The rescheduling of payments, including interest, will not qualify as a default for the proposes of supervisory reporting and reporting to Credit Information Companies (CICs) by the lending institutions. CICs shall ensure that the actions taken by lending institutions pursuant to the above announcements do not adversely impact the credit history of the beneficiaries.

iii. Other Conditions

a. Lending institutions shall frame Board approved polices for providing the above-mentioned reliefs to all eligible borrowers, *inter alia*, including the objective criteria for considering reliefs under paragraph 4 above and disclosed in public domain.
b. Wherever the exposure of a lending institution to a borrower is Rs. 5 crore or above as on March 1, 2020, the bank shall develop an MIS on the reliefs provided to its borrowers which shall *inter alia* include borrower-wise and credit-facility wise information regarding the nature and amount of relief granted.

c. The instructions in this circular come into force with immediate effect. The Board of Directors and the key management personnel of the lending institutions shall ensure that the above instructions are properly communicated down the line in their respective organisations, and clear instructions are issued to their staff regarding their implementation.

(RBI /2019-20/ 186 - DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020)

11. Amalgamation of Public Sector Banks - Assignment of SLBC/ UTLBC Convenorship and Lead Bank responsibilities

i. The amalgamations of Oriental Bank of Commerce and United Bank of India with Punjab National Bank; Andhra Bank and Corporation Bank with Union Bank of India; Syndicate Bank with Canara Bank and Allahabad Bank with Indian Bank have been notified vide the Gazette of India Notifications G.S.R. 153(E), G.S.R. 154(E), G.S.R. 155(E) and G.S.R. 156(E) dated March 4, 2020, respectively. The abovementioned notifications shall come into force on April 1, 2020

ii. In view of the above, it has been decided to assign the SLBC/ UTLBC Convenorship for the following States/ UTs as under:

Sr. No.	State/UT	Existing SLBC/UTLBC	SLBC/UTLBC Convenorship assigned to
1	Andhra Pradesh	Andhra Bank	Union Bank of India
2	Karnataka	Syndicate Bank	Canara Bank
3	Tripura	United Bank of India	Punjab National Bank
4	West Bengal	United Bank of India	Punjab National Bank
5	Delhi	Oriental Bank of Commerce	Punjab National Bank
6	Lakshadweep	Syndicate Bank	Canara Bank

iii. Further, it has been decided to assign the Lead Bank responsibilities of the 111 districts hitherto held by Oriental Bank of Commerce, United Bank of India, Andhra Bank, Corporation Bank, Syndicate Bank and Allahabad Bank as per the **Annex.**

iv. There is no change in the SLBC/ UTLBC Convenorship of other States/ Union Territories and Lead Bank responsibilities of other districts across the country.

(RBI/2019-20/197 - FIDD.CO.LBS.BC. No.22/02.01.001/2019-20 dated March 30, 2020)

12. Short Term Crop Loans eligible for Interest Subvention Scheme (ISS) and Prompt Repayment Incentive (PRI) through KCC

i. In terms of circular FIDD.CO.FSD.BC. No.1785/05.02.001/2019-20, dated February 26, 2020 advising banks to ensure that all Short Term Crop Loans eligible for Interest Subvention (IS) and Prompt Repayment Incentive (PRI) benefit are extended only through KCC *w.e.f.* April 1, 2020 and the existing Short Term Crop Loans which are not extended through KCC shall be converted to KCC loans by March 31, 2020.

ii. In view of the complete lockdown in most of the states in the country and restrictions on movement except for providing essential services, it has been decided, in consultations with Ministry of Agriculture & Farmers Welfare, that the banks may convert the existing Short Term Crop Loans including agriculture gold loans into KCC loans by June 30, 2020 with commensurate extension of Interest Subvention (IS) and Prompt Repayment Incentive (PRI) benefit against such accounts till June 30, 2020.

(RBI/2019-20/202- FIDD.CO.FSD.BC. No.23/05.02.001/2019-20 dated March 31, 2020)