



October 08, 2021

Statement on Developmental and Regulatory Policies

This Statement sets out various developmental and regulatory policy measures relating to (i) liquidity measures; (ii) payment and settlement systems; (iii) debt management; and (iv) financial Inclusion and customer protection.

I. Liquidity Measures

1. On Tap Special Long-Term Repo Operations (SLTRO) for Small Finance Banks (SFBs)

Small Finance Banks (SFBs) have been playing a prominent role in providing last mile credit to individuals and small businesses. A three-year special long-term repo operations (SLTRO) facility of ₹10,000 crore at the repo rate was made available to them in [May 2021](#) to be deployed for fresh lending of up to ₹10 lakh per borrower. This facility was made available till October 31, 2021. Recognising the persisting uneven impact of the pandemic on small business units, micro and small industries, and other unorganised sector entities, it has been decided to extend this facility till December 31, 2021. Further, this will now be available on tap to ensure extended support to these entities.

II. Payment and Settlement Systems

2. Introduction of Digital Payment Solutions in Offline Mode

The [Statement on Developmental and Regulatory Policies dated August 06, 2020](#) had announced a scheme to conduct pilot tests of innovative technology that enables retail digital payments even in situations where internet connectivity is low / not available (offline mode). Three pilots were successfully conducted under the Scheme in different parts of the country during the period from September 2020 to June 2021 involving small-value transactions covering a volume of 2.41 lakh for value ₹1.16 crore. The learnings indicate that there is a scope to introduce such solutions, especially in remote areas. Given the experience gained from the pilots and the encouraging feedback, it is proposed to introduce a framework for carrying out retail digital payments in offline mode across the country. Detailed guidelines will be issued in due course.

3. Enhancing Transaction Limit in IMPS to ₹5 lakh

Immediate Payment Service (IMPS) of National Payments Corporation of India (NPCI) is an important payment system providing 24x7 instant domestic funds transfer facility and is accessible through various channels like internet banking, mobile banking apps, bank branches, ATMs, SMS and IVRS. The per-transaction limit in IMPS, effective from January 2014, is currently capped at ₹2 lakh for channels other than SMS and IVRS. The per-transaction limit for SMS and IVRS channels is ₹5000. With RTGS now operational round the clock, there has been a corresponding increase in settlement cycles of IMPS, thereby reducing the credit and settlement risks. In view of the importance of the IMPS system in processing of domestic payment transactions, it is proposed to increase the per-transaction limit from ₹2 lakh to ₹5 lakh for channels other than SMS and IVRS. This will lead to further increase in digital payments and will provide an additional facility to customers for making digital payments beyond ₹2 lakh. Necessary instructions in this regard would be issued separately.

4. Geo-tagging of Payment System Touch Points

Deepening digital payments penetration across the country is a priority area for financial inclusion. The setting up of Payments Infrastructure Development Fund (PIDF) to encourage deployment of acceptance infrastructure and create additional touch points is a step in this direction. To ensure a balanced spread of acceptance infrastructure across the length and breadth of the country, it is essential to ascertain location information of existing payment acceptance infrastructure. In this regard, geo-tagging technology, by providing location information on an ongoing basis, can be useful in targeting areas with deficient infrastructure for focussed policy action. Accordingly, it is proposed to lay down a framework for geo-tagging (capturing geographical coordinates -, viz., latitude and longitude) of physical payment acceptance infrastructure, viz., Point of Sale (PoS) terminals, Quick Response (QR) codes, etc., used by merchants. This would complement the PIDF framework by better deployment of acceptance infrastructure and wider access to digital payments. Necessary instructions will be issued separately.

5. Regulatory Sandbox – Announcement of the Theme for a New Cohort and On Tap Application for Earlier Themes

The Reserve Bank's Regulatory Sandbox (RS) has so far introduced three cohorts. Six entities have successfully exited the First Cohort on 'Retail Payments' while under the Second Cohort on 'Cross Border Payments' eight entities are undertaking Tests. The application window for the Third Cohort of 'MSME Lending' is currently open.

With a view to preparing the fintech eco-system, it is proposed that the topic for the Fourth Cohort would be 'Prevention and Mitigation of Financial Frauds'. The focus would be on using technology to reduce the lag between the occurrence and detection of frauds, strengthening the fraud governance structure and minimising response time to frauds. The application window for this cohort would be opened in due course.

In addition, based on the experience gained and the feedback received from stakeholders, it is proposed to facilitate 'On Tap' application for themes of cohorts earlier closed. This measure is expected to ensure continuous innovation and engagement with industry to enable a proactive response to the rapidly evolving FinTech scenario. The modified framework will be released today.

III. Debt Management

6. Review of Ways and Means Advances (WMA) Limits and Relaxation in Overdraft (OD) Facility for the State Governments/UTs

As recommended by the Advisory Committee (Chairman: Shri Sudhir Shrivastava) to review the Ways and Means Advances (WMA) limits for State Governments/UTs, the enhanced interim WMA limits totalling ₹51,560 crore were extended by the Reserve Bank up to September 30, 2021 to help States/UTs to tide over the difficulties faced by them during the pandemic. Considering the uncertainties related to the ongoing pandemic, it has been decided to continue with the enhanced WMA limits up to March 31, 2022.

It has also been decided to continue with the liberalized measures introduced to deal with the pandemic, *viz.*, enhancement of maximum number of days of OD in a quarter from 36 to 50 days and the number of consecutive days of OD from 14 to 21 days, up to March 31, 2022. The above measures are expected to help States/UTs to manage their cash flows better. The details in this regard will be issued separately.

IV. Financial Inclusion and Customer Protection

7. Priority Sector Lending - Permitting Banks to On-lend through NBFCs - Continuation of Facility

With a view to increase the credit flow to certain priority sectors of the economy which contribute significantly to growth and employment, and recognizing the role played by NBFCs in providing credit to these sectors, bank lending to registered NBFCs (other than MFIs) for on lending to Agriculture (investment credit), Micro and Small enterprises and housing (with an increased limit) was permitted to be classified as priority sector lending up to certain limits in August 2019, which was last extended on April 07, 2021 and was valid up to September 30, 2021.

Considering the increased traction observed in delivering credit to the underserved/unserved segments of the economy, it has been decided to extend this facility till March 31, 2022. A circular in this regard will be issued shortly.

8. Internal Ombudsman for NBFCs

Non-Banking Financial Companies (NBFCs) have played an important role in extending finance to niche sectors such as MSME, microfinance, housing, vehicle finance and have effectively complemented the efforts of banks through last mile financial intermediation. Several NBFCs have also successfully adopted digital modes to support the delivery of their financial products and services to a wide spectrum of customers.

The increased significance, strength and reach of NBFCs across the country has necessitated having in place better customer experience including grievance redress practices. Over the last few years, RBI has initiated various measures for consumer protection and grievance redress for customers of NBFCs, which include requiring NBFCs to appoint [Nodal Officers for grievance redress \(2013\)](#) and the [launch of the Ombudsman Scheme for NBFCs \(2018\)](#).

With a view to further strengthen the internal grievance redress mechanism of NBFCs, it has been decided to introduce the Internal Ombudsman Scheme (IOS) for certain categories of NBFCs which have higher customer interface. The IOS for NBFCs, which will be on the lines of IOS for banks and non-bank payment system participants, will require select NBFCs to appoint an Internal Ombudsman (IO) at the top of their internal grievance redress mechanism to examine customer complaints which are in the nature of deficiency in service and are partly or wholly rejected by the NBFCs. Detailed instructions in this regard will be issued separately.

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