

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES

**LOK SABHA**  
**UNSTARRED QUESTION NO. 83**

Answered on Monday, November 25, 2024/Agrahayana 4, 1946 (Saka)

**Co-lending Agreements**

83. SHRI VISHALDADA PRAKASHBAPU PATIL:

Will the Minister of FINANCE be pleased to state:

- (a) the number of co-lending agreements signed between private sector and public sector banks during the last ten years;
- (b) whether the Government has any substantiation for the claim that co-lending has increased lending to agriculture and MSME;
- (c) if so, the details thereof; and
- (d) the measures taken to ensure that the co-lending agreements are transparent and accountable?

**ANSWER**

THE MINISTER OF STATE FOR FINANCE  
(SHRI PANKAJ CHAUDHARY)

(a) to (c): Reserve Bank of India (RBI) vide its circular dated 5.11.2020 has permitted Scheduled Commercial Banks (SCBs) to co-lend with all registered Non-Banking Financial Companies (NBFCs) including Housing Finance Companies (HFCs) based on a prior agreement to the priority sector in order to improve the flow of credit to the unserved and underserved sectors of the economy and make funds available to the ultimate beneficiary at an affordable cost, considering the lower cost of funds from banks and greater reach of the NBFCs. Outstanding advances under co-lending arrangement by PSBs have increased from ₹ 1,618.23 Crore in March 2022 to ₹ 11,497.14 crore in March 2024 under Agriculture and MSME segment.

(d): Further, RBI vide circular dated 5.11.2020 has instructed banks and NBFCs to formulate Board approved policies for entering into Co-Lending arrangement and place the Board approved policies on their websites. Based on their Board approved policies, a Master Agreement is required to be entered into between the two partner institutions which shall, inter-alia, include terms and conditions of the arrangement, the criteria for selection of partner institutions, the specific product lines and areas of operation, along with provisions related to segregation of responsibilities as well as customer interface and protection issues.

PSBs have informed that in order to ensure the transparency and accountability in co-lending agreements they have adopted several measures which, inter alia, includes vetting of Co-lending Master Agreement (CMA) by the legal Department, thorough deliberation of terms of agreements through bilateral discussions, drafting of well-defined and comprehensive roles and responsibilities of co-lending partners in the agreement in compliance with regulatory guidelines.

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