IV CREDIT DELIVERY AND FINANCIAL INCLUSION

In the face of challenges due to COVID-19 pandemic, ensuring effective credit delivery and expanding the reach of financial inclusion remained a priority for the Reserve Bank. The ongoing efforts under the financial inclusion plans were intensified, including review of priority sector lending guidelines and introduction of co-lending model. The implementation of the recommendations made by the Expert Committee on MSMEs and Internal Working Group to Review Agricultural Credit were the notable developments during the year. Efforts towards financial literacy are being sustained by expanding the reach of Centres for Financial Literacy (CFL) to all blocks in the country and also revising the Financial Awareness Messages Booklet.

IV. 1 The Reserve Bank continued its focus on strengthening the credit delivery mechanisms to ensure adequate and timely flow of credit to all productive sectors of the economy, especially agriculture and micro, small and medium enterprises (MSMEs), and also ensuring the availability of banking services to all sections of the society. The overarching philosophy of the Reserve Bank behind prescribing the priority sector lending (PSL) target for banks is to enable sections of society, which though creditworthy, are unable to access the formal banking system, for adequate and timely credit. The PSL guidelines were reviewed during the year with an objective to harmonise various instructions issued to commercial banks, small finance banks (SFBs), regional rural banks (RRBs), urban cooperative banks (UCBs) and local area banks (LABs); align these guidelines with emerging national priorities and bring sharper focus on inclusive development.

IV. 2 The Government of India notified new definition for classifying enterprises as MSMEs, using composite criteria of investment and turnover, effective July 1, 2020. As per the revised definition, an enterprise is micro where the investment in plant and machinery or equipment does not exceed ₹1 crore and turnover does not exceed ₹5 crore. An enterprise is now classified as small enterprise, where the investment in plant and machinery or equipment does not exceed ₹10 crore and turnover does not exceed ₹50 crore. For classification as a medium enterprise, the investment in plant and machinery or equipment should not exceed ₹50 crore and turnover should not exceed ₹250 crore.

IV. 3 In order to provide greater operational flexibility to banks and NBFCs for reaching out to priority sector, a revised scheme, renamed as co-lending model (CLM) was introduced, effective November 5, 2020. The primary focus of the revised scheme is to improve the flow of credit to the unserved and underserved sectors of the economy and make available funds to the ultimate beneficiary at an affordable cost, considering the comparative advantage of lower cost of funds of banks and greater reach of NBFCs.

IV. 4 In order to have a planned and structured approach to further financial inclusion, banks have been advised to prepare Financial Inclusion Plans (FIPs). The progress made by banks under FIPs is reported to the Reserve Bank on a monthly basis. It was also decided to expand the reach of the CFLs to the entire country by scaling up the pilot CFL project in a phased manner, in line with the recommendation of the National Strategy for Financial Inclusion (NSFI).

IV. 5 Against this backdrop, the rest of the chapter is organised into three sections. The implementation status of the agenda for 2020-21 is presented in section 2. It also covers the performance of credit flow to priority sectors and developments with respect to financial inclusion and financial literacy. The agenda for 2021-22 is provided in section 3. The chapter has been summarised at the end.

2. Agenda for 2020-21: Implementation Status

Goals Set for 2020-21

IV. 6 Last year, the Department had set out the following goals:

- Review of Train the Trainer (TOT) programme for capacity building of business correspondents (BCs) and BC Registry (*Utkarsh*) [Para IV.7];
- Develop online financial literacy modules for specific target audience (*Utkarsh*) [Para IV.8];
- Complete the end-line impact assessment survey of the pilot project on CFL (*Utkarsh*) [Para IV.9];
- Monitor implementation of the recommendations of the "Expert Committee on MSMEs" and "Internal Working Group to Review Agricultural Credit" (*Utkarsh*) [Para IV.10 - IV.11];
- Monitor implementation of the National Strategy for Financial Education (NSFE) [Para IV.12]; and
- Review of guidelines of PSL (Para IV.13).

Implementation Status of Goals

IV. 7 During 2020-21, a pan-India survey was undertaken through regional offices of the Reserve Bank, among bank officials and BCs, in virtual mode to assess the efficacy of various initiatives taken to strengthen the BC model *viz.,* the BC Certification Programme, the two-tier ToT programme and BC Registry. Analysis of the findings of the survey will be used for necessary course of action, wherever required.

IV. 8 Based on financial literacy survey and inputs from financial sector regulators, the National Centre for Financial Education (NCFE) has developed online financial literacy modules for specific target groups, *viz.,* entrepreneurs, school children, self-help groups (SHGs), senior citizens and farmers.

IV. 9 The end-line impact assessment survey of the pilot project on CFL, which was scheduled to be undertaken in November 2020, could not be carried out due to the disruptions caused by the COVID-19 pandemic. The survey is now scheduled to be completed by September 2021.

IV. 10 The Expert Committee on MSMEs had made 37 broad recommendations. Out of 21 recommendations pertaining to the Reserve Bank, 11 have already been implemented and some are under consideration. The major recommendations, which were implemented, include (i) introduction of video-based Know Your Customer (KYC) norms; (ii) increase in the threshold limit for regulatory retail portfolio of banks from ₹5 crore to ₹7.5 crore; (iii) creation of Payment Infrastructure Development Fund (PIDF) to provide impetus to acceptance infrastructure to promote digital payments and commerce platforms for rural MSMEs; and (iv) co-lending model for all NBFCs.

IV. 11 The Internal Working Group (IWG) to review agricultural credit had made 29 recommendations. Out of 12 recommendations pertaining to the Reserve Bank, 10 have already been implemented. Some of the major recommendations, which were implemented during the year, are (i) enhancing the sub-target of small and marginal farmers under PSL from 8 per cent to 10 per cent of adjusted net bank credit (ANBC) in a phased manner over a period of three years till 2023-24; (ii) addressing regional disparity in credit by assigning a higher weights to the incremental priority sector credit in the identified districts where the credit flow is comparatively lower; (iii) classifying loans up to ₹2 lakh to individuals solely engaged in allied activities under sub-target of small and marginal farmers; (iv) study on priority sector lending certificate (PSLC) for identifying the lending strategies of banks and making it mandatory for RRBs to contribute to rural infrastructure development fund (RIDF) in the event of PSL shortfall; and (v) review of scale of finance for crop cultivation.

IV. 12 NCFE is entrusted with the responsibility to implement the recommendations laid down in the NSFE for the period 2020-25. The progress made towards implementation is monitored by the Technical Group on Financial Inclusion and Financial Literacy (TGFIFL) under the aegis of the Sub-Committee of the Financial Stability and Development Council (FSDC-SC).

IV. 13 The revised Master Directions on PSL were issued on September 4, 2020. These Master Directions, *inter alia*, encompass guidelines on PSL for all commercial banks, RRBs, SFBs, UCBs and LABs, with an objective to harmonise the various instructions.

CREDIT DELIVERY

Priority Sector

IV. 14 The priority sector lending for scheduled commercial banks stood at 40.54 per cent in 2020-21 (as at the end of December 2020). Among bank groups, while public sector banks continued to achieve the prescribed PSL target of 40 per cent, a marginal shortfall was observed for private sector banks and foreign banks (Table IV.1). As per the extant guidelines, in case of shortfall in achieving priority sector targets/sub-targets by SCBs, as decided by the Reserve Bank from time to time, they are advised to allocate amounts for contribution to RIDF established with NABARD and other funds with NABARD / NHB / SIDBI / Micro Units Development and Refinance Agency (MUDRA).

Table IV.1: Achievement of Priority Sector Lending Targets

(₹ Crore)

Year	Public Sector Banks	Private Sector Banks	Foreign Banks
1	2	3	4
2019-20	23,14,242 (41.05)	12,72,745 (40.32)	1,67,095 (40.80)
2020-21 (April-December)*	23,79,790 (40.98)	14,04,824 (39.89)	1,73,945 (39.85)

*: Provisional data.

Note: Figures in parentheses are percentage to ANBC or credit equivalent of off balance sheet exposure (CEOBE), whichever is higher.

Source: Priority sector returns submitted by SCBs.

IV. 15 The total trading volume of PSLCs recorded a growth of 25.9 per cent and stood at ₹5.89 lakh crore in 2020-21 as compared with 43.1 per cent growth a year ago. Among the four PSLC categories, the highest trading was observed in the case of PSLC-general and PSLC-small and marginal farmer with the transaction volumes being ₹2.26 lakh crore and ₹1.98 lakh crore, respectively, for the year ended March 31, 2021.

Review of Priority Sector Guidelines

IV. 16 A review of the PSL guidelines was undertaken during the year. As part of the review it was decided to implement an incentive and dis-incentive framework by ranking districts based on per capita PSL credit. A higher weightage (125 per cent) will be assigned for incremental priority sector credit in districts with comparatively lower flow of priority sector credit and a lower weightage of (90 per cent) will be assigned for incremental priority sector credit in districts with comparatively higher flow of priority sector credit (Box IV.1).

Box IV.1
Addressing Regional Disparities in the Flow of Priority Sector Credit

Priority Sector Lending (PSL) was formalised in 1972. The lending targets were first advised to the banks by the Reserve Bank in 1974. Since then, the underlying philosophy of priority sector guidelines has been to facilitate flow of credit to such sections of society, which though creditworthy, are unable to access credit from the formal financial institutions. The guidelines have remained purpose/ activity specific since their inception. In order to provide an easier access to credit to all such sections of society by affecting bank location and lending practices, banking sector in India was regulated between the bank nationalisation in 1969 and the onset of financial liberalisation in 1990. Findings suggest that regulation of the Indian banking sector played a key role in directing bank credit towards the poor, and that easier access to bank credit and saving opportunities was associated with a significant decline in rural poverty (Burgess, Pande, and Wong, 2005). However, flow of credit to different regions was uneven on account of various factors and there has been a demand for ensuring parity in the flow of credit across the different regions of the country. In this regard, the 'Internal Working Group to Review Agricultural Credit' (Chairman: Shri M. K. Jain), set up by the Reserve Bank in 2019, had flagged the issue of regional disparity in credit flow to agriculture.

The Committee recommended that PSL guidelines should be re-visited to explore the feasibility of introducing suitable measures for improving the credit offtake in underserved regions. Accordingly, PSL guidelines were reviewed and an incentive framework was put in place for banks, effective April 1, 2021, to address the regional disparities in the flow of priority sector credit. While higher weight (125 per cent) will be assigned for incremental priority sector credit in the identified districts where credit flow is comparatively lower (per capita PSL less than ₹6,000), a lower weight (90 per cent) would be assigned to incremental priority sector credit in identified districts where the credit flow is comparatively higher (per capita PSL greater than ₹25,000). RRBs, UCBs, LABs and foreign banks [including wholly owned subsidiary (WoS)] would be exempted from adjustments of weights in PSL achievement due to their currently limited area of operation/catering to a niche segment.

To operationalise the framework, all districts have been ranked based on per capita credit flow to priority sector and the same will remain valid for a period of three years, *i.e.,* up to year 2023-24 and will be reviewed thereafter. The incentive framework is aimed to encourage banks to channelise higher credit flow to the districts, which presently are faced with low credit penetration. With the above framework in place, it is expected that the issue of regional disparity shall be taken cognisance of by banks at their corporate strategy level and the banking system would be able to realise the commercial benefit through the incentive structure.

However, regional disparities in credit flow are on account of multiple factors and would need a multi-stakeholder approach for increasing the flow of credit in the underserved areas. The Reserve Bank's efforts of ensuring higher credit flow need to be effectively complimented by central and state governments in increasing the credit absorption capacity in underserved areas for a sustainable change.

Reference:

Burgess, R, Pande, R, and Wong, Grace (2005), 'Banking for the Poor: Evidence from India', *Journal of the European Economic Association*, Volume 3, Issue 2-3.

IV. 17 Some of the important changes brought out under the PSL guidelines after their review are set out below:

- The targets prescribed for "small and marginal farmers" and "weaker sections" are being increased in a phased manner.
- Bank finance to start-ups (up to ₹50 crore); loans to farmers for installation of solar power plants for solarisation of grid connected agriculture pumps; and loans for setting up compressed bio gas (CBG) plants were included as fresh categories eligible for finance under priority sector.
- Higher credit limit was specified for Farmers Producers Organisations (FPOs)/Farmers Producers Companies (FPCs) undertaking farming with assured marketing of their produce at a pre-determined price.

- In order to improve health infrastructure, credit limit for health infrastructure (including *Ayushman Bharat*) was doubled.
- The cap on credit was increased under renewable energy category from ₹15 crore to ₹30 crore to ensure unit level business sustainability.
- Loans to individuals up to ₹20 lakh for education purposes, will be considered as eligible for priority sector status.

Co-Lending by Banks and NBFCs to Priority Sector

IV. 18 The circular on co-lending model (CLM) was issued on November 5, 2020, with the objective to better leverage the comparative advantages of the banks and NBFCs in a collaborative effort in respect of all categories of PSL. The primary focus of the revised scheme is to improve the synergy between banks and NBFCs considering the lower cost of funds from banks and greater reach of the NBFCs. The scheme envisages improved flow of credit to the unserved and underserved sectors of the economy and make available funds to the ultimate beneficiary at an affordable cost. While the earlier scheme of co-origination allowed banks to partner with only non-deposit taking systemically important NBFCs (NBFCs-ND-SI), the revised scheme allows co-lending with all registered NBFCs [including housing finance companies (HFCs)] based on a prior agreement. While NBFCs are required to retain a minimum of 20 per cent share of the individual loans on their books, greater operational flexibility under the revised model allows banks to either mandatorily take their share of the individual loans originated by the NBFCs in their books as per the terms of the agreement, or to retain the discretion to reject certain loans after their due diligence prior to taking in their books. Banks may claim priority sector status in respect of their share of credit while adhering to the specified conditions. Banks and NBFCs are required to formulate board-approved policies for entering into the CLM with the objective to make funds available to the ultimate beneficiary at an affordable cost.

Flow of Credit to Agriculture

IV. 19 The Government of India (GoI) fixes the agricultural credit target every year for commercial banks, RRBs and rural co-operative banks. During 2020-21, against the target of ₹15 lakh crore, banks achieved 75.1 per cent of the target (₹11.27 lakh crore) as on December 31, 2020, of which commercial banks, RRBs and rural co-operative banks achieved 78.6 per cent, 74.2 per cent and 59.3 per cent, respectively, of their targets (Table IV.2).

IV. 20 The Kisan Credit Card (KCC) provides adequate and timely bank credit to farmers

Table IV.2: Targets and Achievements for Agricultural Credit

(₹ Crore)

Year	Commercial Banks		Rural Co-operative Banks		RRBs		Total	
	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement
1	2	3	4	5	6	7	8	9
2019-2020	9,72,000	10,61,215	2,02,500	1,49,694	1,75,500	1,62,857	13,50,000	13,73,766
2020-2021 (April-December)*	10,81,978	8,50,543	2,25,946	1,33,976	1,92,076	1,42,603	15,00,000	11,27,121

*: Data are provisional. While the target for agricultural credit is set for the full year (April 2020 - March 2021), the achievement is given for April 2020 - December 2020.
Source: National Bank for Agriculture and Rural Development (NABARD).

Table IV.3: Kisan Credit Card (KCC) Scheme

(Number in Lakh, Amount in ₹ Crore)

Year	Number of Operative KCCs	Outstanding Crop Loan	Outstanding Term Loan
1	2	3	4
2019-20	241.50	4,23,587.80	46,555.80
2020-21 (April-December)*	275.95	4,12,749.23	47,644.70

*: Provisional data.
Source: Public sector banks and private sector banks.

under a single window for cultivation and other needs, including for consumption, investment and insurance (Table IV.3).

Relief Measures for Natural Calamities

IV. 21 Currently, the National Disaster Management Framework of the GoI covers 12 types of natural calamities under its ambit, *viz.,* cyclone; drought; earthquake; fire; floods; tsunami; hailstorm; landslide; avalanche; cloud burst; pest attack; and cold wave/frost. Accordingly, the Reserve Bank has mandated banks to provide relief where the crop loss assessed was 33 per cent or more in the areas affected by these natural calamities. The relief measures by banks, *inter alia*, include restructuring/rescheduling existing loans and sanctioning fresh loans as per the emerging requirement of the eligible borrowers. During 2020-21, natural calamity/riots or disturbances were declared by four states, *viz.,* Karnataka, Rajasthan, West Bengal and Maharashtra. Cyclone *Amphan* caused widespread devastation in West Bengal in May 2020. Rajasthan was affected by extreme locust attack in May 2020, while it saw hailstorms in the month of July 2020. Karnataka experienced crop losses due to flood in September 2020, while Maharashtra saw drought in Gadchiroli district in October 2020. Fresh loans were provided by banks to the calamity affected persons during 2020-21, while their past loans were also restructured/rescheduled by banks during the same period (Table IV.4).

Table IV.4: Relief Measures for Natural Calamities

(Number in Lakh, Amount in ₹ Crore)

Year	Loans Restructured/ Rescheduled		Fresh Finance/ Relending Provided	
	No. of Accounts	Amount	No. of Accounts	Amount
1	2	3	4	5
2019-20	9.04	13,296	10.06	32,639
2020-21 (April-December)*	1.40	2,164	10.20	8,560

*: Provisional data.
Source: State Level Bankers' Committees (SLBCs).

Bank Credit to the MSME Sector

IV. 22 Increasing credit flow to the MSMEs has been a policy priority for the Reserve Bank and Government. On a year-on-year basis, the outstanding credit to MSMEs by scheduled commercial banks increased by 8.9 per cent in December 2020 (6.2 per cent a year ago) [Table IV.5].

Table IV.5: Bank Credit to MSMEs

(Number in Lakh, Amount in ₹ Crore)

Year	Micro Enterprises		Small Enterprises		Medium Enterprises		MSMEs	
	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding
1	2	3	4	5	6	7	8	9
Dec-2019	328.93	7,04,278	23.81	6,35,933	3.07	2,08,134	355.82	15,48,344
Dec-2020	394.48	7,63,109	23.20	6,52,292	5.32	2,70,924	423.00	16,86,325

Source: Priority sector returns submitted by SCBs.

FINANCIAL INCLUSION

National Strategy for Financial Inclusion (NSFI): 2019-24

IV. 23 The NSFI: 2019-24 document lays down several milestones and action plans to be implemented during the period of strategy with two recommendations pertaining to financial literacy (development of financial literacy modules with specific target orientation) and consumer protection (development of a robust customer grievance portal) to be implemented during 2020-21. National Centre for Financial Education (NCFE) has developed relevant modules in the form of audio-visual content/booklets for the target groups. In order to have a robust grievance redressal portal, the Complaint Management System (CMS) launched by the Reserve Bank acts as a common electronic platform for lodging, tracking and redressal status of the grievances. Further, the Reserve Bank has also introduced Online Dispute Resolution (ODR) system for resolving customer disputes and grievances pertaining to digital payments.

Financial Inclusion Plan

IV. 24 In order to have a planned and structured approach to financial inclusion, banks have been advised to put in place Financial Inclusion Plans (FIPs). These FIPs capture banks' achievements on parameters such as the number of outlets (branches and BCs), Basic Savings Bank Deposit Accounts (BSBDAs), overdraft facilities availed in these accounts, transactions in KCCs and General Credit Cards (GCCs) and transactions through the Business Correspondents - Information and Communication Technology (BC-ICT) channel. The progress made on these parameters as at the end of December 2020 is set out in Table IV.6.

Table IV.6: Financial Inclusion Plan: A Progress Report

Particulars	Mar 2010	Dec 2019	Dec 2020$
1	2	3	4
Banking Outlets in Villages-Branches	33,378	54,481	55,073
Banking Outlets in Villages >2000*-BCs	8,390	1,28,980	8,51,272
Banking Outlets in Villages <2000*-BCs	25,784	3,83,864	3,85,537
Total Banking Outlets in Villages - BCs	34,174	5,12,844	12,36,809^
Banking Outlets in Villages - Other Modes	142	3,473	3,440
Banking Outlets in Villages -Total	**67,694**	**5,70,798**	**12,95,322**
Urban Locations Covered Through BCs	447	5,51,327	3,24,345
BSBDA - Through Branches (No. in Lakh)	600	2,558	2,891
BSBDA - Through Branches (Amount in Crore)	4,400	90,731	1,25,898
BSBDA - Through BCs (No. in Lakh)	130	3,409	3,601
BSBDA - Through BCs (Amount in Crore)	1,100	62,095	77,163
BSBDA - Total (No. in Lakh)	**735**	**5,967**	**6,492**
BSBDA - Total (Amount in Crore)	**5,500**	**1,52,826**	**2,03,061**
OD Facility Availed in BSBDAs (No. in Lakh)	2	62	59
OD Facility Availed in BSBDAs (Amount in Crore)	10	455	500
KCC - Total (No. in Lakh)	240	479	490
KCC - Total (Amount in Crore)	1,24,000	7,09,377	6,79,136
GCC - Total (No. in Lakh)	10	200	199
GCC - Total (Amount in Crore)	3,500	1,84,918	1,73,968
ICT-A/Cs-BC-Total Transactions (No. in Lakh)#	270	22,500	35,183
ICT-A/Cs-BC-Total Transactions (Amount in Crore)#	700	6,06,589	8,28,795

*: Village population. ^: Significant increase in numbers is due to reclassification done by a bank.
#: Transactions during the year. $: Provisional data.
Source: FIP returns submitted by banks.

Assignment of Lead Bank Responsibility

IV. 25 The assignment of lead bank responsibility to a designated bank in every district was undertaken by the Reserve Bank. As at end-March 2021, 12 public sector banks and one private sector bank were assigned lead bank responsibility, covering at present 730 districts across the country.

Universal Access to Financial Services in Every Village Within 5 Km Radius/Hamlet of 500 Households in Hilly Areas

IV. 26 Providing banking access to every village within a 5 km radius/hamlet of 500 households in hilly areas is one of the key objectives of the National Strategy for Financial Inclusion (NSFI) for the period 2019-24. As per the status reported by the concerned State/Union Territory Level Bankers' Committees' (SLBC/UTLBC) convenor banks, the milestone has been fully achieved in 22 states and 6 UTs as on March 31, 2021. The percentage of coverage of all identified villages/ hamlets across the country is 99.87 per cent.

FINANCIAL LITERACY

IV. 27 Developing financial literacy content for school children is one of the strategic goals of NSFE: 2020-2025. So far 13 state educational boards have included modules on financial education in their school curriculum. NCFE is in dialogue with NCERT regarding integration of financial education in school curriculum for classes VI-X. NCERT is also developing e-Learning resources on financial literacy wherein NCFE would be contributing to content development on the basis of inputs received from various stakeholders.

IV. 28 Consequent upon implementation of the pilot CFL project in 100 blocks (including 20 CFLs in tribal blocks), steps were initiated during the year to expand the reach of CFLs to all blocks in the country in a phased manner.

IV. 29 As at the end of December 2020, there were 1,478 Financial Literacy Centres (FLCs) in the country. While 1,48,444 financial literacy activities were undertaken during 2019-20 (April-March), a total of 45,588 financial literacy activities were conducted by the FLCs during the period April-December 2020. The restrictions towards mass gathering of people at public places have hampered conduct of physical financial education programmes across the country. With a view to ensure continued dissemination of financial education programmes across the country, regional offices of the Reserve Bank undertook financial education programmes through virtual mode and also leveraged local cable TV and community radio to spread financial awareness messages.

Revision of Financial Awareness Messages Booklet (FAME)

IV. 30 Recognising the need to develop standardised content to meet the requirements of the general audience for financial awareness on important banking aspects, the Reserve Bank developed the FAME booklet in 2016. The contents of the booklet were disseminated through financial literacy programmes and camps organised by FLCs and rural branches of banks. Keeping in view the changes in the financial services landscape, the content of the booklet was revised to cover 20 important messages across the four themes of financial competencies, basic banking, digital financial literacy and consumer protection. The revised booklet has been made available in 11 regional languages and is placed on the Reserve Bank's Financial Education website for wider dissemination.

Observing Financial Literacy Week 2021

IV. 31 The Financial Literacy Week (FLW) is an initiative of the Reserve Bank to promote awareness among masses/various sections of the population on key topics through a focused campaign every year. During 2020-21, FLW was observed between February 8-12, 2021 on the theme of "Credit Discipline and Credit from Formal Institutions", with focus on responsible borrowing, borrowing from formal institutions and timely repayments. During this week banks were advised to disseminate the information and create awareness amongst its customers and general public. Further, the Reserve Bank also undertook a centralised mass media campaign during February 2021 to disseminate essential financial awareness messages on the theme to the general public.

3. Agenda for 2021-22

IV. 32 The Department would pursue the following goals under *Utkarsh* towards achieving greater financial inclusion and credit delivery:

- Implementation of the milestones under NSFI:2019-24;
- Monitor implementation of the remaining recommendations of the Expert Committee on MSMEs;
- Complete the end-line impact assessment survey of the pilot project on CFL; and
- Expansion of CFL project by setting up 1,199 CFLs covering 3,592 blocks across the country and increase financial education levels across the country.

4. Conclusion

IV. 33 In sum, during the year, the Reserve Bank implemented the recommendations of the Expert Committee on MSME and the Internal Working Group on Agricultural Credit to improve inclusiveness and also enhance flow of credit to these sectors. Further, revised Master Directions on PSL were issued to harmonise the various instructions. Co-lending was introduced to improve the flow of credit to the unserved and underserved sectors of the economy at an affordable cost and scale up of the pilot CFL project was initiated to cover the entire country in a phased manner. Going ahead, the implementation of the recommendations laid down under the NSFI document and strengthening financial literacy will be the key areas of focus for the Reserve Bank.