

Draft Reserve Bank of India (Rural Co-operative Banks - Concentration Risk Management) Directions, 2025

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Reserve Bank of India (Rural Co-operative Banks - Concentration Risk Management) Directions, 2025

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Introduction

The concentration of a bank's exposures to a single borrower or a group borrower poses significant risks. Recognizing the imperative of robust risk management, in exercise of the powers conferred by Sections 21 and 35A read with Section 56 of the Banking Regulation Act, 1949, and all the powers enabling Reserve Bank of India (RBI) on this behalf, the RBI being satisfied that it is necessary and expedient in the public interest to do so, hereby, issues the Directions hereinafter specified.

Chapter I - Preliminary

A. Short Title and Commencement

1. These Directions shall be called the Reserve Bank of India (Rural Co-operative Banks - Concentration Risk Management) Directions, 2025.
2. These Directions shall become effective from the date of issue.

B. Applicability

3. These Directions shall be applicable to Rural Co-operative Banks (hereinafter collectively referred to as 'RCBs' and individually as 'RCB').

In this context, rural co-operative banks shall mean State Co-operative Banks and Central Co-operative Banks, as defined in the National Bank for Agriculture and Rural Development Act, 1981.

C. Definitions

4. In these Directions, unless the context states otherwise, the terms herein shall bear the meaning assigned to them in the ensuing paragraphs.
5. **“Capital fund”** or **“CF”** shall comprise paid up capital and free reserves. Reserves created by way of revaluation of Fixed Assets, etc., if any, should not be included for the purpose.
6. **“Central co-operative bank”** and **“State co-operative bank”** shall have the meanings respectively assigned to them in the National Bank for Agriculture and Rural Development Act, 1981 (61 of 1981).
7. **“Exposure”** shall include funded credit limits like working capital limits, short term / temporary loans and block capital facilities like term loans, interim / bridge loans granted by an RCB either from out of its own resources or out of the refinance assistance availed

of by it from higher financing agencies. It shall also include non-funded financial accommodations like guarantees, letter of credit, etc. The sanctioned limit or loan outstanding whichever is higher, shall be reckoned for arriving at the exposure in the case of cash credit limits. In the case of term loan, outstanding amount may be reckoned for the purpose of exposure. However, in the case of non-funded credit limits, only 50 percent of such limits or the outstanding loan amount whichever is higher, may be taken into account for the purpose.

8. “**Individuals**” shall include individual partners, sole proprietors, partnership firms and unincorporated bodies.

9. “**Lendable Resources**” or “**LR**” shall be computed as the sum of share capital, reserves including provisions and excluding the balance under Agricultural Credit Stabilisation Fund (ACSF), deposits and borrowings less sum of optimum liquid assets (35 percent of DTL), Fixed Assets, accumulated losses and any other commitments except loans and advances.

10. All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949 or the Reserve Bank of India Act, 1934 or any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

Chapter II - Exposure Norms

A. Role of the Board

11. An RCB shall put in place a comprehensive Board-approved policy, which shall inter-alia include the following provisions, with the details outlined in the ensuing paragraphs.

- (i) Policy for sanction of loans and advances to individuals.
- (ii) Policy for financing of CRE-RH.

Additionally, the RCB shall put up a review note on the performance of the CRE-RH portfolio to the Board at least on a half-yearly basis.

B. Scope

12. The exposure norms shall be uniform for both State Co-operative Banks (StCBs) and Central Co-operative Banks (CCBs) irrespective of whether the unit financed is within the cooperative fold or outside the cooperative fold.

13. The exposure norms shall not apply to

- (1) the loan sanctioned / outstanding to Primary Agricultural Credit Society (PACS), and other credit societies;
- (2) loans for 'agriculture' and 'allied' purposes;
- (3) finance extended to individual handloom / powerloom weavers for their weaving activities by RCBs, as per applicable guidelines issued by NABARD from time to time;
- (4) cases where an RCB has obtained prior authorization from NABARD,
Provided that in such cases, the RCB shall adhere to *Reserve Bank of India (Rural Co-operative Banks – Credit Facilities) Directions, 2025*; and
- (5) credit limits separately prescribed by the RBI (for purposes like food credit limits, housing, and gold loan limits, etc.)

Note: There may be certain circumstances requiring an RCB to extend financial assistance to certain units / sectors in excess of the cut-off limits. In such cases, the RCB may, with relevant details, seek specific relaxations from NABARD. NABARD may, in exceptional cases, permit the RCB to extend such finance exceeding the exposure limits, based on merits of the individual case (refer to paragraphs 19).

C. Individual Exposure Limits – Other than Housing Loan

14. The RCB may continue to extend finance to individuals for purchase of shares in cooperative processing societies.

15. An RCB shall put in place a Board-approved policy for sanction of loans and advances to individuals, fixing purpose-wise ceilings, annual budget for financing individuals, safeguards to be followed, monitoring to be done including physical / periodical verification of assets, etc. and other aspects indicated above. It should also obtain, where necessary, permission from the Registrar of Cooperative Societies and ensure suitable provisions in its bye-laws for financing of individuals.

D. Individual Exposure Limits – Housing Loan

16. The limits on residential housing loans sanctioned by an RCB to an individual borrower are as under:

(₹ in lakh)

SI No	Category of the RCB	Limit (per individual borrower)
1.	An RCB having assessed net worth less than ₹100 crore	50
2.	An RCB having assessed net worth equal to or more than ₹100 crore	75

Provided that in case the individual borrower has already availed of a housing loan or a loan for any other activity well within the CMA limit, the limit for additional loans, housing, or others, may be sanctioned after taking into consideration the following aspects:

- i. If an RCB already has exposure under CMA norms to an individual borrower as prescribed in paragraph **Error! Reference source not found.**, then the exposure under housing loan to that individual borrower as prescribed in paragraph 16 shall be limited to the amount arrived after subtracting exposure under CMA norms to the individual borrower from (a) maximum housing loan exposure or (b) maximum eligible CMA limit, whichever is higher.
- ii. If an RCB already has exposure under the housing finance norms as prescribed in paragraph 16, then the exposure under CMA norms to that individual borrower shall be limited to the amount arrived after subtracting housing finance availed by the

individual borrower from the maximum exposure allowed under CMA norms as prescribed in paragraph **Error! Reference source not found.** In case, the exposure under housing finance is more than the maximum exposure allowed under CMA norms to an individual borrower, then no further exposure under CMA norms will be allowed to that individual borrower.

(a) Illustration – 1

- i. An RCB having assessed net worth equal to or more than Rs. 100 crores
(₹ in Lakh)

Rating Category	Exposure Norms		Loan already availed by a borrower under 'Individual' Category (CMA)- Outstanding as on date	Additional eligible limit (Either CMA or Housing)	
	CMA	Housing		Housing Loan Individual	CMA Individual
A	60	75	60	15	Nil
B, B+	40	75	40	35	Nil
C	25	75	25	50	Nil
D	25	75	25	50	Nil

- ii. An RCB having assessed net worth less than Rs. 100 crores

(₹ in Lakh)

Rating Category	Exposure Norms		Loan already availed by a borrower under 'Individual' Category (CMA)- Outstanding as on date	Additional eligible limit (Either CMA or Housing)	
	CMA	Housing		Housing Loan Individual	CMA Individual
A	60	50	60	Nil	Nil
B, B+	40	50	40	10	Nil
C	25	50	25	25	Nil

D	25	50	25	25	Nil
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(b) Illustration – 2

- i. An RCB having assessed net worth equal to or more than Rs. 100 crores
(₹ in Lakh)

Rating Category	Exposure Norms		Housing loan already availed by an individual borrower - Outstanding as on date	Additional eligible limit (Either CMA or Housing)	
	CMA	Housing		Housing Loan Individual	CMA Individual
A	60	75	75	Nil	Nil
B, B+	40	75	75	Nil	Nil
C	25	75	75	Nil	Nil
D	25	75	75	Nil	Nil

- ii. An RCB having assessed net worth less than Rs. 100 crores

(₹ in Lakh)

Rating Category	Exposure Norms		Housing loan already availed by an individual borrower - Outstanding as on date	Additional eligible limit (Either CMA or Housing)	
	CMA	Housing		Housing Loan Individual	CMA Individual
A	60	50	50	Nil	10
B, B+	40	50	50	Nil	Nil
C	25	50	50	Nil	Nil
D	25	50	50	Nil	Nil

(c) Illustration – 3

i. An RCB having assessed net worth equal to or more than Rs. 100 crores

(₹ in Lakh)

Rating Category	Exposure Norms		Loan already availed by a borrower under 'Individual' Category (CMA)- Outstanding as on date	Additional eligible limit (Either CMA or Housing)	
	CMA	Housing		Housing Loan Individual	CMA Individual
A	60	75	30	45	30
B, B+	40	75	30	45	10
C	25	75	20	55	05
D	25	75	25	50	Nil

ii. An RCB having assessed net worth less than Rs. 100 crores

(₹ in Lakh)

Rating Category	Exposure Norms		Loan already availed by a borrower under 'Individual' Category (CMA)- Outstanding as on date	Additional eligible limit (Either CMA or Housing)	
	CMA	Housing		Housing Loan Individual	CMA Individual
A	60	50	30	20	30
B, B+	40	50	30	20	10
C	25	50	20	30	05
D	25	50	15	35	10

(d) Illustration – 4

i. An RCB having assessed net worth equal to or more than Rs. 100 crores

(₹ in Lakh)

Rating Category	Exposure Norms		Housing Loan already availed by an Individual Borrower - Outstanding as on date	Additional eligible limit (Either CMA or Housing)	
	CMA	Housing		Housing Loan Individual	CMA Individual
A	60	75	15	45	60
B, B+	40	75	35	05	40
C	25	75	50	Nil	25
D	25	75	50	Nil	25

ii. An RCB having assessed net worth less than Rs. 100 crores

(₹ in Lakh)

Rating Category	Exposure Norms		Housing Loan already availed by an Individual Borrower - Outstanding as on date	Additional eligible limit (Either CMA or Housing)	
	CMA	Housing		Housing Loan Individual	CMA Individual
A	60	50	50	10	Nil
B, B+	40	50	40	Nil	10
C	25	50	25	Nil	25
D	25	50	25	Nil	25

iii. An RCB shall bring down the excess exposure, if any, within permissible limit.

17. For repairs, additions, alterations etc., to the existing houses, the maximum amount of loan per individual borrower is ₹1 lakh.

E. Unit-wise and Sector-wise Exposure Limits

18. The unit-wise exposure norm shall be linked to Capital Fund (CF), while sector-wise exposure norms shall be linked to the Lendable Resources (LR) as on March 31 of the latest audited Balance Sheet of the RCB, based on the 'rating' of the RCB given by NABARD after the inspection of the RCB conducted under Section 35(6) of B.R. Act, 1949 (AACS).

19. The exposure limit shall be as under:

Inspection rating	Ceiling on financing of Individuals (₹ in lakh)	Unit-wise exposure as percent to CF	Sector-wise exposure as percent to LR
A	60	60	50
B	40	50	40
C	25	45	35
D	25	40	30

20. An RCB shall evaluate the credit risk itself, especially when extending financial assistance to bigger borrowers and take its own credit decisions, based on commercial judgement and market information. For the purpose of containing the credit risk, the RCB may restrict its exposure to a single unit within the 'net owned funds' of the unit concerned.

F. Commercial Real Estate-Residential Housing

21. An RCB, in view of its primary role of lending for activities related to agriculture and rural development, should desist from financing the commercial real estate sector. However, they have been allowed to finance CRE-RH in terms of paragraph 22 below.

22. An RCB may extend finance to Commercial Real Estate-Residential Housing (CRE-RH) within the existing aggregate housing finance limit of five percent of its total assets (reckoned based on the audited balance sheet as on March 31 of the preceding financial year). For this purpose, CRE-RH shall consist of loans to builders / developers for residential housing projects (except for captive consumption). Such projects should ordinarily not include non-residential commercial real estate. However, integrated housing projects comprising some commercial space (e.g. shopping complex, school, etc.) can also be classified under CRE-RH.

Provided that the commercial area in the residential housing project does not exceed 10 percent of the total Floor Space Index (FSI) of the project. Standard asset provision of 0.75 percent and risk weight of 75 percent shall be maintained for CRE-RH advances.

23. An RCB shall have a Board-approved policy for financing CRE-RH and a review note on the performance of the CRE-RH portfolio shall be placed before the Board at least on a half-yearly basis.

G. Monitoring returns / Reports

24. An RCB shall submit its credit monitoring arrangements (CMA) 1 return (hereafter referred to as 'CMA-1' return) in the portal for electronic submission of returns (ENSURE Portal) of NABARD within 15 days from the end of the quarter as mentioned below.

Quarter ending (QE)	Due date for submission of CMA-1 return in ENSURE Portal by an RCB
June Quarter	15 July
September Quarter	15 October
December Quarter	15 January
March Quarter	15 April

- (1) The violations to be reported in CMA-1 return include individual violations, unit-wise violations, sector-wise violations, violations in loans for housing (both individual and sector) and marketing federations.
- (2) A few instructions on the format of the return published in ENSURE Portal have been given in the [Annex - I](#).

Chapter III - Repeal and other provisions

A. Repeal and saving

25. With the issue of these Directions, the existing Directions, instructions, and guidelines relating to Concentration Risk Management as applicable to Rural Co-operative Banks stand repealed, as communicated vide notification dated XX, 2025. The Directions, instructions and guidelines repealed prior to the issuance of these Directions shall continue to remain repealed.

26. Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed Directions, instructions, or guidelines shall continue to be governed by the provisions thereof. All approvals or acknowledgments granted under these repealed lists shall be deemed as governed by these Directions.

B. Application of other laws not barred

27. The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations or directions, for the time being in force.

C. Interpretations

28. For the purpose of giving effect to the provisions of these Directions or in order to remove any difficulties in the application or interpretation of the provisions of these Directions, the RBI may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the RBI shall be final and binding.

Instructions / Guidelines on the format of CMA-1 return in ENSURE Portal

1. Kindly ensure to map the CMA-1 return with maker and checker.
2. An option has been provided in the return where banks are required to choose whether it has violated CMA norms in respective categories viz. Unit-wise, Individual Loans, Housing loans to Individuals, Sector-wise exposure, loans extended to Housing Sector and exposure in financing State Level Marketing Federations. Here, banks are advised to carefully select the option of 'Yes' or 'No' from the dropdown as it may cause data loss in the respective tables, if not properly selected.
3. Banks are required to enter the rating awarded by NABARD in latest inspection of the bank by selecting financial year and rating of the bank. The Capital Fund of the bank as per the latest audited Balance Sheet and applicable norms under Unit-wise exposure limit will be auto-populated by the system.
4. Similarly, based on the rating selected, ceiling limit on financing of individuals will be auto populated by the system.
5. Banks are required to enter violations under unit-wise and individual category. Each violation has to be reported separately (i.e. industry / sector / purpose-wise).
6. Violations under housing loan - individual category and sector-wise - have to be reported separately. Based on the net-worth (as per latest inspection report) of the bank and total assets (as on 31 March of preceding FY), ceilings applicable under housing- individual and sector-wise will be displayed by the system.
7. To facilitate the banks, the calculation of Lendable Resources (LR) of the bank (parameters being used to evaluate LR) has been displayed in the return. Bank may enter the amount, if any, under 'Non Refundable Reserve Fund Deposits' and 'Any Other Commitments except Loan & Advances' in the respective fields and the LR will be calculated taking into account these two figures. Accordingly, bank may report Sector-wise exposure to Non-agriculture Loans and Advances and also to marketing federations.
8. Banks are advised to use 'Enquire Module' under ENSURE Portal to report any issue / error in submitting the return.