



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA



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RBI/2022-23/71
DOR.CRE.REC.No.47/13.03.00/2022-23

June 14, 2022

All Scheduled Commercial Banks
(Excluding RRBs)

Madam / Dear Sir

Bank finance to Government owned entities

Please refer to the [Master Circulars DBR.No.Dir.BC.10/13.03.00/2015-16 dated July 1, 2015](#) on 'Loans and Advances – Statutory and Other Restrictions' and [DOR.CRE.REC.No.06/08.12.001/2022-23 dated April 1, 2022](#) on 'Housing Finance'.

2. We have come across instances where banks have not been strictly complying with our extant instructions on assessment of commercial viability, ascertainment of revenue streams for debt servicing obligations and monitoring of end use of funds in respect of their financing of infrastructure/ housing projects of government owned entities.

3. Banks/ FIs have also been found to have violated our instructions which *inter alia* require that in case of projects undertaken by government owned entities, term loans should be sanctioned only for corporate bodies; due diligence should be carried out on viability and bankability of the projects to ensure that revenue stream from the project is sufficient to take care of the debt servicing obligations; and that the repayment/ servicing of debt is not from budgetary resources.

4. Attention of the banks is especially drawn towards the specific instructions contained in the paragraphs referred to in the [Annex](#). It is reiterated that banks are required to follow these instructions in letter and spirit.

5. Banks are advised to carry out a review and place before their Boards, a comprehensive report on the status of compliance with the instructions within three months from the date of this circular.

Yours faithfully,

(Manoranjan Mishra)
Chief General Manager

Bank finance to Government owned entities - Extant Instructions

- a) Para 2.3.7.3 – ‘Criteria for Financing’ of [Master Circular DBR.No.Dir.BC.10/13.03.00/2015-16](#) on ‘Loans and Advances – Statutory and Other Restrictions’ dated July 1, 2015
- b) Para 2.3.7.5 – ‘Appraisal’ of [Master Circular DBR.No.Dir.BC.10/13.03.00/2015-16](#) on ‘Loans and Advances – Statutory and Other Restrictions’ dated July 1, 2015
- c) Para 2.3.23 – ‘Bridge Loans against receivables from Government’ of [Master Circular DBR.No.Dir.BC.10/13.03.00/2015-16](#) on ‘Loans and Advances – Statutory and Other Restrictions’ dated July 1, 2015
- d) Para 2(B)(ix) of [Master Circular DOR.CRE.REC.No.06/08.12.001/2022-23](#) on ‘Housing Finance’ dated April 1, 2022