

PSL classification issue is not a system-wide problem: Malhotra

Will issue revised instructions to banks on KCC scheme

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Mumbai, 6 February

The deficiencies flagged by the Reserve Bank of India (RBI) in the classification of priority sector lending (PSL) compliance at some large private sector lenders are limited to those banks and are not a system-wide issue, the central bank said on Friday. There is no cause for concern, the RBI said.

"...it is not at a system level. These are issues which keep getting flagged on a bank-to-bank, individual cases at a system level. There is no cause for concern," said Sanjay Malhotra, Governor, RBI.

HDFC Bank and ICICI Bank, country's largest and second largest private sector lenders, had to set aside additional standard asset provisions in October-December (Q3) quarter of FY26, due to the mis-classification of some of their agricultural loans as PSL loans.

Following this, RBI strengthened the PSL compliance norms, mandating external auditor certificates from intermediaries to prevent double-claiming of loans.

While HDFC Bank set aside ₹500 crore in Q3, ICICI Bank saw a larger hit of ₹1,283 crore during the same period. Axis Bank, country's third largest private sector lender, in April- June (Q1) quarter of FY26, also had to set aside provisions following a

similar exercise by the RBI. "In a couple of banks certain deviations were found in terms of classification of PSL. It is certainly not something which is found on a system-wide basis. These are some outlier classifications that we call out and the banks accordingly do a reclassification. There is no system-level issue," said RBI Deputy Governor Swaminathan J.

Separately, the RBI said it has comprehensively reviewed the Kisan Credit Card (KCC) scheme with a view to expand coverage, streamline operational aspects and address emerging requirements.

As a result, the central bank has now said it will issue a revised set of instructions to banks on the KCC scheme, consolidating those on agriculture and allied activities.

"The proposed guidelines include, among others, standardisation of crop season, extension of KCC tenure to six years, alignment of drawing limit with scale of finance (SoF) for each crop season and inclusion of expenses on technological interventions," the RBI said.

"KCC review is part of our periodical review of all guidelines. It is almost five years now. So, this is a periodical review that we have undertaken and we are also modifying certain contours as regards the crop season, the time allowed per season and also the overall validity period of the KCC," Swaminathan said.



Digital payments safety: RBI proposes discussion paper

The Reserve Bank of India (RBI) has proposed issuing a discussion paper to explore the introduction of calibrated safeguards in digital payments. These measures would include the introduction of lagged credits and additional authentication requirements for specific sections of users, such as senior citizens, among others. The proposal is intended to mitigate fraud and strengthen customer protection.

"In alignment with the objective of promoting digital payments in a safe and secure manner, it is proposed to issue a discussion paper exploring the introduction of calibrated safeguards in digital payments, such as the introduction of lagged credits and additional authentication for specific classes of users like senior citizens," the RBI said. During the Monetary Policy Committee (MPC) press conference, RBI Governor Sanjay Malhotra said the central bank would explore sustainable ways to strengthen and improve India's real-time digital payments system, the Unified Payments Interface. AJINKYA KAWALE