**NITI Aayog**

**NITI-RMI Report on A Blueprint for Inclusion of EVs in PrioritySector Lending Guidelines**

**Relevant to LMM**

**Context**

Niti Aayog has proposed inclusion of electric vehicles in the Reserve Bank of India's priority-sector lending guidelines to give a significant push to retail lending for EVs. Cumulative investment in India’s electric vehicle (EV) transition could be as much as $S266 billion between 2020 and 2030. Although public and private sector initiatives are accelerating capital deployment to meet this potential, retail lending to support the financing of EVs has been slow to pick up.

Banks and non-banking finance companies currently hesitate to lend for EVs due to perceived and real asset and business model risks. As a result, if financing is available, EV buyers are unable to obtain interest rates and tenures that are comparable to internal combustion engine vehicles. This has created the need for a regulatory measure that can mainstream financing of EVs.

This report outlines the potential of investing in EVs in India. It provides context on the structure, mechanics and history of private sector lending, recommendations to inform the inclusion of EVs in private sector lending guidelines, and actions needed to implement and ensure success of EVs as a priority sector.

**Objective**

The objective behind this move is to give a significant push to retail lending for EVs.

**Priority Sector Lending**

Priority-sector lending (PSL) aims to extend financial access to the identified sectors to support employment opportunities in India. It is mandatory for the banks to give a certain percentage of their total loans to the identified priority sectors.

**Key findings and suggestions of Niti Aayog-RMI India report**

* Banks and non-banking financial companies (NBFCs) in India have the potential to achieve an electric vehicle (EV) financing market size of ₹40,000 crore by 2025 and ₹3.7 lakh crore by 2030. However, retail finance for EVs has been slow to pick up.
* The central bank may consider various EV segments and use cases based on five parameters: socio-economic potential, livelihood generation potential, scalability, techno-economic viability, and stakeholder acceptability.

**Conclusion**

* Financial institutions have an important role to play in accelerating the adoption of EVs in India and supporting the decarbonisation of road transport. "RBI's PSL mandate has a proven track record of improving the supply of formal credit towards areas of national priority. It can provide a strong regulatory incentive for banks and NBFCs to scale their financing to EVs.
* Niti Aayog recommends incentivising the use of electric vehicles by providing cheap and priority loans to the EV market in the wake of rising pollution levels using IC engines. It would be a big push to the sector if RBI accepts Niti Aayog’s recommendation.

Report Link: <https://www.niti.gov.in/sites/default/files/2022-01/Banking-on-EV_web_2.0a.pdf>