**Reserve Bank of India / NITI Aayog**

**RBI Consideration of Priority Sector (PSL) Lending for Electric Vehicles (EVs)**

**Relevant to Mahindra Electric**

The Reserve Bank of India is considering a proposal from the Niti Aayog to categorise loans to purchase electric vehicle as priority sector lending. Currently, these loans are given under the auto retail category, but lenders are wary about financing purchase of electrical vehicles as they are unsure about the risks in this segment which is still in a nascent stage.

**Priority Sector Lending (PSL)**

Under Priority Sector Lending, 40% of lenders' total credit must be compulsorily loaned to specific sectors. These sectors include agriculture, small businesses export credit, education, housing, social infrastructure, and renewable energy. The purpose of this regulation is to get credit available to the credit starved sectors.

**Benefits to the Sector**

* It will help the segment get credit at priority basis at lower interest rates.
* This would give electric push in the automobile sector.

**Reactions**

* **Amitabh Kant, CEO Niti Aayog** - It considered the potential of EVs in reducing emission of greenhouse gases and helping India in its fight against climate change. Inclusion of EVs under PSL would not only reduce cost of finance but also provide finance to more people, thus increasing penetration of EVs in India. In his view, there is a case for this in the context of the impending climate change crisis and India's recent commitments at COP26 in Glasgow.
* **Ms. Sulajja Firodia Motwani, Chief Executive of Kinetic Green Energy & Power Solutions** - Even as sales of electric vehicles are witnessing a surge, with the first half of 2021 already surpassing the 2020 numbers, EV financing continues to be the 'weak link' to this growth story.

**Conclusion**

* If implemented, this priority sector lending status to EV is going to give considerable push to this sector.
* This push is also going to help reducing carbon footprints and thus fulfilling India’s commitments at Glasgow Climate Change Conference.