

RBI, govt trying to reach common ground on some key issues

PTI

f t in w e 0



RBI Governor Urjit Patel and Finance Minister Arun Jaitley. (file photo) - PTI

NEW DELHI, NOV 14

The government and Reserve Bank seem to be veering around to reach an agreeable solution particularly with respect of relaxation of the Prompt Corrective Action (PCA) framework and easing of lending norms for the MSME sector ahead of the RBI board meeting on November 19, sources said.

If not in this board meeting, sources said, the issue of relaxation of PCA framework which the finance ministry has been pitching for would be reached in the next few weeks.

As a result of relaxation, some banks may come out of the PCA framework by the end of the current fiscal. Of the 21 state-owned banks, 11 are under the PCA framework. These are Allahabad Bank, United Bank of India, Corporation Bank, IDBI Bank, UCO Bank, Bank of India, Central Bank of India, Indian Overseas Bank, Oriental Bank of Commerce, Dena Bank and Bank of Maharashtra.

The PCA framework kicks in when banks breach any of the three key regulatory trigger points namely capital to risk weighted assets ratio, Net non-performing assets (NPA) and return on assets (RoA).

The RBI is also likely to agree to easing of lending norms for the MSME sector including strict rating criteria to improve credit flow to this sector, sources said. Besides, the central bank is expected to consider special dispensation for micro, small and medium enterprises (MSME) sector and non-banking financial companies (NBFCs) which have been facing liquidity issues.

The government feels that the MSME sector which employs about 12 crore people plays a critical role in the economy, and the sector hit by demonetisation and implementation of Goods and Services Tax (GST) needs support. However, the central bank has been averse to government demand for special dispensations for MSME and NBFC sectors as it considers them vulnerable.

Last week, Finance Minister Arun Jaitley said there is a need to minimise NPAs in order to maintain the strength of the banking system and enable it to help the economy grow. It is only a strong banking system that will be able to improve credit in those sectors which really need credit, the Finance Minister had said, adding, "The MSME sector needs credit, several other players in the market need credit. NBFCs today need credit because a large part of lending is done by them," he said.

There are reports of growing tensions between the RBI and the government, with the Finance Ministry initiating discussion under the never-used-before Section 7 of the RBI Act which empowers the government to issue directions to the RBI Governor. RBI Deputy Governor Viral Acharya had in a speech last month talked about the independence of the central bank, arguing that any compromise could be "potentially catastrophic" for the economy.

Published on November 14, 2018

TOPICS

RBI AUTONOMY

RELATED



FinMin digs in, wants RBI surplus norms defined

Govt claims it is not seeking transfer of reserves as its fiscal math is on ...

Previous Story

Central Bank posts ₹924-cr loss in Q2

Next Story

Belgium's Ageas to buy 40% in Royal Sundaram for ₹1,520 cr

Get more of your favourite news delivered to your inbox

Email

Subscribe

Promoted Content

Barcelona: the captivating city which is always fully awake
Air France

More From The Hindu Business Line



Cruise with India's Modern Cruiser Suzuki Intruder
www.suzukimotorcycle.co.in

Recommended by



Want To Secure Your Travel? Explore These Affordable Insurance Options
adstravelinsuranceok.live



RCom to commercially develop 133-acre IT park in Navi Mumbai



Father of Bhakra Dam



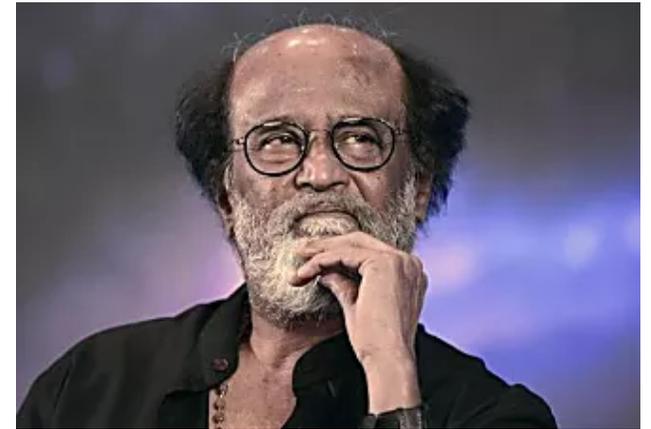
World Bank bars several Indian companies for corrupt practices



Binny Bansal's email to Flipkart employees



Welspun MD buys flat worth Rs 150 cr in central Mumbai tower



Rajinikanth hits out at AIADMK for protests against Vijay-starrer 'Sarkar'



Bandhan Bank plunges to all-time low



Tata Harrier: What we know till now



Tata Sons' debt rises by a billion dollars in FY18

MORE FROM BUSINESSLINE

NHPC LTD. - Fixes Record Date For Buy-Back



The Board of NHPC approves the buy back by the Company of its fully paid-up equity shares of Rs.10/- each not exceeding 21,42,85,714 (Twenty One Crore Forty Two Lakh Eighty Five Thousand Seven Hundred)

India a tough trade negotiator, says Trump



US President Donald Trump on Tuesday described India as “very good negotiators” as he celebrated Diwali in the White House along with top Indian-Americans and said he is “grateful” for his friendship

SEBI's dilemma: 77,000 applicants for entry-level job, only one for ED



Candidates see ED job as a 'political posting', are wary or applying

0 comments

♥ Recommend 0

Write a comment

1000

or

Name

Email

I agree with Vuukle's [Privacy Policy](#)

POST

TALK OF THE TOWN

 Global oil market to lapse into surplus in 2019 as demand slows

Global oil market to lapse into surplus in 2019 as demand slows

2 comments

 India a tough trade negotiator, says Trump

India a tough trade negotiator, says Trump

2 comments

 'Access to affordable medicine is vital'

'Access to affordable medicine is vital'

1 comment

 Five things to watch out for today

Five things to watch out for today

1 comment

 Market Radar

Market Radar

1 comment

 Sun Pharma falls to 4-month low

Sun Pharma falls to 4-month low

1 comment

Show more articles

1. Comments will be moderated by The Hindu Business Line editorial team.
2. Comments that are abusive, personal, incendiary or irrelevant cannot be published.
3. Please write complete sentences. Do not type comments in all capital letters, or in all lower case letters, or using abbreviated text. (example: u cannot substitute for you, d is not 'the', n is not 'and').
4. We may remove hyperlinks within comments.
5. Please use a genuine email ID and provide your name, to avoid rejection.