

Business Standard

Housing finance companies get Rs 10,000-crore liquidity infusion

Finance Minister Nirmala Sitharaman will meet heads of state-owned and private banks on Monday to discuss the ongoing liquidity crisis in NBFCs

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The new facility will be over and above the existing finance schemes of the housing sector regulator

The National Housing Bank (NHB) has decided to infuse an additional Rs 10,000 crore into housing finance companies (HFCs) to improve liquidity in the sector. The move would enable the companies to provide individual loans for affordable housing, said the finance ministry on Friday.

Also, Finance Minister Nirmala Sitharaman will meet heads of state-owned and private banks on Monday to discuss the ongoing liquidity crisis in non-banking financial companies and slowdown

in sectors such as automobile. Credit to priority sectors as well as small and medium industries will be discussed to find ways to accelerate economic growth.

The finance ministry made these announcements at a media briefing on Friday. Senior officials who addressed the media did not take questions.

“To further ease flow of funds to the housing sector, the NHB is making available from today, a liquidity infusion facility of Rs 10,000 crore for HFCs as additional liquidity for individual housing loans for affordable housing. This facility will be over and above the two existing refinance schemes of the NHB,” according to the statement read out by the officials.

Besides three finance ministry additional secretaries - Sameer Kumar Khare, C S Mohapatra and Pankaj Jain -Chief Economic Advisor (CEA) Krishnamurthy Subramanian also came to brief the media. But, the CEA left abruptly.

The finance ministry, from next week, will hold meetings with various departments to come up with solutions to boost the micro, small and medium enterprises (MSME) sector, officials said. Meetings will be held with ministries of MSME, Electronics and Information Technology, Rural Development, Health and Family Welfare, Corporate Affairs and Commerce, among others.

The basis of these meetings will be the recommendations of the U K Sinha committee, an expert panel on the MSME sector which submitted its report in June. "The committee has made over a hundred far reaching recommendations. These encompass various domains such as credit, equity funding, technology, delayed payments, need for legislative changes, rural enterprises, setting up of specific funds by the government, etc," the statement said.

Among its various recommendations, the Sinha panel, constituted by the Reserve Bank of India, suggested doubling of collateral-free loans for MSMEs, self help groups and borrowers falling under the Mudra Yojna to Rs 20 lakh. It also suggested creating a stressed asset fund of Rs 5,000 crore to protect the sector from distress caused by external circumstances.

The officials also pointed out that following the Budget announcement of state-owned banks being provided partial credit guarantee by the Centre, in order to buy high-rated assets of NBFCs, the government has received a proposal from the Reserve Bank of India on the draft modalities to operationalise the scheme. "The government has accorded its approval to the modalities that would be set in motion by RBI," they said.

In her budget speech on July 5, Sitharaman had said that "NBFCs that are fundamentally sound should continue to get funding from banks and mutual funds without being unduly risk averse. For purchase of high-rated pooled assets of financially sound NBFCs, amounting to Rs 1 trillion during the current financial year, the government will provide one-time six months' partial credit guarantee to public sector banks for first loss of up to 10 per cent."

The NHB's decision is one of the many steps taken by the government to boost affordable housing in recent times. It will also perk up the real estate sector - a major employment generator. Last month, the Budget announced an additional deduction of Rs 1.5 lakh on interest paid on loans for affordable housing priced up to Rs 45 lakh. In March, the GST Council reduced the GST rate for under-construction affordable housing from 8 per cent to 1 per cent.

Among the various sectors facing a slowdown, the automobile sector is the worst. The latest figures did not provide any respite to the continuing muted sales in the sector. In June, domestic sales across passenger vehicles, commercial vehicles as well as two- and three-wheelers fell 12

per cent year-on-year, according to the figures provided by the Society of Indian Automobile Manufacturer.

A Moody's report warned that the slowdown and the lingering crisis at NBFCs pose fresh challenges to the asset quality of banks. Moody's said it expected growth to be "weaker" in the next 12-18 months.

Easing the stress

- The new facility will be over and above the existing finance schemes of the housing sector regulator
- Liquidity provided for affordable housing retail loans
- FM to meet heads of PSBs and private banks on Monday
- Govt to work on recommendations of UK Sinha panel on MSMEs