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Market Watch

FinMin holds review meeting with banks; asks them to extend help within prudential norms

BY PTI | UPDATED: APR 14, 2020, 09.30 PM IST

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Finance Ministry on Monday held a review meeting with the heads of public sector banks, and instructed them to extend all possible help to all sectors of the economy within prudential guidelines to tide over the crisis following COVID-19 outbreak and consequent lockdown.

The review meeting - held via video conference - reviewed banks functioning during the lockdown and also took stock of liquidity situation, sources said.

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The ministry asked the banks to devise strategy for the post lockdown period and readiness for meeting the future challenges.

The two-hour long meeting took stock of disbursement of financial assistance through direct benefit transfer (DBT) under the Pradhan Mantri Garib Kalyan Yojana to help poor and daily wagers to sustain during the lockdown triggered by outbreak of COVID-19 pandemic.

As part of the Rs 1.70 lakh crore relief package, the government announced cash doles to women, poor senior citizens and farmers to mitigate the hardships faced due to the lockdown.

According to the sources, it was reiterated that banks should ensure cash availability to meet the demands of customers.

The meeting also deliberated on the deterioration of asset quality due to extended lockdown, the sources said, adding bankers were of the view that there were risks of rising defaults but difficult to make assessment till the system stabilises.

Currently, the [Reserve Bank of India](#) has allowed a three months moratorium for all kinds of term loan, including retail and crop loans as well as working capital payments.

After the moratorium is over, banks will be in position to assess the stress in the system due to coronavirus outbreak.

Indian Banks' Association ([IBA](#)) plans to request the Reserve Bank of India (RBI) for extension of moratorium period beyond three months.

Last week, SBI Chairman Rajnish Kumar had said banks through IBA will request for raising the loan moratorium period from the existing three months to may be 5-6 months depending on evolving situation.

For revival of the economy, sources said, banks have been asked to prepare a roadmap.

Banks pitched for government guarantees against their loans to certain risk prone sectors in order to revive flow of credit in the economy post lockdown.

"In the current circumstances, this (government guarantee) would be the best way and this is what we have been telling the government. The risk capital comes from the government, liquidity comes from the Reserve Bank of India (RBI) and the intermediation is done by the public sector banks. So that is a workable model because the risk appetite of banks is limited.

"I believe there are various suggestions and the government has appointed empowered groups. All this information will be gathered, analysed and then we can expect some package and an exit plan from the lockdown," Kumar had said.

Last month, the Prime Minister's office (PMO) constituted 11 empowered groups including on economy and welfare.

The group headed by Economic Affairs Secretary Atanu Chakraborty is not only looking at the pain points of the economy but also the distress and misery being faced by a large section of the society who have been rendered jobless due to the outbreak.

Besides Chakraborty, the other members of the panel are Expenditure Secretary T V Somnathan, Labour Secretary Hiralal Samariya, [Rural Development Secretary Rajesh Bhushan](#), Department of Financial Services Additional Secretary Pankaj Jain, Joint Secretary in Prime Minister's Office Arvind Shrivastava and Deputy Secretary in the Cabinet Secretariat Amrapali Kata. The panel is also looking at the rural distress.

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