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Last-mile financiers claim banks reluctant to pass on repayment relief

BY [ASHWIN MANIKANDAN](#) & [SALONI SHUKLA](#), ET BUREAU | UPDATED: APR 06, 2020, 06.02 AM IST

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Mumbai: Transmission trouble appears to be brewing again in India's lending industry: Only that the latest episode concerns the grace period on [loan](#) payments instead of borrowing costs.

Last week, the central bank allowed a three-month [moratorium](#) on loan repayments in the aftermath of the unprecedented business disruption. But millions of customers that borrow from non-bank lenders and [fintech companies](#) could fail to benefit from the Mint Road move if high-street banks lending funds to these last-mile financiers don't give them similar flexibility in repayments.

These small non-banks are claiming that partner lenders — large private sector banks, small finance banks and even larger NBFCs — are reluctant to defer the monthly dues on borrowed funds to these companies even as their customers are expecting their loans to be covered under the moratorium.

The three-month grace period for borrowers was among a slew of measures aimed at helping borrowers, especially small businesses, tide through cash-flow challenges engendered by the Covid-19-induced lockdown.

Digital Lenders' Association of India, the representative body for 81 such lenders, has made a representation to the [Reserve Bank of India](#) (RBI). "Some of the larger lenders have outrightly declined our members moratorium, while others are procrastinating citing that they are yet

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to get 'board approved policies' in place," [DLAI](#) said in a letter to [RBI](#) on April 3. "Absence of support from lenders is significantly hampering their ability to provide moratorium to end borrowers."

ET has seen a copy of the letter.



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A DLAI executive told ET on the condition of anonymity that more than 4 million borrowers could suffer, likely triggering defaults in a section of the NBFC industry.

Meanwhile, banks told ET that they are themselves seeking clarity from RBI on how the benefits could be passed on. "We haven't yet said no to any NBFC," said [Ujjivan Small Finance Bank](#), responding to ET's query.

"We have taken the requests and have told them that we would be evaluating on a case to case basis. At the same time, we have spoken to RBI to clarify whether NBFCs are covered under the moratorium scheme or not. We still await that clarification."

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