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Market Watch

With SBI saying 'no', banks divided on relief to NBFCs

BY SAIKAT DAS, JOEL REBELLO & ATMADIP RAY, ET BUREAU | UPDATED: APR 13, 2020, 06.48 AM IST

Mumbai | Kolkata: The banking industry is split on offering [moratorium](#) on payments to non-banking financial companies (NBFCs) with one group extending the regulator-blessed facility, while the other dragging its feet on whether to do so or not, said industry participants.

Some private and foreign [banks](#) have come forward to give forbearance on repayments till May 31, but state-run banks haven't moved so far, and even those, which did so, are rowing back on the granted moratorium, said people who did not want to be identified for fear of reprisal.

Banks' hesitation appears to be following the State Bank of India's decision not to grant or keep the NBFC segment out of the moratorium, said the bankers.

Some private and foreign lenders, including [Kotak](#), [IndusInd](#), [ICICI](#), [Standard Chartered](#), are said to have granted moratorium to select shadow banks. Those non-government lenders mostly extended moratorium for principal repayment. Those lenders didn't immediately reply to ET's mailed queries.

"We have received moratorium on principal repayments from select private sector and foreign banks," said the chief of an NBFC, who did not want to be identified. "We are now paying only the interest on credit we availed from them."

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The RBI on May 27 declared that banks can grant moratorium on payments falling between March 1 and May 31. While the regulator did not specifically mention any segment, it left to the banks' discretion on which borrower to grant moratorium.

While it is clear that any borrower with difficulties could avail of the moratorium facility, SBI has specifically barred NBFCs from benefits.

Rating company Crisil said many companies are staring at defaults in the absence of a moratorium to NBFCs. It estimates about ₹1.75 lakh crore of debt maturing by June.

“We and many other banks think that NBFCs should be given a moratorium since a majority of their funding is linked to banks and it is not fair on them when their customers are not paying back,” said a CEO of state-run bank who did not want to be identified. “However, since SBI has not agreed, nobody has gone ahead. SBI, with 25% of the market, is a large influence on the system and we need clarity from them. RBI norms are very clear, and hence, they will not issue any clarification. It all depends on what call SBI takes.”

Driven by the confusion, NBFCs as an industry, has sought regulatory intervention so that banks provide them the relief. So are the banks.

“We have written to RBI seeking clarity on this particular set of borrowers. Otherwise, customers have to send an email, letter or SMS asking to stop their debit mandates for these months,” said an executive director of a public sector bank.

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