

Covid lockdown effect: Banks, NBFCs urge RBI to extend moratorium by another three months

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RBI on March 27 had announced a moratorium on term loan payments for three months starting March 1. The issue was discussed during meetings held by the regulator with heads of public and private banks on Saturday, a senior banker who attended one of the meetings told FE.

According to sources, some more measures from RBI are expected to be announced in the next few weeks.

Non-banking finance companies (NBFCs), too, have requested the central bank to extend the moratorium by three more months. The head of an NBFC company who attended the meeting on Monday told FE: "We have requested the regulator to increase the moratorium by three months up to August."

The central bank discussed the availability of liquidity from banks and other financial institutions for NBFCs, a release issued on Monday stated.

During the meeting, NBFCs requested RBI to allow need-based approach to ensure money flows from banks as last-mile funding agencies, sources said. Apart from this, industry representatives requested the regulator for a special guarantee scheme to roll out loans to the beleaguered micro, small and medium enterprises (MSMEs).

The NBFCs raised the issue of many banks not providing moratorium to them. FE earlier reported that banks could review extending the moratorium to NBFCs after a meeting with RBI on Saturday. Public-sector lender Bank of India has already providing a moratorium to NBFCs. According to bankers, RBI had not barred them from giving NBFCs a moratorium and has left it to banks to decide.

Lenders are of the view that while the moratorium, currently available for March-May, eases borrowers' pain to some extent, businesses will take longer to get back on their feet. A senior executive with a large PSB said banks expect two rounds of impact on businesses. "One is that there is no income right now and therefore, borrowers cannot repay. There will be a second-round impact where the effects of the lockdown will play out over three-four months as they simply cannot reboot with the push of a button," the banker said, adding that this necessitates an extension of the moratorium period.

Lenders with a focus on corporate and small-business borrowers are understood to have seen a majority of their borrowers opting for the moratorium. Banks' retail portfolios have seen fewer requests for the breather. Last month, [HDFC Bank](#) said retail borrowers who opted for it were often doing so out of caution rather than under actual financial stress.

Quite a few large enterprise borrowers, including Tata Power, [JSW Steel](#) and [Piramal Enterprises](#), have applied for the moratorium. Small enterprises are likely to have been hit much harder by the Covid-related lockdown across the country. Kotak Institutional Equities (KIE) carried out a survey between April 20-26 among 349 SMEs from the manufacturing segment and found that around 50% of the respondents had an outstanding term loan or a cash-credit facility with a bank. More than 50% of these SMEs had availed the moratorium being offered by the bank, KIE said in a report.

The firms that had not opted for the moratorium did so as they were either not sure how to avail of it or were told by bank branches that they had not received orders to offer the breather. Some continued to repay out of reluctance to take on an additional burden at the end of the moratorium period and for fear of extra charges.



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