

FM Nirmala Sitharaman to meet PSB chiefs on Monday; to review credit flow, support to NBFCs

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Finance minister Nirmala Sitharaman will hold a meeting with top executives of state-run banks on Monday to review a raft of issues, including credit flow to key sectors like MSMEs and NBFCs, rate transmission to borrowers and progress under the targeted long-term repo operations (TLTRO), sources told FE.

The meeting, to be held via video conference, will also dwell on credit disbursement since March, with the focus on Covid-19-related credit sanction and offtake. The deployment of excessive funds by banks under the reverse repo route and the repayment moratorium will also be discussed, said the sources.

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The finance ministry had held meetings with the bankers last month to improve credit flow.

Monday's meeting is also aimed at reviewing the lenders' preparedness to support the credit appetite of the economy once the lockdown is fully lifted. The meeting comes at a time when the government is preparing to roll out its next relief package, which is expected to focus on supply-side responses, including liquidity and credit offtake.

As for easing credit flow, several PSBs, including [SBI](#) and [Punjab National Bank](#), have hiked the working capital limit for eligible customers to help them tide over a temporary liquidity shortage.

PSBs are staring at massive losses, especially in the first half of FY21, due to the Covid-19 outbreak and the lockdown, which will likely erode their capital position. So infusion will be critical, especially in the September and December quarters, once the impact of the pandemic hopefully starts to ebb and the economy needs a massive credit push to get back on its feet, bankers say.

PSBs will have to do the heavy lifting, especially as shadow-lenders' ability to lend will remain severely impaired by the crisis, they add.

Having risen at a double-digit pace in FY19, the non-food credit growth faltered last fiscal. Even before the Covid-19 started to spread, non-food credit growth crashed to just 6.3% year-on-year in the fortnight through February 14, the lowest since May 2017, mirroring a broader economic slowdown and risk aversion among bankers.

The credit growth stood at 6.67% for the fortnight ended April 24.



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