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RBI takes steps to make TLTRO more effective to boost liquidity for NBFCs

BY ATMADIP RAY, ET BUREAU | MAY 04, 2020, 10.38 PM IST

Post a Comment

KOLKATA: Reserve Bank of India is said to be taking steps to make the targeted long term repo operation (TLTRO) more effective to boost liquidity for non-bank lenders, with the first tranche of the liquidity-enhancement exercise failing to yield the desired result.

Governor Shaktikanta Das has assured industry representatives in the NBFC and microfinance sectors through a video call on Monday about strengthening this mechanism, two people familiar with the matter said.

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At the call with RBI top brass including deputy governors MD Patra and MK Jain, non-bank lenders have sought one-time restructuring of loans, shifting of moratorium period to April-to-June and extension of asset classification relaxation until September. Other demands include direct liquidity support from the central bank for MFIs and NBFCs, especially the smaller and medium-sized lenders.

The industry leaders said that smaller firms could not access the TLTRO, which RBI created to pump in liquidity through the banking channel. RBI told banks to borrow from it and invest at least half of it in money market instruments issued by small and medium sized NBFC and MFIs. The first auction of Rs 25000 crore saw bids for just above 50% of it, as banks are reluctance to invest in smaller lenders.

The RBI Governor has apparently told industry representatives that the central bank identified the reasons behind the tepid response and is taking necessary steps.

The NBFCs were represented by Ramesh Iyer, chairman of the Finance Industry Development Council (FIDC), a representative body of lending NBFCs and its director TT Srinivasaraghavan. From the microfinance sector, Microfinance Institutions Network chairman Manoj Nambiar and its chief executive Harsh Shrivastava, Sa-Dhan co-chair K Paul Thomas and executive director P Satish were present.

They have requested RBI to shift the moratorium period to April-to-June instead of March-to-May since they had already collected repayment for the month of March when the scheme was announced on March 27.

They have also sought further extension of asset classification relaxation by another three months until September since their borrowers may face difficulty in repaying loans immediately after the withdrawal of the lockdown.

While NBFCs and MFIs have resumed operations Monday, about half of them may not be able to meet the obligations like salary payment and other core operational expenses due to the lack of cash flow, P Satish of Sa-Dhan, an industry body for MFIs said during the call.

He said only 24 per cent of MFIs have received funding from their lenders since the lockdown began. About 51 lenders, including 12 public sector banks and 10 private sector banks, have not yet extended moratorium on payment to MFIs.

“Most painful is the non-extension of moratorium by Small Industries development Bank of India, Mudra and State Bank of India, as they have large exposure to MFIs, especially to the small and medium ones,” Satish said.

“Availability of liquidity from banks and other financial institutions; post-lockdown strategies for supply of credit, including working capital, to MSMEs, traders and bottom of pyramid customers in semi-urban, rural and urban areas,” were discussed, RBI said in statement after the meeting.