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Market Watch

Unwilling banks to seek their board view on moratorium to NBFCs

BY [ATMADIP RAY](#) & [JOEL REBELLO](#), ET BUREAU | MAY 03, 2020, 11.10 PM IST

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Bankers are going back to their boards after the **Reserve Bank of India** conveyed to them that even non-banking finance companies (NBFC) are covered under 'borrowers' to be eligible for **moratorium**, opening up an opportunity for the struggling non-banking lenders to stay afloat.

During a meeting over video conferencing, central bank officials also told bankers that they could use their discretion to decide the eligibility of firms based on their credit and liquidity profile, multiple people familiar with the matter said.

The **RBI** move follows complaints from the NBFC sector that they were being deprived the moratorium that the regulator provided for all borrowers from paying principal and interest between March 1 and May 31 following the temporary shutdown of businesses to prevent the spread of Covid 19.

The central bank's nudge may have also come to avoid a plethora of litigation as some **NBFCs** had sought legal intervention to get the benefits of the moratorium in the absence of **banks** providing it on their own.

"The RBI has left it to the discretion of banks," said a bank chief executive, who attended the meeting on Saturday, called by the regulator to review implementation of moratorium on payment as well as to urge banks to boost credit flows as the lockdown is being lifted in phases.

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Some banks, which had earlier denied NBFCs and microfinance firms the benefit of moratorium on payments, have called their board meeting this week to review the matter. Banks may consider requests from them on case by case basis, top bankers told ET.

But all eyes will be on the State [Bank of India](#) as it has the biggest share in the industry.

"The only clarity from the governor's meeting is that banks have been given the freedom to decide on extending the moratorium to NBFCs. But it all depends on what the large banks do. State Bank of India's stance in this is very crucial since it has a lion's share of the market," another senior public sector bank executive said.

Bankers have been divided over the issue ever since RBI created the enabling provision on March 27 for lenders to extend moratorium on payment to stressed borrowers.

One section believed that NBFCs should have been offered the benefit from the very beginning, while others were against it. Foreign banks and some public sector banks have been in favour.

The banks which were against it have argued that NBFCs with unutilised loan limits or having enough cash flows should not get it.

Banks' lending to NBFCs surged in March, the highest on month since 2008, as the shadow lending industry bulked up before the financial year closure.

Total loans grew 4 percent in the same period at Rs 3.57 lakh crore, data from RBI shows. While NBFC accounted 32 percent of the total, loans to industry also grew, including loans to MSMEs.

"This moratorium on payment is envisaged for borrowers in stress. We would certainly offer them the benefit when they really need it," said a bank chief executive.

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