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Borrowers opting out of loan moratorium with unlocking of economy, say bankers

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New Delhi: With improvement in cash flow owing to unlock process, some borrowers are opting out of the moratorium on EMI payments offered by banks to deal with income disruption caused due to outbreak of COVID-19 pandemic. [The Reserve Bank](#) in March first announced a three-month loan moratorium facility which was further extended by another three months till August. The government imposed the lockdown on March 25 to contain coronavirus infection and later extended it till May-end. The country started reopening the economy under unlock 1.0 from June with restrictions remaining in containment zones.

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According to Punjab National Bank Managing Director S S Mallikarjuna Rao, only 30 per cent of borrowers utilised moratorium facility while 70 per cent continued to service their loans.

The bank had given the option of availing the option of loan moratorium to all its customers, he had said last month.

Some of the customers who had exercised the moratorium option are now coming back and have requested the bank to opt out of this, a senior official of a public sector bank said.

This phenomenon was witnessed towards the second half of the last month when some clients got some idea about the cash flow, the official



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Micro borrowers with cash flow are gradually coming forward and opting out of moratorium.

"Broadly the moratorium is till August but slowly some of the customers are coming back and paying their installments," [Suryoday Small Finance Bank](#) managing director R Baskar Babu told .

For example, he said, 80 per cent of home loan customers are not exercising moratorium.

He said 54 per cent of its customers had availed moratorium, he said, adding the number is expected to come down this month because confidence is coming back.

Experts and banks have been advising borrowers against availing the moratorium facility due to the likely extended payouts and higher



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Explaining the financial burden with the help of an example, SBI had said for a home loan of Rs 30 lakh with a remaining maturity of 15 years, the net additional interest would be approx Rs 2.34 lakh equal to eight EMIs for those borrowers who opt for the moratorium.

For an auto loan of Rs 6 lakh with a remaining maturity of 54 months the additional interest payable would be Rs 19,000 approx equal to additional 1.5 EMIs, it had said.

According to the frequently asked questions (FAQ) of Indian Banks' Association (IBA), borrowers whose incomes have not been impacted should pay their EMIs in time.

"You may take the benefits under this (RBI) package if there is a disruption in your cash flows or there is loss of income. However, you must take into account that the interest on the loans, though not mandatorily payable immediately and gets postponed by three months, continues to accrue on your account and results in higher cost," IBA, an association of banks, said.

To give you a perspective, it said, "suppose your loan outstanding is Rs 1,00,000 and you are charged 12 per cent rate of interest on your loan, then every month you are liable to pay Rs 1,000 as interest. In case you opt not to service the interest every month, you are liable to pay interest at 12 per cent per annum, and accordingly you will pay Rs 3,030.10 at the end of 3rd month".

Similarly, in case the interest rate is 10 per cent, you are required to pay Rs 833 per month, or Rs 2,521 after three months, it had said.

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