

# COVID-19: PM Modi to hold meeting of banks, NBFCs to deliberate on vision and roadmap for future

By: FE Bureau

Published: July 29, 2020 7:15 AM

RBI governor Shaktikanta Das has advised banks and other financial institutions to proactively raise and conserve capital to be able to beat the stress.



X

The meeting is also expected to focus on improving credit flow and gauging the impact of the Rs 21-lakh-crore Atmanirbhar package. (File image)

Prime Minister [Narendra Modi](#) will hold a crucial virtual meeting of top executives of banks, non-banking financial companies (NBFCs) and government officials on Wednesday to “deliberate on the vision and roadmap for the future”, amid fears of a massive Covid-induced spike in bad loans.

“The topics on agenda include credit products & efficient models for delivery, financial empowerment through technology, prudential practices for stability and sustainability of the financial sector,” the Prime Minister’s Office said in a statement. The meeting is also expected to focus on improving credit flow and gauging the impact of the Rs 21-lakh-crore Atmanirbhar package.

## RELATED NEWS

---

Vijay Shekhar Sharma’s Paytm Money gets a new CEO in Varun Sridhar

---

What ails India’s banks: Moody’s, S&P Global flag risks around Asian lenders

---

Narendra Modi to troubleshoot issues with banks, NBFCs today; credit growth, financial stability on cards

The meeting comes at a time when the Covid-19 outbreak has ravaged the economy, accentuated a slowdown in credit growth and raised apprehensions of a spurt in bad loans, as businesses remained shut during a nation-wide lockdown.

In its Financial Stability Report, the [RBI](#) has forecast that gross non-performing assets may jump from 8.5% at the end of March 2020 to 12.5-14.7% by March 2021, depending on the severity of economic stress.

Several businesses have pitched for a one-time restructuring of loans to beat the Covid stress. To soften the blow to businesses and individuals, the central bank has already offered a repayment moratorium by six months through August. However, corporate honchos like Deepak Parekh has cautioned against further extending the moratorium on ground that some borrowers are misusing the scheme.

While the moratorium is offering some relief, lenders may find a wave of loans turning bad once the relief ends in August, according to the central bank.

RBI governor Shaktikanta Das has advised banks and other financial institutions to proactively raise and conserve capital to be able to beat the stress.

Overall credit growth continues to remain at nearly half the level during the last two fortnights at 6.2% and 6.1%, respectively, compared to last year’s level of 12.0% (as of July 5, 2019 and June 21, 2019), as bankers turned risk averse and demand, too, remained subdued. “As

most of the metropolitan region is still under lockdown and slowdown in the economic activities, the credit pickup is weak. Banks are cherry picking their credit portfolios with caution, hence credit growth of banks is expected to remain slower in the near term,” according to a [CARE Ratings](#) report.

The government had announced a Rs 21 lakh crore package up to May, which included relief for sectors like MSMEs, NBFCs, agriculture, horticulture and fisheries. The package includes collateral-free, extra working capital loans for MSMEs (up to 20%) with official guarantee, which was expected to benefit 45 lakh MSME units. It also had provisions for facilitating Rs 75,000-crore liquidity for NBFCs under two schemes. The Prime Minister subsequently announced that the free grain supply scheme will be extended by five months through November, which will cost the government Rs 90,000 crore more.

Various economists and analysts have predicted an up to 7% contraction in GDP growth in FY21, while they are divided over the possibility of a sharp recovery in FY22. However, economic affairs secretary Tarun Bajaj last week exuded confidence that the economy would witness a V-shaped recovery as early as FY22.



**Subscribe to Financial Express' weekly SME newsletter for latest and all-round coverage from the world of the biggest business in India - the Micro, Small and Medium Business.**

**Subscribe**

Get live [Stock Prices](#) from [BSE](#), [NSE](#), [US Market](#) and latest NAV, portfolio of [Mutual Funds](#), calculate your tax by [Income Tax Calculator](#), know market's [Top Gainers](#), [Top Losers](#) & [Best Equity Funds](#). Like us on [Facebook](#) and follow us on [Twitter](#).

