GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
STARRED QUESTION NO: *133
TO BE ANSWERED ON THE 1st JULY, 2019/ASHADHA 10, 1941 (SAKA)

Liquidity Crisis in NBFCs

***133: SHRI RAVNEET SINGH BITTU:**

Will the Minister of FINANCE be pleased to state:

(a) whether the Government proposes to solve the liquidity crisis being faced by the NBFCs in the country;
(b) if so, the details thereof including the measures taken by the Government to address the issue;
(c) whether the Government proposes to strengthen the Reserve Bank of India in dealing with the NBFCs by amending the Banking Regulation Act, 1949, if so, the details thereof and if not, the reasons therefor; and
(d) whether the Government plans to recapitalise the struggling NBFCs such as IL&FS/DHFL and if so, the details thereof?

ANSWER
To be answered by
FINANCE MINISTER
(Smt. Nirmala Sitharaman)

(a) to (d): A statement is laid on the Table of the House.

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Statement as referred to in reply to parts (a) to (d) of Lok Sabha Starred Question no. *133 for answer on 01st July, 2019/Ashadha 10 (Saka), 1941 regarding "Liquidity Crisis in NBFCs" by SHRI RAVNEET SINGH BITTU, Hon'ble Member of Parliament

(a) to (d): Non-Banking Finance Companies (NBFCs) are regulated and supervised by the Reserve Bank of India (RBI) as per powers vested in it under the provisions contained in Chapter IIIB of the Reserve Bank of India Act, 1934. RBI has informed that it is closely monitoring the liquidity position of the NBFCs and will continue to monitor the activity and performance of the NBFC sector with a focus on major entities and their inter-linkages with other sectors. RBI has further informed that with a view to strengthen the NBFCs and maintain stability of the financial system, RBI has been taking necessary regulatory and supervisory steps.

As per RBI inputs, a number of measures have been taken to improve the liquidity for NBFCs including, *inter alia,* the following:

(i) Open market operations were conducted, in addition to regular Liquidity Adjustment Facility auctions, to inject liquidity in financial markets.
(ii) RBI permitted special dispensation to banks up until 31st March 2019, whereby their incremental credit to NBFCs and HFCs after October 19, 2018, could be treated as high quality liquid assets for calculation of Liquidity Coverage Ratios.
(iii) The single-borrower exposure limit for NBFCs that do not finance infrastructure was increased from 10 percent to 15 percent of capital funds, up to 31st March 2019.
(iv) Banks were permitted to provide partial credit enhancement for non-deposit accepting systematically-important NBFCs registered with RBI and HFCs registered with NHB as per guidelines.
(v) RBI reduced the minimum average maturity requirement for External Commercial Borrowings in the infrastructure space raised by eligible borrowers from five years to three years.
(vi) To encourage NBFCs to securitise/assign their eligible assets, the Minimum Holding Period requirement for originating NBFCs was relaxed till December 2019.
(vii) NBFCs were provided regulatory concessions to enable restructuring of MSME loans.
(viii) NBFCs with assets over Rs. 5,000 crore have been asked to appoint a Chief Risk Officer to improve the standards of risk management.

Government has received a proposal from RBI to strengthen RBI's regulatory and supervisory powers under the Reserve Bank of India Act, 1934, and the same is under consideration.

Government, from time to time, infuses capital in public sector NBFCs based on an objective assessment of requirements. There is no proposal under consideration of the Government to recapitalise private NBFCs.

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