GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UN-STARRED QUESTION NO. 3539

ANSWERED ON 16th MARCH, 2020/PHALGUNA 26, 1941 (SAKA)

PCG Scheme

3539. SHRI SHANMUGA SUNDARAM K.:

Will the Minister of FINANCE be pleased to state:

(a) whether the Government is bringing a Partial Credit Guarantee (PCG) scheme to cover assets pool that are rated BBB+ or higher to the cash strapped Non-Banking Finance Companies (NBFC) and Housing Finance Companies (HFCs);

(b) if so, the details thereof including its implementing agency and the funds to be created by the Government;

(c) the details of the benefits to the Banks in their risk management of non-performing assets;

(d) whether RBI will take over the full control of the NBFCs and HFCs in monitoring their performance directly; and

(e) if so, the details thereof and if not, the reasons therefor?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE

SHRI ANURAG SINGH THAKUR

(a) to (c): The Government has issued the revised Partial Credit Guarantee Scheme (PCGS) on 11.12.2019 for providing Guarantee to Public Sector Banks (PSBs), limited to first loss of upto 10% of fair value of assets being purchased by the banks under the Scheme or Rs. 10,000 crore, whichever is lower, for purchasing BBB+ or higher rated pooled assets from financially sound Non-Banking Financial Companies (NBFCs)/Housing Finance Companies (HFCs) fulfilling the eligibility criteria prescribed under the Scheme. The proposals under the Scheme for purchase of pooled assets submitted by PSBs are evaluated by Small Industries Development Bank of India (SIDBI) in terms of guidelines contained in the Scheme, which then forwards the proposal to the Government with specific recommendation on execution of Government Guarantee or otherwise. The Scheme aims to help NBFCs/HFCs in addressing their temporary liquidity or cash flow mismatch issues. Considerable margin of safety for PSBs, with respect to the asset pools purchased by them is also inbuilt in the Scheme which stipulates that only asset pools rated BBB+ or above, which is higher than the minimum investment grade are to be covered under the Scheme. In addition, the Scheme also stipulates that the NBFC/HFC from which the assets are to be purchased should be financially sound having the minimum prescribed regulatory capital to risk weighted assets ratio (CRAR) as on 31.3.2019, its non-performing asset should not be more than 6% as on 31.3.2019, it should have made a net profit in at least one of the last two preceding financial years (*i.e.* FY 2017-18 and 2018-19) and it should not have been reported under SMA-1 or SMA-2 category by any bank for its borrowings during the last one year prior to 1.8.2018.

(d) to (e): The Reserve Bank of India Act, 1934, as amended from time to time, contains various provisions with respect to the regulation of NBFCs. The Act has been amended in 2019 to further empower Reserve Bank of India (RBI) *inter alia* to supersede the Board of an NBFC (other than Government Company) or remove its director(s), amalgamate or reconstruct or split it in public interest or for financial stability; remove and debar auditors; and to cause an inspection or audit of any group company of an NBFC, and its book of accounts.

Further, in order to strengthen the regulatory architecture for Housing Finance Companies, the National Housing Bank Act, 1987 has also been amended in 2019 to vest powers for regulation of HFCs, which were earlier vested with National Housing Bank (NHB), with RBI.

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