GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO.5124

To be answered on the 4th April 2022/Chaitra 14, 1944 (Saka)

Covid-19 and Lockdown Impact on Financial Sector

5124. SHRI RAHUL RAMESH SHEWALE: SHRI CHANDRA SEKHAR SAHU:
DR. PRITAM GOPINATHRAO MUNDE: SHRI GIRISH BHALCHANDRA BAPAT:

Will the Minister of FINANCE be pleased to state:

(a) whether it is true that due to the Covid-19 outbreak and lockdown, the financial sector has more difficulties than medical emergencies in the country;

(b) if so, the details thereof;

(c) whether there was no cogent plan with the Government nor with the Reserve Bank of India to avoid the worst financial situation;

(d) if so, the details thereof;

(e) whether the measures taken by the Government are not enough to improve the conditions of the small-scale industries, homeloan borrowers and other small borrowers; and

(f) if so, the details thereof along with the corrective measures taken by the Government to improve the situation?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(DR. BHAGWAT KARAD)

(a) to (f): Financial sector, like many other sectors, has faced difficulties during the Covid-19 pandemic period. However, due to the sustained efforts and timely interventions by the Government and Reserve Bank of India (RBI), the stress in the banking system has been addressed effectively. The various measures taken to minimise the impact of the Covid-19 pandemic on the financial sector include, *inter alia*, the following —

(i) grant of a moratorium of six months on payment of all term loan instalments falling due between 1.3.2020 and 31.8.2020, without asset classification downgrade;
(ii) deferment of recovery of interest on working capital during the moratorium period and allowing repayment of accumulated interest as funded interest term loan till March 2021;
(iii) concessions in timelines for resolution to be adhered to by lenders under RBI's Prudential Framework on Resolution of Stressed Assets, with extension of resolution timelines to exclude the period from 1.3.2020 till 31.8.2020;

(iv) to incentivise new credit flow to the micro, small, and medium enterprise (MSME) borrowers, Scheduled Commercial Banks (SCBs) were allowed to deduct credit disbursed to 'New MSME borrowers' from their net demand and time liabilities (NDTL) for calculation of Cash Reserve Ratio (CRR). This exemption was available till 31.12.2021;

(v) rescheduling of payments and other reliefs on account of Covid-19 Pandemic under Covid-19 Regulatory Package– Term Loans and Working Capital Facilities;

(vi) permitted lending institutions to implement resolution plans /restructuring in respect of eligible loan accounts having stress on account of the pandemic, without classifying the loan account as a non-performing asset. Such plans/restructuring may *inter alia*, include grant of moratorium on repayment of loans and interest reliefs to borrowers, *vide* its circulars dated 6.8.2020 and 5.5.2021;

(vii) loan guarantee scheme for Covid affected sectors (LGSCAS) to provide guarantee coverage for the funding provided by SCBs to eligible projects in the healthcare sector for setting up of or modernising/expanding (1) hospitals/ dispensaries/clinics/medical colleges/ pathology labs/ diagnostic centres; (2) facilities for manufacturing of vaccines/oxygen/ventilators/ priority medical devices; (3) public healthcare facilities;

(viii) emergency credit line guarantee scheme (ECLGS) was launched to extend emergency credit facilities to business enterprises /MSMEs to meet their addition working capital / term loan requirement, which has now been extended up to March-2023 and Rs. 5 lakh crore, including additional increase provided of Rs. 50,000 crore to hospitality and related sectors;

(ix) term liquidity facility of Rs. 50,000 crore to ease access to Emergency Health Services; and

(x) on-tap liquidity window of Rs. 15,000 crore for Contact-intensive Sectors.

Aided by the proactive measures, as per RBI data of sectoral credit deployment, credit growth of micro, small and medium industries has improved from 11.72% to 14.80% and of housing sector from 8.06% to 9.28%, in December-2020 *(y-o-y)* and December-2021 *(y-o-y),* respectively.

Also, as a result of the above measures, key health parameters of Public Sector Banks (PSBs) and SCBs such as capital to risk weighted assets ratio, net non-performing assets ratio, provision coverage ratio, net profit, etc. have shown improvement from FY 2019-20 to FY 2020-21 and further to, in the first nine months of FY 2021-22. Further, all PSBs have registered net profit in the first nine months of FY 2021-22.

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