

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
RAJYA SABHA
UNSTARRED QUESTION NO - 205

Answered on the 5th December, 2023/ Agrahayana 14, 1945 (Saka)

DIFFICULTY FACED BY BORROWERS TO MAKE TIMELY REPAYMENT

205. SHRI V. VIJAYASAI REDDY:

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that retail borrowers, particularly in rural and semi-rural areas, are finding it hard to make timely repayment in view of uneven monsoon, sluggish demand, and high-interest rates;
- (b) whether it is also a fact that there is incipient stress in the MSME sector;
- (c) to what extent, repo rate increase of 250 basis points since May 2022, affected the repayment capabilities of the above sectors and how Government is planning to address them; and
- (d) to what extent is ECLGS, moratorium, and debt recast helping them to come out of stress?

ANSWER

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

(a) to (c): As per information received from the Reserve Bank of India (RBI), the NPA in retail loans of Schedule Commercial Banks (SCBs), including that of in rural and semi-rural area, has declined from 2.22% in March-21 to 1.45% in March-23, even while the retail advances grew by compounded annual growth rate (CAGR) of 18.9% during the same period. The NPA in MSME loans of SCBs declined from 9.9% in March-21 to 5.5% in March-23, even while the MSME advances grew at CAGR of 13.8%, during the same period.

The policy repo rate increased by 250 bps (from 4.0% to 6.50%) between May 2022 till date. The declining trend of NPA in retail loans from 2.25% in March 2022 (before repo rate hike) to 1.75% in June 2023 and from 7.57% to 5.58% during the same period for MSME loans, indicates improved repayment in these segments.

(d): RBI vide its circulars dated 07.06.2019, 06.08.2020 and 05.05.2021 had enabled lenders to implement a resolution plan, which include, inter-alia, rescheduling of payments, granting of moratorium to eligible borrowers, who are/ were facing stress due to several unfavourable conditions. The Emergency Credit Line Guarantee Scheme (ECLGS) was launched as part of Aatmanirbhar Bharat Abhiyaan to support eligible Micro, Small and Medium Enterprises (MSMEs) and business enterprises in meeting their operational liabilities and restarting their businesses in the context of the disruption caused by the COVID-19 pandemic. As per inputs received from National Credit Guarantee Trustee Company (NCGTC), support under the ECLGS was targeted to otherwise well performing units facing liquidity issue due to lockdown during Covid19. Around 1.19 crore borrowers have been provided collateral free loans amounting to around Rs.3.68 lakh crore under the scheme. The NPA in ECLGS stood at 5.5% as on 31.10.2023, indicates that the scheme has been able to address issues of stress in these businesses despite severe crisis induced by covid19.
