

● RBI BOARD MEET

Finmin keen on boosting MSME credit, NBFC liquidity

Not to press higher surplus transfer by RBI for now

FE BUREAU
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THE FINANCE MINISTRY will seek immediate solutions to the issues of MSME credit and NBFC liquidity in the central bank's board meeting on November 19, official sources said on Wednesday, adding that discussions on the central bank's capital framework could be continued even after the meeting. This indicates a thaw in the relations between the government and RBI.

The sources said the government's priority at this juncture



is to boost credit flows to small and medium enterprises (SMEs) and non-bank finance companies (NBFC).

In the forthcoming board

meeting, being held for the second time in two months, the finance ministry and RBI might also try to reach an mutually-agreeable solution

on the former's proposal to relax the Prompt Corrective Action (PCA) framework for weak banks so that their immediate lending capacity is boosted. Economic affairs secretary Subhash Chandra Garg recently said the government was not seeking ₹3.6 lakh crore from the central bank to meet its fiscal requirements. However, he admitted that a proposal was under discussion to 'fix' an appropriate economic capital framework of RBI.

While the RBI has recently acceded to some of the demands from the government – it allowed more bank lending to NBFCs and relaxed the terms for Indian firms to raise overseas debt – the intractable ones are the issues of capital transfer and the PCA framework.