

GOVT. ISSUES GUIDELINES FOR ₹1 TRILLION PARTIAL CREDIT**GUARANTEE FOR NBFCs**

Prelims Tag: Economics, Banking, NBFCs, Budget

Mains: GS-III- Government Budgeting

Why in News?

- ▶ In pursuance of the announcement made in the Union Budget 2019-20 the Government has issued a scheme regarding partial credit guarantee on 10.8.2019.

Scheme Highlights:

- ▶ The Scheme would enable the public sector banks (PSBs) to purchase pooled assets of financially sound NBFCs amounting to Rs. one lakh crore.
- ▶ It is expected that this measure would provide liquidity to the NBFC Sector and, in turn, enable them to continue to play their role in meeting the financing requirements of the productive sectors of economy including MSME, retail and housing.

Details of the Scheme:

- ▶ **Name of the Scheme:** 'Partial Credit Guarantee offered by Government of India (GoI) to Public Sector Banks (PSBs) for purchasing high-rated pooled assets from financially sound Non-Banking Financial Companies (NBFCs)/Housing Finance Companies (HFCs)'.
- ▶ **Objective:** To address temporary asset liability mismatches of otherwise solvent NBFCs/HFCs without having to resort to distress sale of their assets for meeting their commitments.
- ▶ **Validity of the scheme:** The window for one-time partial credit guarantee offered by GoI will open from the date of issuance of the Scheme by the Government for a period of six months, or till such date by which Rupees One lakh crore assets get purchased by banks, whichever is earlier.