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RBI Bulletin - May 2021

The Reserve Bank of India today released the [May 2021](#) issue of its monthly Bulletin. The Bulletin includes Governor's statement, one Speech, two Articles and Current Statistics. This issue also includes Report of the Advisory Committee on Ways and Means Advances to State Governments.

The two articles are: I. State of the Economy; II. Performance of NBFCs during the Pandemic: A Snapshot.

I. State of the Economy

Highlights

The ferocity of the COVID-19 second wave has overwhelmed India and the world. War efforts have been mounted to stop the second surge in its tracks. Real economy indicators moderated through April-May 2021. The biggest toll of the second wave is in terms of a demand shock - loss of mobility, discretionary spending and employment, besides inventory accumulation, while the aggregate supply is less impacted. The resurgence of COVID-19 has dented but not debilitated economic activity in the first half of Q1: 2021-22. Although extremely tentative at this stage, the central tendency of available diagnosis is that the loss of momentum is not as severe as at this time a year ago.

II. Performance of NBFCs during the Pandemic: A Snapshot

NBFCs play an important role in the Indian financial intermediation space by complementing bank credit, undertaking niche financing and promoting financial inclusion. As the COVID-19 pandemic disrupted economic activities significantly, Non-Banking Financial Companies (NBFCs) were hit hard. Sieving through supervisory data, this article analyses the performance of select NBFCs during Q2 and Q3: 2020-21.

Highlights

- The consolidated balance sheet of NBFCs grew at a slower pace in Q2 and Q3:2020-21. However, NBFCs were able to continue credit intermediation, *albeit* at a lower rate, reflecting the resilience of the sector.
- The Reserve Bank and the Government undertook various liquidity augmenting measures to tackle COVID-19 disruptions, which facilitated favourable market conditions as indicated by the pick-up in debenture issuances.

- Among sectors NBFCs lend to, industrial sector, particularly micro and small and large industries, were the hardest hit by the pandemic as they posted decline in credit growth.
- NBFCs in the retail loan sector stayed ahead of the curve aided by their relatively low delinquency.
- Profitability of the sector improved marginally in Q2 and Q3:2020-21 as NBFCs' expenditures registered a steeper fall than income. The asset quality of NBFCs improved in Q2 and Q3:2020-21, *vis-à-vis* Q4:2019-20, on account of regulatory forbearance to mitigate the impact of COVID-19.

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