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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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