Partial Credit Guarantee Scheme

**Syllabus subtopic:** Government policies and interventions for development in various sectors and issues arising out of their design and implementation.

**Context:** Partial Credit Guarantee Scheme for NBFCs gets cabinet nod.

**Key features of the scheme:**

It allows for purchase of high-rated pooled assets from financially-sound non-banking financial companies (NBFCs) and housing finance companies (HFCs) by public sector banks (PSBs).

The scheme would cover NBFCs and HFCs that might have slipped into “SMA-0” category during the one-year period prior to August 1, 2018, and asset pools rated “BBB+” or higher.

The window for one-time partial credit guarantee offered by the government would remain open till June 30, 2020 or till such date by which Rs 1 lakh crore worth of assets get purchased by the banks, whichever is earlier.

The Finance Minister would have the power to extend the validity of the scheme by up to three months by taking into account its progress.

**Significance:**

The proposed Government Guarantee support and resultant pool buyouts will help address NBFCs/HFCs resolve their temporary liquidity or cash flow mismatch issues.

This will also enable them to continue contributing to credit creation and providing last mile lending to borrowers, thereby spurring economic growth.