

FHRAI seeks RBI intervention on on-tap liquidity window scheme

The Federation of Hotel & Restaurant Associations of India (FHRAI) in a memorandum to the Reserve Bank of India (RBI) Governor, Shaktikanta Das has sought his urgent intervention on the challenges faced by the hospitality industry stakeholders in leveraging the benefits of the on-tap liquidity support scheme of the Government of India because of the non-cooperation of the banks. The scheme announced in June this year was the only sector-specific intervention by the government to support the hospitality sector.

The On-tap liquidity scheme was launched to provide liquidity support of INR 15,000 crore till March 31, 2022 with tenors of up to three years, where the banks could provide fresh lending support to hotels and restaurants. As per the scheme, the banks were permitted to park their surplus liquidity up to the size of the loan book created under this scheme with the Reserve Bank at a rate which is 25 basis points (bps) lower than the repo rate.

In its letter, the FHRAI says that its members' applications for liquidity support under the scheme have been turned down by the banks on various pretexts. The banks are demanding 100 percent collateral against the loans, which is against the guidelines of the scheme, FHRAI says in its letter.

“This kind of apathetic attitude of the banks and financial institutions are bringing a bad name to the whole-hearted efforts of the government to revive the economy from the unprecedented losses it has suffered due to Covid. It is also hurting badly the survival efforts of hospitality sector to meet its urgent funding requirements for making the vital payments accrued during the pandemic and stay afloat,” FHRAI says.

The FHRAI appealed to the RBI Governor to issue a directive to the Banks and financial institutions to comply with the guidelines of the Scheme and adopt a facilitative approach in processing the applications. It also asked to explore the possibility of designating a few nodal banks for the scheme and a proper redressal forum to sort out the issues related with the scheme, the letter added.