

Banks given Liquidity Facility of 50,000 crore to improve access to Emergency Health Services

Credit Support Measures announced for Individuals, Small Businesses and MSMEs

RBI relaxes overdraft facility for state Governments

Come forward to address challenges posed by second wave, while remaining on guard against future waves: RBI Governor

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The RBI Governor Shri Shaktikanta Das today announced a series of measures to support the nation's fight against the second wave of COVID-19 infections.

"Alleviating any constraint from the financing side for all stakeholders – government, hospitals and dispensaries, pharmacies, vaccine/medicine manufacturers/importers, medical oxygen manufacturers/suppliers, private operators engaged in the critical healthcare supply chain, and above all the common man who may be facing sudden spike in health expenditure – requires a comprehensive targeted policy response. Small businesses and financial entities at the grassroot level are bearing the biggest brunt of the second wave of infections" said Mr Das.

The measures form the first part of a calibrated and comprehensive strategy against the pandemic, said the Governor.

1. Term Liquidity Facility of 50,000 crore to Ease Access to Emergency Health Services

Term Liquidity Facility of Rs. 50,000 crore with tenure of up to 3 years, at repo rate, to ease access to emergency health services, for ramping up COVID-related health infrastructure & services. Banks can give fresh lending support to variety of stakeholders under this facility. This lending facility will be available up to March 31, 2022. Banks will be provided incentives to provide credit under this facility.

2. Special Long Term Repo Operations for Small Finance Banks

In order to provide further support to micro, small and other unorganized sector entities, 3-year repo operations of Rs. 10,000 crore at repo rate, for fresh lending up to Rs 10 lakh per borrower; facility is available up to 31 October, 2021.

3. Lending by Small Finance Banks (SFBs) to MFIs for on-lending to be classified as priority sector lending

In view of fresh challenges, SFBs are now permitted to regard fresh on-lending to MFIs with asset size up to Rs. 500 crore, as priority sector lending. This facility will be available up to 31 March, 2022.

4. Credit flow to MSME Entrepreneurs

To further incentivize inclusion of unbanked MSMEs into banking system, exemption provided in February, 2021 wherein scheduled banks were allowed to deduct credit given to new MSME borrowers from Net Time & Demand Liabilities for calculation of CRR, is now extended to December 31, 2021.

5. Stress Resolution Framework 2.0 for Individuals, Small Businesses and MSMEs

Following set of measures have been announced to relieve stress faced by most vulnerable categories of borrowers – namely individuals, borrowers and MSMEs.

a) Individuals, borrowers and MSMEs with aggregate exposure up to Rs. 25 crore, who have not availed restructuring under any previous frameworks, who were classified as standard on 31 March, 2021, will be eligible to be considered under Resolution Framework 2.0. Restructuring under new framework can be invoked till September 30, 2021 and will have to be implemented within 90 days after invocation.

b) For individuals and small businesses who have availed restructuring of loans under Resolution Framework 1.0, where moratorium of less than 2 years was permitted, lending institutions can now increase the period and/or extend residual tenure up to a total period of 2 years.

c) In respect of small businesses and MSMEs restructured earlier, lending institutions are now permitted to review working capital sanction limits, as a one-time measure.

6. Rationalization of KYC norms for enhanced customer experience

Steps being proposed include: a) Extending scope to video KYC for new customer categories such as proprietorship firms, b) Conversion of limited KYC accounts to fully KYC compliant accounts, c) Introduction of more customer-friendly options in KYC updating and d) enabling the use of KYC Identifier of Centralised KYC Registry (CKYCR) for V-CIP and submission of electronic documents as identify proof

7. Floating Provisions and Countercyclical Provisioning Buffer

Banks can now use 100% of floating provisions held by them, as on December 31, 2020, for making specific provisions for NPAs; such utilization is permitted up to March 31, 2022.

8. Relaxation of overdraft facility for states

Maximum number of days of overdraft in a quarter for state governments has been increased from 36 to 50 days. The number of consecutive days of OD has been increased from 14 to 21 days; facility available up to September 30, 2021.

“My faith is brightest in the midst of impenetrable darkness” – Mahatma Gandhi

Quoting the Father of The Nation, the RBI Governor Shri Shaktikanta Das, observed that India has mounted a valiant defence to ramp up vaccines and medical support while fighting a ferocious rise in infections and mortalities in the second wave, after having flattened infections. Shoring up livelihoods and restoring normalcy in access to workplaces, education and incomes becomes an imperative in such a situation, he pointed out.

In order to match the devastating speed of the virus, swift, wide-ranging, sequenced and well-timed actions which reach out to various sections, including the most vulnerable has to be taken. In this connection, he lauded the contribution of health care workers, law enforcement and other frontline workers who have been battling the pandemic selflessly.

RBI will closely monitor the impact of second wave of COVID-19 on macroeconomic and financial conditions, he said. “We will work closely with the Government to alleviate extreme travails being undergone by citizens”, he stated in course of his address.

Given below are some highlights of his assessment of the current economic situation:

- Global economy is showing signs of recovery
 - IMF has in April, 2021 revised global growth projections for 2021 to 6% from 5.5%, on the assumption of availability of vaccines in advanced economies (Aes) and some emerging market economies (EMEs) by the summer of 2021 and in most other countries by the second half of 2022
 - Agriculture sector continues to be resilient with a record food grain production in 2020-21, which provides food security and support to other sectors.
 - IMD's forecast of normal monsoon is also expected to sustain rural demand and overall output in 2021-22, thereby soothing inflationary pressures.
 - Localized and targeted containment measures are enabling businesses and households to adapt. Hence, effect on aggregate demand is expected to be moderate in comparison to last year.
 - CPI inflation is dubbed to 5.5% in March, 2021 from 5.0% in February, 2021, on the back of a pick-up in food and fuel inflation and Normal monsoon should help contain food price pressures, especially in cereals and pulses.
 - Merchandise imports and exports continue to witness robust growth performance, even in April 2021.
 - Foreign exchange reserves give us confidence to deal with global spill-over
 - Domestic financial conditions will remain easy, given abundant surplus liquidity
- Given the positive market response, he announced that second purchase of Government securities for Rs. 35,000 crore will be conducted on May 20, 2021.

The Governor concluded that the second wave is not insurmountable. Stating the immediate objective, which is to preserve human life and restore livelihoods through all means possible, the RBI Governor stated that RBI is battle-ready to ensure financial conditions remain congenial and markets continue to work efficiently. In this, the RBI is committed to go unconventional and devise new responses as per demand, said Shri Das.

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