



- ✓ At the end of FY 2021, our economy was well poised, relative to peers. In a few weeks since then, the situation has altered drastically with the ferocious 2nd wave causing severe strains on healthcare and medical facilities, vaccine supplies and frontline health personnel.
- ✓ As a silver lining, domestic financial conditions assure abundant and surplus system liquidity and the 2nd purchase of G-Sec for an amount of ₹35,000 crore under G-SAP 1.0 will be conducted on May 20, 2021. With system liquidity assured, the RBI is now increasingly channelizing its liquidity operations to support growth impulses
- ✓ Therefore, to shore up confidence in the economy, the RBI has undertaken the following targeted measures to alleviate financial constraints for all stakeholders.

On tap Term liquidity facility for emergency health services

- ✓ Immediate on-tap liquidity of ₹50,000 crore opened till March 31, 2022, for ramping up COVID related healthcare infrastructure and services with up to 3 years tenors @ repo rate.
- ✓ Banks to provide fresh PSL support to vaccine manufactures; importers/suppliers of vaccines and priority medical devices; hospitals/dispensaries; pathology labs; manufactures and suppliers of oxygen and ventilators; importers of vaccines and COVID related drugs; logistics firms and patients for treatment.
- ✓ Banks are expected to create a COVID loan book under the scheme. As an additional incentive, banks will be eligible for a 40 bps incentive on the Reverse Repo Rate to park their surplus liquidity up to the size of the COVID loan book with the RBI

Special Long Term Repo Operations (SLTRO) for Small Finance Banks

- ✓ To provide further support to MSMEs, and other unorganised sector RBI to conduct special 3 year SLTRO of ₹10,000 crore @repo rate for the SFBs, to be deployed for fresh lending of up to ₹10 lakh per borrower. This facility will be available till October 31, 2021.

SFB lending to MFIs for on-lending to be PSL

- ✓ To address the emergent liquidity position of smaller MFIs, SFBs are now being permitted to reckon fresh lending to smaller MFIs (with asset size of up to ₹500 crore) for on-lending to individual borrowers as priority sector lending. This facility will be available up to March 31, 2022.

Additional Moratorium for MSMEs and Individuals

- ✓ Lenders are now permitted to allow additional 2 years moratorium to individual borrowers and MSMEs who have availed restructuring of their loans earlier under Resolution Framework 1.0.
- ✓ For MSMEs restructured earlier, lenders are also permitted as a one-time measure, to review the working capital sanctioned limits and other reassessment criteria

States allowed relaxation in Overdraft Facilities (OD)

- ✓ To enable the State Governments to better manage their fiscal situation in terms of their cash-flows and market borrowings, the maximum number of days of OD in a quarter is being increased from 36 to 50 days and the number of consecutive days of OD from 14 to 21 days. This facility will be available up to September 30, 2021.

Rationalisation of KYC process

- ✓ it has been decided to rationalise certain components of the extant KYC norms with the RABI allowing and extending the scope of video KYC known as V-CIP (video-based customer identification process) for certain categories.

Our View

The immediate objective is to preserve human life and restore livelihoods through all means possible. The second wave, though debilitating, is not unsurmountable. These decision by the RBI has come amid a renewed threat to growth due to the resurgence of coronavirus cases in the country. In our view, RBI has demonstrated its commitment to preserving life and livelihood & growth through maintaining adequate liquidity in the economy, which augurs well for 2021-22. RBI's policy announcements today can give our economy a fresh stimulant.