

RBI Announces Slew Resolution 2.0

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The Reserve Bank of India (RBI) said on May 5 that it has full confidence in Indian resilience against the second wave of Covid-19 and that it is keeping a close eye on all aspects of the Indian economy. In that direction, the RBI Governor Shaktikanta Das announced a number of schemes and measures for the industry, banks, and financial institutions to help those sectors that are in need of liquidity. As liquidity support, RBI has asked banks to maintain a Covid Loan Book.

Among various measures, RBI said it is allowing the opening of the second window to individual, small borrowers having up to Rs 25 crore loans for restructuring if such a measure had not been availed earlier. RBI has also announced a further rationalization of KYC compliance norms enabling video-based KYC for certain categories. It also announced an easing of rules for availing overdraft facilities for state governments up to September 30, 2021.

RBI on May 5 announced measures including an "On Tap" liquidity of Rs 50,000 for the public and to ease access to emergency health services. The loan will be available till 31 March 2022 and the tenor of the loan will be three years.

Banks would now be able to provide fresh lending support to those engaged in the manufacturing/import/supply of vaccines, medical devices, oxygen, ventilators, Covid-related drugs, path-labs among others till March 31, 2022. He also announced a three-year Special Long-Term Repo Operations (SLTRO) of Rs 10,000 crore at repo rate for small finance banks (SFBs) to be deployed for fresh lending of up to Rs 10 lakh per borrower. This facility would be available till October 31, 2021, Das said. Then RBI governor also said that the SFBs lending to Micro Finance Institutions (MFIs) would be categorized as a priority sector amid the ongoing Covid-19 pandemic.

Dr. Niranjana Hiranandani, President, NAREDCO said, "The Reserve Bank of India (RBI) Governor Shaktikanta Das today announced COVID relief measures for small businesses, individuals, and MSMEs. While doing so, the RBI Governor said, 'RBI will continue to monitor the emerging Covid-19 situation and will deploy all resources and instruments at its command especially for the citizens, business entities, and institutions beleaguered by the second wave'. This pro-active move on his part is positive for India's beleaguered economy, which was on the path to recovery from the impact of the pandemic in 2020 but is facing the challenge of the second wave."

Veena Sivaramakrishnan, Partner, Shardul Amarchand Mangaldas & Co. said the crucial change is the expected extension of one-time restructuring as an option for individuals and MSMEs. "Since December and what was seen at the Financial Year-end too, it was anticipated that some relief from asset downgrade for the borrower and provisioning requirements for the lenders, would be the need of the hour. Other entities would also seek similar extension, if not other concessions in due course," she said.

Reacting to the measures, experts said RBI has proactively stepped in to address the financial challenges arising due to the second wave of the pandemic. "The Central Bank has announced a COVID loan book to support those directly involved in addressing the pandemic (healthcare sector) with on-tap liquidity of INR 50,000 crore to banks," said Dr. Samantak Das, Chief Economist and Head of Research & REIS, JLL India. "Other than individual borrowers, this will provide major relief to real estate linked SME players especially suppliers of input material for the sector. The working capital review will also help these stakeholders to tide over their liquidity issues as their cash flows have been partly impacted due to the recent lockdown restrictions in various states," he added.

"The three-year facility, which the banks can advance, to the tune of Rs 50,000 crore, is a good measure to immediately help ramp up medical and healthcare facilities. The benefits of this will help enhance capacity for the longer term as it covers diagnostic, preventive as well as combative aspects of healthcare. The smaller entities like microfinance institutions also benefit from the current package, which will bring some relief to them too which is one of the worst affected sectors as of now," said Joseph Thomas, Head of Research, Emkay Wealth Management.

Vijay Kalantri, chairman MVIRDC World Trade Center, Mumbai said the RBI should ensure that the liquidity it has infused under its earlier TLTRO window is flowing to small microfinance institutions. "It is alleged that only large NBFC MFIs are able to benefit from this TLTRO, which was announced last year," he said.

Nish Bhatt, Founder & CEO, Millwood Kane International - an investment consulting firm said the measures announced will support the funding requirements of the healthcare, medical facilities, beef-up vaccine manufacturing for domestic inoculation. "MSMEs and individuals' borrowers will benefit from the extension in the moratorium. The RBI's intent to take further measures if need be to provide relief, focus on the post-COVID future will send the right signal for the markets," he said.