



RBI's Measures to Fight Covid-Second Wave

Why in News

Recently, the [Reserve Bank of India \(RBI\)](#) announced a series of measures to support the nation's fight against the [second wave of Covid-19 infections](#).

- The measures form the **first part of a calibrated and comprehensive strategy** against the [pandemic](#).
- Earlier in 2020 also the [RBI took measures to help deal with the economic fall out](#) of the pandemic.

Key Points

- **Term Liquidity Facility for Supporting Healthcare Infrastructure:**
 - Term Liquidity Facility of **Rs. 50,000 crore** with **tenure of up to 3 years**, at [repo rate](#), **to ease access to credit for providers of emergency health services**.
 - Under the scheme, **banks will provide fresh lending support to a wide range of entities**, including vaccine manufacturers, importers/suppliers of vaccines and priority medical devices, hospitals/dispensaries, pathology labs, manufacturers and suppliers of oxygen and ventilators, and logistics firms.
 - These **loans will continue to be classified under priority sector** till repayment or maturity, whichever is earlier.
 - This lending **facility will be available up to 31st, March 2022**.
- **Special Long Term Repo Operations for Small Finance Banks:**
 - RBI would conduct **special three-year long-term repo operations (SLTRO) of Rs. 10,000 crore at repo rate** for small finance banks (SFBs).
 - **Long Term Repo Operation** is a tool under which the **central bank provides one-year to three-year money to banks at the prevailing repo rate**, accepting government securities with matching or higher tenure as the collateral.
 - The SFBs would be able to deploy these funds for fresh lending of up to Rs. 10 lakh per borrower.
 - This is to **provide further support to small business units, micro and small industries, and other unorganised sector entities** adversely affected during the current wave of the pandemic.
- **Priority Sector Lending:**
 - [Small Finance Banks \(SFBs\)](#) are now permitted to regard fresh on-lending to [Microfinance institutions \(MFIs\)](#) with **asset size up to Rs. 500 crore**, as priority sector lending.
 - This facility will be available up to **31st, March 2022**.
- **Credit flow to MSME Entrepreneurs:**

- To further incentivize inclusion of unbanked **Micro, Small and Medium Enterprises (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 **Cash Reserve Ratio (CRR)**, is now extended to 31st December, 2021.
- **Stress Resolution Framework 2.0:**
 - This Framework is to **relieve stress faced by** most vulnerable categories of borrowers – namely **individuals, borrowers and MSMEs**.
 - Individuals, borrowers and MSMEs **who have not availed any restructuring** will be eligible to be considered under **Resolution Framework 2.0**.
 - For individuals and small businesses **who have availed restructuring of loans under Resolution Framework 1.0**, lending institutions can now extend residual tenure up to a total period of 2 years.
 - Lending institutions are now **permitted to review working capital sanction limits, as a one-time measure**.
- **Floating Provisions and Countercyclical Provisioning Buffer:**
 - In order to mitigate the pandemic related stress on banks and as a measure to enable capital conservation, **banks are being allowed to utilise 100% of floating provisions** held by them as **31st December, 2020**, for making specific provisions for **Non-Performing Assets (NPAs)**.
 - Countercyclical provisioning buffers and floating provisions broadly **refer to the specific amount that banks need to set aside in good times above the mandatory provisioning requirement as prescribed by RBI**, these are used only in contingencies or extraordinary times of economic or system-wide downturns. **Banks have started building such reserves since 2010**.
- **Relaxation of Overdraft Facility for States:**
 - **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 overdraft (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 is available up to **30th September, 2021**.
 - Earlier, the **Ways and Means Advance (WMA)** limits of states were enhanced.
- **Rationalization of Knowing Your Customer (KYC) Norms:**
 - The RBI has also decided to **extend the scope of video KYC** (know-your-customer) or **V-CIP** (video-based customer identification process) **for new categories of customers** such as proprietorship firms, authorised signatories and beneficial owners of legal entities.

Way Forward

- 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, have to be taken.
- India has mounted a valiant defence to ramp up vaccines and medical support while fighting 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.**

[Source: PIB](#)

