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RBI FISCAL RELIEF MEASURES 2.0

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RBI-Fiscal Relief MEASURES

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In continuation of its efforts to support the economy further, the RBI Governor in his 2nd press conference unveiled another set of incentives to support the economy in combating the effects of the COVID-19 contagion. Several of these steps are aimed at further easing the liquidity situation in the country.

Liquidity Management (Targeted Long -Term Repo Operations – TLTRO)

- ✓ TLTRO 2.0 targeting INR 50,000 crore to be undertaken in tranches based on pattern of utilization
- ✓ TLTRO investments can be classified as HTM (Held – to – Maturity)
- ✓ Money raised through TLTRO 2.0 must be invested in Investment Grade Bonds of NBFCs
- ✓ Banks required to invest 50% of these funds from TLTRO 2.0 in small and mid – sized NBFCs and MFIs

Refinancing Facilities for All India Financial Institutions (AIFIs)

- ✓ INR 50,000 crores to be provided to financial institutions to ensure smooth lending in the specific areas being catered to by them:
  - NABARD – INR 25,000 crores
  - SIDBI – INR 15,000 crores
  - NHB – INR 10,000 crores
- ✓ Advances under this facility will be charged at RBI's policy repo rate at the time of availing this facility.

Liquidity Adjustment Facility (LAF)

- ✓ Reduction in Reverse Repo Rate by 25 bps to 3.75% in a move to encourage Banks to lend more
- ✓ Absorption of INR 6.9 lakh crore by RBI as on 15.04.2020 under Reverse Repo operations

Ways & Means Advances (WMA)

- ✓ The WMA for States was earlier increased by 30%
- ✓ Further increase by 60% in WMA for states, over and above the level as on 31.03.2020, to combat difficulties in these times

Regulatory Services

- **Liquidity Coverage Ratio (LCR)**
  - ✓ LCR of Scheduled Commercial Banks brought down to 80% from 100%
  - ✓ To be restored in phases: up to 90% by 01.10.2020 and 100% by 01.04.2021
  - ✓ Loans granted by NBFCs to receive similar benefit as given by SCBs
- **No dividend payouts from Banks till further notice**
- **NPA Norms:**
  - ✓ 90 – day NPA norm to exclude the moratorium period
  - ✓ Banks to maintain a higher provisioning of 10% on standstill accounts
- **Date for commencement for commercial operations (DCCO)**
  - ✓ DCCO w.r.t loans to commercial real estate projects delayed due to uncontrollable reasons can be extended by an additional year

Other Pointers

- ✓ Inflation may settle below target of 4% by H1FY21
- ✓ CPI Inflation for March 2020 declined by 70 bps to 5.9% (data as on 19.03.2020)
- ✓ RBI's liquidity injection marked at 3.2% of GDP since 06.02.2020 to 27.03.2020
- ✓ Forex Reserves valued at $476.5 billion which is equivalent to 11.8 months of imports for India
- ✓ Systematic liquidity Surplus averaged at INR 4.36 lakh crores as of March end 2020
- ✓ Period for implementation of resolution plan for stressed assets extended by 90 days

Our View

"Liquidity enhancements for the SMEs and NBFCs and increase in WMA for the states portray a sense of urgency in the efforts by the RBI to provide relief for NBFCs, MFIs and other small institutions that have been facing a liquidity crunch. Not only will they get an infusion of liquidity from the new TLTRO facility, but they would now also find it easier to borrow from their traditional lending sources (NABARD, SIDBI and NHB) following the refinancing move. Asset re-classification of NPAs will enable borrowers to obtain further credit from other institutions to tide over their needs during these hard times."

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Our Services

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- Corporate Finance

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- Exit advisory
- Asset Management Tool

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- Internal Audit
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- DAS Audit
- Compliance Management
- Process Improvement
- Cost Reduction
- Working Capital Optimization
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- Secretarial

IT Risk, Forensics

- Information Security Management Services
- Forensics
- Technology Risk Solution
- Security Risk Management
- Creative Training Solution