RBI's Second Lockdown Stimulus

Why in news?

The RBI has announced a second set of financial measures to combat the lockdown impact on the economy.

What are the measures?

- The RBI has increased the Ways and Means Advances (WMA) limit of the state governments by 60% over the level as on March 31, 2020.
- It has extended a special refinance facility of ₹50,000 crore to NABARD, SIDBI and NHB.
- There will be an asset classification standstill during the moratorium period for accounts that were not NPAs as of March 1.
- Most of these RBI measures are liquidity maintenance measures.

What do these measures mean?

- State finances have got some breathing space through the 60% increase of WMA limit.
- The special refinance facility extended to NABARD, SIDBI and NHB will help them to prop up their respective constituents.
- With asset classification standstill, the RBI has relieved the borrowers who were worried about the moratorium turning them into NPAs.

Why banks are not lending currently?

- The RBI has reduced the reverse repo rate by 25 basis points to 3.75%
- [**Reverse repo rate** is the rate at which the RBI borrows money from commercial banks within India.]
- By reducing this rate, the banks have parked as much as ₹6.9-lakh crore with the RBI as on April 15.
- This is the time, when banks will have to be extending help for working capital loans and overdrafts to their borrowers, including MSMEs.
- The government could help here by extending a credit assurance scheme.
- This will encourage banks to be more liberal in their risk outlook.

What could be done?

- The objective now should be to keep the economy afloat by deploying all the instruments at the RBI’s command.
- The RBI has done what it can.
- It is now over to the government for the fiscal support package.

Source: The Hindu

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