

RBI Governor tells state-owned banks to implement Covid reliefs

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Reserve Bank of India (RBI) governor Shaktikanta Das on Wednesday told heads of public sector banks to ensure that the recent measures announced by the central bank are implemented in the right earnest.

Das met chief executives of state-owned lenders through video conference and the meeting was also attended by deputy governors M. K. Jain, M. Rajeswar Rao, Michael D. Patra and T. Rabi Sankar, the central bank said in a statement.

"In his opening remarks, the governor acknowledged the important role being played by public sector banks (PSBs) in extending various banking facilities including credit facilities to individuals and businesses while tackling the challenges brought on by the pandemic," the statement said.

Other issues discussed in the meeting include current state of the financial sector; credit flows to different sectors including to small borrowers; progress in the implementation of covid-19 resolution framework 1.0; monetary policy transmission; and the implementation of covid-related policy measures.

"He also urged the banks to continue focussing on steps to enhance the resilience of their balance sheets," the statement added.

The second wave of the coronavirus pandemic has dashed hopes of a quick revival of the economy. What now seems clear is that FY22 is not going to be as fruitful as was earlier estimated, with restrictions to contain the spread of the virus leading to renewed lockdowns, albeit localized. Moreover, since public sector banks have a larger exposure in the India's loan market than their private peers, they therefore are a vital link to smoother flow of credit in the economy.

On 5 May, RBI announced a series of liquidity measures to help banks support the healthcare infrastructure and small borrowers impacted by second covid wave. Das had said the central bank will make available an on-tap liquidity window of ₹50,000 crore to support healthcare infrastructure and a special three-year special long-term repo operation (SLTRO) of ₹10,000 crore for small finance banks (SFBs).

Stepping in to rescue and small business borrowers with loans of up to ₹25 crore, the regulator also allowed lenders to restructure their debt and offer some respite from the stress induced by the second wave of the covid-19 pandemic.

Eligible categories would include consumer credit, education loan, loans given for creation or enhancement of immovable assets like housing, and loans for investment in financial assets like shares and debentures. It will also include loans taken by individuals for business purposes. Small businesses, including those engaged in retail and wholesale trade other than those classified as micro, small and medium enterprises (MSMEs) will also be eligible.