

RBI Announcements as on 27.3.2020

* RBI governor Shakti Kanta Das announced that RBI has cut repo rate by 75 basis points to 4.4%.

(Repo rate is the rate at which the central bank of a country lends money to the commercial banks in the event of any shortfall in the funds; the previous rate was 5.15% which has reduced to 4.40% i.e. fall of 75 points; this rate has been reduced for easy and economical borrowing by the commercial banks to meet the demands of the public for funds in this situation of corona - virus outbreak)

* The Reverse Repo rate has been reduced by 90 basis points to 4%.

(Reverse repo rate is the rate at which the RBI borrows money from the commercial banks within the country; this step to reduce reverse repo rate is taken to maintain financial stability and revive growth. Also as the commercial banks will get less interest from RBI, so it makes it unattractive for banks to passively deposit funds with RBI and instead lend it to the productive sectors)

* Cash Reserve Ratio (CRR) of all banks has been reduced by 100 basis points to 3% of net demand and time liabilities, with effect from the fortnight beginning 28.3.20 for a period of one year.

(CRR is the minimum amount of deposit that the commercial banks have to hold as reserves with the central bank; with reduce in such rate the banks can lend it to productive sectors for better earning)

* Lending institutions have been allowed to place a 3 month moratorium on the payment of term loan installments EMIs.

(Moratorium is a legal authorization to debtors to postpone payment; this step is taken to remove any kind of immediate financial pressure; the deferring of interest on working capital will not be classified as default and will not impact the credit history of the borrower)