

RBI eases regulatory norms for exporters and small borrowers

Reserve Bank of India decided to keep the policy rate unchanged at its 25th Monetary Policy Committee (MPC) meeting which concluded today.

However, the central bank has relaxed regulations and taken some liquidity enhancing measures to promote flow of credit to the small enterprises, exporters and the real estate sector.

Firstly, the central bank decided to buy state government loans and infuse liquidity into the market in the wake of the rising borrowing requirement of the state government with the outbreak of the pandemic.

Secondly, RBI relaxed the norms for caution-listing of exporters given the hardships faced by exporters in realizing payments from their overseas buyers. According to the regulation issued in 2016, the RBI's Export Data Processing Management System (EDPMS) automatically classifies exporters under the caution list if their shipping bill remains open i.e. unrealised for more than two years.

The RBI decided to relax this practice of caution-listing given that exports are facing delays in realizing payment from their overseas buyers after the outbreak of the pandemic. Consequently, the RBI decided to discontinue the system-based automatic caution-listing. The RBI will henceforth undertake caution-listing on the basis of case-specific recommendations of the Authorised Dealer (AD) banks. This decision will provide flexibility to exporters in the realisation of export proceeds and empower them to negotiate better terms with overseas buyers.

In order to promote greater flow of credit to small enterprises, the RBI increased banks' exposure limit to such borrowers to Rs. 7.5 crore from Rs. 5 crore earlier. The central bank also relaxed guidelines for risk weights assigned to housing loans in order to promote support demand for housing units and thereby support recovery in the real estate sector.

In yet another measure, the RBI allowed all NBFCs, including Housing Finance Companies to collaborate with banks and extend credit to underserved sectors under the "Co-Lending Model". The "Co-Lending Model" is expected to leverage the comparative advantages of banks and NBFCs in a collaborative effort, and improve the flow of credit to the unserved and underserved sectors of the economy.

The central bank removed licensing and business uncertainty for Payment System Operators by granting authorisation for all such operators (new applicants as well as existing PSOs) on a perpetual basis (instead of the current norm of offering license to a limited number of years).

Lastly, RBI decided to make available the RTGS system round the clock on all days from December 2020 to create a 24x7x365 large value real time payment system in the country. This will facilitate swift and seamless payments in real time for domestic businesses and institutions.

Notifications

PIB

PM delivers keynote address at Invest India Conference in Canada

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1662857>

Clarification on Iron ore Exports

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1662853>

Minister invites American investors to India

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1662602>

DGFT

Amendment in export policy of onion

<https://content.dgft.gov.in/Website/dgftprod/7a0518d8-8e63-48e5-b428-373fa8a96209/Noti%2039%20Eng.pdf>