RBI's Measures to Fight Economic Disruptions

Why in News

The **Reserve Bank of India (RBI)** has extended the realisation period of export proceeds and Ways and Means Advance (WMA) limit of state governments.

- Further, the central bank has provided relief to the banking sector's capital requirements.
- These steps have been taken to cushion the economic impact of the **coronavirus pandemic** and lockdown.
- These steps have come after the **RBI recently cut repo rate by 75 basis points.**

Key Points

- **Extended the Realisation Period of Export Proceeds**
  - The time period for realisation and repatriation of export proceeds made up to or on July 31, 2020 has been **extended to 15 months** from the date of export.
  - Earlier, the value of the goods or software exports made by exporters is required to be **realised fully and repatriated to the country within nine months from the date of exports.**
  - The measure will enable exporters to realise their receipts, especially from COVID-19 affected countries, within the extended period, and also provide greater flexibility to exporters to negotiate future export contracts with buyers abroad.
  - Export activities have been disrupted in the wake of the pandemic and lockdown in many countries.

- **Increased Ways and Means Limit**
    - RBI has **formed an advisory committee** to review the **Ways and Means limit** for State governments and Union Territories.
    - Till the panel submits its report, the **RBI has increased the Ways and Means advances limit by 30%** for States and union territories.
    - The revised limits will come into force with effect from April 1, 2020 and will be valid till September 30, 2020.
    - Recently, the **Central Government has hiked Ways and Means Advance (WMA) limit** with the **Reserve Bank of India (RBI)** by 60%.
    - The **'Ways and Means Advances'** is a **scheme** that **helps meet mismatches in receipts and payments of the government.** Under this scheme, a government **can avail itself of immediate cash from the RBI.**
- **Deferred Counter Cyclical Capital Buffer (CCyB)**
    - The RBI has deferred the implementation of **Counter Cyclical Capital Buffer** (CCyB) for banks.
    - It has decided that it is not necessary to activate CCyB for a period of one year or earlier, as may be necessary.
    - **CCyB** is the **capital** to be kept by a bank **to meet business cycle related risks.**
        - It is aimed to protect the banking sector against losses from changes in economic conditions like recession.
        - This is an important theme of the **Basel III norms.**

Source: TH