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Research Paper

Measures Used By RBI to Revive the Indian Economy 2020-21 from the First Phase of Covid-19

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ABSTRACT
Atmanirbhar Bharat (self-reliant India) campaign is an umbrella concept of making India a most powerful economy. It focuses on self-sustaining and self-generating India in almost all areas. This is giving importance to economic development of India during and after Covd-19 pandemic. As per this campaign, Government of India announced (12th May 2020) a comprehensive package of Rs. 20 lakh crores (i.e. equivalent to 10% of India's GDP) to fight against Covid-19 virus. As a central bank, RBI has a spinal role in this. So the article focused on what are the measures taken by RBI to revive the infected Indian economy from first wave of Covid-19 based on the secondary data available various reports of RBI and Government and leading newspapers. Reserve Bank of India has also participated effectively for making our economy successful from the infected portion by first wave of Covid-19. It has developed and utilized different monetary weapons to revive Indian Economy and used measures for that and it shows a V-shaped economic recovery. The important methods used by RBI to survive our economy in the first phase of Covid- 19 (2020-2021) are various changes in interest rates (repo, reverse repo, CRR, SLR and MSF) etc. These measures are more successful, creates Rs. 2.8 lakh crore liquidity to the Indian economy and it is equal to 1.4 percentage of GDP (since February 2020)
Key Words: *Atmanirbhar Bharat- RBI- Covid-19- - Monetary Policy 2021- Indian economy 2020-21- Weapons to revive Economy by RBI*

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I. INTRODUCTION

The Reserve Bank of India (RBI) is the backbone and strong and supporting word of Indian Economy. This came into India on 1st April 1935, but nationalized in the year 1949. It is located in a busy city of Mumbai, Maharastra. The main purpose behind the RBI is to focus and to regulate the Indian financial sector which is made up of the Commercial Banks, Financial Institutions and the Non-banking finance firms.

While comparing the central banks of other Nations like China, Russia, Kazakhstan, Turkey, Poland, RBI has bagged sixth rank in buying gold abroad. As per the statistics of last October, RBI 7.5 tonnes of Gold and its Forex reserves $ 450 billion. As per the reports of World Gold Council (WGC) RBI holds, 652.2 tonnes of Gold and it is 6.6 per cent of the Forex reserves. As per the Flexible Inflation Targeting Framework (FITF) and its Inflation target for the period of five years from 5th August 2016 to 31st March 2021, the Consumer Price Index (CPI) to be 4 per cent. The Central Government of India has announced that, the CPIs upper and lower tolerance limit will be 6 and 2 per cent.

COVID-19

It is an infected disease caused by Corona Virus with common symptoms of fever, dry cough, tiredness and body pain. After the peak of the first wave of Covid-19 (September, 2020), India is facing the second wave from first week of March 2021 onwards. Second wave is more dangerous than the first one. The Government of India has adopted good measures to overcome from these pandemic by using its own vaccines named as Covaxin and Covishield. The first Covid-19 case is reported in Thrissur District of Kerala on 27th January 2020. Vaccination campaign is going to completed first and second dose among population in India. Many people have lost their precious life and create more shocks in our economy due to this Covid-19. All most of all people in India is following the rules, regulations instructions of Ministry of Health and keeping the safety by using Mask, Soap, Sanitizer and Social Distance. The people are also following the Lockdown insisted by Central Government and various State Governments (first lockdown in India 24th March 2020- for 21 days).

MONETARY POLICY 2021

In order to regulate and supervise overall financial system of India, RBI uses a clear cut weapon and it is Monetary Policy. As per the situational changes in Indian economy, RBI has modified its Monetary Policy with the help of the opinion from the very efficient team under Monetary Policy Committee of RBI. Reserve Bank of India tries to decrease the supply of money or increase the cost of fund for maintaining a good control on demand of goods and services in the Indian economy.

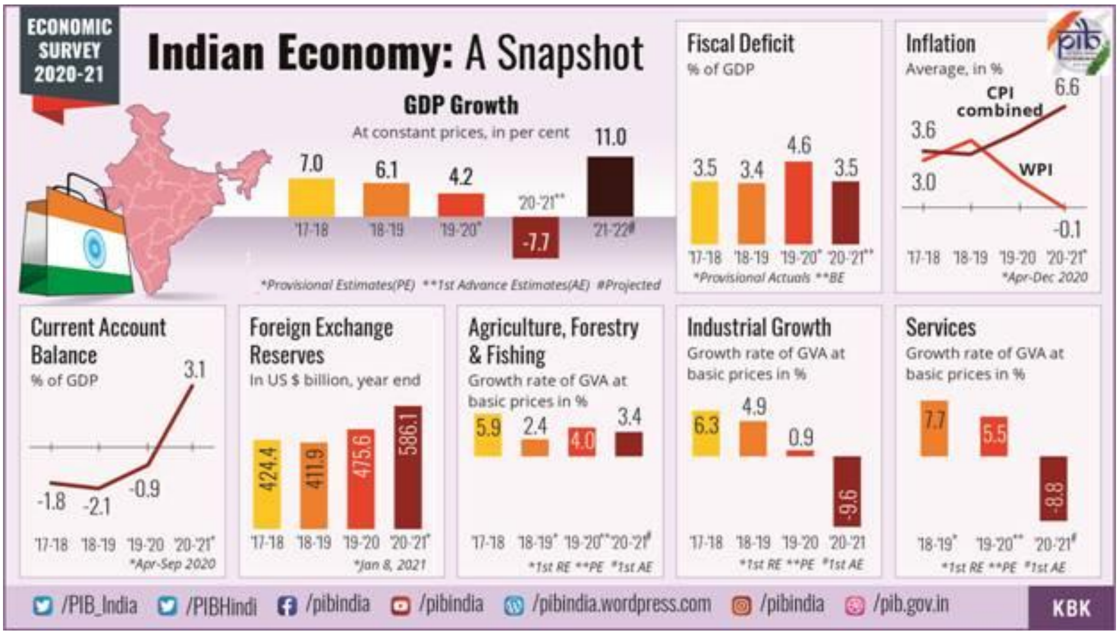
The quantitative and qualitative tools used by RBI to control the money circulation in Indian economy includes, CRR (3.00%), SLR (18%), Open Market Operations (OMP), Margin requirements, Moral suasion and Selective credit control. The Market Stabilization Scheme (MSS) includes Bank Rate (4.25%), Liquidity Adjustment Facility (LAF) like Repo (4.00%), Reverse Repo rate (3.35%) and Marginal Standing Facility rate (MSF) (4.25%).

RBI prepares Monetary Policy for Indian economy to create more savings and investment, increase exports and reduce imports, create more employment opportunities, infrastructural development and good and efficient banking sector.

ASSESSMENT OF INDIAN ECONOMY 2020-21

The Indian economy is the middle income developing market economy and the sixth largest economy by normal GDP in the whole world and ranked 138th by GDP (nominal) and 122th by GDP (PPP) in 2020 (IMF report). The dream of people in India looks that; India will attain a good position in its economy in the near future. But, this positive expectation is affected by the Covid-19 pandemic. It affected whole human life and one-fourth of Indian economic activity. But the Government of India has taken good measures by insisting Vaccination, Lockdown, Social distancing, wearing mask and sanitization. We the people are so proud and thankful to our ministry of health, doctors, nurses and all. All most all in India have co-operated positively, unfortunately we are under second chase of Covid – 19. But we the Indians will overcome all these negative things through humanitarian concept.

India shows a V-Shaped economic recovery. It shows a green signal in various sectors. While we look into the GDP, its growth rate at constant price is -7.7% than 4.2% in 2019-20. It is expected to be in 11% for the year 2021-22. The fiscal deficit is decreased from 4.6(2019-20) to 3.5 (per cent on GDP). While looking into the inflation (average in per cent), the CPI increased from 3.6% (2017-18) to 6.6% in 2020-21). Our Current Account Balance on GDP increased from -0.9% (2019-20) to 3.1% (2020-21) and Forex reserve in US $ billion is 586.1 (2020-21), a small increase from 475.6 in 2019-20. Our sector wise growth rate shows that; Agriculture forestry and fishing (growth rate of GVA at basic price in per cent) 4.0 % (2019-20) to 3.4% (2020-21), Industrial Growth (growth rate of GVA at basic price in per cent) 0.9% (2019-20) to -9.6%(2020-21), Services (growth rate of GVA at basic price in per cent 5.5% (2019-20) to 8.8% (2020-21). India's merchandise export shows a growth rate of 0.1% in December 20214 (reached pre - Covid level). BSE index shows a good and hoping position at 91% jump from its low position of 25881 to high of 50000. A GST collection shows a record hike of over Rs. 1.15 lakh crore in December. Government revenue reduced and Government expenditure increased to 48.3 per cent on year -on -year basis (November 2020)



Source: https://pib.gov.in/PressRelease

RBI's MEASRUES FOR STRENGTHENING THE INFECTED ECONOMY BY COVID-19 (2020-21)

The incumbent Governor of RBI, Shaktikanta Das, IAS has announced different measures to keep our financial system effective and in stable condition. The important measures for different sectors are:-

❖ To improve the functioning of Financial Markets, refinancing facility to SIDBI has been extended for another 90 days and its special refinance facility is 15,000 crore. RBI by considering the difficulties faced by Investors and their custodians, announced a special window for Foreign Portfolio Investment under Voluntary Retention Route (VRR) and the relaxation is 6 months than the earlier rule of least 75% of the allotted investment limit be invested within three months

❖ To strengthen exports and imports: exporters are allowed a higher period (exiting one year to 15 months) bank loan for pre-and post-shipment (for disbursements made up to July 31, 2020.) and for imports, the time for import payments of normal imports ((that is: excluding import of gold/diamonds and precious stones/jewellery)) has extended from six months to twelve months from the date of shipment (This will be applicable for imports made on or before July 31, 2020.). For promoting India's foreign trade, RBI announced a line of credit of Rs. 15,000 crore to the EXIM banks.

❖ To reduce the financial stress: it includes the moratorium for those people who have taken term loan from the banks and it is very beneficial for them. This has extended for 3 months and the total moratorium is six months from 1st March 2020 to 31st August 2020. The lending institutions have been permitted to restore the margins for working capital to their original levels by March 31, 2021. Similarly, the measures pertaining to reassessment of working capital cycle are being extended up to 31st March, 2021 and Lending institutions have been allowed to convert the accumulated interest on working capital facilities over the total deferment period of 6 months (i.e. March 1, 2020 up to August 31, 2020) into a funded interest term loan, to be fully repaid during the course of the current financial year, ending March 31, 2021. The maximum credit which banks can extend to a particular corporate group has been increased from 25% to 30% of the bank's eligible capital base.

❖ To reduce the constraints faced by State Governments, RBI relaxed the rules and allowed the Governments to borrow more from Consolidated Sinking Fund.

In an overall, RBI cuts repo rate by 75 bps to 4.4 (last in October 2019), reverse repo by 90 bps to 4%, Cash Reserve Ration by 100 bps (1% to 3%), Long Term Repo Operations(LTRO) for making further liquidity to banks and Net Stable Funding Ratio (NSFR) to provide plenty of fund for various activities. As per the RBI's report (since February 2020) injected Rs. 2.4 lakh crore of liquidity to the Indian economy and it is 1.4% of GDP.

II. CONCLUSION

Reserve Bank of India has been given too much importance for the revival of infected economy out of COVID-19. It has adopted the nine measures for the revival; as a result our economy shows a little hope position of improvement in the year 2020-21. But we know that, this New Year 2020-21 came with some problems of 2nd wave of COVID-19. Even though our economy shows a point of growth in the future and has the capacity to regain its existing and little more growth than 2019-20. RBI's nine additional measures for strengthening Indian economy show a positive symbol of V –Shaped Economic Recovery in 2020-21. There is also a good support to the Self-Reliant India Package. In V-Shaped economy, V will stand for Vaccine and has developed successfully and put in use a Vaccine (Covaxin and Covishied) against Covid-19 and it also successful. He Central Government of India along with Reserve Bank has also taken good measures to fight against second wave of Covid-19 and its effect on Indian economy in 2021-22. Even though the economy infected by little by Covid-19, India's long-term growth perspective is living through the faith in its efficient young population.

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