

# Business Standard

## RBI has taken steps to smoothen impact of Covid wave: Deputy Governor Jain

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Press Trust of India | New Delhi June 18, 2021 Last Updated at 21:27 IST



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challenges, RBI Deputy Governor M K Jain on Friday said both the central bank and the government have taken steps to mitigate its impact.

He also said the domestic banking system is strong, as per the preliminary data for the quarter ended March 2021.

"I am happy to inform that the banking sector was in strong position when COVID-19 hit...the preliminary data suggest that in terms of CRAR that has been improved upon, the profitability has been improved upon, provision coverage ratio that has also been improved over the previous year, and the gross NPA as well as net NPA has come down," he said.

Jain was addressing a virtual conference organised by the India International Centre (IIC) and Research & Information System for Developing Countries (RIS).

Observing that the COVID-19 second wave has some challenging aspects, he said both the RBI and the government are dealing with this and taking steps to smoothen the impact on the financial system.

The central bank has announced a slew of measures in the last two months to help flow of credit to the desired sectors and maintain adequate level of liquidity in the system.

Earlier this month, RBI kept its benchmark interest rate unchanged in view of elevated level of retail inflation.

Jain said the RBI strives to ensure financial resilience of banks and NBFCs by prescribing a set of micro prudential norms like minimum capital requirements.

To maintain resilience, he said, the RBI has asked financial entities to undertake stress tests at regular intervals and accordingly take risk mitigation measures.

Jain further said the financial system, both in India and overseas, is witnessing rapid shifts in the operating environment due to changing competitive landscape, automation and increasing regulatory supervisory expectations.

The Reserve Bank of India has put in place various regulations to improve the governance in banks and make them more resilient, he emphasised.

"In addition, banks have also made improvements in the risk management capacities. Yet, the changing operating and risk environment requires banks to be vigilant, strong and agile so as to identify risks early and absorb the shocks and be able to adapt to the newer ground realities.

"I am hopeful that banks and other financial institutions in India will rise to the challenge, continue to demonstrate the resilience and be able to contribute to a USD 5 trillion economy and beyond," he said.

Talking about the link between financial system and climate resilience, Jain said while insurance companies directly face the climate risk, banks are also required to take into account such risks more seriously.

In addition to mitigating operational risk arising out of climate extremes, he said there is a need for the financial system to move towards green financing, keeping in mind the development requirement of the country.

"While as of now RBI has not come out with any regulatory prescriptions, but we are evaluating all those aspects and then at the appropriate time after evaluating all the things a call may be taken," he said.