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# RBI extends loan relief

## Borrowers can skip EMIs for 3 months; repo rate cut to 4%

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NEW DELHI, DHNS

**T**he Reserve Bank of India on Friday relieved borrowers of repaying bank loans for three more months till August 31. It also made fresh loans cheaper by cutting key interest rates to help the Covid-hit economy, which is headed for a contraction in 2020-21 — the first time in 41 years.

The central bank's dual move of rate cut and allowing borrowers more time to repay loans is expected to help businesses struggling to stay afloat when the pandemic has led to a collapse in demand and the fiscal stimulus is less than satisfactory. It will also help individuals whose EMIs on home and car loans may have got delayed due to loss of income.

The moratorium will also apply to credit card bills, for

which no late payment fee will be applicable at the end of six months, but banks will continue to levy interest as usual on the outstanding amount.

The RBI surprised the street by a deep 40 basis points cut in repo rate (rate at which it lends to banks) at an unscheduled press briefing early Friday. The repo rate now stands at 4%, the lowest in two decades.



Shaktikanta Das

The reverse repo is at 3.35%, down from 3.75%. Repo rate has been lowered by 115 bps since March 27, soon after the lockdown began.

The rate cut failed to cheer investor sentiment as the Sensex fell 260 points and the Nifty lost 67 points, dragged down by banking and financial shares. The rupee too lost a bit of its weight. RBI Governor Shaktikanta Das said economic growth will stay in the negative zone in 2020-21 but promised new tools to boost growth.