

RBI'S GUNS BOOM: ON LOCKDOWN RELIEF**India's financial system will need more support as the virus crisis evolves**

The Reserve Bank of India (RBI) finally rolled out its big guns on Friday to fight the effects of the coronavirus on the financial system. Businesses were clamouring for relief and Governor Shaktikanta Das's measures address the crucial factor of sustaining system liquidity while offering palliatives to individuals and businesses. The measures seem to have been designed assuming the best-case scenario that the country will be able to fight off the maleficent effects of the virus in the next few weeks. But there is no certainty over how long this uncertainty will prolong which means that Mr. Das's announcements, as indeed that of Finance Minister Nirmala Sitharaman on Thursday, can only be the initial steps needed to protect the economy. There will be more to do as the crisis evolves; governments and regulators are reacting to events, as opposed to being proactive, simply because this is a kind of crisis that they have not dealt with before. Viewed from this perspective, the RBI's steps are exactly what is needed at this point in time. They reflect the central bank's willingness to listen to impulses from the ground and its effort to stay ahead of the curve, which is laudable.

The sizeable rate cut will obviously make the headlines though its impact will be largely on sentiment. Existing borrowers will benefit assuming that banks pass on the cut quickly — it is hoped that they really do so — but there is going to be nothing like the cut spurring fresh investment, which will be the last thing on the minds of businessmen. To that extent the size of the cut appears a trifle too large. But where the RBI scores is in the liquidity enhancement measures that it has unveiled. The sum total of new long-term repo operations of ₹1-lakh crore, and ₹1.37-lakh crore each from the cut in cash reserve ratio and increase in marginal standing facility (overnight borrowings by banks from the RBI) adds up to a very significant ₹3.74-lakh crore. Together with the ₹2.8-lakh crore pumped in through various market interventions since February, the RBI's liquidity injection amounts to a whopping 3.4% of GDP. To be sure, there will be consequences of heightened liquidity but that is a problem for another day. The priority is to keep the system lubricated. The moratorium on term loans and deferment of interest on working capital loans will reduce anxiety among businesses and individuals who will see a fall in income/cash flows. The central bank has also done the right thing by widening the policy rate corridor — the reverse repo rate cut is 15 basis points more than that in the repo rate. This will hopefully push banks away from their 'lazy banking' practices and force them to lend more. In sum, it is a good start by the RBI but it needs to keep thinking on its feet and react quickly as the situation evolves.

Meanings of Difficult Words:

- ❖ **boom** (verb) – figuratively "do well".
- ❖ **lockdown** (noun) – a state of isolation; confinement, restraint, encirclement.
- ❖ **evolve** (verb) – develop, progress, advance.
- ❖ **roll/pull out the big guns** (phrase) - to get serious about a problem and deal with it.
- ❖ **coronavirus** (CoV)(noun) – a large family of viruses that cause illness ranging from the common cold to more severe diseases. Common signs of infection include respiratory symptoms, fever, cough, shortness of breath and breathing difficulties. In more severe cases, infection can cause pneumonia, severe acute respiratory syndrome, kidney failure and even death.
- ❖ **clamour** (verb) – protest, complain, demand, push.
- ❖ **address** (verb) – tackle, deal with, attend to, try to sort out.
- ❖ **sustain** (verb) – preserve, maintain/keep, bolster up.

- ❖ **liquidity** (noun) – the availability of liquid assets; liquidity means liquid assets; cash; (liquid asset is an asset which can be easily sold/converted into cash without losing its value); a measure of activity (i.e. the ability to buy or sell easily) in a market.
- ❖ **palliative** (noun) – an action aimed to mitigate/lessen a problem (without addressing the basic reason).
- ❖ **scenario** (noun) – course of events, situation.
- ❖ **fight off** (phrasal verb) - resist, repel, hold off, drive away.
- ❖ **maleficent** (adjective) - harmful, destructive, disastrous.
- ❖ **certainty** (noun) – assurance, sureness, sure thing.
- ❖ **uncertainty** (noun) – unpredictability, unreliability, riskiness/precariousness.
- ❖ **prolong** (verb) – extend, drag out, protract.
- ❖ **perspective** (noun) – standpoint, viewpoint, approach/angle.
- ❖ **point in time** (phrase) – a particular moment.
- ❖ **reflect** (verb) – indicate, show, display, represent.
- ❖ **impulse** (noun) – (strong & sudden) urge/instinct, compulsion, need.
- ❖ **ahead of the curve** (phrase) – above average; performing well, be better than (of its kind).
- ❖ **laudable** (adjective) – commendable, admirable, praiseworthy.
- ❖ **sizeable** (adjective) – substantial, considerable, significant.
- ❖ **rate cut** (noun) – a decision by a central bank (like RBI in India) to reduce its main interest rate to the banks (like SBI, ICICI & etc in India) when these commercial banks get money from the central bank. Once this rate goes down, the banks are in a position to give loans at lower interest rates to individuals and the industry.
- ❖ **make the headlines** (phrase) - to (suddenly) get a lot of attention (through news reports).
- ❖ **pass on** (phrasal verb) – to give someone something that someone else has given you.
- ❖ **spur** (verb) – stimulate, encourage, motivate.
- ❖ **a trifle** (phrase) – something of little value; a thing of no or little significance/importance.
- ❖ **score** (verb) - secure an advantage; be successful, make an impression, have an impact, go down well.
- ❖ **unveil** (verb) – present, announce, disclose/make public.
- ❖ **cash reserve ratio** (CRR) (noun) - a certain minimum amount of deposit that the commercial banks have to hold as reserves with the central bank. The proportion of liabilities which a bank has to set aside as cash.
- ❖ **marginal standing facility** (MSF) (noun) - Marginal standing facility (MSF) is a window for banks to borrow from the Reserve Bank of India in an emergency situation when inter-bank liquidity dries up completely. It is an overnight liquidity support provided by RBI to commercial banks with a higher interest rate over the repo rate.
- ❖ **add up to** (phrasal verb) – amount to, equal, be equivalent to.
- ❖ **pump in** (phrasal verb) - invest a large amount of money in (something).
- ❖ **injection** (noun) – introduction.
- ❖ **whopping** (adjective) – huge, massive, very large.
- ❖ **consequence** (noun) – outcome, ramification, repercussion.
- ❖ **heightened** (adjective) – increased, amplified, intensified.
- ❖ **lubricate** (verb) – make smooth, ease, facilitate.
- ❖ **moratorium** (noun) – a temporary suspension of an activity; embargo, ban, prohibition.
- ❖ **deferment** (noun) – postponement, delay, rescheduling.
- ❖ **policy rate corridor** (noun) - interest rate corridor (IRC); it refers to the area between the reverse repo rate and the MSF rate. Reverse repo rate will be the lowest of the policy rates whereas Marginal Standing Facility is something like an upper ceiling with a higher rate than the repo rate.
- ❖ **repo rate** (noun) – it is the rate at which the central bank of a country (RBI in case of India) lends money to commercial banks in the event of any shortfall of funds.

- ❖ **reverse repo rate** (noun) - it is the rate at which the central bank of a country (RBI in case of India) borrows money from commercial banks within the country.
- ❖ **push away** (phrasal verb) - refuse to be close with someone and to show that he/she does not want anyone's help.
- ❖ **lazy banking** (noun) - a method of banking where banks avoid lending or taking any risk and put their money in risk free investments is called lazy banking.
- ❖ **lend** (verb) – give, provide, offer.
- ❖ **in sum** (phrase) – briefly, to come to the point, in essence.
- ❖ **keep someone on his/her feet** (phrase) – keep someone to be stable, be viable, be alert.

TRIAL AND TURMOIL: ON ISRAEL GOVERNMENT FORMATION

Netanyahu has earned another reprieve, but it might not last long

Thursday's election of Benny Gantz, leader of the opposition Blue and White party, as Speaker of the Knesset, signals the path to a unity government in Israel after three inconclusive general elections in 12 months. In a U-turn, the former military general who was invited by Israel's President to form a government after the indecisive polls, nominated himself as leader of the legislature and won backing from members. The full implications of this latest twist in Israeli politics remain unclear. But Mr. Gantz had until now repeatedly rebuffed calls from Prime Minister Benjamin Netanyahu to collaborate on a unity government with a view to breaking the year-long political deadlock. He had even contemplated legislation to limit the Prime Minister's tenure to two-terms, as well as to block persons indicted for corruption from occupying the office. The target was Mr. Netanyahu, Israel's longest-serving leader who also faces trial in three cases of graft. While Mr. Gantz's latest move is possibly a response triggered by the pandemic, the sudden about-turn has caused outrage among supporters of Blue and White and its allies as a complete betrayal and could split the party.

But despite the awkward compromises involved, the political reconfiguration bodes well for democracy in Israel. Parliament was suspended after the March polls on the pretext of restrictions arising from the pandemic by Yuli Edelstein, the former Knesset Speaker and Netanyahu ally. That decision was subsequently overruled by the Supreme Court, which ordered Mr. Edelstein's successor to be chosen on Wednesday, forcing the latter's resignation. Mr. Gantz's elevation has averted the risk of a constitutional void. Politically, the step could be the first in a complicated process leading to a power-sharing arrangement with his arch-rival, Mr. Netanyahu and his Likud party. The new government would be confronted with the ticklish issue of Mr. Netanyahu's trial, which has already been postponed until May. While the Prime Minister has consistently denied any wrongdoing, a conducive climate for an independent investigation would infuse much confidence into the administration. Moreover, stitching together a viable coalition would be no mean challenge, given that Mr. Netanyahu, 70, remains a highly polarising figure. For instance, any support from the Joint List, the third largest bloc in the Knesset, comprising factions within Israel's Arab community, would depend on the extent of influence parties of the extreme right exert in any new government. With the 15 seats it controls, the bloc will manoeuvre hard for influence. With its strong anti-Arab stance, Avigdor Lieberman's Yisrael Beiteinu party — it has seven seats — would be another important factor. Mr. Netanyahu may have earned another reprieve. But after more than a decade in office, he cannot afford to underestimate the strength of sentiment against him.

Meanings of Difficult Words:

- ❖ **turmoil** (noun) – disorder, turbulence, confusion, trouble, chaos.
- ❖ **reprieve** (noun) – stay of execution; cancellation, suspension, postponement (of a punishment or something undesirable event).
- ❖ **not last long** (phrase) - to fail very quickly.
- ❖ **U-turn** (noun) - about-turn, reversal of policy, change of mind, sea change.
- ❖ **indecisive** (adjective) - inconclusive, indeterminate, undecided, contradictory.
- ❖ **backing** (noun) – support, help, assistance.
- ❖ **implications** (noun) – consequence/outcome, ramification, repercussion.
- ❖ **rebuff** (verb) – reject, refuse, decline.
- ❖ **collaborate** (verb) - join, cooperate, team up.
- ❖ **deadlock** (noun) – stalemate, impasse, checkmate/stand-off.
- ❖ **contemplate** (verb) – consider, think about, reflect on.
- ❖ **tenure** (noun) – incumbency, term of office, period in office.
- ❖ **block** (verb) - deter, check, obstruct/restrict.
- ❖ **indict** (verb) - charge with, accuse of, prosecute for.
- ❖ **graft** (noun) - corruption, bribery.
- ❖ **trigger** (verb) – give rise to, bring about, prompt.
- ❖ **pandemic** (noun) – the worldwide spread of a new disease; The illness spreads around the world and typically affects a large number of people across a wide area.
- ❖ **awkward** (adjective) – difficult, tricky.
- ❖ **compromise** (noun) – agreement, understanding, settlement.
- ❖ **reconfiguration** (noun) - reorganization, restructuring.
- ❖ **bode** (verb) - portend, indicate, predict, augur.
- ❖ **pretext** (noun) – a false reason/excuse given to do something by hiding the true purpose (which is usually a bad one); false excuse, alleged reason.
- ❖ **ally** (noun) – partner, supporter, accomplice/confederate.
- ❖ **subsequently** (adverb) – afterwards, later on, eventually.
- ❖ **overrule** (verb) – cancel, reverse, rescind, repeal.
- ❖ **successor** (noun) – heir, next-in-line, descendant.
- ❖ **elevation** (noun) – promotion, upgrading, advancement.
- ❖ **avert** (verb) – prevent, stop, avoid.
- ❖ **void** (noun) - emptiness, nothingness, blankness; becoming inoperative, ineffective, useless.
- ❖ **arch-rival** (noun) – adversary, opponent, nemesis.
- ❖ **confront with** (verb) – trouble, bother, distress, beset, annoy.
- ❖ **ticklish** (adjective) – tricky, problematic, controversial.
- ❖ **postpone** (verb) - delay, defer, reschedule, hold off.
- ❖ **consistently** (adverb) - always, each time, invariably.
- ❖ **wrongdoing** (noun) – misconduct, criminal act, lawbreaking.
- ❖ **conductive** (adjective) – helpful, favourable, beneficial/advantageous.
- ❖ **climate** (noun) – atmosphere, mood/temper, situation.
- ❖ **infuse** (verb) – add, impart, introduce.
- ❖ **stitch together** (verb) - join, repair, mend.
- ❖ **viable** (adjective) – manageable, feasible, effective.
- ❖ **polarising figure/personality** (noun) - someone whose personality has a tendency to divide, to sharply split opinions into opposite sides. Someone who splits people into opposite extremes.
