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# Bankers say RBI has no options to cut rates, want calibrated public spending to fire up economy

BY PTI | UPDATED: OCT 04, 2017, 08:57 PM IST

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MUMBAI: [Bankers](#) have said the Reserve Bank policy stance was on the expected lines and that its continuing focus on [inflation](#) fighting will ensure investor confidence on the country.

In the fourth bimonthly policy statement, [RBI](#) today left the [repo rate](#) unchanged at 6 per cent.

State Bank chairman [Arundhati Bhattacharya](#) said given the several tectonic shifts that the economic structure is undergoing, the benefits of which will take some time to be fully absorbed, the policy stance should be looked at as an interim measure that calls for calibrated spending by government in infrastructure, large projects and affordable housing to provide support for growth numbers.

"At a tactical level, the government must address the capital situation at public sector banks to ensure that credit disbursal to the productive sectors continues uninterruptedly," [Bhattacharya](#) said.

Describing the policy stance as expected, [ICICI Bank](#) managing director [Chanda Kochhar](#) said "by retaining the focus on inflation targets, this policy ensures that the confidence of the investors on macroeconomic indicators will continue."

Further policy action will be contingent on the evolution of the output gap and its impact on the inflation trajectory, she added.



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The MPC has not viewed the recent growth slowdown as being structural in nature and is expecting it to be transient with growth prospects likely to improve over the medium term, [Kochhar](#) said.

[Bank of India](#) managing director [Dinabandhu Mohapatra](#) said, "the MPC has acknowledged upward inflationary bias while also being mindful of downside risks to growth due to various domestic and international macroeconomic factors."

Indian Banks Association chairman [Rajiv Rishi](#) said, "managing inflation is the core theme of MPC and the latest retail inflation reading of 3.4 per cent with a potential upside risk, did not support a repo rate cut at this juncture."

He said banks expect a lot of improvement in the [economy](#) in the medium to long term perspective.

RBI also reduced the statutory liquidity ratio (SLR) by 50 bps from 20 per cent to 19.50 of banks' net demand and time liabilities from the fortnight beginning October 14.

[Rishi](#) said another 50 bps SLR cut would facilitate banks to attain higher LCR (liquidity coverage ratio) of 100 per cent, to be effective from January 2019.

Yes Bank managing director Rana Kapoor said the policy status quo reflects prudence and pragmatism amid global developments including structural adjustments in the US along with firming up of the dollar and oil prices.

"Domestic disinflationary impulses like subdued capacity utilisation, proactive food price management, and rationalisation of fuel tax rates to have an offsetting effect," he said, adding the impact of structural reforms like the [GST](#) and IBC will also boost capacity augmentation, providing room for a 25-50 bps cut in later.

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