

RBI-industry meet: India Inc pitches for rate cut to prop up growth

By: PTI | Published: January 17, 2019 8:50 PM

The Federation of Indian Chambers of Commerce and Industry (FICCI) also made a pitch for a cut in repo rate and CRR to enable lowering of lending rates by banks.



The Federation of Indian Chambers of Commerce and Industry (FICCI) also made a pitch for a cut in repo rate and CRR to enable lowering of lending rates by banks.

Ahead of the monetary policy review, India Inc Thursday urged the Reserve Bank of India (RBI) to cut interest rate and reserve ratio to prop up growth. In a meeting with RBI Governor Shaktikanta Das in Mumbai, industry chambers suggested various measures to ease tight liquidity situation and reduce high cost of credit in the light of consistently falling inflation.

The Confederation of Indian Industry (CII) suggested the policy measures required to ease the tight liquidity situation by effecting a cut in cash reserve ratio (CRR) by at least 50 basis points (bps), measures to facilitate flow of credit to industry, especially to MSMEs and the infrastructure sector, and steps to address the high cost of credit by considering a

reduction of 50 bps in repo rate given that inflation has been consistently low, the chamber said in a statement.

Also read| [Double digit salary hike coming in 2019, highest in Asia; but employees must watch out for this](#)

Suggestions come ahead of the sixth bi-monthly monetary policy statement for 2018-19 scheduled to be announced on February 7. CRR, currently at 4 per cent, is the percentage of deposits kept as reserves with the RBI. Repo rate, currently at 6.5 per cent, is the rate at which the central bank gives loans to the banks.

CII lauded the RBI for steps taken to ease financing challenges faced by the real sector, especially micro, small and medium enterprises (MSMEs), through various measures such as reducing Turn Around Time (TAT) and measures to boost liquidity in the economy.

On measures to address the financial challenges faced by the MSMEs, CII suggested that the RBI consider limiting the collaterals sought by banks to 133 per cent of the exposure and eliminate the need for personal guarantees where sufficient collateral exists. The chamber delegation, led by its president designate Uday Kotak, also suggested that letters of undertaking (LoUs) for buyers' credit for the cases where MSMEs investing to expand capacity may be permitted and the RBI might consider allowing banks to sanction buyers' credit facility to MSMEs, wherever import of raw materials is being done under letter of credit.

The Federation of Indian Chambers of Commerce and Industry (FICCI) also made a pitch for a cut in repo rate and CRR to enable lowering of lending rates by banks. A reduction in repo rate and CRR would help in reviving the investment cycle in the country and will also boost consumption and support growth, FICCI President Sandip Somany said. It will also help in reviving the investment cycle in the country and will also boost consumption and support growth.

“The need of the hour is to have an accommodative monetary policy, focusing on growth. The objectives of the Monetary Policy Committee should not be restricted to only price stability but also to consider growth and exchange rate stability,” he said. On the RBI’s February 12 circular, CII highlighted that while it was aimed at improving the credit discipline and early identification of probable defaults, but it has, however, put pressure on already distressed sectors impacted due to business performance reasons and, hence, should be given sufficient time to resolve the defaults.

Among many key recommendations, CII recommended that the RBI may revisit the lending restrictions on the weak banks under prompt corrective action and consider allowing them to lend to the National Housing Bank which, in turn, can be used to finance housing projects through housing finance companies (HFCs). The Associated Chambers of Commerce and Industry of India (Assocham) suggested that the economy needs credit loosening so that liquidity can sustain the growth.

“The fundraising capability of NBFCs/HFCs has reduced significantly, warranting support from the government. They need to be provided the alternate options for raising funds. This is imperative not just for the health of NBFCs/HFCs but for sustaining the GDP growth rate as well,” Assocham said. Sectors such as textile, handicraft and leather goods need to be given interest subvention to boost their export capabilities, it said, adding that the rate of interest subvention should be increased from

3 per cent to 5 per cent to take into account the combined effect of the commercial interest rate and the prevailing inflation.

Get live [Stock Prices](#) from BSE and NSE and latest NAV, portfolio of [Mutual Funds](#), calculate your tax by [Income Tax Calculator](#), know market's [Top Gainers](#), [Top Losers](#) & [Best Equity Funds](#). Like us on [Facebook](#) and follow us on [Twitter](#).
