

## Here is what Raghuram Rajan thinks RBI can do to soften coronavirus impact on Indian economy

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As coronavirus delivers a body blow to the already weak Indian economy, former RBI governor Raghuram Rajan tells what the central bank can do to soften the impact.

Raghuram Rajan spoke exclusively to India Today News Director Rahul Kanwal about his understanding of the economic situation in a post-coronavirus world and how India can deal with the global pandemic.

Speaking about the role RBI can play at the moment, Raghuram Rajan said the need of the hour is to provide credit to ailing businesses. However, the RBI is unable to rise to the occasion due to the existing lag in the Indian economy.

"We have a financial system that is impaired. I have always maintained that we need to clean it up so that it can function as necessary. The problem now is that the RBI can't provide credit support to businesses," he told India Today TV.

So what is the solution? "The government has to offer partial guarantees to make sure banks keep lending to small and medium enterprises as well as large firms. At the same time, we have to provide some incentives so that banks are willing to take the credit risk."

He had another advice for the RBI -- "At this point, the RBI should take a cue from central banks across the world who are contributing by easing liquidity. Liquidity should not be a constraint. But we need to think carefully as we have large NPAs," he added.

Raghuram Rajan also advocated a temporary income transfer scheme to help the poor survive during the coronavirus pandemic. He, however, clarified that now is not the time to think about a universal basic income program.

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"Temporary income support as targetted as possible makes sense but beyond that, we don't have the money for long-term schemes. We need to prioritise, first money needs to go to medical facilities. The next step is to get money to those most affected. Targetted income transfers for a couple of months make sense as it will provide relief to affected households. Universal basic income means paying the households forever and we don't have time and resources for that at the moment," he said.

On being asked about the absence of the global supply of medical resources, the ex-RBI chief said that Centre will have to use all the tricks in the book to acquire what is available in the international market.

"In the immediate context, we need to find the necessary supply wherever we can find, even if we have to cajole or push. Since every country is trying to do that, we need to use every way we can to apply pressure and bring-in all that we need," Raghuram Rajan said, adding that beyond the current scenario, the crisis raises the question on if we are self-sufficient for critical resources. "But that's a medium-term issue," he said.

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