

Rate cut is now Reserve Bank of India's call: Chidambaram

Finance minister P Chidambaram said on Friday that the Reserve Bank of India will take a final call on interest rates, but expressed hope that the bank will consider the measures taken by the government to rein in fiscal deficit before taking a decision.

"On fiscal consolidation path, government has walked the talk. Of course, RBI will take into account not only that, but the overall economic situation and what happens between now and March 19," he said.

Chidambaram said that the government has delivered on the fiscal consolidation path chalked out by the Kelkar Committee. "We have remained under 5.3% as promised, and we have shown, next year, we will be at 4.8%," he added.

The FM said that the borrowing programme for the next fiscal is an indicator of fiscal prudence the government is adopting. The government on Friday sought the Parliament's approval to spend an additional Rs 49,715.54 crore, primarily to meet the outgo on fuel, fertiliser and food subsidies in the current financial year.

"All the cash outgo has been provided for in the revised estimates," said Chidambaram, assuaging concerns of the impact of such borrowings on fiscal deficit.

The finance minister said that the government has promised that it will work towards fiscal consolidation and the red lines that it has drawn will not be breached under any circumstances.

RBI will announce its mid-quarter policy review on March 19. In January RBI cut repo rate and cash reserve ratio (CRR) by 25 basis points to 7.75% and 4%, respectively. The rate cut had come after nine months of hawkish stance adopted by RBI in view of the persisting inflation.

"The moderation in inflation conditions provides the opportunity for monetary policy to act in conjunction with fiscal and other measures to stem growth risks," RBI governor D Subbarao had then said.

The banking, insurance, pension and capital markets regulators had a meeting on Friday where they signed a memorandum of understanding (MoU) for co-operation in the field of consolidated supervision and monitoring of financial conglomerates. A sub-committee of the Financial Stability & Development Council (FSDC) also discussed the continuing uncertainty in the Eurozone and the US and their possible impact on capital flows to India and other emerging markets.

The FSDC meeting, chaired by Subbarao, also approved formulating a national strategy for financial education by incorporating the feedbacks received from public consultations and from a global peer review, RBI said without providing details.

(Economic Times)