

Chidambaram hopes Reserve Bank may ease policy rates

In a clear message to the Reserve Bank of India (RBI), scheduled to review its monetary policy on March 19, Finance Minister P Chidambaram has said if the central bank cuts rates further, it would help the economy grow at the targeted 6.5 per cent rate in the next financial year.

RBI, in its January policy review, had cut the repo rate, or the rate at which it lends money to banks, by 25 basis points.

He said, "I am sure the monetary policy advisory committee to the (RBI) governor (D Subbarao) will take note of all that we have done, all we have promised to do and advise him appropriately and I am sure the governor will take the decision in his best judgment."

Recently, the government has taken several steps such as allowing foreign direct investment in multi-brand retail and civil aviation and partially deregulating diesel prices to boost investor confidence and revive economic growth. He said a number of non-legislative decisions covering Customs, excise, service tax, insurance and banking to promote growth would be announced in Parliament before the passage of the Finance Bill.

Chidambaram further expressed confidence that the government would get the support of the Bharatiya Janata Party for the passage of the Insurance and Pension Bills. "I am reasonably confident that we would be able to pass the Insurance Bill and the Pension Bill in the current session."

Seeking to assuage investors' fear, he said the status quo on taxation of investment from Mauritius would continue till the renegotiation of double taxation avoidance agreement (DTAA) with that country.

"We will not do anything unilaterally involving two countries. Domestic law will apply where domestic law applies. The treaty will apply where treaty applies."

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