

FM to meet PSU bank chiefs, will persuade them to cut interest rates

Finance Minister P Chidambaram today said he has called a meeting of PSU bank chiefs and would persuade them to pass on the benefit of RBI rate cut to borrowers.

"I have called the chairpersons of public sector banks towards the end of this month and have a chat on these issues. We will talk to the banks. I think they are cautious. Caution is good, but you can't be over-cautious," he told reporters here.

Chidambaram said although the RBI has reduced policy rates by 1.30% since January 2012, banks have lowered lending rates by only 0.30%.

The industry has been complaining about the reluctance of banks to pass on the rate cut to corporate and retail borrowers.

Asked about his expectations from the Reserve Bank's mid-quarter policy review scheduled on June 17, Chidambaram said: "What I want to tell the RBI, I tell the RBI quietly and indirectly. I like them to take correct decisions".

The pressure is mounting on RBI to cut interest rates to boost industrial growth, which declined to 2.2% in April.

The Minister further said that PSU banks would be needing Rs 15,000-20,000 crore worth capital annually for the next five years to meet the global capital adequacy norms.

According to Chidambaram, the whole proceeds of disinvestment would be used for meeting the capital needs of PSUs, including banks.

(Business Standard)