

SBI chief hopes for 0.5% rate cut in RBI policy review on June 17

There is enough room for the Reserve Bank (RBI) to announce an accommodative monetary policy at the review due on June 17, believes Pratip Chaudhuri, chairman of State Bank of India. This is a possibility, given the economy's present growth, said the head of the country's largest bank at an event organised here by State Bank of Mysore.

An accommodative policy is one where RBI could attempt to expand overall money supply, to encourage more spending from consumers and businesses by making money less expensive. Chaudhuri said it would help if RBI reduced banks' cash reserve ratio by 50 basis points. Only cutting the rates on government savings wouldn't help bring down the rates, he added.

The present rate of growth in gross domestic product wasn't something to feel good about, particularly if it slid further, he said, adding: "The good part is it need not slide further."

On the rupee's sliding external value, Chaudhuri said when inflation here was at six per cent and, for instance, it was two per cent in the US, the rupee needed to correct to balance the difference. If not, some sectors would be badly affected.

SBI, he said, hoped this year to see growth of 20-25 per cent in both deposits and loan offtake. Chaudhuri also said there was a need for capital infusion, a blend of tier-I and tier-II. The cost is the issue, he said.

Meanwhile, in a turnaround, Chaudhuri, who has been vocal several times on the need to be aggressive on recovering dues from grounded Kingfisher Airlines, said he wouldn't speak on individual cases. This comes at a time when UB Group chairman Vijay Mallya has said he'd be taking the lenders to the courts over 'lenders liability.'

With the State Bank group having five associate banks, he said a merger was on the cards. It will most probably be one bank being absorbed into a bigger entity. "One of them would be merged this fiscal," said Chaudhuri. He said the group of managing directors would have to examine. An absorption takes two years, he cautioned.

PLAINSPEAK

- SBI Chairman Pratip Chaudhuri said there was a possibility of RBI announcing a rate cut, given the economy's present growth
- On the rupee's sliding external value, he said when inflation was at six per cent and, for instance, it was two per cent in the US, the rupee needed to correct to balance the difference
- Despite saying aggressiveness will help recover dues from grounded Kingfisher Airlines in the past, he said he wouldn't speak on individual cases

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