

## **SUGGESTIONS FOR RBI ANNUAL CREDIT POLICY FOR 2009-10**

1. As the inflation rate (based on WPI) dips below 1 percent, it is essential for RBI to relax some of the prudential norms for commercial banks so as to provide them more maneuverability in lending, particularly to small and medium business ventures. This will instill confidence in big business.
2. Likewise the interest rates, particularly the lending rate, need to be revised and lowered. The PLR is high at 12.75-13.25% and it should be lowered to around 10%. This will help the manufacturing as well as the infrastructure sector by reducing their costs. The real interest rate would still be high.
3. Similarly the Repo rate and the Reverse Repo rate should also be reduced. Repo should be lowered to 3% (from 5%) and the Reverse Repo to around 2% (3.5% currently) to inject liquidity into the market. Likewise a 0.5 percent reduction from the current level of CRR (5%) would be desirable.
4. Significant depreciation of Rupee vis-à-vis US Dollar (Rs.50.14 per US dollar currently) has taken place in the last few weeks. The RBI needs to intervene if the trend continues.