

Expert panel on financial crisis meets Monday for solutions

An expert panel under Finance Secretary Arun Ramanathan meets here Monday to find solutions to help India weather the global financial turmoil, which has led stocks to crash and industrial growth trip to its lowest in a decade.

The panel, which has to submit a report to Finance Minister P. Chidambaram in a week's time, will also visit [Mumbai](#) to hold deliberations with financial sector regulators, including the central bank and the market watchdog, officials said.

'Fiscal steps will be most effective to diffuse the current crisis. These are a potential line of defence against liquidity crunch when the meltdown is global,' a senior official in the finance ministry said, ahead of the panel's meeting.

A further cut in the cash reserve ratio, or the minimum balance against deposits a bank has to keep as cash, and a reduction in repo rate, or the interest charged for borrowings from the central bank, are among the options being examined.

The panel will also hold talks with Reserve Bank of India Governor D. Subbarao, who is currently heading the Indian delegation at the annual meeting of the International Monetary Fund (IMF) in Washington.

'The Reserve Bank of India has taken action to inject liquidity into the system as warranted by the situation,' Subbarao said in Washington. 'We are monitoring the situation on a continuous basis and stand ready to take appropriate, effective and swift action.'

Officials said the central bank might also consider unwinding some of the bonds under the market stabilisation scheme, which was used to mop up excess liquidity from the financial system in a bid to tame inflation.

They said the decision not to sell Rs.100 billion (\$2.2 billion) worth of bonds scheduled for auction Friday was indication enough that some securities under the market stabilisation scheme may be bought back.

'Yes, this is an option as well. We will monitor how the money markets behave in the ensuing weeks and take swift action,' said a central bank official on phone from Mumbai, without sharing any specifics.

The Ramanathan panel will meet against the backdrop of a key Indian market index losing more than 15 percent during the week ended Friday and India's industrial growth dipping to 1.3 percent in August - the worst in a decade.

While constituting the expert panel, Chidambaram had remarked that credit was the lifeline of trade, commerce and business and, hence, it was important to ensure that money continues to flow to all sectors of the economy.

'It is also important to maintain our confidence in the Indian economy,' he said, adding liquidity concerns will be addressed in consultation with the central bank and other regulatory authorities.

Besides Ramanathan, the panel has representatives from the central bank, Unit Trust of India, the country's largest mutual fund, micro credit institutions, corporate finance industry and commercial banks.

Industry bodies like the Associated Chambers of Commerce and Industry (Assocham) have warned that if corrective measures like interest rates cuts, reduction in input costs and infrastructure needs are not taken, the situation could worsen and adversely affect India's growth.

So far, the central bank has cut the cash reserve ratio twice, totalling 150 basis points, to release Rs.600 billion (\$13.3 billion) into the system, even as the market watchdog eased some controls for foreign funds.

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