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**Comments from Mr.K.V.Kamath President CII on the Union
Government's Fiscal measures**

**CII welcomes RBI measures and stimulus package
Focus on easing availability of finance and encouraging investment especially in
infrastructure
Additional measures required for SME sector**

CII has welcomed the measures taken by RBI. The reduction in repo and reverse repo rates by 100 bps is in line with the recommendation made by CII. CII hopes that RBI would further reduce the CRR from the current levels. Bond yields had already begun to price in a reduction in the RBI's policy rates, given that inflation has been falling for the last few weeks. CII expects that deposit and lending rates would ease following these measures, giving an impetus to consumption and investment.

The fiscal stimulus package announced by the Government also includes several measures aimed at addressing some of the problems being faced by the economy. CII had highlighted the lack of access to credit, the slowdown in exports and domestic demand as well as the accumulation in inventories as the key sources of stress in the economy. "We welcome the steps taken to reduce interest rates and increase availability of credit. Greater access to external borrowings, special liquidity measures for NBFCs and increase in FII investment limit in corporate bonds are positive measures" said Mr. K V Kamath, President, CII.

The stimulus package has increased access to external borrowing by removing the interest rate ceiling on ECBs, allowing 'development of integrated townships' as an end-use for ECBs and allowing NBFCs dealing exclusively with infrastructure financing to raise ECBs. This will reduce the financing constraints faced by non-bank infrastructure finance companies. Liquidity support has also been provided to NBFCs to ease their financing constraints.

Significant benefit could flow to the economy from the additional funding option provided to IIFCL. If indeed infrastructure projects worth Rs. 100,000 crore are implemented over the next 18 months, as envisaged in the package, this will provide a significant stimulus to the economy. However, the government must focus on implementation. In this regard, CII's suggestion of giving this responsibility to a single agency may be considered.

On the one hand, the government has targeted infrastructure creation to stimulate domestic demand while on the other, it has made sure that the constraints on the availability of finance are eased to the extent possible. While the measures are broad-based, there is a need for specific additional measures to address the challenges being faced by the SME sector. The enhancement of the credit guarantee coverage for very small credit facilities is a welcome measure. There is however a large section of SMEs that face difficulty in managing liquidity given the elongation of the working capital cycle, and in accessing credit facilities. CII hopes that the needs of this sector would also be addressed going forward.