

## Centre's stimulus package should focus on activating stalled projects: C Rangarajan

The aim should be to recapitalise banks, says former RBI Governor

### OUR BUREAU

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The Centre's stimulus package, if any, should focus on activating stalled projects and recapitalising banks so that they can extend additional credit, former RBI Governor C Rangarajan has said.

"The package in my opinion should be to partly raise public expenditure but suited in a way that it stimulates private expenditure as well," he said in response to a query on the sidelines of the 10<sup>th</sup> international Gold Summit, organised by industry body Assocham here on Friday.

Rangarajan, who is also former Chairman of the Economic Advisory Council to the Prime Minister, said the low hanging fruit is to ensure that the stalled projects that are viable are immediately made operational. Second, the banking system needs to be recapitalised.



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C RANGARAJAN  
Former RBI Governor

"In the early 1990s, we gave money to banks but they were asked to invest in bonds.

"What is important is that banks should be recapitalised so that they can provide additional credit," he said.

### GDP pick-up

Rangarajan further said the GDP slowdown has bottomed out, and will pick up in the coming quarters.

"Some of the reasons for the slowdown are temporary and transient factors like introduction of GST or perhaps demonetisation,"

he said. For the current fiscal, Rangarajan sees the economy growing at 6.5 per cent.

In the March quarter and the June quarter this year, the economy grew at 5.6 per cent and 5.7 per cent, respectively. To get to GDP growth of 6.5 per cent for FY18 as a whole, the economy needs to grow at 7 per cent in the next three quarters.

On demonetisation, Rangarajan said: "What comes out is that had authorities been prepared, the result would have been different.

If authorities had had enough supply of currency at the time when demonetisation was announced, much of the problem that people experienced would not have been there."

### Gold demand

Rangarajan said the current level of import duty on gold and GST are reasonable. Gold dealers must come to accept it.

To succeed in containing the demand for gold, there is a need to ensure that the financial products give an "adequate return", he said.

Financial products in this context should cover a wide range, from banking deposits to mutual fund products.

### Alternative assets

"Demand for gold depends on multiple factors such as income, taste and custom, return on gold, inflation and return on financial products. While efforts must be made to reduce the basic attraction of gold to the people of India, at least in the short run, we can start acting to reduce the demand for gold as an asset," he said.

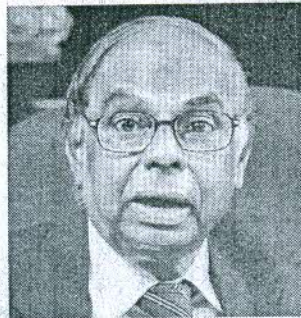
Taming inflation and enhancing the real rate of return on financial products are fundamental prerequisites for containing gold demand in India, he added.

Asked if the Centre should have avoided introducing GST given that demonetisation had just been implemented, Rangarajan replied in the negative.

"GST is a good measure. Whenever it was introduced, there would have been initial problems.

"It is a major step in tax reform. I don't think the government should have avoided it," he said.

## IN BRIEF

**Stimulus package should focus on raising capex: Rangarajan**

Former Reserve Bank of India (RBI) governor C Rangarajan on Friday said the stimulus package being contemplated by the government to boost the economy should focus on raising capital expenditure to catalyse private investment. He also made a case for recapitalisation of public sector banks (PSBs) so that they could provide more funding to the private sector. Speaking on the

sidelines of an Assocham conference in New Delhi, he said that India would need to grow by at least seven per cent in the remaining three quarters of the current financial year to achieve a growth rate of 6.5 per cent. He said adequate preparation by the central bank could have reduced the pain which people had to undergo on account of the ban on high-value notes last November. "To me it looks like it (growth) has bottomed out, now it will pick up. But even to get 6.5 per cent (growth) for the year as a whole, the economy needs to grow at seven per cent in the next three quarters. So my own estimate is that for the year as a whole, probably the rate of growth will be 6.5 per cent," he said.

BS REPORTER





# RANGARAJAN SEES ONLY 6.5% GROWTH THIS YEAR

FC Bureau  
New Delhi

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"So, my own estimate is that for the year as a whole, probably the rate of growth will be 6.5 per cent," he said.

Responding to questions on the stimulus package, he said it should focus on increasing public expenditure with the aim to rein-vigorate private investments.

"Two or three things can be done. First is, there have been a number of stalled projects, and the low hanging fruit is to ensure

that these stalled projects are activated and those stalled projects which are viable must be immediately made operational.

"Secondly I think the banking system needs to be recapitalised so that it can provide additional credit for investment as well," he added.

Rangarajan cited temporary or transient factors like the introduction of GST or demonetisation as the reasons behind the slowdown in the Indian economy. The government is working on additional measures to bolster economy, finance minister Arun Jaitley had said earlier this week. India's GDP growth hit a three-year low of 5.7 per cent in the June quarter.

The minister said an announcement with regard to the additional steps will be made after consulting prime minister Narendra Modi.



# प्रोत्साहन पैकेज में पूंजी व्यय बढ़ाने पर जोर होना चाहिए: संजय शर्मा

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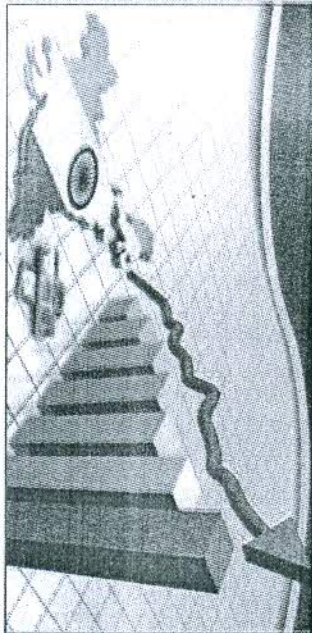
रिजर्व बैंक के पूर्व गवर्नर सी संराजन ने शुक्रवार को कहा कि सरकार अर्थव्यवस्था को मजबूती प्रदान करने के लिए जिस प्रोत्साहन पैकेज पर विचार कर रही है, उसमें निजी निवेश को बढ़ावा देने के लिए पूंजी व्यय बढ़ाने पर गौर करना चाहिए।

उन्होंने सार्वजनिक क्षेत्र के बैंकों को पूंजी उपलब्ध कराने की भी वकालत की ताकि वे निजी क्षेत्र को और वित्त पोषण

## सरकार अर्थव्यवस्था तेज करने प्रोत्साहन पैकेज पर विचार कर रही

### व्यय बढ़ाने पर जोर हो

वालू वित्त वर्ष के लिए 6.5 प्रतिशत वृद्धि हासिल करने को लेकर देश को अगली तीन वित्तवर्षों में 7.0 प्रतिशत वृद्धि की जरूरत होगी। प्रोत्साहन पैकेज के बारे में उन्होंने कहा कि इसमें निजी निवेश बढ़ाने के लक्ष्य के साथ सार्वजनिक व्यय बढ़ाने पर जोर होना चाहिए।



### अतिरिक्त उपायों पर कान

वित्त मंत्री अरुण जेटली ने इस सप्ताह की शुरुआत में कहा है कि सरकार अर्थव्यवस्था को मजबूती प्रदान करने के लिए अतिरिक्त उपायों पर कान कर रही है। संराजन ने अर्थव्यवस्था में करों के पीछे जीएसटी और जीटबी जैसे अस्थाई करों का निम्नोत्तर बताया।

### भी पर्याप्त तैयारी

नोटबंदी पर उन्होंने कहा कि रिजर्व बैंक पर्याप्त तैयारी करता तो उन समस्याओं को दूर किया जा सकता था जो लोगों को बड़ी तकलीफें दे रहा है। उन्होंने कहा कि सरकार को दाल से हटाने के कारण क्षेत्रीय परभावों को दूर करने के लिए उपायों को तैयार रखना जरूरी है।

उपलब्ध करा सके। उद्योग मंडल पर कार्यक्रम में अलग से बातचीत में संजय शर्मा ने कहा कि देश को चालू वित्त वर्ष में 6.5 प्रतिशत वृद्धि हासिल करने के लिये बाकी बची तीसरी तिमाही में 7.0 प्रतिशत वृद्धि की जरूरत है।

