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# Care Ratings sees no major impact of SLR cut

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#Economy #CARE Rating

Leading rating agency Care Ratings reckons that the cut in the statutory liquidity reserve (SLR) announced by the Reserve Bank of India (RBI) on Tuesday may at best, have a limited impact on Asia's third biggest economy. In a bid to boost lending, the RBI cut the SLR rate or the minimum bond holding requirements for banks, by 50 basis points to 22 per cent of deposits, effective from August 9, 2014.

However, Care Ratings points out that given that a major chunk of banks maintained an SLR of above 25 per cent when the SLR was 23 per cent as on March 31, 2014, the impact of the cut in the rate may be limited to banks that are on the fringe of the SLR ratio. "The current SLR of banks stands at 26.7% of NDTL as of 11 July 2014. It may also be noted that a sample of 39 banks taken (private and public), five banks maintained an SLR below 25% while remaining 34 banks maintained an SLR above 25% as on 31 March 2014 when the SLR was 23%.

Therefore, the actual impact may be limited to banks which are on the fringe of this ratio", Care Ratings said. As expected, the RBI refrained from tinkering with its key interest rates and left the benchmark repo rate unchanged at 8 per cent as it warned of an upside risk to its inflation target.

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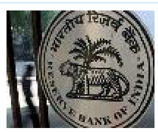
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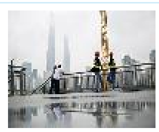
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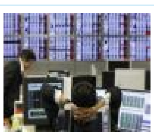
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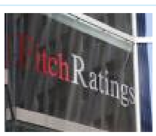
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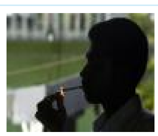
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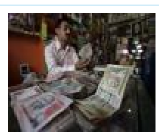
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