

The [finance ministry](#) feels that most impact of the repo rate hike by the [Reserve Bank of India](#) (RBI) has already been discounted by banks. It also sees the changes in non-performing assets (NPA) norms for Ministry of Micro, Small and Medium Enterprises (MSMEs) as a “huge positive.”

Soon after the RBI announced its bi-monthly monetary policy on Wednesday, Finance Minister [Piyush Goyal](#) held a meeting with top bureaucrats of the Finance Ministry, including Department of Economic Affairs Secretary Subhash Chandra Garg, Department of Financial Services Secretary Rajiv Kumar, Expenditure Secretary Ajay Narayan Jha and Finance Secretary Hasmukh Adhia.

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“The changes in [NPA norms](#) is a huge positive for MSMEs. It meets the long-standing demand, especially the tapering of [NPA norms](#) in a phased manner. The move will encourage [goods and services tax](#) (GST) registration by MSMEs,” Kumar said.

The RBI allowed small businesses to repay dues within 180 days of the due date without the loan being classified as an NPA. The RBI had earlier given this relief to MSMEs registered under the GST. For GST registered MSEs, the NPA norm will be aligned to the extant norm of 90 days in a phased manner, the RBI said. Banks and financial institutions classify an account as an NPA if [loan repayments](#) haven’t been made for 90 days.

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Rajiv Kumar said the RBI’s move to allow the inclusion of 2 per cent additional government securities held by banks to meet the liquidity coverage ratio (LCR) will “free up liquidity for banks.” The total carve-out from [statutory liquidity ratio](#) (SLR) available to banks would now be 13 per cent.

Department of Economic Affairs Secretary Subhash Chandra Garg welcomed the monetary policy and said the RBI gave a balanced assessment of growth, inflation and external situation. “Rate hike understandable, considering existing interest differentials and oil price movement. Should help in removing uncertainties and steadying markets,” Garg said.

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For the first time in over four years, the RBI decided to hike the repo rate by 0.25 per cent to 6.25 per cent, citing risks to inflation.

[Finance Ministry](#) officials said many banks, including State Bank of India (SBI), ICICI Bank, Bank of Baroda (BoB) and Punjab National Bank (PNB), have already hiked their benchmark [lending rates](#) last week – before the RBI policy. “Though the repo rate hike may lead to marginal increase in [interest rates](#) in the market, this was mostly discounted already as [interest rates](#) are now determined by a host of other factors, especially liquidity,” the official said.

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Kumar also said that [housing loans](#) between Rs 2.8 million and Rs 3.5 million in metros and between 2 million and Rs 2.5 million will become cheaper, as the RBI decided to revise the housing loan limits for priority sector lending eligibility from existing Rs 2.8 million to Rs 3.5 million in metropolitan centres and from existing Rs 2 million to Rs 2.5 million in other centres.