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Industry body Assocham on Thursday said the Reserve Bank's decision to raise the benchmark lending rate by 50 basis points to 4.9 per cent will help the Indian economy in the medium term.

The central bank on Wednesday raised the repo rate for the second time in five weeks. Earlier, it had raised the short term lending rate by 40 basis points (bps) on May 4.

Sinha said that RBI will have to continue to work closely with the government and other stakeholders such as India Inc. to ensure the robust pace of the economic recovery coming out of the pandemic's third wave is sustained, in a higher interest rate environment.

The taming of inflation is critical to sustain the economy's robust growth momentum, especially given the continued global challenges including high energy and food costs, he pointed out.

All in all, the RBI's move is necessary and well-reasoned, given the current macro-economic currents, the Assocham President stated.

Meanwhile, Nilanjan Banik, Professor Finance and Economics at Mahindra University said the RBI did the right thing by increasing the repo rate.

"This will complement the government's approach to contain inflation by reducing the excise duty on petrol and banning wheat and sugar exports. When monetary and fiscal policy works in tandem, like in this case, the impact on controlling inflation will be much faster," Banik said.

Home, auto and other loan EMIs will rise following the decision of the Reserve Bank of India (RBI) to raise the key interest rate by 50 basis points to tame stubbornly high inflation.