

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:701  
ANSWERED ON:05.12.2003  
CREDIT POLICY OF RBI  
JYOTIRADITYA MADHAVRAO SCINDIA

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Reserve Bank of India has announced recently the mid-term review of monetary and credit policy 2003-04;
- (b) if so, the salient features thereof;
- (c) the difference between the earlier policy and new credit policy;
- (d) the impact of continued reduction of interest rates on depositors and banks;
- (e) the reaction of the Government thereon?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

(a): Yes, Sir. The Reserve Bank of India (RBI) announced the mid-term review of monetary and credit policy on November 3, 2003.

(b) & (c): RBI has proposed to continue with the overall stance of monetary policy announced in the annual policy statement of April 2003 for the remaining half of the current year. The salient features of policy measures are: (i) bank rate kept unchanged at 6.0 per cent, (ii) cash reserve ratio kept unchanged at 4.5 per cent, (iii) measures to improve credit delivery to agriculture and small scale sectors, (iv) simplification of procedures and complete flexibility in micro-finance structure to boost credit, (v) further move towards pure inter-bank call/notice money market, (vi) flexibility to exporters in realisation of exports proceeds and write-off of overdues, up to 10 per cent of their exports proceeds in a calendar year, (vii) Indian Banks' Association to advise banks on the benchmark Prime Lending Rate keeping in view the operational requirements.

(d) and (e): The reduction in deposit rates has helped scheduled commercial banks (SCBs) to reduce their total operating cost. As a result, the ratio of operating profit to total assets improved from 1.5 per cent in 2000-01 to 1.9 per cent in 2001-02 and further to 2.4 per cent in 2002-03. The continued reduction of deposit rates by SCBs in recent years is consistent with general downward trends of relative interest rates and inflation rate in India. Aggregate deposits of SCBs have recorded continuous increases from Rs. 9,62,618 crore as on March 23, 2001 to Rs. 11,03,360 crore as on March 22, 2002 to Rs. 12,80,853 crore as on March 21, 2003 and further to Rs. 13,91,209 crore as on October 31, 2003.