

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1377
ANSWERED ON:05.03.2010
REPO AND CRR RATE
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India (RBI) has proposed to raise REPO and Cash Reserve Ratio (CRR) rate;
- (b) if so, the details thereof;
- (c) whether this raise is likely to affect inflation, economic growth and increase in rate of interest by banks; and
- (d) if so, the details thereof and rationale behind such a move?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI NAMO NARAIN MEENA)

(a) & (b): In its 3rd Quarter Review of Monetary Policy-2009-10, the Reserve Bank of India(RBI) had proposed to raise the Cash Reserve Ratio (CRR) Rate of Scheduled Banks by 75 basis points from 5% to 5.75% in two phases i.e. 50 basis points w.e.f. 13th February, 2010 and 25 basis points w.e.f. 27th February, 2010. However, no change was effected in the Repo rate which was retained at 4.75%.

(c) & (d): As a result of the CRR increase, about Rs. 36,000 crore of excess liquidity will be absorbed from the system. The expected outcome of the RBI's Monetary Policy actions are:-

- i. Reduction in excess liquidity will help anchor inflationary expectations.
- ii. The economic recovery process will be supported without compromising price stability.

The calibrated exit will align policy instruments with the current and evolving state of the economy