

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:4771

ANSWERED ON:23.04.2010

“LIQUIDITY RELATED PRICE RISE”

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

- (a) whether there has been a continuous increase in liquidity in the country;
- (b) if so, the facts in this regard for the financial years 2007-08, 2008-09 and up to December 2009-2010;
- (c) the sector-wise impact of the liquidity in the country;
- (d) whether there has also been a negative impact of liquidity on the prices of commodity in the country; and
- (e) if so, the details thereof and the reaction of the Government thereto?

**Answer**

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

(a)&(b): During the financial year 2009-10, money supply (M3), which is a broad measure of liquidity, increased by Rs. 7,65,292 crore (17.2 per cent) as compared to increase of Rs. 7,59,816 crore (18.9 per cent) during 2008-09 and Rs. 7,07,816 crore (21.4 per cent) during 2007-08.

(c): The Table below gives the details of annual variations in monetary, credit and investment aggregates during the last three years up to December 2009.

(Rs. crore)

Aggregate Deposits Non-Food Credit Investment in SLR securities			
2007-08 (Full Year)	585006	432846	180199
(22.4)	(23.0)	(22.8)	
2008-09 (Full Year)	637170	411824	194695
(19.9)	(17.8)	(20.0)	
2009-10 (year-on-Year)			
(up to December)	635884	305617	266775
(17.9)	(11.8)	(24.6)	

Note: Figures in parentheses are per cent growth.

(d)&(e): The Reserve Bank of India monitors the liquidity situation closely and actively to ensure that credit demands of productive sectors are adequately met while anchoring inflationary expectations. In its Third Quarter Review of Monetary Policy announced on January 29, 2010, the Reserve Bank of India increased the cash reserve ratio (CRR) by 75 basis points from 5.00 per cent to 5.75 per cent of scheduled banks' net demand and time liabilities (NDTL) in two stages to absorb about Rs.36,000 crore of excess liquidity from the system to anchor inflation expectations.