

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5873

ANSWERED ON:30.04.2010

REVERSE REPO RATE

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Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India (RBI) has taken a number of measures including revision of the 'Reverse Repo Rate' during the last three years and the current year in order to reign inflation and also offset the adverse effects of global economic recession so that momentum of the country's economic growth is sustained; and

(b) if so, the details thereof alongwith the details of impact of such measures sector-wise?

Answer

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

(a) & (b): The RBI has taken a number of measures during the last three years and the current year to reign inflation while at the same time ensuring that the growth prospects of the economy are not adversely impacted. The RBI initially raised the Cash Reserve Ratio and subsequently also the Repo and Reverse rate between April 2007 and upto August 2008 when there was indication of overheating of the economy and increase in prices. However with the onset of the global financial crisis resulting in liquidity crunch and slow down of output growth there was a need to ease the earlier monetary policy stance and stimulate growth. Hence from October 2008 onwards, the key policy rates were revised downwards. Additional measures were also taken which included special refinance facility to certain sectors/institutions affected by the global crisis, facilities for restructuring of non performing loans and dynamic provisioning requirements for certain loan categories. In the latter half of financial year 2009-10 output growth picked up but there was an emergence of inflationary pressures. Therefore beginning from October 2009, the RBI adopted a policy of gradual exit from the earlier expansionary policy by raising the statutory liquidity, the CRR, the repo and the reverse repo rates in several stages. The details of changes in key policy rates are given at Annexure.

The monetary policy measures of the RBI in combination with fiscal policy measures of the government resulted in revival of GDP growth from 6.7% in 2008-09 to 7.2% in 2009-10. Sector-wise break up shows a much higher growth for the manufacturing and the services sector.