

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4541
ANSWERED ON:20.08.2010
INFLATION
Reddy Shri Magunta Srinivasulu

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has received representations expressing concern over inflation and rising interest rates from the industrial sector;
- (b) if so, the details thereof; and
- (c) the steps being taken in this direction?

Answer

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

(a) and (b): Industries sector have not specifically represented against the rising interest rates though they are likely to get affected due to hardening of interest rates.

(c): The Reserve Bank of India followed an accommodative monetary policy stance beginning mid-September 2008, by reducing its policy rates (repo and reverse repo rates) and injecting liquidity into the system to mitigate the adverse impact of the global financial crisis on the Indian economy. Various measures initiated played a crucial role in instilling confidence among market participants and in ensuring that the economy recovered as early as possible. Without hurting the growth, to moderate the rising inflation and the risk of it impinging on inflationary expectations, the RBI began the process of exit from the expansionary monetary policy beginning October 2009. Since January 2010, the RBI, has so far cumulatively raised the CRR by 1.00 per cent to 6.00 per cent, the repo rate has been increased by 100 basis points to 5.75 per cent and reverse repo rate has been increased by 125 basis points to 4.50 per cent during 2010. Monetary measures work through a complex process of long and variable lags.