

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2632

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INFLATION CONTROL BY RBI

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Will the Minister of FINANCE be pleased to state:

- (a) whether a study on the role of accumulation of wealth in the corporate establishment and investment pattern therefrom, in inflation, has been made;
- (b) if so, the details thereof and reaction thereto;
- (c) if not, the reasons therefor;
- (d) whether the Reserve Bank of India (RBI) through its monetary policies also manage to control inflationary tendencies and pressures while maintaining economic growth; and
- (e) if so, the details in this regard and the extent to which RBI has been able to control the same?

Answer

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

(a)to(c) The Reserve Bank of India has not carried out any study of role of accumulation of wealth in the corporate establishment and investment pattern therefrom, in inflation.

(d)to(e) The Reserve Bank of India (RBI) through its monetary policy tries to maintain price stability while at the same time supporting growth through ensuring adequate flow of credit to the productive sectors of the economy. In anticipation of rising inflationary pressures, the RBI began to exit from the crisis driven expansionary monetary policy beginning October 2009, when the headline inflation was low. Since then the RBI has cumulatively increased the repo rate by 175 basis points (bps) and the reverse repo rate by 225 bps. In addition, the cash reserve ratio (CRR) was also raised by 100 bps. Scheduled Commercial Banks (SCBs) have raised their deposit rates in the range of 25-265 bps beginning July 2010 across various maturities, indicating strong monetary policy transmission. The RBI in its Third Quarter Review of January 25, 2011 has noted that it would persist with the anti- inflationary monetary stance.