

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1966  
ANSWERED ON:17.07.2009  
CRR AND REPO RATE  
Siricilla Shri Rajaiah

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

(a) whether the Government proposes to reduce the Cash Reserve Ratio (CRR) and cut the Reverse Repo Rate to disincentivise banks from parking their surplus funds with the Reserve Bank of India (RBI); and

(b) if so, the details thereof?

**Answer**

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

(a) & (b): The Reserve Bank of India (RBI) has been altering the Key Policy Rates including the Cash Reserve Ratio (CRR) and the Reverse Repo Rate as part of its liquidity management policy. Accordingly, in order to alleviate the stress brought about in the international financial markets and with the abatement of inflationary pressures, the RBI augmented rupee liquidity through a series of measures including reduction in CRR by cumulative 400 basis point to 5%. Furthermore, the Repo Rate and the Reverse Repo Rate under the Liquidity Adjustment Facility (LAF) were also progressively reduced, the reduction in Reverse Repo Rate being from 6% to 3.25% since December 2008. The Reserve Bank of India retains the option to conduct operations under liquidity adjustment facility depending on market conditions and other relevant factors.