

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5946
ANSWERED ON:11.05.2012
CRR AND INTEREST RATE
Bhagat Shri Sudarshan

Will the Minister of FINANCE be pleased to state:

- (a) whether the growth rate of the country has shown a declining trend during the recent months;
- (b) if so, the details thereof and the reasons therefor;
- (c) whether there is any proposal to increase the Cash Reserve Ratio (CRR) and interest rates by the Reserve Bank of India (RBI) during the ensuing months despite a slow down in the economic growth;and
- (d) if so, the details thereof and the reasons therefor?

Answer

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

(a) & (b): As per data released by CSO on 29.2.2012, the country's growth in real GDP at factor cost at 2004-05 prices is estimated at 7.7 per cent, 6.9 per cent and 6.1 per cent in the First, Second and Third Quarter of 2011-12 respectively. The reduction in growth rate in 2011-12 vis-a-vis last two years is due to slackening of external demand and impact of monetary tightening to control inflation.

(c) & (d): Monetary policy response depends on the evolving global and domestic macroeconomic situation. Hence, it is difficult to predict the course of monetary policy action such as policy rate and Cash Reserve Ratio (CRR). The Reserve Bank reduced the CRR by 125 basis points (50 basis points effective January 28, 2012 and 75 basis points effective March 10, 2012) in order to mitigate tight liquidity conditions and to ensure smooth flow of credit to productive sectors of the economy. The Reserve Bank in its Monetary Policy Statement 2012-13 released on April 17, 2012 reduced the repo rate by 50 basis points to 8.0 per cent, which was based on an assessment of growth having slowed below its post-crisis trend rate.