

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1739

ANSWERED ON:16.08.2013

IMPACT OF PRICE RISE

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Will the Minister of FINANCE be pleased to state:

- (a) whether the impact of inflation on the rural areas differs from that on the urban areas;
- (b) if so, the Government's assessment in this regard;
- (c) whether the rural areas and weaker sections of the society are worst hit by inflation; and
- (d) if so, the steps taken by the Government in this regard and the results achieved therefrom so far?

Answer

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

(a) & (b): The Consumer price inflation based on new CPI series released by the Central Statistics Office (CSO) for rural and urban area is placed below (Table 1). Apart from the fact that the inflation rate has generally been lower in rural areas, it is observed from the table below that in comparison to 2012-13 inflation has moderated in recent months.

Table 1: Year-on-year inflation based on CPI New Series

	2012-13	Apr-13	May-13	Jun-13	Jul-13	
Rural	10.10		9.16	8.98	9.63	9.14
Urban	10.37		9.73	9.65	10.13	10.26
Combined	10.21		9.39	9.31	9.87	9.64

(c) & (d): Inflation, in general, and food inflation in particular, is likely to affect the people in the unorganised sector and weaker sections more as, unlike the people in the organised sector, they are not compensated for rise in inflation. However in March 2011, the government has decided to index MGNREGA wage rate to CPI for agricultural labourers (CPI AL) on annual basis to ensure that MGNREGA workers are protected against inflation.

In addition to that Government has taken several fiscal and administrative measures to contain inflation. Some of the specific measures already in place include reducing import duties to zero – for wheat, onion and pulses and to 75% for refined edible oils and imposition of stock limits on various commodities. As a measure of abundant precaution, futures trading in rice, urad and tur is suspended. To protect the weaker sections from the price-rise, the Government has maintained the Central Issue Price (CIP) for rice (at Rs 5.65 per kg for BPL and Rs 3 per kg for AAY) and wheat (at Rs 4.15 per kg for BPL and Rs 2 per kg for AAY) since 2002 among others. Also, the Government had issued the National Food Security Ordinance on 05.07.2013. Under the provision of this Ordinance, upto 75% of the rural population and upto 50% of the urban population will have uniform entitlement of 5 kg foodgrains per month at highly subsidized prices of Rs. 3, Rs. 2, Rs. 1 per kg. for rice, wheat, coarse grains respectively.

In addition to the above measures RBI has taken various steps on the monetary front, including keeping the policy rates at high levels even in the face of slow-down in the growth rate. The recent short-term measures taken by RBI to tighten liquidity for curbing speculation in the currency market, would also have sobering impact on inflation. The short-term measures taken by RBI include: increase in the rate for Marginal Standing Facility to 10.25 per cent, restricting the funding available under the Liquidity Adjustment Facility (LAF) window to 0.5% of Net Time and Demand Liabilities of the banks and mopping up of the excess liquidity through Cash Management Bills (CMBs) to the tune of Rs. 22000 cr. Per week.