

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1527

ANSWERED ON:13.12.2013

LENDING RATES

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Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India (RBI) has recently announced a cut in key policy rates;
- (b) if so, the details thereof and the reasons therefor;
- (c) the likely impact of the said move on inflation and the overall economy of the country; and
- (d) the steps taken/proposed to be taken by the Government/Reserve Bank of India (RBI) to maintain adequate liquidity in the market?

Answer

Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a) to (c): Reserve Bank of India (RBI) has reduced the Marginal Standing Facility (MSF) rate by 150 basis points from 10.25 per cent to 8.75 per cent during September 20, 2013 to October 29, 2013 and increased the repo rate by 50 basis points from 7.25 per cent to 7.75 per cent during the same period. The policy initiatives announced by RBI are aimed at supporting growth for the development of the economy and anchoring inflationary expectations.

(d) RBI has taken the following measures to improve liquidity conditions in the market:

- (i) reduction in the Marginal Standing Facility (MSF) rate from 10.25 per cent to 8.75 per cent;
- (ii) reduction in the minimum daily Cash Reserve Ratio (CRR) balance maintained by the banks to 95 per cent of the requirement from 99 per cent;
- (iii) introduction of weekly variable rate term repos of 7-day and 14-day tenors for an amount equivalent to 0.5 per cent of the Net Demand and Time Liability (NDTL) of the banking system; and
- (iv) open market purchase auctions since August 2013, thereby injecting primary liquidity of Rs 285.9 billion into the banking system.

The RBI has also provided refinance facility of Rs 5,000 crore to Small Industries Development Bank of India (SIDBI) to ease liquidity stress faced by medium, micro and small enterprises.