

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:363
ANSWERED ON:20.11.2009
MONETARY POLICY
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Will the Minister of FINANCE be pleased to state:

- (a) the monetary policy stance adopted by the Reserve Bank of India (RBI);
- (b) whether the same has given impetus to the economic growth in the expected lines;
- (c) if so, the details thereof and if not, the reasons therefor; and
- (d) the steps taken/being taken by the Government in this regard?

Answer

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

(a): The Reserve Bank of India (RBI) shifted its policy stance from monetary tightening in response to the elevated inflationary pressures in the first half of 2008-09 to monetary easing during the second half of the year, in response to easing inflationary pressures and moderation of growth engendered by the emerging global economic situation. The policy stance for 2009-10 has been indicated in the Annual Policy Statement of April 2009 followed up with the first and second quarter reviews of the Monetary Policy in July 2009 and October 2009 respectively.

The monetary policy stance of the RBI has been indicated as to maintain a monetary and interest rate regime consistent with price stability and financial stability and supportive of the growth process. It also aims at ensuring credit demands of productive sectors being met at viable rates while preserving credit quality; and also to keep a vigil on the trends and signals of inflation and respond appropriately through policy adjustments.

(b), (c) & (d): The monetary policy of the RBI and the fiscal measures initiated by the Government are complementary in nature to sustain the impetus to economic growth. The country's GDP growth which decelerated to 5.8 per cent in the third quarter of 2008-09, was sustained at the same level of 5.8 per cent in the fourth quarter of 2008-09. Economic growth showed an improvement by recovering to 6.1 per cent in the first quarter of 2009-10.