

RBI Credit Policy

† 4074. SHRI ABHAY KANT PRASAD : Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the Reserve Bank of India has changed its interest rate and finance policy;

(b) if so, number of times above changes made during the last three years alongwith details thereof;

(a) the reasons therefor and benefit derived from the same; and

(b) whether Government propose to ensure that loans are easily sanctioned by public sector and commercial banks under private sector to industries, farmers, businessmen, individuals and pensioners for purchase of flats?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANAND RAO VTTHOBA ADSUL): (a) and (b) According to Reserve Bank of India (RBI) in the recent years there is no change in the overall monetary and interest rate policy pursued by them. The overall stance of Monetary Policy of the RBI has been to make adequate provisions of liquidity to meet credit growth and support investment demand in the economy while continuing to have a vigil on movements in the price level. The monetary policy stance for 2002-2003 emphasized the need to impart greater flexibility to the interest rate structure in the medium term. The details regarding change in Bank Rate, Repo Rate and Cash Reserve Ratio (CRR) are given below:

Bank Rate	Effective Date	Repo Rate	Effective Date	Cash Reserve Ratio	Effective Date
7.0	02-04-2000			8.50	08/4-2000
				8.00	22-04-2000
8.0	22-07-2000	8.0	25-10-2000	8.25	29-07-2000
		7.5	20-02-2001	8.50	12-08-2000
7.5	17-02-2001	7.0	02-03-2001	8.25	24/2-2001
		6.75	27-04-2001	8.00	03-10-2001
7.0	02-03-2001	6.5	28-05-2001	7.50	19-05-2001
6.5	23-10-2001	5.5	30-10-2002	5.75	03-11-2001
				5.50	29-12-2001
6.25	30-10-2002			5.00	01-06-2002
		5.0	03/3-2003	4.75	16-11-2002

† Original notice of the question was received/in Hindi.

(c) Initiatives by the RBI have resulted in interest rates consistent with low inflation, easy liquidity conditions, improvement in the growth of non-food bank credit and signs of recovery in the industrial sector.

(d) In line with comfortable liquidity position in the market, the cost of funds to banks declined during 2002-2003, which enabled them to reduce lending rates, including the loan rate on housing finance. Moreover, the reduction of lending rate on home loans is more pronounced as the Reserve Bank strengthened scrutinization procedure and liberalized prudential norms for housing finance to improve the flow of credit in recent times.

MID-term review of Credit Policy by RBI

4075. SHRI JANARDHANA POOJARY: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state :

(a) whether Reserve Bank of India had made mid-term review of the Credit Policy of Government; and

(b) if so, what are the findings of the Reserve Bank and Government's reaction to the review?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANAND RAO VITHOBA ADSUL): (a) and (b) The Reserve Bank of India (RBI) had announced the mid-term review of monetary and credit policy for the year 2002-03 on October 29, 2002. In this, the RBI has reviewed the macroeconomic developments and indicated that the stance of monetary policy in the remaining part of the year will continue to be one of providing adequate liquidity to meet credit growth and support investment demand in the economy and imparting greater flexibility to the interest rate structure in the medium-term. Taking into account the then prevailing low inflation, RBI announced a reduction in the Bank rate from 6.5 per cent to 6.25 per cent. The reduction in the Cash Reserve Ratio (CRR) was from 5.0 per cent to 4.75 per cent. Other policy measures announced in the mid-term review include, *inter-alia*, partial liberalisation of interest rates on rupee export credit, rationalisation of standing facilities to banks and measures aimed at improving credit delivery. The findings of the review and changes in credit policy announced by the RBI are taken into account by the Government while formulating its policies.