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RBI'S MONETARY POLICY STANCE AIMS TO MAINTAIN AN INTEREST RATE ENVIRONMENT THAT MODERATES INFLATION AND ANCHORS INFLATIONARY EXPECTATION

New Delhi, Sharavana 14, 1933
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The Reserve Bank of India (RBI) in its first quarter review of Monetary Policy 2011-12 on July 26, 2011 has raised the repo rate from 7.5 per cent to 8.0 per cent. The reverse repo rate under the liquidity adjustment facility, determined with a spread of 100 basis points below the repo rate automatically stands adjusted to 7.0 per cent.

Taking cues from the tightening of monetary conditions, banks have also been raising their deposit and lending interest rates. Scheduled Commercial Banks (SCBs) raised their deposit rates in the range of 25-500 basis points between mid-March 2010 and July 30, 2011 across all maturities. The rise in deposit rates was relatively sharper for maturity up to 1 year. With regard to the lending rates, the Base Rates of banks, which replaced the erstwhile Benchmark Prime Lending Rate (BPLR) system from July 1, 2010, also increased in the range of 75-325 basis points during July 2010-July 2011.

The RBI's monetary policy stance aims to maintain an interest rate environment that moderates inflation and anchors inflationary expectation. While cost of borrowing goes up, on balance lower levels of inflation would provide greater relief to the common man. On an ongoing basis, Government has been providing interest subventions for key sectors of economy and sections of the society.

This information was given by the Minister of State for Finance, Shri Namo Narain Meena in written reply to an Unstarred Question in Lok Sabha today.

DSM/PM