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MONETARY POLICY AND CONTEMPORARY STATUS

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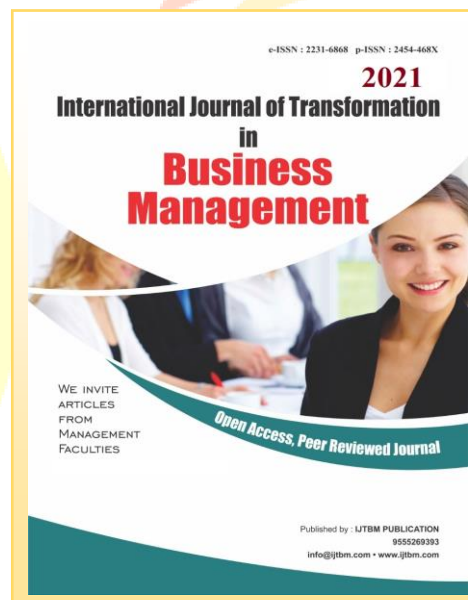

ABSTRACT

Monetary policy , a process by which the monetary authority of a country, generally the central bank ,Reserve Bank of India (RBI), controls the supply of money in the economy by its control over interest rates so as to maintain price stability and achieve high economic growth . RBI the apex institute of India which monitors and regulates the monetary policy of the country, stabilize the price by controlling inflation . Monetary operations involve monetary techniques which operate on monetary magnitudes such as money supply, interest rates and availability of credit aimed to maintain price stability, stable exchange rate, healthy balance of payment , financial stability, and economic growth. The Government of India, in consultation with RBI, notified the Inflation Target in the Gazette of India Extraordinary dated 5 August 2016 for the period beginning from the date of publication of the notification and ending on the March 31, 2021 as 4% . At the same time , lower and upper tolerance levels were notified to be 2% and 6% respectively. Inflation rate in 2020 is 6.2% . RBI Governor Shaktikanta Das said the Monetary Policy Committee (MPC) kept its estimate for economic growth unchanged at 10.5 per cent for the current fiscal. Central bank to maintain accommodative monetary policy stance to support growth, keep inflation at targeted level .

KeyWords : *Money, Inflation , Liquidity .*

INTRODUCTION

Monetary policy committee

The Reserve Bank of India Act, 1934 (RBI Act) was amended by the Finance Act, 2016, to provide a statutory and institutionalized framework for a Monetary Policy Committee , for maintaining price stability, while keeping in mind the objective of growth and fixing the benchmark policy rate (repo rate) required to maintain inflation within the specified target level . As per the provisions of the RBI Act, three of the six Members of the Monetary Policy Committee will be from the RBI and the other three Members will be appointed by the Central Government.

MONETARY OPERATIONS

Objectives

(i)**Price stability**-Promoting economic development with considerable emphasis on price stability.

(ii)**Controlled expansion of bank credit**- -A special attention to seasonal requirement for credit without affecting the output .

(iii)**Promotion of fixed investment**-The aim is to increase the productivity of investment by restraining non essential fixed investment.

(iv)**Restriction of inventories and stocks**-To avoid over-stocking and idle money in the organization .

(v)**Promoting efficiency**-In the financial system promoting efficiency and tries to

incorporate structural changes such as deregulating interest rates , easing operational constraints in the credit delivery system , introducing new money market instruments , etc.

(vi)**Reducing rigidity**- It encourages more competitive environment and diversification and maintains its control over financial system whenever and wherever necessary to maintain the discipline and prudence in operations of the financial system .

INSTRUMENTS OF MONETARY POLICY

(a)**Open market operations**-Buying or selling of government securities like government bonds from or to the public and bank is through open market operation. This mechanism influences the reserve position of the banks, yield on Government securities and cost of bank credit. The RBI sells Government securities to control the flow of credit and buys government securities to increase credit flow. Open market operation makes bank rate policy effective and maintains stability in government securities market .

(b)**Cash reserve ratio (CRR)**-Cash reserve ratio is a certain percentage of bank deposit which banks are required to keep with RBI in the form of reserves or balances. The higher the CRR with the RBI, the lower will be the liquidity in the system , and vice versa .

©**Statutory liquidity ratio (SLR)-** Financial institution has to maintain a certain quantity of liquid assets with themselves at any point of time of their total time and demand liabilities . These assets have to be kept in non cash form such as G-secs precious metals, approved securities like bonds. (The ratio of the liquid assets to time and demand liabilities is termed as statutory liquid ratio.)

(d)**Bank rate policy**-The bank rate, also known as the discount rate, is the rate of interest charged by the RBI for providing funds or loans to the banking system. This banking system involves commercial and co-operative banks, Industrial Development Bank of India, IFC, EXIM Bank , and other approved financial institutions . Funds are provided either through lending directly or discounting or buying money market instruments like commercial bills and treasury bills . Increase in bank rate increases the cost of borrowing by commercial banks which results in the reduction in credit volume to the banks and hence the supply of money declines. Increase in the bank rate is of controlling of RBI monetary policy.

(e)**Credit ceiling**-In this operation , RBI issues prior information or direction that loans to the commercial banks will be given

up to a certain limit. Thus , commercial bank will be tight in advancing loans to the public. They will allocate loans to limited sectors. A few examples of credit ceiling are agriculture sector advances and priority sector lending .

(f)**Credit authorisation scheme**-Credit authorization scheme was introduced in November, 1965 when P C Bhattacharya was the chairman of RBI. Under this instrument of credit regulation, RBI, as per the guideline, authorize the banks to advance loans to desired sectors .

(g)**Moral suasion-**Moral suasion is just as a request by the RBI to the commercial banks to take certain actions and measures in certain trends of the economy. RBI may request commercial banks not to give loans for unproductive purposes which do not add to economic growth but increase inflation .

RBI MONETARY POLICY 2021

(i).The RBI governor announced that the decision was taken unanimously and added that the **reverse repo rate** too was kept **unchanged** at **3.35 per cent**.

(ii).The central bank also sees **FY22 GDP growth at 10.5 per cent** . The RBI governor said that the inflation has eased below the level of 6 per cent. The **outlook on growth** has also **improved significantly**. He also said that the MPC judged that need for the hour is to continue supporting the growth. He added that the signs of recovery have strengthened further and list of normalizing sectors is expanding.

(iii).The RBI Governor said , capacity utilization in the manufacturing sector improved to 63.3 per cent in Q2 vs 47.3 per cent in Q1.

(iv). FDI and FPI investments have surged in recent months, reposing faith in the Indian economy.

(v).Speaking on non-banking financial companies (NBFCs), Das said that the funds from banks though the TLTRO scheme will now available to NBFCs. He also said that the cash reserve ratio (CRR) will be restored in two phases to 3.5 per cent from March 27 and 4 per cent from May 22, 2021.

(vi). The RBIGovernor also said that the CRR normalization will open up space for a variety of market operations.

(vii) .The Indian central bank chief announced that the retail investors can now open gilt accounts with the RBI. Das also said that the retail investors can now access the primary and secondary Government bond market. He also said that the resident individuals will be able to make remittances to IFSCs for the NRIs.

(viii).Shaktikanta Das announced an integrated ombudsman scheme for customer

grievance redress , which will be rolled out by June 2021.

(ix) Shaktikanta Das said that the Central Bank is awaiting a formal proposal from the government on the proposed Asset Reconstruction Company (ARC) for the management of NPAs . The government had proposed the creation of an ARC during the recent Budget 2021-22 . Government and RBI have discussed the idea of a bad bank . RBI governor also spoke about Punjab and Maharashtra Co-operative (PMC) Bank and said that three bids for the crisis-ridden lender have been received and evaluation is underway.

Significance of the Money Supply

The money supply expanded and contracted along with the economy. Milton Friedman pointed to the money supply as a useful indicator of the state of the National Economy . Over recent decades , perception of the money supply has changed. In the 1990s, people began to take money out of their low-interest bearing savings accounts and invest it in the booming stock market . As a result, M2 fell, even as the economy grew. The money supply is all the physical cash in circulation throughout the nation, as well as the money held in checking accounts and saving accounts . It does not include other forms of wealth, such as long-term investments , home equity, or physical assets that must be sold to convert to cash. It also does not include various forms of credit, such as loans, mortgages and credit cards .

Measurement of the Money Supply

(i)Money supply in different ways with monetary base, M1, and M2.Monetary base is the sum of currency in circulation and reserve balances (deposits held by banks and other depository institutions in their accounts at the Federal Reserve).

(a)M1 is the sum of currency held by the public; traveler cheques of non-bank issuers; and transaction deposits at depository institutions. Depository institutions obtain their funds mainly through deposits from the public, such as commercial banks, savings and loan associations, savings banks, and credit unions.

(b)M2 includes M1 along with savings accounts, money market accounts and money market funds and time deposits.

Money Supply Intersection With Inflation

Year	M2 Growth	Inflation	Year	M2 Growth	Inflation	Year	M2 Growth	Inflation
1990	3.7%	6.1%	2000	6.2%	3.4%	2010	3.6%	1.5%
1991	3.1%	3.1%	2001	10.3%	1.6%	2011	9.8%	3.0%
1992	1.5%	2.9%	2002	6.2%	2.4%	2012	8.2%	1.7%
1993	1.3%	2.7%	2003	5.1%	1.9%	2013	5.4%	1.5%
1994	0.4%	2.7%	2004	5.8%	3.3%	2014	5.9%	0.8%
1995	4.1%	2.5%	2005	4.1%	3.4%	2015	5.7%	0.7%
1996	4.9%	3.3%	2006	5.9%	2.5%	2016	7.4%	2.1%
1997	5.6%	1.7%	2007	5.7%	4.1%	2017	4.9%	2.1%
1998	9.5%	1.6%	2008	9.7%	0.1%	2018	5.1%	1.9%
1999	6.0%	2.7%	2009	3.7%	2.7%	2019	7.4%	1.5%

Repo rate and reverse repo rate

(a)Repo rate is the rate at which RBI lends to its clients generally against Government securities.

(b)Reduction in repo rate helps the commercial banks to get money at a cheaper rate and increase in repo rate discourages the commercial banks to get money as the rate increases and becomes expensive.

© The reverse repo rate is the rate at which RBI borrows money from the commercial banks.

(d)The increase in the repo rate will increase the cost of borrowing and lending of the banks which will discourage the public to borrow money and will encourage them to deposit.

Indicator	Current rate
Inflation	2.86%
MSF (marginal standing facility) rate	4.25%
CRR	3.5%
SLR	18.0%
Bank rate	4.25%
Reverse repo rate	3.35%
Repo rate	4.0%
GDP growth rate	6.1%

Money Supply and Inflation

Monetary Policy Committee (MPC) projected that Inflation is expected to remain in comfortable level . The Governor assured that the policy will remain pro-growth to support and drive economic recovery. The special support that is being given to MSMEs in credit extension reflects this assurance .

(1)The Monetary Policy Committee (MPC) met on 5th, 6th and 7th April, 2021 and deliberated on current and evolving macroeconomic and financial developments, both domestic and global. The MPC voted unanimously to leave the policy repo rate unchanged at 4 per cent. It also unanimously decided to continue with the accommodative stance as long as necessary to sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward.

(2). MPC's decision and its underlying rationale. Since its last meeting, headline inflation, after moderating close to the target rate in January 2021, firmed up to 5.0 per cent in February 2021, primarily due to an adverse base effect. Looking ahead, the evolving CPI inflation trajectory is likely to be subjected to both upside and downside pressures. The bumper food grains production in 2020-21 should result in softening of cereal prices going forward. Mitigation of price pressures on key food items such as protein-based components and edible oils would also depend on supply-side measures and easing of international prices.

The MPC noted that underlying inflation pressures emanate from high international commodity prices and logistics costs. The softening in crude prices seen in recent weeks, if it sustains, can assuage input cost pressures .

(3). The National Statistical Office (NSO) in its update on February 26, 2021 placed the contraction in real GDP at 8.0 per cent for 2020-21. Prospects for 2021-22 have strengthened with the progress of the vaccination programme . The recent surge in infections has, however, imparted greater uncertainty to the outlook and needs to be closely watched, especially as unutilize and regional lockdowns could dampen the recent improvement in demand conditions and delay the return of normalcy. Against this backdrop, the MPC judged that monetary policy should remain accommodative to support and nurture the recovery. In other words, the stance of monetary policy will remain accommodative till the prospects of sustained recovery are well secured while closely monitoring the evolving outlook for inflation.

4. Growth–Global growth is gradually recovering from the slowdown, but it remains uneven across countries and is supported by ongoing vaccination drives, sustained accommodative monetary policies and further sizeable fiscal stimulus. World output is projected by the Organisation for Economic Co-operation and Development (OECD) to reach its pre-pandemic level by mid-2021, though it will be largely contingent on the pace of vaccine distribution and its efficacy against emerging variants of the virus. Stronger external demand should support India's exports and investment demand.

5. In the domestic economy, the focus must now be on containing the spread of the virus as well as on economic revival – consolidating the gains achieved so far and sustaining the impulses of growth in the new financial year (2021-22). A key aspect of this strategy will be to strengthen the bedrock of macroeconomic stability that has anchored India's revival from the pandemic. This will help stakeholders in taking efficient spending decisions over longer horizons, thereby improving the investment climate. Public investment in key infrastructure sectors is a force multiplier with historically proven ability to revive the broader economy by directly enhancing capital stock and productivity, and by attracting private investment. The focus of the Union Budget 2021-22 on investment-led measures with increased allocations for capital expenditure; the expanded production-linked incentives (PLI) scheme; and rising capacity utilization (from 63.3 per cent in Q2:2020-21 to 66.6 per cent in Q3:2020-21) will reinforce the process of economic revival. In fact, firms

engaged in manufacturing, services and infrastructure sector polled by the Reserve Bank in March 2021 are optimistic about a pick-up in demand and expansion of business activity into financial year 2021-22.

COVID -19 AND ECONOMY

Recent surge in COVID-19 infections adds uncertainty to the domestic growth outlook amidst tightening of restrictions by some state governments. In India , we are now better prepared to meet the challenges posed by this resurgence in infections. Fiscal and monetary authorities stand ready to act in a coordinated manner to limit its spillovers to the economy at large and contain its fallout on the ongoing recovery.

(a). The increase in international commodity prices since the February policy and recurrence of global financial market volatility like the bout experienced in late February accentuates the downside risks. The upside risks, however, come from (i) the vaccination programme being speeded up and increasingly extended to the wider segments of the population; (ii) the gradual release of pent-up demand ; and (iii) the investment-enhancing and growth-supportive reform measures taken by the Government . Taking these factors into consideration, the projection of real GDP growth for 2021-22 is retained at 10.5 per cent consisting of 26.2 per cent in Q1 ; 8.3 per cent in Q2 ; 5.4 per cent in Q3 ; and 6.2 per cent in Q4 .

(b) Inflation-While headline inflation at 5.0 per cent in February 2021 remains within the limit, some underlying constituents are testing the upper tolerance level.

©. The food inflation trajectory will critically depend on the temporal and spatial progress of the south-west monsoon in its 2021 season. Second, some respite from the incidence of domestic taxes on petroleum products through coordinated action by the Centre and States could provide relief on top of the recent easing of international crude prices. Third, a combination of high international commodity prices and logistics costs may push up input price pressures across manufacturing and services. Taking into consideration all these factors, the projection for CPI inflation has been revised to 5.0 per cent in Q4: 2020-21; 5.2 per cent in Q1:2021-22; 5.2 per cent in Q2; 4.4 per cent in Q3; and 5.1 per cent in Q4, with risks broadly balanced.

(d). On March 31, 2021, the Government retained the inflation target at 4 per cent with the lower and upper tolerance levels of 2 per cent and 6 per cent , respectively , for the next five years (April 2021-March 2026) . An inflation rate of 4 per cent over the medium term has now been successfully entrenched in the economic landscape. The

experience with efficaciously maintaining price stability and the gains in credibility for monetary policy since the beginning of the inflation targeting framework in 2016 are reinforced by the retention of the target and the tolerance band. From the time after the Monetary Policy Committee (MPC) was constituted in September 2016, average CPI inflation for the period October 2016 to February 2020 – prior to the onset of the COVID-19 pandemic – was 3.8 per cent, down from the average of 7.3 per cent during January 2012 to September 2016. The trend inflation has moderated during the flexible inflation targeting period to around 4 per cent in recent times . The experience during the COVID-19 period has testified to the flexibility of the framework to respond to sharp growth-inflation trade-offs and extreme supply-side shocks over the course of the business cycle . Monetary policy over the next five years would aim at consolidating and building upon the credibility gains of the first 5 years of flexible inflation targeting.

(d) Liquidity Guidance–The efforts has been to conduct liquidity management operations conducive for promoting orderly market conditions. This approach has yielded dividends. It has facilitated the successful completion of central and state government borrowing programmes of close to ₹22.0 lakh crore at record low costs with elongated maturity during 2020-21. It has also facilitated significant amount of private borrowing through corporate bonds, commercial paper and debentures.

(e). It would be worthwhile to note that despite the recommencement of 14-day variable rate reverse repo (VRRR) auctions since January 15, 2021, liquidity absorbed through the fixed rate reverse repo has steadily increased from a fortnightly average of ₹4.3 lakh crore during January 16-29 to ₹4.9 lakh crore during January 30-March 31, 2021. Reflecting the surplus liquidity, reserve money rose by 14.2 per cent(YoY) as on March 26, 2021 driven by currency demand, while money supply (M3) grew by 11.8 per cent (YoY) (as on March 26), with bank credit growth at 5.6 per cent (YoY) (as on March 26). In view of the success of VRRR and given the rising level of surplus liquidity, it has now been decided to conduct VRRR auctions of longer maturity as indicated in the Revised Liquidity Management Framework announced on Feb.6,2021 . The amount and tenor of these auctions will be decided based on the evolving liquidity and financial conditions. This is a part of RBI's liquidity management operations and should not be read as liquidity tightening. In fact, by paying a higher rate of interest on liquidity absorptions through the VRRR auctions, the RBI is indirectly expanding liquidity .

RECENT DEVELOPMENTS

(i)Since mid-February this year, global financial markets have increasingly turned volatile, driven by a surge in sovereign bond yields over inflation concerns stemming from the edging up of international commodity prices as well as expectations of stronger growth. Bond market volatility and strengthening of the US dollar spilled over to emerging markets. Expectations of a reflationary cycle in the US led to a retrenchment of portfolio flows to emerging market economies (EMEs) which continued through March.

(ii) Given the strong inter-connectedness of financial markets across borders and progressive integration into the global financial cycle, there was an upsurge of investor unease in India, despite repeated assurances and forward guidance on liquidity given by the RBI. The benchmark 10-year yield, which traded at 5.93 per cent (on an average) during April 2020-January 2021, spiked to 6.25 per cent on March 10, 2021 before coming down again. In sync with G-sec yields, corporate bond yields also hardened across issuers and rating categories in the recent period. Since end-January 2021, AAA corporate bond yields of 3-year and 5-year maturities have firmed up by 30 bps and 31 bps, respectively, by March 31, 2021. Reflecting these developments, corporate bond issuance in February at ₹45,685 crore has moderated from its peak of ₹88,130 crore recorded in December 2020.

(iii) Taking note of the market's discomfort and in consonance with our commitment to ensure ample liquidity and orderly market conditions, the Reserve Bank scaled up its open market operations in February and conducted five special OMOs (operation twists) in February and March; increased the amount for the operation twist (OT) auction on March 4, 2021 from ₹10,000 crore to ₹15,000 crore; and adopted an innovative asymmetrical special OMO (purchase of ₹20,000 crore and sale of ₹15,000 crore) on March 10, 2021 to reinforce the compression of term premia as well as to inject liquidity which drew a favorable market response. These were clear signals that the Reserve Bank will support the market with adequate liquidity through various instruments in its toolkit. The liquidity impact of OMOs could be gauged from the fact that we made net outright purchases amounting to ₹3.13 lakh crore during 2020-21.

(iv) For the year 2021-22, drawing on this experience, we have decided to put in place what is termed as a secondary market G-sec acquisition programme or G-SAP 1.0, to give it a distinct character. The RBI will commit upfront to a specific amount of open market purchases of government securities with a view to enabling a stable and orderly evolution of the yield curve amidst

comfortable liquidity conditions. The endeavor will be to ensure congenial financial conditions for the recovery to gain traction. For Q1 of 2021-22, therefore, it has been decided to announce a G-SAP of ₹1 lakh crore. The first purchase of government securities for an aggregate amount of ₹25,000 crore under G-SAP 1.0 will be conducted on April 15, 2021.

(v). The positive externalities of G-SAP 1.0 operations need to be seen in the context of those segments of the financial markets that rely on the G-sec yield curve as a pricing benchmark. In addition, the extension of Held-to-Maturity (HTM) dispensation opens up space for investments of more than ₹4.0 lakh crore. We will also continue to deploy our regular operations under the LAF, longer-term repo/reverse repo auctions, Forex operations and open market operations including special OMOs to ensure liquidity conditions evolve in consonance with the stance of monetary policy and financial conditions are supportive for all stakeholders.

(vi). While laying out the liquidity management strategy for 2021-22 , let me unequivocally state that the Reserve Bank's endeavor is to ensure orderly evolution of the yield curve, governed by fundamentals as distinct from any specific level thereof. Our objective is to eschew volatility in the G-sec market in view of its central role in the pricing of other financial market instruments across the term structure and issuers, both in the public and private sectors. This is a necessary prerequisite for the nascent and hesitant recovery to firm up and become durable. Needless to add, two-way movements in bond yields consistent with the fundamentals are quite normal from a market perspective; however, such movements should not be abrupt and disruptive if financial stability has to be preserved.

RECOVERY BEYOND THE PANDEMIC

The Reserve Bank will of course continue to do whatever it takes to preserve financial stability and to insulate domestic financial markets from global spillovers and the consequent volatility. I would urge market participants to take heed of our actions, communication and signals in a balanced manner. Together, now can overcome the challenges and lay the foundations for a durable recovery beyond the pandemic. With a view to nurture the recovery, certain additional measures are being announced .

MEASURES FOR DEVELOPMENTAL AND REGULATORY PRICES

(a). With a view to increasing the focus of liquidity measures on revival of activity in specific sectors, the TLTRO on Tap Scheme announced on October 9 , 2020 which was

made available up to March 31, 2021, is now being further extended by a period of six months i.e., upto September 30, 2021.

(b). Special refinance facilities of ₹75,000 crore were provided to All India Financial Institutions (AIFIs) like NABARD, SIDBI, NHB and EXIM bank during April-August 2020. It is felt necessary to support continued flow of credit to the real economy . Accordingly, liquidity support of ₹50,000 crore for fresh lending during 2021-22 will be provided to AIFIs: ₹25,000 crore to NABARD; ₹10,000 crore to NHB; and ₹15,000 crore to SIDBI.

©. With a view to furthering financial inclusion and to expand the ability of payments banks to cater to the growing needs of their customers, the current limit on maximum end of day balance of ₹1 lakh per individual customer is being increased to ₹2 lakh with immediate effect.

(d). Asset Reconstruction Companies (ARCs) play an important role in the resolution of stressed assets. It is, therefore, proposed to constitute a committee to undertake a comprehensive review of the working of ARCs and recommend measures to enable these entities to meet the growing requirements of the financial sector.

(e). Recognising the key role played by NBFCs in making credit available to the last mile, bank lending to registered NBFCs (other than MFIs) for on-lending to Agriculture, MSME and Housing was permitted to be classified as Priority Sector lending (PSL). This dispensation which was available from August 13, 2019 till March 31, 2021 is being further extended for another six months up to September 30, 2021.

(f). With a view to encouraging farm credit to individual farmers against pledge/hypothecation of agricultural produce, it has been decided to enhance the loan limit under priority sector lending (PSL) from ₹50 lakh to ₹75 lakh per borrower against the pledge/hypothecation of agricultural produce backed by Negotiable Warehouse Receipts (NWRs)/electronic-NWRs (e-NWRs) issued by warehouses registered with the Warehousing Development and Regulatory Authority (WDRA). For other Warehouse Receipts, the loan limit for classification under PSL will continue to be ₹50 lakh per borrower.

(g). Financial Inclusion has been a thrust area for the Government, the Reserve Bank and other regulators, with significant progress made over the years. To measure the extent of financial inclusion in the country, the Reserve Bank proposes to construct and publish a Financial Inclusion Index (FI Index) based on multiple parameters.

(h). Membership to the RBI-operated Centralised Payment Systems (CPSs) – RTGS and NEFT – is currently limited to banks, with a few exceptions. It is now proposed to enable non-bank payment system operators like Prepaid Payment Instrument (PPI) issuers, card networks, White label ATM operators and Trade Receivables Discounting System (TreDS) platforms regulated by the Reserve Bank, to take direct membership in CPSs. The settlement risk in the financial system and enhance the reach of digital financial services to all user segments.

(i). The Reserve Bank had issued guidelines in October 2018 for adoption of interoperability on a voluntary basis for full-KYC Prepaid Payment Instruments (PPIs). It is now proposed to make interoperability mandatory for full-KYC PPIs and for all payment acceptance infrastructure. It is proposed to increase the current limit on outstanding balance in such PPIs from ₹1 lakh to ₹2 lakh.

(j). At present, cash withdrawal is allowed only for full-KYC PPIs issued by banks. As a confidence-boosting measure, and to bring uniformity across PPI issuers, it is now proposed to allow cash withdrawals for full-KYC PPIs of non-bank PPI issuers. This measure, in conjunction with the mandate for interoperability, will boost migration to full-KYC PPIs and would also complement the acceptance infrastructure in Tier III to VI centres.

(k). Under the extant External Commercial Borrowing (ECB) framework, borrowers are allowed to place ECB proceeds in term deposits with AD Category-I banks in India for a maximum period of 12 months. ECB proceeds drawn down on or before March 1, 2020 in term deposits with AD Category-I banks in India prospectively up to March 1, 2022.

(l). Recommendations of an Advisory Committee constituted by the Reserve Bank to review the Ways and Means Advance (WMA) limits for State Governments/UTs and other related issues. Accordingly, it has been decided to enhance the aggregate WMA limit of states and UTs to ₹47,010 crore, an increase of about 46 per cent from the current limit of ₹32,225 crore which was fixed in February 2016. Further, it has also been decided to continue the enhanced interim WMA limit of ₹51,560 Crore granted by RBI due to the pandemic for a further period of six months i.e., up to September 30, 2021.

CONCLUSION

Recent surge in COVID-19 infections has created uncertainty over economic growth recovery. Focus must be on containing spread of virus and economic recovery. RBI Monetary Policy 2021: Reserve Bank of

India expectedly left interest rates unchanged and maintained an accommodative stance as the economy faces a renewed threat to growth due to the resurgence of coronavirus cases. The central bank kept the benchmark repurchase rate unchanged at 4 per cent and maintained an accommodative policy stance to support growth. RBI retains economic growth for 2021-22 fiscal at 10.5 per cent in 2021-22 fiscal's first monetary policy Central Bank to ensure ample liquidity in system so that productive sector gets adequate credit. RBI to ensure orderly conduct of government borrowing; preserve financial stability . RBI will continue to do whatever it takes to preserve stability and to insulate financial firms from global spillovers. RBI announces Rs 50,000 crore additional liquidity facility to NABARD, NHB and SIDBI for fresh lending during 2021-22. RBI enhances aggregate ways and means advances limits to states to Rs 47,010 crore. MPC saw inflation edging up to 5.2 per cent in the first half of the new fiscal from 5 per cent in the January-March period and moderate to 4.4 per cent in Q3 of FY22. The focus is to facilitate the environment which is favorable to the architecture of the economy that enables the developmental projects with maintaining reasonable price stability.

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