

## Monetary Trends and Developments

3.4 The overall trends in the growth of different monetary aggregates during the current financial year are given in the following Table. For ready reference, the-year-on-year growth rates are also given in brackets. Net of India Millennium Deposits (IMDs) amounting to Rs.25, 662 crore, the-year-on-year M3 growth as on January 12, 2001 worked out to 13.5 per cent compared with 15.8 per cent shown in Table 3.1. As mentioned in last year's Survey, the new series of monetary aggregates based on the recommendations of RBI's Working Group on Money Supply do not directly reckon non-resident repatriable fixed deposit liabilities like IMDs.

3.5 Table 3.2 presents the trends in the

Money	1999-2000	1999-2000	2000-2001
	Mar. 31	Mar. 31	Mar. 31
	to	to	to
	Mar. 31	Jan. 14	Jan. 12
Broad Money(M3)	13.9	11.1 (16.7)	13.0 (15.8)
Narrow Money(M1)	10.2	6.9 (15.3)	6.7 (10.0)
Reserve Money	8.1	0.0 (3.5)	5.1 (13.6)
M3 multiplier	3.98	4.20	4.28

**Notes:** All figures are provisional. Figures in brackets relate to year-on-year growth. M3 multiplier is at end-March for 1999-2000 and as on January 12/14 for 2000-2001/ 1999-2000.

components as well as sources of the growth of broad money. On the side of components,

	Financial Year			Annual		Financial Year			Annual	
	1999-2000	1999-2000	2000-01	1999-2000	2000-01	1999-2000	1999-2000	2000-01	1999-2000	2000-01
	Mar.31	Mar. 31	Mar. 31	Jan. 15	Jan. 14	Mar. 31	Mar. 31	Mar. 31	Jan. 15	Jan. 14
	to	to	to	to	to	to	to	to	to	to
	Mar.31	Jan. 14	Jan. 12	Jan. 14	Jan. 12	Mar. 31	Jan. 14	Jan. 12	Jan. 14	Jan. 12
	<i>(Rs. crore)</i>					<i>(Per cent)</i>				
1. M1 (Narrow Money)	31492	21229	22800	43799	33063	10.2	6.9	6.7	15.3	10.0
II. M3 (Broad Money)	136181	108608	145027	155656	172600	13.9	11.1	13.0	16.7	15.8
(1+2+3+4)										
1. Currency with the public	19761	25116	18939	26674	13584	11.7	14.9	10.0	15.9	7.0
2. Demand deposits with banks	12418	-3068	4293	17472	19779	9.1	-2.2	2.9	15.1	14.8
3. Time deposits with banks	104689	87379	122227	111857	139537	15.6	13.0	15.7	17.3	18.4
4. Other deposits with RBI	-687	-819	-432	-348	-299	-18.1	-21.6	-13.9	-10.5	-10.0
III. Sources of change in money stock (M3) (1+2+3+4-5)										
1. Net bank credit to Government (A+B)	55077	55943	57464	59555	56598	14.2	14.5	13.0	15.5	12.8
(A) RBI's net credit to Government (i+ii)	-4275	2030	10131	1329	3826	-2.8	1.3	6.8	0.9	2.5
(i) Central Government	-5587	4096	13841	-1798	4158	-3.8	2.8	9.9	-1.2	2.8
(ii) State Governments	1312	-2067	-3710	3126	-331	18.4	-29.0	-44.0	162.0	-6.5
(B) Other banks' credit to Government	59352	53913	47334	58226	52773	25.3	23.0	16.1	25.3	18.3
2. Bank credit to commercial sector (A+B)	82548	49655	68421	75963	101314	16.6	10.0	11.8	16.2	18.6
(A) RBI's credit to commercial sector	3044	-3983	-2148	-4342	4879	24.9	-32.6	-14.1	-34.5	59.2
(B) Other banks' credit to commercial sector	79504	53639	70569	80306	96434	16.4	11.1	12.5	17.6	17.9
3. Net foreign exchange assets of the banking sector	27794	11293	29595	20636	46097	15.6	6.3	14.4	12.2	24.4
4. Government's currency liabilities to the public	416	589	643	730	470	10.8	15.3	15.1	19.7	10.6
5. Banking Sector's net non-monetary liabilities other than time deposits	29653	8872	11098	1228	31880	35.6	10.6	9.8	1.3	34.6

**Note :** All figures are provisional. Data for RBI relate to March 31 after closure of Government Accounts. Variations in respect of Scheduled commercial banks (SCBs) are based on data for last reporting Friday of March. SCBs' time deposits include Rs. 17945 crore of RIBs from August 28, 1998 and Rs. 25,662 crore of IMDs from November 17, 2000.

M3 growth reflected mostly the expansion in time deposits, which grew at 15.7 per cent till January 12, 2001 in the current financial year compared with a lower rate of 13.0 per cent in the corresponding period last year. The inflows under IMDs contributed to the relatively higher growth in time deposits of banks in the current financial year. The growth in currency with the public, however, decelerated to 10.0 per cent till January 12, 2001 from 14.9 per cent last year. Consequently, narrow money (M1) registered a marginally lower growth at 6.7 per cent during this period compared with 6.9 per cent in the corresponding previous period.

3.6 On the side of sources of broad money growth, growth in net bank credit to the Government decelerated to 13.0 per cent till January 12, 2001 in the current financial year from 14.5 per cent last year. Bank credit to commercial sector increased by 11.8 per cent till January 12, 2001 compared with 10.0 per cent last year. This reflected the higher growth in non-food credit by 11.9 per cent from SCBs to the commercial sector during this period

compared with 10.5 per cent in the corresponding period last year.

3.7 The trends in reserve money growth may be seen from Table 3.3. Reserve money growth in the current financial year was characterised by compositional shifts as between domestic and external sources of primary money. There was a sharp decline in RBI's net foreign exchange assets caused by capital outflows during May-October, 2000. This was accompanied by devolvement on and private placement with the RBI arising from shortfalls in market absorption of Central Government dated securities, which fuelled the Centre's monetised deficit. The increase in primary liquidity during this period was mainly fuelled by the increase in RBI's net domestic assets. The position changed with the inflows under IMDs in November 2000, which led to a sharp increase in RBI's foreign currency assets. The resultant generation of liquidity facilitated a sharp reduction in RBI's net domestic assets by enabling the RBI to offload from its portfolio a significant portion of Central Government dated securities to the market.

**TABLE 3.3**  
**Sources of Change in Reserve Money**  
Variations during<sup>1</sup>

	Outstanding as on March 31, 1999	Financial Year			Annual		Financial Year			Annual	
		1999-2000	1999-2000	2000-01	1999-2000	2000-01	1999-2000	1999-2000	2000-01	1999-2000	2000-01
		Mar.31 to Mar.31	Mar.31 to Jan.14	Mar.31 to Jan.12	Jan. 15 to Jan. 14	Jan. 14 to Jan. 12	Mar.31 to Mar.31	Mar.31 to Jan. 14	Mar.31 to Jan. 12	Jan. 15 to Jan. 14	Jan. 14 to Jan. 12
		<i>(Rs.crore)</i>						<i>(per cent)</i>			
1. Net RBI credit to Government <sup>2</sup>	152539	-4275	2029	10131	1328	3827	-2.8	1.3	6.8	0.9	2.5
2. RBI credit to banks <sup>3</sup>	13262	3524	-4150	-2372	-4118	5302	26.6	-31.3	-14.1	-31.1	58.2
3. RBI credit to commercial sector <sup>4</sup>	12226	3044	-3983	-2148	-4342	4879	24.9	-32.6	-14.1	-34.5	59.2
4. Net foreign exchange assets of RBI <sup>5</sup>	137954	27926	14771	22218	23625	35375	20.2	10.7	13.4	18.3	23.2
5. Government's currency liabilities to the public	3846	416	588	644	730	470	10.8	15.3	15.1	19.7	10.6
6. Net non-monetary liabilities of RBI	60481	9666	9170	14098	8453	14594	16.0	15.2	20.1	13.8	21.0
7. Reserve Money (1+2+3+4+5-6)	259345	20969	85	14375	8770	35259	8.1	0.0	5.1	3.5	13.6
<p>1. Variations are worked out on the basis of March 31 data after closure of Governments accounts. Figures for 1999-2000 and 2000-2001 are provisional.</p> <p>2. Includes special securities.</p> <p>3. Includes claims on NABARD.</p> <p>4. Excludes, since the establishment of NABARD, its refinance to banks.</p> <p>5. Variations are inclusive of appreciation in the value of gold following its revaluation close to the international market price since October 17, 1990. Such appreciation has a corresponding effect on RBI's net non-monetary liabilities.</p> <p>6. Constituent items may not add to total because of rounding.</p>											