

Monetary Trends and Developments

3.5 Table 3.1 presents the overall trends in the growth of different monetary aggregates during the current financial year. The year-on-year growth in broad money (M3) as on January 11, 2002 was 14.4 per cent compared with 16.6 per cent (14.3 per cent net of IMDs) a year ago. As indicated earlier, the significant deceleration in money supply since November 16, 2001 reflects the sudden rise in broad money resulting from IMDs with effect from the corresponding date in the previous year. As mentioned in the footnote to Table 3.1, the new series of monetary aggregates exclude IMDs.

3.6 Table 3.2 presents the trends in the components as well as sources of the growth of broad money. On the side of components, currency with the public registered a higher rate of growth till January 11, 2002 in the current financial year than that in the corresponding previous period. However, the deceleration in time deposits with banks mostly reflects the sudden rise in this component on account of IMDs with effect from November 17 in the previous year. On the side of sources of broad money, growth in banks' investment in government securities and the expansion in net

foreign exchange assets (NFEAs) of Reserve Bank of India (RBI) have been significant.

3.7 The trends in the sources of growth in reserve money are shown in Table 3.3. Net RBI credit to Government till January 11 in the current financial year declined by 1.4 per cent compared with an increase of 6.8 per cent in the corresponding period of the previous financial year. The rate of decline by 30.0 per cent in the net domestic assets of RBI (difference between reserve money and RBI's NFEAs) during this period was significantly higher than the decline by 7.2 per cent in the corresponding period of the previous financial year. However, the higher rate of growth by 20.1 percent in the net foreign exchange assets of RBI more than offset the decline in RBI's net domestic assets, leading to a relatively modest growth in reserve money at 2.6 per cent till January 11 in the current financial year compared with 5.0 per cent in the corresponding period of the previous financial year. On the side of components, currency in circulation, which accounts for more than two thirds of reserve money stock, increased by 11.3 per cent till January 11 in the current financial year, compared with 10.2 per cent in the corresponding previous period.

TABLE 3.1
Trends in Money Supply

Type of Monetary Aggregate	March 31 to March 31		March 31 to January 11	
	1999-2000	2000-01	2000-01	2001-02
Broad Money (M3)	14.6	16.7	13.4 (16.6)	11.2 (14.4)
Narrow Money (M1)	10.6	11.1	6.0 (9.8)	6.2 (11.3)
Reserve Money	8.2	8.1	5.0 (13.5)	2.6 (5.6)
M3 Multiplier	4.00	4.32	4.33	4.69

Notes: (1) All figures are provisional. Figures in brackets relate to year-on-year growth. M3 multiplier is at end-March for 1999-2000 and 2000-01, and as on January 11/January 12 for 2001-02/2000-01.

(2) Under the new series of statistics of money supply and credit based on the Report of the Working Group on " Money Supply: Analytics and Methodology of Compilation", statistics of money supply are compiled on the basis of the residency concept. Accordingly, the figures relating to broad money under the new series do not directly reckon non-resident foreign currency repatriable fixed deposits in the form of FCNR (B) deposits, Resurgent India Bonds (RIBs), and India Millennium Deposits (IMDs). As per the new series, M3 growth rates for 1999-2000 and 2000-01 were 15.3 per cent and 14.3 per cent respectively.

TABLE 3.2
Sources of Change in Money Stock (M3)

	Variations during									
	Financial Year					Annual				
	2000-01		2000-01		2001-02		2000-01		2001-02	
	Mar.31	Mar. 31	Mar. 31	Mar. 31	Jan. 14	Jan. 12	Mar. 31	Mar. 31	Mar. 31	Jan. 14
to	to	to	to	to	to	to	to	to	to	to
Mar.31	Jan. 12	Jan. 11	Jan. 12	Jan. 12	Jan. 11	Mar. 31	Jan. 12	Jan. 11	Jan. 12	Jan. 11
	<i>(Rs. crore)</i>					<i>(Per cent)</i>				
1. M1 (Narrow Money)	37,994	20,643	23,700	32,376	41,051	11.1	6.0	6.2	9.8	11.3
II. M3 (Broad Money)	1,87,409	1,50,169	1,46,823	1,81,540	1,84,063	16.7	13.4	11.2	16.6	14.4
(1+2+3+4)										
1. Currency with the public	20,480	19,290	23,650	14,582	24,839	10.8	10.2	11.3	7.5	11.9
2. Demand deposits										
with banks	16,918	2,083	1,003	18,467	15,838	11.3	1.4	0.6	13.9	10.4
3. Time deposits with banks	1,49,414	1,29,526	1,23,122	1,49,164	1,43,011	19.1	16.6	13.2	19.6	15.7
4. Other deposits with RBI	596	-730	-952	-673	374	19.6	-24.1	-26.2	-22.6	16.2
III. Sources of change in money stock (M3)										
(1+2+3+4-5)										
1. Net bank credit to Government (A+B)	71,002	60,039	68,436	59,411	79,398	16.1	13.6	13.4	13.4	15.8
(A) RBI's net credit to Government (i+ii)	5,613	10,131	-2,119	3,826	-6,637	3.8	6.8	-1.4	2.5	-4.2
(i) Central Government	6,705	13,841	-2,770	4,158	-9,906	4.8	9.9	-1.9	2.8	-6.4
(ii) State Governments	-1,092	-3,710	651	-331	3,269	-12.9	-44.0	8.9	-6.6	69.2
(B) Other banks' credit to Government	65,389	49,909	70,555	55,585	86,035	22.3	17.0	19.7	19.3	25.1
2. Bank credit to commercial sector (A+B)	86,652	71,888	58,450	1,10,429	73,213	14.8	12.3	8.7	20.2	11.1
(A) RBI's credit to commercial sector	-1,983	-2,148	-5,677	4,879	-5,512	-13.0	-14.1	-42.7	59.2	-42.0
(B) Other banks' credit to commercial sector	88,635	74,036	64,127	1,05,550	78,725	15.5	13.0	9.7	19.6	12.2
3. Net foreign exchange assets of the banking sector	44,172	30,049	33,786	46,551	47,909	21.5	14.6	13.5	24.6	20.3
4. Government's currency liabilities to the public	776	488	549	631	836	16.9	10.7	10.2	14.2	16.5
5. Banking Sector's net non-monetary liabilities other than time deposits	15,192	12,295	14,397	35,482	17,294	13.3	10.8	11.1	39.1	13.7

Note : 1. 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. 17,945 crore on account of proceeds from RIBs (Resurgent India Bonds), since August 28, 1998 and Rs. 25,662 crore from India Millennium Deposits (IMDs) since November 17, 2000.

2. Monetary data are revised in line with the new accounting standards and consistent with the methodology suggested by the Working Group on Money Supply : Analytics and Methodology of Compilation (June 1998). The revision is in respect of pension and provident funds with commercial banks which are classified as other demand and time liabilities and includes those banks which have reported such changes so far.