

MONETARY DEVELOPMENTS – TRENDS

4.27 A brief overview of select monetary parameters indicates that, during the year 2007-08, the growth in Reserve Money (M_0) as also of Broad Money (M_3) have been higher compared to the last year; the growth in Narrow Money (M_1) has, however, been lower during the current year (Table 4.13).

Reserve money (M_0)

4.28 Reserve money growth accelerated sharply in 2006-07 and in the first nine months of 2007-08. In both the years, the NFA of RBI was the main driver of this growth. Reserve Money (M_0) grew by 23.7 per cent in 2006-07 compared to 17.2 per cent during 2005-06. A dramatic spurt in capital inflows led to 28.7 per cent growth of RBI's NFA in 2006-07. As regards the other source of M_0 , namely, Net Domestic Assets (NDA), it declined during the year. The RBI credit to the Government was in the nature of liquidity

management rather than proactive financing of fiscal deficit of the Government. The RBI net credit to Central Government declined by Rs. 3,023 crore in 2006-07 as compared to an increase of Rs. 28,417 crore during 2005-06. This owed mainly to an increase in deposits of the Centre [higher balances under Market Stabilization Scheme (MSS)].

4.29 The acceleration in reserve money growth continued in 2007-08. The expansion in M_0 (up to January 4, 2008) was 13.6 per cent compared to 9.1 per cent during the corresponding period of the previous year. The main driver of growth of M_0 continued to be NFA of the RBI, which expanded by 25.2 per cent during this period compared to an expansion of 15.9 per cent during the same period of the previous year. The NFA of the RBI, on year-on-year basis as on January 4, 2008, expanded by 39.1 per cent as against 26.1 per cent on the corresponding date of the previous year (Figure 4.9). The net RBI credit to the Central Government declined by Rs. 1,52,414 crore (up to

Table 4.13 Summary data on select monetary and banking parameters

Items	Growth rates as on January 4, 2008				
	2006-07	Financial year basis		Year-on-year basis	
		2007-08	2006-07	2007-08	2006-07
M_0	23.7	13.6	9.1	28.7	19.3
M_1	16.8	4.9	6.4	15.2	18.2
M_3	21.3	13.3	12.2	22.4	20.8
NFA of RBI	28.7	25.2	15.9	39.1	26.1
SCBs credit					
(a) Food	14.3	-11.3	5.9	-4.2	0.0
(b) Non-food	28.4	11.8	17.5	22.2	31.9
(c) Total	28	11.3	17.2	21.5	30.8
Memo items		Variation (Rs. crore)			
NDA of RBI	-57211	-122296	-54406	-125102	-60277
Net RBI credit to Central Government	-3023	-152414	-6079	-149358	-19845

Figure 4.9 Reserve Money and RBI net foreign exchange assets - annual growth rate

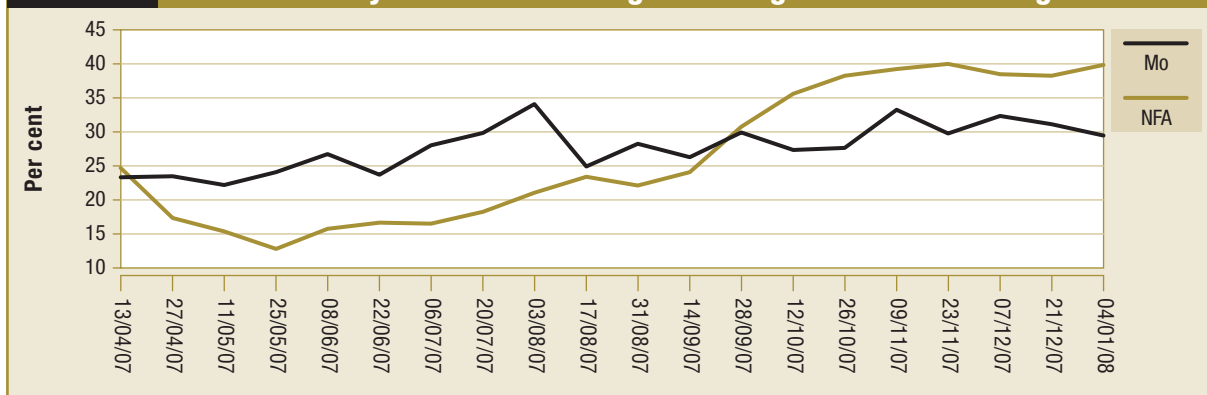


Table 4.14 Sources of change in reserve money

1	Growth rate				
	Financial year		Year-on-year		
	January 5, 2007	January 4, 2008	January 5, 2007	January 4, 2008	
	2006-2007	March 31, 2006	March 31, 2007	January 6, 2006	January 5, 2007
2	3	4	5	6	
Reserve Money	23.7	9.1	13.6	19.3	28.7
A Components					
(a) Currency in circulation	17.1	11.7	10.3	17.0	15.5
(b) Bankers' deposits with RBI	45.6	2.6	23.8	28.2	75.8
(c) "Other" deposits with RBI	9.1	-22.4	-33.7	15.1	-6.7
B Select sources of Reserve Money					
1. Net foreign exchange assets of RBI	28.7	15.9	25.2	26.1	39.1
2. Government's currency liabilities to the public	-5.3	-6.8	6.8	-5.6	8.5
3. Net non-monetary liabilities of RBI	45.4	36.5	-22.3	33.0	-17.2

January 4, 2008), continuing the trend observed towards the end of 2006-07. On the year-on-year basis, decline in the net RBI credit to the Central Government, as on January 4, 2008, was Rs. 1,49,358 crore as compared to the decline of Rs. 19,845 crore on the corresponding date of the previous year.

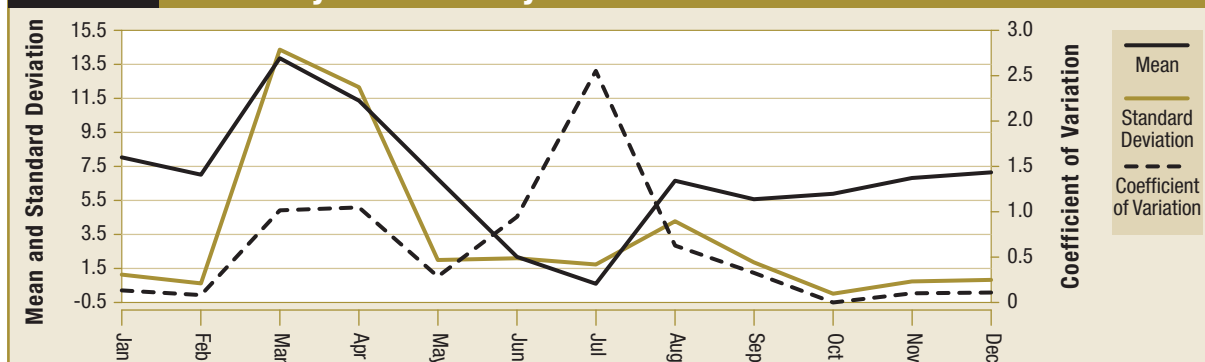
4.30 The share of NFA of RBI in the aggregate reserve money as on March 31, 2007 was 122.2 per cent which further increased to 134.7 per cent on January 4, 2008. The ratio of NFA to currency in circulation which was 171.8 per cent at end March 2007 also increased as on January 4, 2008 to 195.1 per cent.

Liquidity management

4.31 During 2006-07, the RBI continued its policy of proactive short-term liquidity management through the use of the available policy instruments.

RBI resorted to both repo and reverse repo operations depending upon the liquidity conditions in the market. On a net basis, the Liquidity Adjustment Facility (LAF) (consisting of repo and reverse repo) operations resulted in the net injection of Rs. 36,435 crore during 2006-07.

4.32 Figure 4.10 depicts the mean, standard deviation and coefficient of variation (CV) in the interbank call money rates during each month of 2007. It shows that 2006-07 ended with low liquidity in both January and February, with call money rates averaging around 7.5 per cent and a further tightening of liquidity in March 2007 with call money rates averaging over 13.5 per cent moving well outside the informal corridor set by the repo and reverse repo rates. The latter was partly because RBI tightened liquidity through the LAF facility and partly because of advance tax payments that take place every March.

Figure 4.10 Call money rates: monthly mean and intra month variation

4.33 The liquidity situation eased during early 2007-08 and then became excessively easy. Liquidity was fairly tight in April 2007, with call money rates averaging a little less than 11.5 per cent. Indications of sharp liquidity easing were offset by a two-step (25 basis points each) hike in the CRR to 6.25 and 6.5 per cent, effective from April 14, 2007 and April 28, 2007, respectively. It improved considerably in May with call money rates falling sharply to an average of about 5.5 per cent. Liquidity was excessively easy in June and July 2007 with call money rates falling to an average of around 2 per cent and 1 per cent, respectively. The LAF therefore switched to an absorption mode in July 2007 with a net increase in balances by Rs. 2,992 crore (Table 4.16). There was also a sharp increase in volatility in call money markets in July, with the CV more than doubling (Figure 4.10) perhaps because of uncertainty about RBI's future policy stance. This became clear as net absorption through LAF increased sharply to Rs 16,855 crore in August and call money rates rose to an average of over 6.5 per cent. Consequently, volatility declined even more sharply than it had risen. During the last five months of 2007 call money rates have been relatively stable at a monthly average of 5.5 to 7.5 per cent, and volatility has declined to negligible levels. During this period the LAF facility has been used flexibly to manage short-term liquidity, on average being in injection mode in September, November and December and in absorption mode in October.

4.34 The RBI, on review of macroeconomic and overall monetary and liquidity situation, announced the withdrawal of the ceiling of Rs. 3,000 crore on daily reverse-repo under LAF and abolition of second LAF with effect from August 6, 2007. Consequently, the balances under LAF rose from Rs. 2,997 crore on August 3, 2007, to Rs. 19,625

Table 4.15**MSS ceiling and threshold limit profile**

(Rs. Crore)		
Date	Ceiling	Threshold
01-04-2004 (introduced)	60,000	50,000
26-08-2004	80,000	70,000
24-03-2006	70,000	60,000
30-03-2007	80,000	70,000
27-04-2007	1,10,000	95,000
08-08-2007	1,50,000	1,35,000
04-10-2007	2,00,000	1,85,000
07-11-2007	2,50,000	2,35,000

crore on August 10, 2007, and further to Rs. 57,480 crore on October 4, 2007. From November 16, 2007, again, there was liquidity tightening with the net injection of Rs. 30,655 crore through repo window of LAF. As on January 30, 2008, amount absorbed under LAF stood at Rs. 24,675 crore indicating a comfortable liquidity situation in the system.

4.35 With the continuing surge in capital flows during 2007-08 and the need to regulate the domestic liquidity, the MSS limits were periodically revised by RBI in consultation with the Central Government (Table 4.15).

4.36 At end-April 2007, the amount absorbed under MSS was 9.4 per cent of the foreign currency assets of the RBI, which rose to 13.8 per cent at end-September 2007 and by end-December 2007 it further increased to 15.2 per cent (Table 4.16, Figure 4.11). Thus, during April-December 28, 2007, liquidity absorbed under MSS was Rs. 96,742 crore with outstanding balances rising to Rs. 1,59,717 crore at end December 2007.

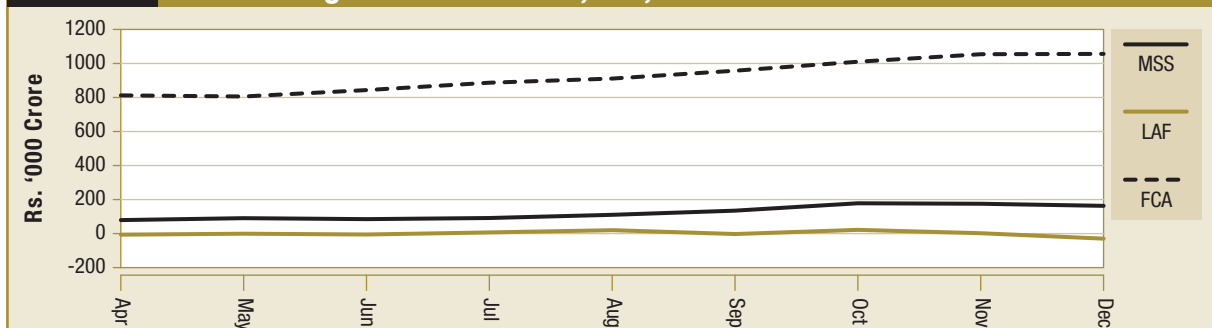
Figure 4.11 Outstanding balances of MSS, LAF, FCA of RBI

Table 4.16 Outstanding balances of MSS and LAF (as on last Friday of the month)

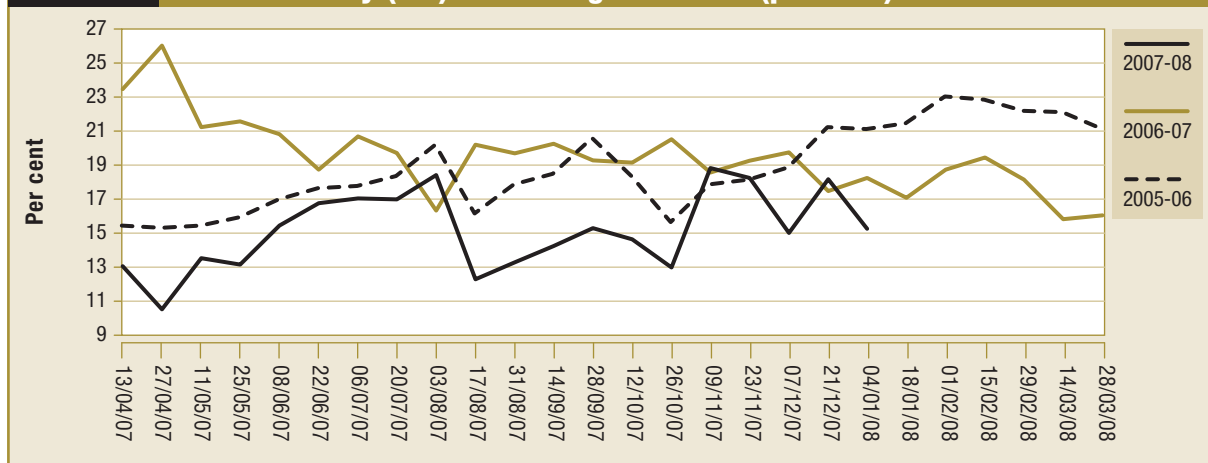
(Rs. crore)

Months	MSS	LAF	FCA of RBI	As per cent of FCA of RBI	
				MSS	LAF
Mar 06	29062	7250	647327	4.5	1.1
2006-07					
April	25223	62075	690730	3.7	9.0
May	27817	57245	713007	3.9	8.0
June	33295	42565	718701	4.6	5.9
July	38995	48155	731320	5.3	6.6
August	42364	23985	736438	5.8	3.3
September	42064	1915	727733	5.8	0.3
October	40091	8110	724586	5.5	1.1
November	37917	15995	745118	5.1	2.1
December	37314	-2515	752738	5.0	-0.3
2007-08					
January	39375	-11445	760855	5.2	-1.5
February	41807	6940	824174	5.1	0.8
March	62975	-11900	836597	7.5	-1.4
2007-08					
April	75924	-9996	808573	9.4	-1.2
May	87319	-4690	801600	10.9	-0.6
June	81137	-8895	839913	9.7	-1.1
July	88010	2992	882854	10.0	0.3
August	106434	16855	907301	11.7	1.9
September	131473	-6070	953581	13.8	-0.6
October	174277	18135	1006040	17.3	1.8
November	171468	-1320	1050165	16.3	-0.1
December	159717	-33865	1052129	15.2	-3.2

4.37 The sterilization also entails substantial cost to the exchequer in the form of interest payment. Accordingly, the Central Government has raised the budgetary provision on this head from Rs. 3,700 crore in BE 2007-08 to Rs. 8,200 crore through supplementary demands for grants for the year 2007-08.

Narrow money (M_1)

4.38 M_1 growth has been decelerating in both 2006-07 and 2007-08, in contrast to both base money and M_3 . It expanded by 16.8 per cent in 2006-07 compared to an expansion of 21.1 per cent during 2005-06. Among the major components of M_1 , currency with the public increased by 17 per

Figure 4.12 Narrow Money (M_1) – annual growth rate (per cent)

cent in 2006-07, in conformity with higher economic activities during 2006-07 as against the expansion of 16.4 per cent during 2005-06. But demand deposits with banks grew at a much slower rate of 16.7 per cent in 2006-07 compared to 26.5 per cent in the previous year. This lower growth in demand deposits was largely due to the aggressive strategy adopted by banks to augment their time deposits segment to match robust credit expansion during 2006-07.

4.39 M_1 grew at a significantly lower rate of 4.9 per cent on financial year basis (up to January 4, 2008) compared to 6.4 per cent during the corresponding period of the previous year. On year-on-year basis also, on January 4, 2008, M_1 grew at a slower rate of 15.2 per cent compared to 18.2 per cent on January 5, 2007 (Figure 4.12). During the current financial year (up to January 4, 2008) currency with the public expanded by 10.7 per cent over end-March 2007 (Rs. 51,720 crore) compared to the expansion of 12.5 per cent (Rs. 51,827 crore) during the corresponding period of the previous year. On year-on-year basis, on January 4, 2008, the growth of this component was lower at 15.1 per cent compared to 16.8 per cent on the corresponding date of the previous year. The other important component of M_1 , viz., demand deposits with banks, witnessed a decline during the period up to January 4, 2008; it posted a decline of 0.4 per cent compared to an increase of 0.5 per cent during the corresponding period of the previous year.

Broad money (M_3)

4.40 The increase in inflationary pressures in the middle of 2006-07 has been attributed in part to the acceleration in M_3 growth during 2006-07. Broad money (M_3) supply increased by 21.3 per cent during 2006-07 which was higher than both the targeted growth of 15 per cent envisaged in

the APS for 2006-07 as well as 17 per cent observed for 2005-06. The growth in M_3 was associated with continued robust growth in the net domestic credit (NDC) of the banking sector at 20.4 per cent in 2006-07 on top of 18.3 per cent growth during 2005-06; the growth in NDC was still predominantly accounted for by credit to commercial sector which grew by 25.4 per cent, in spite of hardening of interest rates during the year. The growth in credit to commercial sector was much higher than 20 per cent envisaged in the APS for 2006-07 but was lower than 27.2 per cent achieved in 2005-06. The NFA of the banking sector also registered a substantial growth of 25.7 per cent in 2006-07 compared to 12.1 per cent during 2005-06.

4.41 M_3 growth during 2007-08 has been running ahead of the target as well as the growth of the previous year. During the current financial year 2007-08, up to January 4, 2008, the growth in M_3 was 13.3 per cent as compared to 12.2 per cent during the corresponding period of the previous year. A shift in the drivers of M_3 has, however, been observed, with the increase in the contribution of NFA of the banking system. The NFA and NDA (NDC plus Government's currency liabilities to the public and non-monetary liabilities of the banking sector) contributed 6.1 percentage points and 7.2 percentage points, respectively, to the overall growth of 13.3 per cent of M_3 ; this contrasts with the 4.3 percentage points and 7.9 percentage points contribution of the same parameters, respectively, to the growth of M_3 at 12.2 per cent in 2006-07.

4.42 On a year-on-year basis, M_3 grew by 22.4 per cent on January 4, 2008, compared to 20.8 per cent on the corresponding date of the previous year (Table 4.17). Among the sources of M_3 , bank credit to commercial sector decelerated (Figures 4.13 and 4.14). The RBI had visualized expansion

Figure 4.13 Bank credit to commercial sector – annual growth rate (per cent)

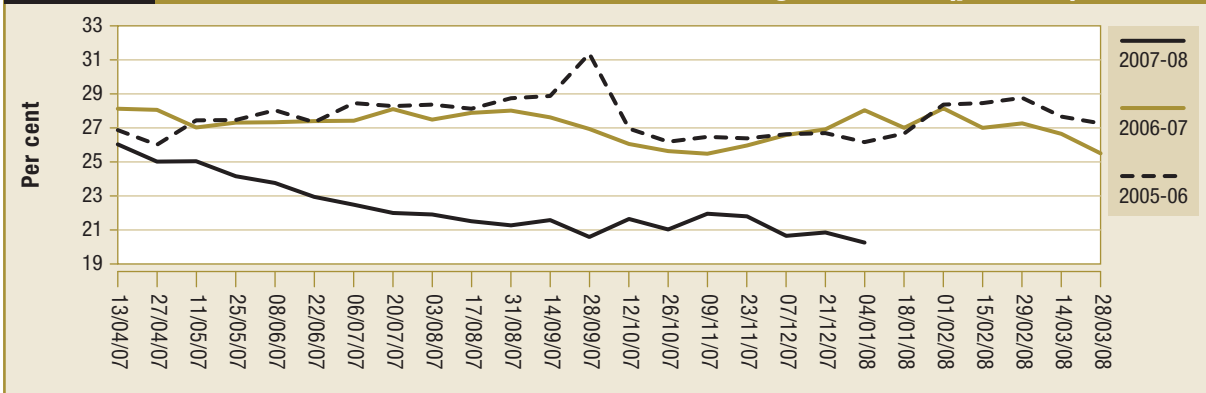


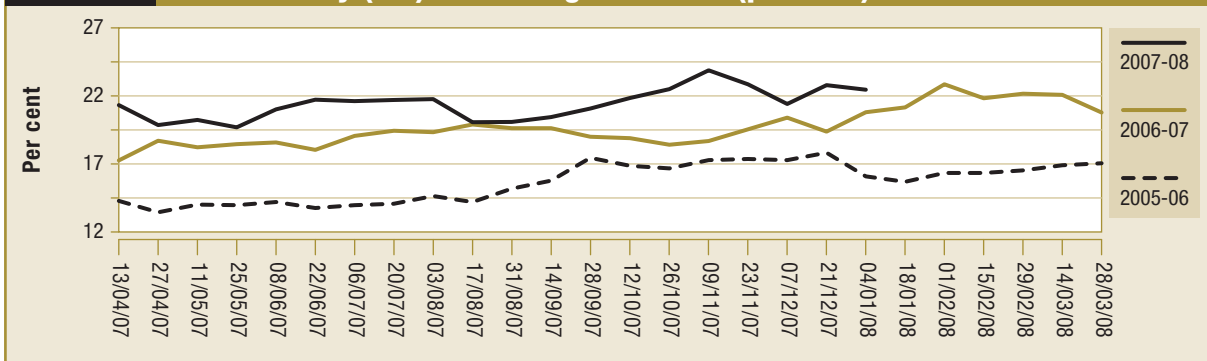
Table 4.17 Sources of change in money stock (M₃)

	Growth rate				
	March 31, 2006 to March 31, 2007	March 31, 2006 to January 5, 2007	March 31, 2007 to January 4, 2008	January 6, 2006 to January 5, 2007	January 5, 2007 to January 4, 2008
1	2	3	4	5	6
	Per cent				
I. M ₁ (Narrow Money)	16.8	6.4	4.9	18.2	15.2
II. M ₃ (Broad Money) (1+2+3+4)	21.3	12.2	13.3	20.8	22.4
1. Currency with the public	17.0	12.5	10.7	16.8	15.1
2. Demand deposits with banks	16.7	0.5	-0.4	19.9	15.6
3. Time deposits with banks	23.2	14.8	16.7	21.8	25.3
4. "Other" deposits with RBI	9.1	-22.4	-33.7	15.1	-6.7
III. Sources of change in money stock (M ₃)	21.3	12.2	13.3	20.8	22.4
1. Net bank credit to Government of which:	9.3	5.3	0.9	3.3	4.8
Other banks credit to Government	9.8	6.4	19.6	5.9	23.3
2. Bank credit to commercial sector	25.4	15.8	10.9	28.0	20.2
A. RBI's credit to commercial sector	10.8	7.1	-10.0	7.1	-6.9
B. Other banks' credit to commercial sector	25.4	15.8	10.9	28.0	20.2
3. Net foreign exchange assets of the banking sector	25.7	16.2	22.1	28.0	32.1
4. Government's currency liabilities to the public	-5.3	-6.9	6.8	-5.6	8.5
5. Banking sector's net non-monetary liabilities other than time deposits	23.2	19.5	0.4	25.2	3.5
Memo Items					
1. Money multiplier (M ₃ /M ₀)	4.67	-	-	4.90	4.66
2. Velocity of money	1.39	-	-	-	-
3. Net domestic assets	19.7	10.8	9.9	18.2	18.7
4. Net domestic credit	20.4	12.5	8.1	19.6	15.7

Note: Velocity of money pertains to 2006-07.

in the non-food credit during 2007-08 by around 24-25 per cent compared to 28.4 per cent achieved at end-March 2007. The non-food credit by SCBs in fact grew only by 22.2 per cent as on January

4, 2008. On the other hand, the NFA of the banking sector had on this date increased by 32.1 per cent compared to 28 per cent on the corresponding date of the previous year due to robust capital

Figure 4.14 Broad Money (M₃) – annual growth rate (per cent)

inflows and the purchases in the forex market by the RBI.

4.43 Time deposits with banks during 2007-08 grew at a higher rate of 16.7 per cent (up to January 4, 2008) compared to 14.8 per cent during the corresponding period of the previous year. On year-on-year basis the performance was even more impressive, as growth on January 4, 2008 was substantially higher at 25.3 per cent compared to 21.8 per cent on the corresponding date of 2007. Higher accumulation in time deposits with banks can be attributed, among other things, to a hike in interest rates on term deposits of different maturities, extension of tax benefits under section 80C of the Income-tax Act, 1961, and expected higher economic activity. Thus, time deposits have been the major component of the growth of M_3 (Table 4.17).

Money multiplier

4.44 During 2006-07, the expansion in M_0 was faster than that of M_3 . Accordingly the ratio of M_3 to M_0 (money multiplier) showed a decline. At end-March 2007, this ratio was substantially lower at 4.67 compared to 4.76 at end-March 2006. During the current financial year 2007-08, the declining trend in the money multiplier has

continued as reserve money is maintaining higher growth than that of the broad money supply. As on January 4, 2008, this ratio was 4.66 compared to 4.90 on the corresponding date of the previous year (Figure 4.15).

Monetization of economy

4.45 The monetary deepening, as measured by the ratio of average M_3 to GDP, increased steadily over the years from 44 per cent in 1990-91 to 68 per cent in 2004-05 and further to 71 per cent in 2006-07. This could be attributed to the spread of banking services in the country as well as fiscal incentives provided by the Government from time to time for savings, which resulted in the rise of time deposits. The monetization of the economy as measured by the ratio of average M_1 to GDP has also shown an upward trend, albeit at slower rate, during this period. In 1990-91, this ratio was 15 per cent, which increased to 17 per cent in 1995-96. But during the period 1996-2000 there was some deceleration in the ratio when it had moved in the range of 16-16.4 per cent but thereafter it once again showed a rising trend and reached the level of about 21 per cent in 2006-07 due to faster expansion of currency with the public (Table 4.18 and Figure 4.16).

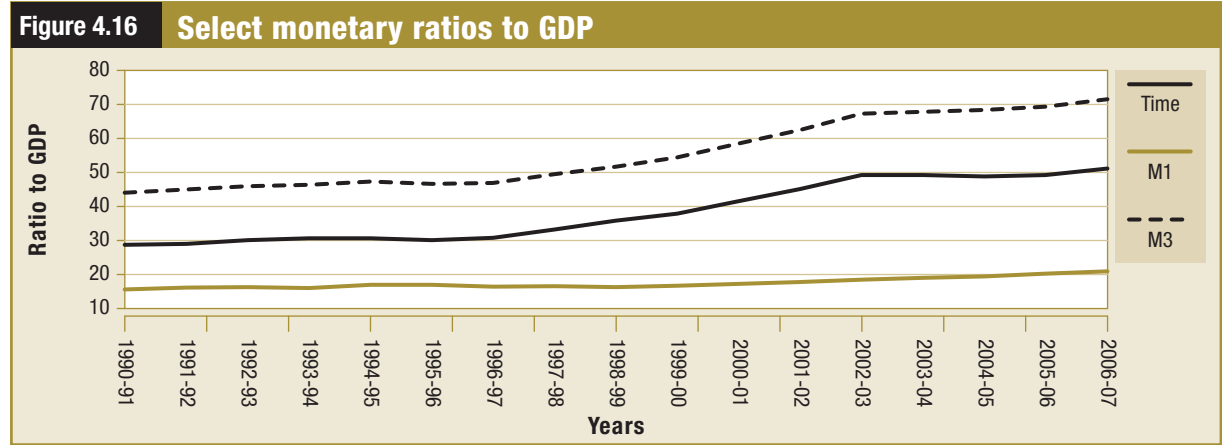
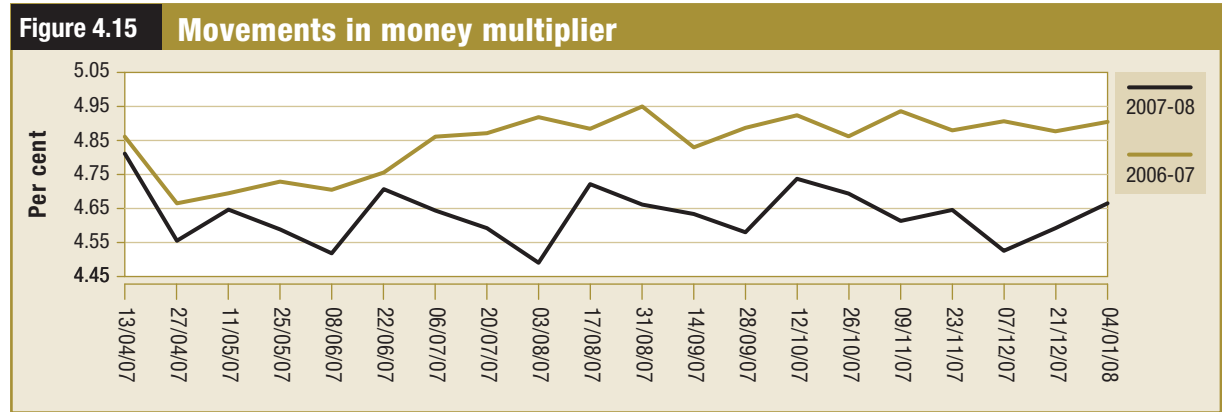


Table 4.18 Select monetary aggregates (ratio to GDP)

Year	As per cent of GDPMP					
	Currency with public	Demand deposits with banks	Time deposits with banks	Aggregate deposits	M ₁	M ₃
1990-91	8.7	6.4	28.5	34.9	15.3	43.8
1991-92	8.8	6.9	28.8	35.7	15.9	44.7
1992-93	8.6	6.9	29.8	36.6	16.0	45.7
1993-94	8.8	6.6	30.3	36.9	15.7	46.1
1994-95	9.1	7.2	30.4	37.6	16.7	47.1
1995-96	9.4	6.7	29.8	36.5	16.6	46.4
1996-97	9.2	6.5	30.5	37.0	16.1	46.6
1997-98	9.3	6.7	33.0	39.7	16.3	49.2
1998-99	9.1	6.7	35.5	42.2	16.0	51.5
1999-2000	9.5	6.8	37.7	44.5	16.4	54.1
2000-01	9.6	7.2	41.3	48.5	17.0	58.2
2001-02	10.0	7.4	44.9	52.2	17.5	62.3
2002-03	10.5	7.5	48.9	56.5	18.2	67.0
2003-04	10.7	7.8	48.9	56.7	18.7	67.6
2004-05	10.7	8.2	48.6	56.8	19.2	68.1
2005-06	10.8	9.1	49.0	58.2	20.0	69.1
2006-07	10.9	9.7	50.9	60.6	20.7	71.3

Note: GDPMP-GDP at market prices.

Interest rate movements (market) and policy interest rates

4.46 The continued rapid expansion in bank credit has exerted upward pressure on lending rates as well as on deposit rates of banks. The pressure was more pronounced for longer maturity deposits during 2006-07. Foreign banks had announced the highest increase in rates for term deposits by 300-335 basis points, followed by public sector banks (PSBs) by 225-275 basis points and private sector banks by 175-200 basis points.

4.47 During 2007-08 (up to January 2008), PSBs reduced their deposit rates, particularly for short-term maturity (up to one year) by 25 basis points. They, however, increased deposit rates by 50-75 basis points over the level observed in March 2007 at the lower end of maturities of one year and above. The interest rates for such deposits were in the range of 8-9.25 per cent in January 2008. Private sector banks' deposit rates for up to one-year maturity declined from the range of 3-9 per cent to 2.5- 8.5 per cent during the period. Foreign banks too reduced such rates from 3-9.5 per cent to 2-9.25 per cent in this period.

4.48 During 2006-07, Benchmark Prime Lending Rate (BPLR) of SCBs hardened by 100-250 basis points. But in view of competition among banks,

a substantial share of lending was at sub-BPLR rates. During the year the share of sub-BPLR lending increased from 69 per cent at end-March 2006 to 79 per cent at end-March 2007. This, however, raises questions about the definitions and meaning of BPLR.

4.49 The BPLR of PSBs and private sector banks increased from the range of 12.25-12.75 per cent and 12-16.5 per cent, respectively, at end March 2007 to the range of 12.5-13.5 per cent and 13-16.5 per cent, respectively, at end January 2008. The BPLR of foreign banks remained unchanged in the range of 10-15 per cent during the same period.

4.50 The yields on primary issues of Treasury Bills (TBs) witnessed a rising trend during 2006-07, in conformity with the medium-term trend in money market rates. The primary yield on 91-day TBs hardened by 187 basis points while those on 364-day TBs hardened by 156 basis points. Consequently, both ended the year at identical primary yield of 7.98 per cent. Much of the rise occurred in the first three months and the last four months of 2006-07.

4.51 Treasury Bills yields in the primary market remained high during the first quarter of 2007-08. The year started with yields for 91-day TBs, 182-

day TBs and 364-day TBs in the first auction of the financial year being quoted at 7.94 per cent, 7.99 per cent and 7.70 per cent, respectively. Thereafter the movements in the yields generally followed the trend set in the money market. The yields declined in July, reflecting easy liquidity in the system due to the prevalence of ceiling of Rs. 3,000 crore for absorption under LAF for reverse-repo transactions. The yields firmed up subsequently on the removal of this limit of absorption through reverse-repo and monetary measures. As on January 2, 2008, the yield on 91-day TBs and 364-day TBs were quoted at 7.02 per cent and 7.39 per cent, respectively (Figures 4.17 and 4.18).

4.52 Real yields on TBs have been on a rising trend throughout 2007-08 except for a short dip in July 2007. The real yield to maturity, derived by adjusting for the rate of inflation based on the nearest WPI index, was 1.35 per cent as on March 28, 2007, both for 91-day and 364-day TBs. The decline in the rate of inflation during the latter half of 2007-08 and the hardening of the nominal yields on these TBs led to higher real yield. Real yield movements for 364-day TBs broadly followed the trend observed for 91-day TBs. As on January 4, 2008, the real yield on 91-day and 364-day TBs was 3.11 per cent and 3.46 per cent, respectively (Figure 4.19).

Figure 4.17 91 day Treasury bills – yield to maturity at auction

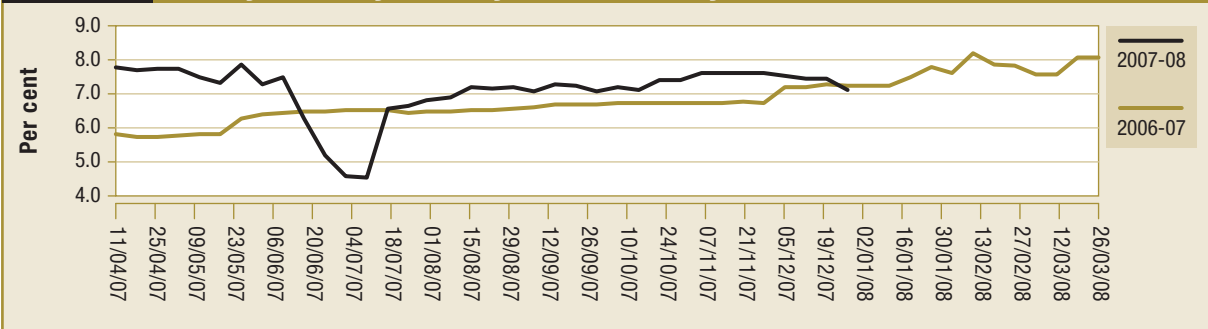


Figure 4.18 364 day Treasury Bills – yield to maturity at auction

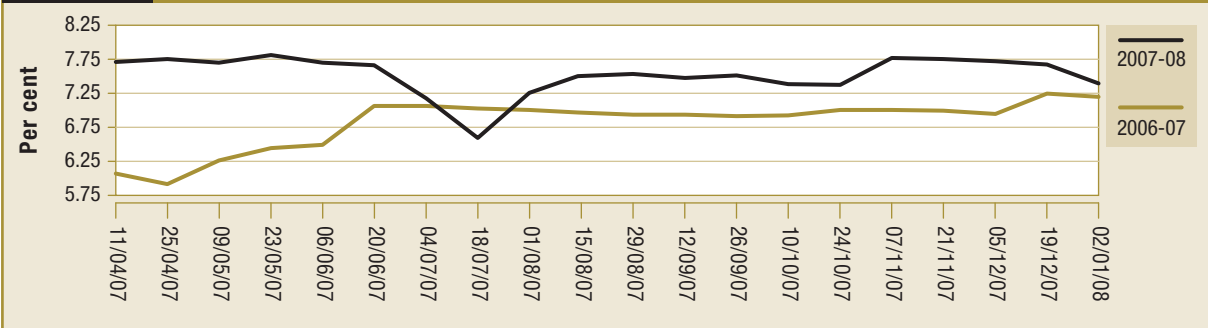
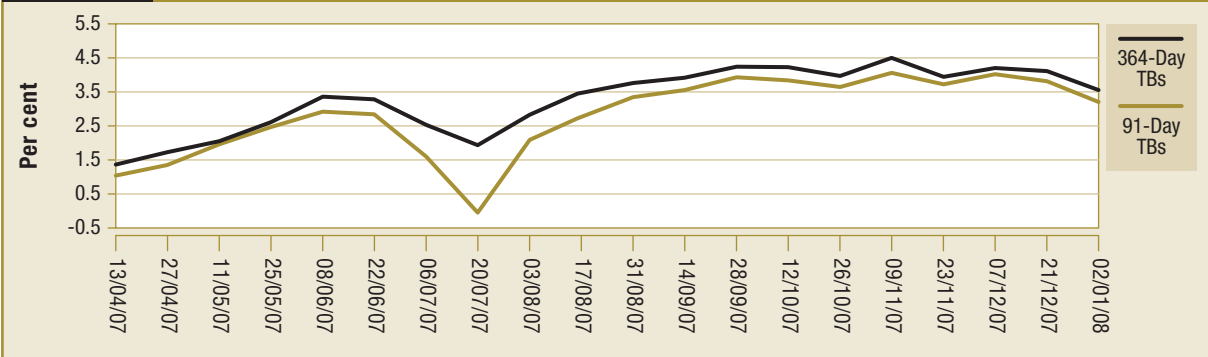


Figure 4.19 Real yield to maturity on Treasury Bills



4.53 The nominal yield on benchmark 10-year G-sec hardened by 45 basis points over the year to 7.97 per cent on March 31, 2007. During 2007-08, they were range bound between 7.97 per cent and 8.19 per cent from April to May 2007. They, however reached a high of 8.32 per cent at end-June 2007. This was due to announcements of unscheduled auctions and hardening of interest rates in the international markets. Thereafter, yields softened and were range bound between 7.8 per cent and 8.2 per cent up to end-October 2007. There was further softening of yields by 20 basis points over the end-March 2007 level to reach 7.77 per cent as on January 4, 2008.

4.54 In contrast to the upward movements in the yields of 10-year G-sec during 2006-07, the yields on Treasury securities of comparable maturity for the United States softened by 21 basis points during the period to 4.65 per cent at end-March 2007. Thus, the spread between yields of

the two securities as at end-March 2007 was 332 basis points. Notwithstanding the yields on Indian 10-year G-sec reaching the highest level at end-June 2007, the spread was marginally lower at 327 basis points. On January 4, 2008, there was again a spurt in the spread to 389 basis points, with a sharper decline in the U.S. yields to 3.88 per cent. Thus, the divergence in the benchmark yields has widened.

4.55 During the current financial year 2007-08, the RBI after reviewing the macroeconomic and monetary situation adopted a pre-emptive policy stance to moderate inflationary expectations by raising policy interest rates. During 2007-08, the RBI used cash reserve ratio as a major policy instrument and so far CRR has been hiked four times during the year with cumulative increase of 150 basis points thereby bringing the level to 7.5 per cent on November 10, 2007 (Table 4.19). The first round impact of CRR change during 2007-08 so far is expected to absorb an additional amount of Rs. 48,000 crore from the banking system.

Table 4.19 Movement in key policy rates

Effective since	Reverse repo rate	Repo rate	Effective since	Bank rate	Effective since	Cash Reserve Ratio
1	2	3	4	5	6	7
March 5, 2002	6.00	8.50	February 17, 2001	7.50	December 29, 2001	5.50
March 28, 2002	6.00	8.00	March 2, 2001	7.00	June 1, 2002	5.00
June 27, 2002	5.75	8.00	October 23, 2001	6.50	November 16, 2002	4.75
October 30, 2002	5.50	8.00	October 30, 2002	6.25	June 14, 2003	4.50
November 12, 2002	5.50	7.50	April 30, 2003	6.00	September 18, 2004	4.75
March 3, 2003	5.00	7.50			October 2, 2004	5.00
March 7, 2003	5.00	7.00			December 23, 2006	5.25
March 19, 2003	5.00	7.00			January 6, 2007	5.50
August 22, 2003	4.50	7.00			February 17, 2007	5.75
March 31, 2004	4.50	6.00			March 3, 2007	6.00
October 27, 2004	4.75	6.00			April 14, 2007	6.25
April 29, 2005	5.00	6.00			April 28, 2007	6.50
October 26, 2005	5.25	6.25			August 4, 2007	7.00
January 24, 2006	5.50	6.50			November 10, 2007	7.50
June 9, 2006	5.75	6.75				
July 25, 2006	6.00	7.00				
October 31, 2006	6.00	7.25				
January 31, 2007	6.00	7.50				
March 31, 2007	6.00	7.75				