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МОНЕТАРНАЯ ПОЛИТИКА ИНДИИ

Аннотация: среди исследований по основам денежно-кредитной политики, посвященных конкретным странам, важное значение имело бы исследование Индии. Хотя Индия последовательно придерживалась демократической формы правления, до 1990-х годов ее экономическая структура была во многом схожа с командно-административной экономикой. В течение последних 20 лет индийская экономика ориентировалась на рыночные силы с высокими темпами роста ВВП и умеренным уровнем инфляции.

Ключевые слова: процентная ставка, денежно-кредитная политика, резервный банк Индии.

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MONETARY POLICY OF INDIA

Abstract: among country-specific studies on monetary policy frameworks, a study on India would be important. Although India consistently maintained a democratic form of governance, prior to the 1990s its economic framework was largely similar to that of a command and control economy. During the past 20 years or so, the

Indian economy has oriented itself towards market forces, with a healthy rate of GDP growth and a modest rate of inflation.

Keywords : interest rate, monetary policy , reserve bank of India

Monetary policy refers to the policy of the central bank – i.e. Reserve Bank of India – in matters of interest rates, money supply and availability of credit. It is through the monetary policy, RBI controls inflation in the country.RBI uses various monetary instruments like REPO rate, Reverse RERO rate, SLR, CRR etc. to achieve its purpose. (This is explained well in one of our earlier articles – basics of economy concepts).In short, Monetary policy refers to the use of monetary instruments under the control of the central bank to regulate magnitudes such as interest rates, money supply and availability of credit with a view to achieving the ultimate objective of economic policy. The monetary policy can be contractionary. An expansionary monetary policy is focused on expanding (increasing) the money supply in an economy. An expansionary monetary policy is implemented by lowering key interest rates thus increasing market liquidity [3].

A contractionary monetary policy is focused on contracting (decreasing) the money supply in an economy. A contractionary monetary policy is implemented by increasing key interest rates thus reducing market liquidity. The Reserve Bank of India (RBI) is vested with the responsibility of conducting monetary policy. This responsibility is explicitly mandated under the Reserve Bank of India Act, 1934.Recently there were many changes in the way Monetary Policy of India is formed – with the introduction of Monetary Policy Framework (MPF), Monetary Policy Committee (MPC), and Monetary Policy Process (MPP).The primary objective of monetary policy is to maintain price stability while keeping in mind the objective of growth. Price stability is a necessary precondition for sustainable growth. To maintain price stability, inflation needs to be controlled. The government of India sets an inflation target for every five years. RBI has an important role in the consultation process regarding inflation targeting. The current inflation-targeting framework in India is flexible in nature.

- Flexible Inflation Targeting Framework: Now there is a flexible inflation targeting framework in India (after the 2016 amendment to the Reserve Bank of India (RBI) Act, 1934).
- Who sets the inflation target in India: The amended RBI Act provides for the inflation target to be set by the Government of India, in consultation with the Reserve Bank, once every five years.
- Current Inflation Target: The Central Government has notified 4 per cent Consumer Price Index (CPI) inflation as the target for the period from August 5, 2016, to March 31, 2021, with the upper tolerance limit of 6 per cent and the lower tolerance limit of 2 per cent.
- Factors that constitute a failure to achieve the inflation target: (1) the average inflation is more than the upper tolerance level of the inflation target for any three consecutive quarters, OR (2) the average inflation is less than the lower tolerance level for any three consecutive quarters [4].

Now in India, the policy interest rate required to achieve the inflation target is decided by the Monetary Policy Committee (MPC). Monetary Policy Committee (MPC) is a six-member committee constituted by the Central Government (Section 45ZB of the amended RBI Act, 1934) The resolution adopted by the Monetary Policy Committee (MPC) is published after the conclusion of every meeting of the Monetary Policy Committee (MPC). Once in every six months, the Reserve Bank is required to publish a document called the Monetary Policy Report to explain: (1) the sources of inflation and(2) the forecast of inflation for 6-18 months ahead. With retail inflation showing signs of easing and continuing below the Reserve Bank of India's upper tolerance level of 6%, as well as a projected slowdown in GDP growth in the upcoming fiscal year beginning in April, experts believe the central bank may only choose to raise the benchmark interest rate by 25 basis points. Another opinion is that the RBI may press the pause button on the rate hike on Wednesday itself. According to the State Bank of India's Economic Research Department in a report titled 'Prelude to Monetary Policy Committee (MPC) Meting on Feb 6-8, 2023', the central bank may opt to pause in the February policy. The monetary policy is aimed at achieving the medium-term

target for consumer price index (CPI) inflation of four percent within a band of +/- two percent, while supporting growth. In order to support the government borrowing program, the RBI has also increased the present limit under the Held to Maturity (HTM) category for banks from 22 percent to 23 percent of NDTL till March 31, 2023 [5].

In line with expectations, the Monetary Policy Committee (MPC) has continued with its accommodative policy stance – which is aimed at supporting growth in the wake of the COVID-19 pandemic-led slump. For the purpose, the MPC voted unanimously in favour of keeping the policy repo rate unchanged. It is expected that June 2022 onwards, this policy stance shall transition to a neutral one, primarily intending to keep inflation in check. Monetary policy instruments remain unchanged, with the exception of a new policy tool called Standing Deposit Facility (SDF). The SDF has been introduced as the floor of Liquidity Adjustment Facility (LAF) corridor to absorb liquidity. This move is aimed at providing symmetry to the operating framework of the monetary policy as it introduces an absorption facility at the bottom of LAF corridor, similar to the standing injection tool called Marginal Standing Facility (MSF) at the upper end of LAF corridor. The SDF is intended to pump out excess liquidity from the system without exchanging collaterals like government-backed securities (G-Secs). The interest rate for SDF has been fixed at 3.75 percent, 25 basis points lower than the repo rate. India's monetary policy is the macroeconomic policy laid down by the RBI, primarily aimed at maintaining price stability, without losing focus of the growth objective. Price stability is a necessary precondition to sustainable growth. It manages policy rate changes, which are transmitted through the money market to the entire financial system, in turn influencing aggregate demand – the key determinant of inflation and growth. In May 2016, the RBI Act was amended to provide for flexible inflation. The new framework aims at setting the policy rate based on an assessment of the current and evolving macroeconomic situation. It also aims at modulating the liquidity conditions to anchor money market rates at or around the repo rate [7].

In its latest policy, the Monetary Policy Committee (MPC) has trimmed its projection for real GDP growth for FY 2022-23 to 7.2 percent, as against the 7.8 percent rate projected in the previous MPC. Experts claim that the monetary policy has turned hawkish, with the RBI raising its projection of annual inflation by more than one percentage point to 5.7 percent for FY 2022-23 from its earlier projection of 4.5 percent.

The RBI Governor-headed Monetary Policy Committee (MPC) is scheduled to start its three-day deliberations on Wednesday. The decision of the rate-setting panel would be announced on Friday (September 30).The Reserve Bank of India (RBI) may take cues from its global counterparts, including the US Federal Reserve, to raise interest rate for the fourth time in a row on Friday to tame stubborn inflation. The RBI, which has since May raised the short-term lending rate (repo) by 140 basis points (bps), may again go for a 50-bps increase to take it to a three-year high of 5.9 per cent, say experts, as per a PTI report. The central bank had raised the repo rate by 40 bps in May and 50 bps each in June and August. The present rate is 5.4 per cent. The consumer price index (CPI) based retail inflation, which had started showing signs of moderation since May, has again firmed up to 7 per cent in August. The RBI takes into account retail inflation while framing its bi-monthly monetary policy. The US Fed delivered third consecutive rate hike after it raised the rates by 75 bps to take the target range to 3 - 3.25 per cent. The central banks of the UK and the EU have also gone for rate hikes to tame inflation.

Madan Sabnavis, Chief Economist at Bank of Baroda, said inflation in India remains high at around 7 per cent and is unlikely to come down any time soon, as per PTI."This means that a rate hike is given. The quantum is what the market would be interested in. While a hike of 25-35 bps would have signalled that the RBI is confident that the worst of inflation is over, the recent developments in the forex market could prompt a higher quantum of 50 bps to stay on track with other markets so as to retain investor interest," he said, the PTI report added. The government has tasked the RBI to ensure the retail inflation remains at 4 per cent, with a margin of 2 per cent on either side. Dhruv Agarwala, Group CEO, Housing.Com, said reining in inflation will remain

the RBI's top concern amid resilient economic expansion and robust credit growth. "Any hike in rates would result in banks increasing home loan interest rates, too. But, we are of the opinion that its impact would not be significant as demand for property remains rob [9].

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