

Credit Control and other Measures

MAY 2002

Selected circular issued by the Reserve Bank of India during May 2002 reproduced below:

Ref.No.MPD.BC.216/07.01.279/2002-03 dated May18, 2002.

All Scheduled Commercial Banks Cash Reserve Ratio

Under Section 42(1) of the Reserve Bank of India Act, 1934 all scheduled commercial banks are, at present, required to maintain with the Reserve Bank of India a cash reserve ratio of 5.5 per cent of the net demand and time liabilities (NDTL) (excluding liabilities subject to zero CRR prescription). It was mentioned in the annual Monetary and Credit Policy statement for the year 2002-03, that CRR will be reduced from 5.5 per cent to 5.0 per cent effective fortnight beginning June 15, 2002. It was also mentioned that in case there is an unexpected change in the liquidity conditions in the market, the Reserve Bank may advance the effective date of reduction before the above announced date.

2. On a review of liquidity conditions, it has now been decided to reduce CRR by one half of one percentage point from the present level of 5.5 per cent to 5.0 per cent effective from next reporting fortnight beginning June 1, 2002.
3. The reduction in CRR by 0.5 percentage point will augment lendable resources of banks by about Rs.6,000 crore.
4. A notification of the above measure is being issued to banks separately.