

## Important Monetary and Credit Policy Measures Announced on March 1, 1999

### BANK RATE

It has been decided that with effect from the close of business of March 1, 1999, the Bank Rate will be reduced by one percentage point from '9.0 per cent per annum' to '8.0 per cent per annum'.

As a consequence to this change, the interest rates on Special Liquidity Support and General Refinance facility to banks and liquidity support to Primary Dealers against the security of holdings in Subsidiary General Ledger Accounts are being reduced by one percentage point. Penal interest rates on shortfalls in reserve requirements also stand revised (vide Annexure).

### Annexure

#### Interest Rates on Advances from Reserve Bank and Penal Rates which are at present Linked to the Bank Rate

Sr. No.	Advances to	Existing Rates	New Rates (Effective close of business on March 1, 1999)
(Per cent per annum)			
<b>1. <u>Scheduled Commercial Banks</u></b>			
i)	Export Credit Refinance Facility	Bank Rate minus 2 percentage points (7.0)	Bank Rate minus 1 percentage point* (7.0)
ii)	General Refinance Facility		
	(a) First Four Weeks	Bank Rate (9.0)	Bank Rate (8.0)
	(b) Second Four Weeks	Bank Rate plus one percentage point (10.0)	Bank Rate plus 1 percentage point (9.0)
iii)	Special Liquidity Support Facility <sup>1</sup>		
	(a) First Four Weeks	Bank Rate (9.0)	Bank Rate (8.0)
	(b) Second Four Weeks	Bank Rate plus one percentage point (10.0)	Bank Rate plus 1 percentage point (9.0)
<b>2. <u>State Co-operative Banks (SCBs)</u></b>			
	Towards general banking business such as clearing adjustments, Liquidity, etc.	Bank Rate plus 2.5 percentage points (11.5)	Bank Rate plus 2.5 percentage points (10.5)
<b>3. <u>NABARD</u></b>			
	General Line of Credit (GLC)		
i)	<u>GLCI</u> To provided Refinance in respect of loans and advances for the purposes of Seasonal Agricultural Operations (SAO) made by SCBs and Regional Rural Bank (RRBs)	Bank Rate minus 4.5 percentage points (4.5)	Bank Rate minus 3.5 percentage points (4.5)
ii)	<u>GLCII</u> To provide refinance to SBCs,	Bank Rate minus	Bank Rate minus

RRBs and Commercial banks for refinancing Weavers' Co-op. society and for other approved short-term purposes	4.0 percentage points (5.0)	3.0 percentage points (5.0)
<b>4. <u>Primary (Urban) Co-op. Banks</u></b>		
i) Export Credit Refinance Facility	Bank Rate minus 2 percentage points (7.0)	Bank Rate minus 1 percentage point* (7.0)
ii) For SSI	Bank Rate (9.0)	Bank Rate (8.0)
<b>5. <u>SIDBI</u> [from NIC (LTO) Fund out of The Loan Repayment made by IDBI]</b>		
	Bank Rate minus 0.5 percentage points (8.5)	Bank Rate (8.0)
<b>6. <u>Primary Dealers (PDs)</u></b>		
To enable PDs to effectively fulfill their obligations, the RBI is extending liquidity support to them against the security of holdings in Subsidiary General Ledger (SGL) Accounts	Bank Rate (9.0)	Bank Rate (8.0)
<b>7. <u>State Financial Corporations</u></b>		
	Bank Rate (9.0)	Bank Rate (8.0)
<b>8. <u>Government of India</u></b>		
a) Shortfall in minimum balances	Bank Rate (9.0)	Bank Rate (8.0)
b) Ways and Means Advances	Bank Rate (9.0)	Bank Rate (8.0)
c) Overdraft	Bank Rate plus 2.0 percentage point (11.0)	Bank Rate plus 2.0 percentage point (11.0)
<b>9. <u>State Governments</u></b>		
a) Shortfall in minimum balances	Bank Rate (9.0)	Bank Rate (8.0)
b) Ways and Means Advances	Bank Rate (9.0)	Bank Rate (8.0)
c) Overdraft	Bank Rate plus 2.0 percentage points (11.0)	Bank Rate plus 2.0 percentage points (10.0)
Penal Interest Rates on shortfalls in reserve requirements depending on duration of shortfall	Bank Rate plus 3 percentage points (12.0) or Bank Rate plus 5 percentage points (14.0)	Bank Rate plus 3 percentage points (11.0) or Bank Rate plus 5 percentage points (13.0)

\* Effective from April 1, 1999, export credit refinance will be provided at the Bank Rate.

<sup>1</sup> This facility will remain in force upto March 31, 1999.

### **Interest Rates on Export Credit and Export Credit Refinance**

Consequent to the reduction in the Bank Rate from 9.0 per cent per annum to 8.0 per cent per annum effective from the close of business on March 1, 1999, the scheduled commercial Banks will be provided export credit refinance at 1.0 percentage point below the Bank Rate (i.e., 7.0 per cent per annum the same rate as at present) which will be applicable upto March 31, 1999. With effect from April 1, 1999, export credit refinance will be provided to scheduled commercial banks at the Bank Rate.

Upto March 31, 1999, existing interest rates on export credit prevailing from

August 6, 1998 will remain in force.

With effect from April 1, 1999 the interest rates on export credit will stand revised. The existing interest rates on export credit, the interest rates originally scheduled to be effective from April 1, 1999 and the revised interest rates which will be applicable on export credit from April 1, 1999 are set out in the Annexure.

**Annexure**  
**Interest Rates on Export Credit of Scheduled Commercial Banks**

(Per cent per annum)

	Existing upto March 31, 1999	Interest Rates (Effective April 1, 1999)	
		Originally scheduled	Now Revised
<b>1. <u>Pre-Shipment Credit</u></b>			
a) (i) Upto 180 days	9.0	11.0	10.0
(ii) Beyond 180 days and upto 270 days	12.0	14.0	13.0
b) Against incentives receivable from Government covered by ECGC guarantee upto 90 days	9.0	11.0	10.0
<b>2. <u>Post-Shipment Credit</u></b>			
a) on demand bills for transit period (as specified by FEDAI)	9.0	'Not exceeding 11.0'	'Not exceeding 10.0'
b) Usance Bills (for total period comprising usance period of export bills, transit period as specified by FEDAI and grace period wherever applicable)			
(i) Upto 90 days	9.0	'Not exceeding 11.0'	'Not exceeding 10.0'
ii) Beyond 90 days and upto 6 months from the date of shipment	11.0	13.0	12.0
b) Against incentives receivable from Government covered by ECGC guarantee upto 90 days	9.0	'Not exceeding 11.0	'Not exceeding 10.0

**Cash Reserve Ratio (CRR)**

Under Section 42 (1) of the Reserve bank of India Act, 1934 all scheduled commercial banks [excluding Regional Rural Banks (RRBs)] are, at present, required to maintain with the

Reserve Bank of India a Cash Reserve Ratio (CRR) of 11.0 per cent of the Net Demand and Time Liabilities (NDTL) (excluding liabilities subject to Zero CRR prescription). It has been decided to reduce CRR by one half of one percentage point. Accordingly, effective from the fortnight beginning March 13, 1999, the CRR to be maintained by scheduled commercial banks (excluding RRBs) is being reduced from 11.0 per cent to 10.5 per cent of NDTL. As a result of 0.50 per cent reduction in CRR, the resources of banks would be augmented by about Rs. 3,100 crore.