

## IV. Monetary Conditions

*The global crisis, which created intense uncertainties for funding liquidity in the face of tight market liquidity for financial instruments trading in almost all financial markets, brought to the fore the strong interactions between funding liquidity and market liquidity. As the global liquidity crisis started to affect the domestic money and foreign exchange markets in the last quarter of 2008, the Reserve Bank ensured adequate provision of both domestic and foreign exchange liquidity to the market through banks, with the aim of restoring normal functioning of the market, and thereby facilitating adequate flow of credit to the productive sectors of the economy. As the Reserve Bank's net foreign exchange assets contracted on account of provision of dollar liquidity to the market, net domestic assets were expanded through policy actions to offset the impact so that overall rupee liquidity remains comfortable. The monetary policy stance of the Reserve Bank shifted from concerns related to inflation in the first half of 2008-09 to maintaining financial stability and arresting the moderation of growth in the second half. While money supply evolved consistent with indicative projections, credit to the private sector reflected the conditions evolving in the real sector of the economy.*

IV.1 Growth in monetary and liquidity aggregates during 2008-09 witnessed some moderation reflecting net capital outflows and deceleration in expansion of bank credit to the commercial sector. Broad money growth during the last quarter of 2008-09 moderated and remained marginally below the Reserve Bank's

projected trajectory of 19.0 per cent for the year 2008-09. Expansion in bank credit to the commercial sector remained strong up to October 2008 in the backdrop of drying up of other sources of funds to industry but has since decelerated and remained below the Reserve Bank's Third Quarter Review projection of 24.0 per cent for the year 2008-09. The contractionary impact of decline in net foreign exchange assets on reserve money and domestic liquidity was offset by OMO, unwinding under MSS and other measures to augment rupee liquidity. Net Reserve Bank credit to Central Government increased substantially reflecting large purchases under OMO and unwinding under MSS. In response to the international financial turmoil and its possible impact on the domestic economy in the backdrop of the downturn in headline inflation, the Reserve Bank had taken a number of conventional and unconventional measures towards monetary easing since mid-September 2008. The aim of these measures was to ensure provision of ample liquidity to the banking system to make credit available for productive purposes for reviving the growth momentum.

### Monetary Survey

IV.2 Broad money ( $M_3$ ) growth, on a year-on-year (y-o-y) basis, was placed at 18.4 per cent at end-March 2009, which was lower than 21.2 per cent a year ago. Expansion in the residency-based new monetary aggregate ( $NM_3$ ) – which does not directly reckon non-resident foreign currency deposits such as FCNR(B) deposits – was lower at 18.2 per cent at end-March 2009

than 21.3 per cent a year ago. Similarly growth in liquidity aggregate,  $L_1$ , was lower at 17.6 per cent than 20.6 per cent a year ago (Table 34 and Chart 14).

IV.3 Growth in key monetary aggregates during 2008-09 reflected changing liquidity conditions arising from domestic and global financial conditions and the necessary responses of monetary policy. The deterioration in the global financial conditions since September 2008 and capital outflows tightened domestic liquidity conditions. This necessitated the Reserve Bank to augment rupee and dollar liquidity and strengthen the credit delivery mechanisms for arresting the growth moderation through a series of policy measures. On the inflation front, WPI inflation moderated since August 2008 on account of the marked decline in international energy and commodity prices as well as slowdown in aggregate global demand due to persistence of financial market turmoil. In view of the prevailing macroeconomic scenario, the cash reserve ratio (CRR) has been reduced by a cumulative 4.0 percentage points from 9.0 per cent to 5.0 per cent since October 2008. This reduction in CRR released primary liquidity of the order of Rs.1,60,000 crore into the system. The repo rate was also reduced by a cumulative 4.0 percentage points to 5.0 per cent. The reverse repo rate was also reduced by 2.5 percentage points to 3.5 per cent (see Chapter VI, Table 66). The monetary and liquidity aggregates though remained strong, witnessed some moderation in the last quarter reflecting slowing down of economic growth.

**Table 34: Monetary Indicators**

(Amount in Rupees crore)

Item	Outstanding as on March 31, 2009	Variation (year-on-year)			
		Mar. 31, 2008		Mar. 31, 2009	
		Absolute	Per cent	Absolute	Per cent
1	2	3	4	5	6
I. Reserve Money (M <sub>0</sub> ) (Reserve Money adjusted for CRR changes)	9,87,902	2,19,412 (1,72,412)	31.0 (25.3)	59,600 (1,61,850)	6.4 (19.0)
II. Narrow Money (M <sub>1</sub> )	12,45,557	1,86,443	19.3	93,125	8.1
III. Broad Money (M <sub>2</sub> )	47,58,504	7,01,580	21.2	7,40,932	18.4
a) Currency with the Public	6,66,095	85,475	17.7	97,815	17.2
b) Aggregate Deposits	40,86,865	6,14,546	21.7	6,46,627	18.8
i) Demand Deposits	5,73,918	99,410	20.9	-1,179	-0.2
ii) Time Deposits	35,12,947	5,15,137	21.9	6,47,806	22.6
<i>of which:</i> Non-Resident Foreign Currency Deposits	67,303	-10,525	-15.6	10,368	18.2
IV. NM <sub>3</sub>	47,65,882	7,08,086	21.3	7,33,298	18.2
<i>of which:</i> Call Term Funding from FIs	1,11,739	20,668	24.1	5,235	4.9
V. a) L <sub>1</sub>	48,79,353	7,07,388	20.6	7,31,918	17.6
<i>of which:</i> Postal Deposits	1,13,471	-698	-0.6	-1,380	-1.2
b) L <sub>2</sub>	48,82,285	7,07,388	20.5	7,31,918	17.6
c) L <sub>3</sub>	49,06,932	7,08,221	20.4	7,31,713	17.5
VI. Major Sources of Broad Money					
a) Net Bank Credit to the Government (i+ii)	12,83,165	71,612	8.6	3,77,318	41.7
i) Net Reserve Bank Credit to Government	69,913	-1,15,632	-	1,83,122	-
<i>of which:</i> to the Centre	69,311	-1,16,772	-	1,83,947	-
ii) Other Banks' Credit to Government	12,13,252	1,87,244	22.5	1,94,196	19.1
b) Bank Credit to the Commercial Sector	30,12,673	4,47,059	21.0	4,35,536	16.9
c) Net Foreign Exchange Assets of the Banking Sector	13,22,847	3,81,952	41.8	27,716	2.1
d) Government Currency Liability to Public	9,984	1,063	13.0	760	8.2
e) Net Non-Monetary Liabilities of the Banking Sector	8,70,165	2,00,107	35.1	1,00,399	13.0
<i>Memo:</i>					
Aggregate Deposits of SCBs	38,30,322	5,85,006	22.4	6,33,382	19.8
Non-food Credit of SCBs	27,23,801	4,32,846	23.0	4,06,287	17.5

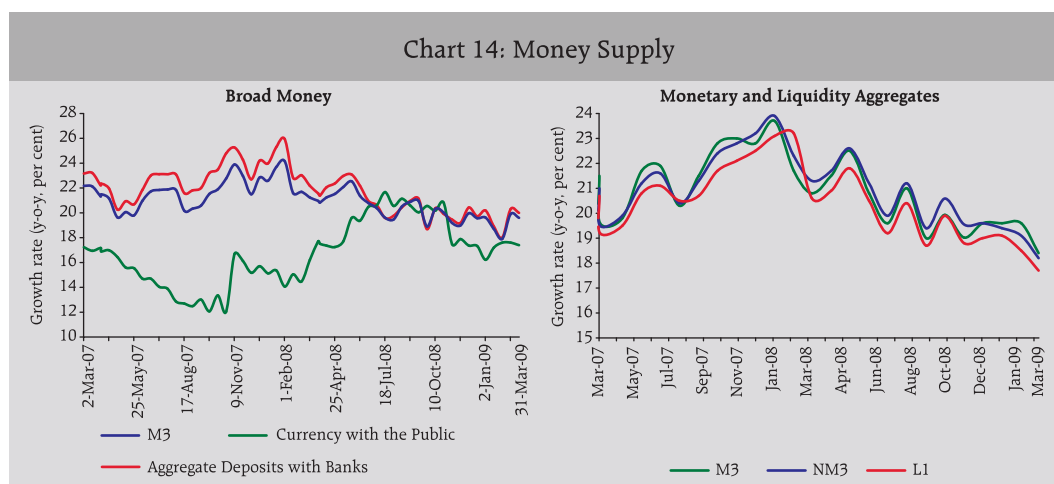
SCBs : Scheduled Commercial Banks. FIs : Financial Institutions. NBFCs : Non-Banking Financial Companies.  
NM<sub>3</sub> is the residency-based broad money aggregate and L<sub>1</sub>, L<sub>2</sub> and L<sub>3</sub> are liquidity aggregates compiled on the recommendations of the Working Group on Money Supply, 1998.

L<sub>1</sub> = NM<sub>3</sub> + Select deposits with the post office saving banks.

L<sub>2</sub> = L<sub>1</sub> + Term deposits with term lending institutions and refinancing institutions + Term borrowing by FIs + Certificates of deposit issued by FIs.

L<sub>3</sub> = L<sub>2</sub> + Public deposits of NBFCs.

**Note :** 1. Data are provisional. Wherever data are not available, the data for last available month are repeated as estimates.  
2. Government Balances as on March 31, 2009 are before closure of accounts.



IV.4 The moderation in broad money ( $M_3$ ) growth mainly reflected a deceleration in aggregate deposits expansion during 2008-09 emanating from the downturn in economic activity. Currency in circulation remained high during the first half of 2008-09 reflecting the effects of disbursement under Farmers' Debt Waiver Scheme and the Sixth Pay Commission payouts. Currency with the public grew by 17.2 per cent (y-o-y) at end-March 2009 as compared with 17.7 per cent a year ago (Table 35). Growth in time deposits decelerated during the first two quarters of 2008-09 but witnessed robust expansion thereafter reflecting some switching of demand deposits and other savings instruments to time deposits. Time deposits recorded a higher growth of 22.6 per cent (y-o-y) at end-March 2009 as compared with 21.9 per cent a year ago. The net outflows from small savings schemes that started from December 2007 continued up to February 2009, the latest period for which the data are available (Chart 15).

IV.5 On the sources side of broad money ( $M_3$ ), growth of bank credit to commercial

sector decelerated and expansion in net foreign exchange assets of the banking sector moderated to a large extent. On the other hand, net Reserve Bank credit to the Centre increased reflecting the decline in outstanding balances under MSS, increase in open market operations (including purchase of oil bonds under special market operations) and decline in the Centre's surplus with the Reserve Bank. However, growth in scheduled commercial banks' (SCBs) credit to Government witnessed some moderation during this period. Bank credit to the commercial sector increased by 16.9 per cent (y-o-y) at end-March 2009 as compared with 21.0 per cent a year ago. Non-food credit growth (y-o-y) of SCBs picked up during the first two quarters of 2008-09, in the backdrop of sizeable rise in credit to petroleum sector due to the funding requirements of oil companies and substitution of funds raised by corporates from non-banking and external sources. It peaked during October-November 2008 but witnessed sustained deceleration thereafter. Non-food credit-growth (y-o-y) was 17.5 per cent at end-March 2009 as

**Table 35: Monetary Aggregates – Variations**

(Rupees crore)						
Item	2007-08	2008-09	2008-09			
			Q1	Q2	Q3	Q4
1	2	3	4	5	6	7
<b>M<sub>3</sub> (1+2+3 = 4+5+6+7-8)</b>	7,01,580 (21.2)	7,40,932 (18.4)	88,874	1,71,180	1,59,060	3,21,818
1. Currency with the Public	85,475 (17.7)	97,815 (17.2)	35,749	-17,971	40,431	39,606
2. Aggregate Deposits with Banks	6,14,546 (21.7)	6,46,627 (18.8)	57,235	1,88,636	1,11,585	2,89,171
2.1 Demand Deposits with Banks	99,410 (20.9)	-1,179 (-0.2)	-79,118	52,023	-61,730	87,646
2.2 Time Deposits with Banks	5,15,137 (21.9)	6,47,806 (22.6)	1,36,353	1,36,614	1,73,315	2,01,525
3. 'Other' Deposits with Banks	1,558 (20.8)	-3,510 (-38.8)	-4,110	514	7,045	-6,959
4. Net Bank Credit to Government	71,612 (8.6)	3,77,318 (41.7)	36,224	30,879	1,29,330	1,80,885
4.1 RBI's Net Credit to Government	-1,15,632	1,83,122	-13	51,360	30,230	1,01,545
4.1.1 RBI's Net Credit to the Centre	-1,16,772	1,83,947	1,430	51,379	29,932	1,01,206
4.2 Other Banks' Credit to Government	1,87,244	1,94,196	36,237	-20,482	99,101	79,339
5. Bank Credit to the Commercial Sector	4,47,059 (21.0)	4,35,536 (16.9)	31,107	1,59,864	88,766	1,55,799
6. NFEA of Banking Sector	3,81,952	27,716	66,858	7,271	-1,32,461	86,048
6.1 NFEA of the RBI	3,69,977	43,986	1,03,932	10,336	-1,56,330	86,048
7. Government's Currency Liabilities to the Public	1063	760	225	206	186	143
8. Net Non-Monetary Liabilities of the Banking Sector	2,00,107	1,00,399	45,541	27,040	-73,239	1,01,056
<i>Memo:</i>						
1. Non-resident Foreign Currency Deposits with SCBs	-10,525	10,368	2,048	3,898	-2,536	6,957
2. SCB' Call-term Borrowing from Financial Institutions	20,668	5,235	-1,116	7,015	-685	21
3. Overseas Borrowing by SCBs	12,546	-2,795	9,494	4,600	-5,185	-11,704

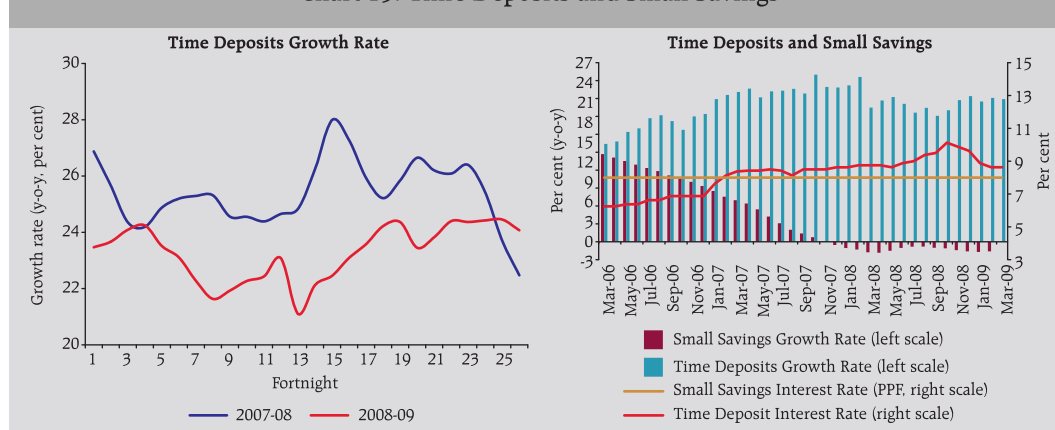
SCBs : Scheduled Commercial Banks. NFEA : Net Foreign Exchange Assets.

**Note :** 1. Data are provisional.

compared with 23.0 per cent a year ago (Table 36). The lower expansion in credit relative to the expansion in deposits resulted in a decline in the incremental credit-deposit ratio (y-o-y) of SCBs to 64.4 per cent at end-March 2009 from 73.6 per cent a year ago (Chart 16).

IV.6 Scheduled commercial bank's investment in SLR securities as a per cent of their net demand and time liabilities (NDTL) increased at end-March 2009 to 28.1 per cent from 27.8 per cent a year ago. However, adjusted for liquidity adjustment facility (LAF) collateral securities on an

Chart 15: Time Deposits and Small Savings

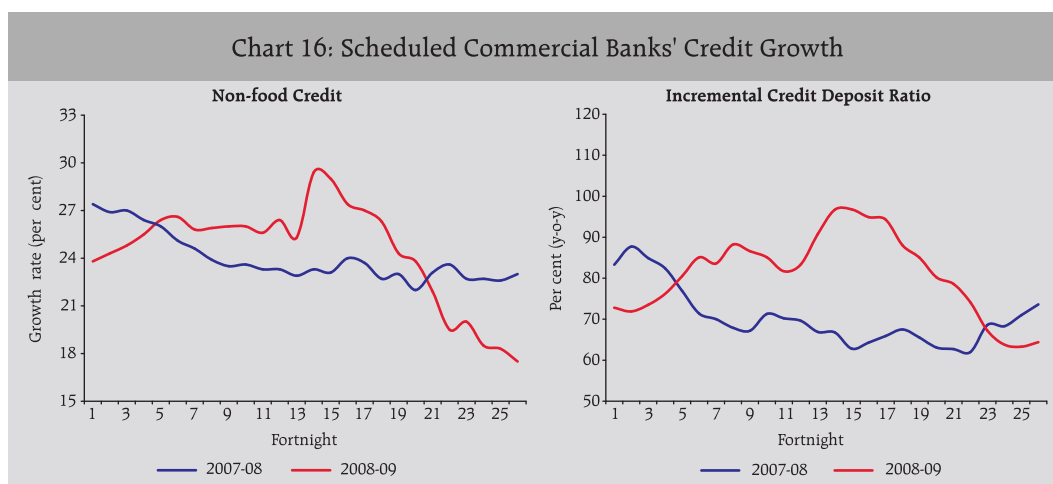


outstanding basis, SCB's holding of SLR securities amounted to Rs.11,10,156 crore or 26.7 per cent of NDTL at end-March, 2009 -

implying an excess of Rs.1,13,817 crore or 2.7 per cent of NDTL over the prescribed SLR of 24.0 per cent of NDTL (Chart 17).

Table 36: Scheduled Commercial Bank Survey

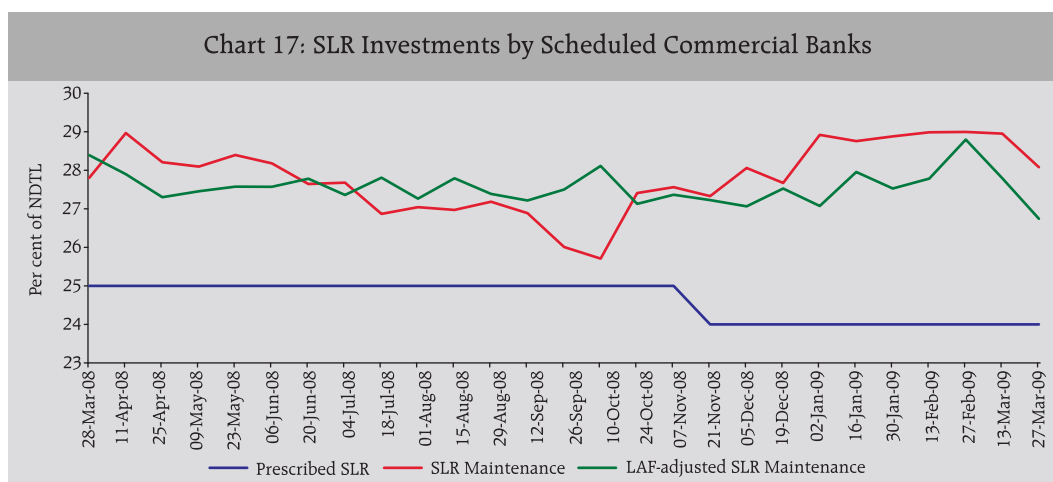
Item	Outstanding as on Mar. 27, 2009	Variation (year-on-year)			
		As on Mar. 28, 2008		As on Mar. 27, 2009	
		Amount	Per cent	Amount	Per cent
		2	3	4	5
(Amount in Rupees crore)					
<b>Sources of Funds</b>					
1. Aggregate Deposits	38,30,322	5,85,006	22.4	6,33,382	19.8
2. Call/Term Funding from Financial Institutions	1,11,739	20,668	24.1	5,235	4.9
3. Overseas Foreign Currency Borrowings	41,655	12,546	39.3	-2,795	-6.3
4. Capital	47,016	9,695	28.5	3,246	7.4
5. Reserves	2,81,673	60,126	35.6	52,821	23.1
<b>Uses of Funds</b>					
1. Bank Credit	27,70,012	4,30,724	22.3	4,08,099	17.3
<i>of which:</i> Non-food Credit	27,23,801	4,32,846	23.0	4,06,287	17.5
2. Investments in Government and Other Approved Securities	11,65,746	1,80,199	22.8	1,94,031	20.0
a) Investments in Government Securities	11,48,168	1,82,603	23.5	1,89,507	19.8
b) Investments in Other Approved Securities*	17,578	-2,405	-15.6	4,524	34.7
3. Investments in non-SLR Securities	2,11,953	30,155	21.5	41,344	24.2
4. Foreign Currency Assets	56,251	-27,564	-46.9	25,062	80.4
5. Balances with the RBI	2,38,195	76,900	42.7	-18,927	-7.4
* : Refer to investment in SLR securities as notified in the Reserve Bank notification DBOD No. Ref. BC. 61/12.02.001/2007-08 dated February 13, 2008.					
<b>Note :</b> Data are provisional.					



IV.7 Bank credit flow from scheduled commercial banks moderated to 17.3 per cent (y-o-y) at end-March 2009 as compared with 22.3 per cent a year ago. The deceleration in credit expansion was observed across the banking system, but it was sharper for the private and foreign banks (Table 37).

IV.8 Disaggregated data on sectoral deployment of gross bank credit available up to February 27, 2009 showed that 52.5 per cent of incremental non-food credit (y-o-y) was absorbed by industry as compared with

45.2 per cent in the corresponding period of the previous year. The expansion of incremental non-food credit to industry during this period was led by infrastructure, petroleum, coal products & nuclear fuels, iron & steel, engineering, construction and chemical & chemical products industries. Small enterprises (both small industrial and services enterprises) absorbed 15.4 per cent of the total incremental non-food credit as compared with 19.2 per cent in the same period of the previous year. The infrastructure sector alone accounted for





**Table 37: Credit Flow from Scheduled Commercial Banks**

(Amount in Rupees crore)					
Item	Outstanding as on March 27, 2009	Variation (year-on-year)			
		As on March 28, 2008		As on March 27, 2009	
		Amount	Per cent	Amount	Per cent
1	2	3	4	5	6
1. Public Sector Banks	20,11,591	3,07,310	22.5	3,41,442	20.4
2. Foreign Banks	1,69,350	36,116	28.5	6,483	4.0
3. Private Banks	5,23,038	78,301	19.9	51,559	10.9
4. All Scheduled Commercial Banks*	27,70,012	4,30,724	22.3	4,08,099	17.3

\*: Includes Regional Rural Banks

Note: Data are provisional.

31.3 per cent of the incremental credit to industry as compared with 33.2 per cent in the corresponding period of the previous year. The agricultural sector absorbed 13.0 per cent of the incremental non-food bank credit as compared with 9.2 per cent in the corresponding period of the previous year. Personal loans that accounted for 10.7 per cent of the incremental non-food credit witnessed some moderation; within personal loans, housing loans decelerated to a large extent. Growth in loans to commercial real estate and non-banking financial companies remained high (Table 38).

IV.9 Apart from banks, the commercial sector mobilised resources from a variety of other sources such as issuances in capital markets, commercial paper, non-banking financial companies (NBFCs), financial institutions, external commercial borrowings, issuances of American Depository Receipts (ADRs)/Global Depository Receipts (GDRs) and foreign direct investment. During 2008-09, so far, flow of resources to the commercial sector declined reflecting subdued conditions in the domestic capital markets as well as deceleration of funds flow from external sources. Among the domestic sources,

barring private placement and credit by housing companies, flow of resources from other sources have declined. Among the foreign sources, barring foreign direct investment, flow of resources from all other sources has declined (Table 39).

### Reserve Money Survey

IV.10 The intra-year movements in reserve money largely reflected the Reserve Bank's market operations and movements in bankers' deposits with the Reserve Bank in the wake of changes in the CRR and large expansion in demand and time liabilities. In view of the inflationary pressures in the beginning of 2008-09, the Reserve Bank initially raised CRR by 150 basis points during April-August 2008-09 to 9.0 per cent. Subsequently, in view of the international financial turmoil and its possible impact on the domestic monetary and liquidity conditions in the backdrop of easing inflationary pressure, the Reserve Bank reduced CRR by a total 400 basis points since October 11, 2008. In the context of sharp changes in the CRR during 2008-09, for analytical purposes reserve money growth adjusted for the first round impact of CRR changes has become more relevant. Adjusted



**Table 38: Non-food Bank Credit - Sectoral Deployment**

(Amount in Rupees crore)

Sector/Industry	Outstanding as on Feb. 27, 2009	Year-on-Year Variations			
		Feb. 15, 2008		Feb. 27, 2009	
		Absolute	Per cent	Absolute	Per cent
1	2	3	4	5	6
<b>Non-food Gross Bank Credit (1 to 4)</b>	<b>24,92,685</b>	<b>3,71,053</b>	<b>22.0</b>	<b>4,06,304</b>	<b>19.5</b>
<b>1. Agriculture and Allied Activities</b>	<b>2,97,753</b>	<b>34,013</b>	<b>16.4</b>	<b>52,742</b>	<b>21.5</b>
<b>2. Industry (Small, Medium and Large)</b>	<b>10,39,821</b>	<b>1,67,819</b>	<b>25.9</b>	<b>2,13,261</b>	<b>25.8</b>
<b>3. Personal Loans</b>	<b>5,55,392</b>	<b>58,669</b>	<b>13.2</b>	<b>43,559</b>	<b>8.5</b>
Housing	2,72,376	26,930	12.0	19,012	7.5
Advances against Fixed Deposits	45,779	5,773	15.6	2,872	6.7
Credit Cards	28,926	8,947	51.3	2,332	8.8
Education	27,832	5,938	40.9	7,030	33.8
Consumer Durables	8,211	525	5.9	-1,393	-14.5
<b>4. Services</b>	<b>5,99,719</b>	<b>1,10,553</b>	<b>28.4</b>	<b>96,742</b>	<b>19.2</b>
Transport Operators	38,638	9,669	43.3	5,783	17.6
Professional & Other Services	39,841	5,188	24.1	13,071	48.8
Trade	1,38,187	17,731	17.5	17,896	14.9
Real Estate Loans	90,765	11,361	26.7	34,533	61.4
Non-Banking Financial Companies	90,521	20,979	48.6	26,651	41.7
<i>Memo:</i>					
<b>Priority Sector</b>	<b>8,28,892</b>	<b>99,277</b>	<b>16.9</b>	<b>1,33,304</b>	<b>19.2</b>
Micro & Small Enterprises (Manufacturing & Services)	2,39,399	71,182	67.4	62,580	35.4
<b>Industry (Small, Medium and Large)</b>	<b>10,39,821</b>	<b>1,67,819</b>	<b>25.9</b>	<b>2,13,261</b>	<b>25.8</b>
Food Processing	53,855	11,720	32.0	5,190	10.7
Textiles	1,03,732	16,862	23.0	11,537	12.5
Paper & Paper Products	16,491	2,470	23.0	3,132	23.4
Petroleum, Coal Products & Nuclear Fuels	72,762	7,412	23.3	31,933	78.2
Chemicals and Chemical Products	73,269	7,437	13.9	11,899	19.4
Rubber, Plastic & their Products	13,269	1,355	16.1	3,368	34.0
Iron and Steel	1,00,383	11,661	19.2	27,117	37.0
Other Metal & Metal Products	30,111	3,634	18.5	6,302	26.5
Engineering	66,868	10,623	26.2	15,884	31.2
Vehicles, Vehicle Parts and Transport Equipments	35,505	7,337	38.4	7,157	25.2
Gems & Jewellery	27,242	2,073	9.3	2,454	9.9
Construction	38,207	5,856	33.3	14,141	58.8
Infrastructure	2,56,860	55,716	42.1	66,770	35.1

**Note:** 1. Data are provisional and relate to select scheduled commercial banks.  
2. Data also include the figures of Bharat Overseas Bank, which was merged with Indian Overseas Bank, American Express Bank with Standard Chartered Bank and State Bank of Saurashtra with State Bank of India.  
3. Credit growth for February 2008 has been calculated with outstanding as on February 15, 2008 to obtain variations over comparable 26 fortnights data.

for the first round effect of the changes in CRR, reserve money growth (y-o-y) as on March 31, 2009 was lower at 19.0 per cent as compared with 25.3 per cent a year ago (Chart 18). On the sources side, reserve money was

driven by net domestic assets during 2008-09 in contrast to net foreign exchange assets (adjusted for revaluation) being the major driver for preceding three years. The contractionary impact of decline in net

**Table 39: Flow of Financial Resources to Commercial Sector**

(Rupees crore)		
Item	2007-08	2008-09
1	2	3
<b>A. Adjusted non-food Bank Credit (NFC)</b>	<b>4,44,807</b>	<b>4,14,902</b>
i) Non-Food Credit	4,32,846	4,06,287
ii) Non-SLR Investment by SCBs	11,961	8,615
<b>B. Flow from Non-banks (B1+B2)</b>	<b>3,35,698</b>	<b>2,64,138</b>
<b>B1. Domestic Sources</b>	<b>1,72,338</b>	<b>1,50,604</b>
1. Public issues by non-financial entities	51,478	14,205
2. Gross private placements by non-financial entities #	47,419	51,254
3. Net issuance of CPs subscribed by non-banks	10,660	5,365
4. Net Credit by housing finance companies **	8,693	16,438
5. Total gross accommodation by 4 RBI regulated AIFs - NABARD, NHB, SIDBI & EXIM Bank #	4,650	9,862
6. Systemically important non-deposit taking NBFCs net of bank credit #	25,163	-12,335
7. LIC's gross investment in Corporate Debt, Infrastructure and Social Sector	24,275	65,815
<b>B2. Foreign Sources</b>	<b>1,63,360</b>	<b>1,13,534</b>
1. External Commercial Borrowings / FCCB #	70,382	32,765
2. ADR/GDR Issues excluding banks and financial institutions	13,023	4,788
3. Short-term Credit from abroad @	53,080	4,584
4. Foreign Direct Investment *	26,875	71,397
<b>C. Total Flow of Financial Resources (A+B)</b>	<b>7,80,505</b>	<b>6,79,040</b>

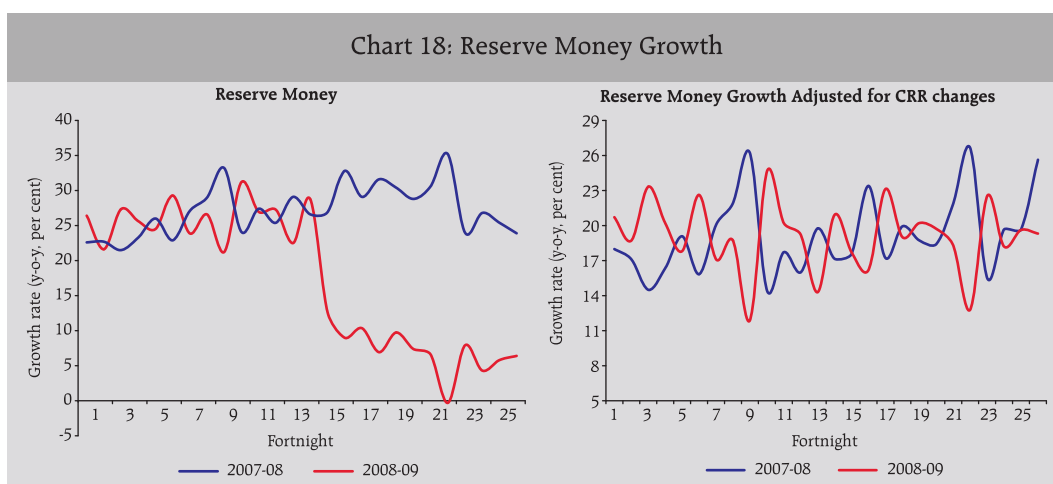
#: Up to December 2008 . \* : Up to January 2009. @ : Up to February 2009 \*\* : Up to September 2008.

**Note:** Data not comparable with those published in the *Macroeconomic Monetary Developments: Third Quarter Review 2008-09*, which were exclusive of item no. B1.7.

foreign exchange assets on reserve money and domestic liquidity was offset by expansion of net domestic assets through OMO, unwinding MSS and other measures

to augment rupee liquidity (See Chapter V, Annex 2). Net Reserve Bank's credit to the Centre during 2008-09 increased by Rs.1,83,947 crore as against a decrease of

**Chart 18: Reserve Money Growth**



Rs.1,16,772 crore during the corresponding period of the previous year (Table 40). The Reserve Bank's foreign currency assets (adjusted for revaluation) decreased by Rs.1,00,308 crore as against an increase of Rs.3,70,550 crore during the corresponding

**Table 40: Reserve Money - Variations**

(Amount in Rupees crore)							
Item	Outstanding as on Mar. 31.09	2007-08	2008-09	2008-09			
				Q1	Q2	Q3	Q4
1	2	3	4	5	6	7	8
<b>Reserve Money</b>	9,87,902	2,19,412 (31.0)	59,600 (6.4)	3,416	25,218	-70,452	1,01,417
<i>Adjusted Reserve Money</i>		<i>1,72,412 (25.3)</i>	<i>1,61,850 (19.0)</i>	<i>-24,584</i>	<i>-4,532</i>	<i>69,548</i>	<i>1,21,417</i>
<b>Components (1+2+3)</b>							
1. Currency in Circulation	6,91,083	86,702 (17.2)	1,00,282 (17.0)	36,859	-14,516	38,277	39,663
2. Bankers' Deposits with RBI	2,91,275	1,31,152 (66.5)	-37,172 (-11.3)	-29,333	39,219	-1,15,773	68,714
3. 'Other' Deposits with the RBI	5,544	1,558 (20.8)	-3,510 (-38.8)	-4,110	514	7,045	-6,959
<b>Sources (1+2+3+4-5)</b>							
1. RBI's net Credit to Government	69,913	-1,15,632	1,83,122	-13	51,360	30,230	1,01,545
<i>of which: to Centre (i+ii+iii+iv-v)</i>	69,311	-1,16,772	1,83,947	1,430	51,379	29,932	1,01,206
i. Loans and Advances	0	0	0	0	0	0	0
ii. Treasury Bills held by the RBI	0	0	0	0	0	0	0
iii. RBI's Holdings of Dated Securities	1,57,389	17,421	42,796	-39,239	56,975	-44,206	69,266
iv. RBI's Holdings of Rupee Coins	99	121	-34	-1	-26	27	-33
v. Central Government Deposits	88,177	1,34,314	-1,41,184	-40,670	5,570	-74,111	-31,974
2. RBI's Credit to Banks and Commercial Sector	24,177	-2,794	17,799	-3,358	4,963	5,032	11,163
3. NFEA of RBI	12,80,116	3,69,977 (42.7)	43,986 (3.6)	1,03,932	10,336	-1,56,330	86,048
<i>of which:</i>							
FCA, adjusted for revaluation	-	3,70,550	-1,00,308	15,535	-31,641	-92,102	7,900
4. Governments' Currency Liabilities to the Public	9,984	1,063	760	225	206	186	143
5. Net Non-Monetary Liabilities of RBI	3,96,289	33,202	1,86,068	97,369	41,648	-50,431	97,481
<b>Memo:</b>							
Net Domestic assets	-2,92,214	-1,50,565	15,614	-1,00,516	14,882	85,879	15,370
LAF- Repos (+) / Reverse Repos(-)	-1,485	21,165	-51,835	-45,350	51,480	-62,170	4,205
Net Open Market Sales # *	-	-5,923	-94,548	-8,696	-10,535	-7,669	-67,649
Centre's Surplus	16,319	26,594	-60,367	-42,427	6,199	-32,830	8,691
Mobilisation under the MSS	88,077	1,05,419	-80,315	6,040	-628	-53,754	-31,973
Net Purchases(+)/Sales(-) from Authorised Dealers	-	3,12,054	-1,60,765 <sup>^</sup>	3,956	-52,761	-1,11,877	-83 <sup>^</sup>
NFEA/Reserve Money @	129.6	133.2	129.6	143.8	141.1	134.7	129.6
NFEA/Currency @	185.2	209.2	185.2	213.5	220.2	183.3	185.2

NFEA : Net Foreign Exchange Assets. FCA : Foreign Currency Assets. LAF : Liquidity Adjustment Facility.

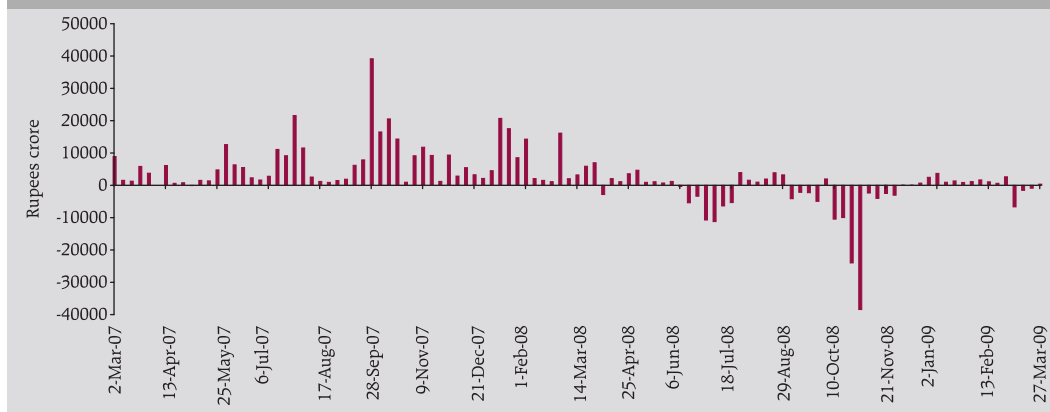
\* : At face value. # : Excludes Treasury Bills @ : Per cent; end of period ^ : Up to end-February 2009.

**Note:** 1. Data are based on March 31 for Q4 and last reporting Friday for all other quarters.

2. Figures in parentheses are percentage variations.

3. Government Balances as on March 31, 2009 are before closure of accounts.

Chart 19: Accretion to RBI's Net Foreign Assets



period of the previous year (Chart 19). Adjusted for the first round effect of the changes in CRR, reserve money growth (y-o-y) as on April 10, 2009 was at 17.3 per cent as compared with 20.4 per cent a year ago

IV.11 The changes in CRR have impacted the money multiplier, *i.e.*, the ratio between broad money and reserve money. The money multiplier, which had declined from 4.7 at end-March 2007 to 4.3 at end-March 2008 in the wake of CRR hikes, increased to 4.8 at end-March 2009, reflecting subsequent lowering of CRR (Chart 20).

IV.12 Movements in the net Reserve Bank's credit to the Central Government during 2008-09 largely reflected the liquidity management operations by the Reserve Bank and changes in Central Government deposits with the Reserve Bank. In particular, the net Reserve Bank's credit to the Central Government increased on account of the Reserve Bank's purchases under OMO, decline in Centre's cash balances with the Reserve Bank and unwinding of balances under MSS (details in Chapter V, see Table 47).

Chart 20: Money Multiplier

