

RBI/2004-05/174

RPCD.RF.BC.No.32/07.02.05/2004-05

September 11, 2004
Bhadra 20, 1926(Saka)

All Scheduled State Co-operative Banks/Regional Rural Banks

Section 42(1) of the Reserve Bank of India Act, 1934 – Maintenance of Cash Reserve Ratio(CRR)

Please refer to our circulars RPCD.No.RF.BC49/07.02.05/2001-02 dated December 31, 2001 (addressed to all Scheduled State Co-operative Banks), RPCD.No.RF.BC50/07.02.05/2001-02 dated December 31, 2001 (addressed to all Regional Rural Banks) and RPCD.RF.BC.No.91/07.02.05/2002-03 dated April 29, 2003 on the above subject. On review of current liquidity conditions, it has been decided to increase CRR of Scheduled State Co-operative Banks and Regional Rural Banks by one – half of one percentage point of their Net Demand and Time Liabilities (NDTL) in two stages, effective from fortnights as indicated below:

Effective date (i.e. the fortnight beginning from)	CRR on net demand and time liabilities (per cent)
September 18, 2004	4.75
October 2, 2004	5.00

However, the effective CRR maintained by Scheduled State Co-operative Banks and Regional Rural Banks on total demand and time liabilities shall not be less than 3.00 per cent, as stipulated under the Reserve Bank of India Act, 1934.

2. A copy of the relative Notification RPCD.No.172/07.02.05/2004-05 dated September 11, 2004 is enclosed.

3. Interest on Cash Balances maintained with Reserve Bank of India under Cash Reserve Ratio

At present, all Scheduled State Co-operative Banks and Regional Rural Banks are paid interest at the Bank Rate on eligible cash balances maintained with Reserve Bank of India under proviso to Section 42(1) and 42(1A) of the Reserve Bank of India Act, 1934. It has now been decided that with effect from fortnight beginning September 18, 2004, the Scheduled State Co-operative Banks and Regional Rural Banks will be paid interest at the rate of 3.5 per cent per annum on eligible cash balances maintained with the Reserve Bank of India under CRR requirement.

4. Please acknowledge receipt to our concerned Regional Office.

Yours faithfully,

(P.K. Bahinipati)
General Manager

Encl: One

RPCD.No. 172/07.02.05/2004-05

September 11, 2004

NOTIFICATION

In exercise of the powers conferred by the Proviso to sub-Section (1) of Section 42 of the Reserve Bank of India Act, 1934 (2 of 1934) and in supersession of its Notification RPCD.No.973/07.02.05/2002-03 dated April 29, 2003, the Reserve Bank of India hereby specifies that the average Cash Reserve Ratio (CRR) required to be maintained by Scheduled State Co-operative Banks and Regional Rural Banks shall, from effective dates mentioned below, be at the percentage points as indicated thereagainst.

Effective date (i.e. the fortnight beginning from)	CRR on net demand and time liabilities (per cent)
September 18, 2004	4.75
October 2, 2004	5.00

However, the effective CRR maintained by Scheduled State Co-operative Banks and Regional Rural Banks on total demand and time liabilities shall not be less than 3.00 per cent, as stipulated under the Act, *ibid.*

(Usha Thorat)
Executive Director