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Monthly Bulletin for March 2020

The Reserve Bank of India today released the [March 2020](#) issue of its monthly Bulletin. The Bulletin includes two Speeches, two Articles and Current Statistics.

The two articles are: [I. Food Processing Industry in India: Challenges and Potential](#); [II. Monetary Policy Transmission in India – Recent Trend and Impediments](#).

I. Food Processing Industry in India: Challenges and Potential

This article brings out the salient features of the sector, flags its potential and examines the scope for its higher growth in the medium run.

Highlights:

- India is a major producer of several agricultural/food items in the world but only less than 10 per cent of that is processed.
- Food processing industry has emerged as the highest employment provider among the industry groups. However, its share in manufacturing and total gross value added declined reflecting slower growth compared with other sectors of the economy.
- Out of the total 17 sub-groups of processed food, India has revealed comparative advantage in 5 products, with grain mill products having the highest score.
- The empirical analysis showed that credit has positive relationship with gross output and growth in capital expenditure of food processing sector.
- With the burgeoning urban and young population, demand for processed food items is set to increase in the coming years.

II. Monetary Policy Transmission in India – Recent Trends and Impediments

This article examines monetary policy transmission to various segments of the financial system in India with a special emphasis on transmission to banks' deposit and lending interest rates during the current easing cycle since February 2019.

Highlights:

- While transmission to money and bond markets has been swift and almost complete, the transmission to deposit and lending interest rates of banks has been delayed and partial.

- Factors impeding quick and adequate transmission to banks' lending rates include long maturity profile of term deposits at fixed interest rates, rigidity in saving deposit interest rates, relatively long periodicity of interest rate reset under the MCLR system, rigidity of administered rates of interest on small savings and high level of non-performing assets of banks.

- There are early indications of an improvement in transmission in respect of sectors – personal loans and loans to micro and small enterprises - where new floating rate loans have been linked to an external benchmark, effective October 1, 2019. The quarterly periodicity of interest rate reset will also improve transmission to outstanding loans linked to an external benchmark.

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