RBI MPC likely to hold repo rate steady, maintain inflation focus

The Reserve Bank of India's Monetary Policy Committee is expected to keep benchmark interest rates unchanged in its upcoming policy review.

The repo rate is the key benchmark interest rate at which the Reserve Bank of India lends short-term funds to commercial banks.

KEY EXAM POINTS

- The **Reserve Bank of India** (RBI) Monetary Policy Committee (MPC) is expected to maintain the benchmark **repo rate** unchanged.
- The central bank is set to adopt a **hawkish tone** to manage headline and **food inflation** risks.
- Financial markets are closely tracking the RBI Governor's commentary on **core inflation** and **liquidity management**.
- Policy rate decisions directly influence commercial bank **lending rates**, EMI costs, and corporate **borrowing**.
- The central bank aims to align economic growth with the statutory **retail inflation target** of **4%**.

STATICS & SYLLABUS FOCUS

The Reserve Bank of India was established on **April 1, 1935**, under the **Reserve Bank of India Act, 1934**.

RBI was **nationalised** on **January 1, 1949**.

The **Monetary Policy Committee** (MPC) was constituted under **Section 45ZB** of the amended RBI Act, 1934.

The MPC consists of **6 members**: three from RBI including the **Governor** as ex-officio Chairperson and three appointed by the Central Government.

RBI targets **Consumer Price Index** (CPI) combined inflation at **4%** with a tolerance band of +/- 2%.

Reverse Repo Rate is the interest rate at which commercial banks deposit surplus funds with the RBI.

Cash Reserve Ratio (**CRR**) and Statutory Liquidity Ratio (**SLR**) are key quantitative monetary control instruments under the **Banking Regulation Act, 1949**.

REVISION FLASHCARD

RBI MPC consists of 6 members and targets CPI inflation at 4% (+/- 2%) under Section 45ZB.

Syllabus Relevance: Highly relevant for Group 1, 2, and 4 exams under Unit 6 (Indian Economy - RBI functions, monetary policy tools, and inflation management).

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