INDIAN ECONOMY 06 October 2026

RBI Monetary Policy Committee Eyes Rate Hike

The Reserve Bank of India's Monetary Policy Committee (MPC) began its three-day meeting amid expectations of the central bank's first interest rate hike since 2023.

The Monetary Policy Committee (MPC) is responsible for fixing the benchmark interest rate (repo rate) in India to achieve the inflation target.

KEY EXAM POINTS

- The **Reserve Bank of India's (RBI) Monetary Policy Committee (MPC)** commenced its **three-day meeting** on **Monday**.
- There are growing expectations of the central bank's **first interest rate hike** since **2023**.
- The anticipated tightening of policy is driven by **quickening inflation**, **resilient growth**, and **hawkish major central banks** globally.
- **Inflation** is currently running above the **RBI's target**, leading markets to price in **higher borrowing costs**.
- The impact of a **rate-hike cycle** on **banks** and **Non-Banking Financial Companies (NBFCs)** will vary based on their funding profile, asset mix, and loan repricing capabilities.
- Earlier in the year, a **benign inflation backdrop** allowed the **RBI** to maintain rates despite **rising oil prices** due to the **Iran war**.
- **Inflationary pressures** have since broadened beyond **food and fuel**, indicating a **wider economic impact**.

DID YOU KNOW..!?

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

The **Monetary Policy Committee (MPC)** was constituted in **2016** and is mandated to maintain **price stability** while keeping in mind the objective of growth.

The MPC consists of **six members**: three officials from the **RBI** and three external members nominated by the **Government of India**.

The primary objective of **monetary policy** in India is to maintain **retail inflation** within the target range of **4%** with a band of **+/- 2%**.

Key **monetary policy tools** include the **Repo Rate**, Reverse **Repo Rate**, **Cash Reserve Ratio (CRR)**, and **Statutory Liquidity Ratio (SLR)**.

A **Non-Banking Financial Company (NBFC)** is a company registered under the **Companies Act, 1956**, engaged in the business of **loans and advances**, acquisition of shares/stocks/bonds/debentures/securities issued by Government or local authority or other marketable securities of a like nature.

The current **Governor** of the **Reserve Bank of India** is **Shaktikanta Das**, who assumed office on **December 12, 2018**.

REVISION FLASHCARD

RBI's MPC is expected to hike interest rates for the first time since 2023 due to rising inflation.

Syllabus Relevance: High - Directly related to RBI's monetary policy, inflation, and banking sector, which are core topics in Indian Economy for TNPSC exams.

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