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Q11

Which of the following statements is/are correct regarding the 'Monetary Policy Committee (MPC)'? 1. It decides the RBI's benchmark interest rates. 2. It is a 12-member body including the Governor of RBI and is reconstituted every year. 3. It functions under the chairmanship of the Union Finance Minister. Select the correct answer using the code given below: (a) 1 only (b) 1 and 2 only (c) 3 only (d) 2 and 3 only Official key: A.

UPSC Civil Services Prelims 2017 · General Studies · 2 marks · Economy

Indian economy, budget, schemes - Prelims GS Paper I.

Explanation**(a) Official key**

(a) 1 only. The **Monetary Policy Committee** decides the policy repo rate and thereby RBI's benchmark rates. It is a six-member body chaired by the RBI Governor, not a twelve-member panel under the Finance Minister. Only statement 1 is correct, so this is the official key.

(b)

(b) 1 and 2 only. Statement 2 is wrong on size (six, not twelve) and on annual reconstitution as a 12-member body. So 1 and 2 only is not the key.

(c)

(c) 3 only. The Union Finance Minister does not **chair** the MPC. Statement 3 is false.

(d)

(d) 2 and 3 only. Both size/**chair** claims fail. This code is not the key.

Summary

Official key is (a) 1 only. The statutory MPC sets the policy repo rate that anchors RBI's interest-rate corridor. It has six members: three from RBI, including the Governor as **Chair**, and three appointed by the Central Government. It is not a twelve-member annual board and it does not sit under the Finance Minister. Meetings and the 4% CPI target with a $\pm 2\%$ band are the neighbouring facts.

Related possible facts

These can be asked in a future Prelims paper.

MPC size

Six members

Chair

RBI Governor

Legal basis

RBI Act, 1934, Chapter IIIF (2016)

Inflation target

4% CPI, band 2-6%

Quorum / vote

Majority; Governor has a casting vote

Govt nominees

Three experts, four-year terms

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