MONETARY POLICY IN INDIA

Monetary policy is concerned with the measures taken to regulate the supply of money, the cost and availability of credit in the economy. Further, it also deals with the distribution of credit between uses and users and also with both the lending and borrowing rates of interest of the banks. In developed countries the monetary policy has been usefully used for overcoming depression and inflation as an anti-cyclical policy.

However, in developing countries it has to play a significant role in promoting economic growth. As Prof. R. Prebisch writes, “The time has come to formulate a monetary policy which meets the requirements of economic development, which fits into its frame-work perfectly.” Further, along with encouraging economic growth, the monetary policy has also to ensure price stability, because the excessive inflation not only has adverse distribution effect but hinders economic development also.

It is important to understand the distinction between objectives or goals, targets and instru-ments of monetary policy. Whereas goals of monetary policy refer to its objectives which, as men-tioned above, may be price stability, full employment or economic growth, targets refer to the variables such as supply of money or bank credit, interest rates which are sought to be changed through the instruments of monetary policy so as to attain these objectives.

The various instru-ments of monetary policy are changes in the supply of currency, variations in bank rates and other interest rates, open market operations, selective credit controls, and variations in reserve require-ments. We shall first explain below the objectives or goals of monetary policy in a developing economy with special reference to those adopted by Reserve Bank of India.

After having explained the objectives we shall explain role of monetary policy in promoting economic growth in a developing country like India. In the end we will explain monetary policy of reserve Bank of India in different periods of planned development, especially soft interest and liberal credit policy adopted by Reserve Bank of India since 1996.

### Objectives of Monetary Policy

Before explaining in detail the monetary measures undertaken by RBI to regulate credit and growth of money supply, it is important to explain the objectives of monetary policy pursued of RBI in formulation of its policy. Since monetary policy is one instrument of economic policy, its objectives cannot be different from those of overall economic policy.

Monetary policy in an underdeveloped country plays an important role in increasing the growth rate of the economy by influencing the cost and availability of credit, by controlling inflation and maintaining equilibrium the balance of payments.

So the principal objectives of monetary policy in such a country are to control credit for controlling inflation and to stabilise the price level, to stabilise the exchange rate, to achieve equilibrium in the balance of payments and to promote economic development.

### To Control Inflationary Pressures

To control inflationary pressures arising in the process of development, monetary policy requires the use of both quantitative and qualitative methods of credit control. Of the instruments of monetary policy, the open
market operations are not successful in controlling inflation in underdevelopment countries because the bill market is small and undeveloped.

Commercial banks keep an elastic cash-deposit ratio because the central bank's control over them is not complete. They are also reluctant to invest in government securities due to their relatively low interest rates. Moreover, instead of investing in government securities, they prefer to keep their reserves in liquid form such as gold, foreign exchange and cash. Commercial banks are also not in the habit of rediscounting or borrowing from the central bank.

The bank rate policy is also not so effective in such countries due to: (i) the lack of bills of discount; (ii) the narrow size of the bill market; (iii) a large non-monetised sector where barter transactions take place; (iv) the existence of indigenous banks which do not discount bills with the central bank; (v) the habit of the commercial banks to keep large cash reserves; and (vi) the existence of a large unorganised money market.

The use of variable reserve ratio as an instrument of monetary policy is more effective than open market operations and bank rate policy in LDCs. Since the market for securities is very small, open market operations are not successful. But a rise or fall in the variable reserve ratio by the central bank reduces or increases the cash available with the commercial banks without affecting adversely the prices of securities.

Again, the commercial banks keep large cash reserves which cannot be reduced by an increase in bank rate or sale of securities by the central bank. But raising the cash reserve ratio reduces liquidity with the banks. The use of variable reserve ratio has certain limitations in LDCs.

The non-banking financial intermediaries do not keep deposits with the central bank so they are not affected by it. Second, banks which do not maintain excess liquidity are more affected than those who maintain it.

The qualitative credit control measures are, however, more effective than the quantitative measures in influencing the allocation of credit, and thereby the pattern of investment. In LDCs, there is a strong tendency to invest in gold, jewellery, inventories, real estate, etc., instead of in alternative productive changes available in agriculture, mining, plantations and industry. The selective credit controls are more appropriate for controlling and limiting credit facilities for such unproductive purposes. They are beneficial in controlling speculative activities in food-grains and raw materials. They prove more useful in controlling 'sectional inflations' in the economy.

They curtail the demand for imports by making it obligatory on importers to deposit in advance an amount equal to the value of foreign currency. This has also the effect of reducing the reserves of the banks in so far as their deposits are transferred to the central bank in the process. The selective credit control measures may take the form of changing the margin requirements against certain types of collateral the regulation of consumer credit and the rationing of credit.

To Achieve Price Stability

Monetary policy is an important instrument for achieving price stability k brings a proper adjustment between the demand for and supply of money. An imbalance between the two will be reflected in the price level. A shortage of money supply will retard growth while an excess of it will lead to inflation. As the economy develops, the demand for money increases due to the gradual monetization of the non-monetized sector, and the increase in agricultural and industrial production. These will lead to increase in the demand for transactions and speculative motives. So the monetary authority will have to raise the money supply more than proportionate to the demand for money in order to avoid inflation.

To Bridge BOP Deficit

Monetary policy in the form of interest rate policy plays an important role in bridging the balance of payments deficit. Underdeveloped countries develop serious balance of payments difficulties to fulfill the planned targets of development. To establish infrastructure like power, irrigation, transport, etc. and directly productive activities
like iron and steel, chemicals, electrical, fertilisers, etc., underdeveloped countries have to import capital equipment, machinery, raw materials, spares and components thereby raising their imports. But exports are almost stagnant. They are high-price due to inflation. As a result, an imbalance is created between imports and exports which lead to disequilibrium in the balance in payments. Monetary policy can help in narrowing the balance of payments deficit through high rate of interest. A high interest rate attracts the inflow of foreign investments and helps in bridging the balance of payments gap.

### Interest Rate Policy

A policy to high interest rate in an underdeveloped country also acts as an incentive to higher savings, develops banking habits and speeds up the monetization of the economy which are essential for capital formation and economic growth. A high interest rate policy is also anti-inflationary in nature, for it discourages borrowing and investment for speculative purposes, and in foreign currencies.

Further, it promotes the allocation of scarce capital resources in more productive channels. Certain economists favour a low interest rate policy in such countries because high interest rates discourage investment. But empirical evidence suggests that investment in business and industry is interest-inelastic underdeveloped countries because interest forms a very low proportion of the total cost of investment. Despite these opposite views, it is advisable for the monetary authority to follow a policy of discriminatory interest rate-charging high interest rates for non-essential and unproductive uses and low interest rates for productive uses.

### To Create Banking and Financial Institutions

One of the objectives of monetary policy in an underdeveloped country is to create and develop banking and financial institutions in order to encourage, mobilise and channelise savings for capital formation. The monetary authority should encourage the establishment of branch banking in rural and urban areas. Such a policy will help in monetizing the non-monetized sector and encourage saving and investment for capital formation. It should also organise and develop money an capital market. These are essential for the success of a development oriented monetary policy which also includes debt management.

### Debt Management

Debt management is one of the important functions of monetary policy in an underdeveloped country. It aims at proper timing and issuing of government bonds, stabilising their prices and minimising the cost of servicing the public debt.

The primary aim of debt management is to create conditions in which public borrowing can increase from year to year. Public borrowing is essential in such countries in order to finance development programmes and to control the money supply. But public borrowing must be at cheap rates. Low interest rates raise the price of government bonds and make them more attractive to the public. They also keep the burden of the debt low.

Thus an appropriate monetary policy, as outlined above, helps in controlling inflation, bridging balance of payments gap, encouraging capital formation and promoting economic growth.

### Instruments of Monetary Policy

The instrument of monetary policy are tools or devise which are used by the monetary authority in order to attain some predetermined objectives. There are two types of instruments of the monetary policy as shown below.

#### Quantitative Instruments or General Tools

The Quantitative Instruments are also known as the General Tools of monetary policy. These tools are related to the Quantity or Volume of the money. The Quantitative Tools of credit control are also called as General
Tools for credit control. They are designed to regulate or control the total volume of bank credit in the economy. These tools are indirect in nature and are employed for influencing the quantity of credit in the country. The general tool of credit control comprises of following instruments.

1. **Bank Rate Policy (BRP):** The Bank Rate Policy (BRP) is a very important technique used in the monetary policy for influencing the volume or the quantity of the credit in a country. The bank rate refers to rate at which the central bank (i.e. RBI) rediscounts bills and prepares of commercial banks or provides advance to commercial banks against approved securities. It is “the standard rate at which the bank is prepared to buy or rediscount bills of exchange or other commercial paper eligible for purchase under the RBI Act”. The Bank Rate affects the actual availability and the cost of the credit. Any change in the bank rate necessarily brings out a resultant change in the cost of credit available to commercial banks. If the RBI increases the bank rate than it reduce the volume of commercial banks borrowing from the RBI. It deters banks from further credit expansion as it becomes a more costly affair. Even with increased bank rate the actual interest rates for a short term lending go up checking the credit expansion. On the other hand, if the RBI reduces the bank rate, borrowing for commercial banks will be easy and cheaper. This will boost the credit creation. Thus any change in the bank rate is normally associated with the resulting changes in the lending rate and in the market rate of interest. However, the efficiency of the bank rate as a tool of monetary policy depends on existing banking network, interest elasticity of investment demand, size and strength of the money market, international flow of funds, etc.

2. **Open Market Operation (OMO):** The open market operation refers to the purchase and/or sale of short term and long term securities by the RBI in the open market. This is very effective and popular instrument of the monetary policy. The OMO is used to wipe out shortage of money in the money market, to influence the term and structure of the interest rate and to stabilize the market for government securities, etc. It is important to understand the working of the OMO. If the RBI sells securities in an open market, commercial banks and private individuals buy it. This reduces the existing money supply as money gets transferred from commercial banks to the RBI. Contrary to this when the RBI buys the securities from commercial banks in the open market, commercial banks sell it and get back the money they had invested in them. Obviously the stock of money in the economy increases. This way when the RBI enters in the OMO transactions, the actual stock of money gets changed. Normally during the inflation period in order to reduce the purchasing power, the RBI sells securities and during the recession or depression phase she buys securities and makes more money available in the economy through the banking system. Thus under OMO there is continuous buying and selling of securities taking place leading to changes in the availability of credit in an economy.

However there are certain limitations that affect OMO viz; underdeveloped securities market, excess reserves with commercial banks, indebtedness of commercial banks, etc.

3. **Variation in the Reserve Ratios (VRR):** The Commercial Banks have to keep a certain proportion of their total assets in the form of Cash Reserves. Some part of these cash reserves are their total assets in the form of cash. Apart of these cash reserves are also to be kept with the RBI for the purpose of maintaining liquidity and controlling credit in an economy. These reserve ratios are named as Cash Reserve Ratio (CRR) and a Statutory Liquidity Ratio (SLR). The CRR refers to some percentage of commercial bank’s net demand and time liabilities which commercial banks have to maintain with the central bank and SLR refers to some percent of reserves to be maintained in the form of gold or foreign securities. In India the CRR by law remains in between 3-15 percent while the SLR remains in between 25-40 percent of bank reserves. Any change in the VRR (i.e. CRR + SLR) brings out a change in commercial banks reserves positions. Thus by varying VRR commercial banks lending capacity can be affected. Changes in the VRR helps in bringing changes in the cash reserves of commercial banks and thus it can affect the banks credit creation multiplier. RBI increases VRR during the inflation to reduce the purchasing power and credit
creation. But during the recession or depression it lowers the VRR making more cash reserves available for credit expansion.

**Qualitative Instruments or Selective Tools**

The Qualitative Instruments are also known as the Selective Tools of monetary policy. These tools are not directed towards the quality of credit or the use of the credit. They are used for discriminating between different uses of credit. It can be discrimination favoring export over import or essential over non-essential credit supply. This method can have influence over the lender and borrower of the credit. The Selective Tools of credit control comprises of following instruments.

1. **Fixing Margin Requirements:** The margin refers to the “proportion of the loan amount which is not financed by the bank”. Or in other words, it is that part of a loan which a borrower has to raise in order to get finance for his purpose. A change in a margin implies a change in the loan size. This method is used to encourage credit supply for the needy sector and discourage it for other non-necessary sectors. This can be done by increasing margin for the non-necessary sectors and by reducing it for other needy sectors. Example:- If the RBI feels that more credit supply should be allocated to agriculture sector, then it will reduce the margin and even 85-90 percent loan can be given.

2. **Consumer Credit Regulation:** Under this method, consumer credit supply is regulated through hire-purchase and installment sale of consumer goods. Under this method the down payment, installment amount, loan duration, etc is fixed in advance. This can help in checking the credit use and then inflation in a country.

3. **Publicity:** This is yet another method of selective credit control. Through it Central Bank (RBI) publishes various reports stating what is good and what is bad in the system. This published information can help commercial banks to direct credit supply in the desired sectors. Through its weekly and monthly bulletins, the information is made public and banks can use it for attaining goals of monetary policy.

4. **Credit Rationing:** Central Bank fixes credit amount to be granted. Credit is rationed by limiting the amount available for each commercial bank. This method controls even bill rediscounting. For certain purpose, upper limit of credit can be fixed and banks are told to stick to this limit. This can help in lowering banks credit exposure to unwanted sectors.

5. **Moral Suasion:** It implies to pressure exerted by the RBI on the indian banking system without any strict action for compliance of the rules. It is a suggestion to banks. It helps in restraining credit during inflationary periods. Commercial banks are informed about the expectations of the central bank through a monetary policy. Under moral suasion central banks can issue directives, guidelines and suggestions for commercial banks regarding reducing credit supply for speculative purposes.

6. **Control Through Directives:** Under this method the central bank issue frequent directives to commercial banks. These directives guide commercial banks in framing their lending policy. Through a directive the central bank can influence credit structures, supply of credit to certain limit for a specific purpose. The RBI issues directives to commercial banks for not lending loans to speculative sector such as securities, etc beyond a certain limit.

7. **Direct Action:** Under this method the RBI can impose an action against a bank. If certain banks are not adhering to the RBI's directives, the RBI may refuse to rediscount their bills and securities. Secondly, RBI may refuse credit supply to those banks whose borrowings are in excess to their capital. Central bank can penalize a bank by changing some rates. At last it can even put a ban on a particular bank if it dose not follow its directives and work against the objectives of the monetary policy.
These are various selective instruments of the monetary policy. However, the success of these tools is limited by the availability of alternative sources of credit in the economy, working of the Non-Banking Financial Institutions (NBFIs), profit motive of commercial banks, and undemocratic nature of these tools. But a right mix of both the general and selective tools of monetary policy can give the desired results.

## Monetary Policy in Pre-reform Era (1948-1991)

Monetary policy in India has to be designed and pursued in the context of planning in a mixed economy where the main object is to accelerate the process of economic growth with stability and social justice.

### The Policy Stances:

The monetary policy stances during the course of planning in India (1951-1987) may be stated as follows.

1. **During the First Five-Year Plan period (1951-56),** the role of monetary policy was confined to the allocation of resources in conformity with the plan objectives. Initially, in 1951 to contain inflationary pressures, the RBI raised the bank rate from 3 per cent to 3.5 per cent in November 1951.

2. **During the Second Plan period (1956-61),** the policy was more or less anti-inflationary. The bank rate was raised further to 4 per cent in May 1957 and the selective credit control scheme was introduced in May 1956.

3. **During the period of the Third Plan (1961-66) and Annual Plans (1966-69),** the RBI adopted a credit policy of restraint. It raised the bank rate further to 4.5 per cent in January 1963, to 5.0 per cent in October 1964 and again to 6.0 per cent in March 1965. The Credit Authorisation Scheme was introduced. In 1964, a system of differential interest rates (DIR) was also introduced. The SLR was raised from 20 per cent to 25 per cent.

   In 1969, the Government of India nationalised the major commercial banks, thereby bringing nearly 85 per cent of the banking activity in the hands of the public sector.

4. **During the Fourth Plan (1969-74) period,** the restrictive credit control measures were adopted very sharply. The Net Liquidity Ratio (NLR) was stipulated from 31 per cent to 34 per cent between April 1970 and January 1971. The SLR was enhanced to 30 per cent and NLR further to 37 per cent by March 1973. The Bank rate was raised to 7 per cent and CRR to 5 per cent in May 1973. In September 1973, CRR was raised further to 7 per cent.

5. **During the Fifth Plan (1974-79) period,** the policy had remained basically anti-inflationary.

6. **During the Sixth Plan period (1980-85),** efforts have been continuously directed towards containing the inflationary pressures. In 1981-82, the SLR was raised from 34 per cent to 35 per cent. It was further raised to 36 per cent in September 1984 and again to 37 per cent in July 1985. The selective credit controls were rationalised and simplified.

### Monetary Policy in Post-Reform Era (since-1991)

The major changes in the Indian Monetary policy during the decade of 1990

1. **Reduced Reserve Requirements:** During 1990s both the Cash Reserve Ratio (CRR) and the Statutory Liquidity Ratio (SLR) were reduced to considerable extent. The CRR was at its highest 15% plus and additional CRR of 10% was levied, however it is now reduced by 4%. The SLR is reduced from 38.5% to a minimum of 25%.
2. **Increased impact of Micro Finance**: In order to strengthen the rural finance the RBI has focused more on the Self Help Group (SHG). It comprises small and marginal farmers, agriculture and non-agriculture labour, artisans and rural sections of the society. However still only 30% of the target population has been benefited.

3. **Fiscal Monetary Separation**: In 1994, the Government and the RBI signed an agreement through which the RBI has stopped financing the deficit in the government budget. Thus it has seperated the Monetary policy from the fiscal policy.

4. **Changed Interest Rate Structure**: During the 1990s, the interest rate structure was changed from its earlier administrated rates to the market oriented or liberal rate of interest. Interest rate slabs are now reduced up to 2 and minimum lending rates are abolished. Similarly, lending rates above Rs. Two lakh are freed.

5. **Changes in Accordance to the External Reforms**: During the 1990, the external sector has undergone major changes. It comprises lifting various controls on imports, reduced tariffs, etc. The Monetary policy has shown the impact of liberal inflow of the foreign capital and its implication on domestic money supply.

6. **Higher Market Orientation for Banking**: The banking sector got more autonomy and operational flexibility. More freedom to banks for methods of assessing working funds and other functioning has empowered and assured market orientation.

### Evaluation of the Monetary Policy in India

During the reforms though the Monetary policy has achieved higher success in the Monetary policy, it is not free from limitation or demerits. It needs to be evaluated on a proper scale.

1. **Failed in Tackling Budgetary Deficit**: The higher level of the budget deficit has made the Monetary policy ineffective. The automatic monetization of the deficit has led to high Monetary expansion.

2. **Limited Coverage**: The Monetary policy covers only commercial banking system leaving other non-bank institutions untouched. It limits the effectiveness of the monitor policy in India.

3. **Unorganized Money Market**: In our country there is a huge size of the unorganized money market. It dose not come under the control of the RBI. Thus any tools of the Monetary policy dose not affect the unorganized money market making Monetary policy less affective.

4. **Predominance of Cash Transaction**: In India still there is huge dominance of the cash in total money supply. It is one of the main obstacles in the effective implementation of the Monetary policy. Because Monetary policy operates on the bank credit rather on cash.

5. **Increase Volatility**: As the Monetary policy has adopted changes in accordance to the changes in the external sector in India, it could lead to a high amount of the volatility.

### Urjit Patel Committee Report on Monetary Policy

In January 2014, RBI appointed an expert committee headed by Deputy Governor of RBI, Shri Urjit Patel to examine its current monetary policy framework. The committee made several far reaching recommendations, some of which have been discussed below.

- The most important recommendation of the committee was that the RBI should focus on controlling inflation in the economy or in other words inflation should be the nominal anchor to frame monetary policy.
The nominal anchor or the target for inflation should be set at 4 per cent with a band of +/- 2 per cent around it.

The nominal anchor should be defined in terms of headline CPI inflation, which closely reflects the cost of living and influences inflation expectations relative to other available metrics.

Historically, Indian policymakers have relied on the wholesale price index.

Given the current elevated level of CPI inflation, it recommended a 12-month target of 8 per cent and 24-month target of 6 per cent, before the inflation target is formally adopted.

The committee asked the Central Government to ensure that the fiscal deficit as a ratio to GDP (gross domestic product) is brought down to 3.0 per cent by 2016-17.

The Patel panel felt that the monetary policy decision-making should be vested with a monetary policy committee (MPC).

It went on to recommend that the Governor of the RBI should be the Chairman of the MPC. It felt that the Deputy Governor in-charge of monetary policy could be the Vice-Chairman. The Executive Director in charge of monetary policy could be its member. It could have two external members.

The term of office of the MPC could be three years, without prospect of renewal.

Minutes of the proceedings of the MPC will be released with a lag of two weeks from the date of the meeting.

Currently, the RBI governor is the sole decision maker on monetary policy, though he is advised by his four deputy governors and a technical advisory committee.

Concerns regarding Urjit Patel Committee Recommendations

Experts feel that it is premature to use the Consumer Price Index (CPI) as anchor since the data had imperfections.

Inflation targeting was done in countries which had more stable kind of pricing. In India, it may be difficult to do that kind of targeting because that level of stability is not yet achieved in the prices where we can curb certain volatilities or volatility in certain periods through a very specific targeting.

Some experts believe the panel recommendation for adopting monetary policy, which is centered on inflation, will be a shift from traditional policymaking, and will also bring RBI policy calibration closer to the international practices.

If the RBI accepts the recommendations of the Urjit Patel committee, interest rates are unlikely to come down in 2014-15.

 Monetary policy Committee and Inflation Targeting

On June 27, 2016, the Government amended the RBI Act to hand over the job of monetary policy-making in India to a newly constituted Monetary Policy Committee (MPC).

The Monetary Policy Committee (MPC) is a committee of the central bank — Reserve Bank of India, headed by its Governor. It was set up by amending the RBI Act after the government and RBI agreed to task RBI with the responsibility for price stability and inflation targeting.

The Monetary Policy Committee would be entrusted with the task of fixing the benchmark policy rate (repo rate) required to contain inflation within the specified target level. A Committee-based approach for determining
the Monetary Policy will add lot of value and transparency to monetary policy decisions. The meetings of the Monetary Policy Committee shall be held at least 4 times a year and it shall publish its decisions after each such meeting.

Further government has also signed Inflation targeting mechanism with the RBI.

In exercise of the powers conferred by section 45ZA of the Reserve Bank of India Act, 1934, the Central Government, in consultation with RBI, has fixed the inflation target for the period beginning from the date of publication of the Gazette Notification (August 5, 2016) and ending on the March 31, 2021, as under:

1. Inflation Target: Four per cent.
2. Upper tolerance level: Six per cent.
3. Lower tolerance level: Two per cent.

The key advantage of a range around a target is that it allows MPC to recognise the short run trade-offs between inflation and growth but enables it to pursue the inflation target in long run over the course of business cycle. The range also accommodates data limitations, projection errors, short-run supply gaps and instability in the agriculture production, an important factor for CPI inflation, as food articles have a major weight in the CPI indices. It also allows to accommodate unanticipated short-term shocks even while nudging public inflation expectations on the centre of the range, to which the monetary policy will return the economy over the medium term, leading to transparency and predictability.

Further, if the average inflation is more than the upper tolerance level of 4% + 2%, that is, 6%, or less than the lower tolerance level of 4% – 2%, that is 2%, for any three consecutive quarters, it would mean a failure to achieve the inflation target. Where RBI fails to meet the inflation target, in terms of the provisions of RBI Act, it shall set out a report to the Central Government stating the reasons for failure to achieve the inflation target; remedial actions proposed to be taken by RBI; and an estimate of the time-period within which the inflation target shall be achieved pursuant to timely implementation of proposed remedial actions.

Fixation of an inflation target while giving due emphasis to the objective of growth and challenges of an increasingly complex economy, is an important monetary policy reform with necessary statutory back-up.

**Conclusion**

With the introduction of the monetary policy committee, the RBI will follow a system similar to the one followed by most global central banks. The US Federal Reserve sets its benchmark fund rate through the Federal Open Market Committee (FOMC). The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight. The Board of Governors of the Federal Reserve System is responsible for the discount rate and reserve requirements, and the Federal Open Market Committee is responsible for open market operations. The Federal Open Market Committee (FOMC) consists of twelve members—the seven members of the Board of Governors of the Federal Reserve System; the president of the Federal Reserve Bank of New York; and four of the remaining eleven Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight regularly scheduled meetings per year.

The transitioning from the current decision process to that of an MPC will impart diversity of views, specialized experience and independence of opinion in the monetary policy decisions which could help in improving the representativeness in the overall decision-making process.