

RBI - Monetary Policy Tools

Monetary Policy tools are used by RBI to control

- Inflation.
- Money supply
- Credit flow in economy.

(1) Repo Rate ★

- Rate jisme RBI deta loan banks ko
- Govt securities ke badle
- Repo badhne se loan costly ho jata hai
- Used to control inflation

Exam Tip: Repo ↑ → Interest rate ↑ → Inflation ↓

(2) Reverse Repo Rate ★

- Rate jisme RBI leta paisa banks se.
- Banks park karte apna extra paisa RBI me
- Reverse Repo badhne se banks kam lend karte hain

Repo : RBI → Bank

Reverse Repo → Bank → RBI

(3) CRR (Cash Reserve Ratio) ★★

- % of total deposits rakhna hota RBI me
- Sirf cash, no interest

☐ "CRR controls liquidity directly"

(4) SLR (Statutory Liquidity Ratio) ★★

- % of deposits rakhte hain liquid assets me
- Govt bonds, gold, securities
- Bank khud rakhte hain

CRR	SLR
Cash with RBI	Bonds & Securities

★ RBI uses these tools to maintain

- ✓ Price Stability,
- ✓ Economic Growth,
- ✓ Financial Stability.

CRR & SLR (RBI Monetary Policy Tools)

(1) CRR (Cash Reserve Ratio) ★★

→ % of total deposits bank rakhte hai RBI me

Matlab: Bank apni kuch deposits direct RBI ke paas rakhte hai.

→ Sirf cash form me hota hai

→ As a safety buffer, risk se bachne ke liye.

→ High CRR = Banks ke pass kam paise rahte hain

→ Iss se lending capacity kam ho jati hai.

Example 1: CRR = 4% hai. To bank apne total ₹100 crore deposits me se ₹4 crore RBI me rakhte hain.

Example 2: RBI ne CRR 5% se badhakar 6% kar diya.

Result: Banks ke pass paise kam ho gaye.

→ they lend less = money supply girta hai.

★ Exam Tip: CRR bada, interest rate bada, inflation ghata

(2) SLR (Statutory Liquidity Ratio) ★★

→ % of deposits bank ko rakhne padte hain liquid assets me.

→ Yani, govt bonds, gold, securities me invest karte hain.

→ Bank apne pass hi rakhte hain (RBI ko nahi dete).

→ High SLR hone se banks kam loan de sakte hain.

CRR	SLR
✓ Cash with RBI	→ Investments with Bank
✓ Controls money supply directly	→ Indirectly controls liquidity

★ Aur dono hi lending capacity kam kar dete hain.

Difference between Repo & Reverse Repo Rate

Repo rate & Reverse Repo rate hai RBI ke dvara use hone wale short term tools. Inke dvara RBI monetary policy ko implement karti hai.

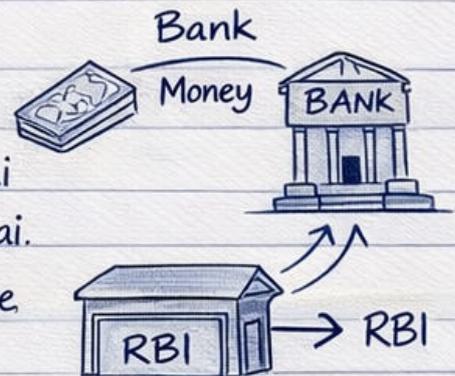


Repo Rate vs. Reverse Repo Rate

	Repo Rate	Reverse Repo Rate.
Purpose :	Repo: RBI deta loan banks ko	Reverse Repo: RBI leta paisa banks se
Direction:	RBI \rightarrow Bank	Bank \rightarrow RBI
Impact :	Repo \uparrow = inflation \downarrow	Reverse Repo \uparrow = inflation \downarrow

(1) Repo Rate ★

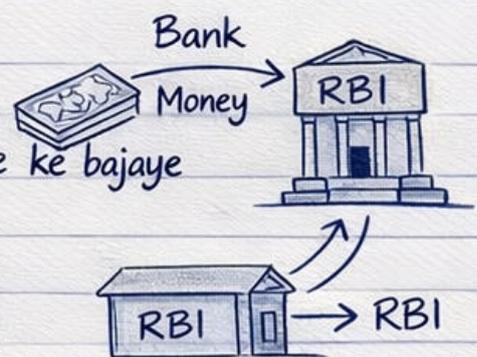
- \rightarrow Rate jisme RBI deta loan banks ko
- \rightarrow Example: Bank ko ₹1 crore ki jarurat hai
- \rightarrow RBI se govt securities ke badle loan leta hai.
- \rightarrow RBI jada Repo badhata hai to Banks ke liye loan costly hota hai.
- \rightarrow Inflation ko control karne ke liye use hota hai.



★ Exam Tip: Repo \uparrow \rightarrow Interest rate \uparrow \rightarrow Inflation \downarrow

(2) Reverse Repo Rate ★

- \rightarrow Rate jisme RBI leta extra paisa banks se
- \rightarrow Example: ICICI Bank ko lage ki loan देने के बजाये RBI me park karna jyada safe option hai.
- \rightarrow paisa wapas RBI me park kar deta hai.
- \rightarrow Increasing Reverse Repo, banks kam paisa lend karte hain public ko.



★ Exam Tip: Repo \uparrow \rightarrow Interest rate \uparrow \rightarrow Inflation \downarrow

★ Conclusion: Dono rates short-term rate control tools hoti hain, jinse RBI liquidity & inflation ko adjust karta hai.

Repo & Reverse Repo Growth Inference for Exam

Exam ke liye Repo & Reverse Repo ke growth inference samajhna important hai.

Repo \uparrow \rightarrow Money \downarrow \rightarrow Interest rate \uparrow \rightarrow Economy slow

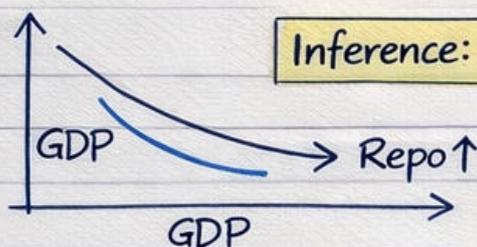
\rightarrow Zyada Repo rate se interest rate badhega, loans costly honge, aur economy slow ho jayegi.

★ Reverse Repo \uparrow \rightarrow Liquidity \downarrow \rightarrow Economy slow

\rightarrow Zyada Reverse Repo karne se banks kam lend karenge, paisa jyada RBI me park karenge, liquidity kam hogi.

★ Inference graphs (Exam):

\rightarrow RBI ne Repo Rate ko badhaya hai...



\rightarrow Inference: Economy slow hui, inflation giri hai!

(2) RBI ne Reverse Repo Rate ko increase kiya hai...



★ Conclusion: 💡 Exam me jo chhota sa graph diya hoga, uspe se samajhna hoga:

\rightarrow Kya RBI ne Repo increase kiya hai? Agar haan, economy slow ho gayi & inflation kam ho gaya.

\rightarrow Ya Reverse Repo increase kiya hai? Agar haan, liquidity kam ho gayi & economy slow ho gayi.

PYQ 1 - RBI Monetary Policy Tools MCQ

PYQ: What are the main objectives of RBI's Monetary Policy?

(IBPS Clerk, Mains 2021)

MCQ: 1) Objectives of RBI's monetary policy kya hai?

- A) Price Stability
- B) Interest Rate Arbitrage
- C) Exchange Rate Parity
- D) Reducing GDP.

Answer kya hoga? Chalo approach se solve karte hain!

Step 1: Ek MCQ khud solve karre ki kossish karo.

→ Options padho aur sahi lagne wale eliminate karo:
Arbitrage aur Parity ⇒ galat lagr rahe hain.

Step 2: RBI ke role ke baare me socho:

→ Frequency: Monetary policy tools pe check laga ke
inflation control karte hain.

→ Yad karo: CRR/SLR kaise liquidity control karte hain?

- ☆ Price stability - Bilkul sahi
- ✓ Economic growth - Sahi (indirect)
- ✓ Financial stability - Sahi.

✓ So, sahi answer A hoga.

PYQ 2 - Repo & Reverse Repo MCQ

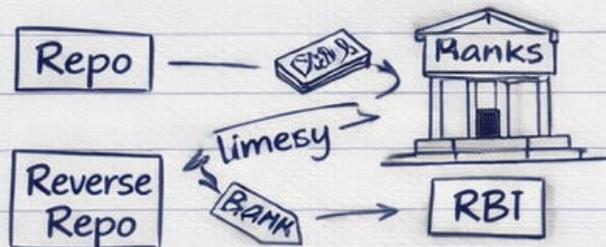
PYQ: What is the difference between Repo Rate and Reverse Repo Rate?

(SBI PO, Mains 2021)

MCQ: 2) Repo rate vs Reverse Repo rate par MCQ.

- A) Repo Rate = Interest paid by RBI
Reverse Repo Rate = Interest earned by RBI
- B) Repo Rate = Interest earned by Banks,
Reverse Repo Rate = RBI gives loan to Banks.
- C) Repo Rate = Interest earned by RBI;
Reverse Repo Rate = Interest paid by Banks
- D) Repo Rate = RBI gives loan to Banks;
Reverse Repo Rate = Interest earned by Banks

Answer kya hoga? Chalo solve karte hain!



Step 1: B, C option to galat lag rahe hain according to the diagram.

Step 2: Ab socho: Interest RBI earner karta hai ya Bank?

★ Wapas paisa milne par interest kamati hai

★ Loan dene par interest deta hai.

To answer best hoga **D**

⊕ MCQ me dimaag lagao - Repo & Reverse Repo diagram yad aana chahiye.

PYQ 3 - RBI Policy Tools MCQ

PYQ: Kaunsa RBI ka policy tool high inflation ko control karne me directly help karta hai?

(SBI Clerk, Prelims 2020)

MCQ: 3) High inflation ko directly control karne wala RBI policy tool kaun sa hai?

- A) Statutory Liquidity Ratio
- B) Repo Rate
- C) Marginal Standing Facility
- D) Priority Sector Lending

Answer kya hoga? Sochte hain!



Step 1: High inflation ko consider karo, to ab kaunsi elimination easy hai?

- ✓ CRR: Control karta hai liquidity, Repo jyada directly inflation control karta.
- ✓ SLR: Bonds & securities me Deposit hain, inflation control directly nahi karta.
- ✓ Priority Sector Lending; Loan de rahe hain priority sector ko, inflation se relation nahi hai.

Step 2: Ab bacha sirf Option (B) Repo Rate jisme or sochte hain:

- ★ Repo Rate badhne se: Loan costly.
- Money girta, isse inflation kam hota hai
- Aur yahi purpose bhi tha.

✓ So, sirf sahi answer B hoga.

⊙ PYQ solve karte time common sense + logic dono ko use karo.