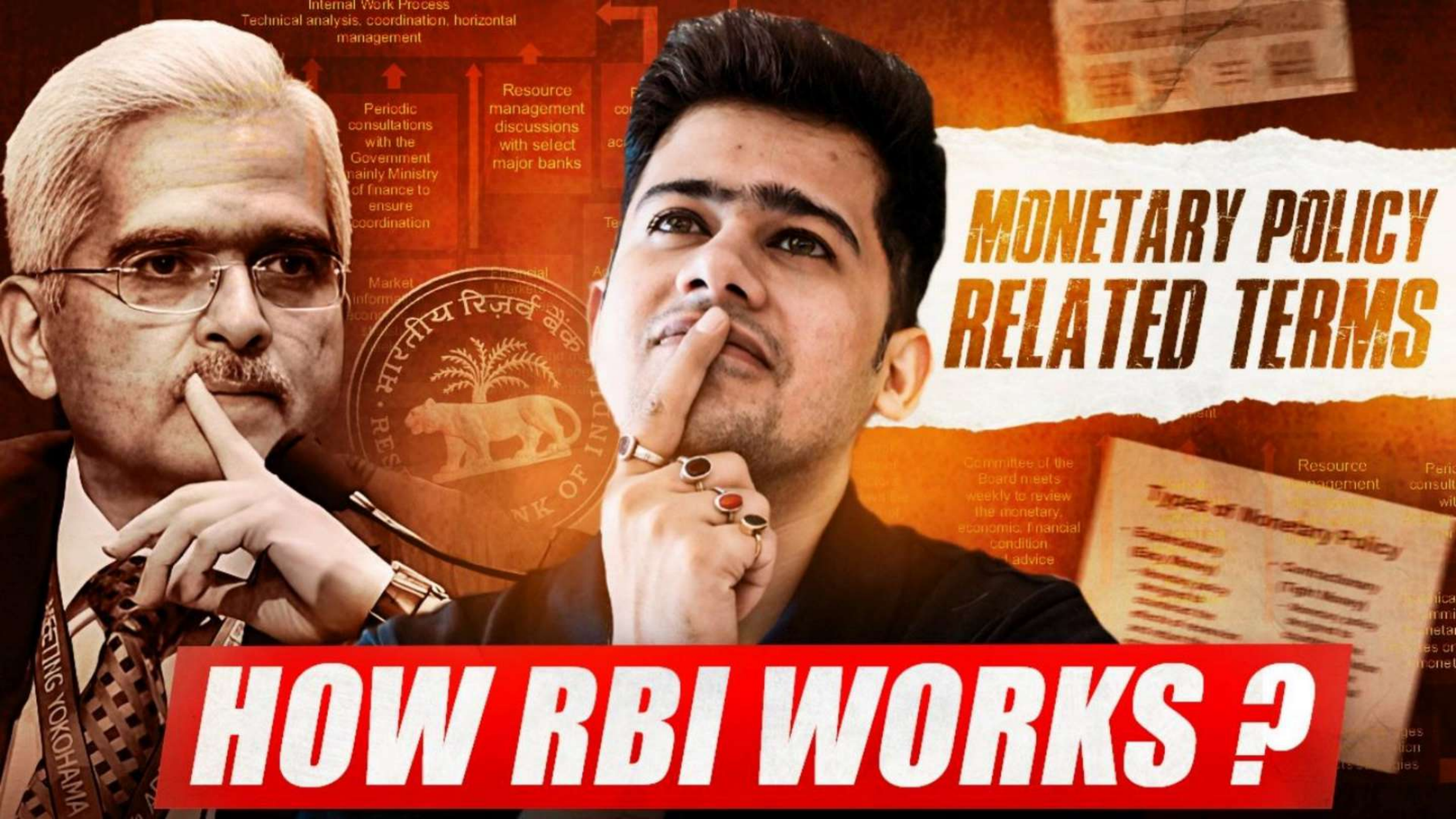






Internal Work Process  
Technical analysis, coordination, horizontal  
management

Periodic  
consultations  
with the  
Government  
mainly Ministry  
of finance to  
ensure  
coordination

Resource  
management  
discussions  
with select  
major banks

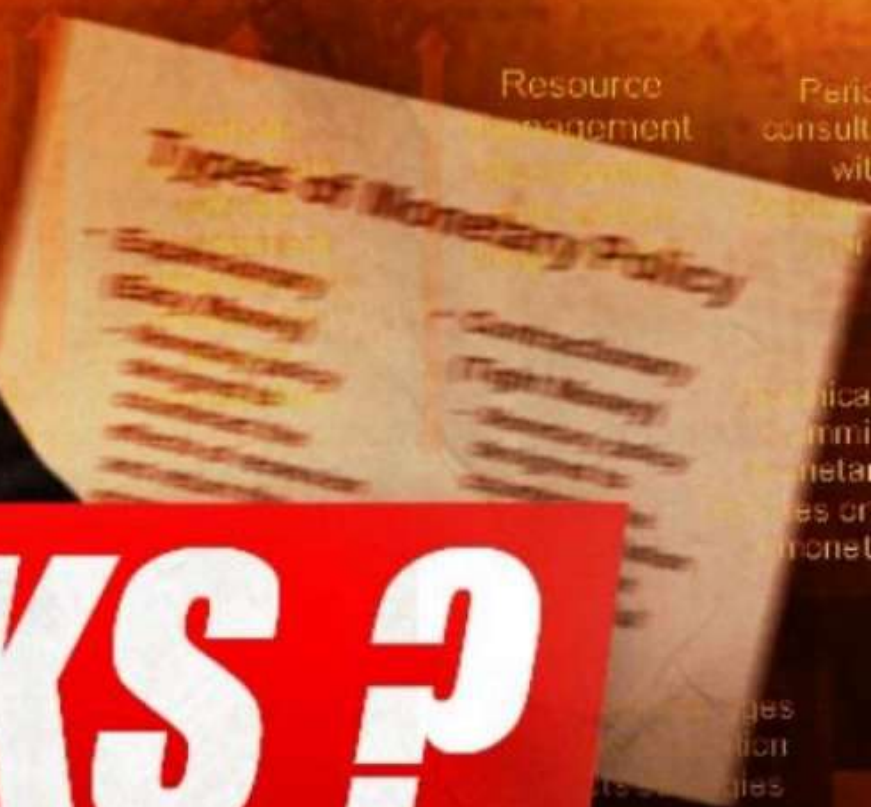


# **MONETARY POLICY RELATED TERMS**

Committee of the  
Board meets  
weekly to review  
the monetary,  
economic, financial  
condition  
and advice

Resource  
management

Periodic  
consult  
with



# **HOW RBI WORKS ?**

## **What will we study Today -**

- **Monetary Policy : Introduction**
- **Objectives**
- **Types**
- **Monetary Policy Tools**
- **Monetary Policy Committee**
- **51st Monetary Policy Report**

## • What is Monetary Policy?

- Macroeconomic policy tool
- Used by the Central Bank
- Reason: To influence the money supply in the economy to achieve certain macroeconomic goals.

## • मौद्रिक नीति क्या है?

- समष्टि आर्थिक नीति उपकरण
- केंद्रीय बैंक द्वारा उपयोग किया जाता है
- कारण: कुछ समष्टि आर्थिक लक्ष्यों को प्राप्त करने के लिए अर्थव्यवस्था में मुद्रा आपूर्ति को प्रभावित करना।



**Unstable Economy**



**Central Bank**

Central bank implements  
monetary policy



**Stable & Growing  
Economy**

# Objectives of Monetary Policy

- ✓ Price Stability
- ✓ Full Employment
- ✓ Economy Growth
- ✓ Exchange rate stability
- ✓ Interest-rate stability
- ✓ Financial stability

15-60  
ALL

# Types of Monetary Policy

```
graph TD; A[Types of Monetary Policy] --> B[Expansionary Monetary Policy]; A --> C[Contractionary Monetary Policy];
```

**Expansionary  
Monetary Policy**

**Contractionary  
Monetary Policy**

- **Expansionary Monetary Policy:**

- Aim: To increase the money supply in the economy through measures such as:
  - Decreasing interest rates
  - Lowering reserve requirements for banks
  - Purchasing government securities by central banks

- **विस्तारवादी मौद्रिक नीति:**

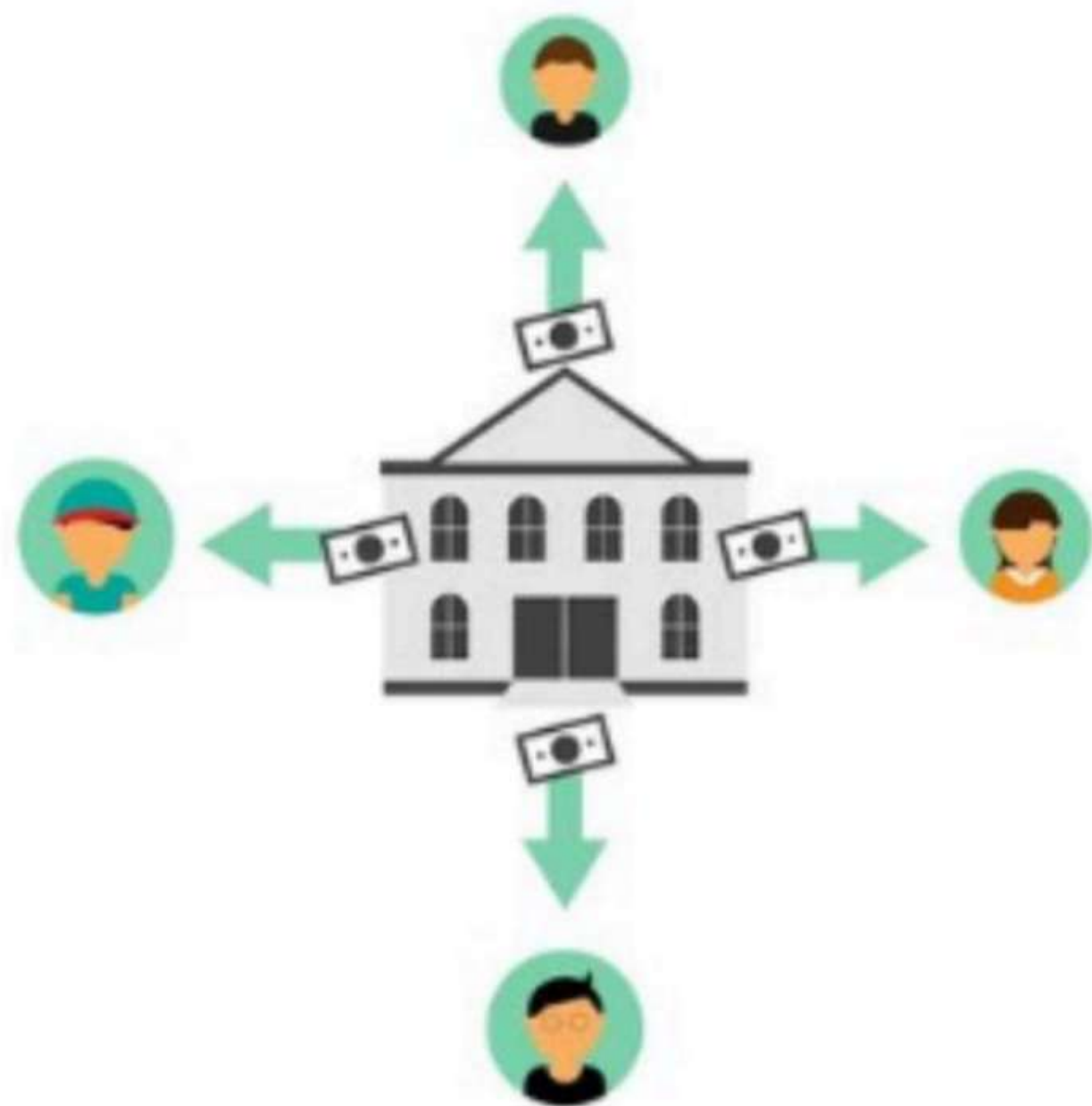
- उद्देश्य: निम्नलिखित उपायों के माध्यम से अर्थव्यवस्था में मुद्रा आपूर्ति को बढ़ाना:
  - ब्याज दरों में कमी
  - बैंकों के लिए आरक्षित आवश्यकताओं को कम करना
  - केंद्रीय बैंकों द्वारा सरकारी प्रतिभूतियों की खरीद

- **Contractionary Monetary Policy:**

- It is used to decrease the amount of money supply in the economy through measures such as:
- Raising interest rates
- Increasing the reserve requirements for banks
- Selling government bonds

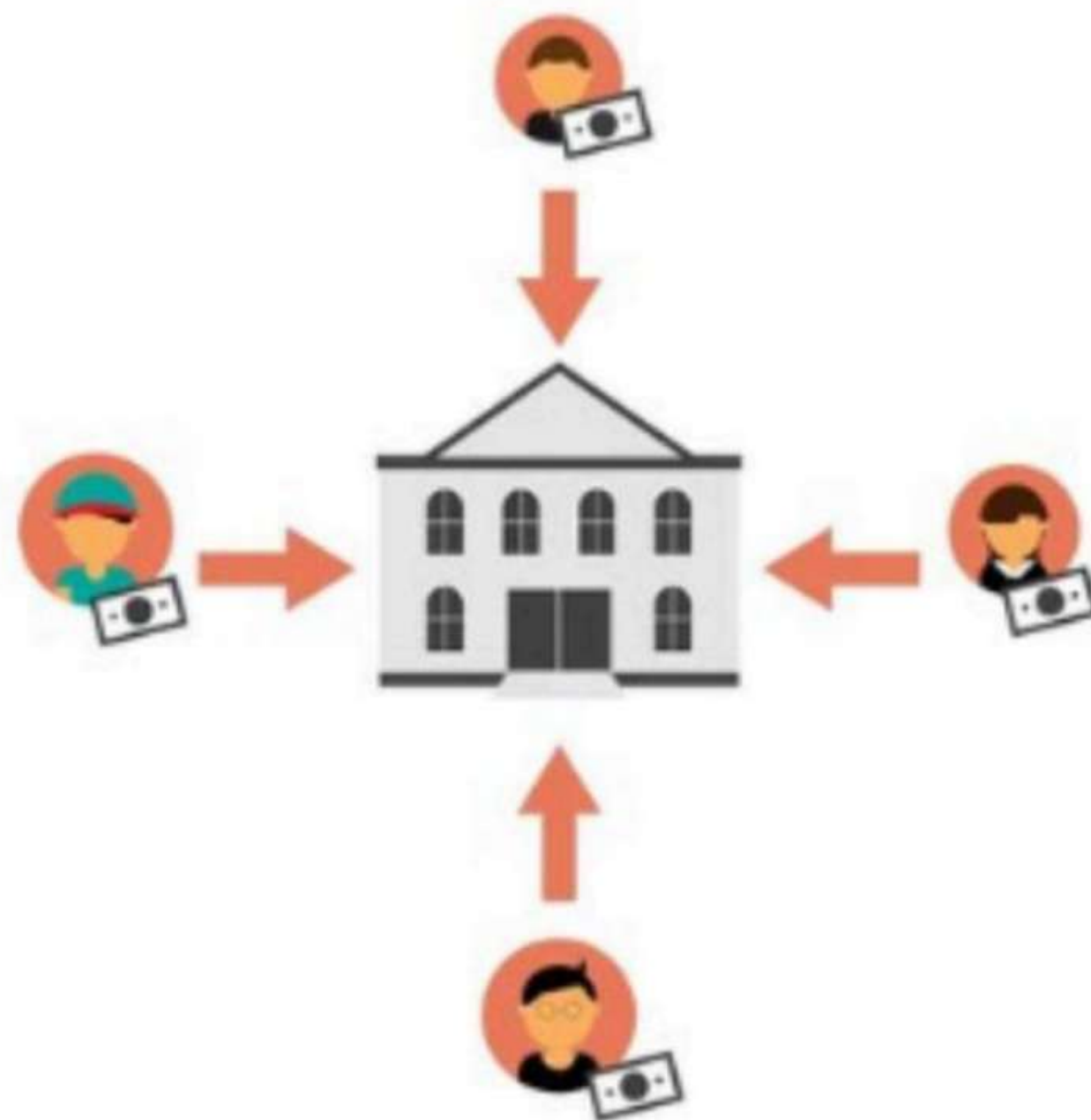
- **संकुचनकारी मौद्रिक नीति:**

- इसका उपयोग अर्थव्यवस्था में मुद्रा आपूर्ति की मात्रा को कम करने के लिए किया जाता है जैसे कि:
- ब्याज दरें बढ़ाना
- बैंकों के लिए आरक्षित आवश्यकताओं को बढ़ाना
- सरकारी बांड बेचना



Expansionary  
Monetary  
Policy

VS



Contractionary  
Monetary  
Policy

# Monetary Policy Tools in India

## CREDIT CONTROL

```
graph TD; A[CREDIT CONTROL] --> B[Quantitative Credit Control]; A --> C[Qualitative Credit Control]
```

### Quantitative Credit Control

- Open market operation
- Bank rate
- CRR
- SLR
- Liquidity adjustment facility(LAF)
  - Repo
  - Reverse Repo

### Qualitative Credit Control

- Publicity
- Rationing of Credit
- Adjusting margin of loan
- Adjusting rate on consumption loan
- Moral suasion
- Direct action

**Bank Rate**  
A rate at which the RBI is ready to buy or rediscount Bills of Exchange or other Commercial Papers from the Scheduled Commercial Banks (SCBs).

**Cash Reserve Ratio (CRR)** is the minimum percentage of a bank's total Demand and Time Liabilities (DTL) that a Scheduled Commercial Bank is obligated to deposit with the RBI in the form of cash.

## Quantitative Tools of Monetary Policy

**Statutory Liquidity Ratio (SLR)** is the percentage of Net Demand and Time Liabilities (NDTL) that a Scheduled Commercial Bank (SCB) has to keep with itself, in the form of: Cash, or Gold, or SLR Securities

**Repo Rate** is the rate of interest at which the RBI provides short-term loans to SCBs against approved securities.

**Reverse Repo Rate** is the rate of interest at which the RBI borrows funds from the SCBs.

STATUTORY  
PREROGATIVES

**Liquidity Adjustment Facility (LAF)**  
It allows banks to borrow money from the RBI through repurchase agreements (repos) or to make loans to RBI through reverse repo agreements.

{ 90% }  
DNLB CRR + SLR

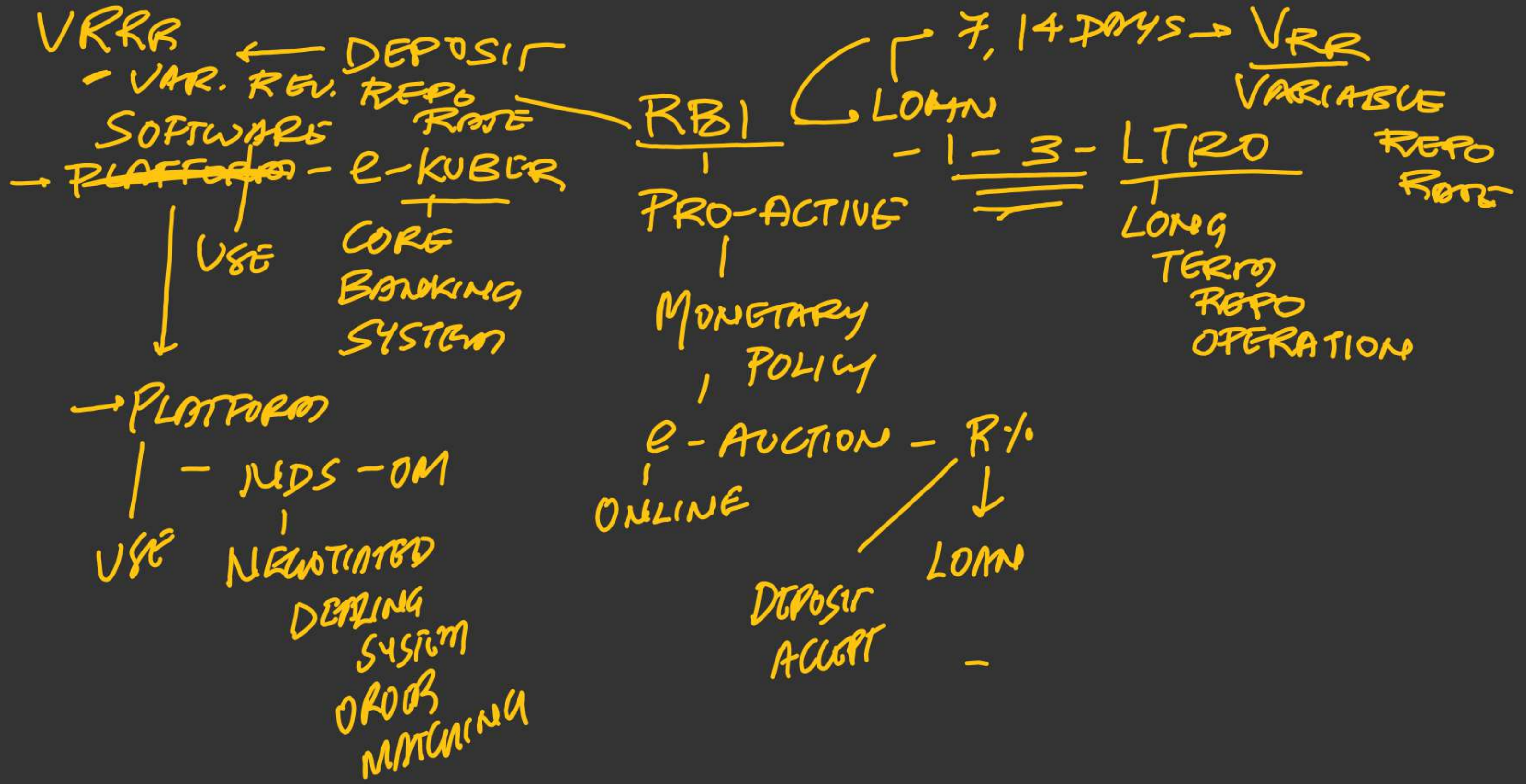
BANK  
RUN

CRR - RBI ACT, 1934 SLR - BANKING REG. ACT 1949

REPO  
LAF  
R. REPO  
MSF

INDIRECT INS - BANK RATE

SDF



2004

MSF stands for Marginal Standing Facility. It is a provision made by the Reserve Bank of India through which scheduled commercial banks can obtain liquidity overnight, if inter-bank liquidity completely dries up.

(0-1)

Open Market Operations (OMOs) refer to the buying and selling of government securities by RBI to regulate the short-term money supply.

RBI - LOAN - UPTO 2% OF NBTL

## Quantitative Tools of Monetary Policy

~~RBI~~

RBI

1

REPO - LAF - LOAN

0-1 - 24HR - AMT = 0.25%

2-90 - AMT = 0.50% OF NBTL

Market Stabilization Scheme (MSS) refers to intervention by the RBI to withdraw excess liquidity by selling government securities in the economy.

Margins Requirements refers to the difference between the value of securities offered for loans and the value of loans actually granted.

Moral Suasion means persuasion and request.

The RBI takes direct action such as refusing to rediscount the bills or charging penal interest rates, etc when a commercial bank does not co-operate with the central bank in achieving its desirable objectives.

## Qualitative Tools of Monetary Policy

**Consumer Credit Regulation**  
Credit made available by commercial banks (installments) for the purchase of consumer durables is known as consumer credit.

PSL - 40%

**Rationing of Credit or Credit Ceiling**  
Under this, the RBI fixes a ceiling on the amount of loans that can be granted by SCBs. As a result, SCBs tighten in advancing loans to the public.

| Parameter                  | CRR (Cash Reserve Ratio)                                                                                                                      | SLR (Statutory Liquidity Ratio)                                                                                                                                                                                      |
|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Definition                 | Percentage of total deposits that banks must maintain as cash. <u>RBI</u>                                                                     | Percentage of total deposits that banks must maintain in the form of gold, cash, or approved securities. <u>ITSELF</u>                                                                                               |
| Purpose                    | CRR is used by the RBI to control the <u>flow</u> of money in the economy. It regulates the amount of funds that banks can <u>lend</u> .      | SLR is used to ensure that banks have <u>sufficient</u> funds to meet the <u>demands</u> of their customers. It ensures the <u>solvency</u> of banks and encourages them to invest in <u>government securities</u> . |
| Impact on Interest Rate    | Increased <u>CRR</u> leads to a decrease in the amount of money available for lending, thus, leading to an <u>increase</u> in interest rates. | Increased <u>SLR</u> reduces the <u>funds available</u> for <u>lending</u> , thus, leading to an increase in interest rates.                                                                                         |
| Penalty for Non-compliance | Banks failing to maintain the required CRR have to pay a penalty to the <u>RBI</u> .                                                          | Banks failing to maintain the required <u>SLR</u> have to pay a penalty to the <u>RBI</u> .                                                                                                                          |
| Form of Reserve            | CRR is maintained as <u>cash</u> .                                                                                                            | SLR is maintained as cash, gold, or approved securities.                                                                                                                                                             |

RR - 6.5%  
RRR - 3.35%

LAF  
CORRIDOR

1 DM - DELM - BANK RATE + 1%  
2 DM - BANK RATE + 3%

NEW  
LAF  
CORRIDOR  
→ RRR  
↓  
DIFF  
(SDF)

### LAF:

1. This is for short term
2. Minimum bidding amount is 5 cr.
3. All clients of RBI are eligible to bid.
4. Bank cannot sell Government security to RBI that is part of bank's SLR quota. ❌
5. Bank can borrow any amount of money as long as it has the securities to sell.

0.25%

### MSF:

OVERNIGHT

1. This is for long term
2. Minimum bidding amount is 1 cr.
3. Only scheduled commercial banks can bid.
4. Bank can sell the Government security from its SLR quota to RBI.
5. Bank can maximum borrow upto 2% of its NDTL.

2%

SDF - STANDING  
DEPOSIT  
FACILITY  
6.25% ↓

BANK → EXCESS DEPOSIT → RBI

LAF  
CORRIDOR

X

NO

X

GOVT SEWING

X

? → DIFF

RBI - ~~PROFIT~~  
~~MAKING~~  
~~GOVT~~

REV. REPO RATE

- FUNDS → LEND

6.5% / 6.25%  
RR ~ SDF

↓  
LEND

0.25%

→ SURPLUS



- **Standing Deposit Facility :**

- In 2018, the amended Section 17 of the RBI Act empowered the Reserve Bank to introduce the SDF – an additional tool for absorbing liquidity without any collateral.
- The SDF will replace the fixed rate reverse repo (FRRR) as the floor of the liquidity adjustment facility corridor.
- Both the standing facilities – the MSF (marginal standing facility) and the SDF will be available on all days of the week

- **Standing Deposit Facility :**

- 2018 में, आरबीआई अधिनियम की संशोधित धारा 17 ने रिजर्व बैंक को एसडीएफ पेश करने का अधिकार दिया - जो बिना किसी संपार्श्विक के तरलता को अवशोषित करने के लिए एक अतिरिक्त उपकरण है।
- एसडीएफ तरलता समायोजन सुविधा गलियारे के आधार के रूप में निश्चित दर रिवर्स रेपो (एफआरआरआर) की जगह लेगा।
- दोनों स्थायी सुविधाएं - एमएसएफ (सीमांत स्थायी सुविधा) और एसडीएफ सप्ताह के सभी दिनों में उपलब्ध होंगी

7 DMS - 24x7

7 DAYS

RR, RRR - M-F MSF, SDF

- **Standing Deposit Facility :**

- The SDF rate will be 25 bps below the policy rate (Repo rate)

- 

- **Standing Deposit Facility :**

- 2018 में, आरबीआई अधिनियम की संशोधित धारा 17 ने रिजर्व बैंक को एसडीएफ पेश करने का अधिकार दिया - जो बिना किसी संपार्श्विक के तरलता को अवशोषित करने के लिए एक अतिरिक्त उपकरण है।
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- **Inflation Target:**

BROW, 1949

- Under Section 45ZA, the Central Government, in consultation with the RBI, determines the inflation target in terms of the Consumer Price Index (CPI), once in five years and notifies it in the Official Gazette.

GOI

RBI - MAIN FUNCTION → CONTROL INFLATION → INFLATION RANGE

- **मुद्रास्फीति लक्ष्य:**

2024 - 4.5%

- धारा 45ZA के तहत, केंद्र सरकार, RBI के परामर्श से, उपभोक्ता मूल्य सूचकांक (CPI) के संदर्भ में मुद्रास्फीति लक्ष्य को पाँच साल में एक बार निर्धारित करती है और इसे आधिकारिक राजपत्र में अधिसूचित करती है।

2025  
4%

2.1% - 6.1%  
4 ± 2

- Accordingly, on August 5, 2016, the Central Government notified in the Official Gazette 4% Consumer Price Index (CPI) inflation as the target for the period from August 5, 2016 to March 31, 2021 with the upper tolerance limit of 6% and the lower tolerance limit of 2%.
- 

- तदनुसार, 5 अगस्त, 2016 को केंद्र सरकार ने आधिकारिक राजपत्र में 5 अगस्त, 2016 से 31 मार्च, 2021 तक की अवधि के लिए 4% उपभोक्ता मूल्य सूचकांक (CPI) मुद्रास्फीति को लक्ष्य के रूप में अधिसूचित किया, जिसमें ऊपरी सहनीय सीमा 6% और निचली सहनीय सीमा 2% थी।

- **On March 31, 2021, the Central Government retained the inflation target and the tolerance band for the next 5-year period – April 1, 2021 to March 31, 2026.**

- **31 मार्च, 2021 को केंद्र सरकार ने अगले 5 साल की अवधि - 1 अप्रैल, 2021 से 31 मार्च, 2026 तक के लिए मुद्रास्फीति लक्ष्य और सहनीय बैंड को बरकरार रखा।**

# **The Monetary Policy Committee**

- Section 45ZB of the amended RBI Act, 1934 provides for an empowered six-member monetary policy committee (MPC) to be constituted by the Central Government by notification in the Official Gazette.
- The first such MPC was constituted on September 29, 2016.

6-3-602  
 3-RBI-Gov-CHAIRPERSON  
 RBI DEPUTY GOV, EXEL  
 DIRECTOR

- संशोधित आरबीआई अधिनियम, 1934 की धारा 45ZB में केंद्र सरकार द्वारा आधिकारिक राजपत्र में अधिसूचना द्वारा गठित की जाने वाली एक सशक्त छह सदस्यीय मौद्रिक नीति समिति (एमपीसी) का प्रावधान है।  
 FY-MIN-4 TIMES
- इस तरह की पहली एमपीसी 29 सितंबर, 2016 को गठित की गई थी।

- **Composition**

- **The MPC is made up of the RBI Governor, the Deputy Governor in charge of monetary policy, an RBI officer nominated by the Central Board, and three people appointed by the central government.**

- **संरचना**

- **एमपीसी में आरबीआई गवर्नर, मौद्रिक नीति के प्रभारी डिप्टी गवर्नर, केंद्रीय बोर्ड द्वारा नामित आरबीआई अधिकारी और केंद्र सरकार द्वारा नियुक्त तीन लोग शामिल होते हैं।**

- **Meetings**
- **The MPC meets at least four times a year, and publishes its decisions after each meeting.**

- **बैठकें**
- **एमपीसी साल में कम से कम चार बार बैठक करती है और हर बैठक के बाद अपने फैसले प्रकाशित करती है।**

- Frequency
- The RBI holds six bi-monthly MPC meetings annually

↓  
REPORT  
/  
MONETARY  
POLICY  
REVIEW/REPORT

- आवृत्ति
- आरबीआई सालाना छह द्विमासिक एमपीसी बैठकें आयोजित करता है

- **Current members of MPC:Current members of MPC:**
- **1. Governor of the Reserve Bank of India—Chairperson, ex officio;**
- **2. Deputy Governor of the Reserve Bank of India, in charge of Monetary Policy—Member, ex officio;**
- **3. One officer of the Reserve Bank of India to be nominated by the Central Board—Member, ex officio;**
- **4. Dr. Nagesh Kumar, Director and Chief Executive, Institute for Studies in Industrial Development, New Delhi — Member;**
- **5. Saugata Bhattacharya, Economist — Member; and**
- **6. Prof. Ram Singh, Director, Delhi School of Economics, University of Delhi —Member**

**51st meeting of RBI MPC**  
**Highlights October 2024**

## 1. Current Rates

### Policy Rates

|                   |         |
|-------------------|---------|
| Policy Repo Rate  | : 6.50% |
| Standing Deposit  | : 6.25% |
| Facility Rate     |         |
| Marginal Standing | : 6.75% |
| Facility Rate     |         |
| Bank Rate         | : 6.75% |
| Fixed Reverse     |         |
| Repo Rate         | : 3.35% |

## 1. Current Rates

### Policy Rates

### Reserve Ratios

### Exchange Rates

### Lending / Deposit Rates

|                   |                  |
|-------------------|------------------|
| Base Rate         | : 9.10% - 10.40% |
| MCLR (Overnight)  | : 8.15% - 8.45%  |
| Savings Deposit   |                  |
| Rate              | : 2.70% - 3.00%  |
| Term Deposit Rate |                  |
| > 1 Year          | : 6.00% - 7.25%  |

### Reserve Ratios

|     |          |
|-----|----------|
| CRR | : 4.50%  |
| SLR | : 18.00% |

%. NOTE

- 1. Keep the repo rate unchanged at 6.5% for the 10th consecutive time.
- 2. The MPC changed the policy stance to 'Neutral' from 'withdrawal of accommodation'. — RR - CHANGE
- 3. The RBI has retained its Consumer Price Index (CPI) inflation forecast for FY2025 at 4.5%.

OVERVIEW

FY26 - 4.1%

- 1. लगातार 10वीं बार रेपो दर को 6.5% पर अपरिवर्तित रखा गया।
- 2. एमपीसी ने नीतिगत रुख को 'सहूलियत वापस लेने' से बदलकर 'तटस्थ' कर दिया।
- 3. आरबीआई ने वित्त वर्ष 2025 के लिए उपभोक्ता मूल्य सूचकांक (सीपीआई) मुद्रास्फीति पूर्वानुमान को 4.5% पर बरकरार रखा है।

- 4. The RBI kept its real GDP growth projection for FY25 at 7.2%
- 5. The RBI has hiked the UPI 123PAY per transaction limit to Rs 10,000 from Rs 5,000. *OFFLINE, STANDARD*
- 6. A hike in the UPI lite per transaction limit to Rs 1,000 from Rs 500. *UPI Lite Limit - 2000 → 5000*

- 4. आरबीआई ने वित्त वर्ष 2025 के लिए अपने वास्तविक जीडीपी विकास अनुमान को 7.2% पर बरकरार रखा।
- 5. आरबीआई ने यूपीआई 123PAY प्रति लेनदेन सीमा को 5,000 रुपये से बढ़ाकर 10,000 रुपये कर दिया है।
- 6. यूपीआई लाइट प्रति लेनदेन सीमा को 500 रुपये से बढ़ाकर 1,000 रुपये किया गया।

- 7. RBI also hiked the UPI lite wallet limit to Rs 5,000 from currently Rs 2,000.
- 8. RBI has proposed to create a data repository namely RB-CRIS to bridge the gap in climate-related data that is currently available in a fragmented manner. <sup>ONLINE</sup>

- 7. आरबीआई ने यूपीआई लाइट वॉलेट की सीमा को भी वर्तमान 2,000 रुपये से बढ़ाकर 5,000 रुपये कर दिया।
- 8. आरबीआई ने जलवायु संबंधी आंकड़ों के बीच की खाई को पाटने के लिए आरबी-सीआरआईएस नामक एक डेटा भंडार बनाने का प्रस्ताव दिया है, जो वर्तमान में खंडित रूप में उपलब्ध है।