↳ Monetary & Credit Policy:
- ↳ announced by RBI 2x / yr.
- ↳ price stability → by
  - → money supply
  - → inflation
  - → interest rate.

Money supply ↑ → inflation. So, to ↓ inflation, money supply → ↓ in economy.

↳ Fiscal Policy: → used by Govt. to influence the level of aggregate demand.
- ↳ aim: to overcome economic recession and control inflation.
- ↳ is a deliberate change in the Govt's total revenue & expenditure to influence the level of national o/p or prices.
- ↳ = use of Govt. spending and tax policies to influence economic conditions like: inflation, employment, demand for goods & services etc.,
- ↳ Instruments of Fiscal policy:
  - → Reduction of Govt. expenditure
  - → Wage Control
  - → Rationing
  - → Maintain surplus budge
  - → ↑ in taxation
  - → Impose new taxes
  - → ↑ in savings
  - → Public debt
  - → ↑ in imports of raw materials
  - → ↓ in exports
  - → Rationing industrial policy
  - → Provision of subsidies.

↳ Instruments of Monetary policy:
→ Bank ~~interest~~ rate of interest.
→ Cash Reserve ratio (CRR)
→ Statutory liquidity ratio (SLR)
→ Open market operations
→ Margin ~~al~~ requirements
→ Deficit financing
→ Issue of new currency notes
→ Credit control

→ Rate of interest fixed by the RBI to control lending capacity of commercial banks.
→ Inflation ↑ses (due to ↑ in money supply) ⇒ RBI ↑ses rate of interests ⇒ commercial bank banks borrow ↓ ⇒ ↓ses money supply in the economy.

(CRR) → A portion of the cash deposits which banks must maintain with RBI.
→ Inflation ⇓ RBI ↑ses CRR ⇒ ↑ money with RBI & ↓ money as loans by banks ⇒ ↓ in supply of money in the economy.

Buying & selling of govt. securities in the open market.
Inflation ⇒ RBI sells Govt. securities in the open market ⇒ transfer of money to RBI ⇒ money supply to economy ↓

→ Margin is a proportion of the value of a security against which loans are X given
→ Inflation ⇒ RBI ↑ margin ⇒ ↓ loan borrowers as ↑ securities should be given ⇒ money supply ↓ ⇒ ↓ in money supply to the economy.

→ SLR → A portion of the bank's deposits every bank must maintain (invest) with govt. securities as a part of SLR.
↳ SLR ↑ses ⇒ less money with banks ⇒ ↓ in lending capacity

→ Deficit financing:

→ Printing of new currency notes by RBI.

→ ↑ new notes printed ⇒ inflation. So, inflation ⇒ RBI prints ↓ new notes ⇒ control money supply.

→ Issue of new currency notes:

→ Inflation ⇒ RBI issues new currency notes replacing many old currency notes. Old currency notes → money supply ↓ ⇒ control inflation.