

Also congrates to students above this

Weekly Quiz - I: Barter

#544



Tanuja Gangwar
46.68 marks • 15m : 53s

#545



Dev
46.68 marks • 26m : 2s

#546



Ankita Pathak
46.68 marks • 26m : 50s

#547



Sarthak Patel
46.68 marks • 3m : 45s

#548



Anupama Hosuri
46.02 marks • 15m : 39s

#549



SUMAN DEBNATH
46.02 marks • 21m : 36s

#550



Manya Marndi
46.02 marks • 23m : 26s

#551



Prajukta Samantaray
46.02 marks • 34m : 12s

#552



Chandresh Singh
45.36 marks • 12m : 40s

#553



Neha Jaiswal
45.36 marks • 14m : 38s

#554



Ravi Patel
45.36 marks • 17m : 48s

#555



Ishita Shukla
45.36 marks • 19m : 17s

#556



Khushboo Negi
45.36 marks • 23m : 11s

#557



MISS IAS OFFICER
45.36 marks • 23m : 13s

#558



Jojo Cindy Jojo
45.36 marks • 11m : 32s

#559



Krishna Chaudhary
45.36 marks • 10m : 11s

#560



Sakshi Dhawan
45.36 marks • 28m : 11s

#561



Saliha Habiba
45.36 marks • 31m : 6s

#562



Nitya Verma
45.34 marks • 34m : 52s

Audio/Video
Problem?



Edu Doubt?
Ask through



<45/60
score =
revise more.
don't take
competition
casually.



UPSC CSE - GS

ALL LEARNERS

ALL EXA

Unread comments



Mrunal Patel • 9:55 PM

reply to plus learners' doubts upto 20th Feb Monday 9
ongoing economy course <https://unacademy.com/course/economy-course-for-upsc-prelims-2023-754/6ZPQTB6>
Code: 'Mrunal.org')



PCB9_FAQ_Upt...

PDF

11.51 MB



6



4



3



7



7 comments

Google form FAQ/doubts also solved Upto Monday 9AM. (remaining- next week)

21:12:10	FAN	prelims 2023	mrunal.org/wi
16/02/20 23	Shub ham Dube		<a dad834d"="" hare="" href="https://www.lo
hare/dad834d cb79d6f2ede3
21:16:27	y	Mujhe kuchh nhi economic me	https://www.lo hare/2c919cb3 b690237ca062
16/02/20 23	omkar ingav	sir appearing for 23, can i do win23 series with this course or not? if yes, please pin the	PCB9-RAFTA targeting Preli https://unacad course/mrunal y-course-for-u s-2023-754/6Z
21:19:05	ale	link i am unable to find. thank you.	
16/02/20 23	Priya Tiwari	Sir actually I m a beginner ...nd yet I m in 2 nd year nd doing preparation of upsc within my graduationso sir i don't have any knowledge regarding paper pattern nd syllabus nd the topics which are important in paper point of view ...so sir can u plz help me regarding thisnd can I go with your lectures only or need to focus on...ncert too	https://www.lo hare/74219a6 8afa2f60875c
16/02/20 23	Rohul		

Consider the following statements

1. In India the minimum denomination coin acceptable for transaction is 50 paise.
2. Coins below 50 paise is not a legal tender for payment.

50 paise not withdrawn, just 'rare'

Yes 10p,25p withdrawn in 2011.

Which of the statements given above is/are correct?

- (a) Only 1
- (b) Only 2
- (c) Both 1 and 2
- (d) Neither 1 nor 2

100% Surety

50:50

Skip



50 पैसे के सिक्के गैरकानूनी नहीं है व्यापारी उसे लेने से मना करें तो आप पुलिस में शिकायत करें लेकिन वह सब में पढ़ोगे तो सिलेबस कब खत्म करोगे

Question 5

YOU DIDN'T ATTEMPT

Your Time Taken: 0s

Avg Time Taken By Others: 28s

Attempt Accuracy: 64%

Which of the following app can help detecting counterfeit notes? (निम्न में से कौन सी एप नकली/जाली नोट परखने के लिए इस्तेमाल हो सकती है?)

MANI App

e-RUPI App

BHIM App

**Explanations given.
Will not waste time
explaining them
here.**

None of the above

CORRECT ANSWER

 Solution [Hide](#)

None of the given apps can detect the fake currency notes.

Your Time Taken: 1s

Avg Time Taken By Others: 33s

Attempt Accuracy: 93%

This is from
Prelims-2022

In medieval India the term Fanam was associated with __ (मध्यकालीन भारत में फनम शब्द किसी के साथ जुड़ा था):

(a) Clothing

(b) Coins

CORRECT ANSWER

Why have you not
discussed in
lecture?



1. Homework yaad karo- coin-history..
2. Notable Q= explanation in subsequent class so that you're motivated to attend the next class. जानने लायक प्रश्नों होगा तो उसका जवाब अगले क्लास में दिया जाएगा. ताकि क्लास में हाजिरी लगाने में आप की नियमितता रहे.
3. Otherwise casual attitude even if wrong answer is followed immediately by answer. सीधा ही नीचे जवाब मिलेगा तो दिमाग को कसरत ठीक से नहीं मिलेगी . आलस्य और लापरवाही की भावना, लेक्चर में हाजिरी नहीं ढूँगा



Multiple ways to attack this.

Find correct statement(s) about “Blockchain Technology”

- 1) It is a public ledger that everyone can inspect, but which no single user controls. सार्वजनिक खाता, हर कोई देख सकता है लेकिन कोई नियंत्रित नहीं करता
- 2) The structure and design of blockchain is such that all the data in it are about cryptocurrency only. मात्र क्रिप्टोमुद्रा के लिए संरचना बनी है। No it can store any type of data.
- 3) Applications that depend on basic features of blockchain can be developed without anybody's permission. किसी की अनुमति के बिना बना सकते हैं

Answer Codes:

- [a) 1 only [b) 1 and 2 only
[c) 2 only [d) 1 and 3 only



जितने Bitcoin बनाया क्या वह
USA govt को पूछ कर आया था?
#3 is right. Only Option D has it.

100% Surety

50

Atto

Find Correct statements about Non-Fungible Tokens (NFTs) :

- 1. They enable the digital representation of physical assets. (वे भौतिक संपत्ति का डिजिटल प्रतिरूप बनाना संभव करते हैं)**

- 2. They are unique cryptographic tokens that exist on a blockchain. (ब्लॉकचेन तकनीक से बनाए गए खास किस्म के टोकन हैं)**

- 3. They can be traded or exchanged at equivalency and therefore can be used as a medium of commercial transactions.** (उनका समान रूप से व्यापार या आदान-प्रदान किया जा सकता है और इसलिए वाणिज्यिक लेनदेन के माध्यम के रूप में उपयोग किया जा सकता है)

Which of the statements given above are correct ?

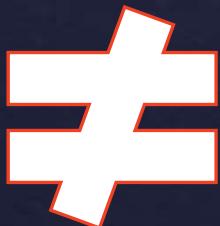


एनएफटी के बारे में सही वाक्य ढूंढिए

Money as a medium of transaction



2kg



500gm



I want to exchange
tomatoes with MANGOES.
मुझे गेहूं नहीं आम चाहिए



Suppose there are 2 shopkeepers selling biscuits

मान लीजिए 2 व्यापारी बिस्कुट बेच रहे हैं



Yes 1 Parle-G
=₹10



Yes 1 Parle-G
=₹10



मुझे पार्ले-जी बिस्किट
खरीदना है
I want to buy
Parle-G



Then What is NON-FUNGIBLE TOKEN (NFT: गैर-फंजीबल टोकन)



Digitally Stored using blockchain technology with info

Filename ___ Tigerwallpaper.jpeg

Created by ___ Mrunal Patel

Bought by ___ Roman Saini

At price ___ 0.00000005 Bitcoins

On date ___ 31/Feb/2020

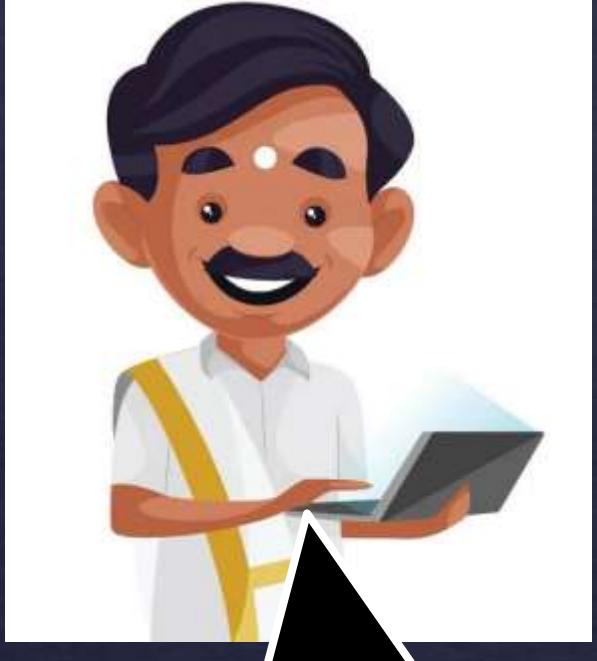
Usually **Rupee, Dollar** etc

→ converted to

cryptocurrency like **Bitcoin, Dogecoin** → then NFTs are bought

Suppose there are 2 shopkeepers selling biscuits

मान लीजिए 2 व्यापारी बिस्कुट बेच रहे हैं



No I don't like this song.
I don't accept this Value!

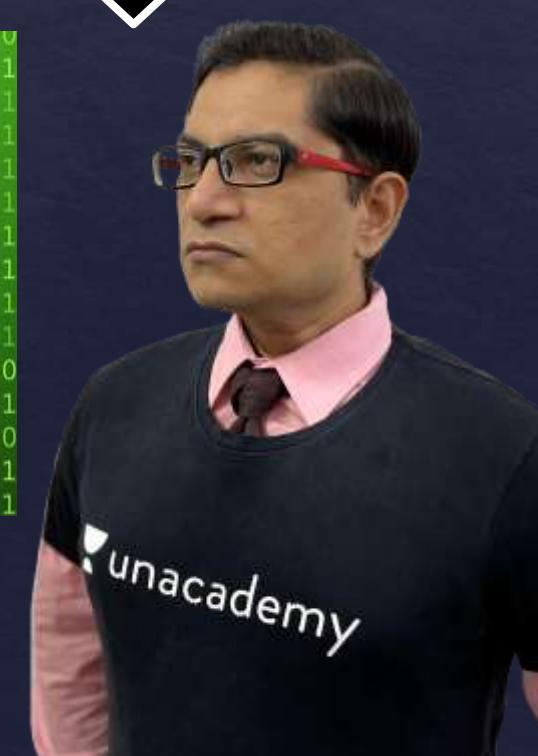


Yes 1 Parle-G
= 1 NFT of JJSS Song



MP3 NFT

मुझे पार्ले जी बिस्किट खरीदना है
I want to buy Parle-G



Find Correct statements about Non-Fungible Tokens (NFTs) :

- 1. They enable the digital representation of physical assets. (वे भौतिक संपत्ति का डिजिटल प्रतिरूप बनाना संभव करते हैं)**

- 2. They are unique cryptographic tokens that exist on a blockchain. (ब्लॉकचेन तकनीक से बनाए गए खास किस्म के टोकन हैं)**

- 3. They can be traded or exchanged at equivalency and therefore can be used as a medium of commercial transactions.** (उनका समान रूप से व्यापार या आदान-प्रदान किया जा सकता है और इसलिए वाणिज्यिक लेनदेन के माध्यम के रूप में उपयोग किया जा सकता है)

Which of the statements given above are correct ?

- (a) 1 and 2 only** **(b) 2 and 3 only**
(c) 1 and 3 only **(d) 1, 2 and 3**



Value varies from person to person. So can't be used as 'medium' of transaction.

NON-FUNGIBLE TOKEN for storing physical assets?

क्या इसमें भौतिक संपत्तियों को सुरक्षित कर सकते हैं ?



HOME
Bungalow
Property



Property ownership
Documents



Property ownership
Documents ki PDF

Although even if this is not known /
debatable – then still
possible to solve by elimination.

NFT of this Digital
Document



I disagree. Have I've counter arguments.

Then let's wait for the official UPSC Answerkey.

Prelims-2022

Find Correct statements about Non-Fungible Tokens (NFTs) :

1. They enable the digital representation of physical assets. (वे

भौतिक संपत्ति का डिजिटल प्रतिरूप बनाना संभव करते हैं)

2. They are unique cryptographic tokens that exist on a blockchain. (ब्लॉकचेन तकनीक से बनाए गए खास किस्म के टोकन हैं)

3. They can be traded or exchanged at equivalency and therefore can be used as a medium of commercial transactions. (उनका समान रूप से व्यापार या आदान-प्रदान किया जा सकता है और इसलिए वाणिज्यिक

लेनदेन के माध्यम के रूप में उपयोग किया जा सकता है)

Which of the statements given above are correct?

(a) 1 and 2 only

(b) 2 and 3 only

(c) 1 and 3 only

(d) 1, 2 and 3

Value varies from person to person. So can't be used as 'medium' of transaction.

100% Surety

50:50



Pillars of Economy – new candidates complete backlog first.

A-1

- Money: barter to Bitcoin

A-2

- RBI's monetary policy
- CRR, SLR, Repo etc

B-1

- Classification of Banks-NBFC

B-2

- Burning issues in Banking sector
- NPA, IBC, BASEL...

C

- SEBI Sharemarket

D

- Insurance, Pension, Fin. Inclusion



1) MBFI

जो लेक्चर अब तक हो चूके हैं
वो खत्म करने आओ
वरना कुछ दिमाग में उतरेगा नहीं मामला क्या है



2) Budget



3) Intl. Trade



4) Sectors of
Economy



5) Infrastructure



6) HRD

Request to be previous batch students

- ❖ If you re-appearing in live test, then as such you've practiced those Q before in old batch.
- ❖ So, by getting a higher rank than freshers is not really an accomplishment. Better you do history/polity /pending subjects!
- ❖ Request old batch students to give the test in 'non-live time'. (i.e. other than Wednesday 9PM)
- ❖ I also asked tech team to randomize the order of questions, and options. But Work in progress.

In between : @Freshers

- ❖ No need to focus on 'rank of the test' (as its based on speed, and old students re-appearing)
- ❖ Better you focus on "SCORE":
- ❖ "I should not get more than 5 Q wrong for every 30 Qs".



Poor score in weekly test कम स्कोर आया है मैं क्या करूँ?

- ❖ 😟 Not reading the directive words carefully. “Correct/incorrect.” Dinar/Riyal.
- ❖ 😟 Overthinking. Birbal ki Khichdi. When (Relation: A → B), brings MNOPQR
- ❖ 😟 Not done the reading and revision in proper manner. “ऊपर ऊपर से देख लिया”
- ❖ 😟 Casual reading and wavy mind without focus. घुमंतू दिमाग आशिक मिजाज
- ❖ 😟 reading for 5 minutes then Daydreaming, wandering thoughts about whatsapp/fb/instagram/telegram. पढ़ाई में ध्यान कम होना
- ❖ Solution: Install Forest App. Until the timer is on it will not allow you to open Faltu apps.



 पूरा साल Economy लेके बेठा रहूँगा. Min 3 times revision & be done with it:

1) revision of individual handout before weekly test

2) revision of entire handout before the Mega quiz @end of course.

3) revision 2 weeks before real prelims.

Let's start economy: Pillar#1: Money, Banking, Finance, Insurance

A-1

- Money: barter to Bitcoin

A-2

- RBI's monetary policy
- CRR, SLR, Repo etc

B-1

- Classification of Banks-NBFC

B-2

- Burning issues in Banking sector
- NPA, IBC, BASEL...

C

- SEBI Sharemarket

D

- Insurance, Pension, Fin. Inclusion



1) MBFI



2) Budget



3) Intl. Trade



4) Sectors of Economy



5) Infrastructure



6) HRD

Audio/Video
Problem?



CTRL R

Edu Doubt?
Ask through



Handout#2 uploaded

5:29

My schedule this week >

Today Economy Pillar5: Infra1- Mining, Energy
9:00 PM • Mrunal's Economy Course...

Jan 21 Economy Pillar5: Infra2-Transport Infra, Private rail Operator, Shipp...
9:00 PM • Mrunal's Economy Course...

Jan 22 Economy Pillar5: Infra2- Rural & Urban, Smart Cities, Digital India
9:00 PM • Mrunal's Economy Course...

Jan 23 Economy Pillar5: Infra3- PPP, Investment Models, Mains Mode...
9:00 PM • Mrunal's Economy Course...

Statistics this week

Home Courses Community Statistics

“Community Tab”

5:29 UPSC CSE - GS
8.4K active followers 86 TODAY

PLUS ICONIC UPSC CSE (PRELIMS) 2022 ...
UPSC CSE (MAINS) 2022
UPSC CSE (MAINS) 2023
UPSC CSE (PRELIMS) 2023

Mrunal Patel • just now
[Download] Handout: Mrunal's Economy Pillar#5: EF5A_HDT_Infrastructure_BiPaSA_PC B5.pdf
- Yes Mitron, here is the handout for upcoming classes this week. [READ MORE](#)

EF5A_HDT_Infrastructure... 2 MB

Reactions will appear here 0

SEND TO
All learners • All Exams

+ Type your message here

- Handout
- Weekly doubts ke Replies

BOOKMARK THIS LINK: <https://unacademy.com/course/mrunals-economy-course-for-upsc-prelims-2023-754/6ZPQTB60>



Those who joined late.
Please start from lecture 1.
What we are going to study,
Booklist, strategy etc.

Mrunal's Economy Course for UPSC Prelims & Mains 2022
Mrunal Patel

Renowned UPSC Faculty for Monetary Theory, Contemporary Economic Survey, etc.

1) Click on this button

Updates **About**

- Economy: Introduction & FAQ about Course & UPSC Prep
Lesson 1 • Oct 28 • 2h 15m
- Economy Pillar#1A1: Money-1: Fiat Money, Legal Tender, Cheque, NEFT-RTGS
Lesson 2 • Oct 29 • 2h 13m
- Economy Pillar#1A1: Money-2: Digital- UPI, BHIM, Rupay, NPCI etc
Lesson 3 • Oct 30 • 2h 9m
- Doubt Clearing Session & Economy Pillar#1A1: MoI Intro2Ans-Writing
Lesson 4 • Oct 31 • 2h 6m

Enrolled **Share**

Updates

All updates

Mrunal Patel Nov 18, 5:15 PM

[Download] Handout: EF1B1_HDT_Bank_Classification_PCB5 Yes Mitron; here is the handout for upcoming classes this week. - No need to take its printout. It depends on your requirement. - If unable to download PDF file, then use desktop based latest google chrome browser with addons/extensions disabled. - If technical problems then help@unacademy.com - If educational queries, post them at following google form after class:
https://docs.google.com/forms/d/e/1FAIpQLSfEEggPvj6RS4lCAAcFYvWuko2Z_O_SBrzhhwKrq_lCRmpIgQ/viewform?usp=sf_link Updates after PCB4 Batch: Minor updates about RBI governor Shaktikanta's reappointment, CRED Mint P2P lending, removed faded/redundant topics to make it more revision friendly. Added 2021 Prelim MCQs

2) Handout

2) Weekly doubts ke jawaab

PDF EF1B1_HDT_Bank_Classification_PCB5.pdf

Comment

Mrunal Patel Nov 17, 9:09 PM

[Doubts] Reply to educational questions received through google form upto 15/11/2023, 6PM - Yes Mitron, Here are my replies to the educational queries received last week through google form last week upto Monday 6PM - You can search the question term in the attached pdf file, and know my reply to your question. - If technical problems then help@unacademy.com - If educational queries, post them at following google form after class:
https://docs.google.com/forms/d/e/1FAIpQLSfEEggPvj6RS4lCAAcFYvWuko2Z_O_SBrzhhwKrq_lCRmpIgQ/viewform?usp=sf_link

PDF Week03_Nov8toNov15_6PM_PCB5_Doubts.pdf

Download latest handout.....

नवीनतम हैंडआउट में कई सारे पुराने और बासी हो चूके मुद्दे में हटा चुका हूँ तो मैं वो नहीं पढ़ाऊंगा

Pillar 1A2: Money Supply (M0-M4) & Monetary Policy- CRR, SLR, Repo

Previous Years' official UPSC MCQs also given in this handout. You can see that UPSC is not going into microscopic details of RBI's Operational/technical guidelines. Very simple-broad-overview type MCQs asked. So, Do not live in Imaginary fear that... अनियन्त्रित करने के...

- ⇒ Inexperienced Pvt Mock Test-walla asking random/technical Qs so I must do PHD
- ⇒ EconomicTimes / Financial Express/ Hindu-BusinessLine columnist are writing long winded columns on RBI's Operation Twist or TLTRO so I must do PHD

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I'm using some old batch handout. Why have you not taught "XYZ" from there in this latest batch? मेरे पास पुरानी बैच का ये जो handout है उसमें ये एक टॉपिक है वो आपने यहाँ क्यों नहीं पढ़ाया ?

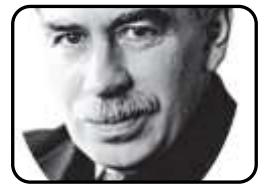
Removed lot of outdated / faded topics,
which have lost significance for UPSC-2023.
So please download the latest handout.
(PCB8)

कई सारे पुराने और बासी हो चूके मुद्दे में हटा चुका हूँ तो मैं वो नहीं पढ़ाऊंगा



Pill1-A-2: money supply & Monetary Policy

मुद्रा की आपूर्ति और मौद्रिक नीति



Liquidity preference theory



Deposit Types



Measures of Money Supply
M0-M4



Money Multiplier



Misc.



Shaktikanta Das



Quantitative, Gen., Indirect

Reserve Ratios (CRR, SLR)

Rates: Bank, MSF, LAF [Repo, RR]

OMO & , SDF

Op. Twist



Qualitative: Selective, Direct

- Moral Suasion, Direct Action
- Margin req / LTV
- Selective Credit Control:
- Credit Rationing, Consumer Credit control / EMI, PSL

MPC & Bimonthly Updates

Liquidity (तरलता)= how easily u can convert your asset into cash?

अपनी संपति को, कितनी आसानी से, नकदी में तबदील/परिवर्तित कर सकते हो?



bungalow

Why worried?

I need money
but I'm unable to sell my
house quickly. मेरे पास बंगला है
उसे बेचना है लेकिन ग्राहक नहीं मिल रहा

- 😞 Difficult to find buyer instantly.
- 😞 even buyer may have to take home loan= lot of paperwork 💼 💼 💼
- 😞 asset's liquidity is 'less'



Liquidity (तरलता)= how easily u can convert your asset into cash?

अपनी संपति को, कितनी आसानी से, नकदी में बदल कर सकते हो?



- 😟 Difficult to find buyer instantly.
- 😟 even buyer may have to take home loan= lot of paperwork ⏰ ⏰ ⏰
- 😟 asset's liquidity is 'less'



- 😊 Many jewelry shops, gold-loan companies willing to accept it instantly
- So asset's liquidity is 'more'. गहनों की तरलता ज्यादा है



1) Want to borrow ₹100
for 1 year/higher. They issue:



2) Bhide invests ₹100. After 1 year,
he'll get Principal+ interest (108)



जब भी सरकार या कंपनी को पैसा चाहिए
वह बाजार में प्रतिभूतियां जारी कर सकते हैं
यानी कि एक कागज का टुकड़ा
आप उसमें निवेश करिए और
उसके बदले में किसी तारीख पर
वे लोग आपको कुछ पैसा वापस करेंगे

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वे लोग आपको कुछ पैसा वापस करेंगे



G-Sec:
maturity
1 year/>>

T-Bill:
maturity
<1 year

Share

Bond
/Debenture

Want to borrow 100
for 1 year/higher. They issue:



G-sec



Bhide invests ₹100. After 1 year,
he'll get Principal+ interest (108)

निवेशक को समय से पहले पैसा वापस चाहिए तो वह किसी दूसरे
व्यक्ति को वह चीज बेचकर कर निकल सकता है

4) Because govt / reputed
company so low risk.
So, I'll buy it immediately.
= high liquidity 🎯

3) *Principal + interest.*

2) resold

1) 😱 अरे देवा! मेरी बेटी सोनू के कॉलेज की फ्रीस
भरनी है.

Wants urgent cash before maturity.
Sells to Jethalal @ ₹102



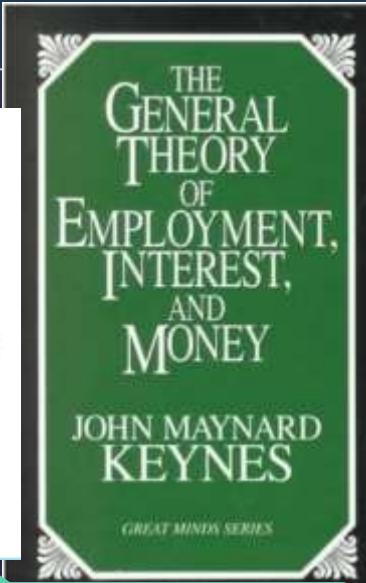
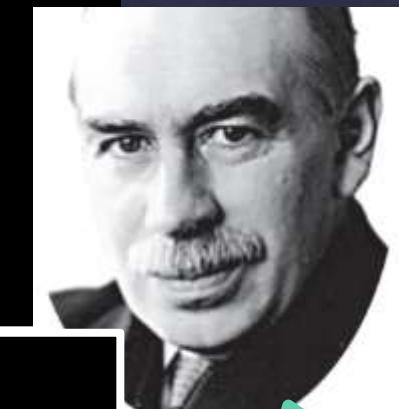
LIQUIDITY PREFERENCE THEORY (तरलता वरीयता)

Liquidity: The ease of converting an asset into cash.

Cash is the most liquid asset.

伞 Highly liquid assets:

- Gold, Demand deposits, G-Sec/T-Bill,
- shares/bonds of reputed companies.
- ⚙ Easily you'll find buyer



कितनी आसानी से
आप अपनी संपत्ति को
नकदी/केश में तबदील
कर सकते हैं?



LIQUIDITY PREFERENCE THEORY (तरलता वरीयता)

Liquidity: The ease of converting an asset into cash.

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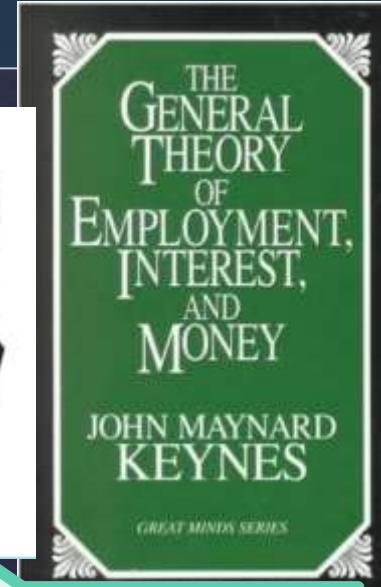
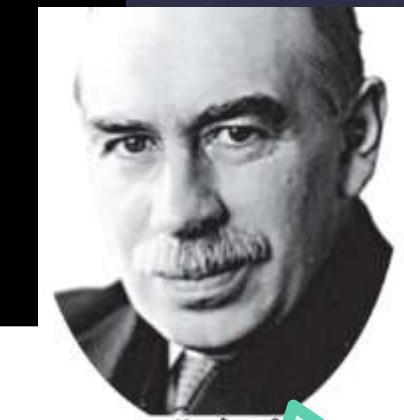
☔ Highly liquid assets:

- Gold, Demand deposits, G-Sec/T-Bill,
- shares/bonds of reputed companies.
- 💰 Easily you'll find buyer



☂ Relatively illiquid assets (कम तरलता है)

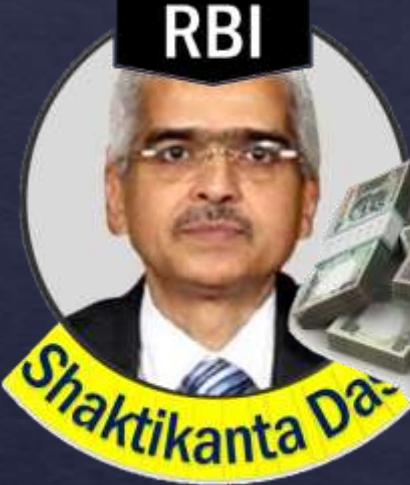
- 😞 Home/Real estate, Paintings/Sculptures etc.
Because difficult to find buyers at right price instantly.



कितनी आसानी से आप अपनी संपत्ति को नकदी/केश में तबदील कर सकते हैं?

RBI's Liquidity injection in the market

RBI



Shaktikanta Das

1) Bank pledge (गिरवे रखना)
G-sec, Bonds...



2) RBI loans them ₹₹

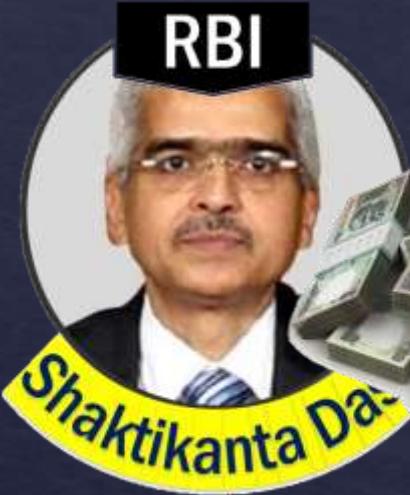


3) Now, we've more cash.
We'll easily give loans.
दे धनाधन लॉन पास करेंगे... 🎉



RBI's Liquidity injection in the market

RBI



1) Bank Sell / pledge (गिरवे रखना)
G-sec, Bonds...



2) RBI loans them ₹₹



5) My home sold more easily!

Because buyer's home loan passed quickly! मेरा
मकान जल्दी से बिक गया क्योंकि
ग्राहक का लोन जल्दी पास हो गया



3) Now, we've more cash.
We'll easily give loans.

दे धनाधन लॉन पास
करेंगे... 🎉



ICICI Bank

AXIS BANK

HDFC BANK



4) 🎉 I got home loan easily! मेरा
लोन जल्दी पास हो गया



Money = measure of value =Why not simply store “value” in bank account, gold? Why keep CASH?



Transaction motive (लेनदेन)

- Money is Medium of exchange- bread, butter, milk.
- Every seller will not accept cheque/ card/BHIM App.



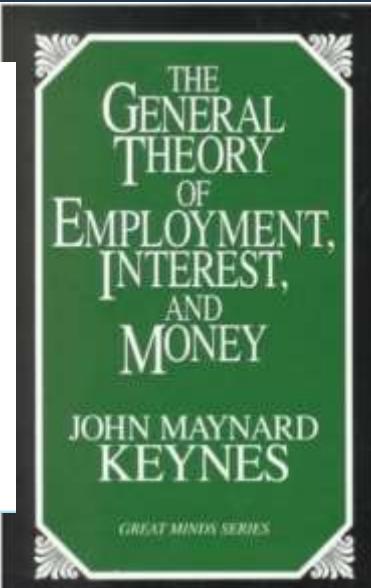
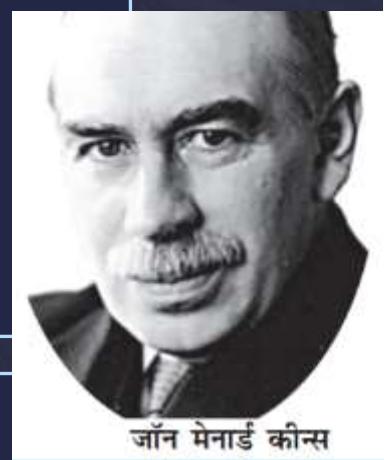
Precautionary motive (एहतियाती)

- Sudden Expenditure, impulsive purchase?
- Perfectly liquid: Cash >> gold >> diamond >>house.



Speculative motive (सट्टा-उद्देश्य)

- Waiting for bond/gold/land prices to ,
- Then I will use cash to buy. इसलिए रोकड़ा रेडी रखता हु



- लोग हाथ में
नगदी/**CASH** क्यों
रखते हैं?
- सारा पैसा बेंको में क्यों
नहीं जमा कर देते!!??



**Situation-A: Banker offering
6% Interest on Savings**



Then person may keep

**10k cash in
hand**

**90k in Bank
Savings**

बैंक यदि बचत पर अच्छा ब्याज देगा तो मैं हाथ में
रोकड़/नगदी कम रखूँगा बैंक में बचत ज्यादा करूँगा





**Situation-A: Banker offering
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**Situation-A: Banker offering
2% Interest on Savings**



Then person may keep

**₹25k cash in
hand**

**₹75k in
Bank
Savings**

क्रिकेट सट्टेबाजी या शेयर
बाजार में मौका ढूँढ लेता हूं



AXIS BANK

HDFC BANK

Situation-A: Banker offering
6% Interest on Savings

Then person may keep

10k cash in hand	90k in Bank Savings
------------------	---------------------

बैंक यदि बचत पर अच्छा व्याज देगा तो मैं हाथ में
रोकड़/नगदी कम रखूँगा बैंक में बचत ज्यादा करूँगा



Situation-A: Banker offering
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Then person may keep

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फ्रिकेट सट्टेबाजी या शेयर
बाजार में मौका ढूँढ़ लेता हूँ



$Cash \ kept \ in \ Hand \propto \frac{1}{deposit \ Interest \ Rate \ given}$

Inverse relationship

निवेशक को यदि व्याज में ज्यादा रकम मिल रही होगी
तो वह हाथ में रोकड़ा कम रखेगा

NCERT Class12 Macro Economics: “we’ll overcomplicate the things”

As mentioned earlier, interest rate can be thought of as an opportunity cost or ‘price’ of holding money balance. If supply of money in the economy increases and people purchase bonds with this extra money, demand for bonds will go up, bond prices will rise and rate of interest will decline. In other words, with an increased supply of money in the economy the price you have to pay for holding money balance, viz. the rate of interest, should come down. However, if the market rate of interest is already low enough so that everybody expects it to rise in future, causing capital losses, nobody will wish to hold bonds. Everyone in the economy will hold their wealth in money balance and if additional money is injected within the economy it will be used up to satiate people’s craving for money balances without increasing the demand for bonds and without further lowering the rate of interest below the floor r_{\min} . Such a situation is called a **liquidity trap**. The speculative money demand function is infinitely elastic here.

In Fig. 3.1 the speculative demand for money is plotted on the horizontal axis and the rate

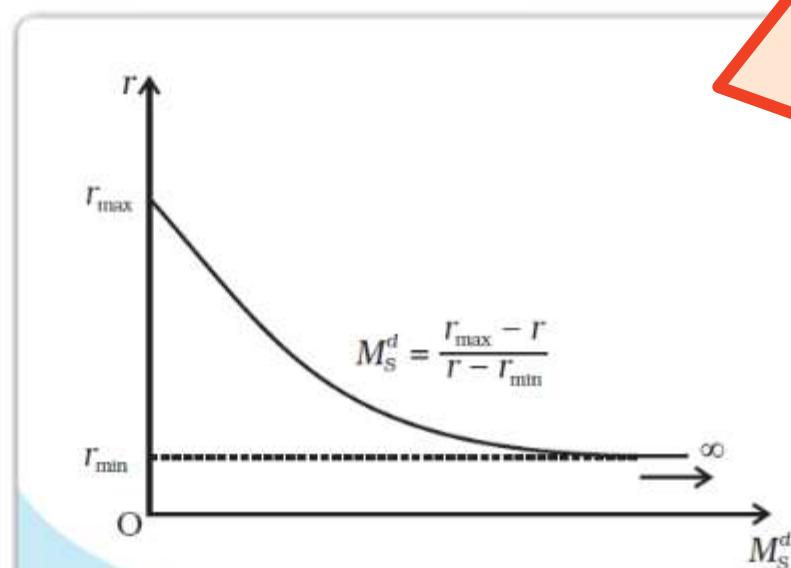


Fig. 3.1

The Speculative Demand for Money

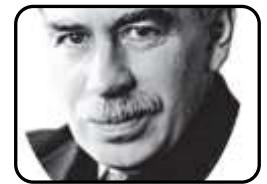


Liquidity trap?

- Yes we'll will learn with microeconomics in Pillar#4z. Elasticity – demand- are better suited there.
- अभी नहीं, बाद मे पढ़ेंगे

Pill1-A-2: money supply & Monetary Policy

मुद्रा की आपूर्ति और मौद्रिक नीति



Liquidity preference theory



Deposit Types



Measures of Money Supply
M0-M4



Money Multiplier



Misc.



Shaktikanta Das



Quantitative, Gen., Indirect

Reserve Ratios (CRR, SLR)

Rates: Bank, MSF, LAF [Repo, RR]

OMO & , SDF

Op. Twist



Qualitative: Selective, Direct

- Moral Suasion, Direct Action
- Margin req / LTV
- Selective Credit Control:
- Credit Rationing, Consumer Credit control / EMI, PSL

MPC & Bimonthly Updates

Types of bank deposits (बैंक डिपॉजिट के प्रकार)

Parameter	Fixed deposit 5 year
Interest paid →	6.***%
Penalty on Early withdrawal? टाइम से पहले पैसा निकाला तो? →	<input checked="" type="checkbox"/> Yes. You'll get less money than promised.
Borrowing? → क्या इस FD certificate को गिरवी रखकर कर्जा ले सकते हैं	<input checked="" type="checkbox"/> You can pledge the FD certificate as 'collateral' to borrow loans.



- ब्याज अच्छा देंगे लेकिन
- समय से पहले माँगा
- तो जितना ब्याज देने का वायदा किया था
- उसमें से कुछ पैसा काट लेंगे.

Types of bank deposits

Parameter	Fixed deposit 5 years	Savings Account
Interest paid	6%	Approx. 3%
Penalty on withdrawal टाइम से पहले पैसा निकाला तो? →	Yes. You'll get less money than promised. 😞	<ul style="list-style-type: none"> No. but there could be 'withdrawal limits from ATM' Bank may req minimum balance e.g. ₹5k.
Borrowing? क्या इसको गिरवी रखकर कर्जा ले सकते हैं	⭐ You can pledge the FD as 'collateral' to borrow loans.	👉 No. 



So from our 1 lakh savings

- 10k in Savings account
- 90k in fixed deposits

Types of bank deposits

Parameter	Fixed deposit	Savings Account	Current Account
Interest paid	6%	3%	0% (bizmen)
Penalty on withdrawal	Yes. You'll get less money than promised.	No. but there could be 'withdrawal limits from ATM' Must keep minimum balance e.g. 5k	N/A. बचत खाते में पैसा ना हो तो भी निकाल सकते हैं एक प्रकार से लोन है
Borrowing?	You can pledge the FD as 'collateral' to borrow loans.	No. 	'overdraft': allowed to withdraw below "0 balance" as a short term loan



Liquidity increasing



Overdraft = one type of short term loan given to Current Account holder

ओवरड्रॉफ्ट एक प्रकार का लघु अवधि का लोन है



RBI eases current account rules for borrowers with bank exposures of less than Rs 5 cr

For those whose exposure to the banking system is Rs 5 crore or more, they can maintain current accounts with one of the banks with which they have cash credit or overdraft facility, provided the bank has at least 10 per cent exposure to the borrower.

रिजर्व बैंक इस मामले में कमी नियमों
को सख्त तो कभी सरल करेगा



Timepass Columnists, Youtubers, CA-PDF walle



Overdraft
LOAN

Current Account
Holder

What is a balancesheet?

Balancesheet : A company's statement of the assets, liabilities



Which will help generating income e.g.

(tangible) **Physical** asset: factory, machine

(intangible) assets:
Patent to mfg a drug etc.
(Pillar#4B)



कंपनी के नजरिए से संपत्ति वह चीज है जिसमें से उसे आमदनी उत्पन्न होती है

Just remember: what, why, how...not imp, we are not here for B.Com

Balancesheet : A company's a statement of the assets, liabilities

Asset (संपत्ति)	Liabilities (देनदारी)
\$\$\$ Which will help generating income e.g.	:(Obligation to pay ₹
(tangible) Physical asset: factory, machine	interest to be paid on loans/bonds
(intangible) assets: Patent rights to mfg a drug etc.	Workers wages, pending payments to raw material suppliers

कंपनी के नजरिए से लायबिलिटी → वह रकम है जो उसने किसी को चुकानी है



Corporate balancesheet

Asset

Factory,
machines

Liability

Loans taken

Workers salary

कंपनी के नजरिए से
संपत्ति वह चीज है
जिसमें से उसे आमदानी
उत्पन्न होती है

कंपनी के नजरिए से
लायबिलिटी /देयता →
वह रकम है जो उसने किसी
को चुकानी है



Company balancesheet

Asset

Factory,
machines



Liability

Loans taken

Workers salary



SBI Bank balancesheet

Asset

Loans
given



Liability

Deposits

From bank's point of view,
loans = asset because bank
will earn interest from
borrower

बैंक को ब्याज कमाने को मिलता है 😊

From bank's point of view,
deposits = liability because
bank has to return it to
depositor. क्योंकि बैंकर ने वो पैसा
बचत कर्ता को वापस करना है 😠



Public's financial assets in banks = bank's liability (bcuz have to return it)



Time Liabilities of a Bank (FDRD)

Fixed/ Term deposits, Recurring deposits (every month you've to deposit specific money), cumulative deposits (how interest is counted), Staff security deposit etc. #BankingGK

More interest, so people park more money here

伞 Less liquid (= takes time to convert into most liquid form i.e. cash). You've to make visit, fillup form, If withdrawn out before maturity → penalty

- कुछ लोग पूछने आ जाते इन सभी प्रकार के बेंक खातों का मतलब समझाओ शुक्रिया तो मैं नहीं समझाऊँया
- क्योंकि अपने परीक्षा के लिए काम का नहीं है खुद google search करके समझ लो

I will not explain how these accounts are different from each other? =not imp for UPSC. you can do Google search to satisfy your curiosity

Public's financial assets in banks = bank's liability (bcuz have to return it)

Asset



Liability

Loans

Demand=CASA

Time= FDRD

मांगने पर तुरंत वापस करना है



Time Liabilities of a Bank (FDRD)

- Fixed deposits, Recurring deposits (every month you've to deposit specific money), cumulative deposits (how interest is counted), Staff security deposit etc.

Demand Liabilities (CASA)

- Current Account, Savings Account,
- Demand Draft
- Overdue balance in Fixed Deposits
- Unclaimed deposits (e.g. when deadman's relatives win case to recover money)

More interest, so more money parked here

👉 Less liquid (= takes time to convert into most liquid form i.e. cash). You've to make visit, fillup form, If withdrawn out before maturity then less return / penalty

People park less money here.

👉 More liquid because easily convertible into cash. इसकी तरलता ज्यादा है। चुटकी बजाकर अपना पैसा निकाल सकते हैं

Suppose customer has Rs.2,500 to save



% Interest Paid by a Bank is Suppose

6%

2%

Time Deposits (FD)

Demand Deposits (SA)

People will park more money in time deposits than in demand deposits.



Amount of Money in Demand deposits



Amount of Money in Time deposits

आप FD में ज्यादा जत्थे में पैसा रखोगे क्योंकि ब्याज अच्छा मिलता है

(2020-May: LOCKDOWN ☹)



Bank
Savings
₹100



Cash in
Hand
₹2000



(2020-Dec: UN-LOCKDOWN ☺)



Bank
Savings
₹2000



Cash in
Hand
₹100



Reason

- Precautionary Motive : Fear of emergency cash for hospital payment.

Reason

- Precautionary Motive : Less fear of emergency hospital payment.

(suppose 2020-Dec)



⬆️ Bank
Savings
₹2000



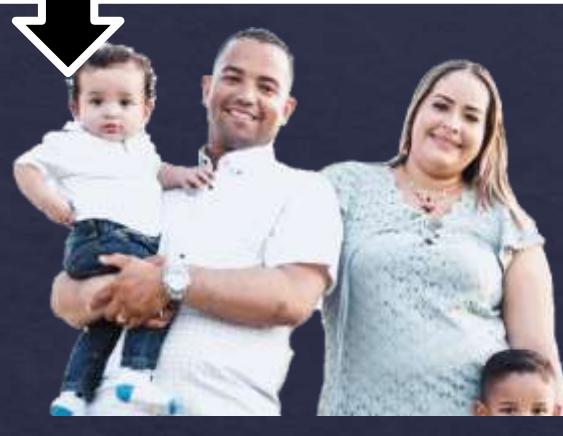
Cash in
Hand
₹100



After Corona Wave 2.0 (2021-May)



⬇️ Bank
Savings
₹600



Cash in
Hand
₹1500



Cash in Hand = high because people withdrawing savings from Banks

Hospital, Oxygen, Injection

Lockdown fear

Jobloss. So, day2day expenses
need money withdrawal

Pill1-A-2: money supply & Monetary Policy



Liquidity preference theory



Deposit Types



Measures of Money Supply
M0-M4



Money Multiplier



Misc.



Quantitative, Gen., Indirect
Reserve Ratios (CRR, SLR)
Rates: Bank, MSF, LAF [Repo, RR]
OMO & , SDF
Op. Twist



Qualitative: Selective, Direct

- Moral Suasion, Direct Action
- Margin req / LTV
- Selective Credit Control:
- Credit Rationing, Consumer Credit control / EMI, PSL

Introduction: Monetary policy VS Fiscal Policy (मौद्रिक नीति और राजकोषीय नीति)

- CRR SLR
- Repo Rate
- Open market operations
- Priority sector lending norms
- & other Qualitative and quantitative tools

RBI's monetary policy



- Taxation
- Subsidy
- Public Expenditure
- Public Private Partnership
- Disinvestment
- And other tools

Finance Ministry's Fiscal policy



Budget is the main tool of fiscal policy presented annually
On the first working day of February**

Together they help shaping the Economy...

⬆️ Savings (बचत)

⬆️ Investment:
domestic, foreign

⬆️ GDP (सकल घरेलू
उत्पाद)

⬇️ Unemployment
(बेरोजगारी)

⬇️ Inflation
(महंगाई/मुद्रास्फीति)

Currency Exchange
Rate (मुद्रा विनिमय दर)

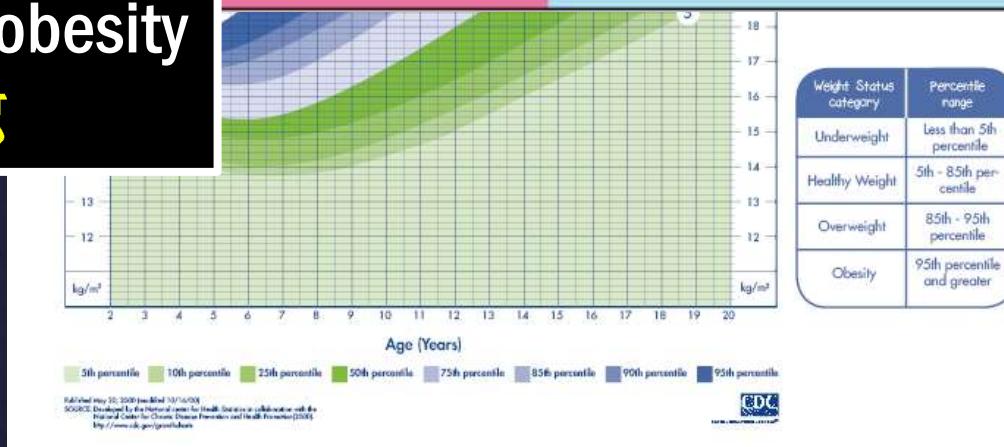
How to make Nutrition policy for a government?

Solution: Find out Body Mass Index (BMI)



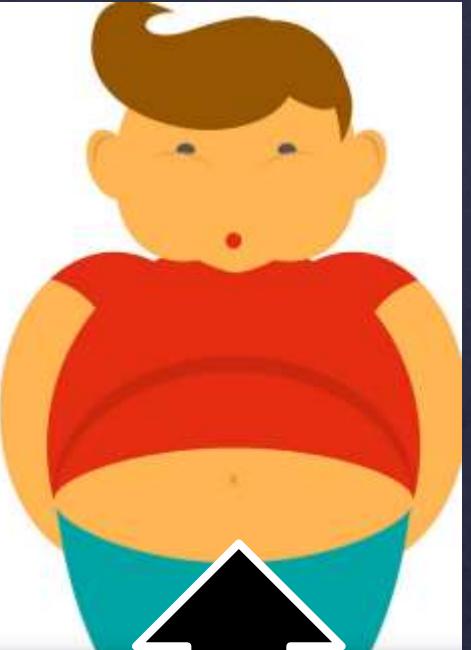
WOMEN			MEN				
Height Ft. In.	Frame Size		Height Ft. In.	Frame Size			
	Small	Med.	Large	Small	Med.	Large	
4'10"	102-111	109-121	118-131	5'2"	128-134	131-141	138-150
4'11"	103-113	111-123	120-134	5'3"	130-136	133-143	140-153
5'0"	104-115	113-126	122-137	5'4"	132-138	135-145	142-156
5'1"	106-118	115-129	125-140	5'5"	134-140	137-148	144-160
5'2"	108-121	118-132	128-143	5'6"	136-142	139-151	146-164
5'3"	111-124	121-135	131-147	5'7"	138-145	142-154	149-168
5'4"	114-127	124-138	134-151	5'8"	140-148	145-157	152-172
5'5"	117-130	127-141	137-155	5'9"	142-151	156-160	155-176
5'6"	120-133	130-144	140-159	5'10"	144-154	151-163	158-180
5'7"	123-136	133-144	143-163	5'11"	146-157	154-166	161-184
5'8"	126-139	136-150	146-167	6'0"	149-160	157-170	164-188
5'9"	129-142	139-153	149-170	6'1"	152-164	160-174	168-192
5'10"	132-145	142-156	152-173	6'2"	155-168	165-178	172-197
5'11"	135-148	145-159	155-176	6'3"	158-172	167-182	176-202
6'0"	138-151	148-162	158-176	6'4"	162-176	171-187	181-207

1) tax on fastfood obesity
मोटापा कम करने के लिए



How to make Nutrition policy for a government?

सरकार पोषण की नीति बनाती है तो क्या सोचकर बनाती है



1) tax on fastfood obesity
मोटापा कम करने के लिए **fastfood** पर
ज्यादा टैक्स लगे

- 3) But first we have to find the level of **obesity or malnutrition** in children?
- ऐसी कोई नीति बनाने से पहले पता तो करना होगा कि लोग मोटापे से पीड़ित हैं या भुखमरी से?



2) Give subsidized food to malnutrition (Pillar6)
कुपोषण और भुखमरी से लड़ने के लिए
सस्ते में अनाज दिया जाए



Measurement tools



- How to monitor obesity?
- Ans. Indicator-
- Body Mass Index (BMI)



- How to monitor money supply?
- Ans. Indicators-
- M0, M1, M2, M3, M4

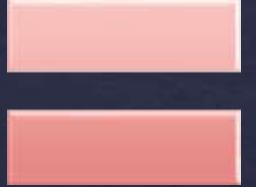
Measures of money supply

महंगाई को नियंत्रित रखना है तो सबसे पहले पता होना चाहिए देश में पैसों का कितना जत्था / माला है

1) Coin &
currency
with public



2) Demand
deposits in
Banks
(CASA)



M1
(Narrow
money)

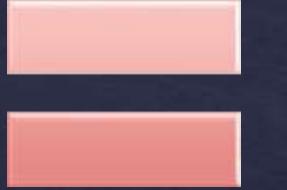
Measures of money supply

महंगाई को नियंत्रित रखना है तो सबसे पहले पता होना चाहिए देश में पैसों का कितना जत्था / माला है

1) Coin & currency with public



2) Demand deposits in Banks (CASA)



M1
(Narrow money)



But why make such measurements?

क्यों ये मगजमारी करनी है?

So that I can know

- how much ₹₹ money supply is there in system &
- Whether I should ↑/↓ it for fighting inflation or boosting economic growth.
- How? Wait for some slides.

RBI



Pill1-A-2: money supply & Monetary Policy → continued



Liquidity preference theory



Deposit Types



Measures of Money Supply M1-M4

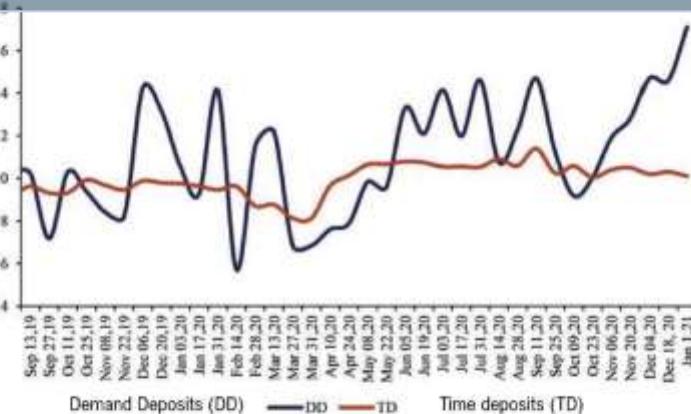


M0 & Money Multiplier



CRR, Repo,

⇒ Bank deposits suddenly ↓ in the aftermath of Demonetisation-2016 (because the public was required to deposit banned notes in their bank account). However, afterwards the growth of bank deposits has fallen.
⇒ ES21: Corona-2020: Initial months of lockdown the growth of (demand) deposit ↑↑ because people with new job losses withdrew cash. This was followed by a dip in the later months → Unlock down and normalcy → [Quantity of deposit] लोगों के दूरभास महीनों में छोड़ते ने एक्सिपेटीव कार्यों से कैब्रो से अपनी विशेषज्ञ निकाली। हालांकि पर्सिवित सामान्य होने पर, बाद के महीनों में वापस वयत की गाला में बढ़ातारी होने लगी है।



11.12.1 Cash in Hand = all-time-high in Corona Wave 2.0 (2021-May)

2021-May: Cash in the hands of the public reaches an all-time high of ₹28.39 lakh crore. Meaning people have withdrawn large quantity of cash from the banks. Why?

- ⇒ 1) Corona wave 2.0 (2021) = over 1 lakh new patients added → Hospitals' Joot-bazaar, Black marketing of Oxygen & Remdesivir injections = relatives required cash money.
- ⇒ 2) State government were imposing partial-lockdowns. People got panicked and withdrawn savings from banks, to keep cash in hand for emergency/daily needs.
- ⇒ 3) Corona → job loss / business ↓ → Even for day to day purchase, a jobless person is forced to take out savings from the bank.

2021-मई महीने में लोगों के हाथ में नकदी की मात्रा ऐतिहासिक रूप से सबसे ज्यादा पार्ह गई। क्योंकि कोरोना दूसरी लहर के चलते इनाज का लचौर, लाकडाउन/ ललाबद्दी के ब्र से, बेरोजगारी के चलते जीवन निर्वाह के लिए- लोगों ने बेकबत का देर सारा बचत का पैसा बगड़ी में निकाला है।

11.12.2 Which of the following is not included in the assets of a commercial bank in India? (Prelims-2019)

- (a) Advances (b) Deposits (c) Investments (d) Money at call and short notice

11.12.2 Measures of Money Supply (मुद्रा आपूर्ति के परिमाण)

- Money supply means the total amount of money in an economy at any given time.
- Money supply plays a crucial role in the determination of 1) price level (=inflation) and 2) interest rates on deposits & loans. मुद्रा की आपूर्ति महाराह दर और ज्याज दरों पर असर करती है।
- RBI measures the money supply through indicators: M0, M1, M2, M3, M4

- They collect deposit, mainly loan to private borrower.
- बेंकर जनता से डिपाजिट में पैसा लेते हैं
- जनता को, उद्योगपति को लोन में पैसा देना चाहते हैं



Commercial Banks



Post Office

Since British times
 Traditional Post Office Savings Scheme

→ collect deposit →
 loan to Government.
 जनता की बचत का पैसा सरकार को उधार देते हैं



- They collect deposit, mainly loan to private borrower.
- बेंकर जनता से डिपाजिट में पैसा लेते हैं
- जनता को, उद्योगपति को लोन में पैसा देना चाहते हैं



Commercial Banks



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जनता की बचत का पैसा सरकार को उधार देते हैं

- ⚡ Don't confuse “Post Office Savings” with India Post Payment bank.
- India Post Payment bank is counted under ‘commercial banks’. More in Pillar1B-1 Classification.



They collect deposit
→ loan to
Government

Commercial Banks

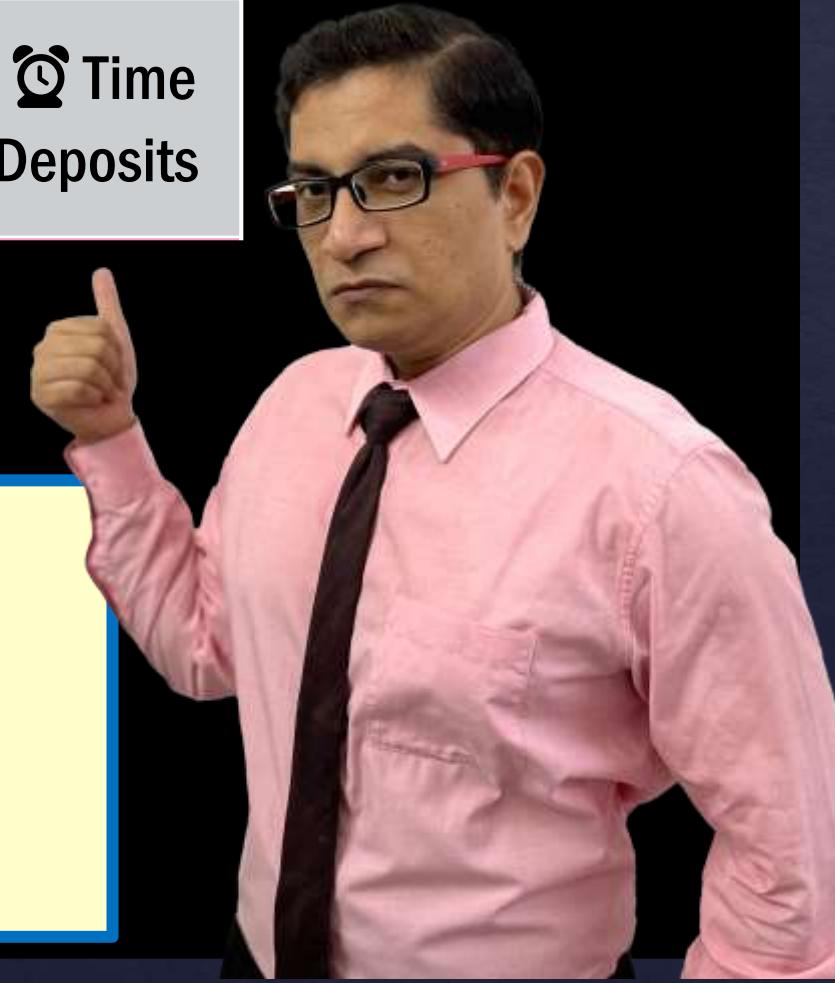
Demand
Deposits
(CASA)

⌚ Time
Deposits
(FDRD)

Demand
Deposits
(SA)

⌚ Time
Deposits

दोनों ही जगह
मैंने डिपॉजिट के
दो कॉलम बना दिए



They collect deposit,
mainly loan to private
borrower.



They collect
deposit=> loan to
Government

Measure Of Money supply	Coin & Currency with Public	Commercial Banks		Post Office		Liquidity तरलता	Qty
		Demand Deposits (CASA)	Time Deposits (FDRD)	Demand Deposits (SA)	Time Deposits		
Narrow Money	M1	✓ 10	✓ 10	X 40	X 10	X 20	★★★☆



हम तो money supply
measure करेगा
दुनिया से नहीं डरेगा...



यह ऐसा क्यों है
Why it is like this?

यह ऐसा ही है
that's how it is



They collect deposit,
mainly loan to private
borrower.



They collect
deposit=> loan to
Government

Measure Of Money supply	Coin & Currency with Public	Commercial Banks		Post Office		Liquidity तरलता	Qty
		Demand Deposits (CASA)	Time Deposits (FDRD)	Demand Deposits (SA)	Time Deposits		
Narrow Money	M1	✓	✓	X	X	X	★★★☆



Q) WHY IS IT LIKE THIS!!?
Ans = if you want to pass
Prelims, then remember.
Otherwise don't remember

"NET deposits" i.e. only public deposits in bank. interbank deposits= one commercial bank's deposit in another commercial banks, not counted. जनता ने बैंक में जो पैसा रखा उसी को गिनेंगे. एक बैंक से दूसरे बैंक में पैसा रखा तो नहीं गिनेंगे



Measure	Coin & Currency with Public	Commercial Banks		Post Office		Liquidity तरलता	Qty जात्था
		Demand Deposits (CASA)	⌚ Time Deposits (FDRD)	Demand Deposits (SA)	⌚ Time Deposits		
Narrow Money	M1	✓ 10	✓ 10	X 40	X 10	X 20	★★★☆ ☆ 20
	M2	✓ 10	✓ 10	X 40	✓ 10	X 20	★★☆ ☆☆ 30
Broad Money	M3	✓					
	M4	✓					

Liquidity is less, because Post office demand deposits are not as easy to withdraw like Bank's demand deposit (ATM, branch) पारंपरिक पोस्ट ऑफिस बचत योजना का पैसा निकलना मुश्किल होता है. 😞 कागदी फॉर्म ज्यादा भरने पड़ते हैं, 😞 ऑफिस के धक्के ज्यादा खाने होते हैं, इसलिए उसकी तरलता कम 🔻



- But Government has said
- we'll install CBS softwares in Post Office
- so then easy to withdraw money from ATM
- → it'll be more liquid → this table is wrong!!!!

Measure	Coin & Currency with Public	Commercial Banks		Post Office		Liquidity तरलता	Qty जट्था
		Demand Deposits (CASA)	Time Deposits (FDRD)	Demand Deposits (SA)	Time Deposits		
Narrow Money	M1	✓ 10	✓ 10	X 40	X 10	X 20	☆☆☆☆
	M2	✓ 10	✓ 10	X 40	✓ 10	X 20	☆☆☆
Broad Money	M3	✓					☆☆ 30
	M4	✓					

Liquidity is less, because Post office demand deposits are not as easy to withdraw like Bank's demand deposit (ATM, branch) पारंपरिक पोस्ट ऑफिस बचत योजना का पैसा निकलना मुश्किल होता है कागदी फॉर्म ज्यादा भरने पड़ते हैं, ऑफिस के थके ज्यादा खाने होते हैं, इसलिए उसकी तरलता कम



- If theory MCQ is asked.
- Then tick as per the table which we are learning right now.





In exam, make table,
derive ans e.g.
 $M3 = M1 + \text{BankTD}$

Measure	Coin & Currency with Public	Commercial Banks		Post Office		Liquidit y तरलता	Qty
		Demand Deposits (CASA)	⌚ Time Deposits (FDRD)	⌚ Demand Deposits (SA)	Time Deposits		
Narrow Money	M1	✓ 10	✓ 10	X 40	X 10	X 20	★★★★
	M2	✓ 10	✓ 10	X 40	✓ 10	X 20	★★★
	M3	✓ 10	✓ 10	✓ 40	X 10	X 20	★★
Broad Money	M4	✓					

M3: most commonly used for measuring money supply,
also called “Aggregate Monetary Resources/Supply”
(समस्त मौद्रिक संसाधन).



Measure	Coin & Currency with Public	Commercial Banks		Post Office		Liquidit y तरलता	Qty जर्थे के हिसाब से कितना पैसा
		Demand Deposits (CASA)	⌚ Time Deposits (FDRD)	Demand Deposits (SA)	⌚ Time Deposits		
Narrow Money	M1	✓	✓	X	X	X	☆☆☆☆ ☆
	M2	✓	✓	X	✓	X	☆☆☆ ☆☆
Broad Money	M3	✓ 10	✓ 10	✓ 40	✗ 10	✗ 20	☆☆ ☆☆☆ (60)
	M4	✓ 10	✓ 10	✓ 40	✓ 10	✓ 20	☆☆☆☆ (100)

If asked in exam, peacefully make this chart on last Page of q.paper



In exam, make table,
derive ans e.g.
 $M3 = M1 + \text{BankTD}$



Post Office

Since British times
Traditional Post
Office Savings
Scheme
→ collect deposit →
loan to Government.
जनता की बचत का पैसा
सरकार को उधार देते हैं

Measure	Coin & Currency with Public	Commercial Banks		Post Office		Liquidit y तरलता	Qty
		Demand Deposits (CASA)	Time Deposits (FDRD)	Demand Deposits (SA)	Time Deposits		
Narrow Money	M1	✓ 10	✓ 10	X 40	X 10	X 20	*****
	M2	✓ 10	✓ 10	X 40	✓ 10	X 20	*** 30
Broad Money	M3	✓ 10	✓ 10	✓ 40	X 10	X 20	*** 60
	M4	✓					

M3: most commonly used for measuring money supply,
also called "Aggregate Monetary Resources/Supply"
(समस्त मौद्रिक संसाधन).

Why M3 called
**Aggregate Monetary
Resources**

Why Not M4 which
has larger quantity?



- 1) **Post Office deposit money goes to govt. it could be utilized in many ways (defense import, staff salary)**
- 2) **So perhaps for RBI difficult to do mathematical modeling of its impact on loan interest rate so RBI focuses on M3**



What if person invest money in Sharemarket?

शेयर बाजार में पैसा निवेश किया तो M3 पर क्या असर ?



1) Invests ₹100
in reliance IPO



2) Reliance's company's
Current account in Bank



10AM

Coin & Curren-
cy with public
Mrunal
₹0)



Time deposit
₹0)



Demand
deposits
₹100)



M3
₹100)

What will be impact of Kohli's marriage on M3?

विराट कोहली की शादी का M3 पर क्या असर ?



1) Invests ₹100



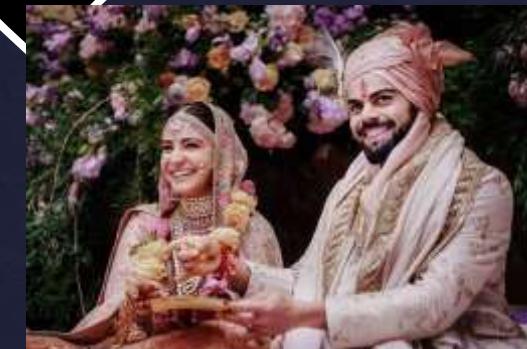
2) Reliance's company's bank account

3) Reliance Ad fees to Virat Kohli ₹100



4) Kohli WITHDRAWS CASH (₹100),

- buys jewelry for BRIDE
- Suppose, JEWELLER keeps the cash in hand. Doesn't deposit in Bank.



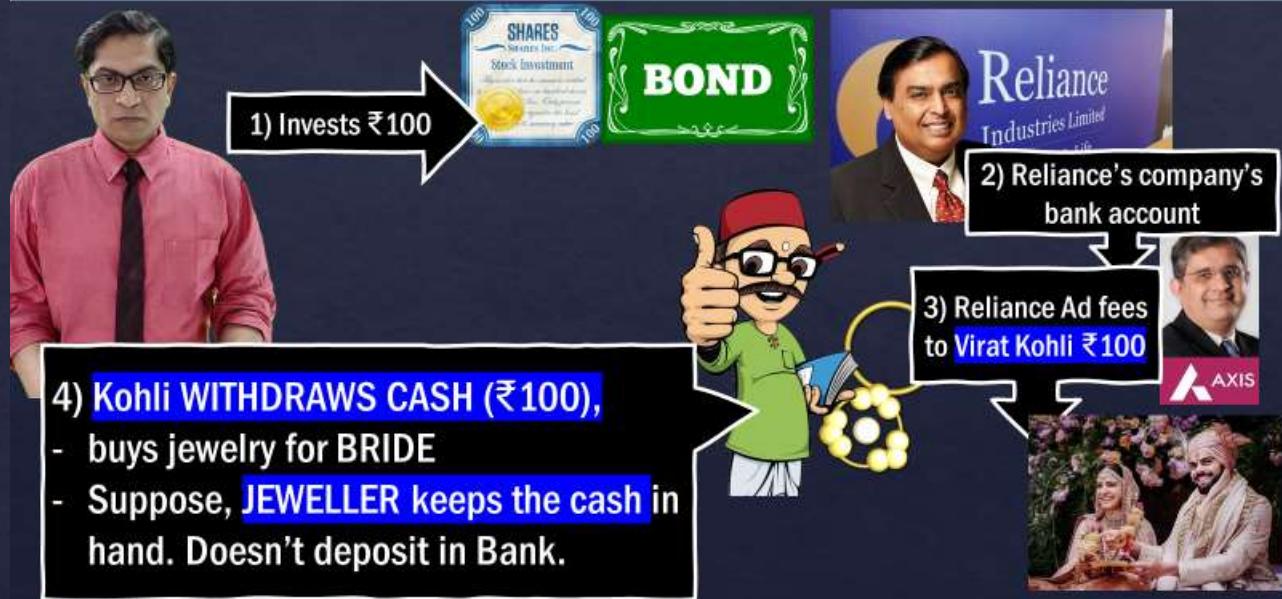
What if person invest money in Sharemarket?

शेयर बाजार में पैसा निवेश किया तो M3 पर क्या असर ?

कुल मिलाकर बात यह है कि
किसी एक खास वक्त पर
आप फोटो खींच लेंगे और फार्मूला
के हिसाब से आंकड़े डालेंगे.
सड़क के सांड की तरह इधर-उधर
नहीं देखेंगे

What will be impact of Kohli's marriage on M3?

विराट कोहली की शादी का M3 पर क्या असर ?



Coin & Currency with
public Jeweller
(100)

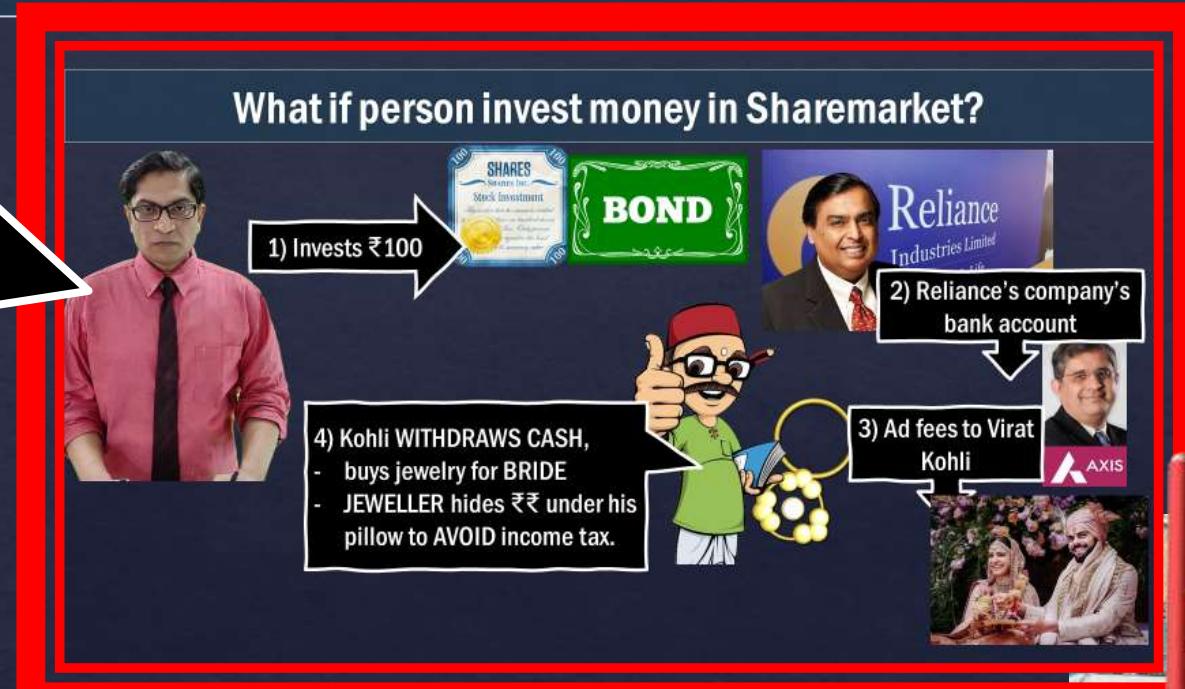
Time deposit

Demand deposits
(0)

M3
(100)

Money supply = take snapshot of the GREEN frame only

previous years MCQ are given in your hand out. when UPSC starts asking PhD question from the topic → then I will start teaching PhD topics

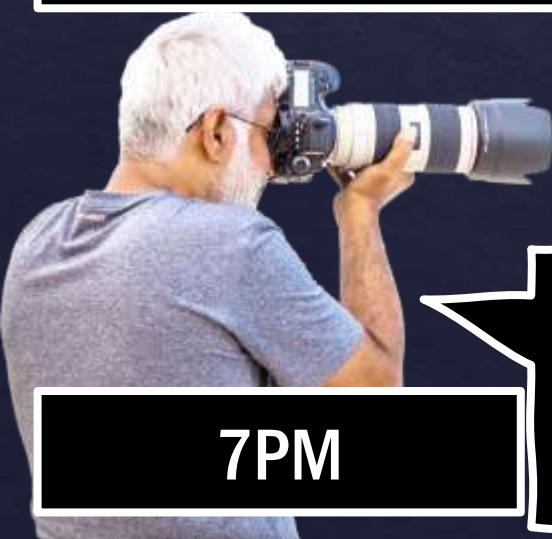


Where is tax?

Where is CRR?

Where is loan?

मुझे
Ph.d कराओ



Focus on the GREEN photoframe.

This photo is captured with timestamp e.g. @ “Mar-03-2022@ 7PM”, this much M3. What about 500 other things?= Ans. FOCUS on Green frame.



MCQ = single frames

Money supply = take snapshot of the GREEN frame only



Objective (MA Economics. M.Com)

- 2 years course
- 25 frames and wide-angle shots parallelly shown for 'intellectual discourse' @ every topic how it connects @RBI, govt, taxes, supply, demand, \$exchange rate, FDI, FPI, Sharemarket, Bond market. उधर प्रोफेसर 2 घंटे बोल बच्चन कर सकता है
- We are not sitting for that

Objective (UPSC Economy)

- 3-4 month course complete
- MCQ: tick / 50-50 / skip
- Cut-off never 200/200m
- So, Single frames without overthinking
- #थोड़ा-पढ़ो-आगे-बढ़ो



- Within that 30% of MCQs are easy & cutoff is ~50%

RBI



RBI printed
₹100+₹20



Kept ₹20 in cash



Incoming
Deposit



₹100

Outgoing
Loan

100

SALARY

मान लीजिए रिजर्व बैंक ने ₹120 के नोट छापे हैं और मृणाल
को दिए → जिसमें से मृणाल ने ₹20 हाथ में रखे →
₹100 बैंक में जमा किए → जो कि बैंक ने मुकेश अंबानी
को लोन में दे दिए → मुकेश अंबानी ने अपनी कर्मचारियों
को तनख्वाह दी → कर्मचारी ने अपने हाथ में ₹20 रखी है
और बाकी ₹80 बैंक में जमा कर दिए

Measures of money supply



Incoming
Deposit



Outgoing
Loan

₹80

No Takers

Kept ₹20 in cash



Shaktikanta Das

RBI printed
₹100+₹20



Kept ₹20 in cash



How much is the money supply “M3” in this case?

यहाँ मुद्रा आपूर्ति M3 कितनी है

- A) 120
- B) 220
- C) 300
- D) 440

E) Skip this MCQ



Hint: $M3 = \text{cash with public} + \text{all types of bank deposits}$





RBI



Shaktikanta Das

RBI printed
₹100+₹20

Kept ₹20 in cash

- A) 120 B) 220
C) 300 D) 440



How much is the money supply “M3” in this case?

यहाँ मुद्रा आपूर्ति M3 कितनी है



₹₹ with public (Coin, Cash)
₹20 Mrunal +
₹20 Ambani's Staff = 40



Time& Demand
deposits in Banks
100 SBI + 80 Axis
= 180

M3
₹220

RBI



Shaktikanta Das

RBI printed
₹100+₹20



Kept ₹20 in cash

Incoming

Deposit

₹100



Outgoing

Loan

100

SALARY



How much is the money supply “M3” in this case?

यहाँ मुद्रा आपूर्ति M3 कितनी है

- A) 120
- B) 220
- C) 300
- D) 440

E) Skip this MCQ



Hint: M3= cash with public + all types of bank deposits



Incoming

Deposit

₹80



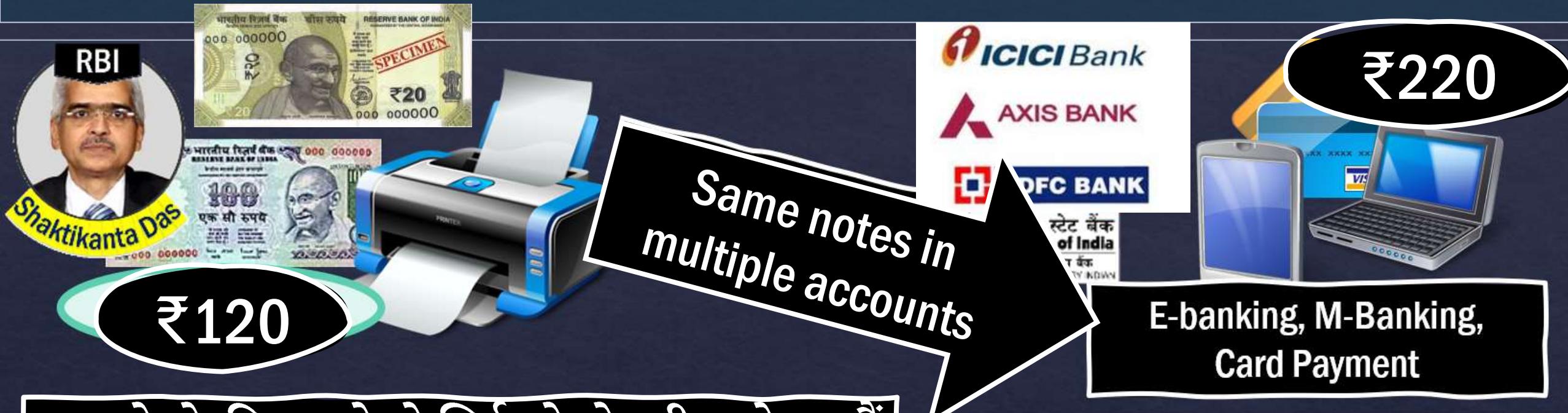
Outgoing

Loan

No Takers

Kept ₹20 in cash

But how did this happen?



- जत्थे के हिसाब से तो सिर्फ दो नोट ही छापे गए हैं
जिसका कुल मूल्य ₹120 था तो फिर बाजार में ₹220 कैसे पैदा हो गए?
- क्योंकि वही दो नोट बहुत सारे बैंक खातों में एक साथ दिखेंगे





यूपीएससी के
बाबू शोने

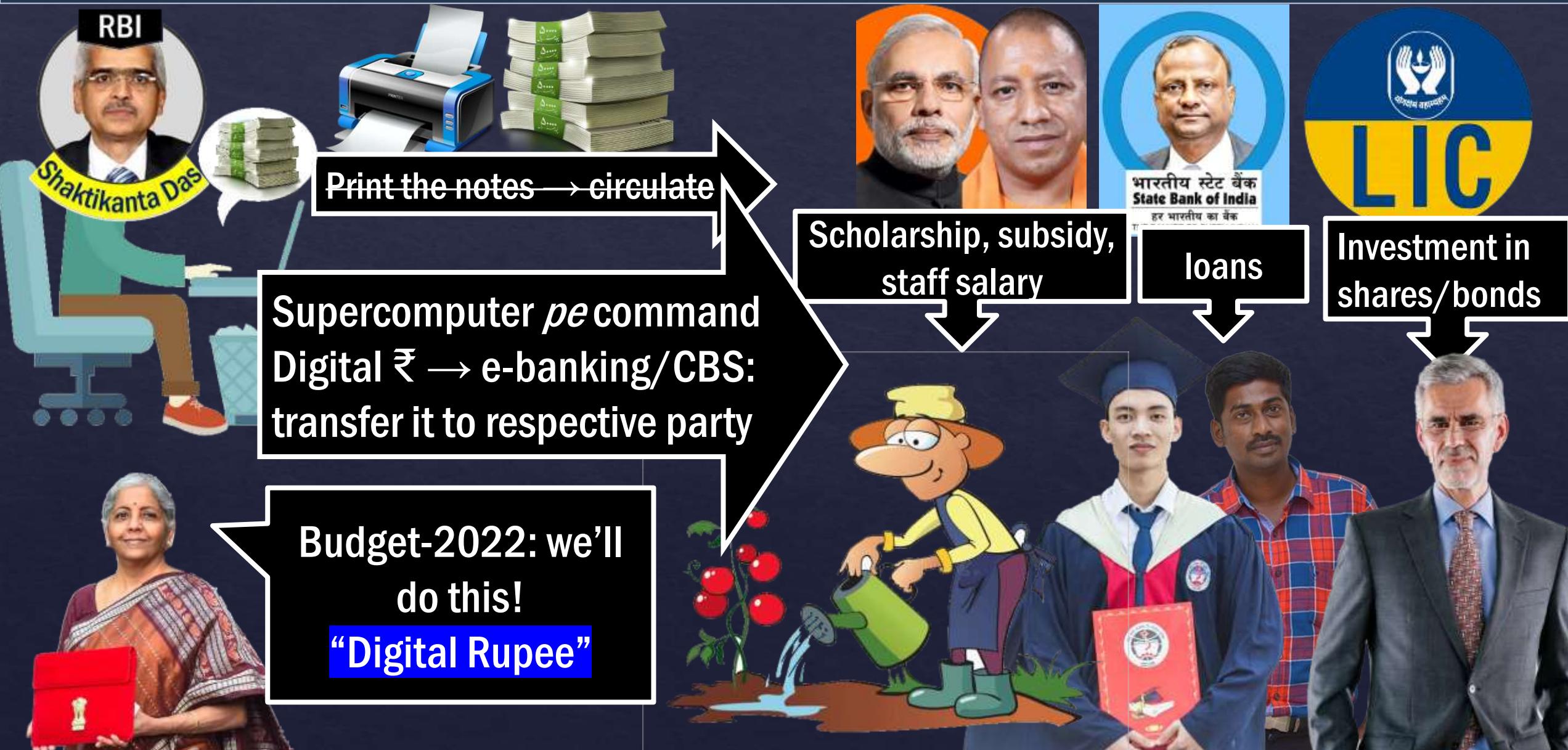
Then M3 is the same thing as CBDC!!
इसका मतलब तो ये हुआ ना कि M3 और CBDC
दोनों एक ही चीजे है!!



- No! CBDC occurs IF RBI issues currency in digital form, instead of physical form.
- Presently, RBI is ‘printing’ physical notes.
- So it is not CBDC
- सीबीडीसी तभी माना जाता है जब केंद्रीय बैंक खुद नोट को कागज पर नहीं छापे और डिजिटल तरीके से जारी करें

Central Bank Digital Currency (CBDC)/Sovereign Digital Fiat Money / Digital Base Money

नोट को कागजी स्वरूप में छापो को मत कंप्यूटर कमांड देकर डिजिटल स्वरूप में जारी कर दो



RBI



Shaktikanta Das

RBI printed
₹100+₹20



Kept ₹20 in cash

Incoming

Deposit

₹100



मेरे को लोन नहीं लेना

Outgoing

Loan

Not Taken



If Mukesh Ambani doesn't take the loan, then How much will be the money supply “M3” in this case? मुकेश अंबानी

अगर बैंक से कर्जा नहीं ले तो यहाँ M3 कितना होगा

- A) 120
- B) 220
- C) 300
- D) 440
- E) Skip this MCQ



Hint: $M3 = \text{cash with public} + \text{all types of bank deposits}$

मेरे को तनख्वाह नहीं मिला

मेरे को पैसा नहीं मिला

Incoming

Outgoing

Deposit

Loan

Kept ₹0 in cash

₹0

No Takers



No Salary



RBI printed
₹100+₹20



If Mukesh Ambani doesn't take the loan, then How much will be the money supply “M3” in this case?

मुकेश अंबानी अगर बैंक से कर्जा नहीं ले तो यहाँ M3 कितना होगा

- A) 120 B) 220
 C) 300 D) 440 E) Skip this MCQ

Kept ₹20 in cash

Incoming

Deposit



Outgoing

Loan

₹100



Incoming

Deposit



Outgoing

Loan

₹0

₹₹ with public
(Coin, Cash)

₹20 Mrunal+

₹0 Ambani's Manager

= ₹20



Time& Demand
deposits in Banks
₹100 SBI + ₹0 Axis

= ₹100



M3
₹120

RBI



Shaktikanta Das

RBI printed
₹100+₹20



Kept ₹20 in cash

Incoming

Deposit

₹100



मेरे को लोन नहीं लेना

Outgoing

Loan

Not Taken



If Mukesh Ambani doesn't take the loan, then How much will be the money supply “M3” in this case? मुकेश अंबानी

अगर बैंक से कर्जा नहीं ले तो यहाँ M3 कितना होगा

A) 120

B) 220

C) 300

D) 440

E) Skip this MCQ



Hint: $M3 = \text{cash with public} + \text{all types of bank deposits}$

मेरे को तनख्वाह नहीं मिला

मेरे को पैसा नहीं मिला

Incoming

Deposit

Incoming

Deposit

Outgoing

Loan



No Takers

Kept ₹0 in cash

₹0



No Salary

Measurement tools



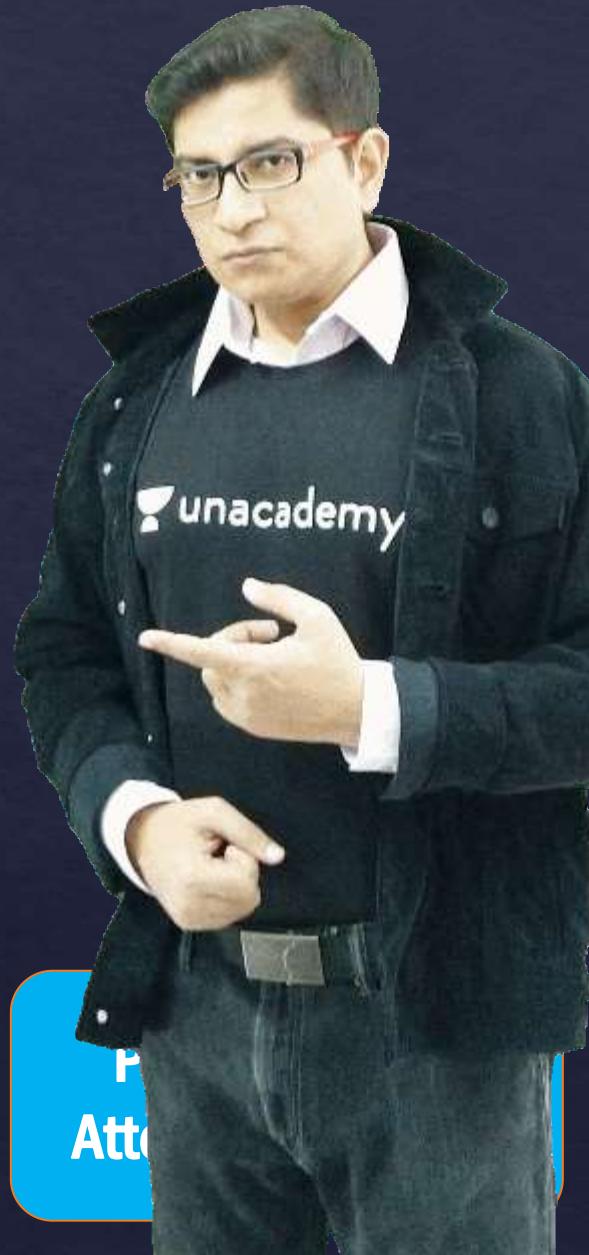
- How to monitor obesity?
- Ans. Indicator-
- Body Mass Index (BMI)



- How to monitor money supply?
- Ans. Indicators-
- M0, M1, M2, M3, M4

What did u understand?

- A. If people take more loans then M3 will grow
(अगर लोग अधिक कर्ज लेते हैं तो M3 बढ़ेगा)
- B. If people take less loans then M3 will not grow. (अगर लोग कम कर्ज लेते हैं तो M3 नहीं बढ़ेगा।)
- C. If people don't deposit money in banks then M3 will not grow. (यदि लोग बैंकों में पैसा जमा नहीं करते हैं तो M3 नहीं बढ़ेगा।)
- D. All of the above.



100% Surety

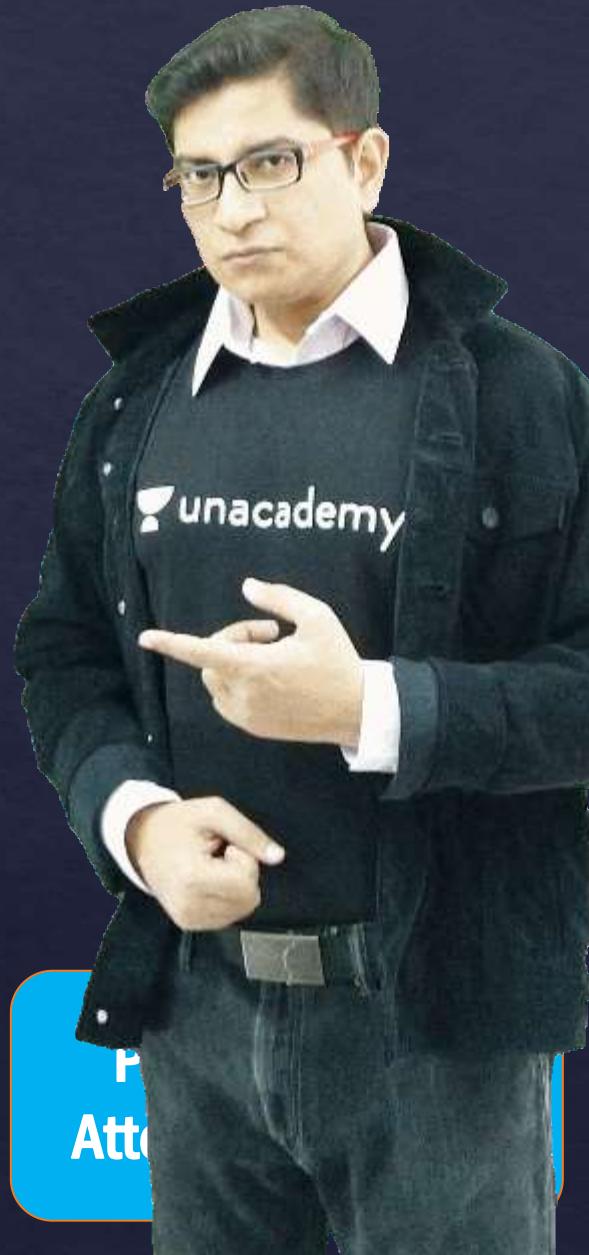
50:50

Skip

P
Atte

What did u understand?

- A. If people take more loans then M3 will grow
(अगर लोग अधिक कर्ज लेते हैं तो M3 बढ़ेगा)
- B. If people take less loans then M3 will not grow.
(अगर लोग कम कर्ज लेते हैं तो M3 नहीं बढ़ेगा।)
- C. If people don't deposit money in banks then M3 will not grow.
(यदि लोग बैंकों में पैसा जमा नहीं करते हैं तो M3 नहीं बढ़ेगा।)
- D. All of the above.



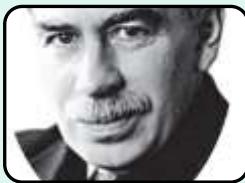
100% Surety

50:50

Skip

P
Atte

Pill1-A-2: money supply & Monetary Policy → continued



Liquidity preference theory



Deposit Types



Measures of Money Supply M1-M4



M0 & Money Multiplier



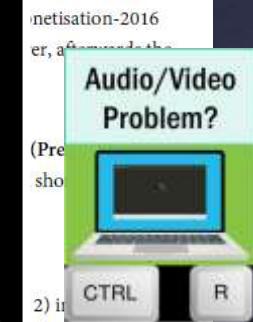
CRR, Repo,

- If you are new / absent in yesterday class.
- First finish it.
- ⚡ Otherwise today's class will not make sense to you
- कल का लेक्चर पहले देख के आओ वरना आज जो पढ़ रहे हैं उसमें आपकी चोंच ढूबने वाली नहीं है

Aggregate Money Supply" (समस्त मौद्रिक संसाधन).

- In above formulas for money supply, we are only counting the "NET Demand / NET Time deposits" i.e. only public deposits in bank. We are not counting interbank deposits i.e. one commercial bank's deposit in other commercial banks. एक बैंक से दूसरे बैंक में पैसा डिपाजिट किया हो तो उसे नहीं गिनते इधर
- Liquidity= ease of converting an asset into cash. Cash is the most liquid asset.
 - Highly liquid assets (अत्यधिक तरल संपत्ति): Gold, Demand deposits, G-Sec/T-Bill, shares/bonds of

Handout already uploaded



Edu Doubt?
Ask through



y Resources /

Which of the following is not included in the assets of a commercial bank in India? बैंक के लिए इनमें से कौन सी चीज संपत्ति नहीं है ?

- (a) Advances
- (b) Deposits
- (c) Investments
- (d) Money at call and short notice
- (e) SKIP

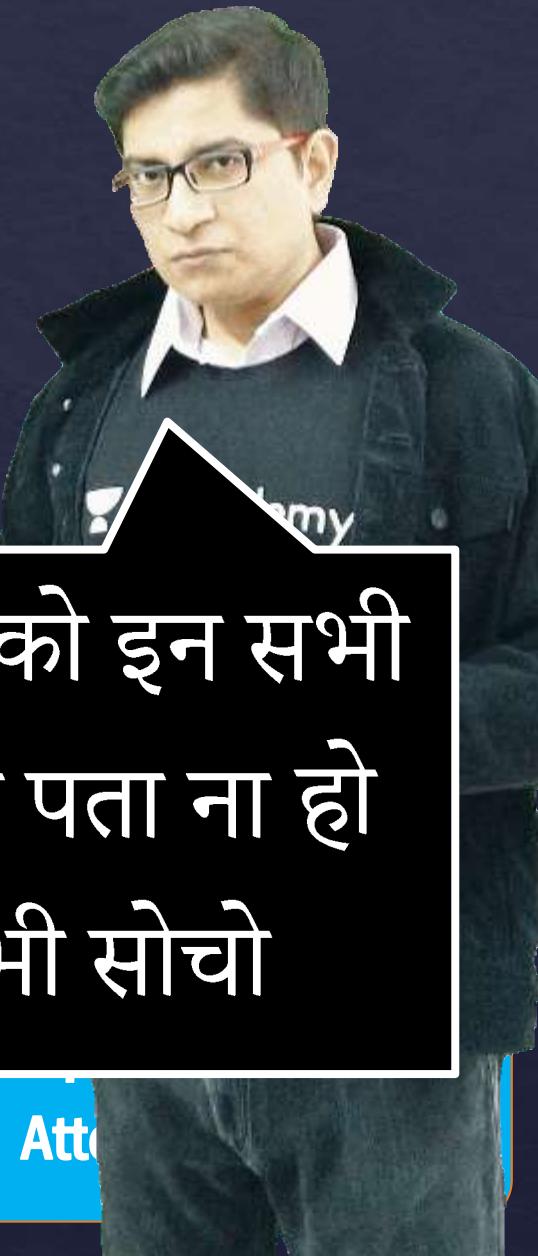
भले आपको इन सभी शब्दों का पता ना हो फिर भी सोचो

100% Surety

50:50

Skip

Atte



Corporate balancesheet

Asset

Factory,
machines



Liability

Loans taken

Workers salary



कंपनी के नजरिए से
संपत्ति वह चीज है
जिसमें से उसे आमदानी
उत्पन्न होती है

कंपनी के नजरिए से
लायबिलिटी /देयता
→ वह रकम है जो
उसने किसी को चुकानी
है



Company balancesheet

Asset

Factory,
machines



Liability

Loans taken

Workers salary



SBI Bank balancesheet

Asset

Loans
given



Liability

Deposits

From bank's point of view,
loans = asset because bank
will earn interest from
borrower

बैंक को ब्याज कमाने को मिलता है 😊

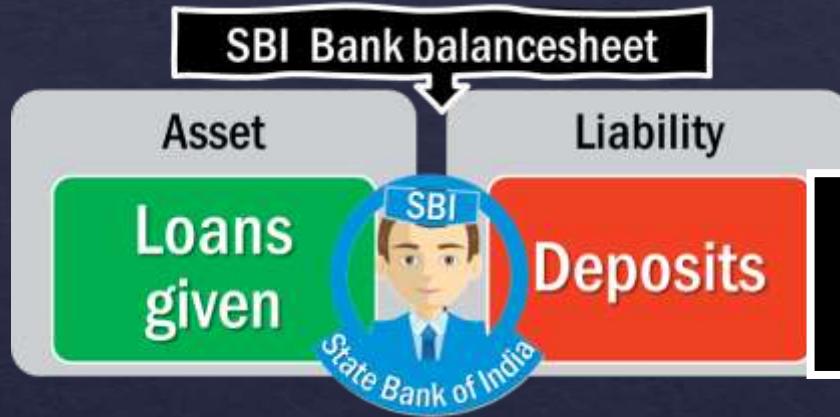
From bank's point of view,
deposits = liability because
bank has to return it to
depositor. क्योंकि बैंकर ने वो पैसा
बचत कर्ता को वापस करना है 😠



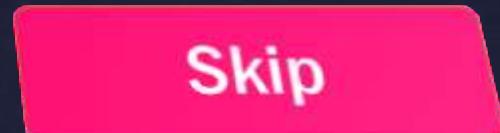
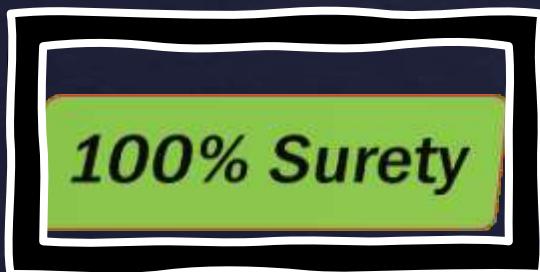
(Prelim19-SetA) Q64. बैंक के लिए कौन सी चीज संपत्ति नहीं है

Which of the following is **not included** in the assets of a commercial bank in India?

- (a) Advances (loan)
- (b) Deposits
- (c) Investments (G-sec)
- (d) Money at call and short notice (will be cleared when we enter #1C: SEBI-sharemarket)



वो तो उसने ग्राहकों को
वापस करनी है



If you withdraw Rs. 1,00,000 in cash from your Demand Deposit Account at your bank, the immediate effect on aggregate money supply in the economy will be __.

- [a] to reduce it by ₹ 1,00,000 (वो एक लाख जितना कम हो जाएगा)
- [b] to increase it by ₹ 1,00,000 (वो एक लाख जितना बढ़ जाएगा)
- [c] to increase it by more than ₹ 1,00,000 (वो एक लाख से ज्यादा बढ़ जाएगा)
- [d] to leave it unchanged (उसमें कोई बदलाव नहीं होगा)



अगर आप अपने बैंक खाते से 1 लाख रुपये निकाल लेंगे तो समस्त मौद्रिक संसाधन पर उसका तत्कालीन क्या असर होगा?

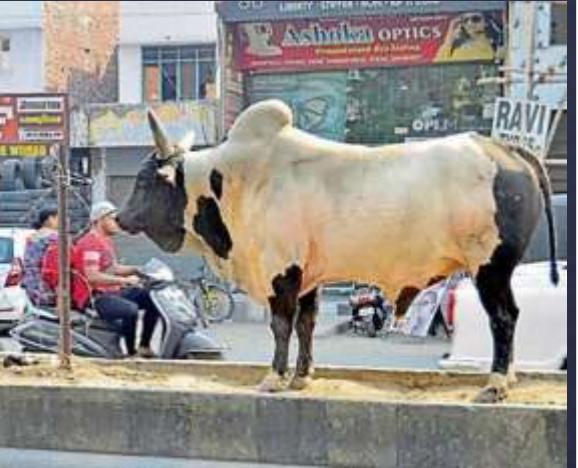
100% Surety

50:50

Start

What if person invest money in Sharemarket?

शेयर बाजार में पैसा निवेश किया तो M3 पर क्या असर ?



कुल मिलाकर बात यह है
कि

किसी एक खास वक्त पर
आप फोटो खींच लेंगे और
फार्मूला के हिसाब से
आंकड़े डालेंगे.
सड़क के सांड की तरह
इधर-उधर नहीं देखेंगे।

Coin & Currency with
public Jeweller
(100)

+

Time deposit

+

Demand deposits
(0)

=

M3
(100)

7PM

What will be impact of Kohli's marriage on M3?

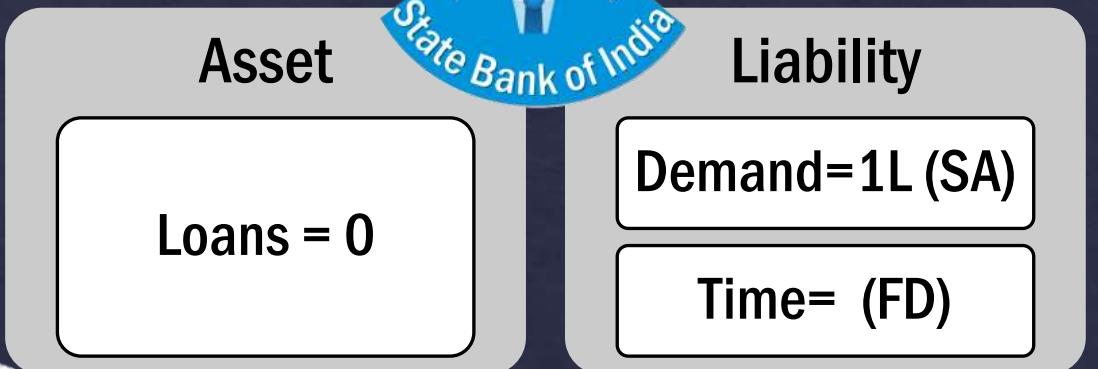
विराट कोहली की शादी का M3 पर क्या असर ?



RBI

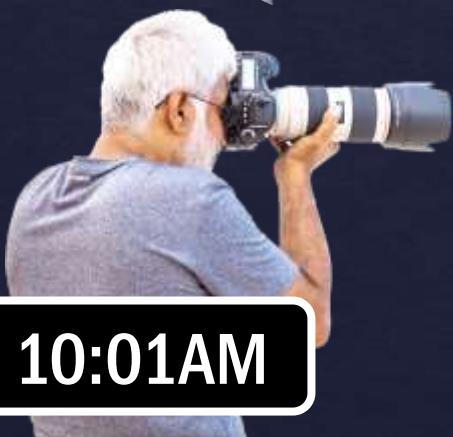


Shaktikanta Das



Aggregate
Money
Supply

10:00AM



Measure of money supply	Coin & Currency with Public	Demand Deposits (CASA)	⌚ Time Deposits (FDRD)	Total
M3 (Before) @10:00AM	0	1lakh	0	1 lakh
M3 (AFTER) @10:01AM	1lakh	0	0	1 lakh

10:01AM

Immediate effect
UNCHANGED तत्कालीन कोई फरक नहीं पड़ा!

If you withdraw Rs. 1,00,000 in cash from your Demand Deposit Account at your bank, the **immediate effect** on aggregate money supply in the economy will be __.

- [a) to reduce it by ₹ 1,00,000
- [b) to increase it by ₹ 1,00,000
- [c) to increase it by more than ₹ 1,00,000
- [d) to leave it unchanged

100% Surety

50:50

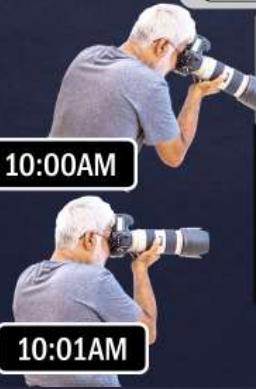
Skip



अगर आप अपने बैंक खाते से 1 लाख रुपये निकाल लेंगे तो समस्त मौद्रिक संसाधन पर उसका तत्कालीन असर क्या असर होगा?



Asset	Liability	Aggregate Money Supply
Loans = 0	Demand=1L (SA) Time= (FD)	0 Rs. In hand
Measure of money supply	Coin & Currency with Public	Demand Deposits (CASA) Time Deposits (FDRD)
M3 (Before) @10:00AM	0	1lakh 0
M3 (AFTER) @10:01AM	1lakh	0 0
Immediate effect UNCHANGED तत्कालीन कोई फरक नहीं पड़ा!		



But what if long term impact was asked?

- Ans. Difficult to predict.
- Depends on withdrawal → payment → deposit → loan → cycle.
- If money never deposited back in the bank then M3 unchanged even in long term.
लंबी अवधि में क्या होगा वो तो निर्भर करता है कि ये जो पैसा बैंक से उठाया है वो वापस जमा होता है कि नहीं वो लोन में घुमाया जाता है कि नहीं

RBI



Shaktikanta Das

RBI printed
₹100+₹20



Kept ₹20 in cash

Incoming

Deposit

₹100



Outgoing

Loan

100

SALARY



How much is the money supply “M3” in this case?

यहाँ मुद्रा आपूर्ति M3 कितनी है

- A) 120
- B) 220
- C) 300
- D) 440

E) Skip this MCQ



Hint: M3= cash with public + all types of bank deposits



Incoming

Deposit

₹80

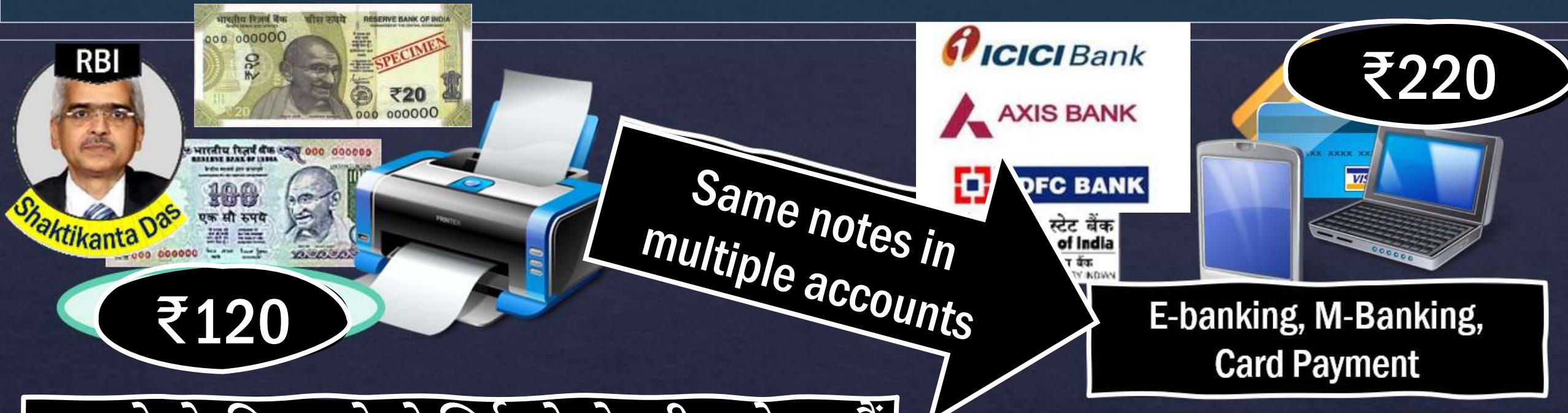


Outgoing

Loan

No Takers

But how did this happen?



- जत्थे के हिसाब से तो सिर्फ दो नोट ही छापे गए हैं जिसका कुल मूल्य ₹120 था तो फिर बाजार में ₹220 कैसे पैदा हो गए?
- क्योंकि वही दो नोट बहुत सारे बैंक खातों में एक साथ दिखेंगे



suppose



$$\begin{array}{c} \textcolor{red}{=} \\ \textcolor{red}{=} \\ \textcolor{red}{=} \\ \textcolor{red}{\leftarrow\!\!\! \rightarrow} \\ \mathbf{1 \text{ kg} = \text{Rs.}100} \end{array}$$



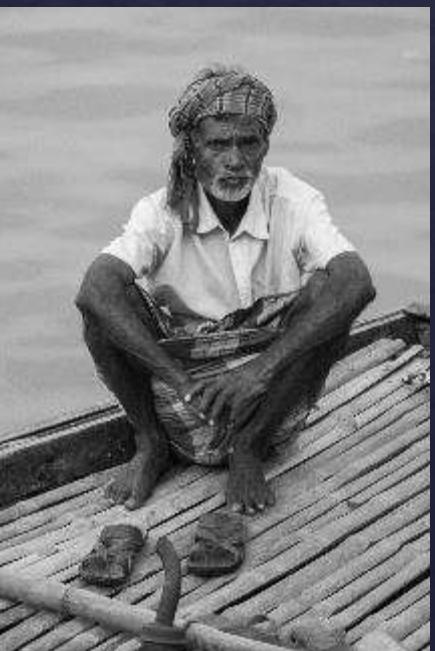
suppose



$$\begin{array}{c} \text{=} \\ \text{=} \\ \text{=} \end{array}$$

1 kg = Rs.100

A red double-headed arrow with three horizontal bars above it, pointing from the onions on the left to the money on the right. The text "1 kg = Rs.100" is written in red inside the arrow.



- What if Government launches
- **PM Suitcase LELO Yojana**
- Every poor man will be given a suitcase containing ₹ 1 lakh rupees.
- Poverty is removed!



Money supply increased → demand but supply has not increased!

मुद्रा की आपूर्ति  के सामने वस्तुओं की आपूर्ति नहीं बढ़ेगी तो महंगाई बढ़ेगी 😠



1 kg = Rs.100



1 kg = Rs.1500



Inflation.



I can't buy more
Quantity of Onions yet.
में तो गरीब का गरीब ही हु. 😠
ज्यादा प्याज नहीं खरीद पा रहा
मैं तो 😠 😠



आरबीआई के खुद के खेत नहीं है कि वह नए प्याज उगा के ले आए तो ऐसी महंगाई से निपटने के लिए रिजर्व बैंक ने मुद्रा की आपूर्ति  कम करनी होगी



1 kg = Rs.100



1 kg = Rs.1500



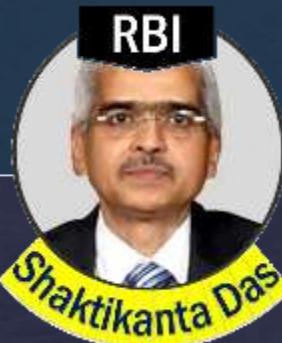
Inflation.



- 1) I can't directly ↑ the supply of onions.
- 2) But if I  the supply of money. I can fight this.

2) RBI must control demand by controlling money supply.





RBI



1 note

How will RBI control money supply?



1) Cash Reserve Ratio

CRR : 10% of deposits.

Bank can't loan it to anyone.

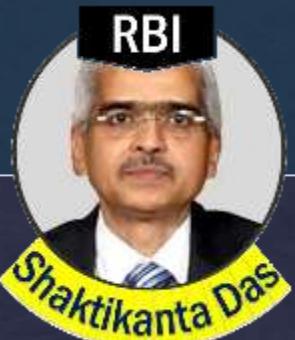
डिपॉजिट में जो पैसा मिला उसका 10% किसी को लोन में नहीं देना है। मेरा आदेश है

2) Suppose a person doesn't keep any cash with himself. He deposits all of it in bank.



0 Rs. In hand

RBI



Shaktikanta Das



1 note

How will RBI control money supply?

Asset

CRR = 10

Loans = 90

Liability

Demand= 30

Time= 70

=100



0 Rs. In hand

For payment of Jio internet

Asset

CRR = 09

Loans = 81

Liability

Demand= 90

Time= 00



Suppose no one keeping cash in hand. Every ₹ deposited in banks.

मान लीजिए कि कोई भी आदमी हाथ में नकदी रकम नहीं रखता. सारा पैसा बैंक में जमा करता है



$M_0 = ₹100$ ka 1 note



Process:

Deposit

Loaning

10% CRR



1st Bank

₹100

Rs. 90

Rs. 10

Loan Decreasing due to CRR



2nd Bank:

₹90

Rs. 81

Rs. 09



3rd Bank:

₹81

Rs. 72.90

Rs. 08.10

...

...Nth Bank 0.** 0.** 0.**



Recall formulas

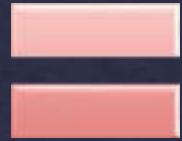
Coin & currency with public



Demand deposits in Banks (CASA)



Time Deposits in Banks



M3



For simplicity in understanding,
let's presume no coin /currency held by public.
Everything DEPOSITED in Bank

आसान उदाहरण के लिए मान लीजिए कि सारा पैसा बैंक में है
कोई हाथ में पैसा नहीं रख रहा है

Coin & currency with public +Deposits with Bank=M3



M0= ₹100 ka 1 note



Process:

1st Bank



2nd Bank:



3rd Bank:

...

...Nth Bank



M3
= coin currency with public (₹0)
+ deposits in bank (Pink Frame)



What will be the sum of pink frame?



If you make a series in EXCEL upto 75 banks, then and do its sum of all deposits, answer is 999.6^* = approx. ₹1,000

BankName	Deposit
Bank1	100.00
Bank2	90.00
Bank3	81.00
Bank4	72.90
Bank5	65.61
Bank6	59.05
Bank7	53.14
Bank8	47.83

Bank67	0.10
Bank68	0.09
Bank69	0.08
Bank70	0.07
Bank71	0.06
Bank72	0.06
Bank73	0.05
Bank74	0.05
Bank75	0.04
Total	999.63

NCERT has it a contrived manner (बहुत ही कलिष्ट रूप से समजाया है)



NOT IMPORTANT, how NCERT derived this Maths formula for 'progression'
But, in our example, sufficient to know
@10% CRR, M0=100 → M3= 1000

Table 3.3: The Multiplier Process

	Currency	Deposits	Money Supply
Round 1	$\frac{H}{2}$	$\frac{H}{2}$ (Bank A)	H
Round 2	$\frac{0.8H}{4}$	$\frac{0.8H}{4}$ (Bank B)	$\frac{0.8H}{2}$
Round 3	$\frac{0.64H}{8}$	$\frac{0.64H}{8}$ (Bank C)	$\frac{0.64H}{4}$

Bank A, keeping $\frac{H}{2}$ in her account and taking $\frac{H}{2}$ away as cash. Currency held by the public thus goes up by $\frac{H}{2}$. Bank A's liability goes up by $\frac{H}{2}$ because of this increment in deposits. But its assets also go up by the same amount through the possession of this cheque, which is nothing but a claim of the same amount on RBI. The liability of RBI goes up by Rs H, which is the sum total of the claims of Bank A and its client, the seller, worth $\frac{H}{2}$ and $\frac{H}{2}$, respectively. Thus, by definition, high powered money increases by Rs H.

The process does not end here. Bank A will keep $\frac{0.2H}{2}$ of the extra deposit reserve and loan out the rest, i.e. $\text{Rs } \frac{(1-0.2)H}{2} = \text{Rs } \frac{0.8H}{2}$ to another borrower³. The borrower will presumably use this loan on some investment project and spend the money as factor payment. Suppose a worker of that project gets the payment. The worker will then keep $\frac{0.8H}{4}$ as cash and put $\frac{0.8H}{4}$ in her account in Bank B. Bank B, in turn, will lend $\text{Rs } \frac{0.64H}{4}$. Someone who receives that money will keep $\frac{0.64H}{8}$ in cash and put $\frac{0.64H}{8}$ in some other Bank C. The process continues *ad infinitum*.

Money Multiplier means

$$\frac{\text{Stock of Total Money (M3)}}{\text{Stock of High Powered money(M0)}} = \frac{1000}{100} = 10$$



Measure	Coin & Currency with Public	Commercial Banks		Post Office	
		Demand Deposits (CASA)	Time Deposits (FDRD)	Demand Deposits (SA)	Time Deposits
Narrow Money	M1	✓	✓	X	X
	M2	✓	✓	X	✓
Broad Money	M3	✓	✓	✓	X
	M4	✓	✓	✓	✓



If you make a series in EXCEL upto 75 banks, then and do its sum of all deposits, answer is 999.6* = approx. ₹1,000

Deposit → Lending → zigzag sequential process @10% CRR

Technically called “Fractional Reserve Banking & Credit Creation ”
and its multiplier effect (मुद्रा गुणक)

$$\frac{\text{Stock of Total Money (M3)}}{\text{Stock of High Powered money(M0)}} = \frac{1000}{100} = 10$$



Measure	Coin & Currency with Public	Commercial Banks		Post Office	
		Demand Deposits (CASA)	Time Deposits (FDRD)	Demand Deposits (SA)	Time Deposits
Narrow Money	M1	✓	✓	✗	✗
	M2	✓	✓	✗	✓
Broad Money	M3	✓	✓	✓	✗
	M4	✓	✓	✓	✓

Money multiplier

10 times money will be generated, IF u keep CRR@10%



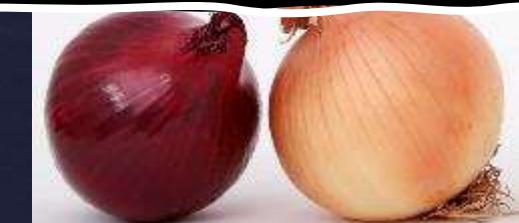
1 note

Inflation: RBI should money supply: CRR ↑ 20%

महंगाई से लड़ने के लिए मुद्रा आपूर्ति कम करनी थी



To fight inflation:
 money supply

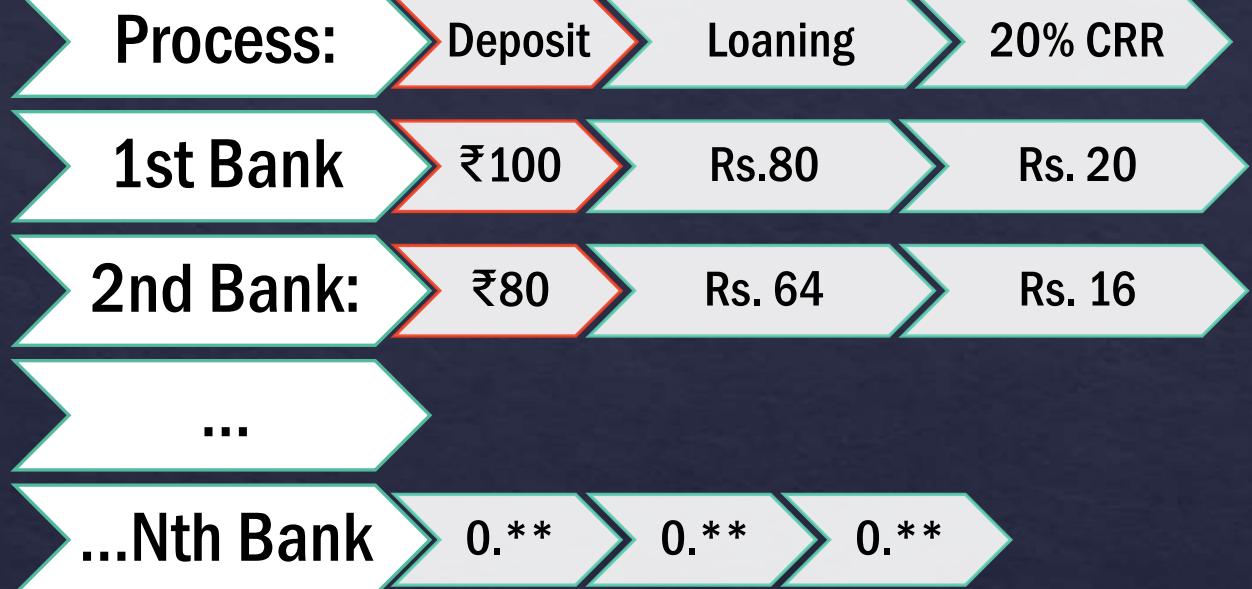




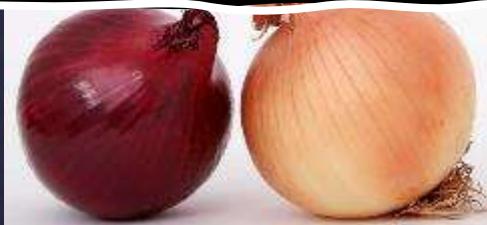
Inflation: RBI should money supply: CRR \uparrow 20%

महंगाई से लड़ने के लिए मुद्रा आपूर्ति कम करनी थी

1 note



To fight inflation:
 money supply



$$\frac{\text{Stock of Total Money (M3)}}{\text{Stock of High Powered money (M0)}} = \frac{500}{100} = 5$$

@20% “reserve”, banking system generates
Rs.500 out of Rs.100..hence money multiplier is (5x)

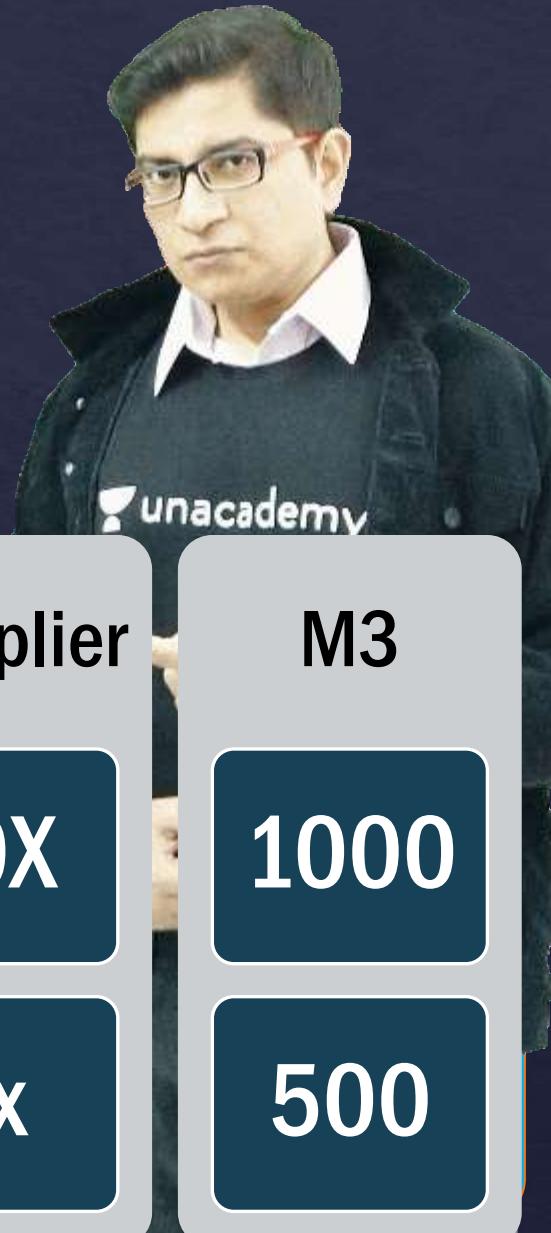
What did u understand?

- A. If RBI increases CRR -> then M3 decreases.
(CRR को बढ़ाने से M3 कम होता है.)

- B. If RBI increases CRR -> money multiplier decreases. **(CRR को बढ़ाने से मुद्रा गुणक कम होता है.)**

- C. Both A and B correct

- D. Neither A nor B correct.



M0	CRR	Multiplier	M3
100	10%	10X	1000
100	20%	5x	500

100% Surety

50:50

M0

100

100

CRR

10%

20%

Multiplier

10X

5x

M3

1000

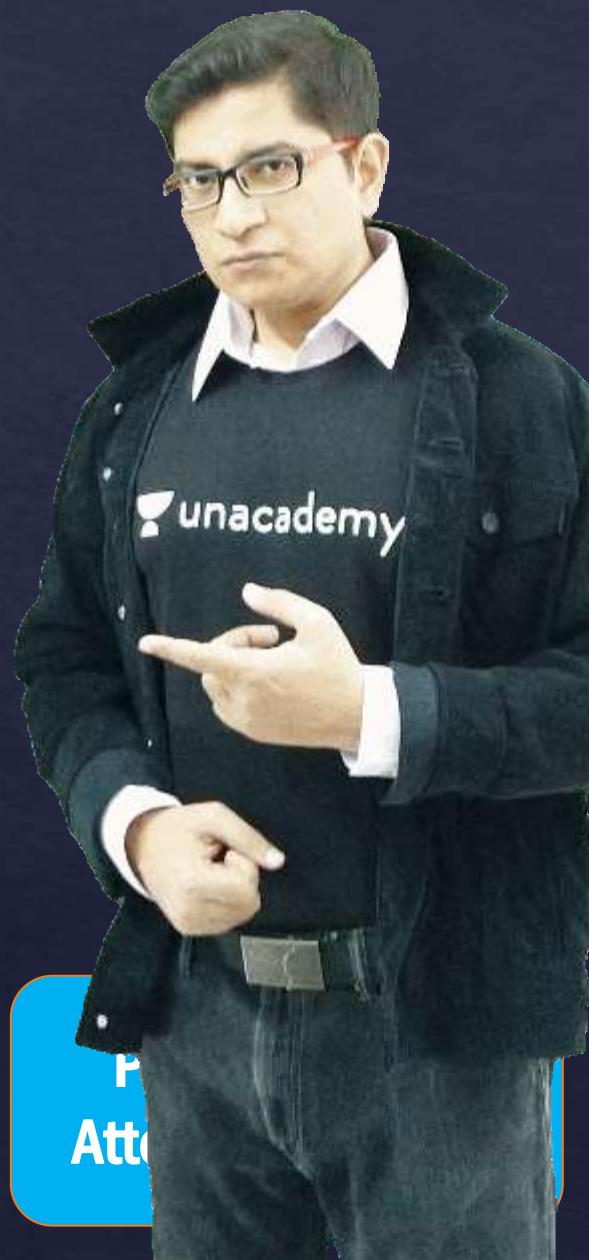
500

100% Surety

50:50

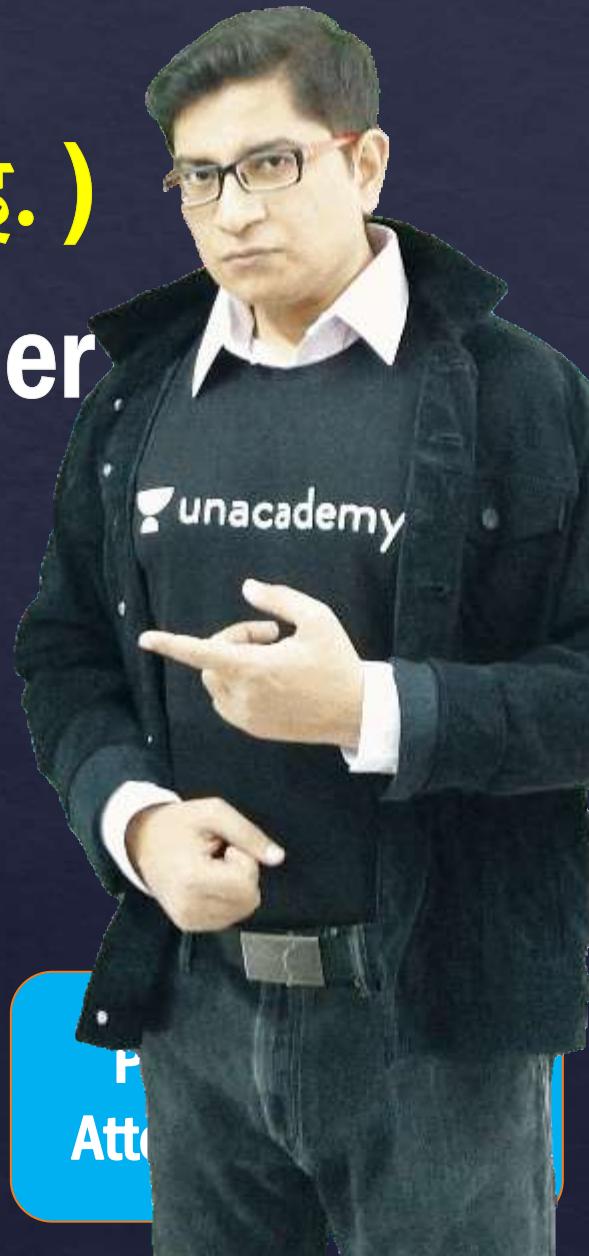
Skip

P
Atte



What did u understand?

- A. If RBI increases CRR -> then M3 decreases. (CRR को बढ़ाने से M3 कम होता है.)
- B. If RBI increases CRR -> money multiplier decreases. (CRR को बढ़ाने से मुद्रा गुणक कम होता है.)
- C. Both A and B correct
- D. Neither A nor B correct.



100% Surety

50:50

Skip

P
Atte

NCERT: money multiplier = $1/\text{CRR\%}$

**How to Convert
% into decimal?**

$$\begin{aligned}10\% \\= 10/100 \\= 1/10\end{aligned}$$

NCERT: Every “R” cash reserve ratio generates “1/R” new money

How to Convert
% into decimal?

$$\begin{aligned}10\% &= 10/100 \\&= 1/10 \\&= 0.1\end{aligned}$$

multiplier $\rightarrow \left(\frac{1}{CRR}\right) = \left(\frac{1}{10\%}\right) = \left(\frac{1}{0.1}\right) = \left(\frac{1}{\frac{1}{10}}\right) = 10x$

NCERT: Every “R” cash reserve ratio generates “1/R” new money

Reserve Ratio CRR

$$100\% = 1$$

$$20\% = 1/5$$

$$10\% = 1/10$$

Multiplier (1/CRR)

$$1x$$

$$5x$$

$$10x$$

How to Convert
% into decimal?

$$10\%$$

$$= 10/100$$

$$= 1/10$$

$$= 0.1$$

$$\text{multiplier} \rightarrow \left(\frac{1}{CRR} \right) = \left(\frac{1}{10\%} \right) = \left(\frac{1}{0.1} \right) = \left(\frac{1}{\frac{1}{10}} \right) = 10x$$

when CRR: 100%

money multiplier effect



$$\text{money multiplier effect} = \frac{1}{(CRR)} = \frac{1}{(100\%)} = \frac{1}{(1)} = 1x$$

100% CRR means i can't give loans to anyone from deposits!

लोन ही नहीं मिलेंगे तो फिर मैं क्या करूँ,
मर जाऊँ? (non-functional) हो जाऊँ?



Indian Economy



100% CRR means i can't give loans to anyone from deposits!

लोन ही नहीं मिलेंगे तो फिर मैं क्या करूँ,
मर जाऊँ? (non-functional) हो जाऊँ?



- no no. CRR should not be 100%
- let's keep CRR <100% e.g. 4%



Indian Economy



लोन ही नहीं मिलेंगे तो फिर मैं क्या करूँ,
मर जाऊँ? (non-functional) हो जाऊँ?



RBI



Shaktikanta Das

- no no. CRR should not be 100%
- let's keep CRR <100% e.g. 4%
- then money multiplier will be greater than >1 in a functional economy

Indian Economy



when CRR: 4%

$$\text{money multiplier effect} = \frac{1}{(CRR)} = \frac{1}{(4\%)} = \frac{1}{\left(\frac{1}{25}\right)} = 25x$$

CRR 4% < 100%
(is less than)

Multiplier 25
means > 1
(greater than)

Every “R” reserve generates “1/R” new money

Reserve Ratio “R”

$$100\% = 1$$

$$20\% = 1/5$$

$$10\% = 1/10$$

$$5\% = 5/100 = 1/20$$

$$4\% = 4/100 = 1/25$$

$$3\% = 3/100 = (1/33.3)..\,$$

Multiplier ($1/R$)

$$1x$$

$$5x$$

$$10x$$

$$20x$$

$$25x$$

$$33x$$

Means, if RBI  the CRR, then money supply (M1, M3) will 

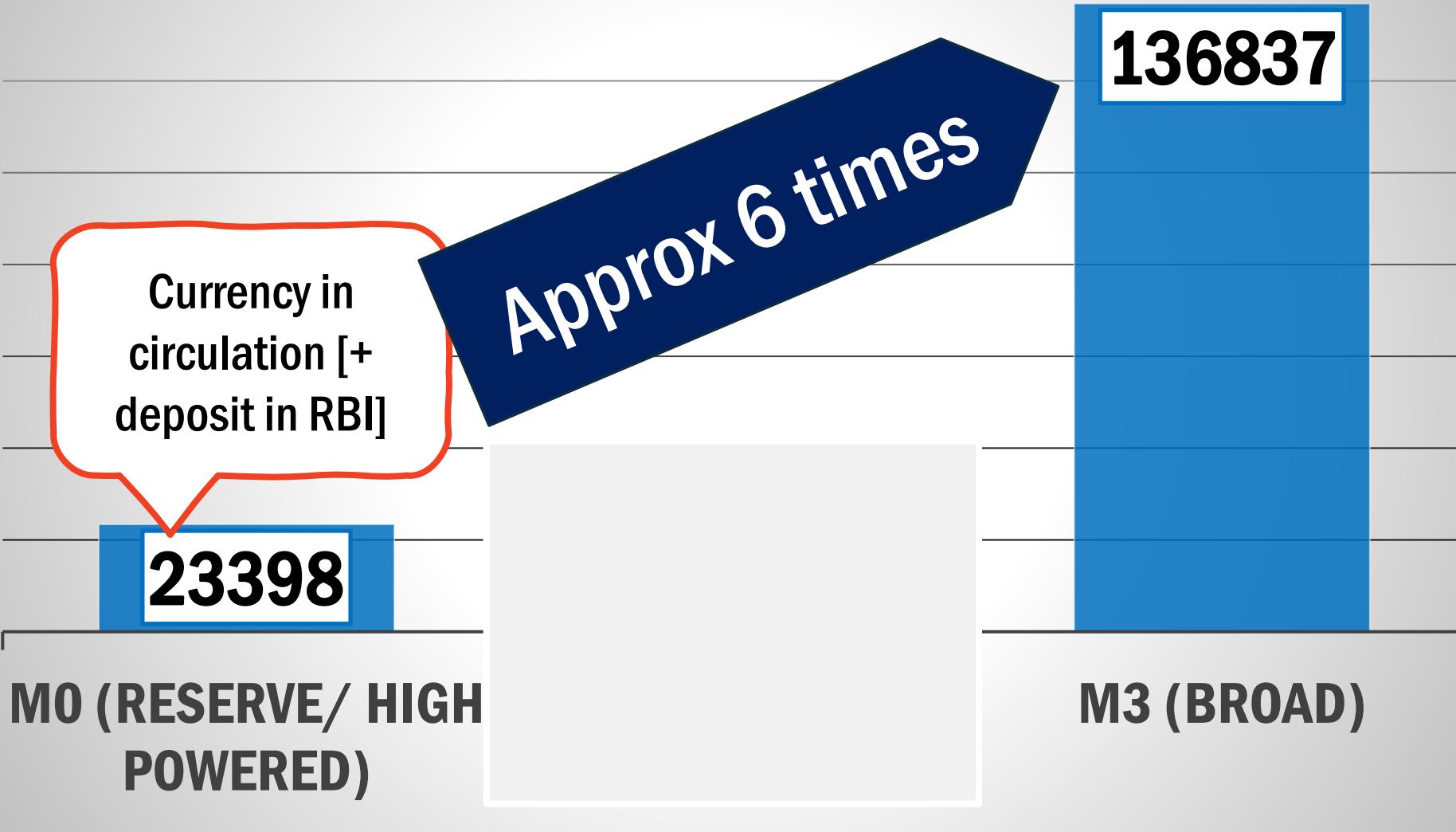
$$10\% = \frac{10}{100} = \frac{1}{10}$$

$$4\% = \frac{4}{100} = \frac{1}{25}$$

So, is it 25x in real life?

In 2018, CRR is 4% → as per theory, multiplier should be 25x

Data in billion rupees (2018)



Money Multiplier

$$= \frac{M3}{M0}$$

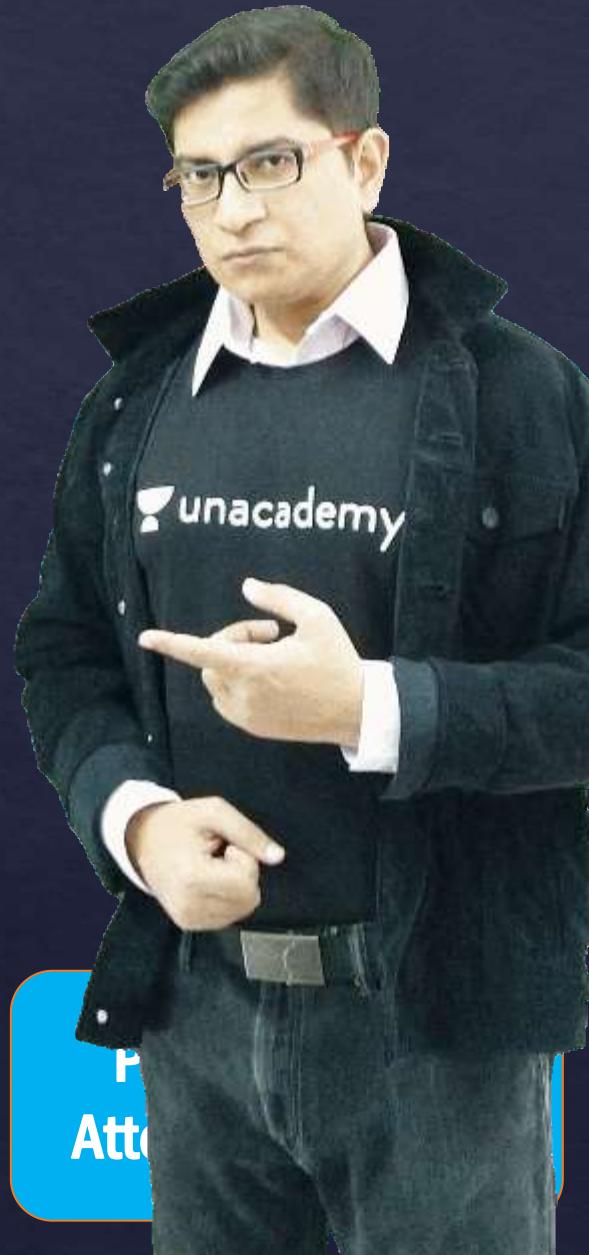
$$= \frac{\text{₹}1,36,837 \text{ bn}}{\text{₹}23,398 \text{ bn}}$$

$$= 5.84$$

WHY IT IS
NOT 25X??

What did u understand?

- A. If people take more loans then M3 will grow
(अगर लोग अधिक कर्ज लेते हैं तो M3 बढ़ेगा)
- B. If people take less loans then M3 will not grow.
(अगर लोग कम कर्ज लेते हैं तो M3 नहीं बढ़ेगा।)
- C. If people don't deposit money in banks then M3 will not grow.
(यदि लोग बैंकों में पैसा जमा नहीं करते हैं तो M3 नहीं बढ़ेगा।)
- D. All of the above.



100% Surety

50:50

Skip

P
Atte

For multiplier effect

जनता का बैंक में पैसा जमा कराना अनिवार्य है तभी यह माला बढ़ेगी



- If person 1 buys ₹100 ki books from an offline shopkeeper,
- But shopkeeper doesn't deposit ₹₹ into bank to hide from Income tax →
- Then Money multiplier will not grow. Because,
- $M3 = \text{Currency with public (100)} + \text{banks (0)} = 100$



when CRR is 4%, why isn't multiplier should be 25x times in real life?

Zigzag...करते-करते एक बैंक से दुसरे बैंक में पैसा घूमते रहना चाहिए

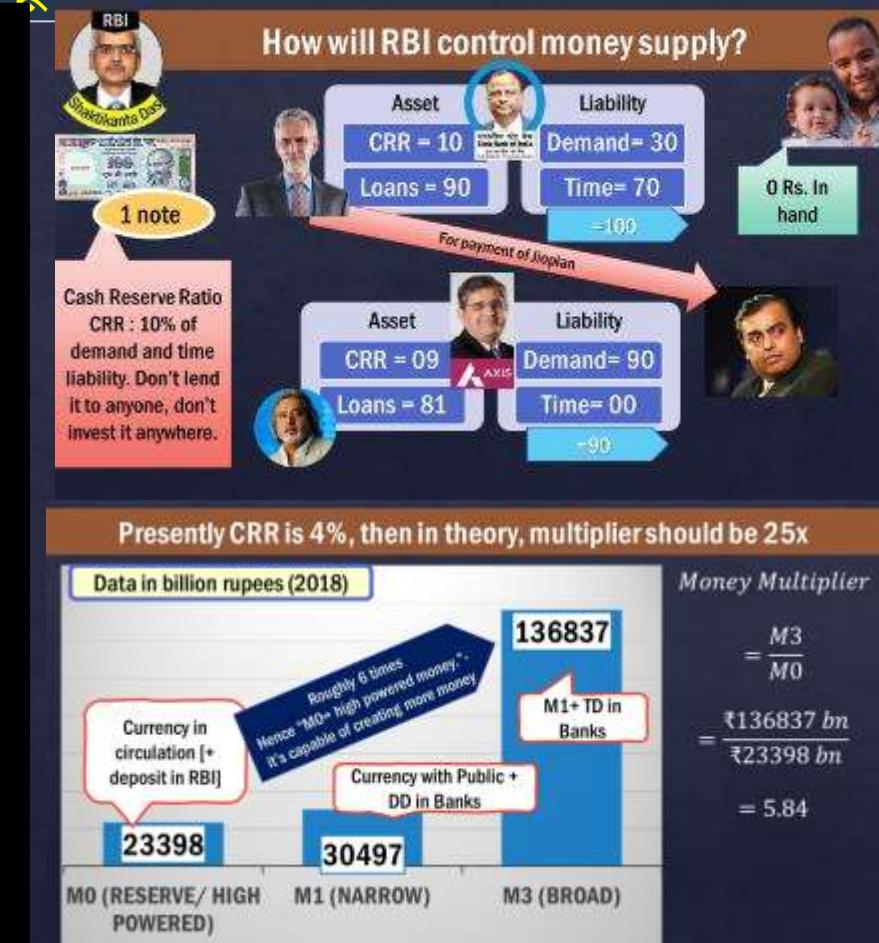
1. Is everyone keeping all of his money in bank? (Black money!)

2. Does everyone have bank account? (Financial Inclusion)!

3. Is everyone loaning money to next party till the last bank...?

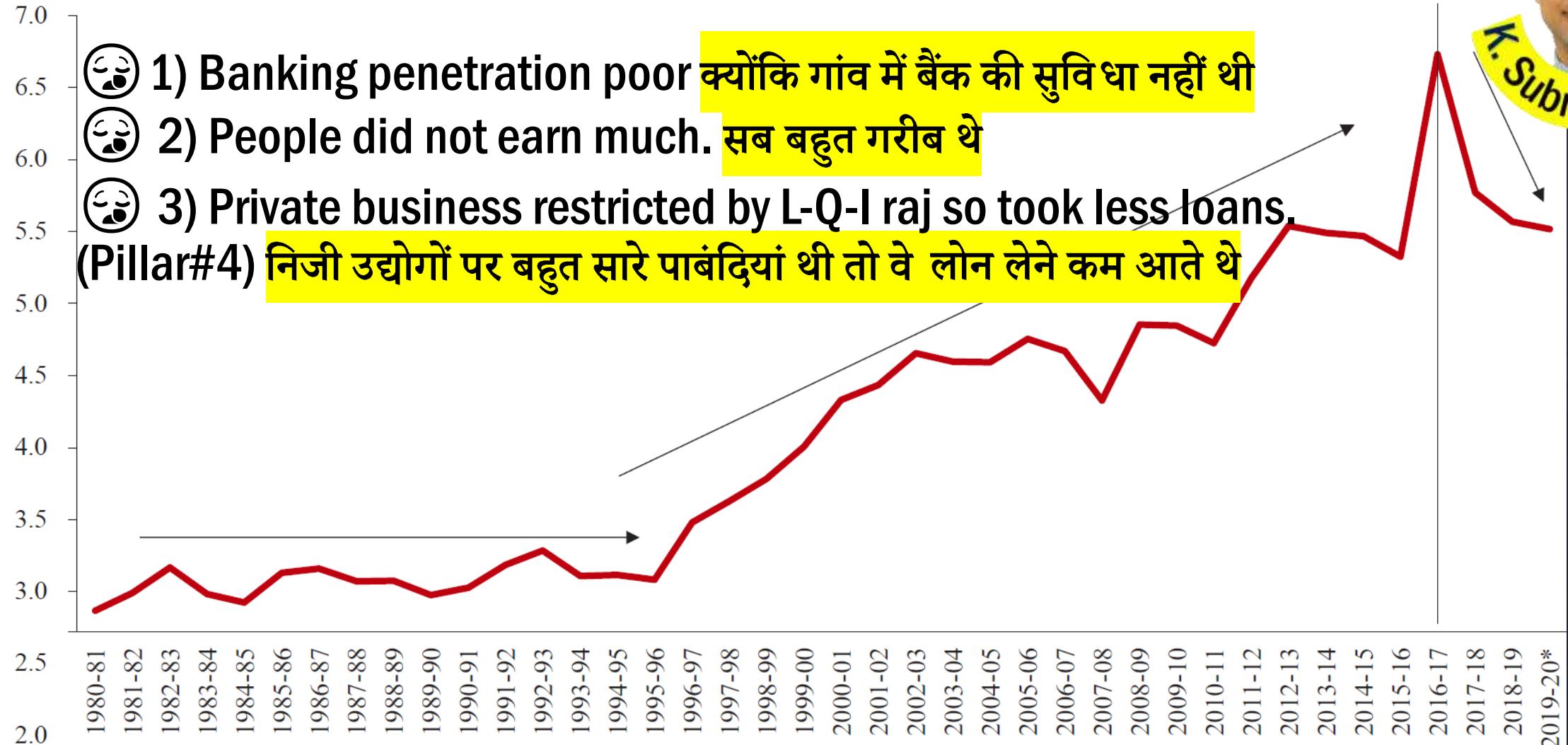
4. Can banks loan all the funds immediately after CRR?

Will they immediately find borrowers?



money multiplier between 1980 to 1991

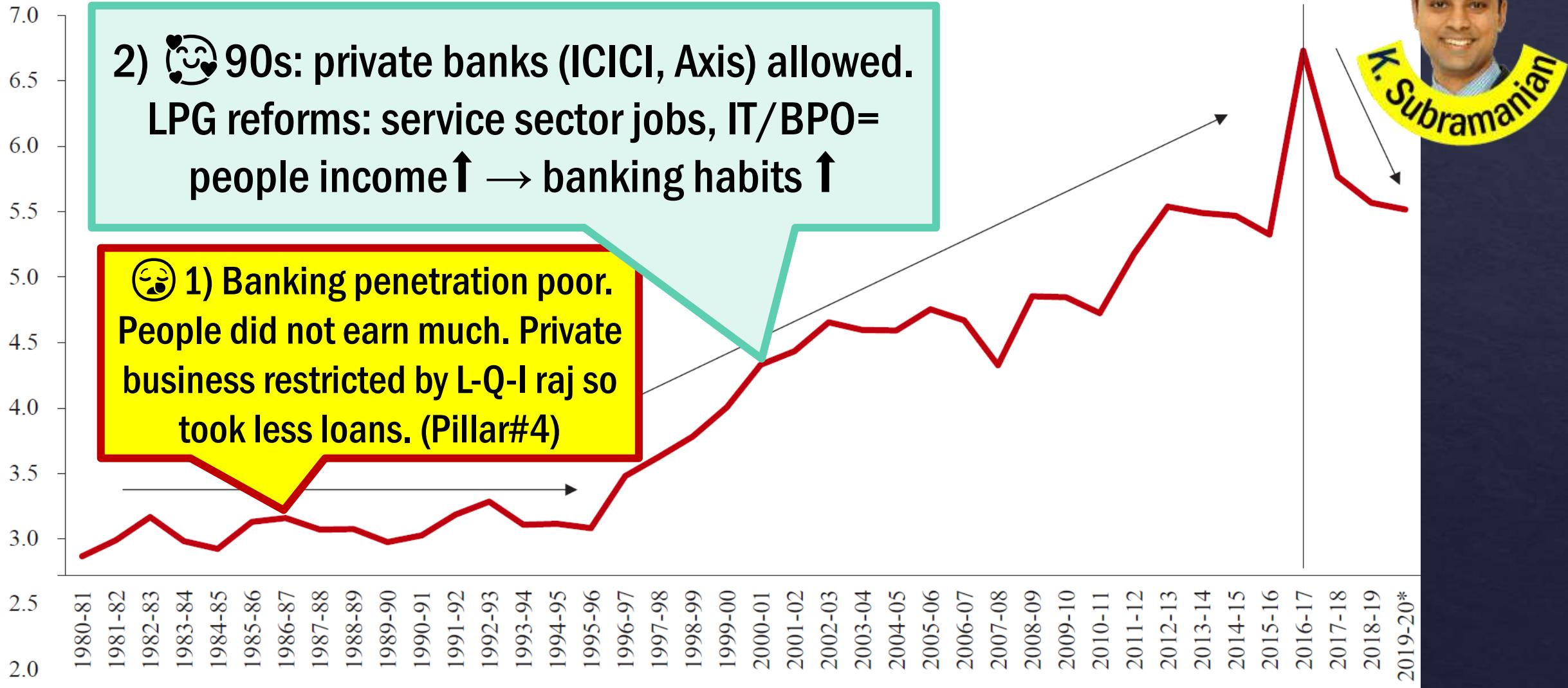
CEA



Multiplier Factors: how much ₹ people deposit, how much ₹ loans taken

money multiplier between 1991 onwards

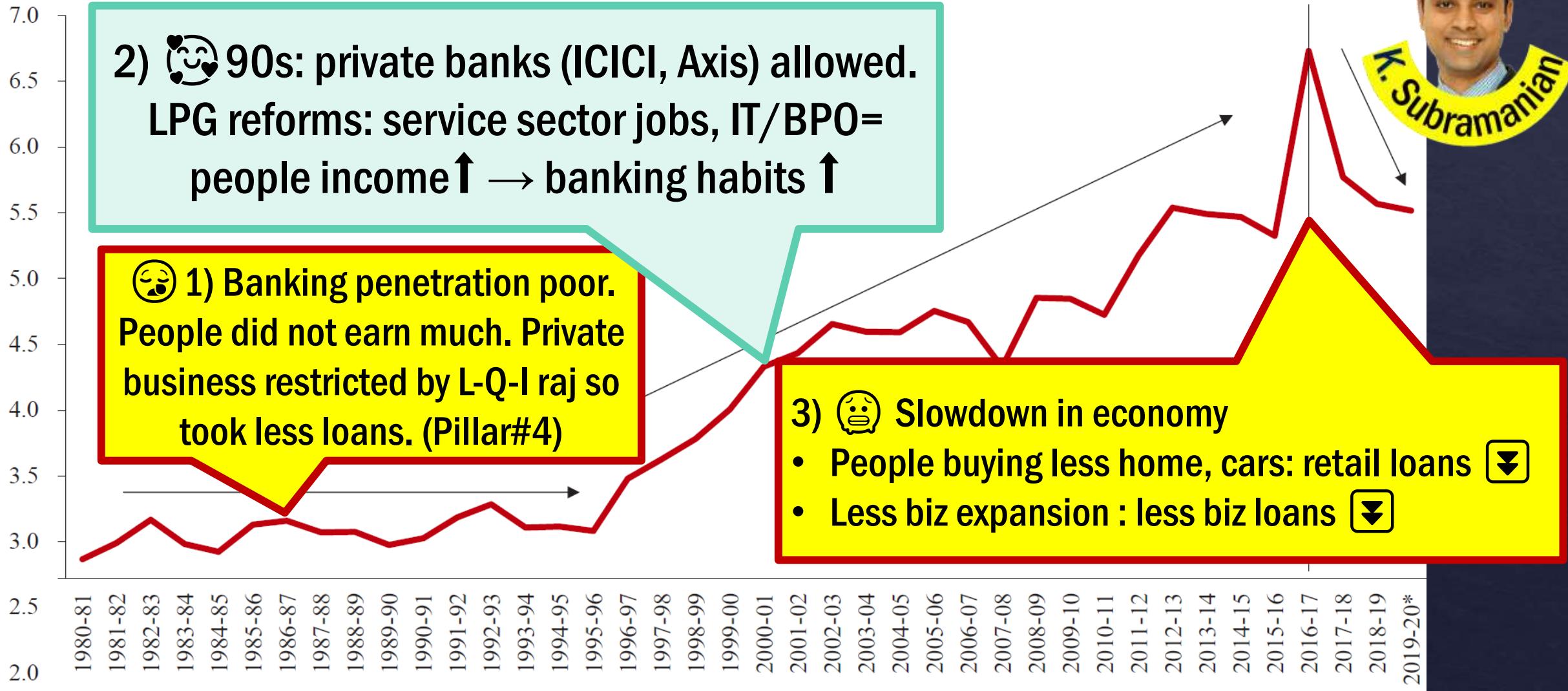
CEA



Factors: how much ₹ people deposit, how much ₹loans taken

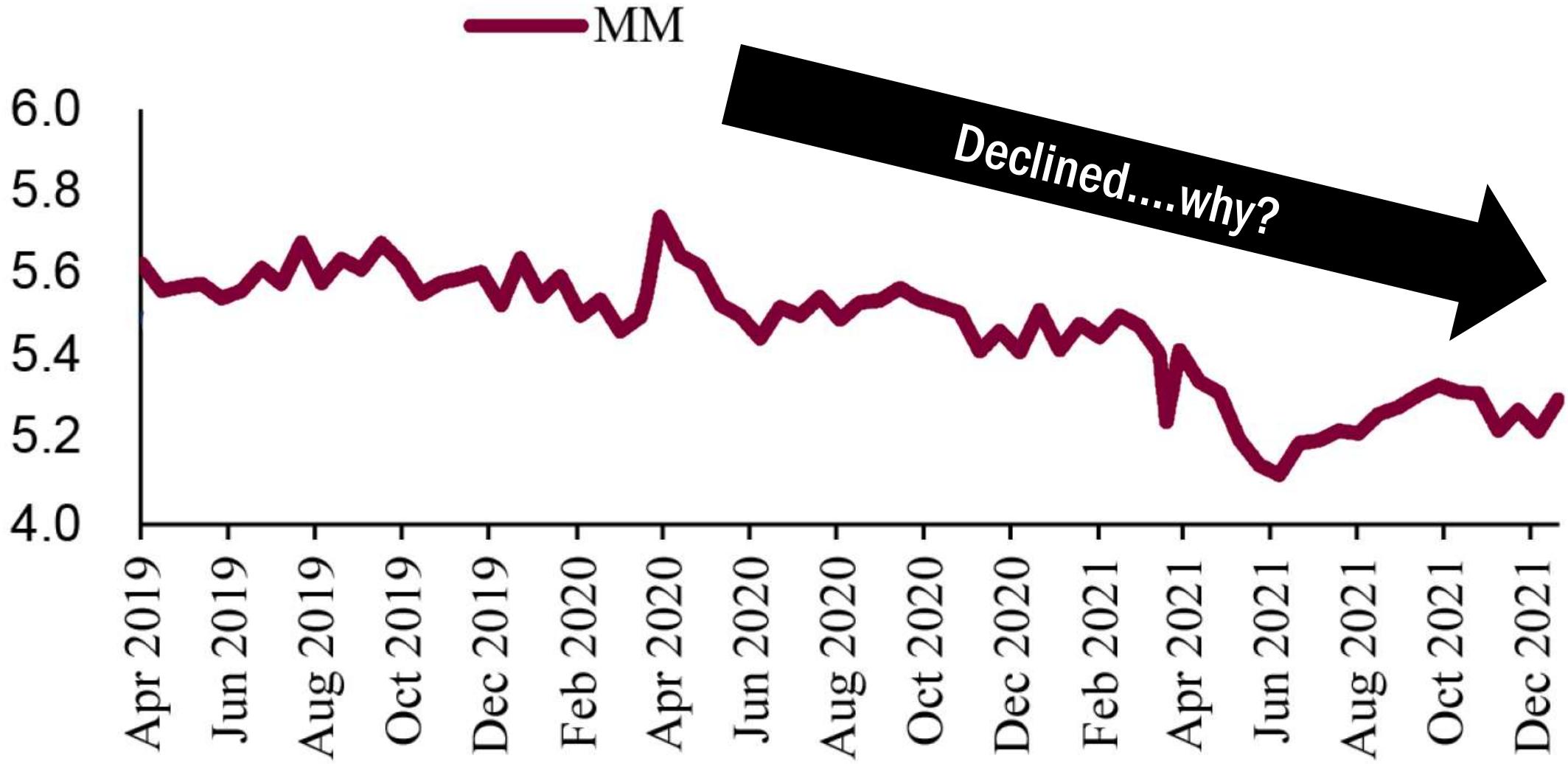
money multiplier between 2017-2019 onwards

CEA



Factors: how much ₹ people deposit, how much ₹loans taken

Money multiplier in 2020-21



Money multiplier fallen in 2020-21 because

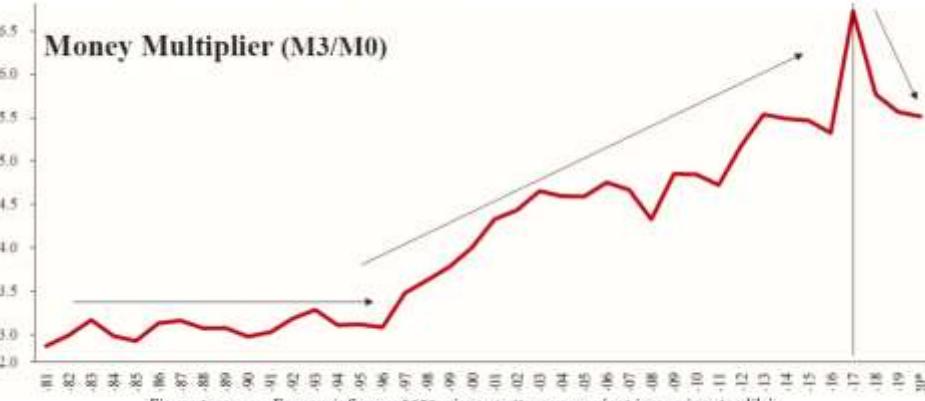


Then 2022
Stable around
5.1-5.2

- 😟 banks reluctant to give loans to people fearing bad loan defaults
- 😟 माल्या जैसे दिवालियापन के जोखिम में बैंक वाला मेरी लोन अर्जी ही पास नहीं कर रहा है



11.14.2 💰 ↘ Money Multiplier From 1981 to 2020



- ■ ES20 observed that between mid-1990's to 2016-17: Money multiplier (measured as a ratio of M3/M0) was mostly .
- But 2017-18 onwards: Money Multiplier is . Could be attributed to the lack of growth in loaning activities & slowdown in economy.

- 💡 ? MCQ. Money Multiplier in an economy increases with ___? (UPSC-Prelims-2019)
- A) Increase in the cash reserve ratio B) Increase in the banking habit of the population
C) Increase in the statutory liquidity ratio D) Increase in the population of the country

💡 Same above MCQ also repeated in Prelims 2021

In this handout, this is 5 pages only.

सिवाय कि आपने कसम खाई हो
की मेरे को खुद से इसे जटिल बनाना है,
यह जटिल नहीं है



UPSC के
बाबूशोने

I want to
overcomplicate
this.

Other Factors affecting money supply (M3)

Currency Deposit Ratio (CDR) = $\frac{\text{money held by the public}}{\text{public's deposit in banks}}$

Reserve Deposit Ratio (RDR) = $\frac{(\text{bank's Vault Cash} + \text{CRR})}{\text{public's deposit in banks}}$

-  Anyways,
- Misc. factors So don't lose sleep.
- Apply common sense.
- Poor benefit memorising/spending more time in this formula.



Pill1-A-2: money supply & Monetary Policy → continued tomorrow



Liquidity preference theory



can RBI print as much money as they want?

- Ans. No! Asset = Liabilities
- क्या रिजर्व बैंक मन चाहे उतनी मात्रा में हवा में नोट छाप सकता है क्या?



Deposit Types



Measures of Money Supply M1-M4



How to find out how much money RBI has printed?

- M0
- हमें कैसे पता चलेगा कि रिजर्व बैंक ने कुल मिलाकर कितने नोट छापे हैं?



M0 & Money Multiplier



Money Multiplier



CRR & SLR Basics



Impact of Corona on M0, M1, M3, Multiplier



Velocity of Money (मुद्रा का वेग)

RBI



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RBI printed
₹100+₹20



Kept ₹20 in cash

Incoming
Deposit

₹100



Outgoing
Loan

100

SALARY



How much is the money supply “M3” in this case?

यहाँ मुद्रा आपूर्ति M3 कितनी है

- A) 120
- B) 220
- C) 300
- D) 440

E) Skip this MCQ



Hint: M3= cash with public + all types of bank deposits



Incoming
Deposit

₹80



Outgoing
Loan

No Takers

Kept ₹20 in cash

RBI



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RBI printed
₹100+₹20



Kept ₹20 in cash

this originally generated money 120
= M0
= High powered money
= Reserve money

Incoming
Deposit

₹100



Outgoing
Loan

100

SALARY



Kept ₹20 in cash

Incoming
Deposit

₹80



Outgoing
Loan

No Takers

Measures of money supply: M0

भारत में कितनी मुद्रा है उसकी माला को नापने के लिए

रिजर्व बैंक के अलावा वाली संस्थाओं के पास जो पैसा है

₹ Held by Non-RBI org (Public, Banks, NBFC, Govt etc)



e.g. 2016: PM Garib Kalyan Yojana- Blackmoney surrendering → some of it went in RBI as Deposit

₹ Other Deposits in RBI [by public, govt, banks]

RBI

Shaktikanta Das

e.g. CRR

Bankers keep some ₹₹ with themselves for day to day operations.
रोजाना कामों के लिए बैंक अपने पास जो थोड़ी रकम रखता है

Vault Cash of Banks



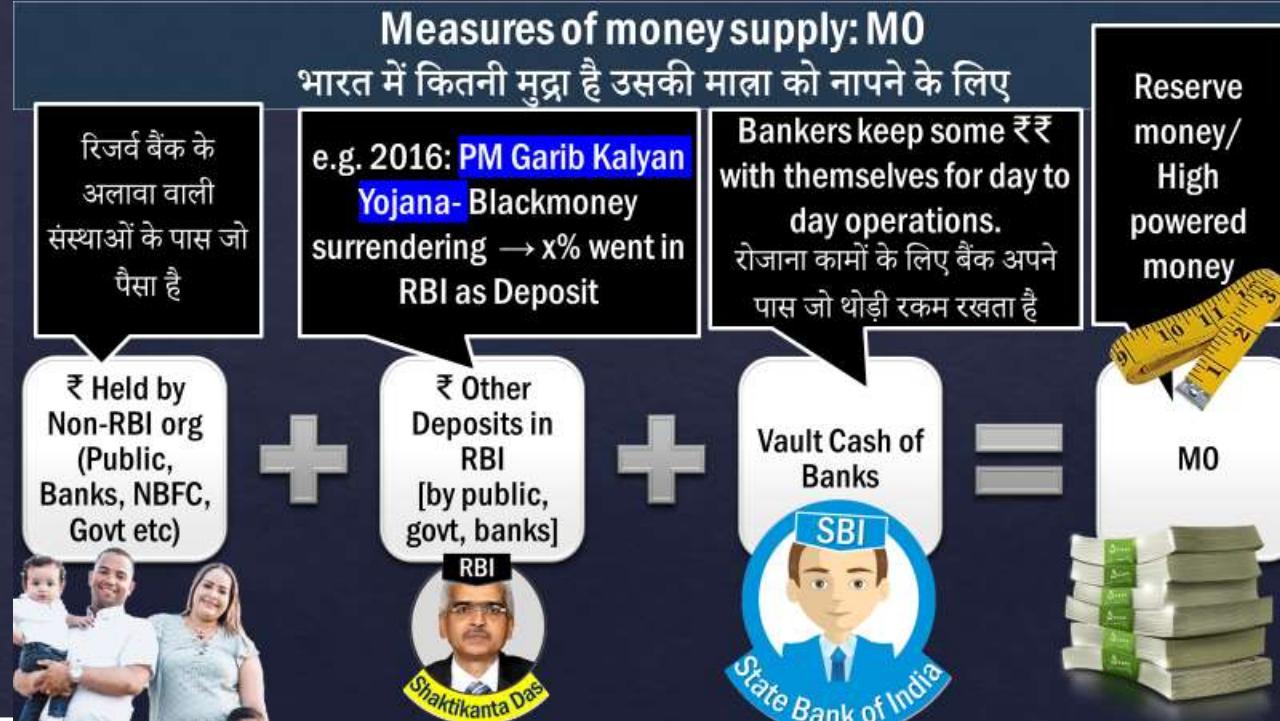
Reserve money/
High powered money



M0



ये फॉर्मूला एसी
क्यों है?



ये फॉर्मूला एसी ही
है।
स्वीकार करो

Why MO is like this?
I've 500 types of doubts / PHD arguments.



Answer to that “WHY” = not imp for Prelims OR
Mains

This is RAFTAAR course For Prelim.
3-4 months to learn new things.



We need not bother with how the clock works.

असल जिंदगी में आरबीआई के तरीके अलग है हमें वह समझने की ज़रूरत नहीं है

ITEM 1	Statement 1: Reserve Money						
	2018 Mar 31	2018 Dec 28	Weekly		Financial Year 2017-18		A
			Amount 4	% 5	Amount 6	% 7	
	2	3	4	5	6	7	A
Reserve Money	24187.8	26179.2	474.0	1.8	3371.0	17.7	
Components (i+ii+iii)							
i) Currency in Circulation	18293.5	20249.4	-49.4	-0.2	3580.0	26.8	
ii) Bankers' Deposits with RBI	5655.3	5673.7	518.1	10.0	-243.3	-4.5	
iii) 'Other' Deposits with RBI	239.1	256.1	5.4	2.1	34.3	16.3	
Sources (i+ii+iii+iv-v)							
i) Net RBI Credit to Government	4759.6	7382.9	552.8		-1932.1		
of which: to Centre	4742.9	7375.7	550.9		-1960.9		
ii) RBI Credit to Banks and Commercial Sector	633.7	1573.2	-44.4		3342.6		
o/w : to Banks (includes NABARD)	493.5	1480.0	-44.8		3324.2		
iii) Net Foreign Exchange Assets of RBI	27607.8	27490.2	-13.8	-0.1	2213.4	9.2	
iv) Govt.'s Currency Liabilities to the Public	256.5	257.0			5.1	2.0	
v) Net Non-Monetary Liabilities of RBI	9069.9	10524.0	20.6	0.2	258.0	3.1	

These are low frequency topics.

Poor cost:benefit in chasing these minute details.



We also need not bother with the economic history of M0 calculation

एक जमाने में यह सब फार्मूला भी अलग थी वह इतिहास पढ़ने की भी जरूरत नहीं है

Upto 1967	Just “M” = money with public + junta’s demand deposits in banks. (Current account and savings account, CASA)
Upto 1977	Aggregate monetary resource (AMR) 1. Coins and currency 2. Time Deposits (e.g. Fixed deposit, recurring deposits) 3. Demand deposits (CA, SA)
From 77 onwards	present system M0, M1, M2, M3, M4



Administrative mechanisms of RBI → uska historic perspective
= Poor cost:Benefit for exams.

We want to know M0



RBI



1 note PRINTED



*One piece of
currency note*



1 note came

We are interested to know

$M0 = \underline{\hspace{2cm}} \underline{\hspace{2cm}} ??$

How was it generated?

ये क्या है और कैसे पैदा हुआ ?



Asset

Loans



Liability

Deposits

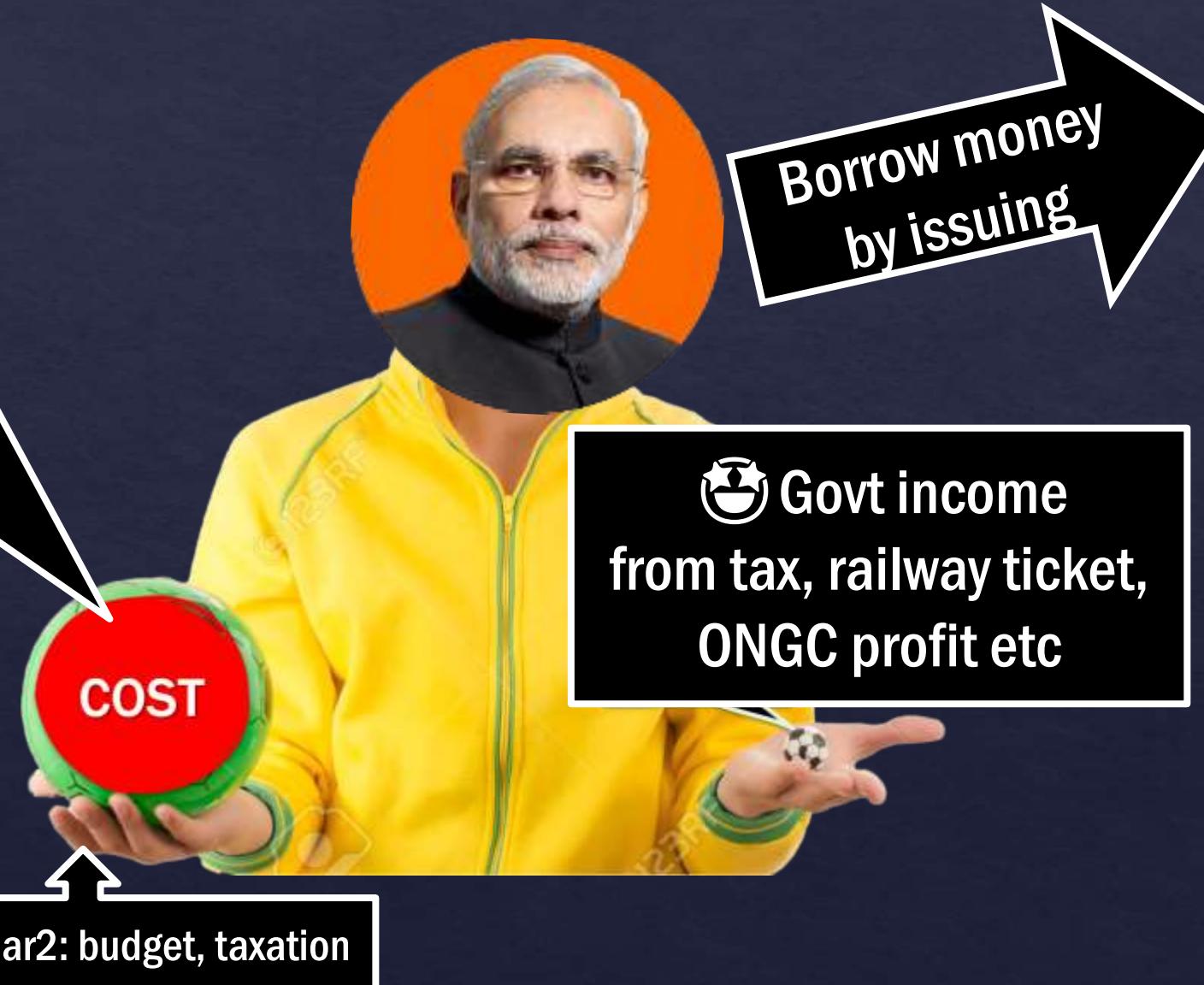


$M3 = 190$

Depending on
deposit-loans

सरकार की आमदनी कम और खर्चा ज्यादा हो तो उसने पैसा कर्ज लेना पड़ता है
उसके लिए वह बाजार में प्रतिभूतियां जारी करती है

- Govt Expenditure
 - Salaries
 - Defense
 - Education
 - Health
 - Poverty removal



सरकार की आमदनी कम और खर्चा ज्यादा हो तो उसने पैसा कर्ज लेना पड़ता है
उसके लिए वह बाजार में प्रतिभूतियां जारी करती है

- Govt Expenditure
 - Salaries
 - Defense
 - Education
 - Health
 - Poverty removal



Govt income
from tax, railway ticket,
ONGC profit etc

Borrow money
by issuing



G-Sec: 100 Cr. @8% for 1 year

Types of securities

T-Bill

- Less than 1 year maturity

G-Sec

- 1 year or higher

More in pillar2: budget, taxation

More in Pillar1C: sebi sharemarket

Another question- what if Government borrows too much?

- What if Government of India issues more G-Sec / borrowing? सरकार हृद से ज्यादा कर्ज लेगी तो क्या उस पर कोई नियंत्रण है कि नहीं ?
- Is there any limit?



- Yes there is a limit under **Fiscal responsibility and budget management Act (FRBM Act)**
- That borrowing can't be more than “X%” of GDP
- but we will study that in Pillar# 2D



RBI: public debt manager, sells G-sec on behalf of Government

RBI



2) Sold through
RBI's e-kuber
platform



1) Tax collection & income low but cost of poverty schemes is high. So have to borrow.

कराधान में अच्छी आमदनी नहीं हुई,
इसलिए पैसा उधार लेना है। 😞

G-Sec: 100 Cr. @8% for 1 year

सरकार के वास्ते
रिजर्व बैंक
बाजार में G-Sec बेच कर
पैसा जुटाएगा

3) Retail investors Primary dealers, Banks etc. will buy. How are they different? Ans: 1B1-Classification

10 cr.



20 cr.



RBI: public debt manager, sold on behalf of Government

सरकार के वास्ते रिजर्व बैंक बाजार में इसे बेच कर पैसा जुटाएगा

RBI



70 cr.

2) Sold through
RBI's e-kuber
platform



1) Tax collection & income < cost of welfare programs.
So have to borrow. कराधान में
अच्छी आमदनी नहीं हुई, इसलिए
पैसा उधार लेना है। 😢

G-Sec: 100 Cr. @8% for 1 year

4) Unsold G-sec are bought by RBI.

अगर कोई खरीदार नहीं मिल, तो रिजर्व बैंक स्वयं
खरीद लेगी।

If RBI doesn't have cash, RBI will print
new cash and give to Government।

उस वास्ते जरूरत हुई तो रिजर्व बैंक नए नोट भी
छाप के खरीदेगी

3) Retail investors Primary dealers, Banks etc. will buy.
How are they different? Ans: 1B1-Classification

10 cr.



20 cr.



Another basic concept

RBI



1) Coinage Act:

- ₹ 1 Note signed by Fin Secretary
- All coins upto ₹ 1000 denomination

Suppose total

₹ 100 cr minted by Govt

Another basic concept



RBI



1) Coinage Act:

- ₹ 1 Note signed by Fin Secretary
- All coins upto ₹ 1000 denomination

Suppose total
₹ 100 cr minted by Govt

2) Gives these to RBI

3) RBI pays govt ₹ 100 cr in bank notes (e.g. ₹2 to ₹2000)



4) RBI Circulates coins & ₹ 1 note As Agent of Government



How to ensure this doesn't happen?!



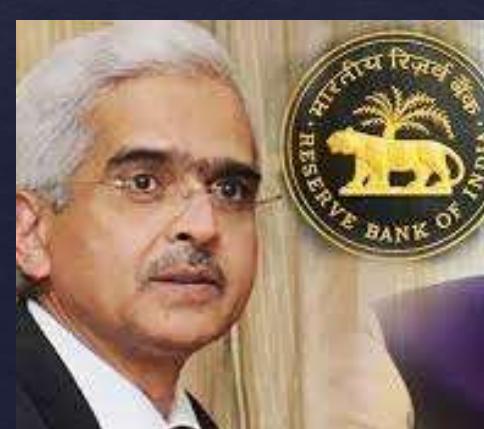
1) 1kg mango = ₹100



चुनाव आने से पहले
लोकतुभावन के लिए सरकार
ज्यादा नोट छपवा देतो?



2) @RBI , I want to launch a new scheme before election:
- Print ₹10-10lakh ke notes
pack them in
suitcase & give it to poor people



How to ensure this doesn't happen?!

बाजार में नगदी की तुलना, पर्याप्त माला में वस्तुएं नहीं होंगी → महंगाई बढ़ जाएगी

1) 1kg mango = ₹100



1kg mango = ₹500



- 3) What if too many currency notes are printed
- but not enough SUPPLY of commodities in the market => could lead to inflation. 😠

2) print 10-10lakh ke notes & give it to poor people under



How to ensure this doesn't happen?!

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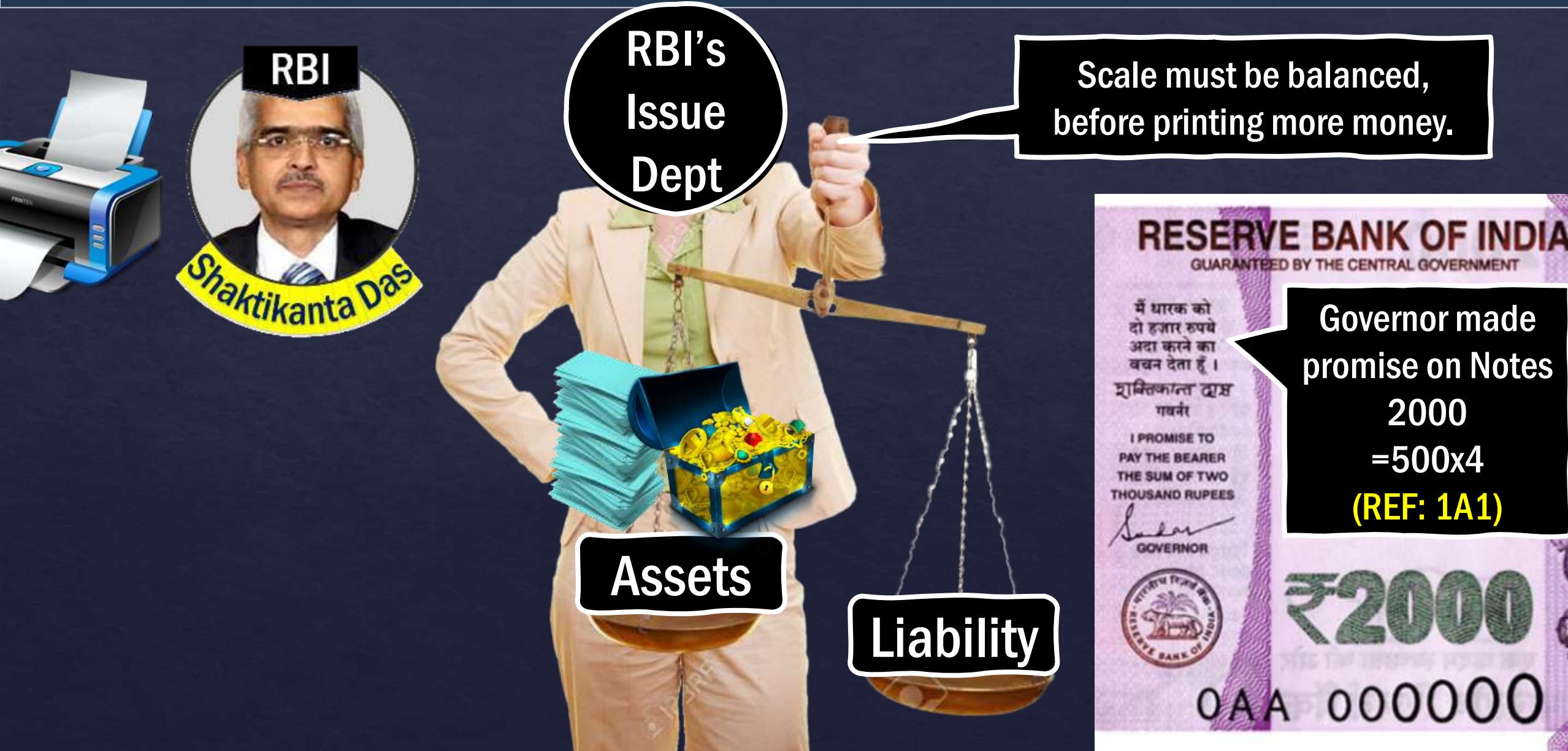
2) print 10-10lakh ke notes & give it to poor people".



4) 🙇 Sorry Sir, RBI Act has put some limitations on how much quantity of ₹₹ I can print! मे एसे ही हवा मे नोट नहीं छाप सकता। 🙇

RBI Act's approach to 'printing currency notes'

रिजर्व बैंक सिर्फ उतनी नोट छाप सकता है, जितनी उसके पास संपत्ति है



RBI Act's approach to 'printing currency notes'

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Assets of RBI's “issue dept”

संपत्ति वह चीज है जिसमें से आरबीआई कुछ नया पैसा कमा सकता है



American/foreign
Govt Treasury bonds



Gold Coins
सोने के सिक्के

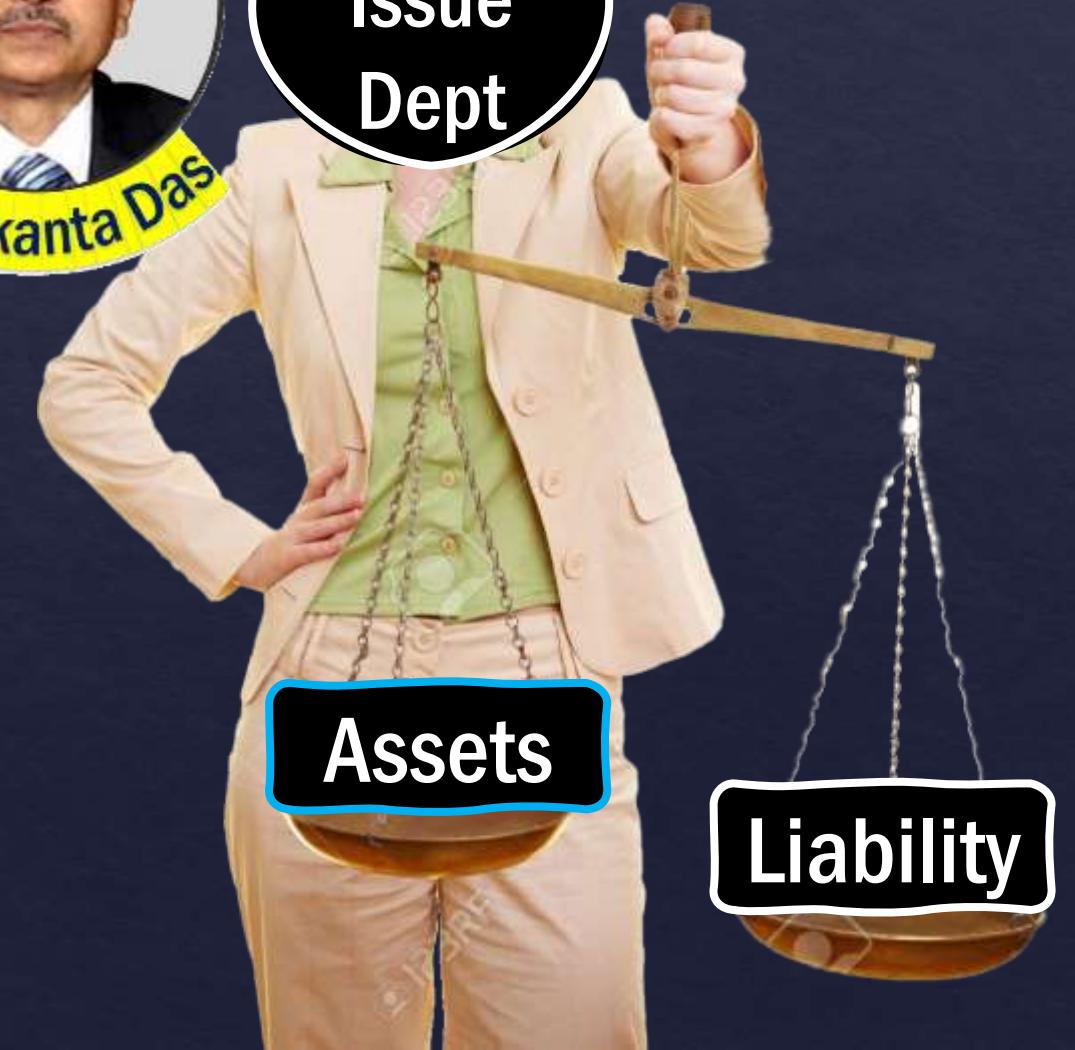


Gold Bullion
सोने की ईंटें



Shaktikanta Das

RBI's
Issue
Dept



But why would RBI invest in American Bonds?

लेकिन रिजर्व बैंक इसमें क्यों निवेश करेगा?



1. American/ Japan Government G-sec: RBI earns interest. ब्याज कमाने को मिलेगा
2. Gold → Price =profit मुनाफा
3. It is also required for stabilising currency exchange rate (More in Pillar#3A)



RBI Act says there are the assets of 'Issue Dept':

Assets of issue Department



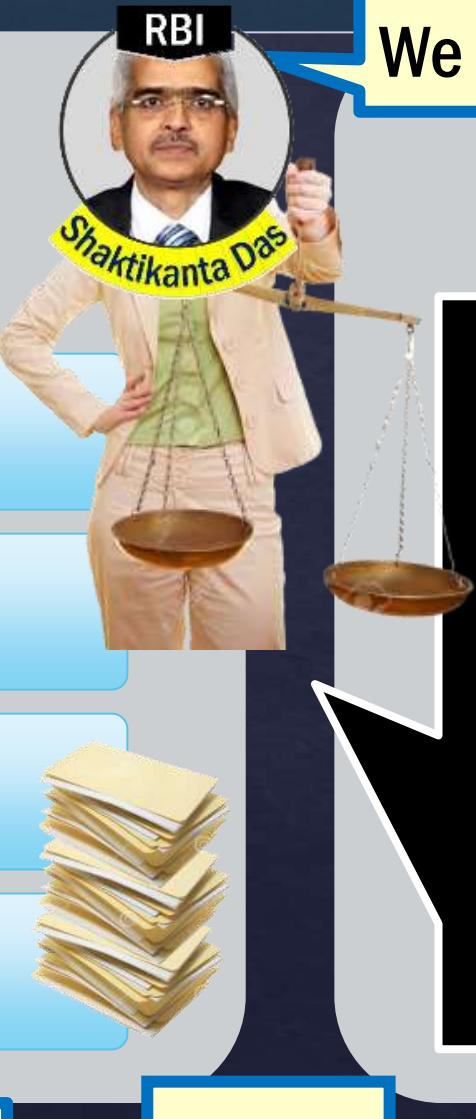
Gold Coins & bullion
(minimum "X" crore)

Foreign govt's Securities:



(Indian) Govt Securities

Rupee coins & ₹ 1 note



Liabilities



यह सब संपत्तियों के हिसाब से
कुल मिलाकर
जितना मूल्य बन रहा है
उतना पैसा रिजर्व बैंक
बाजार में घुमा सकता है

If assets worth ₹24 Lakh cr

Then ₹24 Lcr worth coin-currency are system

Some questions from google form

Why Gold ASSET kept? रखने की आवश्यकता क्यूँ होती है जब कागज पर छाप कर पैसों का सर्कुलेशन करना होता है?

❖ Original RBI Act in 1934 mandated that Gold amount. It's to ensure prudence/discipline on RBI's money generating power in that era. अंग्रेजों के जमाने में रिजर्व बैंक नोटों की छपाई में विवेक / अनुशासन बन रहे इसलिए रिजर्व बैंक ने कानून अपनी तिजोरी में स्वर्ण रखना जरूरी था

❖ Post-Independence, We've not changed that portion of Act so requirement continues. आजादी के बाद हमने कानून में वह चीजों को हटाया नहीं है. इसलिए अभी भी कुछ सोना रखना जरूरी है.

❖ If you feel it should be changed then write letter to PM to amend the Act. आपको ऐतराज है तो मोदी जी को कहिए कानून बदल दे

❖ Thought it may not be among Government's priority like triple talaq, Art 370 or GST amendment bill. #थोड़ा-पढ़ो-आगे-बढ़ो



- This is "Why Rs.1 note issued by Government" walla theme allover again.

RBI Act says there are the assets of 'Issue Dept':

Assets of issue Department

Gold Coins & bullion

Foreign Securities

(Indian) Govt Securities



Rupee coins & ₹ 1 note

If assets worth ₹24 Lakh cr



RBI

We can't print notes in air

Liabilities

Bank Notes in circulation



Rs. 2 to Rs.2000
ke Notes

Then ₹24 Lcr worth coin-currency are
system

Why Bank Notes (Rs.2 to 2000) are liability of RBI ?

रिज़र्व बैंक की जिम्मेदारी या देयता कैसे ?



Because Governor made promise on Notes
To pay bearer on demand sum of Rs.2000

$$2000 = 500 \times 4 \text{ etc}$$

(REF: 1A1)

Snapshot #1 @2017



1) Photo-frame Description:

Kohli is married with Anushka
As per this 'frame'.

How can I believe this is Virat

Kohli? नहीं. मुझे पहले से कहानी बताओ

Show me photo sequence from the

1. Marriage Of His Parents
2. His School,
3. His College
4. Cricket Career
5. Then His Marriage

मुझे

Ph.d कराओ



UPSC के

बाबूशोने

- How did RBI begin circulation for the ‘first’ time during British time? जब शुरू किया तब तो उसके पास एक भी रुपया नहीं था, तो क्या किया?
- When / How did RBI acquire this much gold? उसने सोना कैसे जमा किया ?
- After independence how ₹₹ given to Pakistan from British-India? जब बंटवारा हुआ तो पाकिस्तान को इस में से कितना मिला



- Bhai, this photo frame is important for MCQ.
- Baaki 500 frames can be shown IF we were running 2 years course for MA (Economics)

Another basic concept



RBI



1) Coinage Act:

- ₹ 1 Note signed by Fin Secretary
- All coins upto ₹ 1000 denomination

Suppose total
₹ 100 cr minted by Govt

2) Gives these to RBI

3) RBI pays them ₹ 100 cr in bank notes (e.g. ₹2 to ₹2000)



4) RBI Circulates coins & ₹ 1 note As Agent of Government



FAQ

RBI

- ❖  FAQ: Whose responsibility is it to exchange the public's torn / soiled ₹ 1 note ? ₹1 का नोट और धातु के सिक्के जो कि भारत सरकार ने जारी किए हैं अगर वो फट जाए तो उसको कौन बदल कर देगा ?

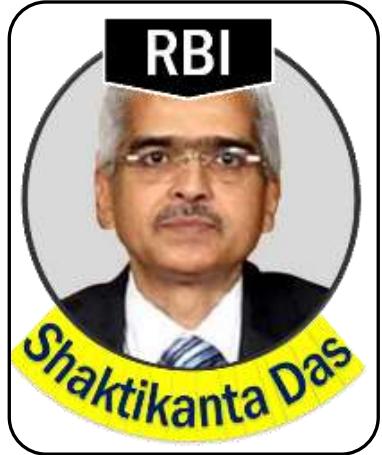


- ❖ Ans. RBI will do it as the agent of the Govt.
- ❖ जवाब: सरकार के एजेंट के रूप में रिज़ार्व बैंक बदल कर देगा





FAQ: All coins and ₹1 paper-note is whose liability ? RBI or Govt



👉 It is RBI's Liability

- According to some books
- Because RBI circulated them as “agent of govt”

किसकी जिम्मेदारी है
परीक्षा में पूछा जाए
तो जवाब है सरकार की
जिम्मेदारी है



✓ It is Government's Liability

- According to RBI Notification.
- So, for MCQ tick as per this interpretation.



सरकार सिक्के छापेगी रिजर्व बैंक उसके सामने सरकार को बड़े वाले नोट देगा और
फिर रिजर्व बैंक उन सिक्कों को बाजार में घूम आएगा



1) Coinage Act:

- ₹ 1 Note signed by Fin Secretary
- All coins upto ₹ 1000 denomination

Suppose total ₹ 100 cr minted.

2) Gives it to RBI

3) RBI pays them ₹ 100 cr in bank notes (e.g. ₹ 2 to 2000)



RBI



4) RBI Circulates coins & ₹ 1 note As Agent of Government



Under Coinage Act, Govt can issue **Coins upto ₹1000.**
So like that we'll **finance ₹6lcr COINS** for poor people



क्या मनमर्जी माला में सिक्के बनवा
कर सरकार अपनी गरीब कल्याण
योजनाएं नहीं चला सकती?

- ⚡ 1) minting coins requires metal. धातु चाहिए
- ⚡ 2) printing ₹1 note also requires money (paper, ink, security guard) छपाई का खर्च
- ⚡ 3) even such non-sense can lead to **hyper-inflation** if not enough Tomatoes in market.

महंगाई से बढ़ेगी, अगर बाजार में उतनी प्याज टमाटर नहीं
पैदा हुए

RBI's
Issue
Dept



If u want to generate more money, this must be made equal

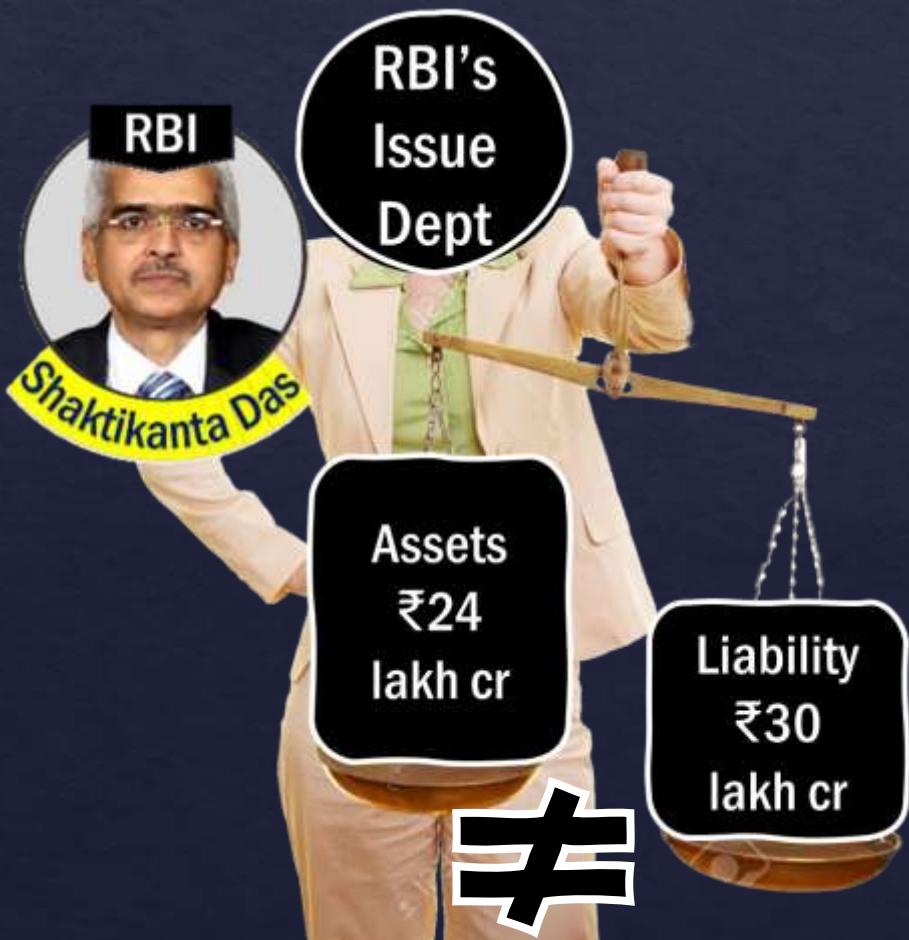
ज्यादा नोट छापने हैं तो इस तुला/तराजू की दोनों बाजूए संतुलित होनी चाहिए

Where is RBI's PROFIT or Loss or Dividend mentioned?

- Assets memorize as given in handout.
- Dividend → In **Pillar1B2**
- Do not mix up things here.

What if notes are
demonetized?

- Ans. In Pillar2 Black Money



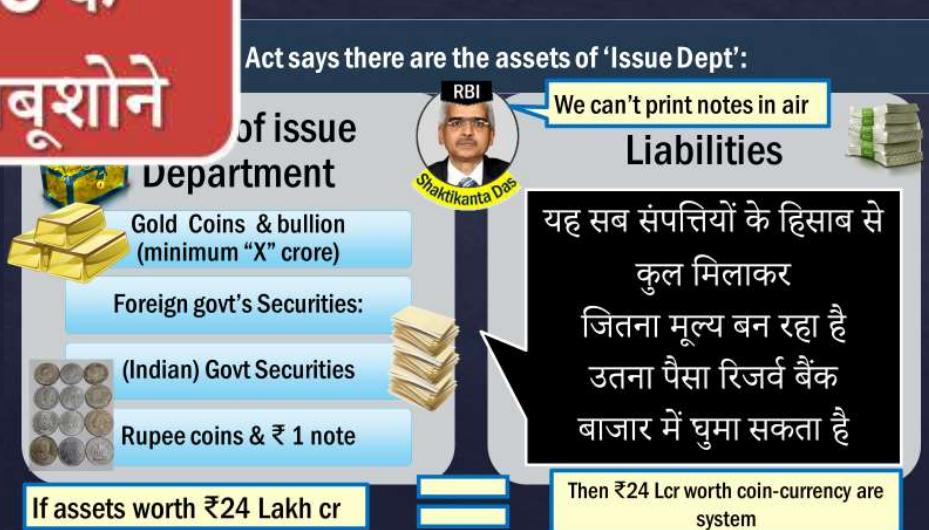
मुझे

Ph.d कराओ



UPSC के

बाबूशोने



Some more faaltu FAQ questions from google form:

1) If RBI buys 5cr ki AUDI car (asset), then can it PRINT 5cr ke NEW NOTES?



2) ➡ No. refer specific asset list we learned.

3) Your childish Qs are NOT IMP for Exam. Please change attitude towards preparation

4) If something was important, then I would have taught.



Some more FAQ questions:

- ❖ Where is RBI's other assets like repo, MSF, etc?
- ❖ As per RBI act, Issue Dept's Assets are mentioned in the handout and PPT. That much you have to remember.
- ❖ Further 500 jaat ke where is this/that NOT thinking required.
- ❖ If something not directly given in a NCERT, std book or popular newspaper article, THEN WE DON'T HAVE TO MANUALLY GOOGLE IT OURSELF, ke "What happens BEHIND the curtain/internal administrative mechanism"?
- ❖ जो चीज स्वयं स्पष्ट तरीके से किताबों या अखबारों में नहीं दी गई तो हमने खुद से गूगल पर ढूँढ़ने नहीं बैठता है, बंद दरवाजे के पीछे असल में काम कैसे होता होगा
- ❖ IT's not LLB or Forensic Investors' recruitment

2) No. refer
specific asset
list we learned.



UPSC के
 बाबूशोने

1) Suppose
Robber
steals
₹10cr of
gold
From RBI

RBI's Issue Dept



2) If RBI's gold stolen, will it not honor "I promise to pay.." OR will it 'withdraw' that much money from circulation.



3) Ans. No RBI will continue to honor promise by borrowing/printing money.

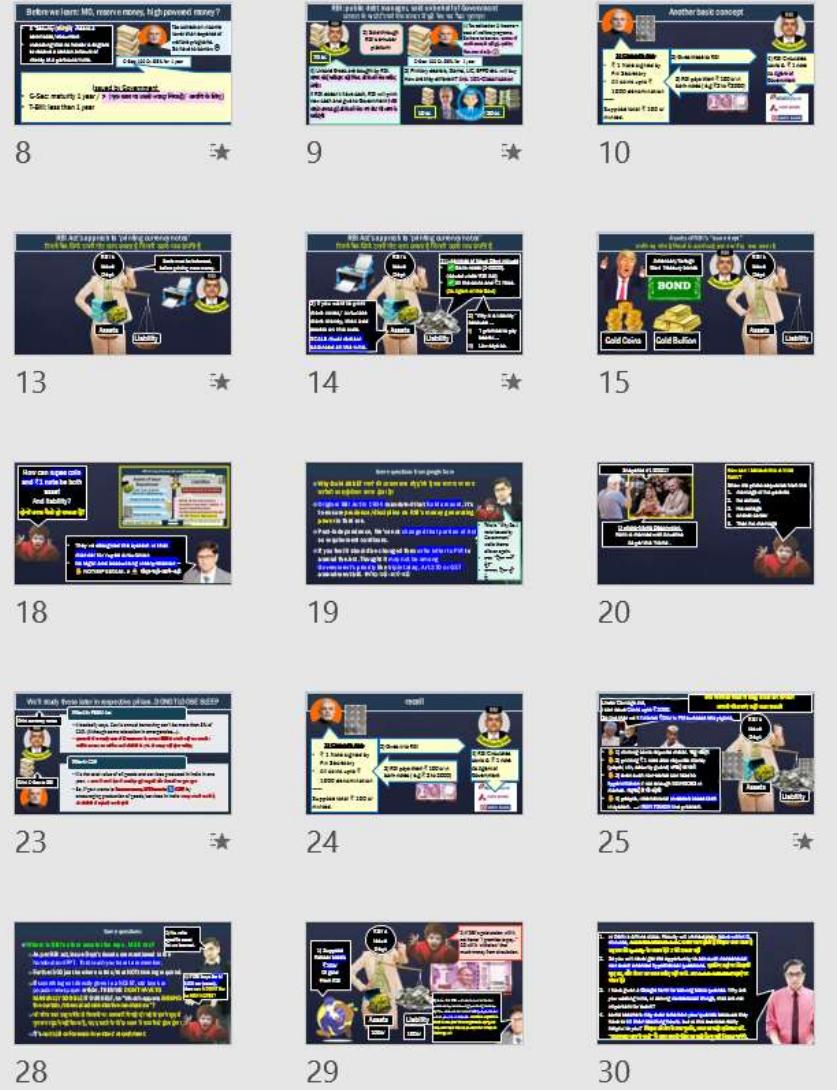
4) You should not start IAS-preparation while you're in std5.

काल्पनिक बदमाशी के किससे में क्या होगा
ऐसे प्रश्न यूपीएससी नहीं पूछती भार्ड. आप
पहले थोड़े उम्र में बड़े हो जाइए.
फिर परीक्षा की तैयारी शुरू करें



1. in Delhi's offline class: Faculty keep bodyguards & will immediately leave within 5 minutes, once the classes over. क्लास खत्म होती है शिक्षक चला जाता है वह सब की **query** के जवाब देने 2 घंटे रुकता नहीं
2. So you will never get the opportunity to ask such nonsensical non exam oriented hypothetical questions. इसलिए वहां पर विद्यार्थी खुद का, और टीचर का वक्त बर्बाद नहीं करते. बस **exam-oriented** पढ़ाई पर ध्यान देते. **Competitive exam= NOT college 'inquisitive study'**
3. Out of goodwill, I have given a Google form for solving basic queries. Why are you wasting time, in asking **nonsensical things**, that are not important for exam?
4. Some teachers **may entertain your silly-queries** because they have to **fill their teaching hours.** but is this exercise really helpful to you? शिक्षक को ढंग के प्रश्न पूछके, वक्त का सही इस्तेमाल करें। “टाइमपास चाय पे चर्चा” मैं आप अपनी फीस का सही वैल्यू नहीं निकाल पाएंगे।





**It's for this reason
“1 slide worth topic”**

**Is occupying
30 slides.**

**Due to useless
“wandering mind”
(घुमंतू दिमाग)**

**queries by students.
मुद्दा असल में दो स्लाइड का
है इधर 30 स्लाइड तक क्यों
खींचना पड़ा?
क्योंकि लोग फालतू के प्रश्न
पूछते रहते हैं**

11.15 M0: CREATION OF MONEY (मुद्दा का निर्माण)

M0 / Reserve Money / Government Money / High Powered Money (जब शक्ति मुद्दा) is issued under RBI Act, by RBI's ISSUE DEPARTMENT, with condition that ISSUE DEPARTMENT's assets must match its liabilities. (आरटीआई केवल उतना ही पैसा छाप सकता है जितनी परिसंपत्तियाँ उसके हस्तयू-विभाग के पास हैं)

Assets of Issue Department (परियोजितीय)	Liabilities of Issue Department [M0]
<ol style="list-style-type: none"> Rupee coins [RBI 'buys' coins & ₹1 notes from Govt and circulates it as the 'Agent of govt'] Gold coins [Min. ₹ 200 crores] सोने के सिक्के Gold bullion [Min. ₹ 115 crores] सोने की दृष्टि Foreign Securities, incl. IMF [Earlier Min. ₹ 400 crores but Post-1995 no such requirement.] (Indian) Govt. Securities [through which Govt borrows money from RBI & returns Principal + Interest at later date] सरकारी प्रतिशतियाँ 	<p>Total Bank notes in circulation, which consists of:</p> <ol style="list-style-type: none"> Held by Public Held by other Banks in "Vault cash" (i.e. amount kept by banks for day to day Operations.) Other Deposits in RBI (of Public*, Banks & Governments)

Total = suppose 100 Cr @ "X" date

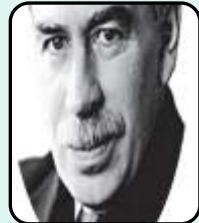
Total = 100 Cr @ "X" date.

- * such as PM Garib Kalyan Yojana (2016) under which Blackmoney holder was required to deposit 25% of his blackmoney in RBI for a lock-in period of 4 years. More in Pillar#2B
- M0 increases when RBI's asset side increases e.g. Govt borrowing more from RBI using G-sec. जब सरकार रिजर्व बैंक से ज्यादा पैसा कर्जे में ले तब रिजर्व बैंक की परिसंपत्तियों में बढ़ोतारी होती है

► FAQ: Whose responsibility is it to exchange the public's torn / soiled ₹ 1 note ?
Ans. RBI will do it as the agent of the Govt.

► FAQ: Whose responsibility is it to exchange broken coins ?
Ans. First of all it is difficult to break a coin unless with a metal cutter. And secondly I'd not loose sleep over such JAMES-Bond-Babu-Shona Qs. for UPSC exam point of view. Commonsense suggests that if RBI is exchanging torn ₹1 Note, then RBI would be exchanges coins as well.

Pill1-A-2: money supply & Monetary Policy → continued



Liquidity preference theory



can RBI print as much money as they want?

- Ans. No! Asset = Liabilities
- क्या रिजर्व बैंक मन चाहे उतनी मात्रा में हवा में नोट छाप सकता है क्या?



Deposit Types



How to find out how much money RBI has printed?

- M0
- हमें कैसे पता चलेगा कि रिजर्व बैंक ने कुल मिलाकर कितने नोट छापे हैं?

I've 500 doubts on this M0. Explain for 2 hour more.



Measures of Money Supply M1-M4



Currency in Circulation
Velocity of Money (मुद्रा का वेग)



M0 & Money Multiplier



Impact of Corona on M0, M1, M3, Multiplier

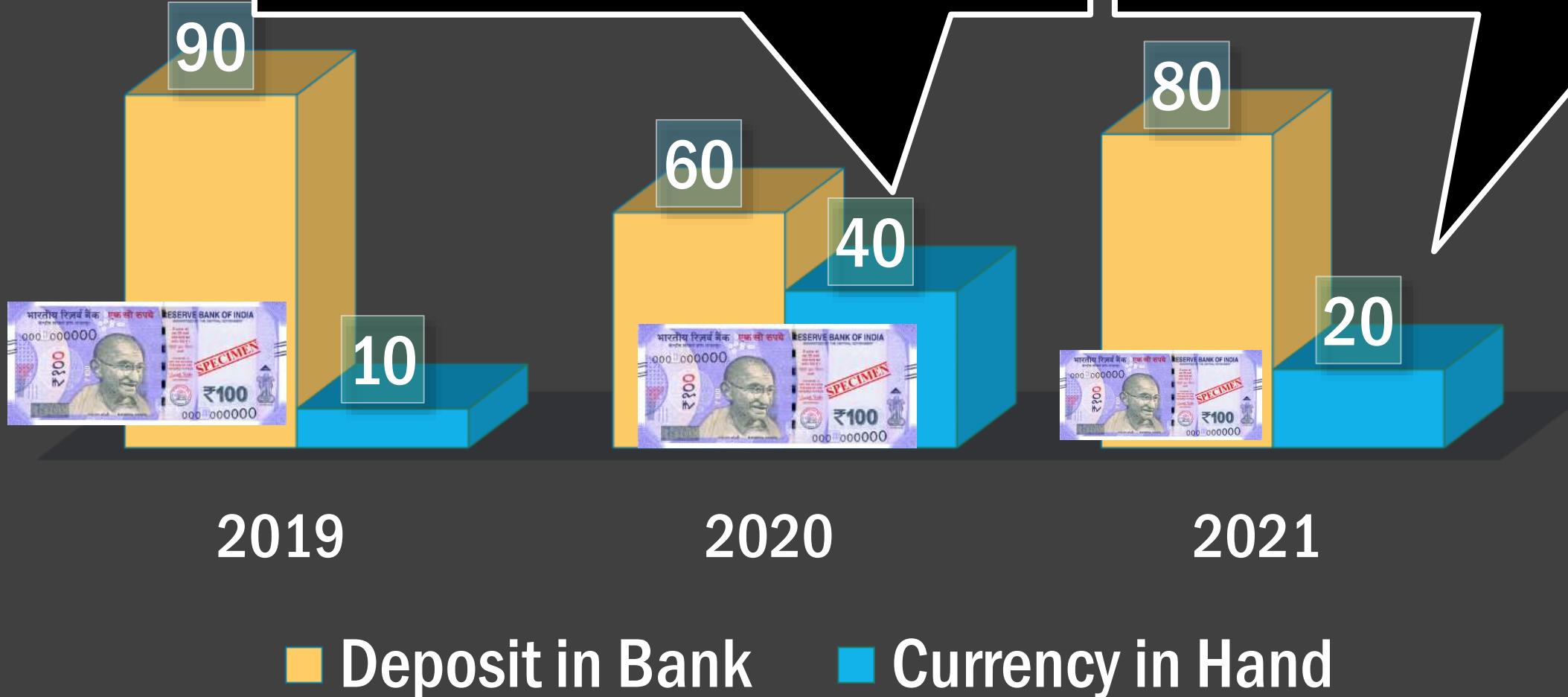


% Currency in Circulation = how much cash/coin being used for transaction

लेनदेन के लिए नकदी का कितना प्रयोग हो रहा है

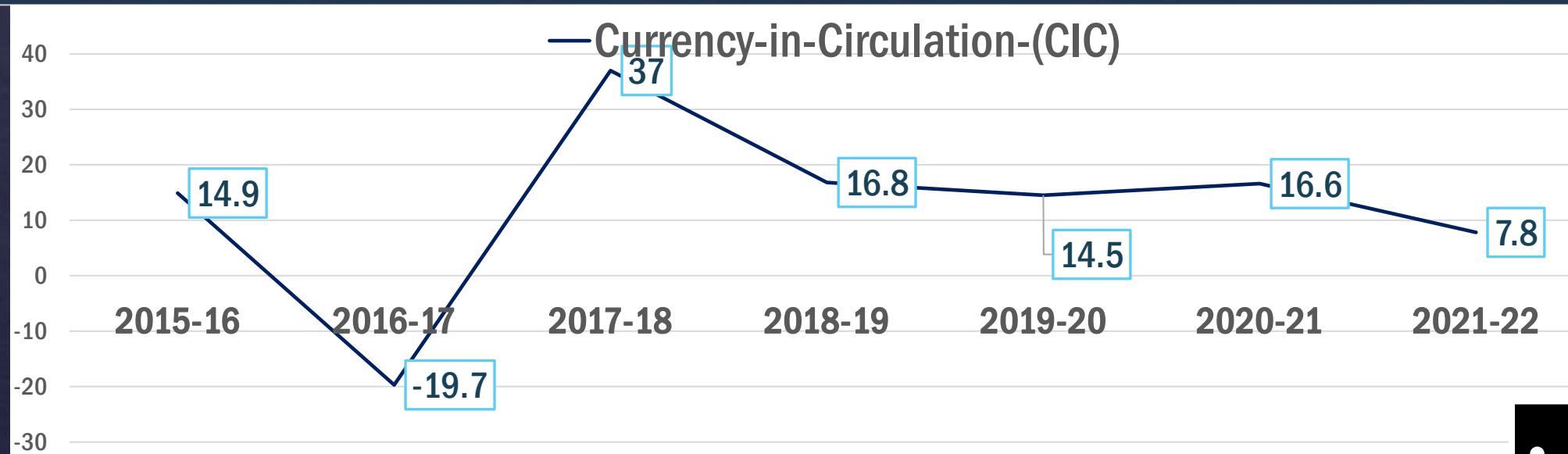
Lockdown → Milk-Medicine Emergency
→ Predictionary Motive 

- Corona fear 
- Precautionary motive 



% Currency in Circulation = how much cash/coin being used for transaction

लेनदेन के लिए नकदी का कितना प्रयोग हो रहा है



- Then increased little bit due to **Russia War**
- -> **precautionary demand for money.**

मुझे
Ph.d कराओ

- Q1) what is the formula of CIC?
Q2) 500 line ki PHD kraao



Just 1 Word Asso

इतनी पंचात क्यों करनी है, भाई?

A1) Economic Survey did not give. I did not bother to google. नागेश्वरन ने बताया नहीं, तो मैंने खुद से गूगल करने की जहमत उठाई नहीं.

A2) Not that much imp, after looking at previous UPSC papers. इतना जटिल कौन पूछ रहा है पुराने पेपर देख लो!

500 jaat ke Contrived Mock MCQ तो बनाने ही है इस पर

The Indian EXPRESS
Thursday, February 17, 2022

Home India World Cities Opinion Sports Entertainment Lifestyle Premium Videos Explained Audio Sign in

MUST READ | Two days before polls, Manmohan Singh hits out at BJP: 'Maligning Punjab and Punjabis'

Home / Business / Economy / CiC to GDP ratio remains high at 14.5% for FY21: Currency-in-circulation growth falls

CiC to GDP ratio remains high at 14.5% for FY21: Currency-in-circulation growth falls

The growth in CiC has fallen to 7.9 per cent (Rs 2.14 lakh crore) in November 2021 as against 22.2 per cent (over Rs 5 lakh crore) growth in the same month a year ago.

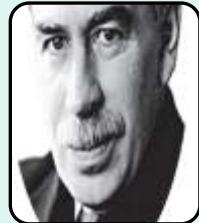
Growth in currency in circulation halves to 10% post-second wave

It is too early to say if people have overcome their fears leading to hoarding, but the trend, if it sustains, is encouraging.



Timepass Columnists, Youtubers, CA-PDF walle

Pill1-A-2: money supply & Monetary Policy → continued



Liquidity preference theory



can RBI print as much money as they want?

- Ans. No! Asset = Liabilities

- क्या रिजर्व बैंक मन चाहे उतनी मात्रा में हवा में नोट छाप सकता है क्या?



Deposit Types



How to find out how much money RBI has printed?

- M0

- हमें कैसे पता चलेगा कि रिजर्व बैंक ने कुल मिलाकर कितने नोट छापे हैं?

I've 500 doubts on this M0. Explain for 2 hour more.



Measures of Money Supply M1-M4



Currency in Circulation
Velocity of Money (मुद्रा का वेग)



M0 & Money Multiplier



Impact of Corona on M0, M1, M3, Multiplier

Velocity of Money Circulation (मुद्रा संचालन का वेग)

पैसों की एक नोट, कितने हाथ बदलती है



1 note



1 note



In hand 100 rupees.



Another low frequency topic

Velocity of Money Circulation (मुद्रा संचालन का वेग)



पैसों की एक
नोट, कितने
हाथ बदलती है

- it is the number of times money passes from one hand to another.
- Measured in GDP divided by currency in circulation. <exact figure notIMP>



Bought veggies



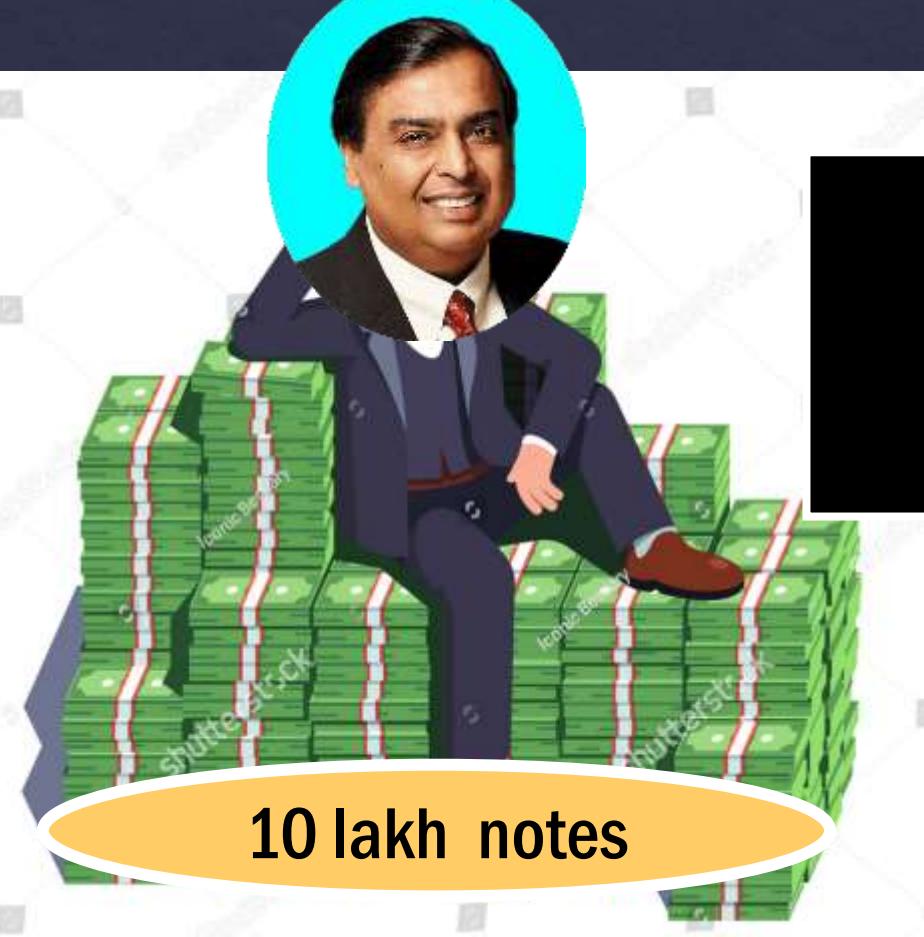
1 note



In hand 100 rupees.



1 note



Rich person will not
be able to spend all of his money.
His money has less velocity



मुकेश अंबानी जितना पैसा कमाता है → सारे का सारा इस्तेमाल नहीं करता →
इसलिए उसके हाथ में अगर नोट आएंगे तो → उसका वेग कम ही रहेगा

Velocity of Money Circulation (मुद्रा संचालन का वेग)

<assume there is no bank, cheque, NEFT, UPI-BHIM etc.>

- ◆ Money in the hands of poor people has higher velocity
Money in rich people hand has lower velocity
- ◆ E.g. Mukesh Ambani may not even touch most of the notes he earned, they simply lay idle below his pillow)
- ◆ मुकेश अंबानी जितना पैसा कमाता है सारे का सारा इस्तेमाल नहीं करता इसलिए उसके हाथ में अगर नोट आएंगे तो उसका वेग कम ही रहेगा
- ◆ गरीब आदमी के हाथ में पैसा आया तो तुरंत खर्च हो जाएगा

How many times one currency note changes hands?



1 note

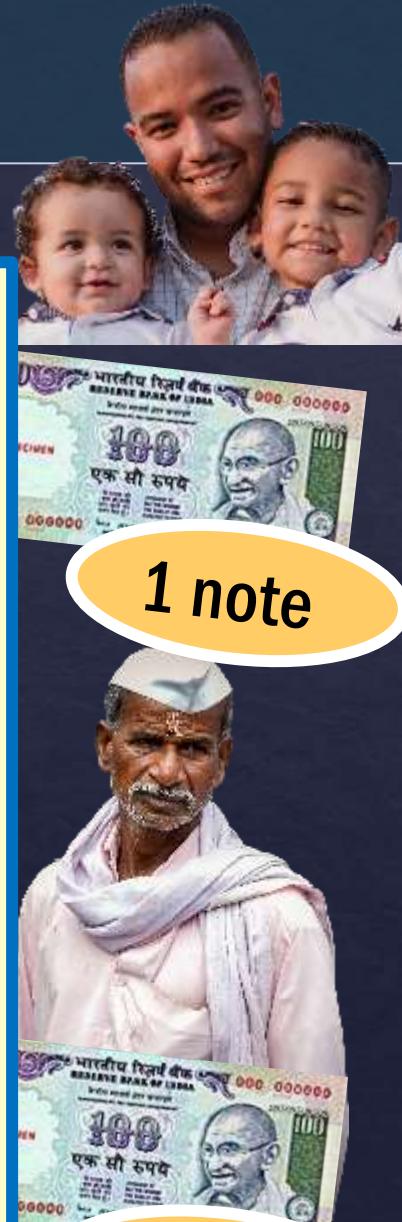


1 note

Velocity of Money Circulation (मुद्रा संचालन का वेग)

- ◆ <assume there is no bank, cheque, NEFT, UPI-BHIM etc.>
- ◆ Boom period in economy अर्थतंत्र में तेजी का माहौल हो तो
- ◆ = more raw material purchase & shopping कच्चे माल की खपत ज्यादा होगी उसकी खरीदारी में और तैयार माल की बिक्री में
- ◆ = more jobs hiring लोगों को तनख्वाह देने में
- ◆ = higher velocity of money. ढेर सारा पैसा एक हाथ से दूसरे हाथ में घूमते रहेगा

How many times one currency note changes hands?



1 note

1 note

Velocity of Money Circulation (मुद्रा संचालन का वेग)

<assume there is no bank, cheque, NEFT, UPI-BHIM etc.>

- ◆ If more people borrow money for purchase → higher velocity. लोक कर्ज़ा लेकर भी खर्च करते रहेंगे तो वेग बढ़ते रहेगा
- ◆ developed countries → higher velocity, because people save less and spend more because of lifestyle and confidence in Government's social-security e.g. USA. विकसित देशों में लोग बचत कम और खर्चे ज्यादा करते हैं इसलिए वहां पर मुद्रा का वेग ज्यादा रहता है
- ◆ Other 500-jaat ke permutation-combination-PHD = poor cost:benefit for exam, because low frequency topic.

How many times one currency note changes hands?



1 note



1 note

Pill1-A-2: money supply & Monetary Policy → continued



Liquidity preference theory



can RBI print as much money as they want?

- Ans. No! Asset = Liabilities
- क्या रिजर्व बैंक मन चाहे उतनी मात्रा में हवा में नोट छाप सकता है क्या?



Deposit Types



How to find out how much money RBI has printed?

- M0
- हमें कैसे पता चलेगा कि रिजर्व बैंक ने कुल मिलाकर कितने नोट छापे हैं?



Measures of Money Supply M1-M4



Money Multiplier



M0 & Money Multiplier



Velocity of Money (मुद्रा का वेग)



CRR & SLR Basics



Impact of Corona on M0, M1, M3, Multiplier

Let's jump to small topics

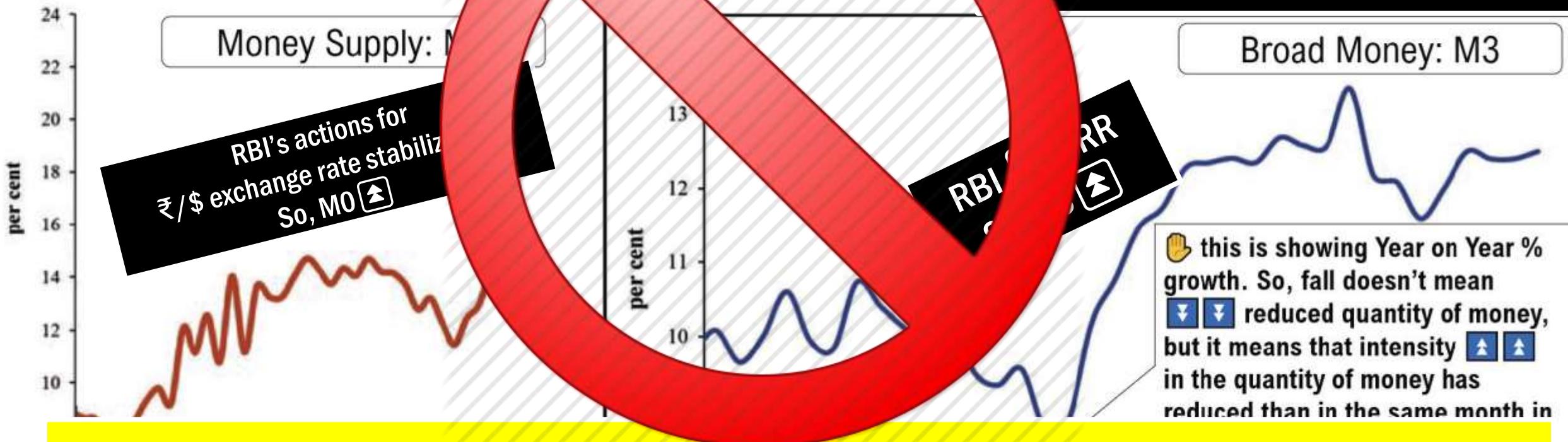
Advanced topics tomorrow.
Today only basics...

11.13.1 🕯️ 💰 ↗️ Corona-2020 impact on Money Supply M0 and M3 as per ES21

Note: There may be 500 other factors as well. So, it's better to look at overall trend rather than individual factors. Those things from MCQ point of view are very important.

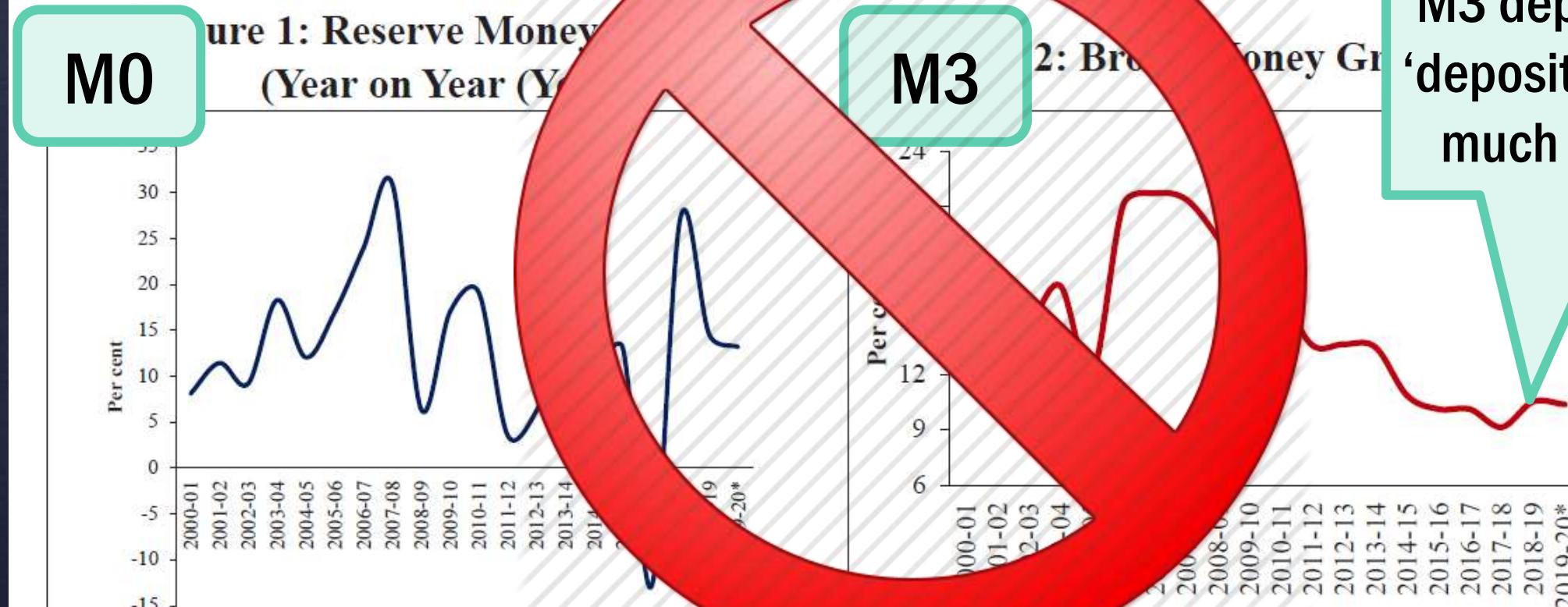
Page 34

Every month's up/down no imp.
Overall trend should be known



DELETED From LATEST handout because it's old information for 2023-Prelims/Mains.

What / why / how? Poor cost-benefit for exam



2) Falling after demonetization.

M3 depends not just on 'deposit' but how also on much loaning is done



DELETED From LATEST handout because it's old information for 2023-Prelims/Mains.

Pill1-A-2: money supply & Monetary Policy → continued



Liquidity preference theory



Deposit Types



Measures of Money Supply M1-M4



M0 & Money Multiplier



CRR, Repo,

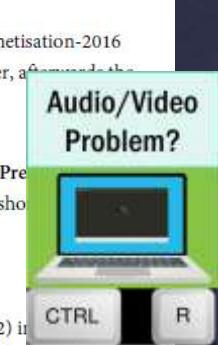
Economic survey 2020 (ES20): Bank deposits suddenly ↑ in the aftermath of Demonetisation-2016 (because the public was required to deposit the banned notes in their bank account). However, after demonetisation, growth of bank deposits has fallen.

Q Which of the following is not included in the assets of a commercial bank in India? (Prepared by CBSE)

(a) Advances (b) Deposits (c) Investments (d) Money at call and short notice

11.12.1 Measures of Money Supply (मुद्रा आपूर्ति के परिमाण)

- Money supply means the total amount of money in an economy at any given time.
- Money supply plays a crucial role in the determination of 1) price level (=inflation) and 2) interest rates. It depends on deposits & loans. मुद्रा की आपूर्ति महाराई दर और ब्याज दरों पर असर करती है
- RBI measures the money supply through indicators: M0, M1, M2, M3, M4



Edu Doubt?
Ask through

Google
Forms

Measure संकेत, व्यापक		*CU	Commercial Banks		Post Office Savings Bank		L
Demand Deposits (CASA)	Time Deposits (FDRD)		Demand Deposits (SA)	Time Deposits			
Narrow Money	M1	✓	✓	X	X	X	---
Money	M2	✓	✓	X	✓	X	---
Broad Money	M3	✓	✓	✓	X	X	☆☆
	M4	✓	✓	✓	✓	✓	☆☆☆☆

- Self-Extrapolate e.g. $M_3 = M_1 + \text{Time deposits with commercial banks}$.
- M3 is the most commonly used for measuring money supply, aka "Aggregate Monetary Resources / Aggregate Money Supply" (समस्त मौद्रिक संसाधन).
- In above formulas for money supply, we are only counting the "NET Demand / NET Time deposits" i.e. only public deposits in bank. We are not counting interbank deposits i.e. one commercial bank's deposit in other commercial banks. एक बैंक से दूसरे बैंक में पैसा डिपोजिट किया हो तो उसे नहीं गिनते इधर
- Liquidity= ease of converting an asset into cash. Cash is the most liquid asset.

- o Highly liquid assets (अत्यधिक तरल संपत्ति): Gold, Demand deposits, G-Sec/T-Bill, shares/bonds of

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