

Pillar1A2: 🏦 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, 🙌 Donot live in 🤖 imaginary fear that.... काल्पनिक डर में मत जियो 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 🎓 🙌

Table of Contents

11	🏦 Money's Demand, Supply & Creation	42
11.11	🙌 Demand of Money: Liquidity Preference Theory (तरलता अधिमान)	42
11.12	🏦 🙌 Supply of Money (मुद्रा की पूर्ति)	42
11.12.1	🏦 🙌 Cash in Hand = all-time-high in Corona Wave 2.0 (2021-May)	43
11.12.2	🏦 🙌 📊 Measures of Money Supply (मुद्रा आपूर्ति के परिमाण)	43
11.13	🏦 🙌 📊 Factors Affecting Money Supply [M1, M3]	44
11.13.1	🏦 🙌 📊 Corona-2020 impact on Money Supply M0 and M3 as per 📄 📄 ES21	45
11.14	🏦 📄 Creation of Money (मुद्रा का निर्माण)	45
11.15	🏦 ⚡ Money Multiplier (मुद्रा गुणक)	46
11.15.1	🏦 ⚡ Money Multiplier Before Corona as per ES20	46
11.15.2	🏦 ⚡ 🤖 Corona-2020 impact on money multiplier as per ES21	47
11.15.3	🏦 Misc. topic: Velocity of Money Circulation (मुद्रा संचालन का वेग)	48
12	🏦 📢 Monetary Policy (मौद्रिक नीति)	48
12.11	🏦 📢 📊 MonPolicy: Quantitative Tools (परिमाणात्मक साधन)	48
12.11.1	📄 🏦 📢 📊 Statutory Reserve Requirements: CRR, SLR (Fight inflation: ↑, deflation: ↓)	49
12.12	🏦 📄 🏦 📢 📊 CRR, SLR: Development in Recent Years	50
12.12.1	🏦 📄 🏦 📢 📊 (2016): Incremental CRR during Demonetization (नोटबंदी में वृद्धिशील सीआरआर)	50
12.12.2	🏦 📄 🏦 📢 📊 (2020-Feb) CRR Exemption for 5 yrs, depending on loans (सीआरआर में छूट)	50
12.12.3	🏦 📄 🏦 📢 📊 (2020-Mar) CRR 📉 from 4% to 3% in 🤖 Atmanirbhar Bharat	50
12.12.4	🏦 📄 🏦 📢 📊 CRR Technical things NOTIMP	51
12.12.5	🏦 📄 📊 MonPolicy → Quant Tools → Rates → Bank rate (बैंक दर)	51
12.13	🏦 📄 📊 MonPolicy → Quant Tools → Rates → LAF Repo (2000)	52
12.13.1	(2020) 🏦 📄 📊 :Repo Rate 📉 to cheapen the loans & revive economy	53
12.13.2	(2020) 🏦 📄 📊 Reverse Repo Rate cut & Policy corridor Changed asymmetrically	54
12.13.3	🏦 📄 📊 MonPolicy → Quant Tools → Variable Rate Reverse Repo (VRRR)	54
12.13.4	(2020) 🏦 📄 📊 📄 Long Term Repo Operations (LTROs: दीर्घ अवधि के रेपो ऋण)	55
12.13.5	🏦 📄 📊 📄 Targeted Long Term Repo Operations (TLTRO: लक्षित दीर्घकालिक रेपो)	55
12.13.6	📄 TLTRO- Useless Doubts by novice students (बाबू-शोना /कच्चे खिलाड़ियों के फालतू प्रश्न)	55
12.13.7	🏦 📄 📊 📄 RBI's special or flexible liquidity window to help MF	56
12.13.8	🏦 📄 📊 📄 Sector Specific On-Tap Liquidity Windows (2021, Corona Wave 2.0)	56




12.13.9	   Enhanced Reverse Repo Rate for Hardworking Bankers 57	57
12.13.10	   MonPolicy → Quant Tools → Rates → MSF (2011)..... 57	57
12.13.11	MonPolicy → Quant Tools → Rates- associated terms..... 57	57
12.13.12	   Market Operations (OMO, MSS): (Inflation → Sell G-Sec, Deflation → Buy) 58	58
12.14	    MonPolicy: Quanti Tools: OMO → Operation Twist..... 58	58
12.14.1	  : Security → Debt → G-Sec & Bonds (ऋण के लिए जारी की गई प्रतिभूतियाँ)..... 58	58
12.14.2	 (   ) Deepening of G-Sec market- Retail investors' RDAG @RBI..... 59	59
12.14.3	   Corporate Bonds: factors that determine its interest rate..... 59	59
12.14.4	   Bond Yield (बांड में निवेश करने पर होने वाली आय या मुनाफा) 59	59
12.14.5	   Bond Yield $\propto 1/\text{Price}$ (सस्ते में खरीदा= तो मुनाफा ज्यादा)..... 60	60
12.14.6	   Bond yield: other factors affecting it (अन्य कारक) 60	60
12.14.7	    Operation Twist: why?..... 60	60
12.14.8	    RBI's Operation Twist: methodology (2019-Dec)..... 60	60
12.14.9	     Bond Yield & Inverted Yield Curve: Concepts with poor cost-benefit for exam 61	61
12.15	    MonPolicy: Quanti Tools: OMO → G-SAP..... 62	62
12.15.1	    OMO → G-SAP : Benefit? 62	62
12.16	   Monetary Policy: Qualitative Tools (गुणात्मक साधन) 63	63
12.16.1	 Moral Suasion (नैतिक दबाव / सलाह) & Publicity (प्रचार) 63	63
12.16.2	  Direct Action (सीधी कार्यवाही: क्योंकि लातो के भुत बातों से नहीं मानते)..... 63	63
12.16.3	 Margin Requirements / Loan to Value (LTV) (सीमा अनिवार्यता)..... 64	64
12.16.4	Selective Credit Control (चयनात्मक ऋण नियंत्रण)..... 64	64
12.17	   Priority Sector Lending (PSL: प्राथमिकता क्षेत्र के लिए ऋण मानक) 64	64
12.17.1	   PSL Reforms-2020: on RRB/SFB/UCB?..... 65	65
12.17.2	   PSL Reforms-2020: Startups, Renewable Energy and Healthcare 66	66
12.17.3	   PSL Reforms-2020: Weightage to poor districts (गरीब/पिछड़े जिलों को भारांक) 66	66
12.17.4	    Priority Sector Lending Certificates (PSLC) from 2016 onwards 66	66
12.18	  Monetary Policy Tools: A Ready Reckoner Table 68	68
12.19	 Monetary Policy in Present-Day India 68	68
12.19.1	 Monetary Policy Making under RBI Act since 2016 69	69
12.20	 Review of Bi-Monthly Monetary Policies..... 70	70
12.20.1	  Stance: Calibrated Tightening / Neutral / Accommodative 70	70
12.21	   RBI's Monetary Policies: Before 2020-Corona..... 71	71
12.22	   RBI's Monetary Policies: Corona MarchToMay'20..... 72	72
12.22.1	  ATMANIRBHAR → Gist of RBI's March2May 2020 Announcements:..... 72	72
12.22.2	   RBI's Monetary Policies: 2020-August 72	72
12.22.3	   RBI's Monetary Policies: 2020-October (दरों में कोई बदलाव नहीं)..... 73	73
12.22.4	   Monetary Policy: 2020-December (दरों में कोई बदलाव नहीं)..... 73	73

12.22.5	  Monetary Policy: Feb-2021 update (दरों में कोई बदलाव नहीं).....	73
12.22.6	  Monetary Policy: April-2021 update(दरों में कोई बदलाव नहीं)	74
12.22.7	  Monetary Policy: June-2021 update (दरों में कोई बदलाव नहीं)	74
12.22.8	  Monetary Policy: Aug-2021 update (दरों में कोई बदलाव नहीं).....	74
12.22.9	  Monetary Policy: Oct-2021 update (दरों में कोई बदलाव नहीं).....	74
12.22.10	  Monetary Policy: future updates.....	75
12.22.11	  Monetary Policy bi-monthly announcements: ignored (निम्न में से कुछ भी काम का नहीं है) 75	75
12.23	  Banks' Lending Rates % (बैंक ऋण की व्याज दरें)	76
12.23.1	  Bank's loan interest rate: MCLR system(2016).....	76
12.23.2	  Bank's loan interest rate: External Benchmark (बाहरी बेंचमार्क).....	76
12.23.3	 Corona-2020 impact on Deposits interest rate & Loans interest rate as per ES21	77
12.24	  Limitations of Monetary Policy in India (मौद्रिक नीती की मर्यादाएँ).....	77
12.24.1	  Monetary policy limitations: Lazy banking in Corona Crisis.....	78
12.24.2	  Monetary policy limitations: Cheap loans causing inflation?.....	78
12.24.3	 Conclusion / निष्कर्ष	79
12.24.4	  Mock Questions for UPSC Mains/GSM3 (250 words)	79

11 MONEY'S DEMAND, SUPPLY & CREATION



11.11 DEMAND OF MONEY: LIQUIDITY PREFERENCE THEORY (तरलता अधिमान)

British Economist John Maynard Keynes (Book: *The General Theory of Employment, Interest and Money*, 1936) noted that people prefer to keep a part of assets in liquid form (cash money) with 3 motives:

-  **Transaction motive (संव्यवहार उद्देश्य):** For using money as a medium of exchange e.g. for buying daily milk, vegetables and fruits.
-  **Precautionary motive (एहतियाती):** To protect against sudden / unforeseen expenditure e.g. medical emergency or impulsive purchase during a holiday trip.
-  **Speculative motive (सट्टा-उद्देश्य):** Investors hold cash to make the best use of any investment opportunity that arises later e.g. waiting for gold / land prices to fall, then "I will use my cash to buy it". Also known as "Asset Demand of Money".

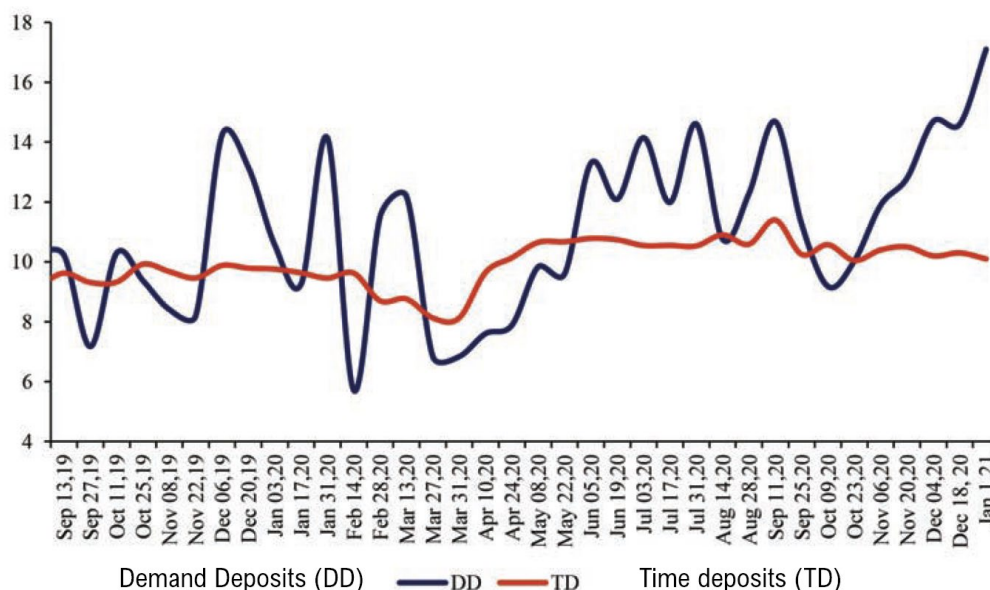
The amount of money held in cash form **vary inversely with interest rates**. If higher interest available in Bank Deposits, Bonds etc. → people would invest money there, instead of keeping money in liquid form (cash).

11.12 SUPPLY OF MONEY (मुद्रा की पूर्ति)

 Time Liabilities of a Bank (FDRD) समय / मीयादी देयताएँ	 Demand Liabilities of a Bank (CASA) मांग देयताएँ
<ul style="list-style-type: none"> - Fixed deposits, Cumulative/ recurring deposits, Staff security deposit etc. - Bank legally not required to pay customer before maturity. But may pay after deducting penalty/ interest. 	<ul style="list-style-type: none"> - Current Account - Savings Account - Demand Draft - Overdue balance in Fixed Deposits - Unclaimed deposits.

Public parks more money here, because better returns / higher interest rates.	LESS
LESS	More liquid because easily convertible into cash on demand.

- ⇒ Bank deposits suddenly \uparrow 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.
- ⇒ $\square\square$ ES21: Corona-2020: Initial months of lockdown the growth of (demand) deposit $\downarrow\downarrow$ because people withdrew money in panic / precautionary motive. Although in the later months → Unlock down and normalcy → $\uparrow\uparrow$ Quantity of deposit. तालाबंदी के शुरुआती महीनों में लोगों ने एहतियाती कारणों से बैंकों से अपनी डिपॉजिट निकाली हालांकि परिस्थिति सामान्य होने पर, बाद के महीनों में वापस बचत की मात्रा में बढ़ोतरी 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' loot-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 \downarrow → 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 ज़्यादा पाई गई। क्योंकि कोरोना दूसरी लहर के चलते इलाज का खर्चा, लॉकडाउन/ तालाबंदी के डर से, बेरोजगारी के चलते जीवन निर्वाह के लिए- लोगों ने बैंकबचत का ढेर सारा बचत का पैसा नगदी में निकाला है।

? 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 महंगाई दर और ब्याज दरों पर असर करती है
- RBI measures the money supply through indicators: M0, M1, M2, M3, M4

Table 1: *CU: Coins & Currency with Public

Measure संकुचित, व्यापक		*CU	Commercial Banks		Post Office Savings Bank		Liquidity तरलता	Qty मात्रा
			Demand Deposits (CASA)	Time Deposits (FDRD)	Demand Deposits (SA)	Time Deposits		
Narrow Money	M1	✓	✓	✗	✗	✗	☆☆☆☆	☆
	M2	✓	✓	✗	✓	✗	☆☆☆	☆☆
Broad Money	M3	✓	✓	✓	✗	✗	☆☆	☆☆☆
	M4	✓	✓	✓	✓	✓	☆	☆☆☆☆





- Self-Extrapolate e.g. $M3 = M1 + \text{Time deposits with commercial banks}$. (स्वयं से फार्मूला बनाइए)
- M3 is the most commonly used measure of money supply, also known as “**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 डिपॉजिट किया हो तो उसे इधर नहीं गिनते.
- **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 reputed companies. तुरंत खरीदार मिल जाते हैं इसलिए अपनी संपत्ति को आप नगदी धन में आसानी से परिवर्तित कर सकते हैं
 - **Relatively illiquid assets**: Home/Real estate, Paintings/Sculptures etc. Because difficult to find buyers at right price instantly. खरीदार आसानी से नहीं मिलता इसलिए इन संपत्तियों की तरलता थोड़ी कम है
- **Liquidity injection / infusion** (तरलता अन्तःक्षेपण) refers to phenomenon when RBI buys Bank/NBFCs’ G-Sec/T-bill/financial assets to provide them with cash.

 ? 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 ___. (UPSC-Prelims-2020)

- [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

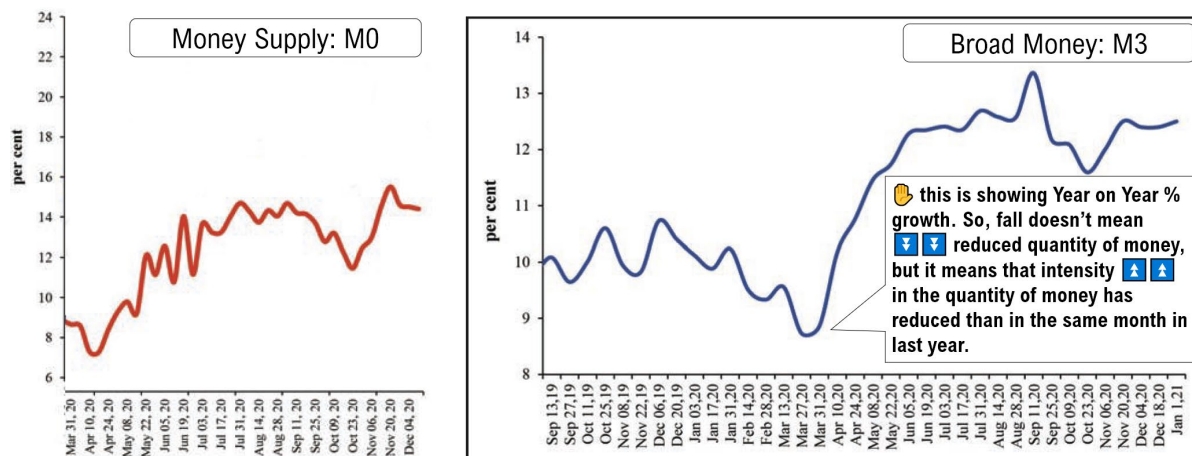
11.13 FACTORS AFFECTING MONEY SUPPLY [M1, M3]

M1, M3 Money Supply will  when:

- When Money multiplier and / or Velocity of money .
- When RBI’s asset side increases  e.g. Govt borrowing more from RBI using G-sec. जब सरकार रिज़र्व बैंक से ज्यादा पैसा कर्जों में ले
- (is there are limit on how much money can Govt borrow? Ans. YES. We’ll see in Pillar2 → FRBM Act.)
- With the  in banking penetration, financial inclusion (वित्तीय समावेशन)
- Boom period, Whenever loan demand  (तेजी का माहौल → लोन ज्यादा लिए जा रहे हो)
- When RBI adopts Cheap / Easy / Dovish / Expansionary monetary policy to combat deflation.

11.13.1 📊📈📉📊 Corona-2020 impact on Money Supply M0 and M3 as per 📊📈ES21

👉 Note: There may be 500 other factors as well affecting these indicators but gives poor:cost benefit learning all those things from MCQ point of view. वास्तविक जिंदगी में और भी 500 कारकों के चलते इन आंकड़ों पर असर होता है लेकिन उन सब की पंचात करने बैठे तो परीक्षा के लिए उपयोगी नहीं # 📊📈 थोड़ा-पढ़ो-आगे-बढ़ो



M0	<p>⇒ Corona-2020: M0 increased mainly ⬆ because:</p> <p>⇒ To keep the ₹:\$ exchange rate stable, Reserve Bank's ⬆ purchases (of Dollars & other Foreign Currency) from Authorised Dealers (ADs) in the Foreign Currency Exchange Market → ⬆ ₹ Currency supply in the market. [More in Pillar#3: Balance of Payment] रुपया और डॉलर की विनिमय दर को स्थिर रखने के लिए रिजर्व बैंक ने बाजार से डॉलर करी दे और सामने रुपए मुहैया कराए जिसके चलते आरक्षित मुद्रा (M0) की मात्रा में बढ़ोतरी हुई - पिछले साल की तुलना में</p>
M3	<p>⇒ M3 = Coin and currency with public + Demand deposits with banks + Time deposits with bank</p> <p>⇒ Corona-2020: overall M3 ⬆ due to expansionary monetary policy of RBI (CRR ⬆, Repo ⬆ etc) रिजर्व बैंक की विस्तारवादी नीतियों के चलते बढ़ोतरी हुई - पिछले साल की तुलना में</p>

11.14 📊📈 CREATION OF MONEY (मुद्रा का निर्माण)

M0 / Reserve Money / Government Money / High Powered Money (उच्च शक्ति मुद्रा) is issued under RBI Act, by RBI's ISSUE DEPARTMENT, with condition that ISSUE DEPARTMENT's assets must match its liabilities.

Assets of Issue Department (परिसंपत्तियाँ)	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 ईंटे 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 प्रतिभूतियाँ 	<p>Total Currency notes (& coins & ₹1 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)

* 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#2

☹️ **Moral outrage:** Where is the repo, where is the profit, how can ₹1 coin be on asset side as well as liability side? How did RBI print money before “THIS” to acquire gold? ++500-jaat-ke-doubts.
My Ans. Please refer to Viral Kohli’s wedding snapshot in the PowerPoint.

11.15 ⚡ MONEY MULTIPLIER (मुद्रा गुणक)

RBI’s Cash Reserve Ratio (CRR) leads to **Fractional Reserve Banking & Credit Creation** by the commercial banks, which creates money multiplier effect as following:

Table 2: this process is called 'Fractional Reserve Banking & Credit Creation'

High Powered money (M0) = 100	Asset Side	Loaning	10% Reserve ('R')
Bank#1	100	90	10
Bank#2	90	81	9
Bank#3	81	72.9	8.1
Bank#..
Total Money (here M3)	Total sum = ₹1000**		

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

** ☹️ **Moral Outrage:** How can loan and CRR be counted in M3? Ans. They’re not counted.
But, before money went into loans & CRR, it was sitting on deposit side. M3 counts deposits.

- Every “R” reserve generates “1/R” new money. Here, 10% reserve (R) generated $1/R = (1/(1/10)) = 10x$ times the high-powered money. [बैंक कर्ज देने से पहले यदि 10% रकम आरक्षित रखती है तो 10 गुना ज्यादा पैसों का निर्माण]
- 4% reserve ratio will generate $[1/(1/25)] = 25x$ times (in theory). 🙌 however in reality the multiplier may be lower, due to poor banking penetration. (गांव गांव तक बैंक की सुविधा नहीं है इसलिए वास्तविक जीवन में इतना मुद्रा गुणक नहीं होगा)
- In a functional economy, money multiplier is always greater than 1.
 - & It directly improves with ⬇️ reduction in CRR. (सीआर आर घटेगा तो मुद्रा गुणक बढ़ेगा)
 - & It indirectly improves as economy develops, consumption / loan demand increases, banking penetration, digital economy/less-cash economy etc.
 - In 1960s = less than 2x, 90s = more than 3x, At present = more than 5x.

11.15.1 ⚡ Money Multiplier Before Corona as per 📊📊 ES20

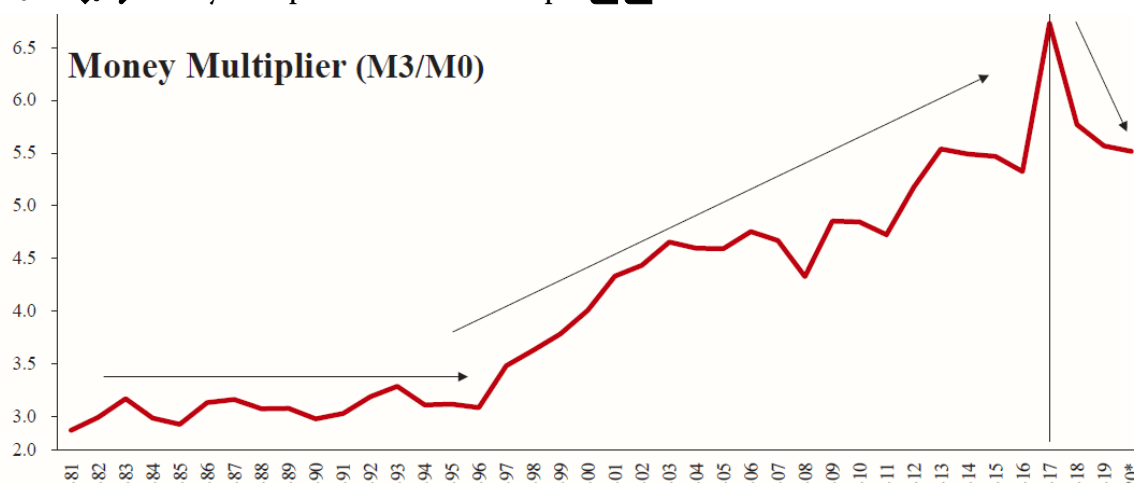
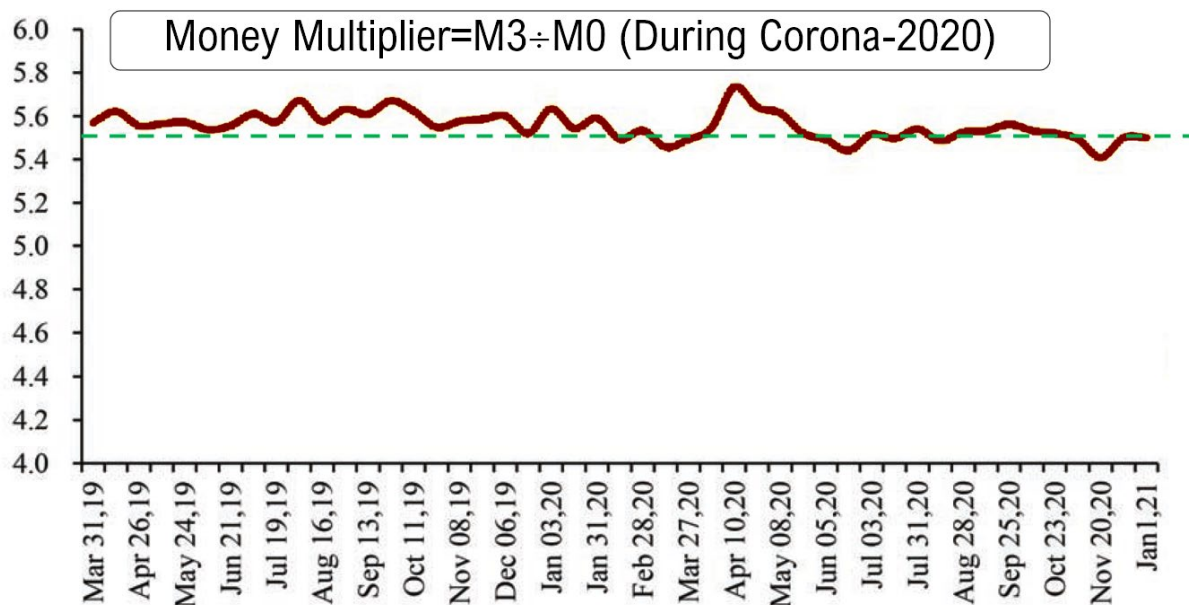


Figure 1: source- Economic Survey 2020, zigzag pattern means 'not increasing steadily'.

- ES20: 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.

11.15.2 Corona-2020 impact on money multiplier as per ES21



- ⇒ Money Multiplier mostly increasing from 1980s onwards up to 2016-17, has however been declining since then. multiplier 5.6 (2019) but to 5.5 (2020) = Money Multiplier didn't grow / remained suppressed / muted / Impaired in Corona-2020. Reasons? → कोरोना के दौरान मुद्रा गुणांक दबा हुआ या मूक रहा क्योंकि:
- ⇒ Slowdown in economy, demand for loans → so, bank deposited large amount of money with RBI under reverse repo. जनता लोन में पैसा लेने के लिए कम आई, इसलिए बैंकों ने अपनी अतिरिक्त राशि रिजर्व बैंक में ही रिवर्स रेपो रेट के स्वरूप में जमा करा दी
- ⇒ if banks continuously loaned ₹ to households & business firms then M3 would grow thru 'zigzag' lending-deposit activity from One bank account to another bank account यदि वह पैसा रिजर्व बैंक में रिवर्स रेपो रेट में डालने की वजह, बैंक वाले लोन में घुमाते तो मुद्रा गुणक में बढ़ोतरी दर्ज होती, लेकिन कोरोना के चलते लोगों में लोन की उत्सुकता कम देखी गई
- ⇒ Then ES21 tried to entered in technical commentary that If we ignore the Reverse repo rate money parked in RBI then "Y" thing would have happened etc but Poor cost benefit for exam.
थोड़ा-पढ़ो-आगे-बढ़ो Even if some inexperienced to private quizmaster setup faltu MCQs from it.
- ⇒ if people keep more portion of cash in hand and less in banks-deposits then Money multiplier will not improve. Corona = rise in cash:deposit ratio, as people drawing cash from bank account fearing lockdown / precautionary motives [At Least, In the initial months of lockdown]. तालाबंदी के शुरुआती महीनों में लोगों ने एहतियाती कारणों से बैंकों से अपनी डिपॉजिट निकाली इस कारण भी, मुद्रा गुणक में बढ़ोतरी नहीं हो पाई.

? 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 MCQ also repeated in Prelims 2021

11.15.3 🏆 Misc. topic: Velocity of Money Circulation (मुद्रा संचालन का वेग)



It is the average number of times money passes from one hand to another, during given time period. e.g. you bought pen worth Rs.10 from shopkeeper, he uses same ₹10 note to buy tea from another shop, then same currency note performed function of 20 Rupees. कितनी बार एक नोट एक हाथ से दूसरे हाथ में जाता है?

This “Velocity of money circulation” is affected by following factors:

- **Income distribution:** Money in the hands of poor people has higher velocity than the rich people.
- If more people borrow money for purchase → higher velocity. Hence developed countries => higher velocity, because people save less and spend more because of consumerist lifestyle and confidence in Government's social-security e.g. USA. (जब लोगों में बचत की भावना कम हो)
- Boom period in economy = more raw material purchase & hiring = higher velocity. (तेजी का माहौल)
- Other 500-jaat-ke permutation-combination-PHD = poor cost:benefit for exam
- What is its scene in Corona? Answer not given in 📁📁ES21 so no point in SELFPHD.

12 🏆 📢 MONETARY POLICY (मौद्रिक नीति)

- [Definition] Monetary Policy is a macroeconomic policy (समष्टि आर्थिक नीति), designed by the central bank of a country, to manage money supply & interest rates. It helps shaping variables such as inflation, consumption, savings, investment, and capital formation (मुद्रा आपूर्ति व ब्याजदरो को नियंत्रित करके मुद्रास्फीति/मंहगाई, मांग/खपत, बचत, निवेश, पूंजी निर्माण को आकार देना- रिजर्व बैंक द्वारा बनाई गई इस प्रकार की नीति को मौद्रिक नीति कहते हैं).
 - [Significance] Monetary policy plays an important role in price stability [inflation control], economic growth, job creation and social justice in any economy. (मंहगाई-नियंत्रण, आर्थिक वृद्धि, रोजगार सृजन, सामाजिक न्याय के लिए महत्वपूर्ण साधन है ये मौद्रिक नीति)
 - **Milton Friedman:** American economist whose research on monetary policy made this subject more popular, he also won a Nobel in Economics in this regard (1976).
 - **Philip Curve:** Inflation ↑ = unemployment ↓ (and vice versa). मंहगाई बढ़ेगी तो बेरोजगारी घटेगी. मंहगाई कम होगी तो बेरोजगारी बढ़ेगी. (More in Pillar#4C)
 - Therefore, stable & moderate inflation is good for the economy. (स्थिर व मध्यमस्तर मंहगाई अर्थतंत्र के लिए अच्छी)
- So, RBI tries to keep inflation with 2-6% Consumer Price Index (CPI: All India) using its bi-monthly monetary policy made by its 6- member statutory Monetary Policy Committee. (छः-सदस्यवाली वैधानिक समिति द्वारा द्वि-मासिक मौद्रिक नीति निर्माण करके रिजर्व बैंक मंहगाई दर को उपभोक्ता मूल्य सूचकांक के हिसाब से २-६% में नियंत्रित करने की कोशिश करता है)

12.11 🏆 📢 📊 MONPOLICY: QUANTITATIVE TOOLS (परिमाणात्मक साधन)

Also known as (aka) **General or Indirect Tools** as they affect the entire economy, and not just a particular sector. (सामान्य या अप्रत्यक्ष उपकरण क्योंकि यह किसी एक क्षेत्र-विशेष को नहीं किंतु पूरी अर्थव्यवस्था को असर करते हैं)

12.11.1 📖🔗 Statutory Reserve Requirements: CRR, SLR (Fight inflation: ↑, deflation: ↓)

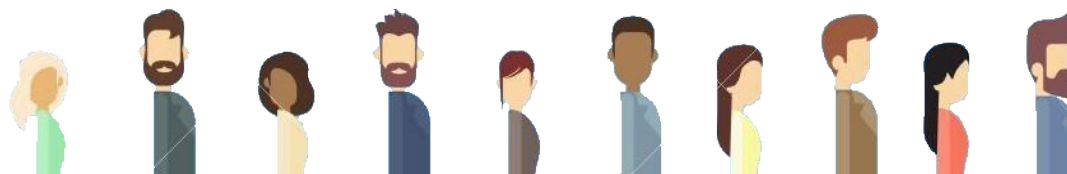
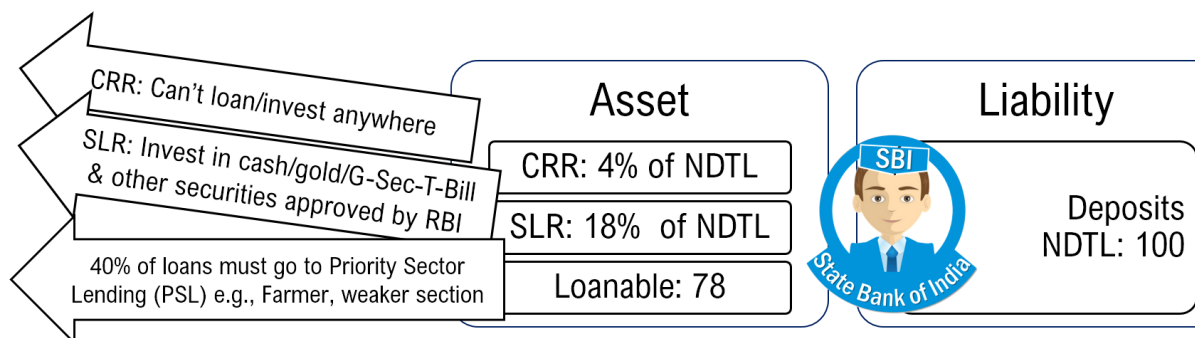


Figure 2: depositors waiting in a queue & demanding- हमारा पैसा वापस करो, ABHI KE ABHI!

- CRR and SLR are collectively known as “**Variable Reserve Ratios**” or “**Statutory Reserve Ratios**” (इन दोनों को परिवर्तनीय आरक्षित अनुपात / वैधानिक आरक्षित अनुपात भी कहा जाता है)



CRR	SLR
Full form: Cash Reserve Ratio (नकद कोष अनुपात)	Full form: Statutory Liquidity Ratio (वैधानिक तरलता अनुपात)
Banks must keep this much deposits (or balance) with RBI. RBI doesn't pay interest on this deposit, except in extraordinary circumstances like 1999's Banking slowdown. (बैंक ने जमाकर्ताओं से हांसील की हुई रकम का कुछ हिस्सा रिजर्व बैंक में जमा करना पड़ेगा।)	Banks must keep this much deposits in liquid assets such as cash, gold, G-Sec, T-Bills, State Development Loan Bonds and other securities notified by RBI. (बैंक ने जमाकर्ताओं से हांसील की हुई रकम का कुछ हिस्सा, रिजर्व बैंक द्वारा मान्य तरल परिसंपत्ति में निवेश करना होगा)
Bank earns no profit / interest, as such.	Some profit may be involved. (मुनाफा हो सकता है)
<ul style="list-style-type: none"> - CRR: first suggested by the British economist J.M. Keynes & first introduced in US Federal Reserves (=Central Bank of USA). - Mandated under RBI Act, 1934 	Mandated under Banking Regulation Act, 1949 (बैंकिंग विनियमन अधिनियम के अनुसार इसे लागू किया जाता है)
RBI can fix any amount of CRR, legally there is no minimum or maximum limit. Corona-2020: it was 3% of Net Demand & Time Liabilities of a bank (NDTL: निवल मांग और समय देयताएँ) 2021-May: it'll be gradually increased to 4%	Presently it is 18.00% of NDTL. Legally, SLR can't be more than 40%. कानूनन रूप से रिजर्व बैंक इसे 40% से ज्यादा नहीं रख सकती.
<ul style="list-style-type: none"> - All Banks must keep CRR. - However, RBI may prescribe separate % norms/slabs for Regional Rural Banks (RRBs) and Cooperative Banks. - More in 📖 Pillar1B1: classification of Banks 	Similar to left cell of this table. (सभी प्रकार के बैंक के लिए अनिवार्य. हालांकि क्षेत्रीय ग्रामीण बैंक तथा सहकारी बैंको के लिए इसकी प्रतिशत माला रिजर्व बैंक, अन्य बैंको की तुलना में थोड़ी भिन्न रख सकती है)

👉 Difference between NDTL, ODTL, Total DTL? = NOT IMP4IAS. If you want to satisfy your curiosity, do google search yourself but I don't think it as best use of my/your time. #ARJUN-Fisheye

- CRR-SLR are counted on fortnightly basis. If not maintained, bank will have to pay penalty interest rate to RBI. This Penalty rate is linked with **Bank Rate**. (हर 15 दिनों के लिए गिना जाता है. नहीं माना तो जुर्माना लगेगा.)
- CRR-SLR ensure monetary stability of India through **two primary functions**:
 - 1) CRR assists in money multiplier effect,
 - 2) CRR-SLR provide buffer/protection during a **Bank Run** (बैंकों में से जमाराशि वापस लेने की दौड़) i.e. an emergency when every depositor wants to pull out money from his bank account at once, mainly due to fake news / rumors.
- While in theory CRR/SLR can be used for inflation control but RBI primarily relies on REPO Rate (=its Policy Rate) to combat inflation, and not CRR/SLR. (हालांकि, महंगाई नियंत्रण के यह मुख्य साधन नहीं है)

12.12 🏠 📊 ✂️ 📅 31 CRR, SLR: DEVELOPMENT IN RECENT YEARS



12.12.1 🏠 📊 ✂️ 📅 31 (2016): Incremental CRR during Demonetization (नोटबंदी में वृद्धिशील सीआरआर)

- During demonetization (2016-17): public required to deposit the banned ₹500-1000 ke notes in banks. So, banks' deposits increased drastically.
- During that time, RBI temporarily prescribed **Incremental CRR**.

👉 What was it? how did it work? **Ans.** 6 years old technical topic for Prelims-2022. Very poor cost benefit in preparing # 🕒 थोड़ा-पढ़ो-आगे-बढ़ो. उस 6 साल पुराने मुद्दे की अब पंचात करने नहीं बैठेंगे

12.12.2 🏠 📊 ✂️ 📅 31 (2020-Feb) CRR Exemption for 5 yrs, depending on loans (सीआरआर में छूट)

2020-Feb: RBI instructed the banks:

- ⇒ Whatever new (retail) loans you give for (1) automobiles (2) residential housing / home mortgages. (3) MSMEs [After 31/Jan/2020 upto 31/Jul/2020]. Some of these deadlines later extended but PHDNOTIMP
- ⇒ You can subtract that much loaned ₹ amount from deposits while computing cash reserve ratio (CRR) for the next five years (from the date when the loan was given or other technical norms, which are not important). (यदि बैंक ने वाहन, मकान और छोटे उद्योगों को कर्ज दिया, तो सीआरआर में उस बैंक को छूट मिलेगी)
- ⇒ In other words, if a bank gives more loans to the above 3 sectors, it'll have to keep  CRR →  loanable funds → profit to the bank. And more loans → more business activity → economic growth for the country. (देश की आर्थिक वृद्धि में मदद होगी)

12.12.3 🏠 📊 ✂️ 📅 31 (2020-Mar) CRR from 4% to 3% in 🏠 Atmanirbhar Bharat



Figure 3: कोरोना महामारी से जुड़ा रही अर्थव्यवस्था पुनर्जीवित करने के लिए सीआरआर में कटौती करना मंगता है।

- To revive Indian economy after Corona, RBI made certain changes in its monetary policy during March-April-2020 period.
- Parallely, Govt also took announced relief in tax-filling, free-food to poor etc.

- Collectively, Modi labelled these actions of [RBI + Government] = “**Atmanirbhar Bharat Economic revival package**”. More in Pillar#4C.
- ⇒ **2020-March:** RBI announced 100 basis points (bps) (=1%) cut in CRR. so Earlier 4%-1%=. This will the loanable funds available with the banks. (कोरोना वर्ष 2020 के दौरान रिज़र्व बैंक ने सीआरआर में 1% की कटौती की ताकि बैंकों के पास लोन में घूमने के लिए ज्यादा राशि उपलब्ध हो जाए)
- ⇒ 2021: now moving towards economic recovery, enough loanable funds in banks available so, RBI ordered restoration/ of CRR in two phases: 3.5% (2021: March2May) →4% (2021-May) (वापस बढ़ोतरी)

12.12.4 CRR Technical things NOTIMP

Following technical operational aspects of CRR not imp / poor cost benefit in studying for exam

- What is Automated sweep-in and sweep-out (ASISO) facility? NOT-IMP
- What is Flexible Automated Option for Managing CRR? NOT-IMP
- Further, Banks are required to calculate CRR on a fortnightly (15 days) basis. They have to maintain at least 90% of that amount in CRR on daily basis. RBI also minimum daily CRR balance maintenance from 90% to 80% upto 2020-June. NOTIMP. इस प्रकार की चीजें परीक्षा के लिए काम की नहीं

Above type of information is not really important for the scope of civil service exam. So, don't lose sleep if some inexperienced private Mocktest quiz master framing MCQs like this.

? Cash Reserve Ratio refers to _ _ _ . (UPSC-CDS-i-2020)

- the share of Net Demand and time liabilities (NDTL) that banks have to hold as liquid assets
- the share of NDTL that banks have to hold as balances with the RBI
- the share of Net demand and time liabilities that banks have to hold as part of their cash reserves
- the ratio of cash holding to reserves of banks

? Find correct statements about SLR: (UPSC-CDS-2011-II)

- To meet SLR, Commercial banks must keep cash only.
- SLR is maintained by the banks with themselves.
- SLR restricts the banks leverage in pumping more money into the economy.

Answer codes:(a) 1, 2 and 3 (b) 1 and 3 (c) 2 and 3 (d) only 2

? When RBI reduces SLR by 50 basis points which of the following is likely to happen? (UPSC-Pre-2015)

- India's GDP growth rate increases drastically.
- Foreign Institutional Investors may bring more capital into our country.
- Scheduled Commercial Banks may cut their lending rates.
- It may drastically reduce the liquidity to the banking system.

12.12.5 MonPolicy → Quant Tools → Rates → Bank rate (बैंक दर):

	Bank Rate	MSF	Repo Rate
Introduced in	RBI Act, 1934**	2011	2000
What is the % rate?	Since 2012: Bank Rate% = MSF%	MSF = Repo% + “x”%	Monetary Policy Committee decides
Who can borrow from the RBI?	Only banks		All clients of RBI: bank, non-bank, Union & State Govt
Collateral required?	**Yes and No	Bank can pledge securities from its SLR quota	Yes, G-Sec/T-bill. But not from SLR

	Bank Rate	MSF	Repo Rate
Loan duration	Longer than repo	Short term usually overnight to 14 days	
Primary Utility?	Nowadays mainly for deciding penalty on errant banks	Emergency borrowing by bank, using their securities from SLR quota subject to certain limits.	Short term borrowing by all clients of RBI.

⇒ **RBI Act, 1934: “Bank rate is the standard rate at which RBI buys or **rediscounts** first class securities, bills of exchange or other commercial papers.(-NCERT)” *rediscounting basically means the “repo-walla game= RBI buys @x price, re-sells@y price where $y > x$ ”*

⇒ But, since the introduction of the Repo rate in the 2000s, the Bank rate has become a dormant tool (निष्क्रिय उपकरण) =not frequently used by RBI for lending or by banks for borrowing).


⇒ So, **reference books/websites differ** in its present operational status e.g. some of them would say:


- Bank rate requires no collateral and is meant for long term loans.
- Bank rate accepts collateral which can be both GSec/T-bill as well as private companies' securities.

So, in the real exam, it depends on which book/web source the examiner has copied the statement(s) and accordingly you've to take a judgement call in ticking the answer. विभिन्न और किताबों और वेब साइटों पर बैंक दर की व्याख्या/अर्थ गठन अलग अलग है इसलिए असल परीक्षा में जो पूछा जाए तो स्थिती/विवेक के हिसाब से आपने जवाब tick करना है.

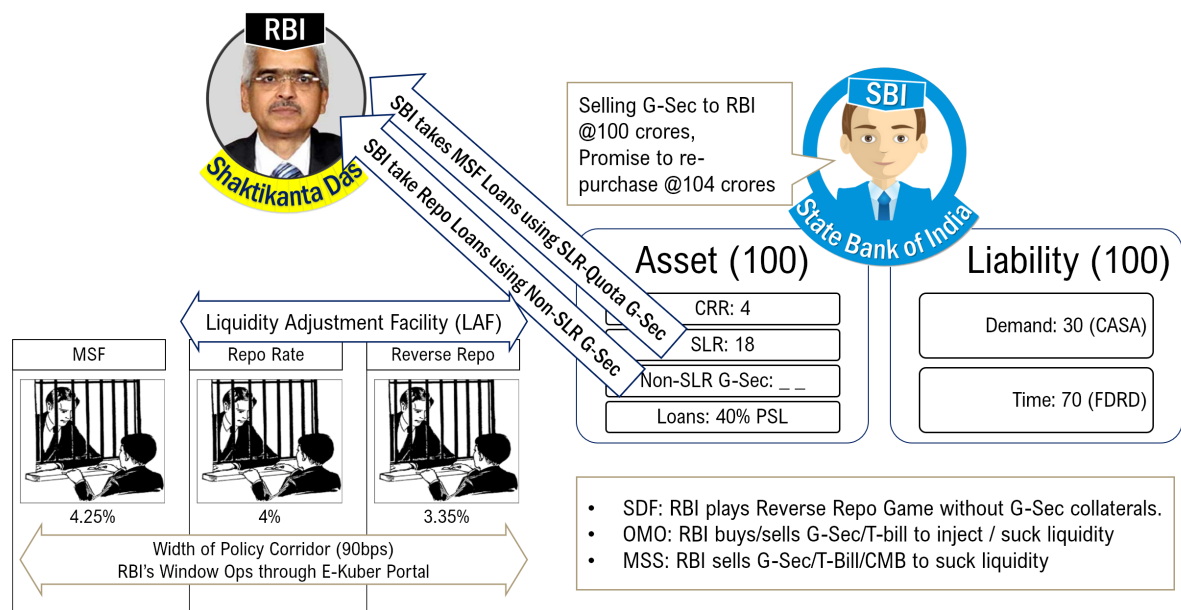
12.13 MONPOLICY → QUANT TOOLS → RATES → LAF REPO (2000)

RBI's Liquidity Adjustment Facility (LAF, तरलता समायोजन सुविधा): has two windows:

* LAF-Repo Rate (रिपो दर/पुनः क्रय-अनुबंध)	* * LAF-Reverse Repo Rate (उलट रिपो/ पुनः क्रय-अनुबंध)
The Interest rate at which RBI lends short-term loans to its clients, keeping their G-Sec as collaterals. (रिजर्व बैंक अपने ग्राहकों को लघु अवधि के ऋण देता है। उसपर लागू ब्याज दर को रिपो दर कहते हैं। ग्राहक ने अपनी सरकारी प्रतिभूतियों को रिजर्व बैंक में गिरवी रखना पड़ता है)	It's the interest rate that clients earn when parking their surplus funds with the RBI for short periods, to earn interest. (ग्राहक अपना अतिरिक्त धन, रिजर्व बैंक में लघु अवधि के लिए जमा कर जो ब्याजदर कमाते हैं, उसे उलट-रिपो-दर कहते हैं)
⇒ Clients enter into an agreement with RBI to repurchase their G-sec at a future date at a (higher) pre-determined price. ⇒ Banks can't pledge their SLR-quota-G-Secs for this borrowing. 	Mechanism similar to Repo, RBI gives its G-Sec as a collateral to client.
- Repo also called 'Ready Forward Transaction'. - Repo Rate is our Policy Rate to control inflation. (मौद्रिक नीति दर)	Reverse Repo Rate = Repo% MINUS x%

⇒ **Repo** = RBI lends short term loans its clients, & demands G-Sec/T-bill as collateral.  Every place I've not mentioned T-bill, as it just reduces the speed of revision.

⇒ **Market Repo** = Players other than RBI (such as bank, NBFCs) loaning short money to other Banks/NBFCs/Corporate Companies, and demanding financial securities (G-Sec/T-Bill/shares/bonds/commercial paper etc.) as collateral. What do those terms mean? **Ans.** Ref the table given in topic Operation Twist.



12.13.1 (2020) 🐼🦋: Repo Rate ⬇️ to cheapen the loans & revive economy



Figure 4: कोरोना महामारी से जुड़ा रही अर्थव्यवस्था पुनर्जीवित करने के लिए रिपो दर में कटौती करना मंगता है।

- ⇒ 2019: repo was in the range of 5-6%. Then, 2020-Corona → 🦋 Atmanirbhar Bharat RBI's monetary policies from Mar-April-May-2020 → REPO Rate ⬇️ to 4%
- ⇒ **Stance:** Accommodative. Means in the next meeting they will either ⬇️ repo or keep it unchanged. But no chance of ⬆️ the repo rate in next meeting.
- ⇒ Theoretically: ⬇️ repo → ⬆️ demand → ⬆️ inflation but, RBI expects that inflation will be under control because:
- ⇒ Monsoon will be normal so food prices (& resultant inflation) will be under control.
- ⇒ Corona-led Economic slowdown → demand ⬇️ → inflation should ⬇️.
- ⇒ Crude oil prices also under control due to Corona slowdown.
- ⇒ Thus, inflation is going to be remain under control. Therefore, large reduction in repo rate WAS justified to boost economic growth in 🦋 Corona.

🦋 However, 2020-July-August: CPI > 6.5% which is above the 2-6% limit.

- ⇒ So, then, ideally RBI should ⬆️ the repo rate to combat inflation, but that will make the loans expensive and harm the post-corona economic revival. so the RBI kept the repo rate unchanged. (महंगाई से लड़ने के लिए अगर लोन महंगे कर दिए तो कोरोना महामारी पश्चात भारतीय अर्थतंत्र को पुनर्जीवित करना मुश्किल होगा → इसलिए रिजर्व बैंक के दरों में कोई बदलाव नहीं किया गया)
- ⇒ Besides, the present inflation is caused by supply-side problems due to lockdown. Once the unlockdown progresses → supply ⬆️ → inflation ⬇️. so changes in the repo rate not required at present. (लॉकडाउन हटने पश्चात वैसे भी बाजार में चीज वस्तुओं की आपूर्ति बढ़ेगी तो अपने आप महंगाई काबू में आ जाएगी, ऐसा रिजर्व बैंक का सोचना था)
- ⇒ To conclude, Repo unchanged @4% from May-2020 upto 2021-November when I'm writing this note.

12.13.2 (2020) 📞📞 Reverse Repo Rate cut & Policy corridor Changed asymmetrically



Figure 5: sir, जब तक आप loan के लिए हॉ नहीं कहेंगे, हम आपको telemarketing spam-calls करते रहेंगे!

	MSF	REPO	Reverse Repo	Total width
What?	Banks borrow short term funds from RBI by pledging G-Sec from SLR-quota	All clients borrow short term funds by pledging G-Sec. But, banks can't pledge SLR quota G-Sec	Clients park surplus funds in RBI to earn interest	Policy corridor (नीति गलियारा)
Before	R+25 bps	R%	R-25 bps	25+25=50bps
After	R+25 bps	R%	R-65bps*	25+65=90bps
2020-May	4.25%	4.00% (40bps cut than earlier rate)	3.35%	25+65=90bps

⇒ *Corona led economic slowdown → Loan demand ↓ → banks parking their excess funds in RBI to earn interest in the form of reverse repo rate. बैंक वाले अपना अतिरिक्त धन रिज़र्व बैंक में डाल के बैठे बिठाये व्याज कमा रहे थे.

⇒ **By 2020-March:** banks parked ₹~3 lakh crores in RBI in Reverse Repo.

⇒ So, RBI has drastically reduced ↓ the reverse repo rate to discourage such laziness of banks. (बैंको के इस आलसीपन को दूर करने के लिए रिज़र्व बैंक ने रिवर्स रेपो रेट में कटौती की)

⇒ 🤖 Benefit of reverse repo reduction?

- ✓ IF SBI offers 5.9% Fixed deposit interest rate to depositors, and parks it in the RBI reverse repo rate (3.35%) then SBI will actually make losses.
- ✓ So, RBI hopes SBI will now be 'forced' to give loans in a proactive manner (through SMS-spam, email-spam and unwanted telemarketing-calls etc)

Although as per 📄📄 ES21, Banks still continued to park their surplus funds in Reverse repo because there were not enough loan takers due to Corona slowdown. (हालांकि कुछ खास फायदा नहीं हुआ ऐसा आर्थिक सर्वेक्षण का कहना है)

12.13.3 📞📞📄 MonPolicy → Quant Tools → Variable Rate Reverse Repo (VRRR)

TRADITIONAL FIXED REVERSE REPO	VARIABLE RATE REVERSE REPO
Interest Rate fixed by RBI e.g. 3.35% (रिज़र्व बैंक द्वारा रिवर्स रेपो रेट की दर पहले से ही तय कर दी जाती है.)	Interest Rate decided by Bidding process of clients (How? Explained in video but not important.) Thus, RBI not fixing the percentage% in advance. It is variable%...depending on bidding action of clients.
RBI can reject/refuse to accept reverse repo deposits from clients without giving him any reasons.	same as the left cell. (आरबीआई रिवर्स रेपो दर मैं ग्राहक की डिपॉजिट लेने से मना कर सकता है, बिना कोई उस ग्राहक को कारण बताए.)
--	This activity was paused during Corona 2020 but resumed in 2021-January.

Reasons for conducting VRRR (क्यों यह “परिवर्तनीय दर वाला उल्टक्रय अनुबंध” खेल खेला जा रहा है?)

⇒ Because RBI wants to suck excess money supply from the market without modifying the 'fixed' reverse repo % (रिवर्स रेपो के निश्चित दरों में छेड़छाड़/बदलाव किए बिना रिज़र्व बैंक बाजार से अतिरिक्त पैसा चूस सके.)

⇒ Clients can hope to earn more interest rate in VRRR than fixed rate reverse repo. (VRRR नीलामी में किस प्रकार की बोलियां लगाई गई है उस हिसाब से ग्राहक को शायद थोड़ा ज्यादा ब्याज कमाने मिले)

12.13.4 (2020) 📌📌📌 Long Term Repo Operations (LTROs: दीर्घ अवधि के रेपो ऋण)

- ⇒ Usually, Repo loans are for short term borrowing from overnight to 14-days.
 - ⇒ But, 2020-Feb: RBI announced to conduct Long Term Repo Operations (LTROs) of 1 yr & 3 years tenors.
 - ⇒ RBI will loan total ₹ 1,00,000 crore, in various rounds through E-Kuber platform.
 - ⇒ **Interest rate:** prevailing repo rate. Interest rate will be compounded annually. (वार्षिक रूप से चक्रवृद्धि ब्याज)
 - ⇒ This will 📈 loanable funds with banks → economic growth can be revived. (आर्थिक वृद्धि में मदद होगी)
 - ⇒ MSF and (short term) repo lending will also be continued separately as per their own existing norms.
- LTRO doesn't aim to eliminate / replace them. (बाकी जो लघु अवधि के उपकरण है, वह भी जारी ही है)

📌 *Further operational guidelines, how it impacts the bond yields etc. = poor cost:benefit*

12.13.5 📌📌📌📌 Targeted Long Term Repo Operations (TLTRO: लक्षित दीर्घकालिक रेपो)

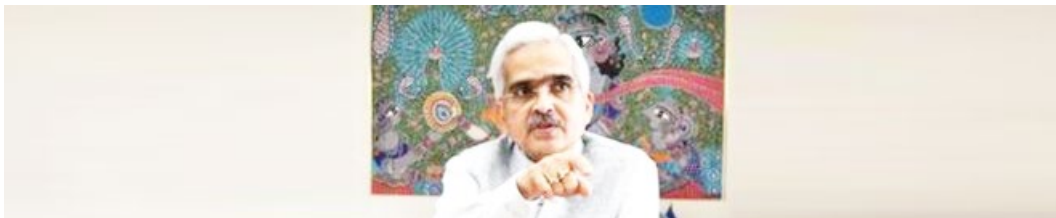


Figure 6: @Banks- jo Long term REPO loan diyaa hai uskaa certain % you must give to Bond Market

- ⇒ **Tenure?** upto 3 years
- ⇒ **Interest Rate?** FLOATING RATE linked with REPO Rate. Its exact formula? NOTIMP
- ⇒ **Total quantity?** First round 1.0= ₹1 lakh crore, round 2.0=₹50,000 crore and so on but figures NOTIMP.
- ⇒ If a bank borrows ₹₹ from this window → then
 - within “X” number of days,
 - bank must invest Y% of this borrowed money
 - in Bond market/ debt securities (such as corporate bonds/non-convertible debentures, commercial papers etc.) issued by “Z” borrower.
 - “Z” could be a Corporates, Mutual Funds, Non-Banking Financial Companies (NBFCs) and Housing Finance Companies (HFCs). (More in 📖 Pillar#1B1: Classification)
- ⇒ 😊 **Benefit?** (इससे क्या फायदा होगा)
 - Debt securities are primary source of funding for NBFCs and HFCs. This measure will help them obtain funds to revive business. (गैर बैंकिंग वित्तीय कंपनियों को मदद मिलेगी)
 - Similarly, Mutual Funds and industrialists who need funds, will benefit.

12.13.6 📌📌📌 TLTRO- Useless Doubts by novice students (बाबू-शोना /कच्चे खिलाड़ियों के फालतू प्रश्न)

1. 📌📌 Why would bank borrow ₹₹ in TLTRO if so many conditions are imposed on it? Ans. maybe the bank feels it will earn profit from such investment. (उनको जरूरत होगी तो लेंगे, वरना नहीं लेंगे)
2. 📌📌 Why would bank borrow ₹₹ in REPO rate (Short term) when TLTRO offering long term loans? Ans. 1) depends on the requirement of the bank 2) TLTRO amount is finite e.g. first round total ₹1 lakh given. So, if a banker came late to RBI's shop, but Jalebi stock was finished, banker has to buy Samosa.
3. 📌📌 How does TLTRO involve “flight of foreign investors & its impact on exchange rate & bond yield” etc.? Ans. Such long-winded-financial-cause-effect = no importance in UPSC, even though private mock-test-walla design useless MCQs from it. इतनी दूर की बीरबल की खिचड़ी अपने को पकाने की जरूरत नहीं है!

4. 🎓👤 I want to do PHD on this until Taimur grows up & gets married. **Ans.** Good luck to you! You keep doing that, but, I'm finished teaching this topic here. #👁️ थोड़ा-पढ़ो-आगे-बढ़ो

12.13.7 🏦🔧🏠👤 RBI's special or flexible liquidity window to help MF

Franklin Templeton Mutual Fund (MF) decided to stop / windup some MF schemes in India, because they couldnot generate good profit during the Corona crisis.

⇒ So, its Fund manager will liquidate (=sell off) the shares/bonds → return ₹ to investors.

⇒ Investors panicked because

- Fund manager did not give clear timelines about money refund.
- even if Fund manager tries to sell off shares/bonds, it is difficult to find buyers at the right price so MF-investors may lose money.
- Alleged financial scam angle. (कथित वित्तीय घोटाला)

⇒ **RBI reform?** Special or flexible liquidity window to help Mutual Funds

- From this window, banks borrow from RBI → Bank uses it to either
 - Give loans to Mutual Fund or
 - Use the ₹ to buy debt-securities from Mutual Fund

👁️👤 What is the total amount of funds in this special window? What is the tenure of loans here? Do banks need to pledge G-Sec to borrow? How much interest is charged? **Ans.** Low profile technical reform to a crisis affecting a small segment of financial market. #🎓 Boycott-PHD

12.13.8 🏦🔧🏠👤 Sector Specific On-Tap Liquidity Windows (2021, Corona Wave 2.0)



"On-Tap" Window	Whenever banker requires, he can goto RBI to borrow this amount. (इस खिड़की से बैंकर रिज़र्व बैंक से तीन साल की दीर्घ/लंबी अवधि के कर्ज़ लेंगे)
🕒 Tenure	Long term = 3 years. (3 साल की दीर्घ अवधि के लिए)
Interest Rate	Banker need to pay "X%" interest to RBI, wherein X%=RepoRate% (रिज़र्व बैंक इस कर्ज़ पर बैंकर से उतना ही ब्याज दर लेगा जो रेपो दर में चल रहा है)

List of Sectors

🏠 Sector (Launched in)	Banker must loan this amount to following Sectors:	Which banks eligible to use this Window?	Total Amount ₹
Special LTRO Window (SLTRO) (2021-May)	A) Micro and small industries (सूक्ष्म और लघु उद्योग) B) Unorganized sector entities (असंगठित क्षेत्र)	Only Small Finance Banks (SFB [#]) giving Fresh loans upto Rs.10 lakh per borrower in these sectors (केवल लघु वित्त बैंक)	₹10,000 cr
🏥 Healthcare launched (2021-May)	Hospitals, vaccine manufacturer, vaccine importers, medical device makers, oxygen suppliers etc अस्पताल, टीका उत्पादक, आयात करने वाले चिकित्सा साधन बनाने वाले इत्यादि	All types of Banks [#] (सभी किस्म के बैंक) 📄 Refer to Pillar1B1 for Bank Classification	₹50,000 cr
🍷🍽️	Hotels, Restaurants, Tour Operators, Bus Operator, Car Repair Service,	All types of Banks [#] (सभी किस्म के बैंक)	₹15,000 cr

Contact-Intensive Sectors (2021-June)	Beauty Parlours/Spa/Saloons, Event/Conference Organisers बैंकर ने ये पैसा स्पर्श-संवेदनशील उद्योग क्षेत्र जैसे प्रवासन उड्डयन इत्यादि को कर्ज में देना होगा		
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12.13.9 Enhanced Reverse Repo Rate for Hardworking Bankers

- ⇒ If Bankers uses Sector Specific On-tap Liquidity Window (e.g. bankers taking loans from RBI to lend to hotel, beauty parlours, vaccine manufacturer etc). यदि कोई बैंकर रिजर्व बैंक द्वारा बनाई गई क्षेत्र विशेष खिड़कियों से पैसा कर्ज में लेके विविध क्षेत्रों को देता है
- ⇒ If this banker achieved Rs.“XX” loan giving target, then, IF he parks his surplus funds under Reverse Repo Window → RBI will pay him 3.75% Reverse Repo Rate. (instead of 3.35% reverse repo paid to lazy bankers.) तो उस मेहनतकश बैंकर को रीवर्स रीपो रेट में रिजर्व बैंक ज्यादा प्रतिशत ब्याज देगी, अन्य आलसी बैंकरों की तुलना में.
- ⇒  Benefit? It encourages bankers to work harder to give loans to various sectors.
- ⇒  FAQ/Moral Outrage? How / Why is this possible? How can banker borrow money and yet have surplus funds? Ans. Banker will not instantly get all borrowers on day1. So, often he would invest his surplus money (of depositors) temporarily in RBI (under Reverse Repo)- just to earn small amount of profit, instead of letting the cash stay idle in his bank office. (बैंकर को यदि तुरंत कर्ज लेने वाला कोई ग्राहक नहीं मिले तो छोटी अवधि के लिए बैंकर अपना पैसा रिजर्व बैंक में रखेगा ब्याज कमाने के लिए)

12.13.10 MonPolicy → Quant Tools → Rates → MSF (2011)

- **Marginal Standing Facility (MSF: सीमांत स्थायी सुविधा)** is the Interest rate at which RBI lends short-term loans to Scheduled Commercial Banks (SCB) & Regional Rural Banks (RRB) with their SLR-quota G-Sec as collaterals. (ऐसी खास खिड़की है जहाँ से रिजर्व बैंक द्वारा अनुसूचित वाणिज्यिक बैंकों तथा क्षेत्रीय ग्रामीण बैंकों को, उन बैंकों के एसएलआर कोटा की प्रतिभूतियों को गिरवी लेकर रिजर्व बैंक उन्हें लघु अवधि के कर्ज देता है)
- MSF higher than Repo Rate. $MSF = Repo\% + 0.25\%$

12.13.11 MonPolicy → Quant Tools → Rates- associated terms

-  **Policy Corridor:** It's the width among MSF-Repo-Reverse Repo. Refer to reverse repo rate shortnote for more. इन सब उपकरणों के बीच की चौड़ाई को “मौद्रिक नीति गलियारा” कहा जाता है
- **Window Operations:** LAF-MSF “windows” are operated through RBI's E-Kuber Core Banking Solution (CBS) platform.
- **(Uncollateralized) Standing Deposit Facility (SDF, स्थायी जमा सुविधा):** Banks park funds in RBI for short-term to earn interest. No G-sec / collateral, unlike Reverse Repo. This helps RBI absorb excess liquidity for short term in situations like demonetization when RBI may not have enough G-Secs to pledge as collaterals. Urjit Patel Committee on Monetary policy (2013) proposed this, Budget-2018 agreed to amend RBI Act for this. But not yet implemented. (बिना कुछ गिरवी रखे, रीवर्स रीपो का मज़ा मिलेगा)
- **Tri-Party Repo (त्रि-पक्षीय पुनः क्रय-अनुबंध):** In ordinary repo, there are two parties- borrower vs. lender (RBI).
 - In Tri-party Repo, there are 3 parties 1) borrowers 2) lenders 3) Tri-Party Agent (e.g. NSE or BSE) who, acts as an intermediary between the two parties to facilitate collateral custody, payment and guaranteed settlement.
 - 2017: RBI issued guidelines → 2018: National Stock Exchange (NSE) started it, 2019: Bombay Stock Exchange (BSE) started it.

- **⚠ This is not a tool of Monetary Policy.** It is meant to help Corporate companies to borrow money from the market. (ये मौद्रिक नीति का हिस्सा नहीं है)
- **BPLR, MCLR, External Benchmarks, Teaser Loans etc:** Terms related to how individual banks decide their lending rates to borrowers. Ref: End section of this present handout.
- **Liquidity Trap:** To be covered separately in **📖 Pillar-4Z: Microeconomics.**

12.13.12 🐼 📢 📁 Market Operations (OMO, MSS): (Inflation → Sell G-Sec, Deflation → Buy)



Figure 7: Aloo Lelo, Pyaaz Lelo, G-Sec Lelo...

- I. **Open Market Operations** (खुले बाजार की क्रियाएँ): RBI buys and sells Union & State Govts' securities to control money supply.
 - RBI buying = Money supply increased/liquidity injected in the market.
 - RBI selling = Money supply decreased/liquidity absorbed from the market.
- II. **Market Stabilization Scheme** (बाजार स्थिरीकरण योजना): RBI sells special type of G-sec, T-Bill & Cash Management Bills (CMB) to suck excess liquidity. 🐼 How it works? How is it similar or different than OMO? Ans. NOTIMP. Very low profile thing for scope of UPSC. # 📉 थोड़ा-पढ़ो-आगे-बढ़ो
- III. **Sterilization / Forex Swap:** Their primary objective is to control the currency exchange rate volatility (e.g. \$1=₹65,70,80...). <More in 📖 Pillar#3 >
- IV. **Operation Twist (2019):** a special type of OMO. Explained in next segment.

📖 🐼 MCQ. 'Open Market Operations' refers to: (Prelims-2013)

- a) borrowing by banks from the RBI b) lending by commercial banks to industry and trade
c) purchase and sale of government securities by the RBI d) None of the above

📖 🐼 MCQ. Which of the following would result in an increase in money supply in economy? (Prelims-2012)

1. Purchase of G-Sec from the public by the Central Bank.
2. Deposit of currency in commercial banks by the public.
3. Borrowing by the government from the Central Bank.
4. Sale of government securities to the public by the Central Bank.

Answer Codes: (a) 1 only (b) 2 and 4 only (c) 1 and 3 (d) 2, 3 and 4

📖 🐼 MCQ. Which of them is/are part of Monetary Policy? (Prelims-2015)

- 1) Bank rate 2) Open market operations 3) Public debt 4) Public Revenue

Answer Codes: (a) 1 only (b) 2, 3 and 4 (c) 1 and 2 (d) 1, 3 and 4



12.14 🐼 📢 📁 MONPOLICY: QUANTI TOOLS: OMO → OPERATION TWIST

Before that, you've to be aware of some many basic concepts:



12.14.1 🐼 📢 📁 Security → Debt → G-Sec & Bonds (ऋण के लिए जारी की गई प्रतिभूतियाँ)

A 'Security' means a certificate/document indicating that its holder is eligible to receive a certain amount of money at a particular time. This could be a...

Table 3: प्रतिभूतियों के विभिन्न प्रकार



Borrower	 Govt	 Corporate (निगम)
Short term (less than 1 year) →	Treasury bills, Cash Management bills	Bill of Exchange, Commercial Papers, Promissory Notes.
Long term (1 year/>) →	G-Sec, Sovereign Bonds	Bonds / Debentures
Interest rate	Usually lower than Corporates' because risk is low	Depends on following factors →

12.14.2 Deepening of G-Sec market- Retail investors' RDAG @RBI

- RBI launched "Retail Direct Scheme" in 2021.
- Under this scheme, RBI permits "Retail Direct Gilt (RDG) account" for retail investors on its E-Kuber online platform. (आम निवेशक रिज़र्व बैंक में आरडीजी नामक खाता खोल पाएंगे)
- Both Resident Indians & non-resident Indians (NRIs) can open this account. (गैर निवासी भारतीय भी)
- Then Retail investors can directly buy Treasury Bills (T-Bill), G-Secs (of Union Government), State Development Loans (SDL are 'G-secs' of State Govts) and Sovereign Gold Bonds, from RBI directly. (आम निवेशक सीधा रिज़र्व बैंक से इन प्रतिभूतियों को खरीद सकता है.)
- Application fees to open the account = ₹ ZERO
-  **Benefit?** 1) Earlier retail investors bought G-sec "indirectly" through mutual funds wherein mutual fund manager (MF) charged commission/fees. Now retail investor can buy directly so does not have to pay such commission/fees to MF managers. (बिचौलियों को दलाली/कमीशन नहीं देना होगा)
- (More in  Pillar#1C- SEBI Share market, DEMAT account etc)

12.14.3 Corporate Bonds: factors that determine its interest rate

If companies want to borrow money, they may issue bonds to investors. e.g. "Whoever buys this Reliance Bond worth ₹1000, we will pay him 9.40% interest rate per year and return the principal after 15 years." Usually the interest rate offered on such bonds depends on

Factor (कारक)	How it determines corporate bond interest rate?
(Risk) Credit rating of company	Lower credit rating (e.g. CCC or D) → higher interest rate needs to be offered because risk of default is high. जब दिवालियेपन का जोखिम ज्यादा हो
Inflation	why/how: Ans. Ref:  Pillar1C → Inflation Indexed Bonds
Bank deposit interest rates	Higher the (Bank) deposit interest rate, higher bond interest rate needs to be offered to attract households to shift money from bank savings/FD to corporate bonds. (अगर बैंक जमाकर्ताओं को अच्छा ब्याज दे रहा है तो कंपनी ने ज्यादा ब्याज ऑफर करना होगा)
Yield on G-Sec	If G-Sec yield  , then corporate will have to offer even higher bond interest rate to attract the investors from G-Sec investment towards C-Bond investment.

12.14.4 Bond Yield (बांड में निवेश करने पर होने वाली आय या मुनाफा)

- ⇒ Bond yield is the profit an investor earns on a bond investment.
- ⇒ Suppose, Government issues a G-Sec or Bond: 8% annual interest, tenure: 1 year
- ⇒ Bhide Master invests ₹ 100. So, upon 1 year maturity he'll get ₹ 8 Interest + ₹ 100 Principal = ₹ 108. So his profit or yield will be = 8%
- ⇒ But suppose, before maturity of 1 year, Bhide Master urgently needs cash. So he sells ₹ 100 face-value bond to Mr. Jethalal at a discounted price of ₹90. पैसों की अचानक जरूरत पड़ने पर सस्ते दाम में किसी को बेच दे
- ⇒ Jethalal keeps it till maturity → Government pays him ₹ 108. परिपक्व होने तक बेचे नहीं

⇒ So, for Jethalal the profit OR current bond yield to maturity is....

$$= \left(\frac{108-90}{\text{original investment of ₹ 90}} \right) * 100 = 20\%$$

12.14.5 📊📈📉: 📊 Bond Yield \propto 1/Price (सस्ते में खरीदा= तो मुनाफा ज्यादा)

⇒ Bhide bought @100, his yield is 8%; Jethalal bought @90, his yield is 20%.

⇒ Thus, Bond yield is **inversely related** to the current selling price of the bond in the secondary market.

⇒ If a bond's demand \uparrow → its selling price will \uparrow → bond yield \downarrow (Because of inverse relation)

12.14.6 📊📈📉: 📊 Bond yield: other factors affecting it (अन्य कारक)

⇒ If the economy is booming (तेजी), companies are making great profit, investors may sell bonds at lower prices in a hurry to unlock their money to invest it in shares of companies, because they think it'll get them more dividend. Then bond's current selling price in the secondary market \downarrow → yield \uparrow .

⇒ If the economy is facing **recession** (Continuous decline in growth rate: मंदी) → companies will NOT make great profit → investors sell shares, and prefer to buy bonds hoping they'll get secured fixed interest. Then bond's demand \uparrow in the secondary market → selling price \uparrow → yield \downarrow .

12.14.7 📊📈📉: 📊 Operation Twist: why?

⇒ Commercial banks were reluctant to lend money to private sector companies because of the problem of Bad Loans /Non-Performing assets (NPA: More in 📊 Pillar1B2). दिवालियेपन की घटनाओं के चलते, बैंकवाले निजी क्षेत्र की कंपनियों को कर्ज देने से डर रहे थे। आर्थिक वृद्धि और रोजगार सृजन के लिए यह अच्छी बात नहीं थी.

⇒ If such companies could borrow money by issuing corporate bonds (at cheaper interest rate) → more factories, more jobs, more production, more GDP.

⇒ RBI decided to attack the third factor: "If the yield on long term G-Sec decreased, then automatically Corporate Bond interest rates could also decrease."

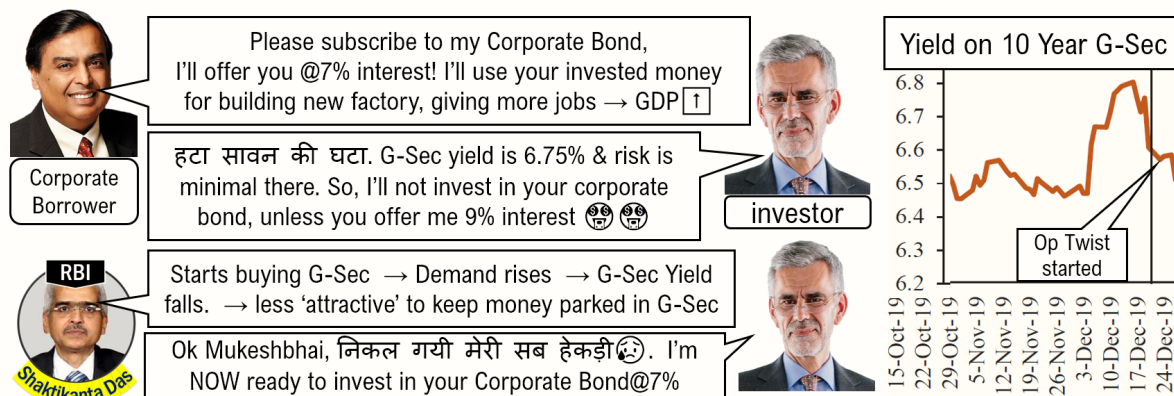


Figure 8: figures are only for illustration. 📌 No need to memorize numbers.

12.14.8 📊📈📉: 📊 RBI's Operation Twist: methodology (2019-Dec)

Since RBI's existing monetary policy tools had failed to make loans cheaper for corporates / boost the economy. So in 2019-Dec, RBI started a "special OMO" wherein:

RBI Sold→	shorter -term G-Sec (of 1 year & higher tenor) worth ₹10,000 crore
-----------	--------------------------------------------------------------------

RBI Bought →	bought longer -term G-Sec (of 10-14 years tenor) worth ₹10,000 crore (i.e. equal amount as above, so as to keep money supply unchanged.) रिज़र्व बैंक ने जितना बेचा, उतनी ही रकम का कुछ और खरीद लिया ताकि मुद्रा आपूर्ति में कोई बदलाव न हो.
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⇒ Since RBI started buying long-term G-Sec, their demand will → price will → yield is . The 10YearGSec's yield lowered from 6.75% to 6.60%

⇒ And we've already learned, Corporate bonds are priced (benchmarked) keeping G-sec yields in mind.

So, Op Twist → Lower G-Sec yield means →

- ✓ Cheaper borrowing for Private sector Companies. Because
 - They can borrow money by issuing their (long term) Corporate-Bonds at much cheaper interest rate than before. (निजी क्षेत्र की कंपनियों के लिए बॉन्ड जारी कर- ऋण लेना हुआ सस्ता 😊)
 - When a private company meets a bank manager to borrow money, it can negotiate the loan price, "If your bank does not lend me money at this cheaper interest% then I will issue my own corporate bonds." → Even the bank lending rates for corporate loans could be reduced.
- ✓ Cheaper borrowing for Government. For reasons similar to above. (How? Explained in Video)
- ✓ Investor of long term G-Sec will feel discouraged to hold the G-Sec till maturity (10-14 years), He will try to sell it to another party/RBI and pull out his money, then he may park ₹ in a Corporate Bond / Bungalow / car / Goa-vacation etc. Thus, it helps boost the consumption → economy grows.

समझ में आ गया हो तो बढ़िया है, नहीं तो रट्टा मारो जिंदाबाद (if not understood then memorize by Rot-learning)

1. 1961: "Operation Twist" was first used by the US Federal Reserve.
2. 2019: RBI used also done it. Officially called "Special Open Market Operation (OMO) wherein the Central bank simultaneously buys and sells G-sec of varying maturities to adjust their yields. Which helps reduce interest rates on corporate bonds/debentures → easier to mobilize investment → factory expansion → jobs, GDP growth. (यह एक खास किस्म की खुले बाजार की क्रिया है, जहाँ अगल अलग मियादी की सरकारी प्रतिभूतियाँ खरीद-व-बेच कर रिज़र्व बैंक उनकी उपज को कम करता है, ताकि कॉर्पोरेट कंपनियाँ सस्ते ब्याज में पैसा बाजार से हासिल कर सकें, ताकि रोजगार और आर्थिक वृद्धि में मदद मिले)
3. Objectives of Op-Twist=
 - a. To make borrowing cheaper for Companies and Govt. कंपनीओ/निगमों और सरकार के लिए कर्ज सस्ता करवाना
 - b. It was NOT MEANT For fighting inflation. महंगाई से लड़ना इसका उद्देश्य नहीं है
4. It ensures better Monetary Policy transmission for economic growth. (because, earlier, simply reducing the repo rate has not helped much in making loans cheaper, for corporates. इससे पहले रेपो दर कम करने पर भी बाजार में लोन सस्ते नहीं हो रहे थे, तो रिज़र्व बैंक ने सोचा ये ऑपरेशन ट्विस्ट नामक नया साधन आजमाते हैं)
5. Net liquidity remains unchanged because ₹10,000 crore goes in and the same amount comes out of the market. (सकल तरलता में कोई बदलाव नहीं क्योंकि ऑपरेशन ट्विस्ट में जितना खरीदा, उतना ही बेचा है)

Beyond this, further PHD on what/why/how = poor cost:benefit for MCQs. For example "The simultaneous sale of short-term bonds, on the other hand, helps push up short-term rates which had fallen below RBI's benchmark rate. This would not only correct the anomaly in the short- and long-term rates" All this is not important for the scope of competitive exams, even if inexperienced private mock-test-quiz-masters ask it. We need not lose sleep over each and every column.

12.14.9 Bond Yield & Inverted Yield Curve: Concepts with poor cost-benefit for exam

1. Inverted Yield curve = इस मुद्दे को पढ़ने में हम वक्त बर्बाद नहीं करेंगे
2. Negative Bond Yield = इस मुद्दे को पढ़ने में हम वक्त बर्बाद नहीं करेंगे

3. Chinese Bond Yield ki News, Italian Bond Market crisis = इस मुद्दे को पढ़ने में हम वक्त बर्बाद नहीं करेंगे

👉👉👉 very poor cost-benefit chasing these topics. Irrespective of how many times the Hindu columnists write about it and how many private mock test-walla make faaltu MCQs from it. #👉 थोड़ा-पढ़ो-आगे-बढ़ो

12.15 🐼👉👉👉: 🏠 MONPOLICY: QUANTI TOOLS: OMO → G-SAP

⇒ Full form: (Secondary Market) G-sec acquisition programme

⇒ Mechanism: RBI to buy G-Sec from Secondary market on specified timetable. एक निश्चित समय तालिका के हिसाब से रिज़र्व बैंक द्वितीय बाज़ार से सरकारी प्रतिभूतियां खरीदेगा

G-SAP	During these months	Total
G-SAP 1.0 (पहला चरण) →	1 st Quarter of 2021-22 = April to Jun 2021 (पहली तिमाही)	₹1.0 Lakh cr
G-SAP 2.0 (द्वितीय चरण) →	2 nd Quarter of 2021-22 = July to Sept 2021 (दूसरी तिमाही)	₹1.2 Lakh cr

12.15.1 🐼👉👉👉: 🏠 OMO → G-SAP : 😊 Benefit?

⇒ 🏠 Money supply in the economy. (अर्थतंत्र में मुद्रा आपूर्ति बढ़ेगी)

⇒ Investors, who sold G-Sec to RBI = those investors got ₹ → They may 1) do shopping and/or 2) invest in other companies shares/bonds → 1+2 = economic growth. मुद्रा आपूर्ति में बढ़ोतरी के चलते निवेशकों के हाथ में पैसा आएगा तो वे बाज़ार से खरीदारी करेंगे, अन्य कम्पनियों में निवेश करेंगे → देश की आर्थिक वृद्धि में मदद मिलेगी

🙅 FAQ/Moral Outrage: Why G-SAP? Why not achieve this objective via 📉 reducing REPO? Ans.

⇒ Every person may not be interested in taking new bank loans. Some investors may be interested in selling their previous investments in G-Sec to unlock the money. (हर व्यक्ति बैंक से कर्ज़ लेगा ये ज़रूरी नहीं है। कुछ निवेशक अपना पुराना G-sec निवेश बेचकर पैसा बटोरना चाहते हो तो जी-सेप में आ सकते हैं)

⇒ if RBI 📉 decreases the repo rate too much → it can result in A) inflation and B) 📉 decrease in the deposit interest rates offered by the bankers on savings account → middle-class and pensioners affected negatively. (रेपो दर में बहुत ज़्यादा कटौती हुई तो नई समस्याएं खड़ी होंगी)

Table 4: To Sum up, OMO, GSAP, OP-TWIST (कुल मिलाकर बात ये है कि)

G-SAP	<p>⇒ RBI is buying G-Sec to increase money supply → Post-corona revival.</p> <p>⇒ Money amount, date&time/calendar/timetable is transparently & systematically announced in advance before starting.</p> <p>⇒ इसमें पैसों की मात्रा, समय-तालिका सब कुछ पारदर्शी और व्यवस्थित रूप से, खरीदारी शुरूआत करने से पहले रिज़र्व बैंक प्रकाशित कर देता है।</p>
OMO	<p>⇒ RBI is selling G-Sec to control inflation.</p> <p>⇒ RBI is buying G-Sec to fight deflation. मुद्रास्फीति(मंहगाई)/अपस्फीति(सस्ताई) से लड़ने के लिए रिज़र्व बैंक सरकारी प्रतिभूतियों को बेचेगी/खरीदेगी</p> <p>⇒ Its timetable NOT announced in advance, in detailed manner, unlike G-SAP. रिज़र्व बैंक के विवेक/मनमर्ज़ी पर अनियमित समय पर ये क्रिया होती थी। समय से पूर्व, विस्तृत रूप से इसकी समय तालिका प्रकाशित नहीं की जाती थी।</p> <p>⇒ OMO window is NOT discontinued. It'll continue to function as per discretion of RBI. इस खिड़की को बंद नहीं किया गया। रिज़र्व बैंक के विवेकानुसार भविष्य में भी जारी रहेगा.</p>
Op.Twist	<p>⇒ RBI is Buying and Selling of G-Sec of varying maturities</p>

	⇒ To reduce G-Sec yield → so future borrowing becomes cheaper for Government and Companies. रिज़र्व बैंक द्वारा भिन्न भिन्न अवधि/मियादी की सरकारी प्रतिभूतियों को खरीदना और बेचना ताकि यील्ड कम हो सके ताकि भविष्य में सरकार तथा कंपनियों के लिए कर्जा लेना सस्ता हो सके।
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India Government Bond Yields are influenced by which of the following? (Prelims-2021)

1. Actions of the United States Federal Reserve [अमेरिकी फेडरल रिज़र्व की क्रियाओं द्वारा]
2. Actions of the Reserve Bank of India. [रिज़र्व बैंक की क्रियाओं द्वारा]
3. Inflation and short-term interest rates [महंगाई और लघु अवधि के ब्याज दर]

Answer Code: a) 1 and 2 Only b) 2 Only c) 3 Only d) 1, 2 and 3

12.16 MONETARY POLICY: QUALITATIVE TOOLS (गुणात्मक साधन)

⇒ Quantitative tools (SLR, CRR, Repo etc.) control the 'volume' of loans. मात्रात्मक साधन कर्जे की मात्रा को तय करते हैं

⇒ Whereas, qualitative tools (PSL, LTV etc.) control the "distribution" of loans to a particular sector of economy. गुणात्मक साधन कर्जे के वितरण को तय करते हैं

- e.g. how much loan to agriculture or particular segment of society (e.g. farmers, women, SC/ST).

⇒ Hence, qualitative tools also known as **SELECTIVE** (चयनात्मक) or **DIRECT** (प्रत्यक्ष) Tools.

12.16.1 Moral Suasion (नैतिक दबाव / सलाह) & Publicity (प्रचार)

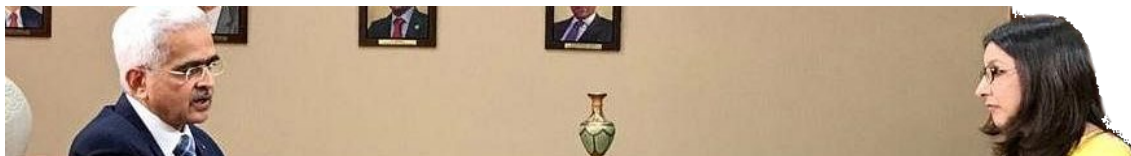


Figure 9: "मैंने तो अपनी repo-दर कम कर दी लेकिन ये लालची बैंक वाले अपने loan-दर कम नहीं कर रहे, कम से कम मेरा लिहाज/सम्मान रखने के लिए भी उन्हें थोड़ा तो सस्ता करना चाहिए।" - RBI Governor

- Moral suasion meaning applying "Persuasion" without applying punitive measures. RBI governor tries this tactic via conferences, informal meetings, letters, seminars etc
- Example, RBI-Governor asking banks to transmit repo-rate cuts, open new branches in rural areas, spread financial literacy, give loans to farmers beyond PSL quota etc. Similarly, RBI Governor requesting CM or Finance Minister to control fiscal deficit & subsidy leakage to enhance the efficacy (प्रभावकारिता) of RBI's monetary policy.
- **Publicity:** RBI governor could give media statement, speech during university convocation (दीक्षांत पदवीदान समारोह), memorial lectures... "Look I reduced repo rate but banks are not passing the benefit to customers...and xyz". By doing so, he can create an effective public opinion which also pressurizes the banks to stop their thuggery.

12.16.2 Direct Action (सीधी कार्यवाही: क्योंकि लातो के भुत बातों से नहीं मानते)

- RBI can punish banks (and even non-banks) for not complying with its directives under RBI Act, Banking Regulation Act, Payment and Settlement Systems Act, Prevention of Money Laundering Act (PMLA), Foreign Exchange Management Act (FEMA). रिज़र्व बैंक के दिशा निर्देशों का पालन न करने पर विभिन्न कानूनों में सजा/दंड
- 2019: RBI ordered the banks to have a "Clawback" provision in their CEO & Top executives' salaries. E.g. If the CEO did any scam/fraud, he'll have to return his previously paid salary / bonus, even if he had retired/left the job afterwards. (किसी बैंक का सीईओ कांड में पकड़ा गया तो उस सीईओने पुरानी तनखाह भी लौटानी होगी.)

12.16.3 🏠 Margin Requirements / Loan to Value (LTV) (सीमा अनिवार्यता)



Figure 10: जब घर में पड़ा है सोना, फिर काहे को रोना?

⇒ RBI can mandate Loan to Value (LTV) for a gold-loan, home loan, auto loan or business loan etc. so a Bank/NBFC can't lend more than x% of the value of the collaterals. RBI can change this x% to boost / curb demand. (गिरवे रखी चीज के मूल्य के सामने बैंक या गैर-बैंक संस्थान व्यक्ति को कितना कर्ज दे सकते हैं? रिजर्व बैंक उसके मानदंड में बदलाव द्वारा, बाजार में चीज-वस्तुओं की मांग को बढ़ा या कम कर सकता है)

LTV reforms in 2020-Aug	Before	After
Gold Loan	75% value of gold/gold-jewellery	90%

😊 Benefit? More quantity of loan by pledging same quantity of gold → 🌞 post-corona-economic-revival.

12.16.4 Selective Credit Control (चयनात्मक ऋण नियंत्रण)

In a negative / restrictive direction (नकारात्मक)	In a positive direction (सकारात्मक दिशा में)
<ul style="list-style-type: none"> - Credit Rationing System: English (in 18th century) and USSR (till 1990s) – their central bank will not give more than “X” amount as loan to individual banks. And an individual can't get more than prescribed amount of loans for each category (housing, education, business). (एक व्यक्ति को इससे ज्यादा कर्जा नहीं मिलेगा) - 1960s: Credit Authorization Scheme (CAS) in India: all commercial banks had to obtain prior approval of the RBI before loaning ₹ 1 crore/> to a single borrower. - 1970s: RBI imposed quantitative ceiling on non-food loans to boost green revolution, food inflation. <p>But such measures failed due to lax monitoring and loopholes. (शिथिल निगरानी के चलते, बेअसर रहे ये साधन)</p>	<ul style="list-style-type: none"> - 🚗 Consumer credit control e.g. During deflation / recession, RBI can relax the down payment / EMI installment norms for durables like Vehicles, TV, Fridge etc. to boost consumption and demand. - Priority Sector Lending <see below> प्राथमिक क्षेत्र के ऋण मानक

12.17 🏠 📢 🌾 PRIORITY SECTOR LENDING (PSL: प्राथमिकता क्षेत्र के लिए ऋण मानक)



Figure 11: थोड़ा लोन हमको भी दिलवा दो Governor-sahib, हम बहोत गरीब हैं!

⇒ **1968:** First time RBI used the word “priority sector”: Banks must give 40% of their loans to 3 priority sectors 1) agriculture 2) small industries 3) exporters by 1985. (कृषि छोटे उद्योग और निर्यातक)

⇒ Over the years, more sectors were included in it. (समय के साथ साथ और भी क्षेत्रों को इसमें शामिल किया गया)

⇒ **2015:** some reforms in PSL. → **2019:** RBI's UK Sinha Committee on MSME loan reforms suggested some more reforms in the PSL. → **2020-Sept:** RBI reformed PSL guidelines as following: (निम्न सुधार किए गए)

Priority Sector Loans norms → minimum quota after 2020-Sept Reforms	BEFORE	AFTER
Weaker Sections (कुल लोन का कम से कम 12% जाना चाहिए कमजोर वर्ग को): ⇒ SC, ST, Women, PH, Minorities, Manual scavengers, Artisans, ⇒ PM-Jan DhanYojana Overdrafts upto Rs.10,000 ⇒ Beneficiaries of Govt's National Rural/Urban Livelihood Mission Schemes (NRLM/NULM: More in Pill#6: HRD →Poverty Removal Schemes)	10 %	12%*
Agriculture (कृषि) (all farmers: small and big)	10%	8%
Agriculture: सीमांत किसान और छोटे किसान ⇒ Marginal Farmer (owns upto 1hectre land) सीमांत किसान ⇒ Small farmer (>1 upto 2ht) छोटे किसान	8 %	10%*
Micro Enterprises (अति लघु उद्योग), Khadi-Village industries	7.50%	7.50%
Above categories (Weaker section, agriculture, micro-enterprise) plus, other categories such as ⇒ Small & Medium Enterprises, Affordable housing loans to beneficiaries under Pradhan Mantri Awas Yojana ⇒ food processing companies, Vermi compost, biofertilizer, seed production, ⇒ Exporters, Student-Education loans (upto Rs.10lakh), ⇒ Social Infrastructure (schools,drinking water, sanitation facilities, health care, COVID related hospitals/labs etc); ⇒ Renewable Energy Projects (wind mills, biomass generators, solar street light, micro-hydel plants etc.) etc. (नवीकरणीय ऊर्जा परियोजनाएं)	4.50%	2.50%
Total PSL for Indian Scheduled Commercial Banks and (Foreign Banks with 20 or more branches).	40%	40%

* Above quota reforms to be implemented in Phase Wise manner by 2023-24. (क्रमिक रूप से नए सुधार लागू होंगे)

Benefit? It will loan-availability for the weaker section and small farmers thus helping in the United Nations' Sustainable Development Goals related to poverty removal. (Ref: HDT-Pillar#6) कमजोर वर्ग और छोटे किसानों को ज्यादा मात्रा में कर्जा मिल पाएगा. गरीबी निवारण, संयुक्त राष्ट्र के सतत विकास लक्ष्यों की प्राप्ति में मदद करेगा.

- ⇒ PSL quotas are 'minimum (न्यूनतम/कम से कम)' & not maximum. So, if bank wishes, it can EVEN give even 60% of its loans to weaker sections, instead of just 12% "minimum quota" meant for weaker section.
- ⇒ Bank's Loans given to Non-Banking Financial Company (NBFC) who are lending to above PSL categories = such 'indirect loan' to PSL sectors will also be counted for bank's quota. (बैंकर द्वारा गैरबैंक वित्तीय कंपनी को दिया गया कर्जा यदि परोक्ष रूप से प्राथमिक क्षेत्र को जाता है तो वह राशि भी क्वोटा-सफलता में गिन ली जाती है।)
- ⇒ Bank + NBFC's joint lending / co-lending/ co-origination loans to PSL categories are also eligible, with certain caveats but #PHD-NOT-IMP. (बैंक और गैर-बैंक का साथ में मिलकर पीएसएल क्षेत्र को कर्ज दिया, तो उसमें बैंक ने दिया कर्ज इस क्वोटे में गिन लिया जाता है, कुछ शर्तों के अधीन)

12.17.1 PSL Reforms-2020: on RRB/SFB/UCB?

What is the difference/meaning of SCB/RRB/SFB/UCB etc? Ans: (Ref: HDT-Pillar#1B1: classification)

Type of Bank & PSL Reforms-2020:	Before	After
Indian Scheduled Commercial Banks (SCB: अनुसूचित वाणिज्यिक बैंक) and Foreign Banks in India with 20 or more branches	40%	same 40%
Foreign Bank in India with <20 branches (विदेशी बैंक)	40%	same 40%
Regional Rural Banks (RRB: क्षेत्रीय ग्रामीण बैंक)	75%	same 75%

Small Finance Banks (SFB: लघु वित्त बैंक)	75%	same 75%
Urban Cooperative Banks (UCB: शहरी सहकारी बैंक)*	40%	▲ 75%
Rural Cooperative Banks (ग्रामीण सहकारी बैंक)	N/A	N/A

⇒ These quotas implemented in a gradual/phase-wise manner. Will become fully effective in 2023-24.

⇒ Internal quotas may be different for these Banks e.g. RRBs: Weaker section =15%. But, poor cost-benefit in chasing all that information. # ⌚ 📁 थोड़ा-पढ़ो-आगे-बढ़ो

12.17.2 🐯 📢 📁 PSL Reforms-2020: Startups, Renewable Energy and Healthcare

PSL Loans → other category	BEFORE	AFTER
Startup Company is a company: ⇒ Age: Not older than 10 years AND ⇒ Annual turnover: Not more than ₹100 cr AND ⇒ Function: innovation in goods/services. (नवाचार) (📁 Ref: HDT-Pillar#4B)	only eligible categories: ⇒ Agro/Food processing related Startup ⇒ MSME Startup [then What is MSME? (📁 Ref: HDT-Pillar#1D and #4B)]	All types of Startups allowed in PSL quota For loans upto ₹50cr
💡 Renewable energy(अक्षय ऊर्जा)	only loans upto 15cr eligible	▲ 30cr
🏥 Healthcare project/Hospital?	5cr	▲ 10cr

12.17.3 🐯 📢 📁 PSL Reforms-2020: Weightage to poor districts (गरीब/पिछड़े जिलों को भारांक)

RBI will classify the districts based on previous PSL loans given by all banks:

Type of district	if Axis bank gives ₹100 PSL loan in this district → RBI will count Axis's quota-fulfillment as __ .
Low Credit penetration e.g. Tawang, Dantewada etc. जहाँ भूतकाल में बैंक-कर्ज की पहुँच कम रही है	₹125 (आरबीआई ने एक ऐसी भारांक प्रणाली बनाई है जिसमें बैंक पिछड़े जिलों में लोन देकर बहुत आसानी से अपना पीएसएल लक्ष्यक हासिल कर सकती है।)
High Credit penetration e.g. Ahmedabad, Pune etc. जहाँ पहले से ही काफी कर्जा दिया जा चुका है	₹90 (ताकि बैंक जो पहले से सम्पन्न जिले हैं, उसे ज्यादा सम्पन्न बनाने की जगह पिछड़े जिले पर ध्यान दे)

⇒ Thus, RBI's PSL weightage system will passively discourage banks from giving more PSL-loans to the developed districts and it will encourage banks to give PSL-loans to backward districts. This will help in more balanced regional development. क्षेत्रीय रूप से संतुलित विकास में यह कदम फायदेमंद होगा.

📁 ? Priority Sector Lending by banks in India constitutes loans to _____. (UPSC-Pre-2013)

a) Agriculture b) Micro and Small Enterprises c) Weaker Sections d) All of the above

12.17.4 🐯 📢 📁: 📁 Priority Sector Lending Certificates (PSLC) from 2016 onwards

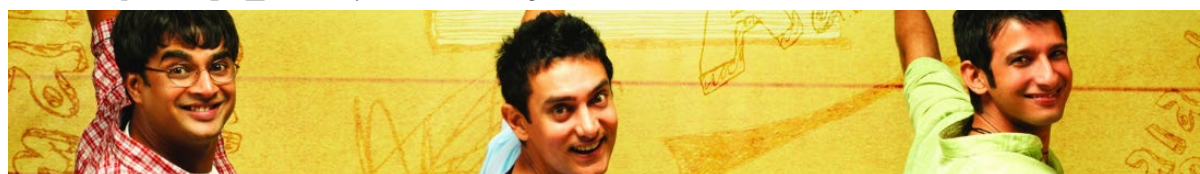




Figure 12: भाई आमिर/Rancho हमने अपना assignment नहीं किया, तू अपना "EXTRA-walla" हमें बेच दे!

⇒ In this arrangement, the overachieving Banks can sell their excess PSL in form of 'certificates' to underachieving banks without transferring the loan assets or its risk. (लक्ष्यों से ज्यादा उपलब्धि हासिल करने वाली बैंक, अन्य जरूरतमंद बैंक को सर्टिफिकेट बेचती)


- ⇒ Four kinds of PSLCs traded through RBI's E-Kuber Portal, viz., Agriculture (PSLC-A); Small and Marginal Farmers (PSLC-SM); Micro Enterprises (PSLC-ME); and General (PSLC-G). 🖱️ But, their internal difference/Operational details not IMP4Exam.
- ⇒ If an underachiever bank can't fulfil its PSL-quota through PSL-certificates purchase then ultimately,
- ⇒ Underachiever bank will have to deposit PSL-shortfall money to NABARD's Rural Infrastructure Development Fund (RIDF), SIDBI, National Housing Bank (NHB), MUDRA Ltd. etc as per the norms decided by RBI from time to time. (लक्ष्यों को हासिल नहीं कर पाने वाली बैंक ने आरबीआई द्वारा चिन्हित अलग-अलग संस्थाओं में पैसा निवेश करना पड़ेगा)
- ⇒ Underachiever bank will earn interest from such deposited money, but it'll be (usually) linked with Bank-Rate & their money will be locked-in a long-term project. वह पैसा लंबे समय तक अटक जाएगा

 ? Which of the following is not an instrument of Selective Credit Control? (Pre-1995)

- a) Regulation of consumer credit b) Rationing of credit c) Margin requirements d) Cash reserve ratio

 ? An increase in the Bank Rate generally indicates that _ _ _ (Pre-2013)

- a) Market rate of interest is likely to fall.
 b) Central Bank is no longer making loans to commercial banks.
 c) Central Bank is following an easy money policy.
 d) Central Bank is following a tight money policy.

 ? If RBI decides to adopt an expansionist monetary policy, which of the following would it not do ? (Pre-2020)

1. Cut and optimize the Statutory Liquidity Ratio
2. Increase the Marginal Standing Facility Rate
3. Cut the Bank Rate and Repo Rate

Answer Codes: [a] 1 and 2 only [b] 2 only [c] 1 and 3 only [d] 1, 2 and 3

12.18 📌 MONETARY POLICY TOOLS: A READY RECKONER TABLE

Table 5: समझ में आ गया हो तो बढ़िया है, नहीं तो रट्टा मारो जिंदाबाद (If understood then well & good, else memorize by Rot-Learning)

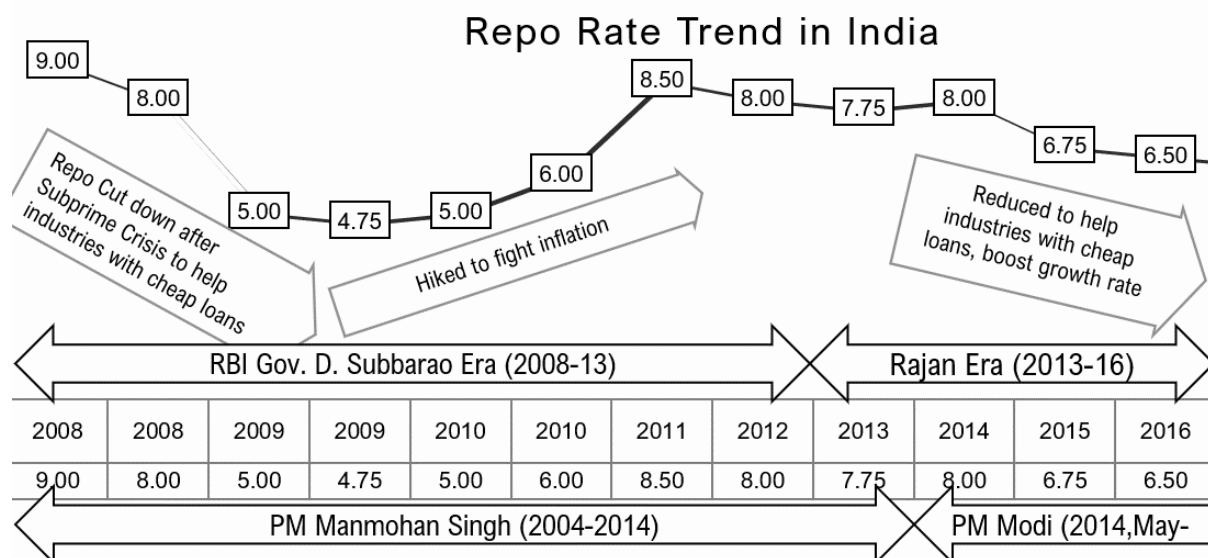
Tools & Strategy?		<2% CPI= Fight deflation (अपस्फीति)	>6% CPI= Fight Inflation (मुद्रास्फीति)
⇒ Deflation: ↑ money supply, inject liquidity ⇒ make loans cheaper, ↑ consumption		Easy, Cheap, Dovish, Expansionary policy. आसान-सस्ता व्याजदरे, विस्तारवादी	Tight, Dear, Hawkish, Contractionary तंग- महंगी व्याजदरे, संकुचनवादी
⇒ Inflation: Do reverse			
Quantitative	Reserves: CRR, SLR	↓ (Decrease)	↑ (increase)
	Key Rates (Repo, MSF, Bank Rate)	↓ (Decrease)	↑ (increase) महंगाई से लड़ना है तो रेपो दर बढ़ा दो
	Market Ops (OMO)	OMO: RBI Buys G-Sec from market.	OMO: RBI Sells G-Sec
Qualitative Tools	Moral Suasion / Direct Action	Nudge / Force the banks to enforce Dovish Policy	Enforce the Hawkish policy
	Margin Requirement / Loan to Value (LTV)	Increase e.g. Gold-LTV: 60% → 90%	inverse
	Selective Credit Control / Priority Sector Lending (PSL)	↑ loan-flow to sectors that can generate employment e.g. textile → workers buying more → demand / consumption increased → deflation fought. लोन का बहाव कुछ ऐसे क्षेत्रों में करो कि रोजगार निर्माण हो और वह सब मजदूर खरीदारी करें ताकि अर्थतंत्र में मांग बढ़े	- ↓ the loan-flow to sectors where speculative investment is leading to demand-side inflation e.g. real estate & housing. - ↑ loan-flow to sectors where loans can ↑ supply e.g. onion farmers.

** MCQs usually confined to how can CRR,SLR,Repo & OMO be used for inflation / deflation control. For rest of the tools you need not waste time thinking 500-jaat-ke-combination.👉

12.19 📌 MONETARY POLICY IN PRESENT-DAY INDIA

There are 3 strategies / ways of making a monetary policy: (तीन तरीके से मौद्रिक नीति बनाई जा सकती है)

1. 📌 **Exchange rate stability** (विनिमय दर स्थिरता): Singapore & other export-oriented economies use this. They try to keep their local currency at certain rate against US-dollar to boost exports. (How? Ans 📌 Pillar#3)
2. 📌 **Multiple Indicators** (एकाधिक संकेतक): Central Bank tries to focus on Economic Growth, Employment, Inflation Control and Exchange rate stabilization. India's RBI followed this strategy upto 2016.
3. 📌 **Inflation targeting / Price Stability** (मुद्रास्फीति लक्ष्यीकरण): Central Bank only aims to keep inflation controlled, THEN other indicators (growth, employment, exchange rate) will automatically fall in line. Model successful in Western nations → RBI's Urjit Patel Committee Report (2013-14) recommended it for India → adopted from 2016-October, by amending RBI Act Section 45. (2016 में रिज़र्व बैंक के कानून में संशोधन कर भारत ने यह रणनीति/तरीका अपनाया है)



12.19.1 🗣️ Monetary Policy Making under RBI Act since 2016



Figure 13: जाने क्या होगा रामा रे..... सोचना है क्या? जो होना है होगा, चल पड़े है फ़िक्र यारो....

Table 6: composition of the 🏛️ statutory Monetary Policy Committee (MPC: वैधानिक मौद्रिक नीति समिति):

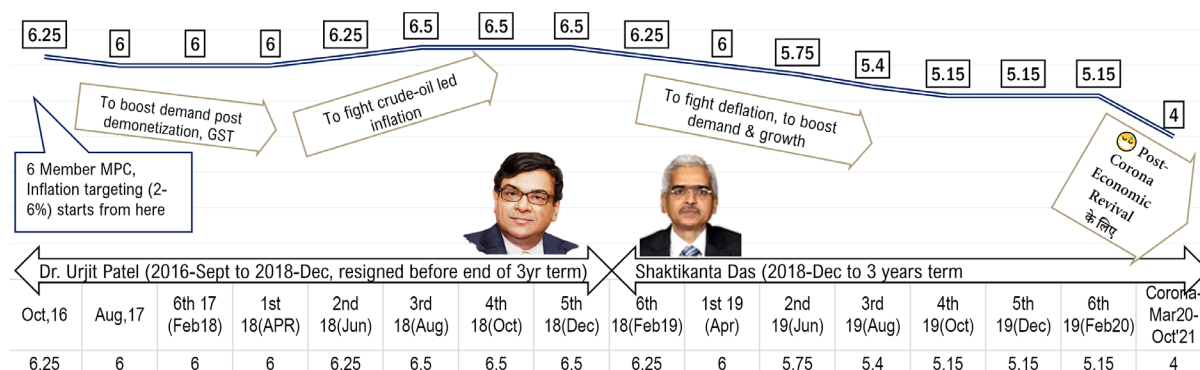
🏛️ RBI side (3 members)	🏛️ Govt. Side (3 members)
<ol style="list-style-type: none"> RBI Governor, as the Ex-officio Chairman. Dy.Governor responsible for Monetary Policy. Michael Patra (from 2020-Jan). Earlier-Viral Acharya. One person nominated by RBI Central Board: Mridul Sagar (Executive Director, RBI). 	<ol style="list-style-type: none"> Dr. Shashanka Bhide from National Council for Applied Economic Research (NCAER, Delhi) Dr. Ashima Goyal from Indira Gandhi Institute of Development Research (Mumbai) Dr. Jayanth R Varma from IIM-A
Their tenure tied with their ex-officio job tenure (पदेन कार्यकाल) E.g. Shaktikanta's <i>shakti</i> (powers) will be gone after his 3-years tenure as RBI-Governor expires, unless he is reappointed. (Note: Shaktikanta is reappointed till December 2024.)	Tenure: 4 years, no re-appointment. (4 साल का कार्यकाल और उसके बाद पुनःनियुक्ति असंभव)
RBI Governor & Dy.Gov are selected by Financial Sector Regulatory Appointment Search Committee (FSRASC) is headed by Cabinet Secretary (IAS)	They're selected by Search-cum-Selection Committee headed by Cabinet Secretary (IAS)

- ⇒ Meeting quorum 4 persons, incl. Governor. (कार्यसाधक संख्या: कम से कम चार लोगों की हाजरी जरूरी)
- ⇒ Legally required to hold minimum four meetings in a year. (कानूनी रूप से सालाना कम से कम 4 बार मिलना जरूरी)
- ⇒ In practice, they meet every two months to decide bi-monthly monetary policy updates. (Although during 🤖 Corona-lockdown met more frequently).
- ⇒ Repo rate(=Policy rate= benchmark interest rate: decided by Majority vote. (मौद्रिक नीति दर बहुमत से तय होगा)

- ⇒ When they vote for the first time, all members, including the Governor, will vote. If tie → Governor can vote again for second time as casting vote (यदि मतों में बराबरी हुई, तो गुल्मी सुलझाने के लिए निर्णायक मत गवर्नर देंगे).
- ⇒ To ensure **transparency / accountability** (पारदर्शिता / जवाबदेही):
- Govt can send message only in writing. (सरकार केवल लिखित में संदेश भेज सकती है)
 - Committee must publish its minutes of the meeting on the 14th day, and “Monetary Policy report” at every 6 months. (नियत समय पर कुछ दस्तावेज प्रकाशित करने होंगे)
- ⇒ 🔄 **Inflation target** decided by Union Government, after consulting with RBI Governor. (गवर्नर से विमर्श करने के बाद महंगाई नियंत्रण का लक्ष्य सरकार तय करेगी)
- ⇒ 🔄 **Present target:** Keep Consumer Price Index (CPI:All India) within 2-6%. [alternate way of saying= 4% +/- spread of 2%] (More about CPI/Inflation in 📖 Pillar#4C)
- ⇒ 📅 Target was Valid for: 2016-2020 (ending at 31/03/2021). Now same target extended till 31/3/2026
- ⇒ 😞 **Target fail:** if inflation not kept in this 2-6% zone for 3 consecutive quarters (=9 months) then Committee must send report to Govt with reasons and remedies (यदि सतत नौ महीनों तक महंगाई इन सीमाओं के बाहर रही तो समिति की असफलता मानी जाएगी → असफलता के कारण-उपचार की रिपोर्ट रिज़र्व बैंक ने सरकार को भेजनी होगी).












Asked in UPSC-Pre-2015	Asked in UPSC-Pre-2017
<p>🔍 With reference to inflation in India, find correct statement:</p> <ol style="list-style-type: none"> Controlling the inflation in India is the responsibility of the Government of India only The Reserve Bank of India has no role in controlling the inflation Decreased money circulation helps in controlling the inflation Increased money circulation helps in controlling the inflation 	<p>🔍 Consider following statements about Monetary Policy Committee:</p> <ol style="list-style-type: none"> It decides RBI's benchmark interest rates. It is a 12-member body including the Governor of RBI and is reconstituted every year. It functions under the chairmanship of the Union Finance Minister. <p><u>Find Correct Statements:</u></p> <ol style="list-style-type: none"> 1 only 1 and 2 only 3 only 2 and 3 only

12.20 📅 REVIEW OF BI-MONTHLY MONETARY POLICIES




12.20.1 📅 Stance: Calibrated Tightening / Neutral / Accommodative








After every meeting, RBI MPC will announce its stance i.e. What they'll do with Repo Rate in the next Meeting. (भविष्य की मीटिंग में रेपो दर के साथ क्या किया जाएगा, इसका इशारा/ संकेत दिया जाता है)

Stance= what RBI will do in next meeting	Will they hike/increase  repo?	Will they cut/decrease  Repo?	Will they hold/keep repo unchanged?
Calibrated Tightening	 Possible	 No they'll not cut	 Possible
Neutral	 Possible	 Possible	 Possible
Accommodative	 No they'll not hike	 Possible	 Possible

⇒ This provides guidance to the investors/borrowers/bankers about future action of RBI.

⇒ However, RBI MPC is not legally bound to follow the stance. E.g. Dec-2018 Governor Urjit-Patel led MPC announced Calibrated Tightening, yet in next meeting Feb-2019 Governor Shaktikanta led MPC decreased  repo rate, because they felt it was necessary to combat deflation. (कानून रूप से बाध्य नहीं. कभी कभी समिति इसका उल्लंघन भी कर देती है)

12.21 RBI's MONETARY POLICIES: BEFORE 2020-CORONA

	 Policy Decisions & Regulatory Announcements [We will study in appropriate pillars/sections, so DONOT LOSE SLEEP YET]
2018 -era pattern	<p>⇒ Inflation was high/rising  so, Governor Urjit Patel led MPC kept  Repo in the range of 6-6.50% (मुद्रास्फीति/महंगाई बढ़ रही थी इसलिए रेपो दरों को ऊंचा रखा गया था)</p> <p>- Stance: Calibrated Tightening.</p>
2019-era pattern	<p>⇒ Inflation was falling below 2%  so, Governor Shaktikanta Das led MPC kept decreasing Repo from 6.##% to 5.##%. (अपस्फीति/सस्ताई बढ़ रही थी इसलिए रिपो दरों में कटौती)</p> <p>- Stance: Accommodative.</p>
Feb-2020	<p>- Repo: 5.15% accommodative stance</p> <p>- CPI Inflation rose to 7.4% in December-2019 (which is outside the statutory limit of 2-6%) & this inflation rate was highest since 2014-July. So, ideally, RBI should have  repo rate to combat inflation but (वैसे तो महंगाई बढ़ रही थी इसलिए रेपो दरों में बढ़ोतरी करनी चाहिए किन्तु)</p> <ul style="list-style-type: none"> 1) December-2019 policy had kept Accommodative stance = repo couldn't be increased. It could only be kept same/reduced. 2) Union Budget-2020 announced various measures to boost economic growth so Committee preferred to wait & watch how those measures impact inflation and growth, before changing repo rate. <p><u>RBI announces Measures to promote economic growth::</u></p> <ol style="list-style-type: none"> 1. LTRO: Long Term Repo Operations (LTROs) of 1 yr & 3 yr. 2. CRR Exemption based on (new) loans given for 1) automobiles, 2) residential housing and 3) MSMEs <p><u>RBI announces measures to promote digital economy</u></p> <ol style="list-style-type: none"> 1. Regional Rural Banks (RRBs) will be allowed to operate as 'merchant Acquiring Banks', in other words, they can also tie up with card companies directly. ( Ref: 1A1). 2. RBI to construct a "Digital Payments Index" (DPI) to capture the growth of digital payments across India. ( Ref: 1A1).
March to April	<p>- Given below as a separate sub-topic for Corona</p>

12.22 🏠🏦📢 RBI's MONETARY POLICIES: CORONA MARCH TO MAY '20

By default, RBI's MPC Committee supposed to meet every 2-2 months. So, After February's meeting, they should hold next meetings in April. But in Corona crisis economic slowdown they met more frequently in March to May. कोरोना महामारी के चलते आए आर्थिक संकट से निपटने के लिए समिति ने तय समय से पहले एकाधिक मीटिंग का आयोजन किया:

The gist of above March-April-May announcements are as following (and they're considered to be part of

🏠 ATMANIRBHAR BHARAT, which we'll learn in Pillar#2D and #4C):

12.22.1 🏠 ATMANIRBHAR → Gist of RBI's March 2 May 2020 Announcements:

- ⇒ 📉 CRR to 3% and 📉 Repo to 4%. (इन दरों में कटौती की गई)
- ⇒ Policy corridor changed, to 📉 Reverse repo rate. #SBI-telemarketing4loans
- ⇒ 🏠🏦📢 Targeted Long Term Repo Operations (TLTRO: लक्षित दीर्घकालिक रेपो) → RBI gives loans to banks with condition that banks must invest it in "X" places to help Corporates & NBFCs. (Refer the full short note in earlier part of this handout.)
- ⇒ 🏠🏦📢 RBI's special or flexible liquidity window to help Mutual fund companies.

🏠 ATMANI → Reforms by RBI in Mar-Apr-May-2020	We'll learn in 📖 Pillar#
🏠🏦📢 Loan/EMI/NPA relief / Moratorium (ऋण अदायगी पर अस्थायी रूप से रोक)	📖 1B2: NPA
🏠🏦📢 Special Refinance Facility for AIFI (All India Financial Institutions). खास किस्म की पुनर्वित्त योजना, अखिल भारतीय वित्तीय संस्थानों के लिए	📖 1B1: classification of Banks → AIFI (NABARD, SIDBI, EXIM, NHB)
RBI defers BASEL Norms, IndAS accounting Norms, orders bank to pause/halt the Dividend Distribution (नियमों को स्थगित किया गया)	📖 1B2: BASEL norms
🏠🏦📢 RBI reforms Ways and Means advances (WMA) and Consolidated Sinking Fund (CSF)	📖 1C: SEBI/Sharemarket: Short term Debt instruments
RBI reforms ⇒ Voluntary Retention Route (VRR: स्वैच्छिक अवधारण मार्ग) ⇒ Fully Accessible Route (FAR: सम्पूर्णतः सुगम्य मार्ग)	📖 3A: Balance of Payment (BoP): FDI, FPI

12.22.2 🏠🏦📢 RBI's Monetary Policies: 2020-August

- ⇒ 2020-May- last meeting (Which was originally scheduled in the month of June)
- ⇒ 2020-Aug: meeting held.
- ⇒ Repo **unchanged** @4% so Automatically MSF@4.25 and RR@3.35%. **Stance:** Accommodative
- ⇒ No changes in repo because (रेपो दरों में कोई बदलाव नहीं किया क्योंकि)
- ⇒ 📈 food inflation due to i) corona-lockdown supply chain disruptions and ii) heavy rains. Repo changes can't help solving this. (आपूर्ति श्रृंखला प्रबंधन में समस्या और भारी बारिश के चलते खाद्य महंगाई बढ़ी थी- तो रिपो दरों में बदलाव द्वारा उस महंगाई का समाधान असंभव)
- ⇒ Still if RBI 📈 repo then expensive loans → post-corona economic-revival will be harmed. So, no changes in Repo. (फिर भी यदि जबरदस्ती रिपो में बढ़ोतरी की जाए तो मंहगे लोन कोरोना में नई समस्याएं करेंगे)
- ⇒ Announced to conduct more rounds of **Op.Twist**, to help Govt & Companies to borrow at a cheaper rate.
- ⇒ **Gold Loan LTV:** Before 75% → AFTER 90%. 🤖 benefit? More quantity of loan can be taken by pledging same quantity of gold → post-corona economic-revival.

- ⇒ **Priority Sector Lending (PSL) reforms:** 1) quota for weaker section, small-marginal farmers. 2) Made all types of Startups eligible for PSL loans. 3) Extra weightage to give PSL-loans in poor districts.
- ⇒ **RBI Committee under KV Kamath** submitted report on how to restructure loans impacted by the Covid 19 pandemic. RBI assured we'll implement that report. (More in Pillar#1B2: Bad Loans)
- ⇒ **RBI to loan ₹75,000cr** to All India Financial Institutions (AIFIs: NABARD, SIDBI, EXIM, NHB) → post-corona economic-revival. (Ref: HDT-Pillar#1B1- classification of Banks and NBFCs)
- ⇒ **Less Cash Economy / Digital Payment / Fraud Prevention:** (1) Scheme of Offline Retail Payments Using Cards and Mobile Devices (2) Online Dispute Resolution (ODR) for Digital Payments (3) Positive Pay Mechanism for Cheques. (Ref: HDT-Pillar#1A1)
- ⇒ We'll create a Reserve Bank Innovation Hub for research in cyber security, digital payment etc. साइबर सुरक्षा, डिजिटल भुगतान इत्यादि में संशोधन/नवाचार के लिए रिजर्व बैंक में एक नवाचार केंद्र बनाएंगे
- ⇒ **CRR: technical reforms** i) Automated sweep-in and sweep-out (ASISO) facility. ii) Flexible Automated Option for Managing CRR Balances. = NOT IMPORANT for exam. # थोड़ा-पढ़ो-आगे-बढ़ो

12.22.3 RBI's Monetary Policies: 2020-October (दरों में कोई बदलाव नहीं)

Repo unchanged @4% so Automatically MSF@4.25 and RR@3.35%. **Stance:** Accommodative. Because

- ⇒ CPI inflation >6.5% in July-August 2020. This is beyond the statutory 2-6% limit. So, ideally RBI should the repo rate to combat inflation, but that will make the loans expensive and harm the post-corona economic revival. so the RBI kept the repo rate unchanged. (महंगाई से लड़ने के लिए अगर लोन महंगे कर दिए तो कोरोनावायरस के पश्चात भारतीय अर्थतंत्र को पुनर्जीवित करना मुश्किल होगा इसलिए रिजर्व बैंक के दरों में कोई बदलाव नहीं किया गया)
- ⇒ Besides, the present inflation is caused by supply-side problems due to lockdown. Once the unlockdown progresses → supply → inflation . so changes in the repo rate not required at present. (तालबन्धी हटने पश्चात वैसे भी बाजार में चीज वस्तुओं की आपूर्ति बढ़ेगी तो अपनेआप महंगाई काबू में आ जाएगी.)
- ⇒ **TLTRO:** another round announced
- ⇒ **Less Cash Economy / Digital Payment:** (1) RTGS made 24/7 (2) perpetual license. (Ref: Pillar#1A1)

12.22.4 Monetary Policy: 2020-December (दरों में कोई बदलाव नहीं)

- ⇒ RBI is required to control the inflation within 2 to 6% of CPI all India. Inflation @7.6%(Oct), So in theory repo required, but corona-slowdown = RBI does not want the loans to become more expensive. So repo rate unchanged at 4%. **Stance** accommodative. हालांकि महंगाई नियंत्रण के लिए रेपो दर को बढ़ाना जरूरी है किंतु कोरोना के बाद अर्थव्यवस्था को पुनर्जीवित करने के लिए सस्ते लोन मुहैया कराना भी उतना ही जरूरी! इसलिए रेपो दर में कोई बदलाव नहीं.
- ⇒ Banks prohibited from paying dividend to shareholders from their profits (So as to build buffer against the Corona loan defaults) बैंकों ने अपने मुनाफे में से शेयरधारकों को लाभांश वितरण करने पर रोक. (More in Pillar#1B2)

12.22.5 Monetary Policy: Feb-2021 update (दरों में कोई बदलाव नहीं)

Repo unchanged @4% so Automatically MSF@4.25 and RR@3.35%. **Stance:** Accommodative. Because

- ⇒ 1) Food inflation is normalizing with arrival / supply of winter fruits & vegetables, but fuel inflation is worrisome. So can't Repo. खाद्य पदार्थ तो सस्ते होने लगे किंतु लेकिन इंधन के चलते महंगाई अभी भी स्थाई रूप से काबू में नहीं
- ⇒ 2) GDP growth yet to fully revived → so cant Repo [else Expensive loans = demand → GDP growth]. (आर्थिक वृद्धि दर पुनर्जीवित नहीं हुआ है यदि लोन महंगे हुए तो आर्थिक वृद्धि दर बढ़ाने में दिक्कतें होंगी)

- ⇒ CRR: During CORONA-2020, CRR was reduced from 4% to 3% (2020-March till 2021-March). now moving towards economic recovery, enough loanable funds available so, Restoration/▲ of CRR in two phases: 3.5% (2021: March2May) → 4% (2021-May)
- ⇒ 🤖 BEFORE: RBI appointed 3 types of ombudsman for consumer complaints: (i) Banking Ombudsman Scheme (ii) NBFC Ombudsman (iii) Digital Transaction Ombudsman. 😊 After: Integrate these 3 into a One Nation One Ombudsman / Integrated Ombudsman Scheme (एकीकृत शिकायत निवारण अधिकारी योजना)
- ⇒ 🤖 BEFORE: Retail investors Indirectly invested in G-sec via Mutual funds, stock exchanges.
- ⇒ 😊 AFTER: Retail Investors can directly open a 'Retail Direct Gilt Account' (RDG Account) with RBI's E-Kuber core banking solution (CBS) platform. 😊 Benefits: [1] Deepening of the G-sec market (सरकारी प्रतिभूतियों के बाजार की जड़ों को गहरा करेगा) [2] New investment opportunities for aam-aadmi. (निवेश के नए अवसर) (More in Pillar1C: SEBI share market)

12.22.6 🤖 🏦 📄 Monetary Policy: April-2021 update (दरों में कोई बदलाव नहीं)

- ⇒ No changes in rates & stance. Repo rate 4%, Reverse Repo rate 3.35%, MSF 4.25%, Accommodative Stance. (रिज़र्व बैंक की दरों में कोई बदलाव नहीं)
- ⇒ Payment Bank: Before: They can't accept more than ₹1 lakh per depositor. After: balance limit increased to ₹2 lakh rupees/ per depositor. (More in 📄 Pillar#1B1: Classification)
- ⇒ Centralized Payment Systems (CPS), viz- RTGS and NEFT – Direct Membership allowed to Non-Bank payment system operators e.g. Phonepe, Amazonpay etc. (More in 📄 Pillar#1A1)
- ⇒ Interoperability & cash withdrawal ki technical guidelines released But NOT greatly important for Exam# 📄 थोड़ा-पढ़ो-आगे-बढ़ो. (Ref in 📄 #1A1)

12.22.7 🤖 🏦 📄 Monetary Policy: June-2021 update (दरों में कोई बदलाव नहीं)

- ⇒ No changes in. Repo rate 4%, Reverse Repo rate 3.35%, MSF 4.25%, Accommodative Stance.
- ⇒ On-tap Liquidity Window for Contact-intensive sectors such as hotel, tourism, beauty parlors

12.22.8 🤖 🏦 📄 Monetary Policy: Aug-2021 update (दरों में कोई बदलाव नहीं)

- ⇒ No changes in key rates or Stance. Repo unchanged @4% so Automatically MSF@4.25 and RR@3.35%. Stance: Accommodative
- ⇒ one MPC member Prof. Jayanth Varma voted against the Accommodative stance. He believes that repo needs to be increased in future to combat inflation. But the majority voted in favor of the continuing Accommodative Stance with 4% Repo. (हालांकि एक सदस्य ने विरोध में वोट डाला कि हमने भविष्य में रेपो दरों को महंगी करनी चाहिए ताकि महंगाई से लड़ा जा सके, लेकिन बहुमत मतानुसार रेपो दर में बढ़ोतरी नहीं हुई)
- ⇒ Announced to absorb over Rs.4 lakh crores via Variable Rate Reverse Repo (VRRR)
- ⇒ We'll continue to do GSAP, Op-Twist and open market operations (OMOs) depending on the situation/requirement of the economy.
- ⇒ 📄 NOT IMP: MSF some technical rules changed.

12.22.9 🤖 🏦 📄 Monetary Policy: Oct-2021 update (दरों में कोई बदलाव नहीं)

No changes in key rates or Stance. Repo unchanged @4% so Automatically MSF@4.25 and RR@3.35%. Stance: Accommodative

Transaction limit	BEFORE	AFTER
IMPS (एक बारी में कितना भुगतान कर सकते हैं उसकी मर्यादा में बदलाव)	Rs.2 lakh	Rs.5 lakh

- ⇒ Immediate Payment Service (IMPS) of National Payments Corporation of India (NPCI): Transaction limit increased, to encourage digital economy [✓ NOTE: In Pillar#1A1 Handout Page18 Table- do the correction accordingly in single line ke "IMPS limit increased from ₹2 lakh to ₹5 lakh"]
- ⇒ NBFCs will be required to set up the Internal Ombudsman within their office. This will help reduce the workload of RBI's own NBFC-Ombudsman. (गैर बैंक वित्तीय संस्थानों ने आंतरिक शिकायत निवारण अधिकारी की नियुक्ति करनी होगी) (More about NBFCs 📖 Pillar#1B1- Classification)

12.22.10 🎧 📖 🗣️ Monetary Policy: future updates

Stay tuned for Mrunal's Free Win22 Series of lectures & handouts for upcoming bi-monthly monetary policy updates of December-2021, February-2022, April-2022 etc

12.22.11 🎧 📖 🗣️ Monetary Policy bi-monthly announcements: ignored (निम्न में से कुछ भी काम का नहीं है)

After the MPC Committee decides repo rate, the RBI governor also announces some regulatory announcements by himself. But, I've **ignored** many technical announcements due to their poor cost:benefit for "general studies of economy" such as सब तकनीकी दिशानिर्देश अपनी परीक्षा में काम के नहीं. फालतू में बबल बर्बाद मत करो।

- CRR ASISO guidelines | Borrowing limits under Marginal Standing Facility as a % of NDTL
- (1) SLR holding reforms (2) banks and NBFCs: co-lending for PSL loans (3) Export Data Processing and Monitoring System (EDPMS), the 'Caution / De-caution Listing' of exporters for Authorised Dealer (AD)
- Guidelines for Foreign Exchange Trading Platform for Retail Participants developed by Clearing Corporation of India.
- new committees to review systemically important Core Investment Companies (CICs).
- Technical guidelines for retail investors to participate in State-G-Sec auctions.
- Basel-III standards Leverage Ratio guidelines: 4% for Domestic Systemically Important Banks (DSIBs) and 3.5% for other banks.
- Will implement recommendations of Usha Thorat Task Force on Offshore Rupee Markets.
- Updated norms for non-interest-bearing Special Non-resident Rupee (SNRR) Account.
- Placement of Margins for Government Securities Transactions on behalf of FPIs
- Facilitating Flexibility in Liquidity Management by issuers of Certificates of Deposit

Above things and so many other things. # 🕒 थोड़ा-पढ़ो-आगे-बढ़ो

Monetary Policy Committee decides only Repo rate. Other decisions, such as CRR-SLR cut, PSL norms, banning magnetic-chip cards etc are decided separately alone by RBI Governor. However, after the meeting, he'll make above type of announcements, in the Press conference.

🧩 ? MCQ. The Reserve Bank of India's recent directives relating to 'Storage of Payment System Data', popularly known as data diktat command the payment system providers that : (Prelims-2019)

- 1) They shall ensure entire data relating to their payment systems are stored in a system only in India.
- 2) They shall ensure that the systems are owned and operated by public sector enterprises.
- 3) They shall submit the consolidated system audit report to the comptroller and Auditor General of India by the end of the calendar year.

Find Correct Statement(s): codes: (a) 1 only (b) 1 and 2 only (c) 3 only (d) 1,2 and 3 only

Ans. After April-2018's monetary policy RBI governor announced certain regulatory reforms. One of them was :- Payment System data must be stored in India within next 6 months, to ensure its safety against misuse /

Russian-Chinese-hackers. So, for Prelims-2019, this was D-1 year current affairs. Now we are targeting 2022, so need not put so much efforts behind 2018's current affairs.


12.23 BANKS' LENDING RATES % (बैंक ऋण की व्याज दरें)

%







Figure 14: Sir, अब से आपको ये लोन, इतने प्रतिशत व्याज में पड़ेगी।



RBI's 6-member statutory MPC decides policy rate (=repo rate) to keep inflation within 2-6% CPI (All India) but who decides lending rates of individual banks, & how? Ans:

1969	Govt began nationalization of private banks, and 'administered interest rates' (प्रशासित व्याज दरें) on them i.e. Govt would decide how much loan interest rate the banks should charge on borrowers?
1991	M.Narsimham suggested deregulation: Govt should not dictate / administer individual banks' interest rates. RBI should only give methodology to banks. (सरकार ने अपने मनमाने व्याज दर थोपने नहीं चाहिए)
2003	RBI introduced Benchmark Prime Lending Rate (BPLR) system
2010	<ul style="list-style-type: none"> - RBI introduced BASE Rate + Spread system; - update frequency on individual banks' discretion (अपनी मर्जी/ विवेकाधीन). So, it did not help transmission of monetary policy much. Even IF RBI reduced repo rate, the banks would not update their formula figures regularly. रिजर्व बैंक ने अपनी रिपो दर कम करी किंतु बैंकोने लोन सस्ते नहीं किए 

12.23.1 Bank's loan interest rate: MCLR system(2016)

- In 2016, RBI ordered banks to link their loan interest rate = "Marginal Cost of Funds based Lending Rate (MCLR) + Spread" system.
- Banks to calculate on monthly basis. Its formula consists of CRR Cost, Operating Cost, Marginal cost of funds (Repo Rate, Deposit Interest) etc. what is the meaning of these things, how they work? ANS.
 NOTIMP for exam. #  थोड़ा-पढ़ो-आगे-बढ़ो
-  Benefits? Better transmission of Monetary Policy; transparency & accountability to borrowers.
-  Limitation? From January to Oct 2019, RBI has reduced its repo rate by 135 bps but banks reduced their loan interest rates by merely 40-47 bps. Thus, even though the RBI reduces its repo rate, banks are not quickly reducing their loan interest rates. (रिजर्व बैंक ने अपनी रिपो दर कम करी किंतु बैंकोने लोन सस्ते नहीं किए)

12.23.2 Bank's loan interest rate: External Benchmark (बाहरी बेंचमार्क)

- ⇒ MCLR's #EPICFAIL ultimately forced RBI to order following from 1st October 2019.
- ⇒ Banks must link their loan interest rates with "External Benchmark + Spread + Risk premium" system.
- ⇒ Banks must feed the latest data of external benchmark in above formula, atleast once every three months. So both fresh and old/existing borrowers will benefit (e.g. if repo rate decreased). (हर 3 महीनों पर फार्मूला में नए आंकड़े डालने होंगे तो मान लीजिए रेपो दर सस्ती हुई होगी तो नए और पुराने लोन ग्राहकों को उस सस्ते व्याजदर का फायदा मिल जाएगा)
- ⇒   External Benchmark Benefits? Ans = Same benefits which MCLR couldn't fully deliver.

Individual bank free to pick any one External Benchmark such as	External Benchmark system is applicable to the new loans given to....
1) RBI repo rate or 2) 91-day T-bill yield or	1. Personal loans (taken for any sudden emergency expenditure)

Individual bank free to pick any one External Benchmark such as	External Benchmark system is applicable to the new loans given to....
3) 182-day T-bill yield or 4) any other benchmarks by an organization named Financial Benchmarks India Ltd.	2. Retails loans (home, vehicle, electronics etc) 3. Loans to micro & small enterprises 4. Loans medium enterprises (this 4 th category is to be added from 1/April/2020). 5. It is applicable to old/previous loans in above categories, if borrower fills the application form.

Related topic: Fixed vs Floating interest loans, teaser loans, NPA etc. 📖 Pillar1B-2: burning issues → NPA

12.23.3 🌐 Corona-2020 impact on Deposits interest rate & Loans interest rate as per 📊📊 ES21

Deposits amount बचत में आने वाली राशि	⇒ Initial months of lockdown the growth of deposit ⬇️ ⬇️ because people withdrew money in panic. Although in the later months → Unlock down and normalcy → ⬆️ ⬆️ Quantity of deposit तालाबंदी के शुरुआती महीनों में लोगों ने एहतियाती कारणों से बैंकों से अपनी डिपॉजिट निकाली हालांकि परिस्थिति सामान्य होने पर, बाद के महीनों में वापस बचत की मात्रा में बढ़ोतरी होने लगी है
Deposit interest बचत ब्याज दर	⇒ ⬇️ ⬇️ The saving deposit rates = 3.25-3.5% in 2019 but 2.7-3.0% in 2021. Reason: ⇒ RBI has reduced repo rate, and also provided long term loans in TLTRO so, banks are not so greatly desperate to acquire the raw material (i.e. money) from deposits. रिजर्व बैंक से दीर्घावधि के रिपोर्ट लोन मिलने के चलते बैंकों को डिपॉजिट कर्ताओं की ज्यादा जरूरत महसूस नहीं हुई इसलिए उनको बजट का पैसा बैंकों में जमा करने के लिए लुभाने के लिए ज्यादा बचत ब्याज दर% जारी करने की भी जरूरत महसूस नहीं हुई ⇒ 2) ⬇️ Loan demand So cannot offer high level of returns to depositors. कोरोना की मंदी बैंकों का लोन देने का काम वैसे भी धीमा हो गया इसलिए वह डिपॉजिट कर्ताओं को, उनकी बचत पर अच्छा ब्याज दर% नहीं दे पाए
Loan interest	⇒ ⬇️ due to ⬇️ in repo rate in the External benchmark system लोन ब्याज दर सस्ते हुए ऐसा आर्थिक सर्वेक्षण का कहना है

12.24 🌐 🌐 LIMITATIONS OF MONETARY POLICY IN INDIA (मौद्रिक नीति की मर्यादाएं)

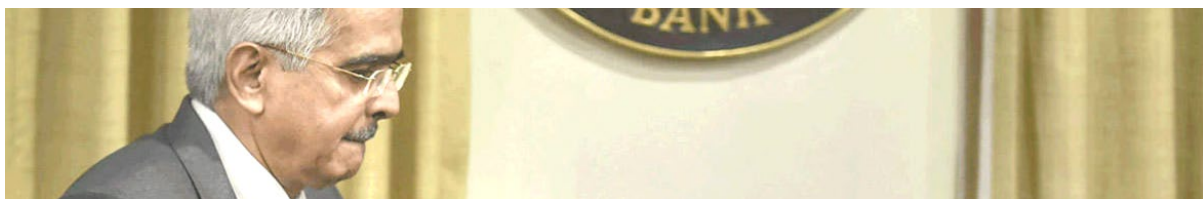


Figure 15: मैं काम तो कर रहा हूँ, लेकिन उसकी सकारात्मक असर, अर्थव्यवस्था पर दिख नहीं रही। 🗣️

Even though monetary policy updated is every 2 months, its efficacy in controlling inflation & boosting growth is restricted by following factors: (मौद्रिक-नीति मंहगाई-नियंत्रण और आर्थिक वृद्धि में असरकारकता नहीं दिखा पायी क्योंकि:)

- 1) 🌐 Western countries' households → consumerist lifestyle → don't save large amount of money in Banks. So their banks borrow more quantum of money from US Federal reserve and European Central Bank respectively. Whereas in India, Repo is not major source of funds for Indian banks, due to higher level of savings & deposits. (पाश्चात्य देशों में उपभोक्तावादी जीवनशैली. जबकि भारतीयों में बैंक-बचत की भावना के चलते हमारे बैंकों के लिए आरबीआई के रेपो लोन, पैसा का मुख्य स्रोत नहीं है। अतः रिपो दर सस्ते होने पर भारतीय बैंकों को खास फर्क नहीं पड़ता।)
- 2) 🌐 Before the External Benchmark System: Indian Banks did not immediately pass on the RBI rate cuts to customers, citing NPA/Bad loans / profitability problem. According to RBI's own research, it took

minimum 6-12 months for repo rate cut to benefit end-customers and it took about 24 months for repo rate changes to impact inflation. (बाहरी-बेचमार्क से पहले के समय में, भारतीय बैंक तुरंत अपने ब्याजदर कम नहीं करते थे।)

- 3) 🤖 **Poor management in Public Sector Banks (PSB), scams in the private sector banks, large level of Non-Performing Assets (NPA) also stymie the impact of monetary policy.** (सार्वजनिक क्षेत्र के बैंकों में बेअसर प्रबंधन, निजी क्षेत्र के बैंकों में चोटाले, अनर्जक परिसंपत्तियाँ) 📖 *More in Pill1B2*
- 4) 🤖 **Supply Side Issues:** El-Nino/Poor monsoon hurting crop production → food inflation; Wars & Geopolitical issues 📈 global crude oil & raw material prices, protectionism by China-US denting our exports. RBI can't control them. (कम बारिश + मध्यपूर्व की भूराजनीतिक तनाव= भारत में कच्चे माल की आपूर्ति को असर करते हैं, चीन-अमरीका का संरक्षणवाद भारतीय निर्यात में बाधा डालता है। इन्हें नियंत्रण में रखना आरबीआई के लिए मुश्किल है) 📖 *Pill3&4A*
- 5) 🤖 While cheap loans can boost consumption, investment and growth but because of poor-monsoon-fear and oil-price fear, RBI (during Raghuram Rajan and Urjit Patel's governorships) was usually apprehensive of inflation and more inclined to keep repo rate high. Then RBI was get criticized for not facilitating cheap loans & economic growth because of its 'Hawkish policy'. (मंहगाई-नियंत्रण के चक्कर में कभी कभी खुद रिजर्व के मंहगे रिपो-ब्याजदरों ने अर्थतन्त्र को आगे बढ़ने से रोका है।)
- 6) 🤖 **Government Side Issues:** Fiscal deficit, Subsidy leakage, Populist Loan-waivers etc. (राजकोषीय खाध, सबसिडी का रिसाव, लोकलुभावन के लिए किसानों की ऋण-माफी) 📖 *Pill#2D → FRBM Act*
- 7) 🤖 **Structural Issues in Economy:** lack of Ease of Doing Biz, electricity-road infrastructure = production /supply affecting inflation trends. (व्यापार में सुगमता की कमी, बिजली-सड़क की अवसंरचना आदि बुनियादी मसलों के चलते उत्पादन/आपूर्ति की कमी। रिजर्व बैंक जादू की छड़ी चलाकर इसे दुरुस्त नहीं कर सकता) 📖 *More in Pill4B&5*
- 8) 🤖 Presence of **Informal moneylenders in rural areas** who circulate black money at exorbitant interest rates. Poor penetration of banking sector, lack of financial inclusion, cash-intensive rural economy etc. (ब्याजखोर/साहूकार जो कालाधन ऊंचे ब्याज पर घुमाते हैं, सभी गरीबों के वित्तीय समावेशन की कमी, नगदी मुद्रा पर ज्यादा आधीन है हमारी ग्रामीण अर्थव्यवस्था। रिजर्व बैंक अपनी रेपो दर कम भी करें, इधर कुछ फर्क नहीं पड़ता) 📖 *More in Pill1D*

12.24.1 🤖 🚫 **Monitory policy limitations: Lazy banking in Corona Crisis**

2020-Corona= RBI pursued Easy/Dovish/Expansionary monetary policy wherein it 📉 CRR, 📉 Repo, opened New windows/Tools such as TLTRO, G-SAP etc. Yet ...

Year 2020-21	Loans to households/businessmen.	Money invested in G-Sec
Indian Banks→	~5.8 trillion rupees	~7.2 trillion rupees

Thus, majority of the banks' money invested in G-Sec rather than in Loans to households/businessmen. This is an evidence of "Lazy Banking". Reasons?

- ⇒ A) banks are reluctant to give loans to people fearing 📈 NPA/bad loans (More in Pill#1B2)
- ⇒ B) People themselves not coming to take loans due to uncertainty in their future income and business.
- कोरोना-आर्थिक मंदी से उबरने के लिए रिजर्व बैंक ने विस्तारवादी/आसान मौद्रिक नीति अपनाई, किंतु बैंकों ने यह सारा पैसा कर्ज/लोन में कम घुमाया और ज्यादातर पैसा तो सरकारी प्रतिभूतियों में ही निवेश किया है। ऐसी "आलसी बैंकिंग" का कारण= १) कर्जदारों के संभावित दिवालियेपन के डर से बैंक लोन-आवेदनपत्र/अर्जी जल्दी से पास नहीं कर रहे २) नोकरी-व्यापार की आर्थिक अनिश्चितता के चलते लोगों में भी बैंक-लोन लेने का उत्साह कम है।

12.24.2 🤖 🚫 **Monetary policy limitations: Cheap loans causing inflation?**

- ⇒ MPC member Prof. Jayanth Varma believes that Covid-19 is becoming like tuberculosis which kills a very large number of people every year without inflicting major damage to the economy. And there is a


- possibility that Covid-19 will haunt us for the next 3-5 years. (क्षय रोग /टीबी मैं भी सालाना कई लोग मरते हैं लेकिन उससे अर्थतंत्र को कोई नुकसान नहीं होता। भविष्य में कोरोना भी ऐसा हो जाएगा। इसलिए कोरोना के डर से पूरी जिंदगी हम लोन सस्ते नहीं रख सकते)
- ⇒ But we can't continue to keep cheap loans (4% repo) for so long, else it'll cause asset price inflation. (e.g. suppose rich men buying 3-3 bungalows using cheap loans for 'investment' → demand for bungalows increased → home prices increased = inflation in asset prices. Similar problem in Sharemarket Ref#1C). (वरना यही सस्ते लोन भविष्य में मकान, शेयर इत्यादि संपत्तियों में महंगाई का कारण बन सकते हैं)
- ⇒ This could also result in **Stagflation**: Persistent high inflation, high unemployment and low growth resulting. (अंततः उच्च महंगाई दर, उच्च बेरोजगारी दर हो सकती है और आर्थिक वृद्धि दर में गिरावट हो सकती है)

12.24.3 Conclusion / निष्कर्ष

- ⇒ Monetary policy plays an important role in price stability, economic growth, job creation and social justice in any economy. But, its efficacy is low for Indian economy, because of the aforementioned issues. (उक्त कारणों के वर्तमानमें मौद्रिक नीति महंगाई नियंत्रण, आर्थिक वृद्धि, रोजगार सृजन, सामाजिक न्याय में महत्वपूर्ण भूमिका नहीं अदा कर पाती)
- ⇒ However, both RBI and Government of India have been making attempts to address it through various reforms for fixing the bad loan/NPA problem in banking sector, developing the infrastructure & promoting the ease of doing business, financial inclusion and less-cash economy. (अनर्जक परिसंपत्तियां, बुनियादी अवसंरचना, व्यापार में सुगमता, वित्तीय समवेशन, कम-नगदी वाली अर्थव्यवस्था के लिए रिजर्व बैंक व सरकार ने कदम उठाए हैं।)
- ⇒ In the upcoming time, these reforms will help improving the impact of Monetary policy in India's economic growth and human development. (इन सुधार/कदमों के चलते भविष्य में आर्थिक- वृद्धि, मानव विकास में मौद्रिक नीति का असर अवश्य बढ़ेगा)

12.25 MOCK QUESTIONS FOR UPSC MAINS/GSM3 (250 WORDS)

- 1) "Monetary policy is both a catalyst and an impediment to India's growth story." Examine critically. "भारत की विकास-गाथा में मौद्रिक नीति एक उद्दीपक भी है और एक अवरोधक भी है।" इस कथन की समीक्षा कीजिए।
- 2) "Monetary policy is a useful medicine, but NOT panacea for economic growth". Comment in context of India. "आर्थिक विकास के लिए, मौद्रिक नीति एक उपयोगी दवा है, लेकिन रामबाण नहीं".
- 3) Discuss the significance of Monetary policy in India's economic growth and human development. भारत की आर्थिक वृद्धि और मानव विकास में मौद्रिक नीति के महत्व पर चर्चा करें.
- 4) Give an account of the steps undertaken by RBI to revive the Indian economy from Corona pandemic. कोरोना महामारी से भारतीय अर्थव्यवस्था को पुनर्जीवित करने के लिए आरबीआई द्वारा उठाए गए कदमों का विवरण दीजिए।
- 5) Enumerate the steps taken by the RBI under the Atma Nirbhar Bharat initiative. आत्मनिर्भर भारत अभियान के अंतर्गत आरबीआई द्वारा उठाए गए कदमों की सूची दीजिए।
- 6) Write short notes on 1) Operation Twist 2) G-SAP

 NEXT HDT: Pillar1B1- Classification of Banks and NBFCs