



# **MONETARY POLICY**

- **CONCEPTS & DEFINITIONS**

# MONETARY POLICY

## Definition :

“The policy prepared by central banking authority of the country with help of certain instruments, for the purpose to control money flow, economic demand & Inflation in the economy is known as Monetary Policy.” In India Monetary Policy is prepared by RBI. In India Monetary Policy review conducted by RBI on **Bi-Monthly basis OR Max. 60 days.**

## Objectives of Monetary Policy :

- Full Employment
- Economic Growth
- Equal Distribution of income
- Controlling Inflation



In India Monetary Policy started from the year 1934 on the recommendation of 1<sup>st</sup> Governor of RBI named as ALLEN OSBORNE SMITH.

Monetary Policy defined U/S 45ZB of RBI ACT, 1934.

It includes 2 types of instruments:

- Direct Instruments – CRR & SLR
- Indirect Instruments – Repo Rate, Reverse Repo Rate, Bank Rate, OMO, LAF & MSF.

“In India, on the recommendation of URJIT PATEL COMMITTEE, in the year 2016 RBI constituted MPC (Monetary Policy Committee) for the purpose of reviewing the instruments of Monetary Policy at MUMBAI. (GOVERNOR OF RBI – RAGHURAM GOVIND RAJAN). MPC consists of Min. 4 & Max. 6 Members.

MPC defined U/S 45Z(i)B of RBI ACT, 1934.

MPC consists of 2 categories :

➤ Official Members :

(Min./Max. – 3 Members)

- Governor of RBI – **SHAKTI KANTA DAS** (CHAIRMAN OF MPC)
- Deputy Governor of RBI – **M.D. PATRA** (VICE CHAIRMAN OF MPC)
- Executive Director of RBI – **M.K. SAGGAR**  
(appointed by **Governor of RBI** for Max. 3 years)

➤ Ex-officio Members :

- 3 members (Economics & Finance Background)  
(Appointed by **GOI** for Max. 4 years)  
(Min. – 1 & Max. – 3 Members)

- **ASHIMA GOEL** (DELHI UNIVERSITY)
- **SHASHANKA BHIDE** (INDIAN STATISTICAL INSTITUTE)
- **JAYNATH R. VERMA** (IIM AHMEDABAD)



