MONETARY POLICY

- IT IS AN POLICY RELATED WITH MONEY SUPPLY IN AN ECONOMY.
- TO CONTROL –

  1)INFLATION CONTROL.

  2)LIQUIDITY CONTROL.

  3) CREDIT CONTROL

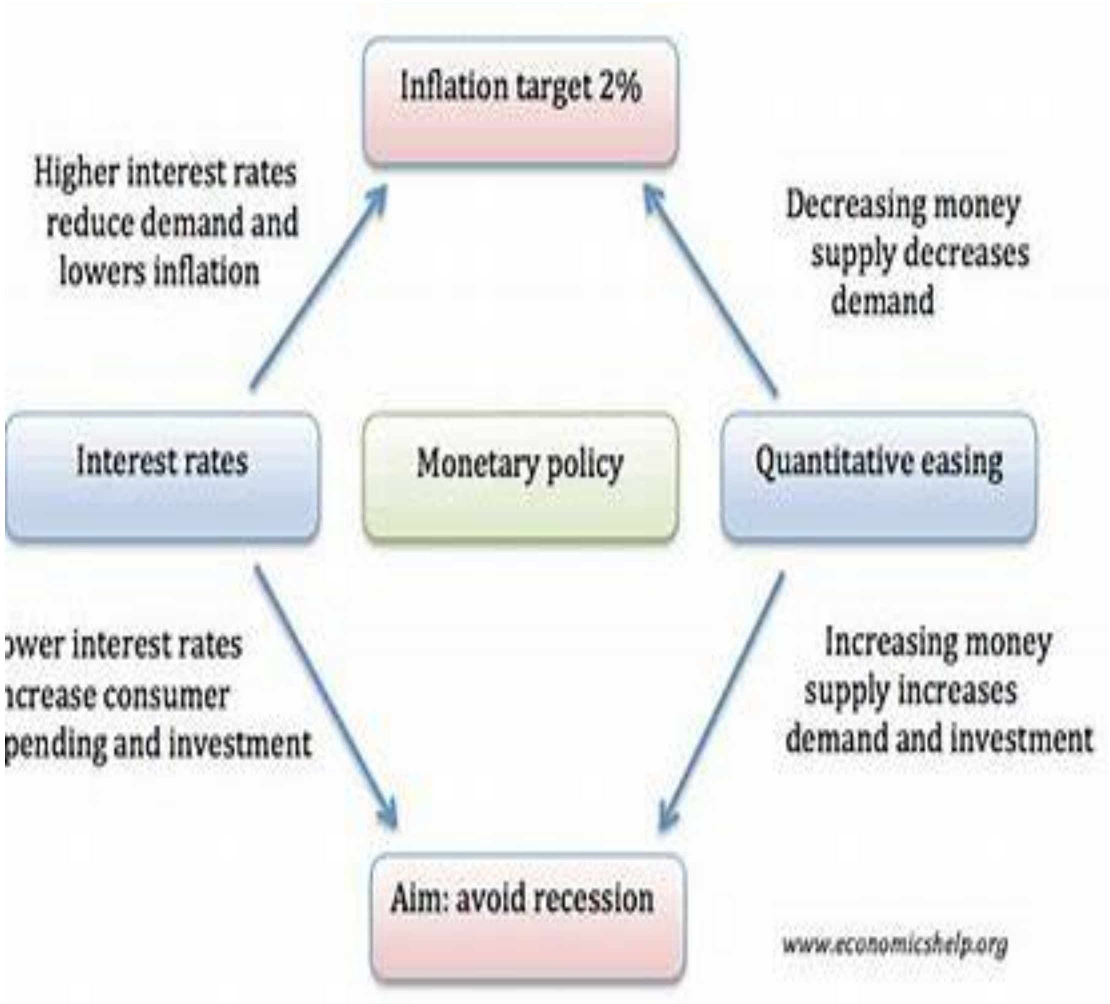
Monetary policy

- Monetary policy is the process by which the Monetary Authority of a country controls the supply of money often targeting an inflation rate and interest rate to ensure price stability and general trust in the currency, economic growth and lower unemployment

NDTL (Net Demand and Time Liability)

- Demand Liability-
- CASA

- Term Liability-
  RAFA



CRR (Cash Reserve Ratio)

- **4.5% OF NDTL**
- **MAINTAIN BY SCBS.**
- **MAINTAIN WITH RBI**
- **NO MIN AND NO MAX LIMIT OF CRR RATE**
- **RBI DOES NOT PROVIDE ANY RATE OF RETURN ON CRR.**
- **IN FORM OF CASH**
- **UNDER RBI ACT 1934 SEC 42**

SLR (Statutory Liquidity Ratio)

- **18.00 % OF NDTL**
- **MAINTAIN BY SCBS.**
- **MAINTAIN WITH BANK ITSELF.**
- **NO MIN BUT MAX IS 40%**
- **MAINTAIN IN FORM OF CASH / GOLD / GOVT SEC.**
- **UNDER BR ACT 1949 SEC 24**

MSF (Marginal standing Facility)

- IT IS A RATE AT WHICH BANKS ARE BORROWING MONEY FROM RBI FOR OVER NIGHT BASIS.
- IT WAS INTRODUCED 09MAY 2011, BY RBI.
- SCBS HAVING CURRENT A/C AND SGL A/C WITH RBI.
- IT CAN BE AVAILED UP TO 2% OF NDTL AT THE END OF 2^{ND} PRECEDING FORTNIGHT.
- MSF LOAN AMOUNT SHOULD BE 1CR OR MULTIPLE THEREOFF.
- Timing: 3.30 to 4.30. ALL WORKING DAY EXCEPT SATURDAY.

REPO RATE

- IT IS A RATE AT WHICH BANKS ARE BORROWING FROM RBI FOR SHORT PERIOD OF TIME (2 DAYS TO 90 DAYS)TO MEET THEIR SHORT TERM FUND REQUIREMENT.

Reverse Repo Rate

- WHEN BANKS DEPOSIT EXCESS OR SURPLUS MONEY WITH RBI FOR SHORT PERIOD OF TIME TO GET SOME RATE OF INTEREST IS KNOWN AS REV REPO.

BANK RATE

- The rate at which bank are borrowing from RBI for more than 90 days is called Bank rate and such loans are given out either by direct lending or by rediscounting(buyback) the bills of commercial banks and treasury bills.

MSS (Market Stabilization scheme)

It is a monetary policy intervention by the RBI to withdraw excess liquidity or money supply by selling short term government securities (treasury bills) in the economy.

OMO (Open Market Operation)

It refers to buying and selling of government securities in the Open Market. In order to inject money flow into the banking system, securities are purchased by RBI and for absorption RBI issue Govt securities.

LAF (Liquidity Adjustment Facility)

- It was introduced by RBI during June 2000.
- It was used by the banks for their day to day mismatches in liquidity .
- Reverse repo for absorption of liquidity.
- Repo auctions for injection of liquidity.