

Monetary Policy of India

Class - B.COM(Final)

Subject – Business Environment

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Agenda

- Introduction

- Monetary policy

 - Role & Objectives

 - Instruments

 - Inflation

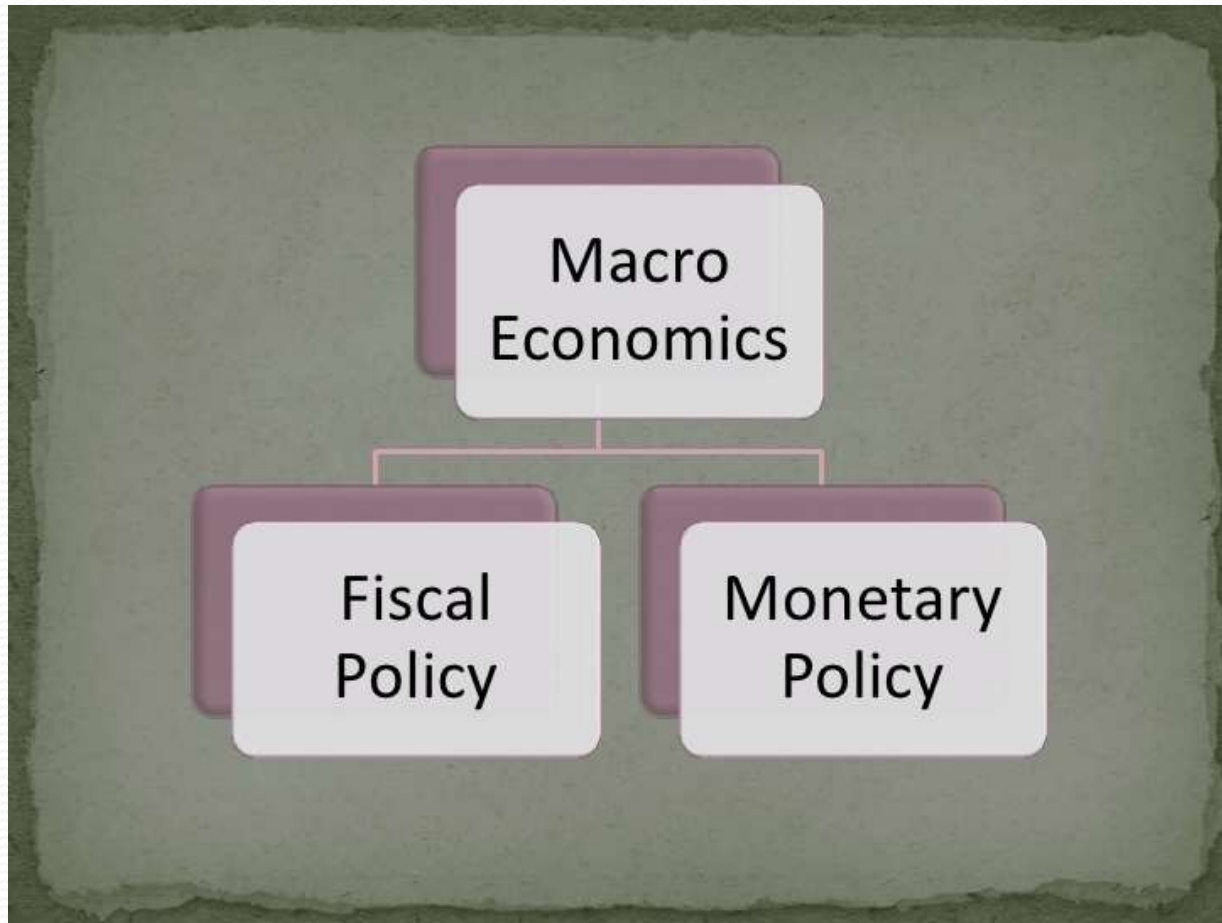
- Fiscal Policy

 - Role & Objectives

 - Budget-> Revenue and Expenditure

 - Highlights of Budget 2015

Introduction



Monetary Policy



A programme of action undertaken by the monetary authorities – The central bank (RBI) to control and regulate the SUPPLY OF MONEY with the public and Flow Of Credit with the view of achieving MACROECONOMIC goals

Objectives

- Maintaining price stability
- Ensuring adequate flow of credit to the productive Sectors of the economy to support economic growth
- Rapid economic growth
- Balance of payment equilibrium
- Full employment
- Equal income distribution



Tools of Monetary Policy in

India

● Bank Rates

● Repo Rate and Reverse Repo Rate

● CRR

● SLR

Bank Rate



- Bank Rate is the rate at which RBI allows finance to commercial banks.
- Any upward revision in Bank Rate by central bank is an indication that commercial banks should also increase deposit rates as well as Prime Lending Rates.
- This any revision in the Bank rate influence interest on your deposits and also an increase or decrease in your EMI.
- At present Bank Rate: 8.5%



Repo Rate and Reverse Repo Rate

- Repo Rate is the rate at which RBI lends money to commercial banks.
- At present Repo Rate: 7.5%
- Reverse Repo Rate is the rate at which RBI borrows money from the commercial banks.
- At present Reverse Repo Rate : 6.5%

Cash Reserve Ratio

- Cash Reserve Ratio is the amount of funds that the banks have to keep with the RBI.
- The CRR is basically to secure solvency of the banks.
- The present CRR: 4%





Statutory Liquidity

Ratio

- **Statutory Liquidity Ratio (SLR)** is the Indian government term for reserve requirement that the commercial banks in India require to maintain in the form of gold, cash or government approved securities before providing credit to the customers.
- SLR is maintained in order to control the expansion of bank credit.
- The present SLR: 21.5%

Inflation

- Inflation is state in which the value of money falling and the prices are rising.



A green rectangular sign with rounded corners and a white border, mounted on a wooden post. The sign features the words "Thank You" in a large, white, sans-serif font. The background is a sky with soft, white and grey clouds, suggesting a sunset or sunrise. The sign is tilted slightly to the right.

Thank You