



Banking

- Banking connects savings with loans, investment and economic activity.
- RBI is India's central bank.
- RBI was set up under the RBI Act, 1934 and nationalised in 1949.
- RBI issues currency notes, manages monetary policy and maintains forex reserves.
- Monetary policy controls money supply, inflation, credit and interest rates.
- Accommodative policy expands money supply.
- Tight or dear money policy is used during inflation.
- Easy or cheap money policy is used during deflation or slowdown.
- Demand liabilities are payable on demand.
- Time liabilities are payable after a fixed period.
- NDTL is used to calculate reserve requirements.
- CRR is the cash reserve kept with RBI.
- SLR is the liquid asset reserve maintained by banks.
- Repo rate is the rate at which RBI lends to banks.
- Reverse repo rate is the rate at which RBI borrows from banks.

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- MSF is an emergency borrowing window for scheduled commercial banks.
 - OMO means buying and selling government securities by RBI.
 - Quantitative instruments control total credit volume.
 - Qualitative instruments control direction and purpose of credit.
 - Money multiplier is $M3$ divided by $M0$.
 - $M1$ is the most liquid measure of money supply.
 - $M4$ is the widest measure of money supply.
 - Commercial banks, cooperative banks, RRBs and payment banks are important banking institutions.
 - CAR ensures that banks keep enough capital against risk.
 - Basel norms regulate bank capital, risk and stability.



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