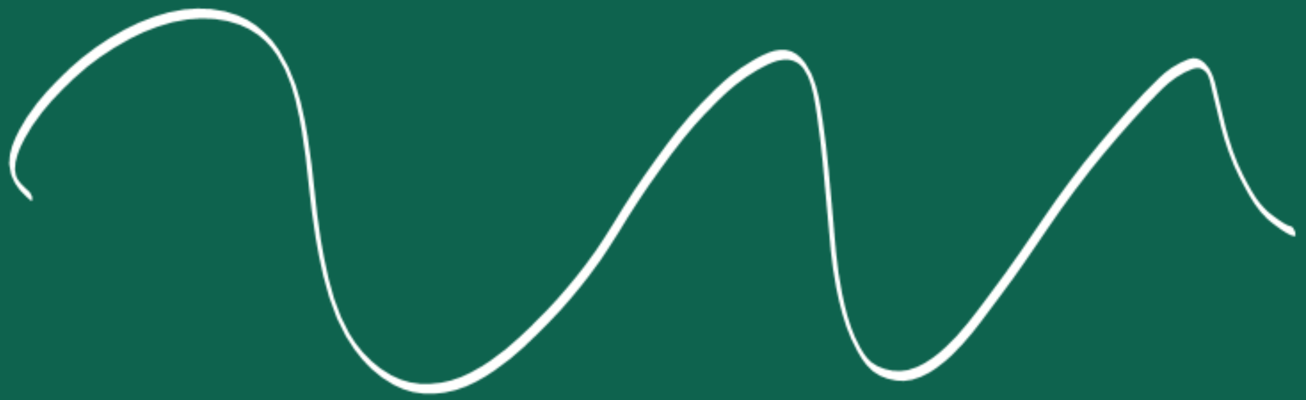
G-SEC

↓

Collateral

↓

Promise of repurchase



RLLR

BPLR

Base Rate

MCLR

EBLR

CRR = Cash Reserve Ratio

↓

a ratio of NDTL which must be maintained by banks in the form cash with the RBI.

The cash to be maintained with the RBI is called as reserves.

The CRR is a quantitative tool of monetary control.

If CRR is reduced, then, banks can give higher amount of loans to the public. In other words, the capacity of <u>credit creation</u> increases.

This is called <u>credit expansion</u>.

If CRR is increased, then, the capacity of credit creation of banks will fall. This is called credit squeeze/contraction.

<u>Note</u> - The RBI does not give any interest on cash reserves maintained with it under CRR.

In 2006, the lower (3%) and the upper (15%) limits of CRR had been removed.

Presently, the CRR is 4.50%.

Net Demand & Time Liabilities

↓ largely Public Deposits

- Demand Deposits
  - ↓ Deposits payable on Demand
    - Current A/c Deposits
    - Saving A/c Deposits
    - CASA Deposits
- Time Deposits
  - ↓ Payable after a certain time-period
    - Fixed Deposits
    - Recurring Deposits

2 year

₹10,000
7%

Liquidity is

How -

Easily

Immediately

without loss of value

an item can be used to transact goods & services.

MDR

Merchant Discount Rate

UPSC PT Question.

Study the following -

1. Time Deposits
2. Currency
3. Demand Deposits
4. Saving Deposits

(a) 1, 2, 3, 4

(b) 2, 3, 4, 1

(c) 1, 4, 3, 2

(d) 4, 1, 2, 3

SLR = Statutory Liquidity Ratio

A ratio of NDTL which must be maintained by the banks with them in the form of liquid assets.

The following assets are allowed by the RBI for the purpose of SLR –

(i) Cash

(ii) Gold

(iii) G-SEC

Apart from the above, the deposits under the SDF with the RBI are also qualified to be calculated under the SLR.

The SLR provides a kind of security to the depositors.

The functioning of SLR regarding credit creation by the banks is similar to that of CRR.

Note -

In 2006, the lower limit of SLR (25%) was removed.

Presently, it is 18%.

LRR

↓

Legally Required Ratios

VRR

Variable Reserve Ratios

CRAR : Capital Adequacy Ratio

Capital to Risk-weighted Assets Ratio

$$\frac{\text{Core capital}}{\text{RWAs}} \times 100$$

(Risk-weighted Assets)

They are largely loans given by the banks

The core capital is that form of capital which readily available during any economic crisis.

Apart from various other items, the equity capital is the dominant item of the so-called core capital.

Note -

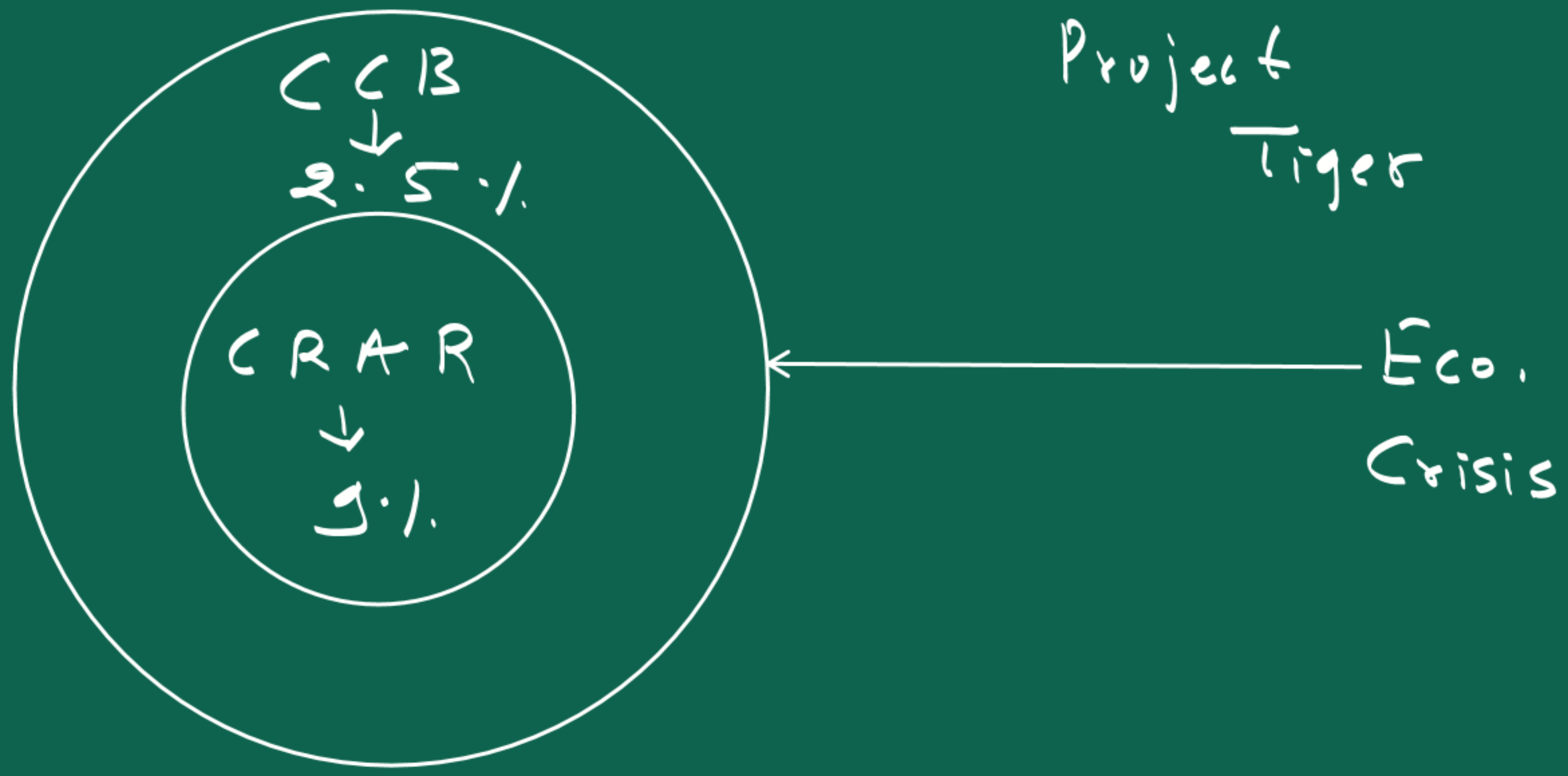
Presently, the banks in India are required to maintain minimum CRAR of 9%.

(Basel-3 Norms required minimum CRAR of 8%.)

Apart from the above, the banks are also required to maintain the **CCB**

(Capital Conservation Buffer) of at least 2.5 % in the form of equity capital.

Thus, total requirement reaches to the level of 11.5 %.


CCB
2.5%
CRAR
9%
Project Tiger
Eco. Crisis