



BANKING TERMINOLOGY

3. MONETARY & FISCAL POLICY



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RBI

RBI & ITS FUNCTION

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MONETARY POLICY

Monetary policy is the policy adopted by RBI to control either the interest rate payable for very short-term borrowing (borrowing by banks from each other to meet their short-term needs) or the money supply, often as an attempt to reduce inflation or the interest rate, to ensure price stability and general trust of the value and stability of the nation's currency.

Monetary policy is carried out by RBI.

Tools of RBI to maintain flow

The main aim of RBI's monetary policy is to keep a **check on inflation and maintain an optimum level** of GDP growth at the same time.

Has to be framed **Bimonthly i.e 15th each**

AIM

- Rapid Economic Growth
- Price Stability
- Exchange Rate Stability
- Balance of Payments(BOP)
- Full Employment
- Equal Income Distribution

FISCAL POLICY

fiscal policy is the use of government revenue collection (taxes or tax cuts) and expenditure to influence a country's economy.

Fiscal policy is the policy that determines by government.

Tools of GOI to maintain expenses

The purpose of the fiscal policy is to **promote economic growth** as well, and during times of recession when government increases its spending or cuts taxes

Depend on Government **expense meet.**

AIM

- Economic Stability
- Price Stability
- Capital formation & growth
- Full Employment
- Encouraging investment
- Equal Income Distribution

Thanks

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