

# Repo rate – college essay



**ASSIGN  
BUSTER**

Banking Terms 1. What is a Repo Rate? A: Repo rate is the rate at which our banks borrow rupees from RBI. Whenever the banks have any shortage of funds they can borrow it from RBI. A reduction in the repo rate will help banks to get money at a cheaper rate. When the repo rate increases, borrowing from RBI becomes more expensive. 2. What is Reverse Repo Rate? A: This is exact opposite of Repo rate. Reverse Repo rate is the rate at which Reserve Bank of India (RBI) borrows money from banks. RBI uses this tool when it feels there is too much money floating in the banking system.

Banks are always happy to lend money to RBI since their money is in safe hands with a good interest. An increase in Reverse repo rate can cause the banks to transfer more funds to RBI due to this attractive interest rates. 3. What is CRR Rate? A: Cash reserve Ratio (CRR) is the amount of funds that the banks have to keep with RBI. If RBI decides to increase the percent of this, the available amount with the banks comes down. RBI is using this method (increase of CRR rate), to drain out the excessive money from the banks. 3 4. What is SLR Rate?

A: SLR (Statutory Liquidity Ratio) is the amount a commercial bank needs to maintain in the form of cash, or gold or govt. approved securities (Bonds) before providing credit to its customers. SLR rate is determined and maintained by the RBI (Reserve Bank of India) in order to control the expansion of bank credit. SLR is determined as the percentage of total demand and percentage of time liabilities. Time Liabilities are the liabilities a commercial bank liable to pay to the customers on their anytime demand. SLR is used to control inflation and propel growth.

Through SLR rate tuning the money supply in the system can be controlled efficiently. 5. What is Bank Rate? A: Bank rate, also referred to as the discount rate, is the rate of interest which a central bank charges on the loans and advances that it extends to commercial banks and other financial intermediaries. Changes in the bank rate are often used by central banks to control the money supply. 6. What is Inflation? A: Inflation is as an increase in the price of bunch of Goods and services that projects the Indian economy.

An increase in inflation figures occurs when there is an increase in the average level of prices in Goods and services. Inflation happens when there are fewer Goods and more buyers; this will result in increase in the price of Goods, since there is more demand and less supply of the goods. 7. What is Deflation? A: Deflation is the continuous decrease in prices of goods and services. Deflation occurs when the inflation rate becomes negative (below zero) and stays there for a longer period. 8. What is PLR?

A: The Prime Interest Rate is the interest rate charged by banks to their most creditworthy customers (usually the most prominent and stable business customers). The rate is almost always the same amongst major banks. Adjustments to the prime rate are made by banks at the same time; although, the prime rate does not adjust on any regular basis. The Prime Rate is usually adjusted at the same time and in correlation to the adjustments of the Fed Funds Rate. The rates reported below are based upon the prime rates on the first day of each respective month.

Some banks use the name " Reference Rate" or " Base Lending Rate" to refer to their Prime Lending Rate. 9. What is Deposit Rate? A: Interest Rates paid by a depository institution on the cash on deposit. Policy Rates: • Bank Rate: 6. 00% • Repo Rate: 5. 25% • Reverse Repo Rate: 3. 75% Reserve Ratios: • CRR: 6. 00% • SLR: 25. 0% Lending/Deposit Rates: • PLR: 11. 00%-12. 00%. • Deposit Rate: 6. 00%-7. 50%. . Savings Bank rate: 3. 5%. Note: Rates as on 14-05-10. 10. What is FII? A: FII (Foreign Institutional Investor) used to denote an investor, mostly in the form of an institution.

An institution established outside India, which proposes to invest in Indian market, in other words buying Indian stocks. FII's generally buy in large volumes which has an impact on the stock markets. Institutional Investors includes pension funds, mutual funds, Insurance Companies, Banks, etc. 11. What is FDI? A: FDI (Foreign Direct Investment) occurs with the purchase of the " physical assets or a significant amount of ownership (stock) of a company in another country in order to gain a measure of management control" (Or) A foreign company having a stake in a Indian Company. 12. What is IPO?

A: IPO is Initial Public Offering. This is the first offering of shares to the general public from a company wishes to list on the stock exchanges. 13.

What is Disinvestment? A: The Selling of the government stake in public sector undertakings. 14. What is Fiscal Deficit? A: It is the difference between the government's total receipts (excluding borrowings) and total expenditure. Fiscal deficit in 2009-10 is proposed at 6. 8% of GDP. 15. What is Revenue deficit? A: It defines that, where the net amount received (by

taxes & other forms) fails to meet the predicted net amount to be received by the government.

Revenue deficit in 2009-10 is proposed at 4.8% of GDP. 16. What is GDP? A:

The Gross Domestic Product or GDP is a measure of all of the services and goods produced in a country over a specific period; classically a year. GDP

during 2008-09 is 6.7%. 17. What is GNP? A: Gross National Product is

measured as GDP plus income of residents from investments made abroad

minus income earned by foreigners in domestic market. 18. What is National

Income? A: National Income is the money value of all goods and services

produced in a country during the year. 9. What is Per Capita Income? A: The

national income of a country, or region, divided by its population. Per capita

income is often used to measure a country's standard of living. Per capita

income during 2008-09 estimated by CSO: Rs. 25,494. 20. What is Vote on

Account? A: A vote-on account is basically a statement, where the

government presents an estimate of a sum required to meet the expenditure

that it incurs during the first three to four months of an election financial

year until a new government is in place, to keep the machinery running. 1.

Difference between Vote on Account and Interim Budget? A: Vote-on-account

deals only with the expenditure side of the government's budget, an interim

Budget is a complete set of accounts, including both expenditure and

receipts. 22. What is SDR? A: The SDR (Special Drawing Rights) is an artificial

currency created by the IMF in 1969. SDRs are allocated to member

countries and can be fully converted into international currencies so they

serve as a supplement to the official foreign reserves of member countries.

Its value is based on a basket of key international currencies (U. S. dollar, euro, yen and pound sterling). 23. What is SEZ? A: SEZ means Special Economic Zone is the one of the part of government's policies in India. A special Economic zone is a geographical region that economic laws which are more liberal than the usual economic laws in the country. The basic motto behind this is to increase foreign investment, development of infrastructure, job opportunities and increase the income level of the people. ggggkkgk