

**CHAPTER: 4**

# Monetary Management and Financial Intermediation

## Key Concepts & Terms

- **Long Term Repo Operations (LTROs):** The LTRO is a tool under which the central bank provides one-year to three-year money to banks at the prevailing repo rate, accepting government securities with matching or higher tenure as the collateral.
- **G-sec yield:** Government bonds (referred to as Gsecs in India, Treasury in the US, and Gilts in the UK) come with the sovereign's guarantee and are considered one of the safest investments.
- **Capital to risk-weighted asset ratio (CRAR):** CRAR is decided by central banks and bank regulators to prevent commercial banks from taking excess leverage and becoming insolvent in the process. The higher the CRAR of a bank the better capitalized it is against the risk.
- **Monetary Policy Transmission:** It is essentially the process through which the policy action of the central bank is transmitted to the ultimate objective of stable inflation and growth.
- **Bilateral Netting:** A bilateral netting agreement enables two counterparties in a financial contract to offset claims against each other to determine a single net payment obligation due from one counterparty to the other.

## Important Data

- Systemic liquidity in FY2020-21 has remained in surplus so far. RBI undertook various conventional and unconventional measures like Open Market Operations, Long Term
- Repo Operations, Targeted Long Term Repo Operations. Gross Non-Performing Assets ratio of Scheduled Commercial Banks (SCBs) decreased from 8.21% at end-March, 2020 to 7.49% at end-September, 2020.
- Recovery rate for SCBs through Insolvency Bankruptcy Code (since its inception) has been over 45%

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