



### **Economic Survey 2020-21 Part - XIII**

1) Consider the following statements with respect to *Money Multiplier*

1. It is measured as a ratio of Broad Money to Reserve Money.
2. It was mostly increasing from 1980s onwards up to 2016-17 and has been declining since then.

Which of the statement(s) given above is/are *incorrect*?

- a. 1 only
- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2

Answer : d

- Money multiplier, measured as a ratio of Broad Money to Reserve Money, was mostly increasing from 1980s onwards up to 2016-17, has however been declining since then.

2) *Reserve Bank of India (RBI)* undertook several conventional and unconventional monetary measures to manage the liquidity in the economy starting from February 2020. Which of the following is not one among them?

- a. Reduction in the CRR requirement of banks
- b. Injection of durable liquidity through Open Market Operation (OMO)
- c. Suspension of Corporate Insolvency Resolution Process (CIRP)
- d. Increasing banks' limit for borrowing overnight under the Marginal Standing Facility (MSF)

Answer : c

### ***Monetary Measures taken by RBI since February, 2020:***

1. Injection of durable liquidity of more than Rs.2.7 lakh crore through Open Market Operation (OMO) purchases between February 6-December 4, 2020.
2. OMOs in State Development Loans (SDLs) as a special case were also introduced during the current financial year.
3. Targeted Long Term Repo Operations (TLTROs) of up to three years' tenor for a total amount of Rs.1.13 lakh crore for investment in corporate bonds, commercial papers, and non-convertible debentures, in addition to injection of Rs.1.25 lakh crore through Long Term Repo Operations (LTROs) conducted in February-March 2020.
4. Reduction in the CRR requirement of banks from 4 per cent of net demand and time liabilities (NDTL) to 3 per cent with effect from March 28, 2020 augmenting primary liquidity in the banking system by about Rs.1.37 lakh crore.
5. Raising banks' limit for borrowing overnight under the MSF by dipping into their Statutory Liquidity Ratio (SLR) to 3 per cent of NDTL from 2 per cent, allowing the banking system to avail an additional Rs.1.37 crore of liquidity.
6. Special Liquidity Facility for mutual funds for Rs.50,000 crore
7. Refinance facility worth Rs. 75,000 crore for all India financial institutions *i.e.*, NABARD, NHB,

SIDBI and EXIM Bank.

- In view of COVID-19 pandemic, initiation of *Corporate Insolvency Resolution Process (CIRP)* was suspended for any default arising on or after March 25, 2020.
- But it is not a monetary measure to manage the liquidity in the economy.

3) Reserve Bank of India (RBI) had appointed a committee under *K.V. Kamath* for which of the following purposes?

- To review the Methodology for Measurement of Poverty
- To formalize a Pension Scheme exclusively for Unorganized Sector
- To frame policy for digital fiscal penetration through Urban Co-operative Banks
- To make recommendations on norms for the resolution of COVID-19 related stressed loans

Answer : d

- The Reserve Bank of India (RBI) has constituted a 5 member expert committee under the Chairmanship of KV Kamath, former CEO of ICICI Bank.
- The committee will suggest parameters to cope up with the COVID-19 related stressed assets.

4) Consider the following statements:

- Private Sector Banks exhibited greater transmission in terms on fresh loans whereas Public Sector Banks exhibited greater transmission on outstanding loans.
- Private Sector Banks reduced deposit rates more than Public Sector Banks.

Which of the statement(s) given above is/are correct?

- 1 only
- 2 only
- Both 1 and 2
- Neither 1 nor 2



Answer : c

- According to Economic Survey, 2020-21, Private Sector Banks exhibited greater transmission in terms on fresh loans, however Public Sector Banks exhibited greater transmission on outstanding loans for the entire easing cycle ((February 2019 to November 2020).
- Private Sector Banks also reduced deposit rates more than Public Sector Banks.

5) With respect to *RBI Scheme of Restructuring of MSME loans*, consider the following statements

- It is a one-time restructuring of loans of MSMEs that were in default but classified as Standard.
- The scheme will be applicable only when the aggregate exposure, including non-fund based facilities, of banks and NBFCs to the borrower does not exceeding Rs.25 crore.

Which of the statement(s) given above is/are correct?

- 1 only
- 2 only
- Both 1 and 2
- Neither 1 nor 2

Answer : c

### ***Restructuring of MSME loans***

- It is a one-time restructuring of loans to MSMEs that were in default but 'standard' as on January 1, 2019.

- The restructuring will be permitted without an asset classification downgrade.
- The scheme is subjected to following conditions:
- The aggregate exposure (including non-fund-based facilities) of banks and NBFCs to the borrower does not exceeding Rs.25 crore as on January 1, 2019.
- The borrowing entity has to be GSTregistered.
- However, this condition will not apply to MSMEs that are exempt from GST-registration.

