20 One-Liners to Remember

Quick-fire facts for last-minute revision.

1. **The RBI Monetary Policy Framework manages interest rates, liquidity and money supply to control inflation while supporting growth.**
It gives the RBI a structured, rules-based approach to balancing price stability with economic growth.

2. **The RBI monetary policy framework was formally adopted via an amendment to the Reserve Bank of India Act, 1934.**
That amendment gave statutory backing to flexible inflation targeting in India.

3. **India follows a flexible inflation targeting (FIT) regime for monetary policy.**
Under FIT, the RBI targets a numerical inflation rate rather than relying purely on discretion.

4. **The Government of India sets the numerical inflation target in consultation with the RBI.**
Joint target-setting is a core feature of India's flexible inflation targeting framework.

5. **The current inflation target under the framework is 4% CPI inflation.**
The 4% Consumer Price Index target anchors the RBI's monetary policy decisions.

6 **The RBI's inflation target carries a tolerance band of plus or minus 2%.**
This band gives the RBI a comfort zone of 2% to 6% CPI inflation.

7 **The RBI's inflation comfort zone runs from 2% to 6% CPI inflation.**
The 4% target plus the 2% tolerance band together define this range.

8 **The monetary policy framework rests on three pillars: an inflation objective, the MPC, and transparent communication.**
These three elements distinguish rules-based inflation targeting from earlier discretionary policy.

9 **If average inflation breaches the tolerance band for three consecutive quarters, the RBI must report to the government.**
This accountability clause requires the RBI to explain reasons and propose corrective steps.

10 **The Monetary Policy Committee (MPC) is the six-member body that decides India's policy repo rate.**
The MPC sits at the centre of the RBI's inflation targeting framework.

11 **The MPC comprises three RBI members and three external members.**
The RBI side includes the Governor, a Deputy Governor, and one central board nominee.

12 **The RBI Governor chairs the MPC and holds a casting vote in the event of a tie.**

MPC decisions are otherwise taken by simple majority, with each member getting one vote.

13 **External MPC members are appointed by the Government of India for a four-year term.**

Fixed terms for external members are meant to keep them independent of short-term political pressure.

14 **The MPC must meet at least four times in a financial year.**

In practice, the MPC meets roughly every two months to review the policy stance.

15 **MPC meeting minutes, including how each member voted, are published within fourteen days.**

This transparency requirement helps anchor market expectations about future policy.

16 **The repo rate is the rate at which the RBI lends overnight funds to banks against government securities.**

This lending happens under the RBI's Liquidity Adjustment Facility, known as the LAF.

17 **Raising the repo rate makes borrowing costlier and helps cool inflation.**

Cutting the repo rate instead makes credit cheaper and stimulates economic activity.

18 **The Standing Deposit Facility (SDF) rate forms the floor of the RBI's policy rate corridor.**
Banks use the SDF window to park surplus funds with the RBI overnight.

19 **The Marginal Standing Facility (MSF) rate forms the ceiling of the policy rate corridor.**
Banks use the MSF window to borrow emergency overnight funds from the RBI.

20 **External Benchmark Linked Lending Rates (EBLR) link floating retail loans directly to the repo rate.**
EBLR was introduced to speed up how repo rate changes pass through to home, auto and MSME borrowers.