20 True or False

Decide, then check the answer and reason below each statement.

Question 1

The Monetary Policy Committee (MPC) has six members.

TRUE

The MPC comprises three RBI members and three external members appointed by the government.

Question 2

The RBI Governor chairs the Monetary Policy Committee.

TRUE

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

Question 3

External members of the MPC are appointed for a four-year term.

TRUE

The Government of India appoints the three external MPC members for four years.

Question 4

The RBI's current inflation target is 4% CPI inflation, with a tolerance band of plus or minus 2%.

TRUE

This gives a comfort zone of 2% to 6% CPI inflation under the flexible inflation targeting framework.

Question 5

The MPC is required to meet at least four times in a financial year.

TRUE

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

Question 6

The repo rate is the rate at which the RBI lends funds to commercial banks under the Liquidity Adjustment Facility.

TRUE

Banks borrow overnight from the RBI at the repo rate against government securities.

Question 7

The Standing Deposit Facility (SDF) rate forms the floor of the RBI's policy rate corridor.

TRUE

Banks park surplus funds with the RBI under the SDF, which sits below the repo rate.

Question 8

The Marginal Standing Facility (MSF) rate forms the ceiling of the RBI's policy rate corridor.

TRUE

Banks use the MSF to borrow emergency overnight funds at a rate above the repo rate.

Question 9

MPC meeting minutes, including individual members' votes, are published within fourteen days of the meeting.

TRUE

This disclosure requirement is meant to make MPC decisions transparent and anchor market expectations.

Question 10

External Benchmark Linked Lending Rates (EBLR) link floating retail loans to the repo rate to speed up policy transmission.

TRUE

EBLR was mandated so that repo rate changes pass through faster to home, auto and MSME borrowers.

Question 11

The MPC has eight members, four from the RBI and four external appointees.

FALSE

The MPC actually has six members: three from the RBI and three external appointees.

Question 12

External MPC members are appointed for a two-year term.

FALSE

External MPC members are appointed by the government for a four-year term, not two years.

Question 13

The RBI's current inflation target is 6% CPI inflation with no tolerance band.

FALSE

The actual target is 4% CPI inflation with a tolerance band of plus or minus 2%.

Question 14

The MPC is required to meet only once a year.

FALSE

The MPC must meet at least four times a year, and in practice meets roughly every two months.

Question 15

The Finance Minister chairs the MPC and casts the deciding vote in case of a tie.

FALSE

The RBI Governor, not the Finance Minister, chairs the MPC and holds the casting vote.

Question 16

The repo rate is the rate at which commercial banks lend funds to the RBI.

FALSE

The repo rate is actually the rate at which the RBI lends funds to commercial banks, not the reverse.

Question 17

The Marginal Standing Facility rate forms the floor of the policy corridor, while the Standing Deposit Facility rate forms the ceiling.

FALSE

It is the reverse: the SDF rate is the floor and the MSF rate is the ceiling of the corridor.

Question 18

MPC meeting minutes are kept permanently confidential and are never published.

FALSE

MPC minutes, including how each member voted, are published within fourteen days of the meeting.

Question 19

The RBI monetary policy framework was introduced through an amendment to the Banking Regulation Act, 1949.

FALSE

The framework was introduced through an amendment to the Reserve Bank of India Act, 1934.

Question 20

The Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) are qualitative, not quantitative, policy tools.

FALSE

CRR and SLR are quantitative tools the RBI uses to manage liquidity and credit in the banking system.