[Glossary]

Role of RBI in India

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Glossary

Bank rate: The rate at which RBI discounts the First class bills to the scheduled commercial banks. This can be used as a liquidity management tool. Now a days RBI is using Repo rate and reserve repo rate to do the same.

Banking: accepting for the purpose of lending or investment of deposits of money from public, repayable on demand or otherwise and withdraw able by cheques, drafts, order etc

CRR: Cash reserve ratio (CRR) the share of net demand and time liabilities (deposits) that banks must maintain as cash balance with the RBI.

Factoring: business of buying trade debts at a discount and making a profit when debt is realized and also taking over collection of trade debts at agreed prices.

Identification: when a person provides a document to a bank or is being identified by a person, who is known to the bank it is called identification. Banks ask for identification before paying an order cheque or a demand draft across the counter.

Provisioning: provisioning is made for likely loss in the profit and loss account while finalizing accounts of banks. All banks are supposed to make assets classification and make appropriate provision for likely losses in their balance sheet.

Public sector bank: a bank fully or partly owned by government.

Repo rate: the rate at which the Banks borrow from RBI. Reduction in the same will enable banks to get cheaper funds and infuses liquidity into the system. This is a policy rate.

Reverse repo rate: the rate at which the commercial banks deposit their surplus funds with RBI. This is also a policy rate.