

1. **repo rate** (noun) – it is the rate at which the central bank of a country (RBI in case of India) lends money to commercial banks in the event of any shortfall of funds.
2. **conservative** (adjective) – moderate/low, reasonable, cautious.
3. **rate cut** (noun) – a decision by a central bank (RBI) to reduce its main interest rate to the banks (like SBI, ICICI & etc) when these commercial banks get money from the RBI. Once this rate goes down, the banks are in a position to give loans at lower interest rates to individuals and the industry.
4. **bimonthly** (adjective) – happening/occurring every two months or twice a month.
5. **slowdown** (noun) – economic decline, recession, slump/depression.
6. **scholastic** (adjective) – over-subtle, overprecise; academic.
7. **inflation** (noun) – simply meaning “cost of living”; increase of price level of goods & services and vice versa decrease of currency value.
8. **benchmark** (adjective) – standard, guideline, basis.
9. **spring a surprise** (phrase) – to do something that is not expected.
10. **keep the powder dry** (phrase) – be prepared for an emergency.
11. **slumber** (noun) – rest, nap, sleep.
12. **onus** (noun) – responsibility, duty, charge.
13. **stance** (noun) – point of view, viewpoint, opinion, position.
14. **accommodative** (adjective) – accommodating, cooperative, helpful.
15. **systemic** (adjective) – constructional, organizational.
16. **liquidity** (noun) – a measure of activity (i.e. the ability to buy or sell easily) in a market.
17. **stakeholder** (noun) – a person with an interest in something.
18. **admission** (noun) – acknowledgement, acceptance, confession.
19. **cumulative** (adjective) – collective, aggregate, total.
20. **pass on** (phrasal verb) – to give someone something that someone else has given you.
21. **considerably** (adverb) – significantly, substantially, much.
22. **loosen the purse strings** (phrase) – to increase the spending of money.
23. **do away with** (phrasal verb) – abolish, eliminate, remove.
24. **leverage ratio** (noun) – leverage ratios are financial ratios used to measure a company's capital structure, financial obligations and its ability to clear those obligations.
25. **Basel norms/Basel capital Framework** (noun) – an internationally agreed set of measures aim to strengthen the regulation, supervision and risk management of banks. The Basel Committee standards are minimum requirements which apply to internationally active banks.
26. **ambitious** (adjective) – difficult, exacting, formidable/challenging.
27. **tremendous** (adjective) – massive, huge, immense.
28. **unleash** (verb) – let loose, release, set free.
29. **back** (verb) – support, favour, uphold.
30. **animal spirits** (plural noun) – this is a term that refers to the emotions and instincts that guide the behaviour of investors and consumers in a market economy. It was coined by British economist John Maynard Keynes to explain the persistence of economic fluctuations under capitalism. Keynes argued that investment and consumption are often based on how people feel about the overall economy rather than on unbiased, rational analysis of facts

## No surprises: on RBI's repo rate cut

## The RBI has played conservative in announcing a rate cut of just 25 basis points

There were no surprises in the second bimonthly monetary policy announcement by the Reserve Bank of India. A 25 basis point (0.25 percentage point) cut was widely expected, and the RBI delivered that. Whether a deeper 50 basis point cut was necessary, given the sharp slowdown in the economy, is now a purely scholastic question. With inflation well under the benchmark figure of 4%, the stage was probably set for the RBI to spring a surprise but it chose to play conservative. Maybe the idea is to keep the powder dry for a further rate cut, if needed, in the next policy. If the economy fails to recover well enough from its slumber by August, the onus will, after all, shift back to the RBI. That said, there is enough in the latest policy to indicate that the RBI's focus is now on growth. The change of stance to 'accommodative' from 'neutral', the statements by RBI Governor Shaktikanta Das at the press conference that ensuring systemic liquidity will remain a priority for the central bank, and the setting up of an internal working group to review the existing liquidity management framework, all clearly point to a central bank that is not only listening to the demands of the key stakeholders in the economy, but also acting on them.

The one area where the RBI has some work to do is in the transmission of rates. By its own admission, only 21 of the cumulative 50 basis points rate cut effected by the RBI in the February and April policies has been passed on to borrowers by banks. The excuse from banks, at least in the last few months, was that liquidity was tight and so deposit rates could not be cut. However, liquidity has considerably improved in the last week, and more so with the new government loosening the purse strings. There cannot be any more excuses from banks to not pass on the cuts fully. The RBI's decision to do away with its charges on RTGS/ NEFT (Real Time Gross Settlement System/ National Electronic Funds Transfer) transactions is welcome provided it can, again, ensure that banks pass on the benefit to customers. The central bank has also proposed measures such as a reduction in the leverage ratio under Basel norms for banks, which will increase their lendable resources. The projected growth rate for this fiscal has been lowered to 7% from the 7.2% projected in April, and the first-half growth is estimated at 6.4-6.7%, which by itself appears ambitious given the current trends in the economy. With the RBI having done its bit, the focus shifts to the Finance Ministry. There are tremendous expectations from the government over the next round of reforms, backed as it is by a strong mandate. The onus



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is now on the budget, to be presented on July 5, to unleash the animal spirits again in the economy.

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