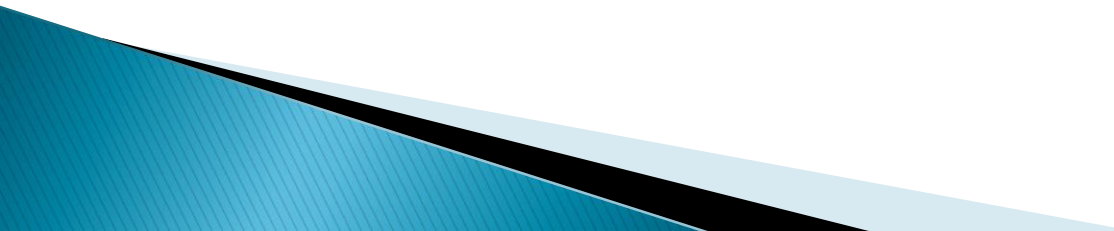


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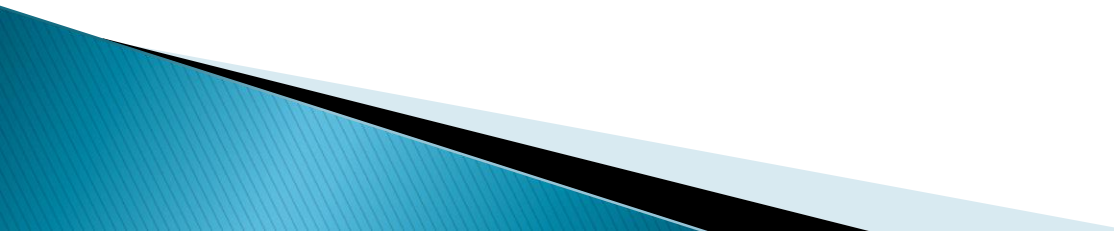
Presentation on Topic Monetary Policy

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Monetary Policy

- ▶ Monetary policy is the process by which the monetary authority of a country controls the supply of money, often targeting a rate of interest for the purpose of promoting economic growth and stability.
 - ▶ The official goals usually include relatively stable prices and low unemployment. Monetary economics provides insight into how to craft optimal monetary policy.
- 

Objectives of Monetary Policy

- ▶ Rapid Economic Growth
 - ▶ Price Stability
 - ▶ Exchange Rate Stability
 - ▶ Balance of Payments (BOP) Equilibrium
 - ▶ Full Employment
 - ▶ Equal Income Distribution
- 

Types of Monetary Policy

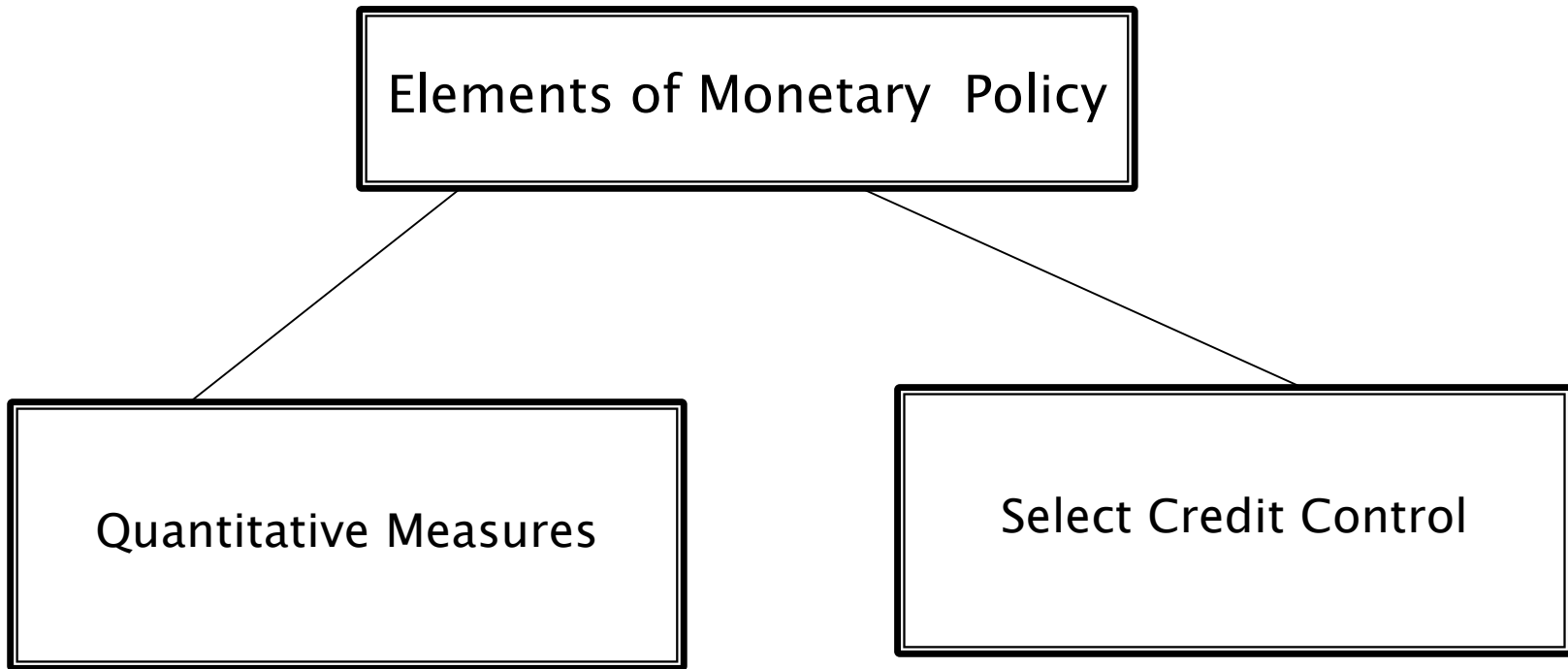
Expansionary Monetary Policy

- ▶ It is the policy where the money supply in the economy is increased.
- ▶ It is policy where money becomes abundant.

Contractionary Monetary Policy

- ▶ It is the policy where the money supply in the economy is decreased.
- ▶ Making money dear or expensive by increasing the rate of interest does this.

Tools of Monetary Policy



Tools of Monetary

Quantitative Measures

```
graph TD; A[Quantitative Measures] --> B[Open Market Operation]; A --> C[Bank Rate Policy]; A --> D[Cash Reserve Ratio]; A --> E[Statutory Liquidity Ratio];
```

Open Market
Operation

Bank Rate
Policy

Cash Reserve
Ratio

Statutory
Liquidity Ratio

Tools of Monetary

Selective Credit Control

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graph TD; A[Selective Credit Control] --> B[Credit Rationing]; A --> C[Moral Suasion]; A --> D[Direct Control]; A --> E[Leading Margins];
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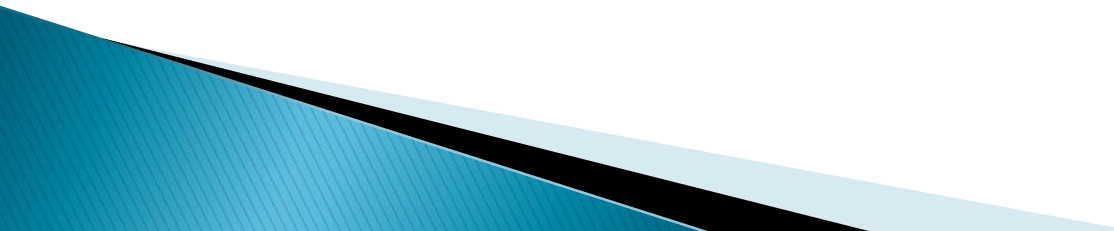
Credit
Rationing

Moral Suasion

Direct Control

Leading
Margins

Limitation of Monetary Policy

- ▶ Monetary policy cannot change long-term growth.
 - ▶ There is no long term tradeoff between growth and inflation.
 - ▶ Monetary policy can deliver low and stable inflation, and thereby reduce the volatility of the business cycle.
 - ▶ It cannot really predict when inflationary pressures builds up.
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THANK YOU

