

Weekly E-Book for RBI Grade B 2023 (8-14 May)

Gist of RBI Circulars March 2023

1. Reserve Bank of India has decided that an additional amount of **₹5,000 crore** will be made available under the **Standing Liquidity Facility** for standalone primary dealers on March 31, 2023 at the prevailing repo rate.
 - Standing facilities are instruments available to banks at their own initiative without restriction under normal circumstances. They consist of instruments providing and absorbing overnight liquidity. The interest rates on these instruments provide the corridor in which the money market interest rates can fluctuate.
2. Reserve Bank released data relating to India's International Investment Position for end-December 2022
Key Features of India's IIP in end-December 2022
 - Net claims of non-residents on India **declined** by US\$ 12.0 billion during October-December 2022 and stood at US\$ 374.5 billion as at end-December 2022.
 - The reduction in net claims was due to higher rise in Indian residents' overseas financial assets (US\$ 28.7 billion) as compared with the increase in foreign liabilities of Indians (US\$ 16.7 billion)
 - The rise in Indian residents' foreign assets during Q3:2022-23 was mainly on account of an increase of US\$ 30.0 billion in reserve assets, which had earlier declined by US\$ 56.5 billion in the previous quarter.
 - Reserve assets accounted for 64.3 per cent of India's international financial assets as at end-December 2022.
 - Trade credits and loans were primary contributors to the rise in India's foreign liabilities.
 - Variation in the exchange rate of rupee vis-a-vis other currencies impacted the change in liabilities, when valued in the US dollar terms, as the rupee depreciated by 1.49 per cent during the quarter.
 - The share of debt liabilities in total external liabilities increased to 50.2 per cent as at end-December 2022 from 49.8 per cent a quarter ago and 48.4 per cent a year ago.
 - India's international assets **covered 70.0 per cent of India's international liabilities** in December 2022 as compared with 72.5 per cent a year earlier
3. **RBI shared sectoral deployment of bank credit as given below:**
 - Credit to **agriculture and allied activities** rose by **14.9 per cent** in February 2023 as compared with 10.3 per cent a year ago.
 - Credit to **industry** registered a growth of **7.0 per cent** (y-o-y) in February 2023 as compared with 6.7 per cent in February 2022. Size-wise, credit to large industry rose by 5.0 per cent as compared with 0.9 per cent a year ago. Credit growth of medium industries was 13.5 per cent as against 53.8 per cent. Credit to micro and small industries registered a growth of 13.2 per cent in February 2023 (24.0 per cent a year ago).



- Credit growth to **services sector** was robust at **20.7 per cent (y-o-y)** in February 2023 as compared with 6.2 per cent a year ago, primarily due to the improved credit offtake to 'Non-Banking Financial Companies (NBFCs)'.
- Personal loan growth accelerated to **20.4 per cent (y-o-y)** in February 2023 from 12.5 per cent a year ago, driven by housing loans

4. The limit for **Ways and Means Advances (WMA)** has been decided, in consultation with the Government of India, for the first half of the financial year 2023-24 (April 2023 to September 2023) will be ₹1,50,000 crore.

Ways and Means Advances (WMA), when the government borrows money it makes an interest payment to the central bank. In this, the rate of interest is similar to the repo rate and the tenure is three months

The Reserve Bank of India may trigger fresh floatation of market loans when the Government of India utilises 75 per cent of the WMA limit.

The Reserve Bank of India retains the flexibility to revise the limit at any time, in consultation with the Government of India, taking into consideration the prevailing circumstances.

The interest rate on WMA/Overdraft will be:

- WMA: Repo Rate
- Overdraft: Two percent above the Repo Rate

5. The Reserve Bank of India (RBI) has imposed a monetary penalty of ₹30.00 lakh (Rupees Thirty lakh only) **on Karur Vysya Bank Ltd.** (the bank) for non-compliance with certain provisions of the Reserve Bank of India (Frauds- Classification and reporting by commercial banks and select FIs) directions 2016. A Select Scope Inspection (SSI) of the bank was conducted by RBI. An examination of the SSI report and all related correspondence pertaining to the same revealed that the bank failed to report a few accounts as frauds to RBI within a week of the respective **Joint Lenders' Forum (JLF)** decisions to do so

- The **Joint Lender's Forum** is a dedicated grouping of lender banks that is formed to speed up decisions when an asset (loan) of more Rs 100 crore or more turns out to be a stressed asset. RBI has issued guidelines for the formation of JLF in 2014 for the effective management of stressed assets. Instructions for the formation of JLF is mentioned in the RBI guideline titled 'Framework for Revitalizing Distressed Economy'

6. Reserve Bank of India has decided to conduct a fine-tuning 5-day **Variable Rate Repo (VRR) auction** for the fortnight beginning March 24, 2023 instead of the main operation of a 14-day variable rate Repo/ Reverse Repo auction.

- The variable rate repo auction is done to inject liquidity into the banking system when it turns negative or is in deficit

7. Shri Shaktikanta Das, Governor, Reserve Bank of India (RBI), laid the foundation stone for establishment of a "**Greenfield Data Centre**" and '**Enterprise Computing & Cybersecurity Training Institute**' in Bhubaneswar, Odisha.

8. The Reserve Bank of India (RBI) has, imposed a monetary penalty of ₹1.00 lakh (Rupees One lakh only) **on Raigad Sahakari bank Ltd., Mumbai** (the bank) for contravention of operational instructions issued under **Supervisory Action Framework (SAF)**.

9. The Reserve Bank of India (RBI) has imposed, a monetary penalty of ₹50,000 (Rupees Fifty Thousand only) on **Jila Sahakari Kendriya Bank Maryadit, Raisen** (Madhya Pradesh) (the bank) for contravention of/non-compliance with the provisions of the Banking Regulation Act, 1949 (the Act) and directions issued by NABARD on submission of returns by banks.
10. The Reserve Bank of India (RBI) has imposed a monetary penalty of ₹5.00 lakh (Rupees Five lakh only) on **Housing Development Finance Corporation Limited, Mumbai** (the company) for non-compliance with certain provisions of 'The Housing Finance Companies (NHB) Directions, 2010' issued by the National Housing Bank (NHB)
11. The Reserve Bank of India (RBI) and the **Central Bank of the United Arab Emirates (CBUAE)** signed a Memorandum of Understanding (MoU) today in Abu Dhabi, to enhance cooperation and jointly enable innovation in financial products and services.
- Under the MoU, the two central banks will collaborate on various emerging areas of FinTech, especially **Central Bank Digital Currencies (CBDCs)** and explore interoperability between the CBDCs of CBUAE and RBI. This bilateral engagement of testing cross-border use case of CBDCs is expected to reduce costs, increase efficiency of cross border transactions and further the economic ties between India and UAE. The MoU also provides for technical collaboration and knowledge sharing on matters related to Fintech and financial products and services.
12. The Governor, Reserve Bank of India (RBI) launched the Mission '**Har Payment Digital**' on the occasion of the **Digital Payments Awareness Week (DPAW) 2023**. This is part of RBI's endeavour to make every person in India a user of digital payments. DPAW 2023 will be observed from March 6 to 12, 2023. The campaign theme is "**Digital Payment Apnao, Auron ko bhi Sikhao**" (Adopt digital payments and Also teach others).
- During the DPAW 2023, Regional Offices of the RBI will be conducting awareness and outreach programmes which will also form part of 'Jan Bhagidari' events under the Indian G20 presidency. Similar initiatives will be undertaken by the bank and non-bank payment system operators.
 - The Reserve Bank will also initiate a '**75 Digital Villages**' programme in observance of 75 years of Independence. Under this programme, Payment System Operators (PSOs) will adopt 75 villages across the country and convert them into digital payment enabled villages.
13. The **Financial Action Task Force (FATF)**, issued a public document 'High-Risk Jurisdictions subject to a Call for Action'.
- Highlights:**
- Democratic People's Republic of Korea (DPRK) and Iran adopted in February 2020 are still High-Risk Jurisdiction
 - Further, Myanmar was added to the list of High-Risk Jurisdictions subject to a Call for Action in the October 2022 FATF plenary which remains in effect.
 - FATF had earlier identified the following jurisdictions as having strategic deficiencies and under Increased Monitoring, which had developed action plan with the FATF to deal with them. These jurisdictions are: Albania, Barbados, Burkina Faso, Cambodia, The Cayman Islands, Democratic Republic of the Congo, Gibraltar, Haiti, Jamaica, Jordan, Mali, Morocco, Mozambique, Panama, Philippines, Senegal, South Sudan, Syria, Tanzania, Türkiye, Uganda, United Arab Emirates and Yemen.
 - **South Africa and Nigeria** have now been added to this list of Jurisdictions under Increased Monitoring while **Cambodia and Morocco** have been removed from this list based on review by the FATF.

- FATF plenary releases documents titled “High-Risk jurisdictions subject to a Call for Action” and “Jurisdictions under Increased Monitoring” with respect to jurisdictions that have strategic AML/CFT deficiencies as part of the ongoing efforts to identify and work with jurisdictions with strategic Anti-Money Laundering (AML)/Combating of Financing of Terrorism (CFT) deficiencies. This advice does not preclude regulated entities from **legitimate** trade and business transactions with these countries and jurisdictions.

Forward Looking Surveys

RBI releases the results of Forward Looking Surveys. The forward Looking Surveys are:

1. Consumer Confidence Survey (CCS) – March 2023
2. Inflation Expectations Survey of Households (IESH) – March 2023
3. OBICUS Survey on manufacturing sector – Q3:2022-23
4. Industrial Outlook Survey of the Manufacturing Sector for Q4:2022-23
5. Survey of Professional Forecasters on Macroeconomic Indicators – Round¹ 81st
6. Bank Lending Survey for Q4:2022-23
7. Services and Infrastructure Outlook Survey for Q4:2022-23

Lets discuss them one by one:

Consumer Confidence Survey (CCS)

- a. The RBI conducts this survey every couple of months by asking households in 13 major cities — such as Ahmedabad, Bhopal, Guwahati, Patna, Thiruvananthapuram — about their current perceptions and future expectations on a variety of economic variables.
- b. These variables include the general economic situation, employment scenario, overall price situation, own income and spending levels.
- c. Based on these specific responses, the RBI constructs two indices: the Current Situation Index (CSI) and the Future Expectations Index (FEI).
- d. The main variables of the survey are- Economic situation, Employment, Price Level, Income and Spending.

Highlights :

- a. Consumer confidence continues to recover from the historic low recorded in mid-2021, though it remained in the pessimistic zone; the current situation index (CSI)² rose by 2.2 points on account of improved perception on general economic situation, employment, and household income
- b. Households’ overall outlook for the year ahead remained in positive terrain despite marginally lower optimism

Inflation Expectations Survey of Households (IESH)

1. **the survey aims at capturing subjective assessments on price movements and** inflation of about 6,000 households based on their individual consumption baskets across 19 cities
2. The survey seeks qualitative responses from households on price changes (general prices as well as prices of specific product groups) in the three months ahead as well as in the one year ahead period and quantitative responses on current, three months ahead and one year ahead inflation rates

Highlights :

- i. Households' perception for the current inflation declined by 70 basis points (bps) to 8.9 per cent in the latest survey round
- ii. Both three months and one year ahead inflation expectations moderated by 30 bps each to 10.2 per cent and 10.5 per cent, respectively, as compared to that in January 2023

OBICUS Survey on manufacturing sector

- a. Reserve Bank released the results of its 60th round of the quarterly Order Books, Inventories and Capacity Utilisation Survey (OBICUS) conducted during Q4:2022-23 covering 762 manufacturing companies.
- b. The RBI has been conducting the **OBICUS of the manufacturing sector** on a quarterly basis **since 2008**.
- c. The survey also gives out the **ratio of total inventories to sales** and **ratio of raw material (RM) and finished goods (FG) inventories to sales in percentages**
- d. These are considered as important indicators to **measure economic activity, inflationary pressures and the overall business cycle**.

Industrial Outlook Survey of the Manufacturing Sector

The survey encapsulates qualitative assessment of the business climate by Indian manufacturing companies and their expectations as well as outlook on selected parameters for the two subsequent quarters. In all, 1,066 companies responded in this round of the survey, which was conducted quarterly

Survey of Professional Forecasters on Macroeconomic Indicators

The Reserve Bank has been conducting the survey of professional forecasters (SPF) since September 2007. Respondents to the Survey of Professional Forecasters are experts employed by financial or non-financial institutions, such as economic research institutions.

They forecast: GDP, GVA, Inflation parameters etc.

Bank Lending Survey

It captures qualitative assessment and expectations of major scheduled commercial banks (SCBs) on credit parameters (viz., loan demand and terms & conditions of loans) for major economic sectors. The survey questionnaire is canvassed among major 30 SCBs, which together account for over 90 per cent of credit by SCBs in India.

Net Response (NR) is computed as the difference of percentage of banks reporting increase/optimism and those reporting decrease/pessimism in respective parameter

Services and Infrastructure Outlook Survey

This forward-looking survey captures qualitative assessment and expectations of Indian companies in the services and infrastructure sectors on a set of business parameters relating to demand conditions, price situation and other business conditions. In the latest round of the survey, 638 companies provided their assessment

Management : Leadership : Phase2

Q1. Choose one of the following options to represent a trait of participatory leadership from among the numerous styles of leadership that are available to leaders.(2017)

- (a) Emphasis on giving rewards
- (b) Ensuring participation of customers in the company affairs.
- (c) Ensuring Social Equality in the Team
- (d) Ensuring complete delegation of tasks
- (e) None of the above.

Ans. (c)

Participative or Democratic: Such leader gives instructions only after consulting the group. Group discussions take place to figure out policies and future course of action. Such leader decentralizes authority to subordinates.

Staff is encouraged to part of decision making. Goals of staff are set by themselves Employees like the trust they are given and respond with team spirit, cooperation and high morale Staff is kept informed about everything that affects their work

Q2. Which of the following leadership theories states that a manager would consult his subordinates before making a decision and solicit their input? 2017

- (a) Servant Leadership
- (b) Shared Leadership
- (c) Participative Leadership
- (d) Autocratic Leadership
- (e) Paternalistic Leadership

Ans. (c)

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Q3. Which of the following Leadership style: A leader can reward people for good work and discipline them if they disobey directions - 2017

- (a) Transformational Leadership
- (b) Participative Leadership
- (c) Democratic Leadership
- (d) Transactional Leadership
- (e) None of the above

Ans. (d)

Transactional Leadership: It is carrot and stick approach to management. Clear objectives are set for subordinates and compliance is promoted by "reward or punishment" strategy. Prime purpose of subordinates is to do what the manager tells them to do When the leader allocates work to subordinates, they are fully responsible for it, whether or not they have the resources of capability to carry it out

Q4. Which leadership style enables a leader to inspire his team members and effect change inside the organisation?- 2017

- (a) Shared Leadership
- (b) Transformational Leadership
- (c) Participative Leadership
- (d) Democratic Leadership
- (e) Transactional Leadership

Ans. (b)

Transformational leadership: In this style, leader has a great vision for the future. He motivates, guides and inspires his subordinates. Leader explains his vision to subordinates and clears their doubts. Nothing is imposed on subordinates. Leaders are able to transform themselves, employees and the organization. Leaders have 4 prominent characteristics:

- 1) Individualized consideration
- 2) Inspirational motivation
- 3) Idealized influence
- 4) Intellectual stimulation

Q5. In the field of leadership, managerial Leadership is also known as _____?2017

- (a) Democratic Leadership
- (b) Strategic Leadership
- (c) Participative Leadership
- (d) Transformational Leadership
- (e) Transactional Leadership

Ans. (e)

Leaders that use transactional leadership, sometimes referred to as **managerial leadership**, place a strong emphasis on organisation, performance, and oversight. Those who employ the transactional method want to maintain the status quo rather than alter it. Leaders that adopt the transactional leadership approach pay close attention to the work of their subordinates in order to spot errors and deviations.

Q6. Which type of leader falls within the Managerial Grid concept and values both about the people and the production? - 2018

- (a) Country Club leader
- (b) Team Manager leader
- (c) Indifferent leader
- (d) Impoverished leader
- (e) None of the above

Ans. (b)

Team Manger Leader

Team Management or also called Sound Style or 9,9 Managerial Style: Additionally known as contribute and commit. The finest of both worlds is provided by this. This manager is adept at balancing the needs of the company overall with those of the specific individuals engaged. The crucial factor is the engagement and involvement of people in charge of work planning and execution.



Q7. What leadership theory states that a leader should have complete faith in his followers and frequently solicit their advice so he can put it to good use? 2018

- (a) Transactional leader
- (b) Autocratic leader
- (c) Delegative leader
- (d) Participative leader
- (e) None of the above

Ans. (d)

Q8. Identify the Leadership style where a leader is sensitive about his followers' feeling but in the end, what prevails is the leader's wish. 2018

- (a) Maternalistic Style
- (b) Paternalistic Style
- (c) Servant Style
- (d) Participative
- (e) None of the above

Ans. (b)

A strong authority figure who behaves as the patriarch or matriarch and treats partners and employees as though they are members of a large, extended family is known as paternalistic leadership.

Q9. According to Burns' theory of leadership, this kind of leadership is referred to as _____ because the leader and the follower work together to raise each other's motivation and morale. 2018

- (a) Transactional Theory
- (b) Transformational Theory
- (c) Burn's Motivational Theory
- (d) Leader-Follower Theory
- (e) None of the above

Ans. (b)

Explanation in question 4

Transformational Leadership Style was given by Burns and then extended by Bernard M. Bass

Q10. In the field of management, Managerial Grid is given by _____? 2018

- (a) Fred Fiedler
- (b) Blake and Mouton
- (c) Max Weber
- (d) Robert House
- (e) None of the above

Ans. (b)

Blake and Mouton

Q11. Choose the leadership theory that states that leaders are born, not made, from the list of alternatives below. 2018

- (a) Self-Made Theory of Leadership
- (b) Great Man Theory of Leadership
- (c) Genes Theory of Leadership
- (d) Silver Spoon Theory of Leadership
- (e) None of the above

Ans.b

“Great Man Theory of Leadership”

According to this view, a person either has the requisite leadership attributes or does not. Napoleon, for instance, was thought to be a born leader due to his inherent capacity to overcome any challenge.

Q12. Identify the leadership style in which rewards are given for contingent Performance of an Employee.2019

- (a) Transformational leadership style
- (b) Managerial Grid leadership style
- (c) Transactional leadership style
- (d) Bureaucratic leadership style
- (e) None of the above

Ans. (c)

Refer to question 5

A paragraph based questions in 2019 on Tridimensional Leadership(13-15)

Q13. Identify the leadership style, wherein a Leader enjoys involving team members & creating social bond & allows more freedom. 2019

- (a) Integrated leadership style
- (b) Separated leadership style
- (c) Related leadership style
- (d) Dedicated leadership style
- (e) None of the above

Ans. (c)

Q14. Determine the management approach that fosters two-way communication while maintaining the cooperative nature of the organization. – 2019

- (a) Integrated leadership style
- (b) Separated leadership style
- (c) Related leadership style
- (d) Dedicated leadership style
- (e) None of the above

Ans. (a)

Q15. Which of the following personalities developed the managerial grid theory upon which the Reddin model is based? – 2019

- (a) Tannenbaum and Schmidt
- (b) Blake and Mouton
- (c) Huneryager and Heckman
- (d) Hersey & Blanchard
- (e) None of the above

Ans. (b)

Notes on Tridimensional Leadership:

Tridimensional Leadership or 3D leadership theory was given by Reddin. Tridimensional Leadership is based on the Managerial grid theory by Blake and Mouton.

The grid contains 3 dimensions:

- task-orientation,
- relationship orientation, and
- effectiveness

Reddin identified 4 leadership styles as given below:

- **Related** - This is characterized by High - Relationship Orientation, Low - Task Orientation. The leader sees the organization as a social system. Personal interaction and the environment is more important than focusing on tasks or trying to make subordinates more productive through corrective actions.
- **Integrated** - This is characterized by High - Relationship Orientation; High -Task Orientation. This is generally an effective, involved manager. There is high social interaction with subordinates as well as concerted efforts to improve productivity through teamwork and strong communications.
- **Separated** - This is characterized by Low - Relationship Orientation; Low -Task Orientation. The leader provides policies and procedures and does little to monitor subordinate activity.
- **Dedicated** - This is characterized by Low - Relationship Orientation; High -Task Orientation. The leader lays down directives and closely monitors the activities and production of employees. The leaders authority is based upon formal power. There is a lack of social interaction.

