



## WHY SHOULD A PROGRESSIVE CASH RESERVE RATIO BE ADOPTED?

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### ABSTRACT:

*Cash reserve ratio refers to the percentage of deposits that commercial banks must keep as cash with the central bank. This Keynesian tool was introduced to stabilize the economic and monetary conditions of the economy in the 1930s. Despite its pure intentions, the Cash Reserve Ratio has not been able to achieve the desired effect today. Consequently, this paper tries to identify those reasons and aims to eliminate it.*

**KEYWORDS:** *Monetary Theory, Monetary Policy, Business Cycles, Cash Reserve Ratio*