

# Course– Indian Economy, ECON(H)221

## Lecture 43 : RBI

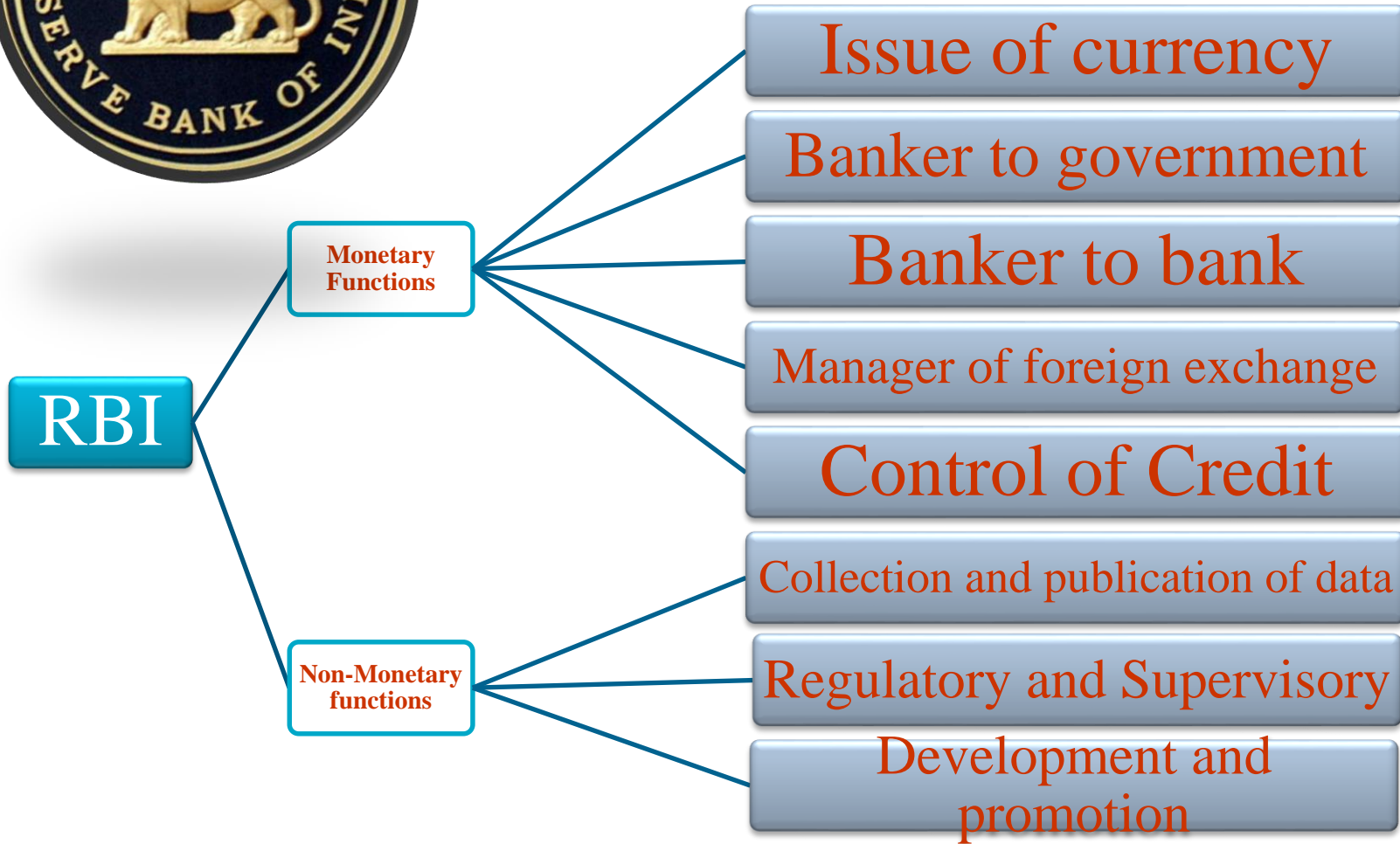


# Topics of Discussion

- RBI
- Role and Functions of RBI



## RBI Functions.



# Monetary Function.

- Main monetary authority of the country.
- It formulates, implements and monitors the monetary policy as well as it has to ensure an adequate flow of credit to productive sectors.



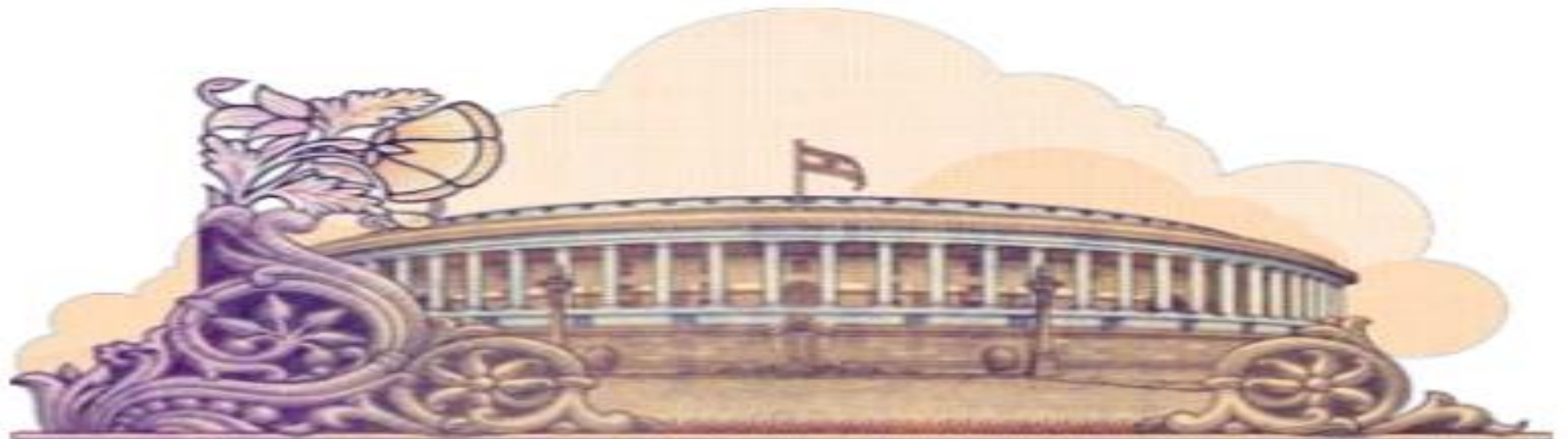
# Issuer of Currency.

- Design, printing and distribution.
- The bank issues and exchanges or destroys currency and coins not fit for circulation.
- The goal of ensuring an adequate supply of clean and genuine notes.



## 2. Banker to government.

- ▶ Banker to the Government: performs merchant banking function for the central and the state governments; also acts as their banker.



## 3. Banker to Bank.

- Transfer funds and settle inter-bank transactions.
- All banks operating in the country have accounts with the Reserve Bank.

## 4. Manager of Foreign Exchange

- It acts as a custodian and Manages the Foreign Exchange Management Act,(FEMA) 1999.



- RBI buys and sells foreign currency to maintain the exchange rate of Indian Rupee v/s foreign currencies like the US Dollar, Euro, Pound and Japanese yen.



# 5. Control of Credit

- Credit control is a major weapon of the RBI used to control Demand & Supply of money in the economy.

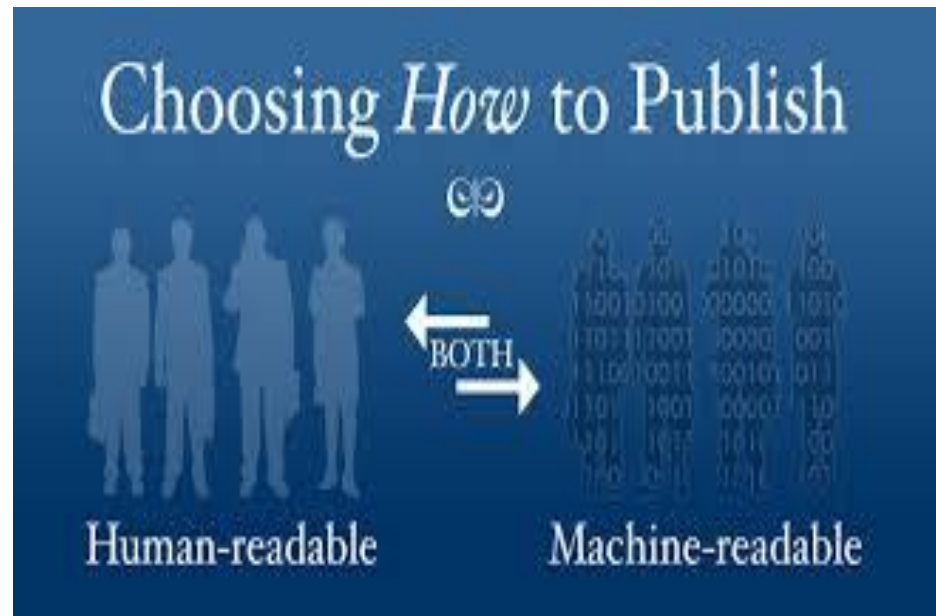


## **II. Non-Monetary functions.**

Besides performing the traditional function of a central bank, the Reserve Bank of India also perform the following function

# Collection and Publication of data

- The RBI has a separate Department of Statistics for collecting, compiling and disseminating statistical information and conducting research related to bank and other financial sectors of the economy including supply of money, credit banking operation and foreign exchange.



# Regulatory and Supervisory

- The RBI Act & the Banking Act have both conferred extensive powers of regulations & supervisions to the RBI over commercial & cooperative banks to check malpractices & protect interests of the investors.



## 3. Development and promotion

- The RBI has been aiding development & promoting saving & banking habits. Development of the institutional agriculture & other rural activities has been an area of focus right from its inception.

# Thank you

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