

Functions of RBI (Reserve Bank of India)

The central bank of India, RBI is also regarded as a bank of banks owing to the functions of RBI. It was established on April 1, 1935, under the Reserve Bank of India Act, 1934. In the beginning, the headquarters of RBI was established in Calcutta. However, soon after, in 1937, it was permanently shifted to Mumbai.

As of March 2021, the Governor of the Reserve Bank of India is Mr. Shaktikanta Das. He is the 25th RBI Governor and all the RBI functions are supervised by him.

Interesting Facts About Reserve Bank of India (RBI)

1. The first Governor of RBI was Osborne Smith,
2. The first Indian governor of RBI was C D Deshmukh.
3. Originally, the Reserve Bank of India was privately owned; and was established as a private bank with two extra functions: the regulation and control of all banks in India, and to be the banker to the then government.
4. Since its nationalization in 1949, RBI has been wholly owned by the Government of India and thus, some new roles were added to the list of functions of RBI!

Functions of Reserve Bank

1. Issue of Notes —The Reserve Bank has a monopoly for printing the currency notes in the country. It has the sole right to issue currency notes of various denominations except one rupee note (which is issued by the Ministry of Finance).

The Reserve Bank has adopted the **Minimum Reserve System** for issuing/printing the currency notes. *Since 1957, it maintains gold and foreign exchange reserves of Rs. 200 Cr. of which at least Rs. 115 cr. should be in gold and remaining in the foreign currencies.*

2. Banker to the Government—The second important function of the Reserve Bank is to act as the Banker, Agent and Adviser to the Government of India and states. It performs all the banking functions of the State and Central Government and it also tenders useful advice to the government on matters related to economic and monetary policy. It also manages the public debt of the government.

3. Banker's Bank:- The Reserve Bank performs the same functions for the other commercial banks as the other banks ordinarily perform for their customers. RBI lends money to all the commercial banks of the country.

4. Custodian of Cash Reserves of Commercial Banks: The commercial banks hold deposits in the Reserve Bank and the latter has the custody of the cash reserves of the commercial banks.

5. Custodian of Country's Foreign Currency Reserves: The Reserve Bank has the custody of the country's reserves of international currency, and this enables the Reserve Bank to deal with crisis connected with adverse balance of payments position.

6. Lender of Last Resort: The commercial banks approach the Reserve Bank in times of emergency to tide over financial difficulties, and the Reserve bank comes to their rescue though it might charge a higher rate of interest.

7. Central Clearance and Accounts Settlement: Since commercial banks have their surplus cash reserves deposited in the Reserve Bank, it is easier to deal with each other and settle the claim of each on the other through book keeping entries in the books of the Reserve Bank. The clearing of accounts has now become an essential function of the Reserve Bank.

8. Controller of Credit: Since credit money forms the most important part of supply of money, and since the supply of money has important implications for economic stability, the importance of control of credit becomes obvious. Credit is controlled by the Reserve Bank in accordance with the economic priorities of the government.

