

INTRODUCTION TO RBI

Introduction:

Reserve Bank of India is the central bank of India. The Reserve Bank of India was established on April 1, 1935 in accordance with the provisions of the **Reserve Bank of India Act, 1934**. The Central Office of the Reserve Bank was initially established in Kolkata but was permanently moved to Mumbai in 1937. The Central Office is where the Governor sits and where policies are formulated.

Origin of Reserve Bank of India:

In 1926 **Royal Commission on Indian Currency and Finance /Hilton-Young Commission** recommended creation of a central bank for India. RBI Act 1934 was introduced which later established RBI. In the beginning it was a private stakeholders' bank. In 1949 it was nationalized to create coordination between the policies of the government and those of the central bank. RBI is also called Mint Street.

Preamble of Reserve Bank of India.

The Preamble of the Reserve Bank of India describes the basic functions of the Reserve Bank as:

"to regulate the issue of Bank notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage; to have a modern monetary policy framework to meet the challenge of an increasingly complex economy, to maintain price stability while keeping in mind the objective of growth."

The Preamble of Reserve Bank of India tells us what are the functions of RBI. So in short the preamble is the origin of functions done by Reserve Bank of India

1. To regulate and issue of Bank notes:
2. To maintain forex reserve of India
3. Monetary policy of India
4. To maintain inflation in the Indian Economy.

Central Board of Reserve Bank of India

The Reserve Bank's affairs are governed by a central board of directors. The board is appointed by the Government of India in keeping with the Reserve Bank of India Act. There are 21 members in the central board. The tenure of Appointed/ nominated members is of 4 years, rest those who work in the central bank are on the job tenure.

- Constitution: There are official and non-official directors.
 - **Official Directors**
 - Full-time: Governor and not more than four Deputy Governors
 - **Non-Official Directors**
 - Nominated by Government: ten Directors from various fields and two government Official.
 - Others: four Directors - one each from four local boards

The present Official Directors are:

RBI Governor: Shakti Kant Das. He is a former IAS. He succeeded Urjit Patel. RBI governor is appointed by the **Prime Minister's Office (PMO) on the recommendation of the union finance minister** as per Section 8(1)(a) of the Reserve Bank of India Act, 1934.

Deputy Governors: Mahesh Kumar Jain, M.D. Patra, M Rajeshwar Rao, T Rabi Sankar

The non-official directors appointments can be learnt when they are in current affairs.

Subsidiaries of RBI

Deposit Insurance and Credit Guarantee Corporation (DICGC)

Earlier there were two separate entities- Deposit Insurance Corporation and Credit Guarantee Corporation. In 1978 they were merged and DICGC was formed. It is a wholly owned subsidiary of RBI. The name of Deposit Insurance Act, 1961 was changed to 'Deposit Insurance and Credit Guarantee Corporation Act, 1961'. Functions of DICGC are governed by provisions of this act. The main function of DICGC is to protect depositors money in case of bank run.

Banks covered by DICGC:

Commercial Banks : All commercial banks including branches of foreign banks functioning in India, local area banks and regional rural banks are insured by the DICGC.

Cooperative Banks : All State, Central and Primary cooperative banks, also called urban cooperative banks, functioning in States / Union Territories which have amended the local Cooperative Societies Act empowering the Reserve Bank of India (RBI) to order the Registrar of Cooperative Societies of the State / Union Territory to wind up a cooperative bank or to supersede its committee of management and requiring the Registrar not to take any action regarding winding up, amalgamation or reconstruction of a co-operative bank without prior sanction in writing from the RBI are covered under the Deposit Insurance Scheme. At present all co-operative banks are covered by the DICGC.

Primary cooperative societies are not insured by the DICGC.

Insurance coverage: 5 lakh rupees. The Act empowers the Corporation to raise this limit with prior approval of Central Govt.

Types of Deposits Covered:

It covers all deposits (such as savings, fixed, current, and recurring deposits) with eligible banks except:

- Deposits of foreign govts
- Deposits of Central / State governments
- Inter-Bank deposits
- Deposits of the State Land Development Banks with the State co-operative bank
- Any amount due on account of any deposit received outside India
- Any amount which has been specifically exempted by the corporation with previous approval of the RBI

Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL)

BRBNMPL is wholly owned by RBI established on 3rd Feb 1995. It is registered as a Private Limited Company under Companies Act, 1956.

Aim: To augment the production of bank notes in India and bridging of the gap between supply and demand for bank notes in the country.

The company manages two Presses, one at Mysore in Karnataka and the other at Salboni in West Bengal. It supplies major portion of bank note requirement in the country. Remaining money supply is supplied by Security Printing and Minting Corporation of India Limited (SPMCIL), a PSU wholly owned by Government of India.

Reserve Bank Information Technology Private Limited (ReBIT)

It was established in 2016 with following objectives:

1. Managing IT projects of RBI
2. Assisting RBI in supervision of regulated entities
3. Improving cyber resilience of banking sector through collaboration with key stakeholders
4. Safeguarding RBI assets by detecting and responding to cyber-threats

Indian Financial Technology and Allied Services (IFTAS)

It is a wholly owned subsidiary of RBI, mandated to design and deploy IT related services to RBI, and all Banks and Financial Institutions in the country. Facilitates smooth functioning of banks by supporting them to innovate.

Services of IFTAS:

Indian Financial Network (INFINET) is the underlying closed user group Payment System network connecting India's financial institutions. Structured Financial Messaging System (SFMS) serves as the backbone Messaging platform and the Indian standard for inter-bank Financial Messaging for Centralized Payment system viz. National Electronic Fund Transfer (NEFT) and Real-Time Gross Settlement (RTGS). IFTAS is also the service provider for NEFT application.

Global Interchange for Financial Transactions (GIFT), is an integrated Payment & Settlement system that has been created by IFTAS to provide straight-through processing (STP) inter-bank transactions, supporting batched, gross & bulk settlement modes. GIFT is intuitively designed to improve operational efficiency of a country's payment system.

