

## Reserve Bank of India



- Reserve Bank of India (RBI) is India's central bank. It controls the monetary policy concerning the national currency, the Indian rupee. The basic functions of the RBI are the issuance of currency, to sustain monetary stability in India, to operate the currency, and maintain the country's credit system.

### Latest Update about RBI:

- **On 5<sup>th</sup> February 2021**, RBI Monetary Policy (2021-22) was announced. The central bank kept the Repo Rate at 4 percent while projected the GDP growth in Fiscal Year (FY) 2022 at 10.5 percent.
- **On 16<sup>th</sup> February 2021**, RBI has announced an expert committee on primary urban cooperative banks. The chairman of the committee is NS Vishwanathan.
- **On 7<sup>th</sup> April 2021**, The RBI's Monetary Policy Committee voted to maintain the repo rate at 4 percent and reverse repo rate at 3.35 percent.

### RBI

- RBI is an institution of national importance and the pillar of the surging Indian economy. It is a member of the **International Monetary Fund (IMF)**.
- The concept of Reserve Bank of India was based on the strategies formulated by Dr. Ambedkar in his book named "The Problem of the Rupee - Its origin and its solution".
- This central banking institution was established based on the suggestions of the "Royal Commission on Indian Currency & Finance" in 1926. This commission was also known as **Hilton Young Commission**.
- In 1949, the Reserve Bank of India was nationalized and became a member bank of the Asian Clearing Union.
- RBI regulates the credit and currency system in India.
- The chief objectives of the RBI are to sustain the confidence of the public in the system, protect the interests of the depositors, and offer cost-effective banking services like cooperative banking and commercial banking to the people.



### Reserve Bank of India (RBI) – Timeline

- The RBI is an important tool in the development strategy of the Indian government. One of the things to know about RBI is its timeline which is provided in the table below:

Year	Event
1934	The British enacted the Reserve Bank of India Act
1935	Reserve Bank of India was established on 1st of April in Calcutta
1937	Reserve Bank of India was permanently moved to Mumbai
1949	Got nationalized after independence. The bank was held by private stakeholders before this.

- In the year 2016, the original RBI Act of 1934 was amended and that provided the statutory basis for the implementation of the flexible inflation-targeting framework.

### The Preamble of Reserve Bank of India

- Another thing to know about RBI is its Preamble. It describes the basic functions of the Reserve Bank as:

**“...to regulate the issue of Bank Notes and keeping of reserves to secure monetary stability in India and generally to operate the currency and credit system of the country to its advantage.”**

### Functions of Reserve Bank of India

- Reserve Bank of India works as:

#### Monetary Authority

- Implementation of monetary policies.
- Monitoring the monetary policies
- Ensuring price stability in the country considering the economic growth of the country

#### Regulator and Administrator of the Financial System

- The RBI determines the comprehensive parameters of banking operations.
- These methods are responsible for the functioning of the country’s banking and financial system. Methods such as:
  - License issuing
  - Liquidity of assets
  - Bank mergers
  - Branch expansion, etc.



### Managing Foreign Exchange

- RBI manages the **FOREX Reserves** of India.
- It is responsible for maintaining the value of the Rupee outside the country.
- It aids foreign trade payment.

### Issuer of currency

- The Reserve Bank of India is responsible for providing the public with a sufficient supply of currency notes and coins.
- The quality of currency notes and coins is also taken care of by the RBI.
- RBI is in charge of issuing and exchanging of currency and coins.
- Also, the destruction of currency and coins that are not fit for circulation.
- RBI's Developmental role
- Promotional functions that support national objectives are organized by RBI that encourage rural and agricultural economic development.
- The RBI will regularly issue directives to the commercial banks to lend loans to small-scale industrial units.

### Composition of RBI

- Reserve Bank of India is controlled by a central board of directors. The directors are appointed for a 4-year term by the Government of India in keeping with the Reserve Bank of India Act.
- The Central Board consists of:
  - Governor
  - 4 Deputy Governors
  - 2 Finance Ministry representatives
  - 4 directors to represent local boards headquartered at Mumbai, Kolkata, Chennai, and New Delhi
- The executive head of RBI is Governor.
- The Governor is accompanied by 4 deputy governors.
- The First Governor of RBI was Sir Osborne Smith and the First Indian Governor of RBI was C D Deshmukh.
- The First woman Deputy Governor of RBI was K J Udeshi.
- The only Prime Minister who had been the Governor of RBI was Manmohan Singh.
- The current governor of RBI (2021) is **Shaktikanta Das**.

### Zonal Offices

- RBI has four zonal offices: New Delhi for North, Chennai for South, Kolkata for East, and Mumbai for West.
- The Reserve Bank of India has 19 regional offices and 11 sub-offices at present.
- The bank has two training colleges for its officers:
  - Reserve Bank Staff College at Chennai
  - College of Agricultural Banking at Pune.



### KEY POINTS

- There is only one central bank in India called the Reserve Bank of India. It has offices at 31 locations all across the country.

### Functions of the Reserve Bank of India

- The main functions of the Reserve Bank of India are as follows:
  - Monetary Authority
  - Regulator and administrator of the financial system
  - Managing Foreign Exchange
  - Issuer of currency
  - Developmental role

### RBI logo

- RBI logo is to remind and symbolise not just its governmental status, its links to the country – but also its independence and a critical separation of the RBI from the government.
- The consideration, according to the RBI, in selecting the logo was, that “the seal should emphasise the Governmental status of the Bank, but not too closely” and that “it should have something Indian in the design”.
- **The official emblem of the apex bank – a palm tree and a tiger** – is in many ways a vestige of this colonial past and is derived from the East India Company’s original seal and mohur that showed a lion and a palm tree.
- The tiger, it was decided, would replace the lion. Tigers, at the time, were widespread in India and carried a cultural cache like no other species.
- The tiger was chosen since it was felt to be more an ‘Indian’ animal than the lion. At the time, the tiger was widespread through the country, while the lion was virtually extinct.

### RBI contingency fund

- The RBI also stores a Contingency Fund (CF), which is another provision for tackling unexpected emergencies. Coming to surplus funds, it is the amount RBI transfers to the government after meeting its own expenses. This surplus is basically RBI’s income which it earns through interest on securities it holds.

### Owner RBI

- Though originally privately owned, since nationalisation in 1949, the Reserve Bank is fully owned by the Government of India.

### Branches of RBI in India

- There are four zonal offices of RBI at **Mumbai, Kolkata, Delhi and Chennai**.
- RBI has **nineteen regional offices** at: Thiruvananthapuram, Patna, Nagpur, Lucknow, Mumbai, Kochi, Kolkata, Jammu, Kanpur, Chennai, Delhi, Guwahati, Bhubaneswar, Bhopal, Hyderabad, Ahmedabad, Chandigarh, Jaipur and Bangalore.



### List of RBI Governors

- The first Governor of the Reserve Bank of India was British banker, **Sir Osborn Smith**, while Sir **C.D. Deshmukh** was the first Indian Governor in the RBI governor list.

### List of Governors of Reserve Bank of India

RBI Governors	Time Period 1935-2021
Sir Osborne Smith	April 1, 1935 - June 30, 1937
Sir James Braid Taylor	July 1, 1937 - February 17, 1943
Sir C.D. Deshmukh	August 11, 1943 - June 30, 1949
Sir Bengal Rama Rau	July 1, 1949 - January 14, 1957
K.G. Ambegaonkar	January 14, 1957 - February 28, 1957
H.V.R Lyengar	March 1, 1957 - February 28, 1962
P.C Bhattacharya	March 1, 1962 - June 30, 1967
L.K. Jha	July 1, 1967 - May 3, 1970
B.N. Adarkar	May 4, 1970 - June 15, 1970
S. Jagannathan	June 16, 1970 - May 19, 1975
N.C. Sen Gupta	May 19, 1975 - August 19, 1975
K.R. Puri	August 20, 1975 - May 2, 1977
M. Narasimham	May 3, 1977 - November 30, 1977
I.G. Patel	December 1, 1977 - September 15, 1982
Manmohan Singh	September 16, 1982 - January 14, 1985
Amitav Gosh	January 15, 1985 - February 4, 1985
R.N. Malhotra	February 4, 1985 - December 22, 1990
S. Vpnlrdramanan	December 22, 1990 - December 21, 1992
C. Rangarajan	December 22, 1992 - November 21, 1997
Bimal Jalan	November 22, 1997 - September 6, 2003
Y.V. Reddy	September 6, 2003 - September 5, 2008
D. Subbarao	September 5, 2008 - September 4, 2013
Raghuram G. Raj an	September 4, 2013 - September 4, 2016
Urjit Ravindra Patel	September 4, 2016 - December 10, 2018
Shaktikanta Das	December 12, 2018 - to date

### Important Note:

- The person who served as the RBI Governor for the **longest time** period was **Benegal Rama Rao**. He worked for 7 years from 1st July 1949 to 14th January 1957.
- **Amitabh Ghosh** served RBI as Governor for the **shortest time**, only for 20 days starting from January 15, 1985, to February 4, 1985.