

Powers and Functions of Reserve Bank of India

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ABSTRACT

In the world every country has its Central Bank to control the banking institutions and financial institutions in the country for making strong economic system to compete in the world market. During the British regime the Reserve Bank of India was owned privately and established on 1st April, 1935 under the RBI Act, 1934. Initially the RBI was established in Calcutta and permanently moved to Bombay in the year 1937. The Governor of RBI sits in Head Office at Mumbai. All the policies are formulated by RBI. It was nationalized in the year 1949 fully owned by Government of India. Its preamble states to regulate the issue of Bank Note to keep reserve to secure monetary stability. To operate the currency and credit system of India. To have monetary policy framework, to meet challenge economy and to maintain price stability. Its affairs are government by the Central Board of Director

KEY WORDS: Monetary Economic Monetary Policy, Reserve

INTRODUCTION:

The Reserve Bank of India as the Bank of our country Central. It was established on 1st April, 1935 under Reserve Bank of India Act, 1934 (Act No. 2 of 1934). It was originally started as the shareholders' bank and its paid up capital was 5 crores. It was nationalized in the year 1948. India has to embark upon the economic development and growth. The affairs of R.B.I. are managed by the Central Board of Directors.

The Reserve Bank of India was established under the RBI Act, 1934 (the Act). The RBI is regulator of issuing Bank Notes. The RBI also maintain reserve to secure monetary stability in the country. The RBI generally operate the currency for advantage of people. The main functions of the Reserve Bank of India are discussed as under:

i) **Banker to the Government:** The RBI has given obligation for performing merchant banking functions for the Central Government and the State Governments and also acting as their banker to transact the banking business. This has been provided under Section 20 and 21 Reserve Bank of India Act, 1934.¹ This has also been provided under the RBI Act,

1 Section 21 and 22 of the Reserve Bank of India Act, 1934.

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