Welcome students.

In this module we are going to study the RBI, it's origin and growth as well as one function.

So the learning outcomes are to describe the origin of RBI and explain the traditional functions of RBI.

RBI is the central Bank of the country which was established on 1st April 1935.

Under the provisions of the RBI Act 1934. RBI was nationalized on 1st January 1949.

Initially, RBI's central office was located in Calcutta. But from the year 1937, it was permanently shifted to Mumbai.

Till date RBI has 25 governors.

And the first governor was A British banker, Mr Osborne Smith.

And the first Indian governor was Chintaman D. Deshmukh.

At present the RBI governor is Shree Shaktikanta Das who took charge on 12 December 2018.

The office term for governors is 3 years.

The main headquarters of RBI is situated in Mumbai,

and there are four Zonal offices

which are located in Mumbai,

Delhi, Kolkata and Chennai.

Plus there are 19 regional offices in

state capitals, and 11 sub offices.

Next we have the functions of RBI.

There are three main functions.

The first function is traditional,

the second one is developmental,

and the third one is supervisory.

So this module will be focusing only on traditional functions.

The first traditional function is an issue of currency.

RBI is a sole authority for printing the currency notes in the country except the ₹1.00 note.

This one rupee note is printed by the Ministry of Finance. The denomination are in form

of Rs.100, Rs.50,Rs.1000 and 2000.

The second traditional function is banker to the government.

He act as a banker as well as as

an agent an an as a adviser to the

Government of India and other states.

It performs all the banking functions

of state governments as well as of

the central government and provides

useful advice as in when required

regarding the economic policy

as well as monetary policy.

RBI also manage the public

debt of the government.

The third function is banker to government.

Like how commercial banks provide services to the customers in the same

way RBI performs the functions.

Like commercial banks, they guide and

regulate the flow of money in the economy.

RBI also acts as a lender of last resort in the sense. When the commercial banks

are falling short of money,

they can always rely on RBI and

they can take loans from the RBI

to meet their liquidity objective.

The 4th function is custodian

of foreign reserves.

In order to keep the foreign

exchange rate stable in our country.

RBI purchases, as well as

sells the foreign currency.

And thereby it protects the

country's foreign exchange funds.

So the RBI will sell foreign currency

in the foreign exchange market

when its supply is decreasing.

And when the supply is increasing,

it will purchase foreign exchange.

So, in this way, RBI tries to control the liquidity position in the country, as well as it tries to control the credit in the economy.

The first one is the controller of credit.

In order to control the credit flow in the country, RBI uses Quantitative as well as qualitative measures.

Now both this measures  you can see the methods are used to control and regulate

the flow of credit in the country.

When the economy has an inflationary situation.

RBI will compress the money supply through its tight monetary policy and vice versa.

So basically RBI will try to create a balance in the economy.

Thank you.