

Welcome students in this module.

We are going to continue

with the functions of RBI.

In the previous module we studied

the Rbl origin, growth and the

first traditional function.

In this model, we are going to study

about the supervisory functions

and the developmental functions.

So let's start with the

developmental functions first,

which are also known as

promotional functions of RBI.

The first one is development

of the financial system.

When we say financial system,

It includes three main elements.

1st is financial institutions.

2nd we have financial markets.

Third, we have financial instruments.

When we see financial institutions,

all those institutions which are
dealing with finance automatically
are included in the financial system.

Financial markets also include.

The share market,
derivatives market and financial instruments.

The instruments which are
used to trade in the market.

The RBI has encouraged establishment
of banking as well as non
banking institution to cater
to the credit requirements of
various sectors of the economy.

So when in a country we have
banking institution as well as
non banking financial institution,
it is the best way to regulate the
flow of credit in the economy as
well as to develop the economy.

The second function is development
of agriculture. In our economy,

which is mostly dependent on agriculture,

special focus or attention has to

be given to the credit needs of the

agricultural and other allied activities.

So the increased flow of credit has

been done through various measures.

RBI has set up three main financial

institution which are listed below.

The first one is ARDC which

stands for Agriculture Refinance

and Development Corporation.

The second one is NABARD,

which stands for National Bank for

Agriculture and Rural Development and

the third one is regional rural banks.

The third function is provision

of industrial finance.

Industrial Finance is very much

required for rapid industrial growth.

In order to grow the economy.

In terms of monetary educate

and timely availability of

credit should be given to small,

medium and large industry.

Therefore, RBI has set up special

financial institutions such as ICICI which stands for Industrial

Credit and Investment Corporation

of India Limited, Industrial

Development Bank of India.

Small Industrial Development

Bank of India and export import bank.

The fourth point is provisions of training.

RBI is working effortlessly to

provide better training to all

the bank employees through their

training colleges at several places.

I have listed three main colleges.

The first college is National

Institute of Bank Management,

which is located in Pune.

Then we have National Bank Staff

College which is located in luckknow and the third one is

College of Agricultural Banking,

which is again located in Pune.

The next one is collection of data.

RBI collects all the information

from the commercial banks with

respect to its income expenditure.

All the details have been collected

and processed and this data has been

given back to the general public in

form of statistical information.

This data includes interest rate inflation,

savings, and investments.

Now this data helps an individual as

well as the customers to be to know

exactly the position of their banks,

wherein they have kept their

hard earned money.

Publication of the reports.

Separate publication division of RBI

is responsible to collect information

and publish this information to the

economy so reports and bulletins

are regularly published by RBI.

It can be either weekly basis

or it can be on monthly basis, quarterly, semiannually or it

can be even on an annual basis.

So this information which is there

with RBI is made available to the

general public at a reasonable rate.

Seven point- promotion of banking habits.

As an apex organization, RBI tries

to promote the banking habits in urban areas as well as in Rural areas,

so when they help to encourage savings, it takes measures for expansion

of economic activities. Institutions like Deposit Insurance

Corporation, UTI, Local Area Banks are actually

set up to promote such banking habits.

The eight point is export promotion.

RBI also helps in the export of our

country through the Exim Bank and

also it has started Export Credit

Guarantee Corporation of India

which are basically specialized

in the export activities.

Next we have the supervisory functions.

This is the third major type of function of RBI.

The first one is granting licenses to banks.

RBI is the sole authority which can

grant license to banks in India.

Now this license is required to carry

on business activities smoothly.

Second to open extension counters.

Third, start new branches in the

country and

4th - if the bank

wants to close down again,

they have to take permission

and license from RBI.

The second one is bank inspection.

RBI has power to control as well

as to inspect each and every

commercial bank in the country.

So in order to inspect the call for

periodical information from the banks.

Specially the focus on the components

of assets and liabilities.

So in this way RBI gets a clear cut picture of the financial position of each and every bank in the country.

The third one is control over non banking financial institutions.

The NBFCs are actually not influenced by the monetary policy of RBI.

But when RBI issues directives automatically, NBFCs are also included in this system.

So non banking financial institutions have to provide information to RBI from time to time regarding their functioning.

RBI tries to control non banking financial institution through their periodic inspection.

Implementation of Deposit Insurance scheme.

RBI has set up this special scheme wherein it tries to protect the deposits of small depositor's. All bank deposit accounts upto Rupees five lakh are guaranteed and insured under this scheme.

RBI implements this scheme in case there is a bank failure.

Thank you.

