



[Frequently Asked Questions]

Role of RBI in India

Subject:	Business Economics
Course:	B. A., 4th Semester, Undergraduate
Paper No. & Title:	Paper – 404 Indian Financial System
Unit No. & Title:	Unit – 5 Banking and Housing Finance
Lecture No. & Title:	Lecture – 1 Role of RBI in India

Frequently Asked Questions

Q1. Who recommend establishing RBI in India?

A1. Hilton young commission recommends establishing RBI in India.

Q2. In which year RBI was nationalized?

A2. In 1949 RBI was nationalized.

Q3. Describe the main functions of RBI?

A3. Its main functions are of note issuing and to regulate banking sector in India.

Q4. Which are the development functions of the RBI?

A4. It promotes various sector of the economy like agriculture, industrial, service sector and many.

Q5. Explain monetary policy?

A5. The policy framed by RBI to regulate the flow of money in India.

Q6. Mention some instruments of monetary policy?

A6. Instruments of monetary policy are CRR, SLR, LAF AND MSF.

Q7. Explain CRR:

A7. Cash reserve ratio (CRR) the share of net demand and time liabilities (deposits) that banks must maintain as cash balance with the RBI.

Q8. Mention the full forms of the following:

A8.

- CRR = cash reserve ratio
- SLR = statutory liquidity ratio
- LAF = liquidity adjustment facility
- MSF = marginal standing facility
- OMOs = open market operations
- MSS = market stabilisation scheme

Q9. Explain SLR:

A9. Statutory liquidity ratio means scheduled commercial banks have to keep certain percentage of its total demand and time liabilities as on last Friday of second preceding fortnight in the form of cash, gold and unencumbered approved securities with RBI. This required as per sec 24 of BR Act. This is also a reserve rate.

Q10. Explain Bank rate:

A10. The rate at which RBI discounts the First class bills to the scheduled commercial banks. This can be used as a liquidity management tool. Now a days RBI is using Repo rate and reserve repo rate to do the same.

Q11. What is current rate of the following?

A11.

- CRR = 4%
- SLR = 21.5%
- Bank Rate = 8.25%