



[Summary]

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

Summary

1. The reserve bank of India was established on April 1, 1935 in accordance with the provision of the reserve bank of India Act, 1934. It was nationalized in 1949.
2. The main functions of RBI are the monetary authority and regulator and supervisor of the financial system.
3. The role of RBI is very vast in India it regulate the monetary cycle and regulate the Indian economy.
4. Monetary policy refers to the instrument under the control of central bank to regulate the availability, cost and use of money and credit.(RBI website)
5. There are several weapons of monetary policy in India like CRR, SLR, LAF, MSF, OMOs and MSS.
6. Following are the current rate structure:
 - policy repo rate: 7.25%
 - Reverse repo rate: 6.25%
 - Marginal standing facility rate: 8.25%
 - Bank rate: 8.25%
 - Reserve ratio: CRR: 4%, SLR: 21.5%
 - Lending/ deposit rates: base rate: 9.70% - 10.00%, Savings deposit rate: 4.00, Term deposit rate > 1 year: 8.00-8.50%