

Examrace

Competitive Exams: Banking System

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Reserve Bank of India (RBI)

The RBI was established by passing “transfer of public ownership Act” in Sep-1948 under which the ownership of the bank was passed into the hands of the Government of India with effect from 1st January 1949.

RBI Functions

1. Traditional functions
 - a. Monopoly of currency notes issue
 - b. Banker to the Government (both the central and state)
 - c. Agent and advisor to the Government
 - d. Banker to the bankers
 - e. Acts as the clearing house of the country
 - f. Lender of the last resort
 - g. Custodian of the foreign exchange reserves
 - h. Maintaining the external value of domestic currency
 - i. Controller of forex and credit
 - j. Ensures the internal value of the currency
 - k. Publishes the Economic statistical data
 - l. Fight against economic crisis and ensures stability of Indian economy.
2. Promotional functions
 - a. Promotion of banking habit and expansion of banking systems.
 - b. Provides refinance for export promotion
 - c. Expansion of the facilities for the provision of the agricultural credit through NABARD
 - d. Extension of the facilities for the small scale industries
 - e. Helping the Co-operative sectors.
 - f. Prescribe the minimum statutory requirement.

g. Innovating the new banking business transactions.

3. Supervisory functions

a. Granting licence to Banks.

b. Inspects and makes enquiry or determine position in respect of matters under various sections of RBI and Banking regulations

c. Implements Deposit insurance scheme

d. Periodical review of the work of the commercial banks

e. Giving directives to commercial banks

f. Control the non-banking finance corporation

g. Ensuring the health of financial system through on-site and off-site verification.

NBFCS (Non-Banking Financial Corporations)

They are discribed by acronym: CAMELS

- C: Capital Adequacy requirement
- A: Asset quality like standerd ect. asset
- M: Management of the level and expertise and praisal capacity of management
- E: Earning capacity
- L: Liquidity, the level of liquidity and the components of liquidity are verified
- S: System and control exist in the NBFC, and its effectiveness.

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