

Reserve Bank of India (RBI)

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The **Reserve Bank of India (RBI)** is the central bank of India, which began operations on Apr. 1, 1935, under the Reserve Bank of India Act. The Reserve Bank of India uses monetary policy to create financial stability in India, and it is charged with regulating the country's currency and credit systems.

- The Reserve Bank of India (RBI) is the central bank of India,
- The RBI was originally set up as a private entity in 1935, but it was nationalized in 1949.2
- The main purpose of the RBI is to conduct consolidated supervision of the financial sector in India, which is made up of commercial banks, financial institutions, and non-banking finance firms.

The RBI sets the overnight interbank lending rate, Mumbai Interbank Offer Rate (MIBOR), that serves as a benchmark for interest rate-related financial instruments in India.

The main purpose of the RBI is to conduct consolidated supervision of the financial sector in India, which is made up of commercial banks, financial institutions, and non-banking finance firms. Initiatives adopted by the RBI include restructuring bank inspections, introducing off-site surveillance of banks and financial institutions, and strengthening the role of auditors

First and foremost, the RBI formulates, implements, and monitors India's monetary policy. The bank's management objective is to maintain price stability and ensure that credit is flowing to productive economic sectors. The RBI also manages all foreign exchange under the Foreign Exchange Management Act of 1999. This act allows the RBI to facilitate external trade and payments to promote the development and health of the foreign exchange market in India.3

The RBI acts as a regulator and supervisor of the overall financial system. This injects public confidence into the national financial system, protects interest rates, and provides positive banking alternatives to the public. Finally, the RBI acts as the issuer of national currency. For India, this means that currency is either issued or destroyed depending on its fit for current circulation. This provides the Indian public with a supply of currency in the form of dependable notes and coins, a lingering issue in India.

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