

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:312  
ANSWERED ON:24.07.2009  
ROLE OF RBI .  
Tewari Shri Manish

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Reserve Bank of India (RBI) performs multiple functions of a regulator, monopolist in the business of Government securities, market intervenor to control exchange rate and manager of the country's credit policy etc;
- (b) if so, whether the above functions create a conflict of interests and are not performed by any central bank in a modern economy;
- (c) whether the Government proposes to overhaul / amend / draft a new Reserve Bank of India Act that can rationalize these conflicts of interests by taking some of these functions outside the purview of the RBI;
- (d) if so, the details thereof; and
- (e) if not, the reasons therefor?

**Answer**

FINANCE MINISTER  
(SHRI PRANAB MUKHERJEE)

(a) to (e) : A statement is laid on the Table of the House.

STATEMENT FOR LOK SABHA STARRED QUESTION NO.312 FOR 24th JULY, 2009 REGARDING ROLE OF RBI TABLED BY SHRI MANISH TEWARI

(a) : The functions of the Reserve Bank of India (RBI) are derived from the provisions of various statutes, such as, the Reserve Bank of India Act, 1934, the Indian Coinage Act, 1906, the Banking Regulation Act, 1949, Securities Contract (Regulation) Act, 1956, the Foreign Exchange Management Act, 1999, the Government Securities Act, 2006, the Payment & Settlement Systems Act, 2007, the Credit Information Companies (Regulation) Act, 2005, etc. These statutes mandate RBI to perform various functions which, inter-alia, include monetary management of the country; management of foreign exchange and domestic debt of the Government; regulation and supervision of banks, financial institutions, non-banking finance companies, credit information companies; etc.

(b) to (e): The objective of assigning these responsibilities to RBI is to have a co-ordinated approach towards orderly growth of banking and other financial services, strengthen financial system of the country, promote synchronized development and maintenance of foreign exchange market in the country and to facilitate external trade and payments, etc. Internationally, the role of central banks in each country has evolved in the context of the specific circumstances. The natural synergies inherent in the multiple functions provide RBI with an advantage in addressing the broader objectives of price stability, financial stability and operating the currency and credit system to the advantage of the country. However, as and when any such issue of conflict of interest come to the fore, appropriate remedial measure is taken to remove the conflict, depending upon the state of preparedness of the system.