



GOVERNMENT OF ANDHRA PRADESH COMMISSIONERATE OF COLLEGIATE EDUCATION



Recent Developments of RBI Central Banking

K.UTTAMSAGAR M.Com

**Govt. Degree College, Porumamilla
Email. Id : uttamsagar8@gmail.com**

Learn more at <http://ccelms.ap.gov.in>

Learning Objectives

- Key Role of RBI in various aspects for effective development.
- Recent establishments of RBI.

Why RBI is playing key role in various aspects

- ❑ To promote development of rural and agriculture segment of the country.
- ❑ To Promote savings through proper interest rate policy.
- ❑ To ensure the flow of adequate credit to the neglected sectors of the economy.
- ❑ To improve the allocation of funds to the underdeveloped region and assists for their developments.

The central bank has to perform a wide range of developmental functions to support national objectives.

❑ RBI ensures development by:

- ✓ Development of Agriculture
- ✓ Credit to Priority sector lending and weaker sections.
- ✓ Lead bank scheme.
- ✓ Strengthening and supporting small and local banks.
- ✓ Financial Literacy and Credit Counselling
- ✓ Financial Inclusion.

Development of Agriculture

In an agrarian economy like ours, the RBI has to provide special attention for the credit need of agriculture and allied activities.



<https://www.newmandala.org/indonesia-tea-wikimedia-1024>

- It has successfully rendered service in this direction by increasing the flow of credit to this sector.
- It has earlier the Agriculture Refinance and Development Corporation (ARDC) to look after the credit, National Bank for Agriculture and Rural Development (NABARD). It provides financial help to rural economy.



https://en.wikipedia.org/wiki/National_Bank_for_Agriculture_and_Rural_Development#/media/File:NABARD_.jpg

RBI directed credit to Priority sector lending and weaker sections

- RBI facilitates credit flow to employment intensive sectors such as agriculture, micro and small enterprises (MSE), as well as for affordable housing and education loans.



https://en.wikipedia.org/wiki/K._R._Market#/media/File:KR_Market_Tomato.jpg

Lead Bank Scheme

- A commercial bank is designated as a lead bank in each district in the country and this bank is responsible for ensuring banking development in the district through coordinated efforts between banks and government officials.
- The Reserve Bank has assigned a Lead District Manager for each district who acts as a catalytic for promoting financial inclusion and smooth functioning between government and banks.

Sector Specific Refinance

- The Reserve Bank makes available refinance to banks against their credit to the export sector. In exceptional circumstances, it can provide refinance against lending to other sectors.



https://commons.wikimedia.org/wiki/File:NFS_Logo.jpg

Strengthening and supporting small local banks

RBI work towards strengthening and supporting small local banks and encourage banks to open branches in rural areas.

This includes regional rural banks and cooperative banks

- 1.Andhra Pradesh Grameena Vikas Bank
- 2.Andhra Pragathi Vikas Bank
- 3.Arunachal Pradesh Rural Bank



https://en.wikipedia.org/wiki/Andhra_Pragathi_Grameena_Bank#/media/File:Andhra_Pragathi_Grameena_Bank_Logo.jpg

Financial Literacy and Credit Counselling

The Reserve Bank encourages commercial banks to set up financial literacy and credit counselling centres, to help people develop better financial planning skills.

- RBI ensuring credit availability to the productive sectors, establishing institutions designed to build the country's financial infrastructure, expanding access to affordable financial services and promoting financial education and literacy.



Financial Literacy

The Reserve Bank has undertaken a project titled 'Project Financial Literacy'.

The objective of the project is to disseminate information regarding the central bank and general banking concepts to various target groups such as, school and college going children, women, rural and urban poor, defence personnel and senior citizens by providing presentations, pamphlets, brochures, films, and also through the Reserve Bank's website.

A financial education site was launched on November 14, 2007 commemorating the Children's Day. Mainly aimed at teaching basics of banking, finance and central banking to children in different age groups.

Recently, the Reserve Bank launched 'RBI Young Scholars Award' Scheme amongst students undergoing undergraduate studies to generate interest in and create awareness about the banking sector and the Reserve Bank. Under the scheme, up to 150 young scholars would be selected through country-wide competitive examination and awarded scholarships.

Credit counselling

The Reserve Bank had emphasized the need for credit and technical counselling for under-developed regions.

The counsellors at these centres assist people on a face to face basis as well those who approach them over telephone, email, or by means of letters.

Customers facing credit problems approach the counselling centres for advice and guidance.

The unique features observed in some of these counselling centres are:

- Counselling is provided free of cost.
- Arrangement for experts to guide farmers on modern farming methods, cooperative farming, marketing strategy etc.,
- Focus on credit related problems of credit card, personal loans, housing loans, and defaults on account of business failures.
- Encouraging Agricultural Officers of the bank to provide awareness on various products and services of the bank.

Financial Inclusion

All the basic Banking and financial services should reach all the people at an affordable cost.



<https://commons.wikimedia.org/wiki/File:Financial-inclusion.jpg>

Importance of Financial Inclusion:

- It is a necessary requirement for acquiring growth with equity.
- It protects the poor from the clutches of selfish or greedy money lenders.
- It mobilizes the savings of the poor into the formal financial intermediation and channels them into investment.

Financial Inclusion Framework by RBI

- ❖ Opening of Branch in unbanked rural centers
- ❖ Direct Benefit Transfer
- ❖ Financial Literacy
- ❖ Financial Inclusion plans of Banks
- ❖ Robust Institutional Mechanisms
- ❖ Jan Dhan Yojana Accounts



https://commons.wikimedia.org/wiki/File:BFIL_Logo,_Bharat_financial_inclusion_limited,_January_2018.jpg

Recent Establishments

Over the years, the Reserve Bank has added new institutions include:

- Deposit Insurance and Credit Guarantee Corporation (1962), to provide protection to bank depositors and guarantee cover to credit facilities extended to certain categories of small borrowers.

- Unit Trust of India (1964), the first mutual fund of the country.
- Industrial Development Bank of India (1964), a development finance institution for industry.
- National Bank for Agriculture and Rural Development (1982), for promoting rural and agricultural credit.



<https://en.wikipedia.org/wiki/NABARD>



<https://en.wikipedia.org/wiki/UTI>



https://en.wikipedia.org/wiki/IDBI_Bank

- Discount and Finance House of India (1988), a money market intermediary and to provide liquidity to money market.
- National Housing Bank (1989), an apex financial institution for promoting and regulating housing finance.
- Securities and Trading Corporation of India (1994), with the main objective of fostering the development of an active secondary market for Government securities and bonds.

