The **Reserve Bank of India**, abbreviated as **RBI**, is India's central bank and regulatory body responsible for regulation of the Indian banking system. Owned by the Ministry of Finance, Government of India, it is responsible for the control, issue and maintaining supply of the Indian rupee. It also manages the country's main payment systems and works to promote its economic development. Bharatiya Reserve Bank Note Mudran (BRBNM) is a specialised division of RBI through which it prints and mints Indian currency notes (INR) in two of its currency printing presses located in Mysore (Karnataka; Southern India) and Salboni (West Bengal; Eastern India).[6] The RBI, along with the Indian Banks' Association, established the National Payments Corporation of India to promote and regulate the payment and settlement systems in India. Deposit Insurance and Credit Guarantee Corporation was established by RBI as one of its specialized division for the purpose of providing insurance of deposits and guaranteeing of credit facilities to all Indian banks.

Until the Monetary Policy Committee was established in 2016,[7] it also had full control over monetary policy in the country.[8] It commenced its operations on 1 April 1935 in accordance with the Reserve Bank of India Act, 1934.[9] The original share capital was divided into shares of 100 each fully paid.[10] The RBI was nationalised on 1 January 1949, almost a year and a half after India's independence.[11]

The overall direction of the RBI lies with the 21-member central board of directors, composed of: the governor; four deputy governors; two finance ministry representatives (usually the Economic Affairs Secretary and the Financial Services Secretary); ten government-nominated directors; and four directors who represent local boards for Mumbai, Kolkata, Chennai, and Delhi. Each of these local boards consists of five members who represent regional interests and the interests of co-operative and indigenous banks.

It is a member bank of the Asian Clearing Union. The bank is also active in promoting financial inclusion policy and is a leading member of the Alliance for Financial Inclusion (AFI). The bank is often referred to by the name 'Mint Street'.[12]

Preamble[edit]

The preamble of the Reserve Bank of India describes the basic functions of the reserve bank as:[13]

...to regulate the issue of Bank notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage; to have a modern monetary policy framework to meet the challenge of an increasingly complex economy, to maintain price stability while keeping in mind the objective of growth.

1950–1960**[edit]**

In the 1950s, the Indian government, under its first Prime Minister Jawaharlal Nehru, developed a centrally planned economic policy that focused on the agricultural sector. The administration nationalised commercial banks[20] and established, based on the *Banking Companies Act, 1949* (later called the Banking Regulation Act), a central bank regulation as part of the RBI. Furthermore, the central bank was ordered to support economic plan with loans.[21]

1961–1968**[edit]**

As a result of bank crashes, the RBI was requested to establish and monitor a deposit insurance system. Meant to restore the trust in the national bank system, it was initialized on 7 December 1961. The Indian government founded the funds to promote the economy and used the slogan "Developing Banking". The government of India restructured the national bank market and nationalized a lot of institutes. As a result, the RBI had to play the central part in controlling and supporting this public banking sector.

1969–1984[edit]

In 1969, the Indira Gandhi-headed government nationalised 14 major commercial banks. Upon Indira Gandhi's return to power in 1980, a further six banks were nationalised.[17] The regulation of the economy and especially the financial sector was reinforced by the Government of India in the 1970s and 1980s.[22] The central bank became the central player and increased its policies a lot for various tasks like interests, reserve ratio and visible deposits.[23] These measures aimed at better economic development and had a huge effect on the company policy of the institutes. The banks lend money in selected sectors, like agricultural business and small trade companies.[24] The Banking Commission was established on Wednesday, 29 January 1969, to analyse banking costs, effects of legislations and banking procedures, including non-banking financial intermediaries and indigenous banking on Government of India economy; with R.G. Saraiya as the chairman.[25][26][27]

The branch was forced to establish two new offices in the country for every newly established office in a town.[28] The oil crises in 1973 resulted in increasing inflation, and the RBI restricted monetary policy to reduce the effects.[29]

1985–1990[edit]

A lot of committees analysed the Indian economy between 1985 and 1989. Their results had an effect on the RBI. The *Board for Industrial and Financial Reconstruction*, the *Indira Gandhi Institute of Development Research* and the *Security & Exchange Board of India* investigated the national economy as a whole, and the security and exchange board proposed better methods for more effective markets and the protection of investor interests. The Indian financial market was a leading example for so-called "financial repression" (Mckinnon and Shaw).[23] The *Discount and Finance House of India* began its operations in the monetary market in April 1988; the *National Housing Bank*, founded in July 1988, was forced to invest in the property market and a new financial law improved the versatility of direct deposit by more security measures and liberalisation.[30]

1991–1999[edit]

The national economy contracted in July 1991 as the Indian rupee was devalued.[31] The currency lost 18% of its value relative to the US dollar, and the *Narsimham Committee* advised restructuring the financial sector by a temporal reduced reserve ratio as well as the statutory liquidity ratio. New guidelines were published in 1993 to establish a private banking sector. This turning point was meant to reinforce the market and was often called neo-liberal.[22] The central bank deregulated bank interests and some sectors of the financial market like the trust and property markets.[32] This first phase was a success and the central government forced a diversity liberalisation to diversify owner structures in 1998.[23]

The National Stock Exchange of India took the trade on in June 1994 and the RBI allowed nationalised banks in July to interact with the capital market to reinforce their capital base. The central bank founded a subsidiary company—the Bharatiya Reserve Bank Note Mudran Private Limited—on 3 February 1995 to produce banknotes.[33]

2000 - 2009[edit]

The *Foreign Exchange Management Act, 1999* came into force in June 2000. It should improve the item in 2004–2005 (National Electronic Fund Transfer).[34] The *Security Printing & Minting Corporation of India Ltd.*, a merger of nine institutions, was founded in 2006 and produces banknotes and coins.[35]

The national economy's growth rate came down to 5.8% in the last quarter of 2008–2009[36] and the central bank promotes the economic development.[37]

Since 2010[edit]

In 2016, the Government of India amended the RBI Act to establish the Monetary Policy Committee (MPC) to set. This limited the role of the RBI in setting interest rates, as the MPC membership is evenly divided between members of the RBI (including the RBI governor) and independent members appointed by the government. However, in the event of a tie, the vote of the RBI governor is decisive.[8]

In April 2018, the RBI announced that "entities regulated by RBI shall not deal with or provide services to any individual or business entities dealing with or settling virtual currencies," including Bitcoin.[38] While the RBI later clarified that it "has not prohibited" virtual currencies,[39] a three-judge panel of the Supreme Court of India issued a ruling on 4 March 2020 that the RBI had failed to show "at least some semblance of any damage suffered by its regulated entities" through the handling of virtual currencies to justify its decision.[40] The court challenge was filed by the Internet and Mobile Association of India, whose members include some cryptocurrency exchanges whose businesses suffered following the RBI's 2018 order.[41][42][43]