

Organizational Structure of the Reserve Bank of India:

The organizational structure of the Central Bank of India, the Reserve Bank, is as follows:

The main managing authority of the bank is the Central Board of Directors, which consists of the following 21 members—

1. The Governor

2. Four Deputy Governors

3. Fourteen Directors

4. Two Government Officials

Among these, the Governor and the Deputy Governors are appointed by the Central Government for a maximum period of five years, and the fourteen Directors, four of which are nominated from each of the four Local Boards, in accordance with the RBI Act, for a period of maximum four years, but can be re-elected. The Deputy Governors are responsible for specific operations of the bank. The RBI also consists of Local Boards responsible for region specific control and monitoring. These are divided into four parts – Northern, Southern, Eastern and Western with headquarters in New Delhi, Chennai, Kolkata and Mumbai respectively. These Local Boards consists of five members with a Chairman.

Central Banking Functions of Rbi

Regulation of Credit:

Regulation of credit implies control over the credit policy of the commercial banks. Being the Central Bank, the Reserve Bank controls the creation of credit by the Commercial Banks.

According to the Reserve Bank of India Act, this bank can adopt several measures to control credit creation, viz, changing the Bank Rate, Open market operations, change in the Reserve Requirement of the Commercial Banks etc. Reserve Bank also controls the loan policy, interest policy and investment policy of the Commercial banks.

3. Bank of Banks:

Being the Central Bank, Reserve Bank of India is the bank of all the Banks in the country. In this context the Reserve Bank acts as a guide of the Commercial Banks, besides controlling and regulating their affairs. During times of emergency, it is lender of the last resort for the Commercial Banks.

That is, it gives loans to the Commercial Banks during times of emergency. Banking Companies Act, (1949), has conferred various rights on the Reserve Bank, such as to issue Licenses to the banks regulate the number and branches of commercial banks, examine the plans and accord

sanctions for the merger of banks, obtain reports from the banks, examine the credit policy of the banks and give advice and suggestions.

4. Banker of the Government:

Reserve Bank is the banker of the Central and State Government. All banking functions of the Government are handled by the Reserve Bank of India.

Thus,

(i) The Reserve Bank keeps cash balances of the Central and State Governments and makes payment out of these balances on the advice of the Government. No interest is paid to the Government on these balances.

(ii) The bank arranges public loans for the Governments.

(iii) It sells and purchases Government securities.

(iv) It also sells Treasury Bills on behalf of the Government by issuing Tenders.

(v) The bank also gives loans to the Government. It is called Ways and Means Advances. These loans are returned within 90 days.

(vi) On the basis of experience of the monetary system, the bank advises the Government on the monetary and economic policies.

(vii) Reserve Bank also has the right to function on behalf of foreign Governments.

(viii) The Bank functions for the success of monetary and economic policies of the Government.

5. Regulation of Foreign Exchange:

Being the Central Bank of the Country, Reserve Bank of India also regulates exchange rate of rupee in terms of foreign currencies. It tries to maintain stability of exchange rate. For this, the Reserve Bank deals in foreign exchange only at fixed rates right from the beginning.

Earlier, entire business of foreign exchange was done through the medium of sterling. But after India became member of the International Monetary Fund in 1947, Sterling System was given up in favour of the IMF system of exchange. Reserve Bank deals in the currencies of those countries only which are members of IMF.

6. Other Functions:

Besides the above stated specific functions, the Reserve Bank of India performs the following other functions:

(i) Export Assistance:

Reserve Bank gives loans to the Export industries. These loans are given directly as well as indirectly by refinancing the loans given by other banks.

(ii) Clearing House Functions:

Being Central Bank of the country, the Reserve Bank also functions as Clearing House. Inter-banking obligations are conveniently settled through this house.

(iii) Change of Currency:

The bank changes big notes into small ones and small notes into coins.

(iv) Transfer of Currency:

The bank also facilitates the transfer of currency. It also issues Demand Hundies on its branches.

(v) Publication of Statistics and Other Information:

Reserve Bank publishes data on various parameters, such as money, credit, finance, agricultural and industrial output. Reports on these data are also periodically published.

(vi) Training in Banking:

The Reserve Bank has opened various Training Centres to produce talented bankers:

(a) Bankers Training College

(b) College of Agricultural Banking, Pune

(c) Reserve Bank Staff College, Chennai

(d) National Institute of Bank Management

(e) Zonal Training Centres.

7. Supervisory Functions:

The Reserve Bank performs certain non- monetary functions of the nature of supervision of banks and promotion of efficient banking in India. The Reserve Bank has been given wide powers of supervision and control over commercial, co-operative and regional banks. The various aspects of supervisory functions are as follows:

(i) No bank can be established in India without obtaining a licence from Reserve Bank.

(ii) The Reserve bank supervises branch expansion, liquidity of the assets, management, amalgamation and liquidation of the banking institutions in India.

(iii) An inspection directorate has been established in 1995 to make vigorous inspection of the working of the banking institutions.

(iv) The nationalised banks and regional rural banks are directly controlled and supervised by the Reserve Bank.

Objectives of SEBI:

The overall objectives of SEBI are to protect the interest of investors and to promote the development of stock exchange and to regulate the activities of stock market. The objectives of SEBI are:

1. To regulate the activities of stock exchange.
2. To protect the rights of investors and ensuring safety to their investment.
3. To prevent fraudulent and malpractices by having balance between self regulation of business and its statutory regulations.
4. To regulate and develop a code of conduct for intermediaries such as brokers, underwriters, etc.

Functions of SEBI:

The SEBI performs functions to meet its objectives. To meet three objectives SEBI has three important functions. These are:

- i. Protective functions
- ii. Developmental functions
- iii. Regulatory functions.

1. Protective Functions:

These functions are performed by SEBI to protect the interest of investor and provide safety of investment.

As protective functions SEBI performs following functions:

(i) It Checks Price Rigging:

Price rigging refers to manipulating the prices of securities with the main objective of inflating or depressing the market price of securities. SEBI prohibits such practice because this can defraud and cheat the investors.

(ii) It Prohibits Insider trading:

Insider is any person connected with the company such as directors, promoters etc. These insiders have sensitive information which affects the prices of the securities. This information is not available to people at large but the insiders get this privileged information by working inside the company and if they use this information to make profit, then it is known as insider trading, e.g., the directors of a company may know that company will issue Bonus shares to its shareholders at the end of year and they purchase shares from market to make profit with bonus issue. This is known as insider trading. SEBI keeps a strict check when insiders are buying securities of the company and takes strict action on insider trading.

(iii) SEBI prohibits fraudulent and Unfair Trade Practices:

SEBI does not allow the companies to make misleading statements which are likely to induce the sale or purchase of securities by any other person.

(iv) SEBI undertakes steps to educate investors so that they are able to evaluate the securities of various companies and select the most profitable securities.

(v) SEBI promotes fair practices and code of conduct in security market by taking following steps:

(a) SEBI has issued guidelines to protect the interest of debenture-holders wherein companies cannot change terms in midterm.

(b) SEBI is empowered to investigate cases of insider trading and has provisions for stiff fine and imprisonment.

(c) SEBI has stopped the practice of making preferential allotment of shares unrelated to market prices.

2. Developmental Functions:

These functions are performed by the SEBI to promote and develop activities in stock exchange and increase the business in stock exchange. Under developmental categories following functions are performed by SEBI:

(i) SEBI promotes training of intermediaries of the securities market.

(ii) SEBI tries to promote activities of stock exchange by adopting flexible and adoptable approach in following way:

(a) SEBI has permitted internet trading through registered stock brokers.

(b) SEBI has made underwriting optional to reduce the cost of issue.

(c) Even initial public offer of primary market is permitted through stock exchange.

3. Regulatory Functions:

These functions are performed by SEBI to regulate the business in stock exchange. To regulate the activities of stock exchange following functions are performed:

(i) SEBI has framed rules and regulations and a code of conduct to regulate the intermediaries such as merchant bankers, brokers, underwriters, etc.

(ii) These intermediaries have been brought under the regulatory purview and private placement has been made more restrictive.

(iii) SEBI registers and regulates the working of stock brokers, sub-brokers, share transfer agents, trustees, merchant bankers and all those who are associated with stock exchange in any manner.

(iv) SEBI registers and regulates the working of mutual funds etc.

(v) SEBI regulates takeover of the companies.

(vi) SEBI conducts inquiries and audit of stock exchanges.

Powers of SEBI

1. To approve by-laws of stock exchanges.

2. To require the stock exchange to amend their by-laws.

3. To inspect the books of accounts and call for periodical returns from recognized stock exchanges.

4. To inspect the books of accounts of financial intermediaries.

5. To compel certain companies to list their shares in one or more stock exchanges.

6. Registration of brokers.