

RBI as Banker to Government

(Updated as on April 14, 2020)

1. What is RBI's role with regard to conduct of Government's banking transaction?

In terms of Section 20 of the RBI Act 1934, RBI has the obligation to undertake the receipts and payments of the Central Government and to carry out the exchange, remittance and other banking operations, including the management of the public debt of the Union. Further, as per Section 21 of the said Act, RBI has the right to transact Government business of the Union in India.

State Government transactions are carried out by RBI in terms of the agreement entered into with the State Governments in terms of section 21 A of the Act. As of now, such agreements exist between RBI and all the State Governments except Government of Sikkim. Thus, the legal provisions vest Reserve Bank of India with both the right and obligation to function as banker to the government.

2. How does Reserve Bank of India discharge its statutory obligation of being 'Banker to Government'?

RBI carries out the general banking business of the governments through its own offices and commercial banks, both public and private, appointed as its agents. Section 45 of the Reserve Bank of India Act, 1934, provides for appointment of scheduled commercial banks as agents at all places or at any place in India, for purposes that it may specify, "having regard to public interest, convenience of banking, banking development and such other factors which in its opinion are relevant in this regard".

Reserve Bank of India maintains the Principal Accounts of Central as well as State Governments at its Central Accounts Section, Nagpur. It has put in place a well-structured arrangement for revenue collection as well as payments on behalf of Government across the country. A network comprising the Government Banking Divisions of RBI and branches of agency banks appointed under Section 45 of the RBI Act carry out the government transactions. At present all the public sector banks and select private sector banks act as RBI's agents. Only designated branches of agency banks can conduct government banking business.

3. How payment into government account is made?

All monies for credit to government account like taxes or other remittances can be made by filling the prescribed challans of the Government/Department concerned. The tax payers are encouraged to pay dues to Government electronically by login in to respective government portals. However, if they prefer to pay dues by way of cash, cheque, demand draft, these are required to be tendered with the authorized agency bank branches along with requisite challan.

4. When is the receipted challan for payment made into government account made available?

The receipted challans in case of cash tender are generally handed over to the remitter immediately across the counter. In case of payments made by cheque/DD, the receipted challan is issued only on realization of the instruments based on the clearing cycle of the local Clearing House. In all such cases, a paper token is issued to the depositor indicating the date on which the receipted challan will be ready for delivery. The receipted challan will have to be collected within a specified number of days from the date of delivery, as indicated on the paper token, by surrendering the paper token.

5. What if the paper token is misplaced / lost?

In case of loss of original token, on a specific request and on payment of prescribed fees, the receipted challan is issued.

6. What if the Receipted Challan is misplaced?

No duplicate challan is issued under any circumstances. Instead, a 'Certificate of Credit' is issued on specific request with the requisite particulars and payment of prescribed fee.

7. Are agency banks compensated for conduct of Central/State Government banking?

The accredited banks are paid remuneration by RBI for conduct of State/Central Government transactions. Such remuneration is called Agency Commission. The rates of agency commission applicable at present (from July 1, 2019) are as under:

No.	Type of Transaction	Unit	Revised Rate
a.	(i) Receipts – Physical mode	Per transaction	₹ 40/-
	(ii) Receipts – e-mode *	Per transaction	₹ 9/-
b.	(i) Payments – Pension	Per transaction	₹ 75/-
	(ii) Payments – Other than pension	Per ₹ 100 turnover	6.5 paise

*In this context, it may please be noted that 'Receipts – e-mode' indicated against Sl. No. a(ii) in the above table would refer to those transactions involving remittance of funds from the remitter's bank account through internet banking as well as all such transactions which do not involve physical receipt of cash / instruments.

8. What is RBI's role in Goods and Service Tax regime?

The Reserve Bank of India is the aggregator for accounting of all GST collections in the respective government accounts. Agency banks who collect the GST for challans generated by tax payers online on the GST portal report the collections for settlement to government accounts to RBI. RBI has also facilitated payment of GST by tax payers directly into government accounts at RBI by using NEFT / RTGS payment options provided in GST portal.