RBI and Financial Services
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Introduction

In this project my topic is RBI and Financial Services. The Reserve Bank of India (RBI) is the central bank of India, which was established on Apr. 1, 1935, under the Reserve Bank of India Act. The Reserve Bank of India uses monetary policy to create financial stability in India, and it is charged with regulating the country's currency and credit systems.

Company Profile

The Reserve Bank of India (RBI) is India's central bank, also known as the banker's bank. The RBI controls the monetary and other banking policies of the Indian government. The Reserve Bank of India (RBI) was established on April 1, 1935, in accordance with the Reserve Bank of India Act, 1934. The Reserve Bank is permanently situated in Mumbai since 1937.

The Reserve Bank of India (RBI) is the central bank of India, The RBI was originally set up as a private entity in 1935, but it was nationalized in 1949. The main purpose of the RBI is to conduct consolidated supervision of the financial sector in India, which is made up of commercial banks, financial institutions, and non-banking finance firms.

Objectives of the RBI

The primary goals of the RBI according to the Preamble of the same are as follows.
To regulate the issue of Banknotes.
To secure monetary stability in the country.
To meet the economic challenges by modernising the monetary policy framework. The primary focus of the RBI is to supervise and undertake initiatives on behalf of the financial sector which consists of financial institutions, commercial banks, non-banking financial companies. A few critical efforts of the RBI are to restructure bank inspections and fortifying the role of statutory auditors in the banking system.

Financial Services

RBI has amended its Master Direction (or guidelines) on financial services provided by banks, which it originally issued in May 2016. The provisions of these Directions shall apply to every Scheduled Commercial Bank (excluding a Regional Rural Bank or RRB), licensed to operate in India by RBI. Unless otherwise specified, these directions shall not be applicable to overseas branches and subsidiaries of these banks.

RBI decided to make certain amendments after considering the suggestions and queries received from SEBI, banks, and other stakeholders. The amendment states, among others, that no bank shall:

Hold more than 10% in the equity of a deposit-taking non-banking finance company or NBFC, provided that this does not apply to a housing finance company

Make an investment of more than 10% of the unit capital of a Real Estate Investment Trust/Infrastructure Investment Trust subject to overall ceiling of 20% of its net worth permitted for direct investments in shares, convertible bonds/debentures, units of equity-oriented mutual funds and exposures to Alternative Investment Funds (AIFs)

Hold along with its subsidiaries, associates or joint ventures or entities directly or indirectly controlled by the bank; and mutual funds managed by Asset Management Companies controlled by the bank, more than 20% of the investee company's paid up share capital engaged in non-financial services

Make any investment in a Category III AIF. Investment by a bank's subsidiary in a Category III AIF shall be restricted to the regulatory minima prescribed by SEBI

Furthermore, the amendment states that banks shall ascertain the risks arising on account of equity investments in Alternative Investment Funds done directly or through their subsidiaries, within the Internal Capital Adequacy Assessment Process (ICAAP) framework and determine the additional capital required, which will be subject to supervisory examination as part of Supervisory Review and Evaluation Process. This shall also be applicable to sponsoring of Infrastructure Debt Funds by banks. Additionally, Section 14(a)(ii) is being amended to read as under: "It [bank] has the minimum prescribed capital (including Capital Conservation Buffer) after investment."

Limitations of RBI

1. Restricted Scope of Monetary Policy in Economic Development
2. Limited Role in Controlling Prices
3. Unfavourable Banking Habits
4. Underdeveloped Money Market
5. Existence of Black Money
6. Conflicting Objectives
7. Influence of Non-Monetary Factors
8. Limitations of Monetary Instruments
9. Not Proper Implementation of the Monetary Policy

Conclusion

Every authority concerned with Co-operative sector will have to play its part in ensuring that the aspirations of the Urban Co-operative Banking sector are nurtured in a manner that depositor interest and the public interest at large is protected. The role of RBI could, thus, be to frame a regulatory and supervisory regime that is multi-layered to capture the heterogeneity of the sector and implement policies that would provide adequate elbowroom for the sector to grow in a non-disruptive manner. The State and Central Governments could recognize that the UCBs are not just co-operative societies but they are essentially banking entities whose management structure is that of a co-operative. They should recognize the systemic impact that inefficient functioning of the entities in the sector could have. Consequently, it would be in the interest of the sector if they support, facilitate and empower the RBI to put in place mechanisms and systems that would enable these UCBs to perform their banking functions in a manner that is in the overall interest of the depositor and the public at large.