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IAS 2021

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ECONOMY

MONETARY POLICY & INDIAN BANKING SYSTEM

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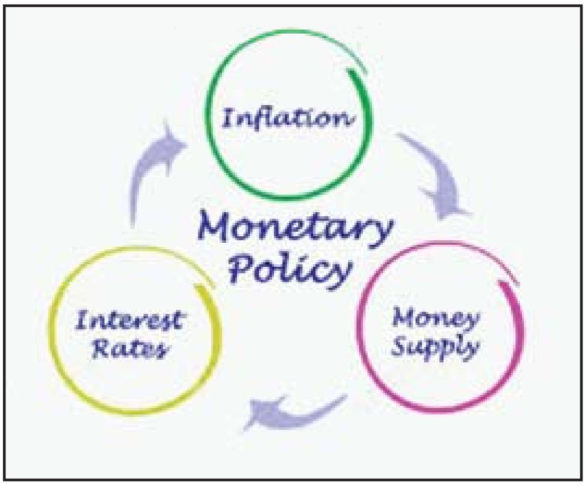
MONETARY POLICY & INDIAN BANKING SYSTEM

Monetary Policy

- It is the policy adopted by the monetary authority of a country that controls either the interest rate payable on very short-term borrowing or the money supply, often targeting inflation or the interest rate to ensure price stability and general trust in the currency.



- Unlike fiscal policy, which relies on taxation, government spending, and government borrowing, as tools for a government to manage cyclic financial swings such as recessions, **monetary policy aims to manipulate the money supply**, i.e. 'printing' more money or decreasing the money supply by changing interest rates or removing excess reserves.
- Further goals of a monetary policy are usually to **contribute to the stability of gross domestic product, to achieve and maintain low unemployment, and to maintain predictable exchange rates with other currencies**. Monetary economics can provide insight into crafting optimal monetary policy.

Types of Monetary Policy

Expansionary Policy

- It occurs when a monetary authority uses its tools to stimulate the economy. An expansionary policy **maintains short-term interest rates at a lower than usual rate or increases the total supply of money in the economy more rapidly than usual.**
- It is traditionally used to try to combat unemployment in a recession by lowering interest rates in the hope that less expensive credit will entice businesses into expanding. This increases aggregate demand (the overall demand for all goods and services in an economy), which boosts short-term growth as measured by gross domestic product (GDP) growth.
- Expansionary monetary policy usually diminishes the value of the currency relative to other currencies (the exchange rate).

Contractionary Policy

- It maintains **short-term interest rates higher than usual**,**slows the rate of growth in the money supply, or even shrinks it to slow short-term economic growth and lessen inflation**.
- Contractionary monetary policy can lead to increased unemployment and depressed borrowing and spending by consumers and businesses, which can eventually result in an economic recession if implemented too vigorously.

Difference between Monetary and Fiscal Policy

	Monetary Policy	Fiscal Policy
Tool	Interest rates	Tax and government spending
Effect	Cost of borrowing/mortgages	Budget deficit
Distribution	Higher interest rates hit homeowners but benefit savers	Depends which taxes you raise.
Exchange rate	Higher interest rates cause appreciation	No effect on exchange rate
Supply-side	Limited impact	Higher taxes may affect incentives to work
Politics	Monetary policy set by independent Central Bank	Changing tax and government spending highly political.
Liquidity trap	Cuts in interest rates may not work in liquidity trap	Fiscal policy advised in very deep recessions

Objectives of Monetary Policy

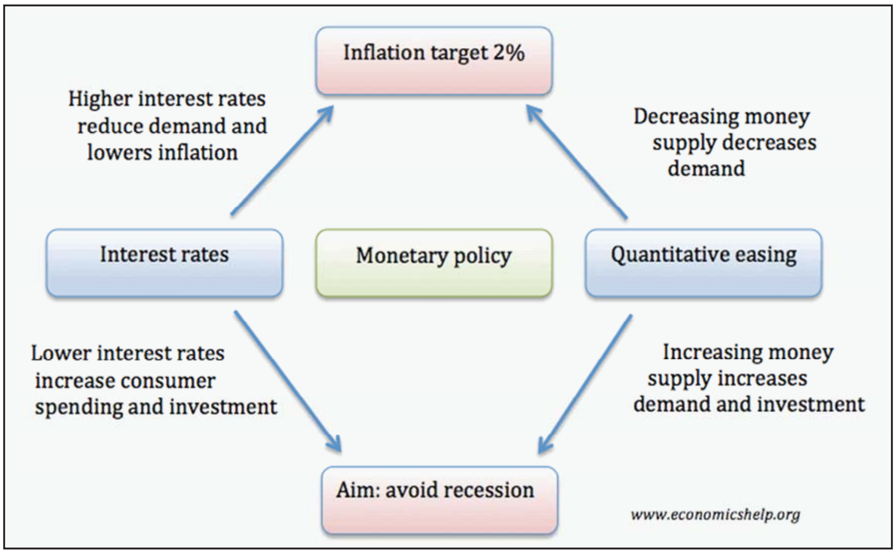
- The **primary objective** of monetary policy is to **maintain price stability while keeping in mind the objective of growth**. Price stability is a necessary precondition to sustainable growth.
- In May 2016, the Reserve Bank of India (RBI) Act, 1934 was amended to provide a statutory basis for the implementation of the flexible **inflation targeting framework.**

- **Flexible inflation targeting framework**
  - The amended RBI Act also provides for the inflation target to be set by the Government of India, in consultation with the Reserve Bank, **once in every five years**.
  - Accordingly, the Central Government has notified in the Official Gazette **4 percent Consumer Price Index (CPI) inflation** as the target for the period from August 5, 2016 to March 31, 2021 with the upper tolerance limit of 6 percent and the lower tolerance limit of **2 percent.**
- The Central Government notified the following as factors that constitute failure to achieve the inflation target:
  - The average inflation is more than the upper tolerance level of the inflation target for any three consecutive quarters; or
  - The average inflation is less than the lower tolerance level for any three consecutive quarters.

Objectives of Monetary Policy

- Rapid Economic Growth
- Price Stability
- Exchange Rate Stability
- Balance of Payments (BOP) Equilibrium
- Full Employment
- Equal Income Distribution
- Control Business Cycle
- Promote export and substitute imports
- Improvement in Standard of Living
- Control of Inflation and Deflation

- Prior to the amendment in the RBI Act in May 2016, the flexible inflation targeting framework was governed by an Agreement on Monetary Policy Framework between the Government and the Reserve Bank of India of February 20, 2015.



Monetary Policy Committee (MPC)

- Now in India, the policy interest rate required to achieve the inflation target is decided by the Monetary Policy Committee (MPC). MPC is a six-member committee constituted by the Central Government **(Section 45ZB of the amended RBI Act, 1934).**
- The MPC is required to **meet at least four times a year**. The **quorum** for the meeting of the MPC is **four members. Each member of the MPC has one vote,** and in the event of an equality of votes, the **Governor has a second or casting vote.**

- The resolution adopted by the MPC is published after the conclusion of every meeting of the MPC. Once in **every six months, the Reserve Bank** is required to publish a document called the **Monetary Policy Report** to explain: (1) the sources of inflation and(2) the forecast of inflation for 6-18 months ahead.

The present Monetary Policy Committee (MPC)

- Governor of the RBI – Chairperson, ex officio.
- Deputy Governor of the RBI, in charge of Monetary Policy – Member, ex officio.
- One officer of the RBI to be nominated by the Central Board – Member, ex officio.
- Shri Chetan Ghate, Professor, Indian Statistical Institute (ISI) – Member;
- Professor Pami Dua, Director, Delhi School of Economics – Member; and
- Dr. Ravindra H. Dholakia, Professor, Indian Institute of Management, Ahmedabad (IIMA) – Member.

The Monetary Policy Process (MPP)

- The Monetary Policy Committee (MPC) determines the policy interest rate required to achieve the inflation target.
- The Reserve Bank's Monetary Policy Department (MPD) assists the MPC in formulating the monetary policy. Views of key stakeholders in the economy and analytical work of the Reserve Bank contribute to the process of arriving at the decision on the policy repo rate.
- The Financial Markets Operations Department (FMOD) operationalises the monetary policy, mainly through day-to-day liquidity management operations.
- The Financial Market Committee (FMC) meets daily to review the liquidity conditions so as to ensure that the operating target of monetary policy (weighted average lending rate) is kept close to the policy repo rate. This parameter is also known as the weighted average call money rate (WACR).

Monetary Policy Methods

Quantitative Measures

- The methods used by the central bank to influence the total volume of credit in the banking system, without any regard for the use to which it is put, are called quantitative or general methods of credit control.
- These methods regulate the lending ability of the financial sector of the whole economy and do not discriminate among the various sectors of the economy. These are as follow:
  - **Repo Rate:** The (fixed) interest rate at which the Reserve Bank provides overnight liquidity to banks against the collateral of government and other approved securities under the liquidity adjustment facility (LAF).
  - **Reverse Repo Rate:** The (fixed) interest rate at which the Reserve Bank absorbs liquidity, on an overnight basis, from banks against the collateral of eligible government securities under the LAF.
  - **Liquidity Adjustment Facility (LAF):** The LAF consists of overnight as well as term repo auctions. Progressively, the Reserve Bank has increased the proportion of liquidity injected under fine-tuning variable rate repo auctions of range of tenors. The aim of term repo is to help develop the inter-bank term money market, which in turn can set market based benchmarks for pricing of loans and deposits, and hence improve transmission of monetary policy. The Reserve Bank also conducts variable interest rate reverse repo auctions, as necessitated under the market conditions.

- **Marginal Standing Facility (MSF):** A facility under which scheduled commercial banks can borrow additional amount of overnight money from the Reserve Bank by dipping into their Statutory Liquidity Ratio (SLR) portfolio up to a limit at a penal rate of interest. This provides a safety valve against unanticipated liquidity shocks to the banking system.
- **Corridor:** The MSF rate and reverse repo rate determine the corridor for the daily movement in the weighted average call money rate.
- **Bank Rate:** It is the rate at which the Reserve Bank is ready to buy or rediscount bills of exchange or other commercial papers. The Bank Rate is published under Section 49 of the Reserve Bank of India Act, 1934. This rate has been aligned to the MSF rate and, therefore, changes automatically as and when the MSF rate changes alongside policy repo rate changes.
- **Cash Reserve Ratio (CRR):** The average daily balance that a bank is required to maintain with the Reserve Bank as a share of such per cent of its Net demand and time liabilities (NDTL) that the Reserve Bank may notify from time to time in the Gazette of India.
- **Statutory Liquidity Ratio (SLR):** The share of NDTL that a bank is required to maintain in safe and liquid assets, such as, unencumbered government securities, cash and gold. Changes in SLR often influence the availability of resources in the banking system for lending to the private sector.
- **Open Market Operations (OMOs):** These include both, outright purchase and sale of government securities, for injection and absorption of durable liquidity, respectively.
- **Market Stabilisation Scheme (MSS):** This instrument for monetary management was introduced in 2004. Surplus liquidity of a more enduring nature arising from large capital inflows is absorbed through sale of short-dated government securities and treasury bills. The cash so mobilised is held in a separate government account with the Reserve Bank.

Qualitative measures:

- The methods used by the central bank to regulate the flows of credit into particular directions of the economy are called qualitative or selective methods of credit control. Unlike the quantitative methods, which affect the total volume of credit, the qualitative methods affect the types of credit, extended by the commercial banks; they affect the composition rather than the size of credit in the economy.
- The important qualitative or selective methods of credit control are:
  - **Marginal requirements**: This refers to difference between the securities offered and amount borrowed by the banks.
  - **Consumer Credit Regulation**: This refers to issuing rules regarding down payments and maximum maturities of installment credit for purchase of goods.
  - **Guidelines:** RBI issues oral, written statements, appeals, guidelines, and warnings etc. to the banks.
  - **Rationing of credit**: The RBI controls the Credit granted / allocated by commercial banks.
  - **Moral Suasion:** Psychological means and informal means of selective credit control.
  - **Publicity:**The central banks also use publicity as a method of credit control. Through publicity, the central bank seeks to:
    - Influence the credit policies of the commercial banks
    - Educate people regarding the economic and monetary condition of the country
    - Influence the public opinion in favour of its monetary policy.
- **Direct Action**: This step is taken by the RBI against banks that don't fulfill conditions and requirements. RBI may refuse to rediscount their papers or may give excess credits or charge a penal rate of interest over and above the Bank rate, for credit demanded beyond a limit.

Banking System in India

- Modern banking in India originated in the last decade of the 18th century. Among the first banks were the Bank of Hindustan, which was established in 1770 and liquidated in 1829–32; and the General Bank of India, established in 1786 but failed in 1791.
- The largest and the oldest bank which is still in existence is the State Bank of India (S.B.I). It originated and started working as the Bank of Calcutta in mid-June 1806.In 1809, it was renamed as the **Bank of Bengal.** This was one of the three banks founded by a presidency government; the other two were the **Bank of Bombay in 1840** and the **Bank of Madras in 1843**.
- The three banks were merged in 1921 to form the **Imperial Bank of India**, which upon India's independence, became the **State Bank of India in 1955**. For many years the **presidency banks** had acted as quasi-central banks, as did their successors, until the **Reserve Bank of India was established in 1935, under the Reserve Bank of India Act, 1934**.

Nationalisation of Indian Banks

- Despite the provisions, control and regulations of the Reserve Bank of India, banks in India except the State Bank of India (SBI), remain owned and operated by private persons.
- By the 1960s, the Indian banking industry had become an important tool to facilitate the development of the Indian economy. At the same time, it had emerged as a large employer, and a debate had ensued about the nationalization of the banking industry.
- The Government of India issued the **Banking Companies (Acquisition and Transfer of Undertakings) Ordinance, 1969** and nationalized the 14 largest commercial banks with effect from the midnight of 19 July 1969. **The following banks were nationalized in 1969:**

  1. Allahabad Bank(Now Indian Bank)
  2. Bank of Baroda
  3. Bank of India
  4. Bank of Maharashtra
  5. Central Bank of India
  6. Canara Bank
  7. Dena Bank (Now Bank of Baroda)
  8. Indian Bank
  9. Indian Overseas Bank
  10. Punjab National Bank
  11. Syndicate Bank (Now Canara Bank)
  12. UCO Bank
  13. Union Bank of India
  14. United Bank of India (Now Punjab National Bank)

A second round of nationalizations of six more commercial banks followed in 1980. The stated reason for the nationalization was to give the government more control of credit delivery. With the second round of nationalizations, the Government of India controlled around 91% of the banking business of India.The following banks were nationalized in 1980:

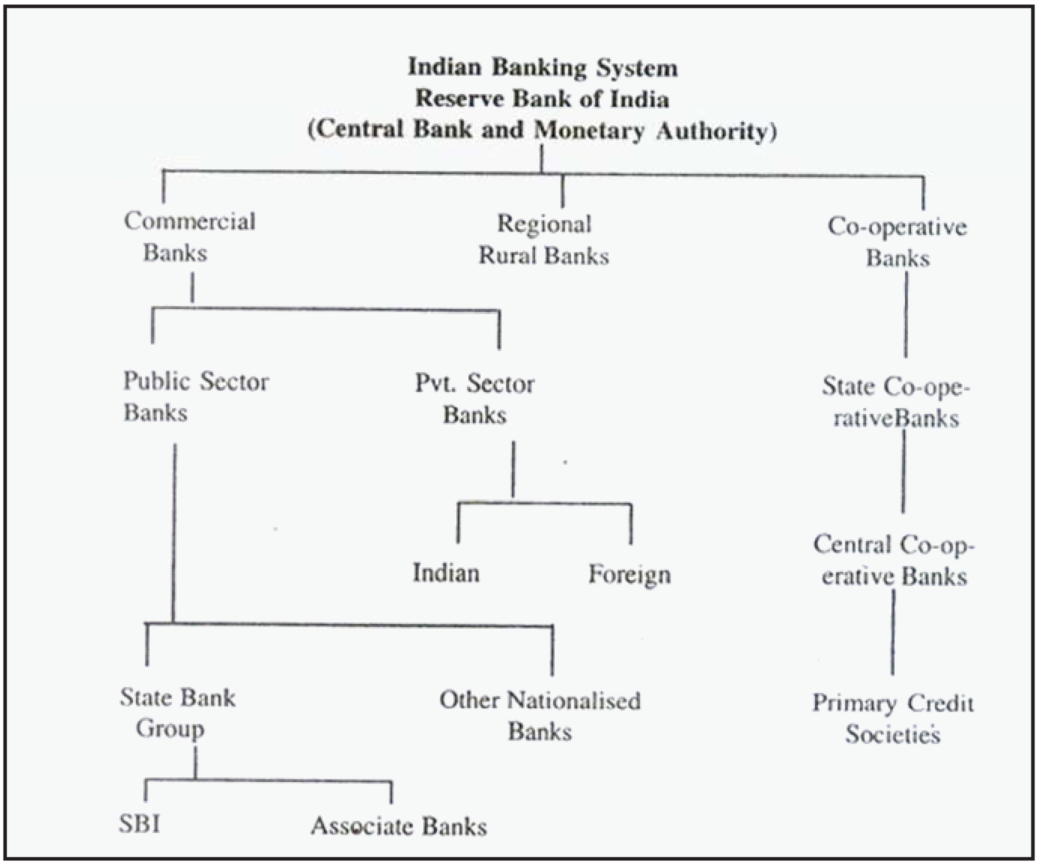
1. Punjab and Sind Bank
2. Vijaya Bank (Now Bank of Baroda)
3. Oriental Bank of India (Now Punjab National Bank)
4. Corporation Bank (Now Union Bank of India)
5. Andhra Bank (Now Union Bank of India)

Later on, in the year 1993, the government merged New Bank of India with Punjab National Bank. It was the only merger between nationalised banks and resulted in the reduction of the number of nationalised banks from 20 to 19. Until the 1990s, the nationalized banks grew at a pace of around 4%, closer to the average growth rate of the Indian economy.

Indian banking system after Liberalisation in the 1990s:

- In the early 1990s, the then government embarked on a policy of liberalisation, licensing a small number of private banks. These came to be known as **New Generation tech-savvy banks**, and included **Global Trust Bank** (the first of such new generation banks to be set up), which later amalgamated with Oriental Bank of Commerce, IndusInd Bank, UTI Bank (since renamed Axis Bank), ICICI Bank and HDFC Bank.
- This move, along with the rapid growth in the economy of India, revitalised the banking sector in India, which has seen rapid growth with strong contribution from all the three sectors of banks, namely, government banks, private banks and foreign banks.

Classification of Indian Banking System

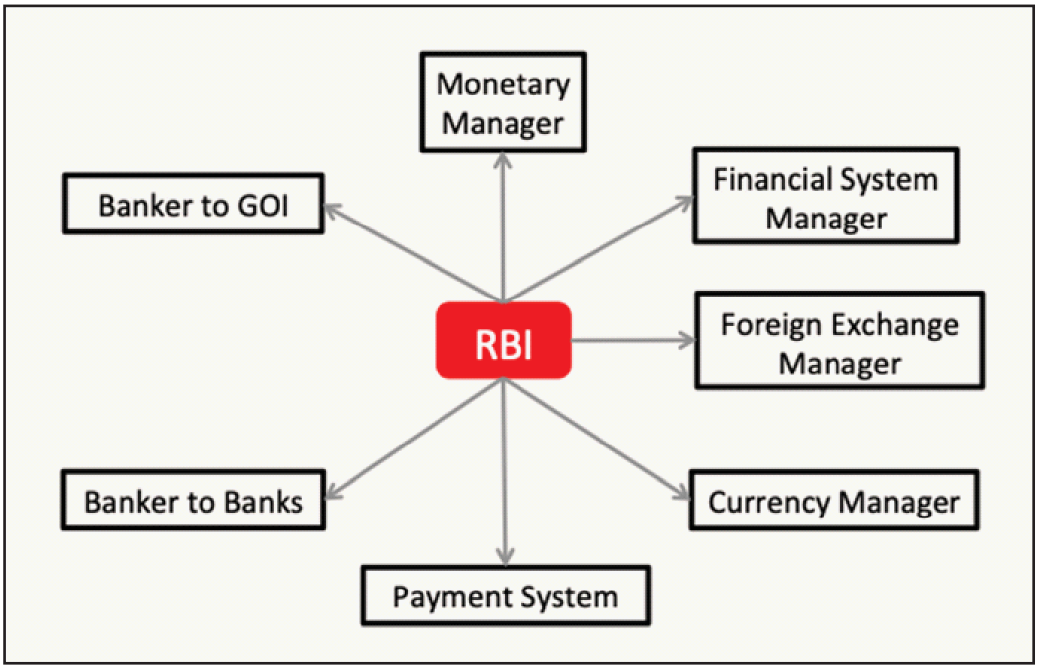


- The Indian banking sector is broadly classified into **scheduled and non-scheduled banks.** The scheduled banks are those included under the **2nd Schedule of the Reserve Bank of India Act, 1934.**
- The scheduled banks are further classified into: nationalised banks; State Bank of India and its associates; Regional Rural Banks (RRBs); foreign banks; and other Indian private sector banks.
- The term commercial banks refer to both scheduled and non-scheduled commercial banks regulated under the Banking Regulation Act, 1949.

Reserve Bank of India (RBI)

- The RBI is India's central bank, which controls the issue and supply of the Indian rupee. RBI is the regulator of entire Banking in India. RBI plays an important part in the Development Strategy of the Government of India.
- RBI regulates commercial banks and non-banking finance companies working in India. It serves as the leader of the banking system and the money market. **RBI was set up in 1935 under the Reserve Bank of India Act, 1934.**
- Until the Monetary Policy Committee was established in 2016, it also controlled monetary policy in India. It commenced its operations on 1st April 1935 in accordance with the Reserve Bank of India Act, 1934. Following India's independence on 15 August 1947, the RBI was nationalised on **1 January 1949.**
- It is a member bank of the Asian Clearing Union. The general superintendence and direction of the RBI is entrusted with the **21-member** central board of directors: the governor; **four deputy governors**; two finance ministry representatives (usually the Economic Affairs Secretary and the Financial Services Secretary); ten government-nominated directors to represent important elements of India's economy; and four directors to represent local boards headquartered at Bombay, Calcutta, Madras and the capital New Delhi.
- 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'. RBI is also known **as banker's bank.**

Functions of RBI



- **Issue of Notes**: The Reserve Bank has a monopoly for printing the currency notes in the country. It has the sole right to issue currency notes of various denominations **except one rupee note (which is issued by the Ministry of Finance).**
  - The Reserve Bank has adopted the **Minimum Reserve System** for issuing/printing the currency notes. Since 1957, it maintains gold and foreign exchange reserves of Rs. 200 Cr. of which at least Rs. 115 cr. should be in gold and remaining in the foreign currencies.
- **Banker to the Government**: It performs all the banking functions of the State and Central Government and it also tenders useful advice to the government on matters related to economic and monetary policy. It also manages the public debt of the government.
- **Banker's Bank:** The Reserve Bank performs the same functions for the other commercial banks as the other banks ordinarily perform for their customers. RBI lends money to all the commercial banks of the country.
- **Controller of the Credit**: RBI uses two methods to control the extra flow of money in the economy. These methods are quantitative and qualitative techniques to control and regulate the credit flow in the country. When RBI observes that the economy has sufficient money supply and it may cause an inflationary situation in the country then it squeezes the money supply through its tight monetary policy and vice versa.
- **Custodian of Foreign Reserves**: For the purpose of keeping the foreign exchange rates stable, the Reserve Bank buys and sells foreign currencies and also protects the country's foreign exchange funds. RBI sells the foreign currency in the foreign exchange market when its supply decreases in the economy and vice-versa..
- **Other Functions**: The Reserve Bank performs a number of other developmental works. These works include the function of clearinghouse arranging credit for agriculture (which has been transferred to NABARD) collecting and publishing the economic data, buying and selling of Government securities (gilt edge, treasury bills,etc)and trade bills, giving loans to the Government buying and selling of valuable commodities etc. It also acts as the representative of the Government in the International Monetary Fund (IMF) and represents the membership of India.

Commercial Banks

- The main function of these types of banks is to give financial services to the entrepreneurs and businesses.
- Commercial Banks finance businessmen like providing them with debit cards, banks accounts, short term deposits, etc. with the money deposited by people in such banks.
- Commercial banks lend money to these businessmen in the form of secured loans, unsecured loans, credit cards, overdrafts & mortgage loans.
- It got the tag of a nationalized bank in the year 1969 & hence the various policies regarding the loans, rates of interest, etc. are controlled by the RBI.
- Further classifications of the commercial banks include private sector banks, public sector banks, regional banks and foreign banks.

Public Sector Banks

- Public Sector Banks (PSBs) are a major type of bank in India, where a majority stake (i.e. more than 50%) is held by a government. The shares of these banks are listed on stock exchanges. There are a total of 12 Public Sector Banks alongside 1 state-owned Payments Bank in India.

Recent merger of public sector banks

- The consolidation of SBI associated banks started first by merging State Bank of Saurashtra to it. The merger happened on 13 August 2008. Then after State Bank of Indore was acquired by State Bank of India on August 27, 2010.
- The remaining 27 nationalised banks were merged into **12 banks** from 2017–19. The State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore, and Bharatiya Mahila Bank were merged with State Bank of India with effect from 1 April 2017.
- Vijaya Bank and Dena Bank were merged into Bank of Baroda in 2018. IDBI Bank was categorised as a private bank with effect from January 2019.
- On 30 August 2019, Finance Minister announced the government's plan for further consolidation of public sector banks: Indian Bank is to be merged with Allahabad Bank (anchor bank - Indian Bank); PNB, OBC and United Bank are to be merged (anchor bank - PNB); Union Bank of India, Andhra Bank and Corporation Bank are to be merged (anchor bank - Union Bank of India); and Canara Bank and Syndicate Bank are to be merged (anchor bank - Canara Bank).

Public Sector Banks (Government Shareholding %, as of 1st April, 2020)

- State Bank of India (61.00%)
- Bank of Baroda (63.74%)
- Union Bank of India (67.43%)
- Punjab National Bank (70.22%)
- Canara Bank (72.55%)
- Punjab & Sind Bank (79.62%)
- Indian Bank (81.73%)
- Bank of Maharashtra (87.01%)
- Bank of India (87.0535%)
- Central Bank of India (88.02%)
- Indian Overseas Bank (91%)
- UCO Bank (93.29%)

Private Sector Banks

- Owned and operated by private institutes; free to operate and are controlled by market forces.
- A greater share is held by private players, not by the government.
- For example, Axis Bank, Kotak Mahindra Bank, ICICI Bank, HDFC Bank etc.

Foreign Banks

- Foreign country banks having several branches in India.
- Some examples of these banks include HSBC, City Bank, Standard Chartered Bank etc.

Regional Rural Banks (RRBs)

- The Regional Rural Banks (RRBs) were established in 1975 under the provisions of the Ordinance promulgated on 26th September, 1975 and Regional Rural Banks Act, 1976.
- The objective is to develop the rural economy by providing, for the purpose of development of agriculture, trade, commerce, industry and other productive activities in the rural areas, credit and other facilities, particularly to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs, and for matters connected therewith and incidental thereto.
- As per RBI guidelines, the RRBs have to provide 75% of their total credit under **PSL (Priority Sector Lending).**

In News:

The Cabinet Committee on Economic Affairs has given its approval for continuation of the process of recapitalization of **Regional Rural Banks (RRBs)** by providing minimum regulatory capital to RRBs for another year beyond 2019-20, that is, up to 2020-21 for those RRBs which are unable to maintain minimum **Capital to Risk weighted Assets Ratio (CRAR)** of 9%, as per the regulatory norms prescribed by the Reserve Bank of India.

Payments Banks

- A Payments bank is an Indian new model of banks conceptualised by the Reserve Bank of India (RBI**). These banks can accept a restricted deposit,** which is currently limited to ₹100,000 per customer and may be increased further.
- These banks **cannot issue loans and credit cards**. Both current account and savings accounts can be operated by such banks.
- Payments banks **can issue ATM cards or debit cards and provide online or mobile banking**.
- Payments banks **cannot accept deposits from the Non-Resident Indians (NRIs).** It means; the people of Indian origin who have settled abroad cannot deposit their money in the payment banks.
- Payments banks cannot open subsidiaries to undertake Non-Banking Financial Services activities.
- **Bharti Airtel set up India's first live payments bank.**
- **6 Payments Banks of India:**
  1. Airtel Payments Bank Limited.
  2. India Post Payments Bank Limited.
  3. Fino Payments Bank Limited.
  4. Paytm Payments Bank Limited.
  5. NSDL Payments Bank Limited.
  6. Jio Payments Bank Limited.

Feature	Payments banks	Traditional banks	Wallets
Making deposits	✓	✓	✓
Interest on deposits	✓	✓	✗
Withdrawal facility	✓	✓	✗
Availing of loans	✗	✓	✗
Credit cards	✗	✓	✗
Buying investment products	✓	✓	✗
Deposit limit	₹1 lakh	No limit	-

Small Finance Banks

- To further the objective of financial inclusion, the RBI granted approval in 2016 to ten entities to set up small finance banks. Since then, all ten have received the necessary licenses.

- **A small finance bank is a niche type of bank** to cater to the needs of people who traditionally have not used scheduled banks.
- Each of these banks is to open at least 25% of its branches in areas that do not have any other bank branches (unbanked regions).
- A small finance bank should hold 75% of its net credits in loans to firms in priority sector lending, and 50% of the loans in its portfolio must be less than Rs. 25 lakh (US$38,000).
- **There are ten small finance banks:**
  1. AU Small Finance Bank Ltd.
  2. Capital Small Finance Bank Ltd.
  3. Equitas Small Finance Bank Ltd.
  4. ESAF Small Finance Bank Ltd.
  5. Fincare Small Finance Bank Ltd.
  6. Jana Small Finance Bank Ltd.
  7. North East Small Finance Bank Ltd.
  8. Suryoday Small Finance Bank Ltd.
  9. Ujjivan Small Finance Bank Ltd.
  10. Utkarsh Small Finance Bank Ltd.

Cooperative Banking

- A Co-operative bank is a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank.
- Co-operative banks in India are registered under **the States Cooperative Societies Act.** The Co-operative banks are also regulated by the Reserve Bank of India (RBI) and governed by the:
  - Banking Regulations Act 1949
  - Banking Laws (Co-operative Societies) Act, 1955.

Features of Cooperative Banks:

- **Customer Owned Entities**: Co-operative bank members are both customer and owner of the bank.
- **Democratic Member Control**: Co-operative banks are owned and controlled by the members, who democratically elect a board of directors. Members usually have equal voting rights, according to the cooperative principle of "one person, one vote".
- **Profit Allocation**: A significant part of the yearly profit, benefits or surplus is usually allocated to constitute reserves and a part of this profit can also be distributed to the co-operative members, with legal and statutory limitations in maximum cases.
- **Financial Inclusion**: They have played a significant role in the financial inclusion of unbanked rural masses.

Cooperative Banks	Commercial Banks
Co-operatives banks are co-operative organisations.	Commercial banks are joint-stock banks
Governed by the Co-operative Societies Act as well as Banking Regulation Act	Governed by the Banking Regulation Act
Subject to the rules laid down by the Registrar of Co-operative Societies	Subject to the control of the Reserve Bank of India directly
Borrowers are member shareholders, so they have some influence on the lending policy of the banks, on account of their voting power	Borrowers of commercial banks are only account- holders and have no voting power as such → Voting power as per shareholding
Have not much scope of flexibility on account of the rigidities of the bye-laws of the Co-operative Societies	Free from such rigidities
PSL does not applies	PSL Applies
Do not pursue the goal of profit maximization	Works for profit maximization

National Bank for Agriculture and Rural Development (NABARD)

NABARD came into existence on 12 July 1982 by transferring the agricultural credit functions of RBI and refinance functions of the then **Agricultural Refinance and Development Corporation (ARDC).** It was dedicated to the service of the nation by the late Prime Minister Smt. Indira Gandhi on 05 November 1982.

- **The main objectives of NABARD are as follows:**
  - NABARD provides refinance assistance for agriculture, promoting rural development activities. It also provides all necessary finance and assistance to small scale industries.
  - NABARD in coordination with the State Governments provides agriculture.
  - It improves small and minor irrigation by way of promoting agricultural activities.
  - It undertakes R&D in agriculture, rural industries.
  - NABARD promotes various organizations involved in agricultural production by contributing to their capital.
- **In discharging its role as a facilitator for rural prosperity, NABARD is entrusted with:**
  - Providing refinance to lending institutions in rural areas
  - Bringing about or promoting institutional development
  - Evaluating, monitoring and inspecting the client banks
- Besides this pivotal role, NABARD also:
  - Acts as a coordinator in the operations of rural credit institutions
  - Extends assistance to the government, the RBI and other organizations in matters relating to rural development

- Offers training and research facilities for banks, cooperatives and organizations working in the field of rural development.
- Helps the state governments in reaching their targets of providing assistance to eligible institutions in agriculture and rural development.
- Acts as regulator for cooperative banks and RRBs

- Recently the National Bank for Agriculture and Rural Development (Amendment) Bill, 2017 was passed.
  - Under the 1981 Act, NABARD may have a capital of Rs 100 crore. This capital can be further increased to Rs 5,000 crore by the central government in consultation with the RBI.
  - The Bill allows the central government to increase this capital to Rs 30,000 crore. The capital may be increased to more than Rs 30,000 crore by the central government in consultation with the RBI, if necessary.
  - Under the 1981 Act, the central government and the RBI together must hold at least 51% of the share capital of NABARD. The Bill provides that the central government alone must hold at least 51% of the share capital of NABARD. The Bill transfers the share capital held by the RBI and valued at Rs 20 crore to the central government. The central government will give an equal amount to the RBI.

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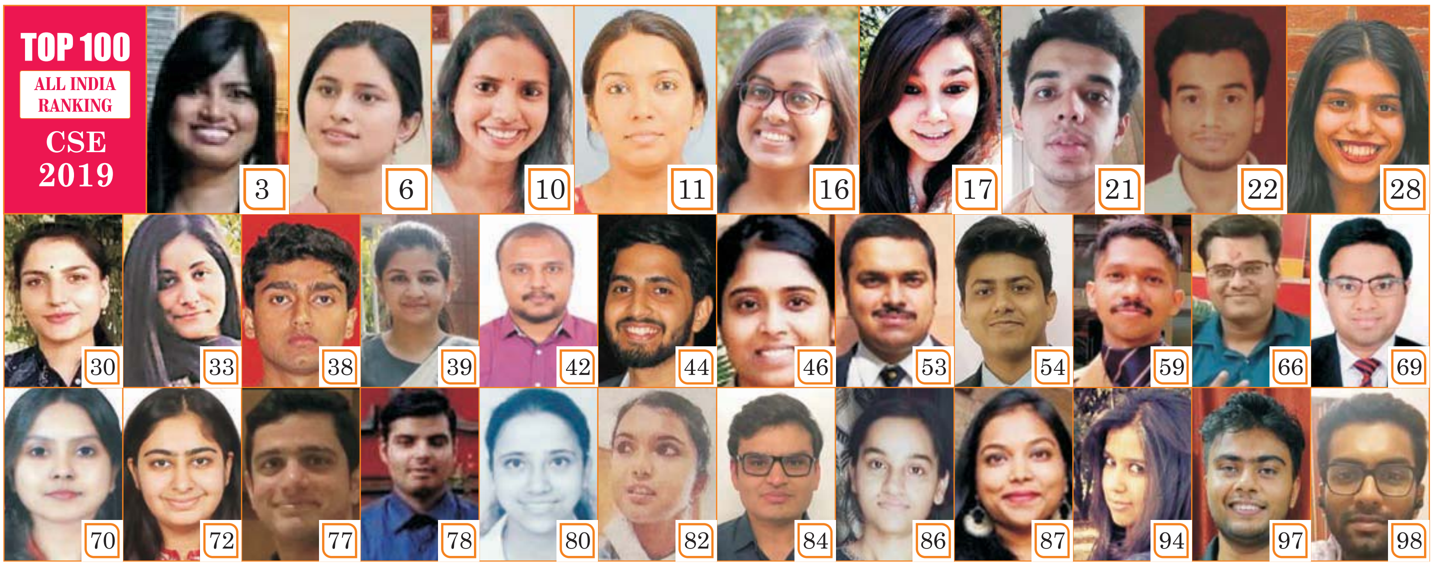
CSE RESULTS

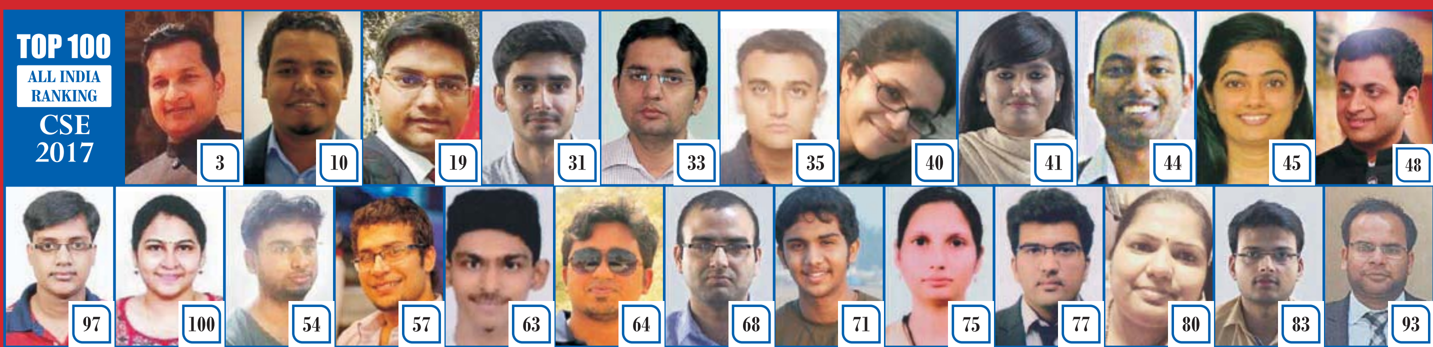
TOP 100 ALL INDIA RANKING CSE 2019



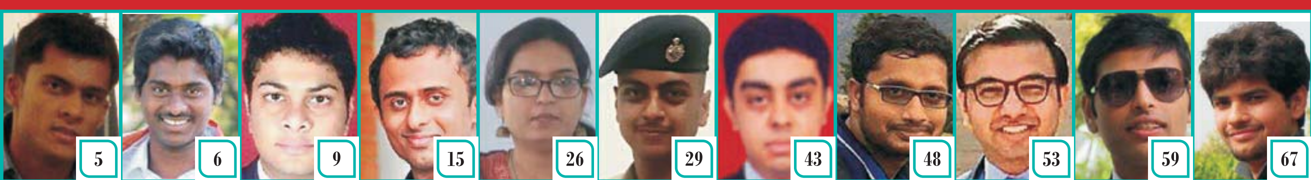
SUCCESS IS A PRACTICE WE DO!

TOP 100 ALL INDIA RANKING CSE 2018

TOP 100 ALL INDIA RANKING CSE 2017



TOP 100 ALL INDIA RANKING CSE 2016



TOP 100 ALL INDIA RANKING CSE 2015