

FUNCTIONS OF CENTRAL BANK.

The major functions of central bank (RBI) are the following -

(i) ISSUER OF CURRENCY :-

- * The central bank is given the sole monopoly of issuing currency in order to control over volume of currency and credit.
- * These notes circulate throughout the country as legal tender money.
- * Note-issuing is governed by minimum reserve system. It has to keep a reserve in the form of gold and foreign securities as per statutory rules against the notes issued by central bank.
- * R.B.I. (Reserve Bank of India) as the central bank of India, issues all currency notes in India from ₹1 and above and ₹1 note and small coins.

are issued by government mints.

- * Central government of a country is usually authorized to borrow money from the central bank.
- * When central government expenditure exceeds government revenue and government is unable to reduce its expenditure, then it borrows from R.B.I.
- * There are two reasons for giving the monopoly power of notes issue is given to the central bank.
- * It bring ~~about~~ about uniformity in note circulation.
- * It gives a central bank some direct control over money supply.