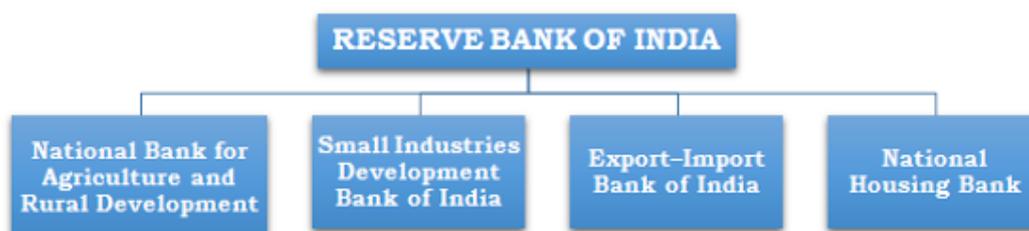


FINANCE BASICS: FINANCIAL INSTITUTIONS OF INDIA

India today possesses a fine network of financial institutions catering to the diverse needs of various sectors of the economy.

Institution at the Apex Level



Reserve Bank of India

The Reserve Bank of India was established on April 1, 1935 in accordance with the provisions of the Reserve Bank of India Act, 1934. as the central bank of the country, reserve bank of India enjoys a unique position in the Indian financial system. Following are the functions of RBI.

- Banker To The Government
- Banker To The Banks
- Regulator And Supervisor Of The Financial System
- Custodian Of The Nation's Foreign Exchange Reserves
- Sole Authority To Issue Currency
- Controller Of The Credit

1. 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). Set up with an initial capital of Rs.100 crore, its' paid up capital stood at Rs. 5,000 crore as on 31 March 2016. Consequent to the revision in the composition of share capital between Government of India and RBI, the Government of India today holds Rs. 4,980 crore (99.60%) while Reserve Bank of India holds Rs. 20.00 crore (0.40%).below are main function of NABARD.

Credit Functions

It provides through the banking system all kinds of productive and investment credit to agriculture, small scale industries, cottage and village industries, handicrafts and other allied economic activities. It refinances the financial institutions which finances the rural sector. NABARD developed a progressive product titled 'Short Term Multipurpose Credit Product' (STMPCP) to provide financial assistance to Co-operative Banks (StCBs/DCCBs). The primary objective here was to expand their lendable resources and enable their diversification into a variety of business operations.

Development Functions

NABARD coordinates the operations of rural credit agencies, develops expertise to deal with agricultural and rural problems, assists government, reserve bank and other institutions in rural development efforts, acts as agent to government and RBI in relevant areas. NABARD is responsible for regulating and supervising the functions of Co-operative banks and RRBs. In this direction NABARD

has been taking various initiatives in association with Government of India and RBI to improve the health of Co-operative banks and Regional Rural Banks.

NABARD in its Institutional Development (ID) initiatives, it supports the following institutions:

- Rural Credit Cooperatives
- State Cooperative Banks (StCBs)
- Central Cooperative Banks (CCBs)
- Primary Agricultural Credit Societies (PACS)
- State Cooperative Agriculture and Rural Development Banks (SCARDBs)
- Primary Cooperative Agriculture and Rural Development Banks (PCARDBs)

Regulatory Functions. Banking Regulation Act, 1949, empowers NABARD to conduct inspection of State Cooperative Banks (StCBs), Central Cooperative Banks (DCCBs) and Regional Rural Banks (RRBs). In addition, NABARD has also been conducting periodic inspections of state level cooperative institutions such as State Cooperative Agriculture and Rural Development Banks (SCARDBs), Apex Weavers Societies, Marketing Federations etc., on a voluntary basis.

Objectives

- To protect the interest of present and future depositors
- To ensure that the business conducted by these banks is in conformity with the provisions of the relevant Acts/Rules, regulations/Bye-Laws
- To ensure observance of rules, guidelines, etc., formulated and issued by NABARD/RBI/Government
- To examine the financial soundness of the banks and
- To suggest ways and means for strengthening the institutions so as to enable them to play a more efficient role in purveying rural credit

2. SIDBI

SIDBI was set up on April 2, 1990 through an act of parliament, it was incorporated initially as a wholly owned subsidiary of Industrial Development Bank of India.

Four basic objectives are set out in the SIDBI Charter. They are:

- Financing
- Promotion
- Development
- Co-ordination

For orderly growth of industry in the small scale sector. The Charter has provided SIDBI considerable flexibility in adopting appropriate operational strategies to meet these objectives. The activities of SIDBI, as they have evolved over the period of time, now meet almost all the requirements of small scale industries which fall into a wide spectrum constituting modern and technologically superior units at one end and traditional units at the other.

3. EXIM

Setup on January 1 1982 the EXIM bank is the apex institution in the financing of foreign trade of India. The EXIM bank provides financial assistance to exporters and importers and functions as the principal financial institutions for coordinating the other institutions engaged in financing of export and import of goods and services.

Broadly the functions of EXIM include:

- Financing of exports from and imports into not only India , but also third countries of goods and services
- Financing of joint ventures in foreign countries
- Providing loans to Indian party so as to enable it to contribute in the share capital of a joint venture in a foreign country.
- To develop commercially viable relationships with a target set of externally oriented companies by offering them a comprehensive range of products and services, aimed at enhancing their internationalisation efforts.

4. NHB

National Housing Bank (NHB), a wholly owned subsidiary of Reserve Bank of India (RBI), was set up on 9 July 1988 under the National Housing Bank Act, 1987. NHB is an apex financial institution for housing. NHB has been established with an objective to operate as a principal agency to promote housing finance institutions both at local and regional levels and to provide financial and other support incidental to such institutions and for matters connected therewith.

NHB has been established to achieve, inter alia, the following objectives-

- To promote a sound, healthy, viable and cost effective housing finance system to cater to all segments of the population and to integrate the housing finance system with the overall financial system.
- To promote a network of dedicated housing finance institutions to adequately serve various regions and different income groups.
- To augment resources for the sector and channelize them for housing.
- To make housing credit more affordable.
- To regulate the activities of housing finance companies based on regulatory and supervisory authority derived under the Act.
- To encourage augmentation of supply of buildable land and also building materials for housing and to upgrade the housing stock in the country.
- To encourage public agencies to emerge as facilitators and suppliers of serviced land, for housing.