

Functions of Central Bank



Sub-topics

- Meaning
- Functions
- Credit Control
- Objectives of credit control
- Methods of Credit Control

Meaning of Central Bank

- Apex Bank
- plays important role in economic stability and growth process..
 - First central bank was established in 1668 in Sweden
 - Bank of England was established in 1694
 - RBI in India. Federal Reserve system in America

Main Functions of Central Bank

- 1) Issuing of Notes
- 2) Bankers to the Government
- 3) Banker's Bank
- 4) Lender of the Last Resort
- 5) Custodian of the Nation's Reserve of Foreign Exchange
- 6) Clearing House Function
- 7) Control of credit
- 8) Collection of Statistics
- 9) Other: Agr. Fin, IMF, Money and bill market , torn notes

Difference between Central Bank and Commercial Banks

Sr. No	Central Bank	Commercial Banks
1	Public Welfare	Profit Motive
2	No direct transaction with public	direct transaction
3	Govt. Institution	Govt. / Non- Govt.
4	No Competition with commercial Banks	--
5	Issue Notes	Can't issue Notes
6	Control Banking System	Operates under the control of Cen. B
7	Banker's of the Govt.	Works as representative of CB
8	Banker's Bank	--
9	Credit Control	--

Credit Control

- Objectives of Credit Control
 - Domestic Price Stability
 - Exchange rate stability
 - Achievement of a high a level of Employment and Production
 - Control over Trade Cycles
 - Economic Planning

Methods of Credit Control

Methods of Credit Control

Quantitative

Bank Rate

Open Market Operations

Cash Reserve Ratio (CRR)

Statutory Liquidity Ratio (SLR)

Qualitative

Margin Requirement of Loans

**Regulations of Consumer's
Credit**

Rationing of Credit

Moral Persuasion

Publicity

Direct Action

Difficulties in Credit Control

- Difficulties in controlling different form of credit
- Lack of control over all banks
- Unorganized Banking system
- Non-banking elements in the money market
- Lack of cooperation from other banks
- Lack of cooperation from non-financial institutions
- Lack of control over the final use of the Credit

Thank You
