



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

DO YOU KNOW

How RBI makes Money?

Non-Profit making organization, RBI is in 90th year of its existence. Growing strong and effective every day, RBI has made the excess of income over expenditure of nearly Rs.2.20 Lakh Crores in FY 22-23 against the revenue of around Rs.2.35 Lakh Crores. Still non-profit making?

RBI has several channels to earn money.

- “*Seigniorage*” is the difference between the face value of the currency note and its printing cost. The central bank only has the power of printing the currency notes. When the banks/ Financial Institutions asks for the currency notes from RBI, they sell the currency notes to banks at face value. Hence, the difference between face value and the printing cost of currency note is the major revenue RBI has.
- *Foreign Exchange Revenue* is earned when the foreign currency appreciates as against the Indian Rupee. RBI invests in the foreign currencies and book the gain at profitable point.



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- *Interest, Commission, Discounting* - Traditional means provide the green channels for the RBI to earn money. Lending of funds to banks/financial institutions make RBI rich.
- *Buying of Government Bonds* - Though RBI is wholly owned by Government of India, in order to meet the deficit of public expenditure over revenue, GOI seeks loan from the bank. By lending to GOI, RBI earns interest. When GOI goes in public to bridge the deficit by way of public issue of the bonds, RBI buys it. At the time of redemption, RBI earns out of the investment.
- *No Income Tax* - The wholly owned by GOI, RBI is exempted from paying the taxes. Against the excess income, RBI issues the dividends to GOI. Also, the RBI contributes to the contingency fund of the country. GOI made use of this contingency fund during COVID pandemic to counter the virus attack. In FY 22-23, out of the income of Rs.2.20 lakh crores, RBI contributed Rs.1.30 Lakh crores to this fund.

RBI's functioning "to regulate the issue of Bank notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage; to have a modern monetary policy framework to meet the challenge of an increasingly complex economy, to maintain price stability while keeping in mind the objective of growth" controls the inflation and running of the secondary economy.



FCA Kush Tapas

CISA, DISA, FAFD, CEH, MBA