Q2

Which of the following are the sources of income for the Reserve Bank of India? I. Buying and selling Government bonds II. Buying and selling foreign currency III. Pension fund management IV. Lending to private companies V. Printing and distributing currency notes Select the correct answer using the code given below: (a) I and II only (b) II, III and IV (c) I, III, IV and V (d) I, II and V Official key: A.

UPSC Civil Services Prelims 2025 · General Studies · 2 marks · Economy

Indian economy, budget, schemes - Prelims GS Paper I.

Explanation

(a) Official key

I and II only. RBI earns from dealing in government bonds and from buying and selling foreign currency while it manages reserves.

(b)

II, III and IV. Drops G-secs, and keeps pension management and lending to private firms, which are not RBI income lines.

(c)

- **I, III, IV and V. The trap bundle:** pension funds, private-company lending and note-printing are not RBI income sources.

(d)

I, II and V. Correctly keeps bonds and forex, but treats printing and distributing notes as income. Printing is a cost of the issue function.

Summary

Official Set A key is (a) I and II only. The Reserve Bank's surplus comes mainly from interest and trading on its government-security portfolio and from foreign-exchange assets (and from some fee income). Open-market operations mean it buys and sells G-secs - that is income-related (I). Reserve management means it buys and sells foreign currency and earns on the foreign portfolio (II). It does not run pension funds; NPS sits with PFRDA and fund managers (III). It is banker to banks and the government, not a commercial lender to private companies (IV). Printing and distributing notes is an expense of currency issue; seigniorage is from issuing money, not from the printing press (V). So only I and II are sources of income.

Related possible facts

These can be asked in a future Prelims paper.

RBI income
Interest on government and foreign assets, commissions, and seigniorage-related flows. Surplus is transferred to the Centre.

Open Market Operations
Buying and selling G-secs - Statement I's neighbourhood.

Seigniorage
Income from issuing currency. Neighbour of Statement V, not the same as the printing contract cost.

National Pension System / PFRDA
Pension regulation sits with PFRDA; RBI is not the retail NPS manager. Know the neighbour.

Section 17, RBI Act
Lists the Bank's business. The statutory neighbour of this PYQ.