Agreements of the Central Government with the Reserve Bank

The Central Government has entered into an agreement with the Reserve Bank of India by virtue of which the general banking business of the Government (in which business is included the receipt, collection, payment and remittance of moneys on behalf of the Government) is carried on and transacted by the Reserve Bank in accordance with and subject to the provisions of the agreement and of the Reserve Bank of India Act, 1934, and also in accordance with and subject to such orders as may, from time to time be given to the Reserve Bank by the Central Government.

Account of the Central Government with the Bank

(1) Ministries and Departments of the Central Government shall, as a rule, operate on such offices and branches of the Reserve Bank and or of the bank, as have been, or may be nominated for handling the receipt and payment transactions of the particular Ministry or Department.

(2) Each office or branch of the Reserve Bank or bank handling transactions of the Ministries, Departments of the Central Government shall maintain separate accounts in respect of each Ministry and Department banking with it and render an account of the transactions to the Pay and Accounts Officer of the concerned Ministry and, or Department, at such intervals as may be prescribed by the Government, together with all the supporting challans, paid cheques. These transactions shall also be routed through the banking channel prescribed by the Reserve Bank of India, to facilitate their incorporation in the books of the Reserve Bank of India, Central Accounts Section, at Nagpur which is responsible for keeping

a complete account, of receipt and payments (including inter-Governmental adjustments and adjustments inter se of Defence, Railways and Posts—other than Telecommunications) on account of the Central Government.

(3) The transactions of Railways, Posts, Telecommunications and Defence Department arising at offices and branches of the Reserve Bank and State Bank of India, acting as agent of the Reserve Bank shall be distinguished from other Central transactions in the initial accounts and classified separately for each Railways, each circle of Posts, each Accounts Officer of Telecommunication, and each Controller of Defence Accounts respectively. These transactions will be taken against the Railway Fund, Postal Account, Telecommunication Account and Defence Account respectively, in the books of the Reserve Bank. Each office and branch of the Reserve Bank entrusted with the work shall furnish to Accounts Officer concerned of the Railways, Postal, Telecommunications and Defence Department, as the case may be, daily scrolls relating to the transactions pertaining to each, together with the requisite challans, paid cheques.

A statement of the closing balance of the Central Government shall be sent each month, by the Central Accounts Section of the Reserve Bank to the Controller General of Accounts, indicating:-
(i) Central Government Account Balance (in respect of Union Territory Administrations dealt with by Accountants General and of all Union Territory Governments with Legislature)

(ii) Railway Fund Balance
(iii) Postal Account Balance
(iv) Telecommunication Account Balance

(v) Defence Account Balance
(vi) Departmentalised Ministries' Account Balance (which also includes transactions of Union Territories of Delhi and Andaman and Nicobar Islands whose accounts have been separated)
(vii) Total

The Central Accounts Section of Reserve Bank shall maintain individual accounts of various Central Government Ministries, Departments and of Union Territory Administrations having separated accounts offices, and send a monthly statement to their Principal Accounts Offices with such supporting details as may be prescribed by the Reserve Bank in consultation with the Controller General of Accounts; in respect of (i) above to the concerned Accountants General (with break up of balances/transactions relating to Central Government and relating to relevant Union Territory Administrations) and Accounts Offices of Union Territory Governments; and in respect of (ii), (iii), (iv), (v) above, to the Railway Board, Postal Board, Telecommunications Board and Controller General of Defence Accounts respectively.

Article wise explanation:

Article 7.

The Central Government and the State Governments have separate Consolidated Funds of their own, entitled the Consolidated Fund of India' and 'the Consolidated Fund of the State', respectively, into which the revenues received by the Central (including union territories) State Governments, loans raised by that Government by the issue of treasury bills, loans or ways and means advances, and moneys received by that Government in repayment of loans are credited, and from which the expenditure of

that Government when so authorized by the appropriate Legislature is met. The Central Government and the State Governments have also separate Public Account entitled ‘the Public Account of India’ and ‘the Public Account of the State’, respectively, into which all other public moneys received by or on behalf of the Central (including union territories)/State Governments are credited and from which disbursements are made in accordance with the prescribed rules. The procedure to be followed for the payment into and the withdrawal, transfer or disbursement of moneys from, the Consolidated Fund and the Public Account and for the custody of moneys standing in that Fund and account is regulated by law made by the appropriate Legislature and pending such registration, by the rules made by the President or the Governor of the State, as the case may be, under Article 283 of the Constitution. The President and the Governors of the States have authorized under this Article the continuance of the rules in force before the commencement of the relevant provisions of the Constitution. These rules include provisions to secure that all public moneys received on account of the Central Government or of the State shall, with such exceptions as may be specified in them, be paid into the Consolidated Fund or the Public Account of India of the State concerned, as the case may be.

Article 7-A.

The Central Government and each State Government have or may have a separate Contingency Fund, entitled ‘the Contingency Fund of India’ and ‘the Contingency Fund of the State’, respectively. The Fund will be at the disposal of the President or the Governor of the State to enable advances to be made by him for meeting unforeseen expenditure, pending authorization of such expenditure by Parliament or the State Legislature under appropriations made by law. The procedure to be followed for the custody of, payment of moneys into and the withdrawal of moneys from such Fund is

regulated by law made by the appropriate Legislature and pending such legislation by the rules made by the President or the Governor of the State.

Note :—Though the transactions of the Railway Department form part of the Consolidated Fund, the Contingency Fund and the Public Account of India, they are nevertheless taken against the Railway Fund which has been created proforma in the books of the Reserve Bank of India.

Article 8.

Save as may be specifically provided in any case, cash balances in the separate ‘Consolidated Funds or Contingency Funds and Public Accounts of India and States’ are either held in a Government treasury or kept with the Bank.