Definition of central bank

Meaning of a central bank A central bank is a financial institution that acts as the apex monetary authority within a country or a group of countries. **Its primary objective is to manage and control the country's money supply, currency, and interest rates to achieve specific economic and financial goals. The central bank typically operates independently or with limited political interference to maintain stability in the financial system and support the overall economic well-being.**

Functions of a central bank

1. Monetary Policy: One of the primary functions of a central bank is to formulate and implement monetary policy. This involves managing the money supply, interest rates, credit and prices stability,

2. Currency Issuance and Management: Central banks have the authority to issue and regulate the country's currency.

3. Banker to Banks and Government: Central banks act as the banker to commercial banks and the government. They provide banking services to commercial banks.

4. Financial System Stability: Central banks play a crucial role in maintaining the stability and soundness of the financial system.

5. Foreign Exchange Management: Central banks manage and regulate foreign exchange reserves to maintain exchange rate stability and support international trade and financial transactions.

6. Economic Research and Analysis: Central banks conduct economic research, collect data,and analyze economic indicators to understand the state of the economy, monitor trends,and make informed policy decisions..

7. Payment System Oversight: Central banks oversee and regulate payment systems to ensure their efficiency, safety, and reliability.