

# INTERNATIONAL MONETARY FUND



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# INTRODUCTION:

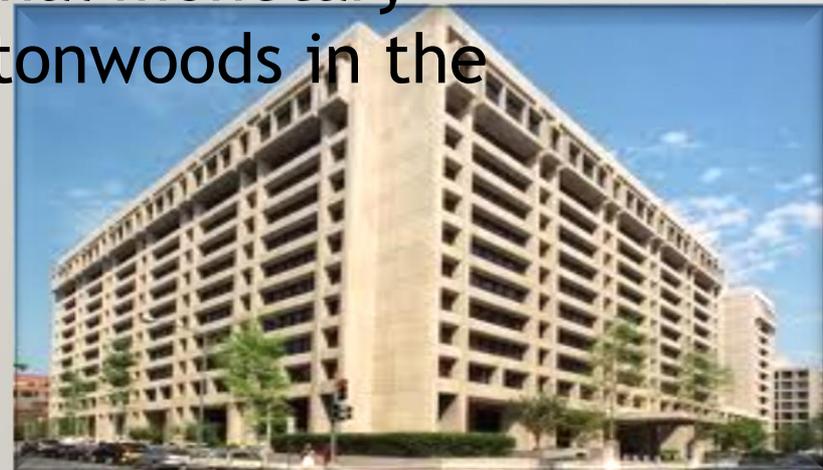
- It is one of the specialized agency of the UN established on 27<sup>th</sup> Dec. 1945.
- It is a financial system providing greater stability of exchange rates and providing funds to those countries facing payment problems.
- It is a product of Brittonwood conference of 1944.
- Each member country had to contribute 25% of its shares in gold while the remainder can be paid in its own currency.
- It is affiliated to the UN & having its Headquarters in Washington.

## NEED FOR THE FORMATION OF IMF:

- ◉ There was lack of monetary cooperation amongst countries of the world after the I World War.
- ◉ In fact there was a acute commercial rivalry amongst countries at that time.
- ◉ Every county was trying to maximise its exports & to minimise its imports.
- ◉ To achieve this objective, several countries resorted to competitive currency devaluation.

# NEED OF IMF CONTD...

- ⦿ Thus there was a sort of economic war going on amongst majority of countries of the world.
- ⦿ This has also resulted in straining their political relations too.
- ⦿ Hence, to find ways and means to come out of this turmoil an international monetary conference was held at Brittonwoods in the USA in 1944.



# COMPOSITION & ORGANIZATION:

- ◉ The IMF started with the initial membership of 30 countries.
- ◉ On June 1991 its membership rose to 155 .
- ◉ After 1992 Russia & other communist countries joined it and as result its membership rose to 182 countries.
- ◉ It has a **Board of Governors** which is like an assembly which meets once a year each members having 250 votes.
- ◉ Most of the decisions are taken by the Board of Governors by simple majority.
- ◉ the members of this board are appointed for a term of five years.

# COMPOSITION CONTD...

- ◉ Then, the Executive body of the IMF consists of **20 Executive Directors**.
- ◉ 5 are elected by member states who contributes largest quotas, while others are elected by the board of governors.
- ◉ Due consideration is given to geography while constituting the Executive Directors.
- ◉ The position of he **Managing Director** is similar to that of the Secretary General of the UN who supervises the administration of IMF.



# OBJECTIVES OF THE IMF:

- ◉ The main objectives of the IMF are the following-
  1. To **promote international monetary cooperation** through a permanent institution and to provide a machinery for collaboration & consultation on international monetary problems.
  2. To facilitate expansion and **balanced growth of international trade**.
  3. To promote & maintain **high levels of employment**.

## OBJECTIVES CONTD...

4. To **promote exchange stability**, to maintain orderly exchange arrangement among members and to avoid competitive exchange depreciation.
5. To **eliminate foreign exchange restrictions** which hamper the growth of world trade.
6. To give confidence to member states by **making the funds and resources available** to them under adequate safeguards.
7. To provide an opportunity to correct mal-adjustments in their balance of payments without resorting to measures destructive of national or international prosperity.

# FUNCTIONS OF IMF:

- ◉ IMF combines 3 major functions namely regulatory, financial & consultancy.
- 1. **Regulatory functions:**-Here , it acts as a guardian of a code set up by its Articles.
- 2. **Financial functions:**- Here it functions as an agency with resources available for short term to medium term loans to meet B.O.P. deficits of member countries.
- 3. **Consultative functions:** It provides a centre for international cooperation and a source of counsel and technical assistance to its members.

# ROLE OF IMF



- ◉ Generally it functioned like a Bank of central banks and managed world's monetary system- G.N. Halm.
- ◉ It helped the governments in getting foreign exchange to remedy their payment deficits without resorting to restrictive measures that would adversely affect the national and international prosperity.
- ◉ It provided the government with monetary facilities at lower rates of interest.
- ◉ It also maintained a multiple payment system through the adjustment exchange rates.

# ROLE OF IMF:

- ◉ It seeks to harmonise the economic relations of advanced and poor nations through schemes devised to assist them in difficulty.
- ◉ It has helped the poor countries in solving their problem of Balance of Payment through compensatory financing.
- ◉ Its main function is to solve the Balance of Payment problems of government.
- ◉ The no. of states were provided with the advantage of Stable exchange rates and multi- trading system.