Interim bailout

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A system for sharing the RBI's surpluses with the Centre must be quickly institutionalised

- The decision of the central board of the Reserve Bank of India to transfer an interim surplus of Rs.28,000 crore to the Centre should come as a big relief to the Modi government.
- For a government strapped for finances and struggling to meet the revised fiscal deficit target of 3.4% of GDP, the RBI's largesse will be handy.
- Though there is nothing wrong in a shareholder demanding an interim dividend payout, the fact is that the Centre is advancing a receipt from the next fiscal to bail itself out in the current one.
- Should the RBI decide not to repeat this practice, the government's revenues will suffer because as much as Rs.82,911 crore has been budgeted on this count for the next fiscal.
- Again, the central bank is not like a corporate enterprise, nor can the government compare itself with a company shareholder.
- The RBI's income and surplus growth cannot be measured in commercial terms since a large part of it comes from statutory functions it has to perform as a regulator.
- The large payout this fiscal is bound to raise eyebrows, especially because of the recent history of conflict between the RBI and the Centre over the sharing of the former's accumulated reserves as dividend with the Centre.
- There will, hopefully, be a system and a structure in place once the committee under former RBI Governor Bimal Jalan, that is now reviewing the economic capital framework for the RBI, submits its report.
- It was constituted to de-personalise and institutionalise a system for the sharing of the RBI's surpluses with the government, and is expected to come out with its recommendations by the end of the next month.

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