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### **Context:**

- On 26th August 2019, Reserve Bank of India (RBI) approved Bimal Jalan-led committee report, which recommended transferring RBI's excess capital over the next 3 to 5 years. So this year, RBI transferred Rs. 1.76 lakh crore to the government.

### **Why is RBI transferring the money to the government?**

- Generally, RBI keeps some money for its regular operations and a large reserve of cash to save the economy if the situation of economic instability arises. Every year, at the end of the August, RBI transfers its surplus earnings to the government after finalising its accounts.
- In 2018, the central government asked the Reserve Bank of India to transfer a part of its reserves to the government. The government stated that the funds with RBI is beyond the required amount, and this money can be put to better use instead of keeping them idle. But RBI did not accept the proposal. RBI feared that transferring some of its reserves will make it helpless at the time of economic crisis. That resulted in the conflict between RBI & Government. To come to a balanced decision, Bimal Jalan's committee was appointed, which is headed by Bimal Jalan, a former RBI governor.
- Bimal Jalan's committee thoroughly analysed various standards and submitted a report, which is accepted by both the parties - RBI & the government. On August 26th, RBI approved the report and transferred 1.76 lakh crore rupees to the central government.
- Out of these 1.76 lakh crore rupees, Rs. 28,000 crores were already transferred as an interim dividend in February 2019. So, this comes under the last year's budget. And Rs.90,000 crores from RBI was already accounted in this year's budget. So, it will be spent on expenditures. So, the remaining Rs. 58,000 crores are the additional money that the government is getting.

## Can it uplift the economy?

- At present, India is facing an economic slowdown. In the April-June quarter GDP growth rate was just 5%. This is the low point in the 6 years. So, at this time, RBI's surplus transfer is a boon to the government.
- If this money is spent on the current expenditures, it'll help in maintaining the fiscal deficit target of 3.3%. But, that may not be able to bring the economy to a normal state. So, this money is better put to use to bring structural reforms and to invest in income-generating sectors. This is really needed because at present there is a lack of private investment.
- RBI's surplus transfer bought the government some time. In this time, the government needs to take steps on increasing tax revenues and other revenue sources. GST collections are way less than the expected amount. There is a need to take steps on GST simplification.

## Conclusion:

RBI's surplus transfer is a boon to the government, because of the present status of the economy. This money alone cannot save the economy, but it gave the government some time to take steps on arresting the economic slowdown. The government needs to act fast on creating fiscal resources.

## Your Turn...

What are your thoughts on RBI's surplus transfer to the government? Express your point of view through the comment section below. And subscribe to our blog to read answers to the trending GD topics.

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