22. How can the RBI's surplus capital be used for several purpose by the Government of India? Discuss the possible economics objective to such a strategy (200 words) GS-III

For the First time RBI transfer surplus reserve to GOI. It is Largest surplus history of RBI. This surplus is due to Rupees Intervention and open market systems. Surplus transfer is bone of contigent between RBI & the GOI. RBI surplus has transfer to GOI of ₹ 1.7 lakhs [1.2 Lakh central banks surplus + 52637 Lakh of Contigent Risk] as the Bimal Jalan committee

Jalan committe recommended:

* 3 Prolong definition of RBI's excess capital
  - Contingent Risk buffer: 5.5 - 6.5%. [including 1% credit + operational risk]
  - Expected shortfall: 97.5 - 99.5% | Which is greater than average of 2% in BRICS.
    Replace VAR to determine risk provisioning for mark risk
  - Economic Capital: 20 - 24.5%
    RBI has released 23.3% capital to fiscal.

* Committe provide clear distinguish between — Revaluation capital reserves / realized equity.
  Revaluation reserve: periodic marked to market unrealised/notional gain/loss in value of
  - foreign currencies.
  - Gold
  - foreign / Indian securities
  - contingent fund.

  Realized equity: contingent fund meeting risk / loss from retained earning - Contingent Risk Buffer (CBR)

Purpose of surplus infuse:

* MoF will infuse the capital surplus into PSU Bank with excess RBI capital. Rs 1000 bn of excess RBI capital will give allow 12%. PSU Bank loan growth till 2024.

* Balance transfer to fisc which will reduce lending rate