Q→ Though the Reserve bank of India's transfer is a much needed buffer for the economy, there are risks in depending on these surpluses. Analyse (200 words)

A→ Recently RBI decided to transfer Rs 99,112 Cr as dividend reciepts to the union government against the Rs 53000 Cr estimated by finance minister in Budget. This is a welcome step for the already troubled economy and soaring FD around 9.5% of GDP as well as Government Debt to GDP ratio of 90%.

Although Secn-47 of RBI Act, 1934 provisions these transfers, but it has remained a tussle point between the government and RBI. Many committees in the past such as Subramanyam Committee, Thorat committee & Malegam committee has been established to resolve the issue.

RBI also constituted the Bimal Jalan committee, former RBI governor in order to resolve this issue of transfer of surplus, as the finance ministry argued that RBI should transfer 1/3rd of 10 lakh crore surplus following the international norms. RBI had already transfered ₹1.76 Lakh crore just two years ago.

But these transfers should not become a habit as RBI needs to maintain its contingency reserve between 5.5% - 6.5% as recommended by Bimal Jalan committee. These reserves provide necessary safeguard against unexpected financial crisis & given the current economic scenario where global GDP has already contracted by 4.3% last year, its importance has only magnified.

Way forward

↳ Need to diversify revenue sources such as implementing profit taxes over big corporates whose profits have increased as indicated by surge in Stock Market.

↳ Monetization of unused resources of PSUs, unused land present under Indian railways, etc.

Rapid vaccination & revival of economy is the only option available & should be used rather than relying on dividend reciepts from RBI.