

RBI SURPLUS TRANSFER



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According to **Section 47 of the RBI Act**, profit of the RBI has to be transferred to the government periodically.

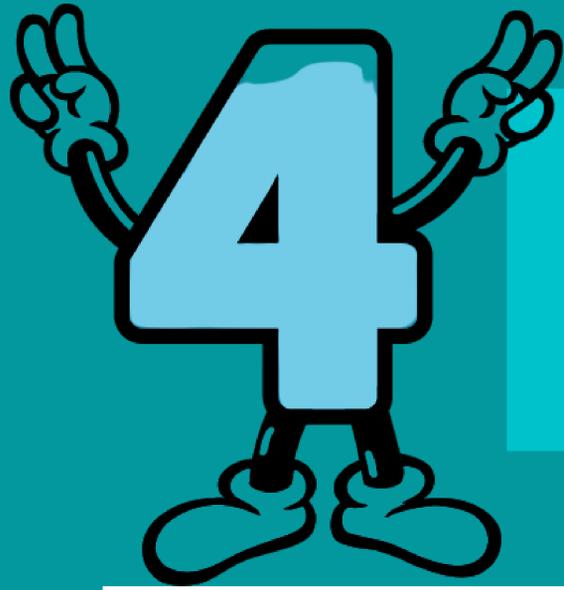


However, before transferring, some amount of the profit is kept aside for maintaining reserves of the RBI.



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WHAT CONSTITUTES RBI'S RESERVES?



It comprises **4 components** out of which the **Revaluation Fund** and the **Contingency Fund** form the substantial portion.

Revaluation Fund- It is kept in terms of foreign currencies which is used to stabilize the value of Indian Rupee during times of appreciation/depreciation.



Foreign Exchange

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Contingency Fund (CF) is used to meet any risks in the Banking system.

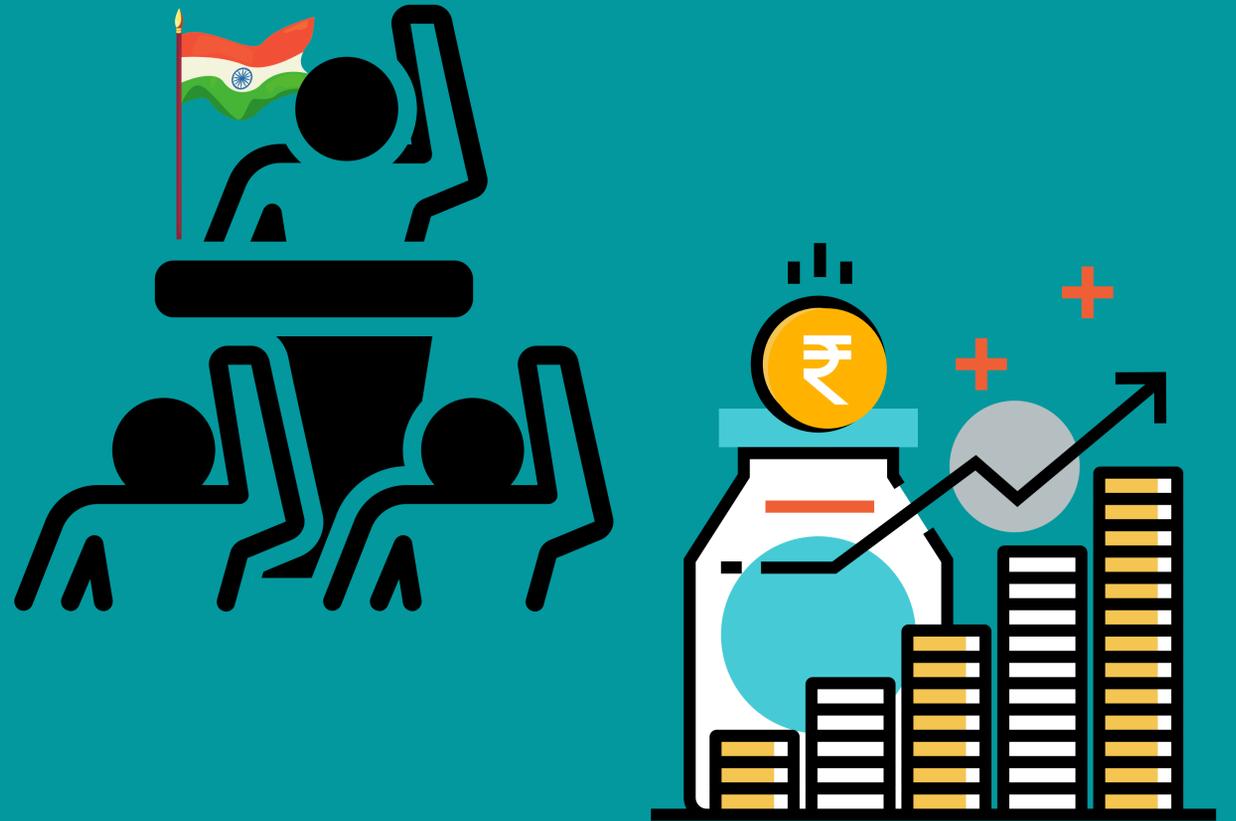


These reserves constitute around 29% of the total assets of the RBI. The International standard of reserves is 16% of the total assets of the central bank.



BIMAL JALAN COMMITTEE

The central government felt that this is more than required for the RBI's operations and demanded the transfer of **surplus funds**.



Bimal Jalan Committee on Economic Capital Framework was set up last year to look into the central bank's excess reserves. The committee submitted its report in 2019.





RECOMMENDATIONS OF THE COMMITTEE

The committee recommended not to transfer funds from the Revaluation account as it is critical to ensure stability of the Rupee.



It recommended that the RBI should maintain a **Contingent Fund between 5.5-6.5% of the RBI's total assets.**

Since the latest Contingent Fund amount was about 6.8%, the excess amount (Rs 52,637 crore) was transferred to the government.



In addition to this, the committee also recommended transferring the full net income of the RBI of Rs 1,23,414 crore for the fiscal year 2018-19 to the Centre.



Hence a total of Rs 1,76,051 crore has been paid out to the Centre.

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