

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES  
LOK SABHA

UNSTARRED QUESTION NO. 872

TO BE ANSWERED ON THE 14<sup>TH</sup> DECEMBER 2018/ AGRAHAYANÆ3, 1940(SAKA)

RBI Autonomy

872. KUMARISUSHMITADEV:

SHRI JYOTIRADITYAM. SCINDIA:

SHRI KUNWAR PUSHPENDRASINGH CHANDEL:

Will the Minister of FINANCE be pleased to state:

- (a) whether the former Governors of Reserve Bank of India (RBI) and renowned economists have recently defended the central bank's call for greater autonomy from the Government, if so, the details thereof;
- (b) whether the Government has been creating an atmosphere to curb the independence of the RBI, if so, the reaction of the Government in this regard;
- (c) the concrete steps proposed by the Government to strengthen the autonomy of the RBI; and
- (d) whether the Government has received any proposal to provide more autonomy to RBI with a view to giving a boost to economy; and
- (e) if so, the details thereof?

ANSWER

Minister of State in the Ministry of Finance  
(SHRI SHIV PRATAP SHUKLA)

(a) to (e): The autonomy for the Central Bank, within the framework of the RBI Act, is an essential and accepted governance requirement. A Press Release was issued by the Government on October 31, 2018 as below:

“The autonomy for the Central Bank, within the framework of the RBI Act, is an essential and accepted governance requirement. Governments in India have nurtured and respected this. Both the Government and the Central Bank, in their functioning, have to be guided by public interest and the requirements of the Indian economy. For the purpose, extensive consultations on several issues take place between the Government and the RBI from time to time. This is equally true of all other regulators. Government of India has never made public the subject matter of those consultations. Only the final decisions taken are communicated. The Government, through these consultations, places its assessment on issues and suggests possible solutions. The Government will continue to do so.”

As per the provisions of the section 58 of the Reserve Bank of India (RBI) Act, 1934, the Central Board of RBI, with the previous sanction of the Central Government, is

empowered to frame regulations to provide for all matters for which provision is necessary or convenient for the purpose of giving effect to the provisions of the RBI Act.

Government has taken several measures to strengthen the RBI. These include, *inter alia*, constitution of the Monetary Policy Committee to provide a statutory basis for a Monetary Policy Framework through an amendment of the Reserve Bank of India Act, 1934. Further to strengthen the regulatory and supervisory powers of RBI to effectively deal with distressed assets of the banking sector, RBI has been empowered through the Banking Regulation (Amendment) Act, 2017, to issue directions to any banking company for timely resolution of stressed assets, and for initiating insolvency resolution process in respect of a default under the provisions of the Insolvency and Bankruptcy Code, 2016.

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