Govt. to get Rs. 50,000 cr. from RBI

The Reserve Bank of India (RBI) will transfer ₹50,000 crore **dividend** to the government in line with the Union Budget provisions, which is the highest since 2015-16.

> The transfer gives the government more room to infuse capital into the public sector banks. Earlier in October 2017, the government had decided to infuse Rs. 2.11 trillion into public sector banks through a mix of **recapitalization bonds** (Rs. 1.35 trillion), direct infusion from **budgetary allocations** (Rs. 18,000 crore) and **market borrowing** (Rs. 58,000 crore).

Note:

Dividend: It refers to a reward, cash or otherwise, that a company gives to its shareholders. Dividends can be issued in various forms, such as cash payment, stocks or any other form.

Recapitalisation bonds are dedicated bonds to be issued at the behest of the government for recapitalizing the trouble hit Public Sector Banks (PSBs).

Market Borrowing is the money borrowed by the government through issuance of securities, bonds and bills. The government borrows money to make up the difference between revenues and expenditures. The money comes from both the lenders within the country as well as from the foreign lenders.

- In FY17, the central bank had transferred a lower surplus owing to the huge costs it incurred in managing the demonetization exercise.
- Under the **RBI Act, 1934,** the central bank is required to pay the government its surplus after making provisions for bad and doubtful debts, depreciation in assets and, contribution to staff and superannuation fund among others.

Economic Survey Take

- Since, the RBI is one of the most highly capitalized central banks in the world. So, redeployment of excess capital from RBI to the government will be more productive.

- The surplus could be used to recapitalize public sector banks and improve the government's fiscal position.
- However, it had also warned that the surplus transfer exercise should not undermine the central bank's independence.