



## Budget Widens RBI's Autonomy

The [Union budget 2019-20](#) has expanded the [Reserve Bank of India's](#) powers by bringing [Housing Finance Companies](#) (HFCs) under its ambit and deepening its governance over Non-Banking Finance Companies (NBFCs).

- Increase in RBI's autonomy can be attributed to the crisis at [Infrastructure Leasing and Financial Services](#) Ltd (IL&FS), which led to a [liquidity crisis in NBFC](#) sector.
  - With reference to IL&FS crisis, [Serious Fraud Investigation Office](#) (SFIO) had also noted that timely RBI intervention could have averted the crisis.

**Wider Regulatory Powers:** The Union budget 2019-20 has proposed to amend the **RBI Act 1934**, in order to strengthen the central bank's autonomy and [regulatory powers](#) in following domains:

- It can supersede the **board of NBFCs** (other than those owned by the government) in the public interest or to prevent the affairs of NBFC being conducted in a manner detrimental to the interests of the depositor or creditor.
- It can **remove** and can further **appoint** the director of a board of NBFC.
- The proposed amendment to the RBI act will allow it to frame schemes for **amalgamating, splitting and reconstructing** an NBFC that will enable resolution of financially troubled NBFCs through a **merger** or by **splitting** them into viable and non-viable units called bridge institutions.
- RBI can also remove **auditors**, call for audit of any group company of an NBFC, and have control over the **compensation** of senior management.

PDF Reference URL: <https://www.drishtiias.com/printpdf/budget-widens-rbi-s-autonomy>