

12:21 PM 11 AUG LIVE	सेन्सेक्स MARKET STATS ▼ 31,317 ▼ -213.56	निफ्टी 50 9,748 ▼ -72.15	सोने (एमसीएक्स) (□)₹ ... 29,172.00 ▼ -4.00	यू एस डी/भारती... 64.17 ▲ 0.08	पोर्टफोलियो निर्माण करा	ई-टी मार्केट्स आप उत्तरवून घ्या	CHOOSE LANGUAGE MAR
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Reserve Bank of India dividend to government halves to Rs 30,659 crore

BY GAYATRI NAYAK, ET BUREAU | AUG 11, 2017, 06.45 AM IST

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NEW DELHI: The demonetisation exercise has come with a cost to the government. The Reserve Bank of India will be transferring to the government only Rs 30,659 crore, less than half the amount- Rs 65876 crore it transferred to last year, implying lesser non-tax revenues to the government this year.

The reduction in the transfer of surplus to the government could be due to a number of factors including higher cost of printing new currency notes and cost of managing excess liquidity generated from phasing out of Rs 500 and Rs 1000 notes, though it is difficult to identify exact reasons at this stage. “

Operational expenses in cost of printing new currency and the associated logistics of collecting old notes is likely to have gone up” said Saugata Bhattacharya, chief economist at Axis Bank. “ The cost of sterilising the excess liquidity through MSS and reverse repos would also be significant.”

“ (During the year) foreign currency reserves of RBI were fetching less returns because most of the foreign countries were giving negative returns or very low returns. Also, throughout the year the reverse repo has been high that means that RBI has to pay to banks. The whole of last year there was surplus liquidity and RBI had to pay more interest to the banks” said former RBI deputy governor R Gandhi.

The Reserve Bank, from FY'14 onwards, transfers its entire profit to the government, following global best practices followed by central banks. An analysis of past profit statements of RBI indicates that a bulk of the income for the central bank is interest income, of which nearly 60 per cent is interest earned on domestic bond holdings. While the cost of printing currency notes in the past has been just about 20 per cent of its total expenses, which is estimated to have more than doubled in FY'17 due to demonetisation of the Rs 500 and Rs 1000 notes.



RBI had in 2014-15 paid Rs 65,896 crore dividend and Rs 52,679 crore in the year prior to that.

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“The lower amount will be a concern since the government’s non-tax receipts will be affected,” said Mdan Sabnavis, chief economist at Care Ratings. In the Budget it was assumed that around Rs 75,000 cr would come from RBI, PSBs and FIs compared with a little over Rs 76,000 cr in FY17. “As PSBs are unlikely to do better than last year and the RBI will be transferring a smaller amount, this will impact the fiscal deficit numbers. if other conditions remain unchanged, the fiscal deficit can increase from 3.2 per cent to 3.4 per cent this year” said Sabnavis

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