

FinMin, RBI consensus likely on some issues at Nov 19 meet

Lending to MSMEs, capital framework, surplus norms on the agenda

SURABHI

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As the Finance Ministry and Reserve Bank of India work to reach a middle ground, sources say an uneasy truce remains and not all issues will be resolved at the November 19 board meeting of the central bank.

“There has been a softening of stance by both the Finance Ministry and the RBI but the board meeting will be a larger platform with all members having some views. Further, given the nature of many of the proposals, a quick solution to all is unlikely,” said a person familiar with the development.



According to sources in the know, the key agenda items to be taken up at the meeting will include fixing norms for the surplus reserves, easing of prompt corrective action provisions for public sector banks, liquidity support for the financial sector after troubles at Infrastructure Leasing and Financial Services (IL&FS), as well as improved lending and restructuring of loans to micro,

small and medium enterprises.

“It is likely that there will be some middle ground on issues like lending to MSMEs as well as discussion on most issues on the agenda. The need to invoke Section 7 of the RBI Act should not be there,” said another source, adding that there is a mood emerging to broker peace as the current clash has impacted the image of both the Finance Ministry and the RBI.

RBI Governor Urjit Patel had earlier this month also met Prime Minister Narendra Modi and Finance Minister Arun Jaitley to discuss some of these contentious issues.

Apart from the speech by RBI Deputy Governor Viral Acharya on October 26 on independence of the RBI, which brought the differences between the two sides into the spotlight, the central bank has chosen to remain silent.

In a statement on October 31, the Finance Ministry had said “autonomy for the central bank, within the framework of the RBI Act, is an essential and accepted governance requirement.”

Economic Affairs Secretary Subhash Chandra Garg had also tweeted that the proposal under discussion is to fix an appropriate economic capital framework for the RBI.