

RBI Board meeting cordial, with little sign of tension with Centre

SURABHI/ K RAM KUMAR

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The Reserve Bank of India's marathon Central Board meeting on Monday witnessed members burying the hatchet and taking up the agenda at hand in a business-like manner.

The meeting is understood to have been a much calmer affair than the tension and flare-ups seen in the days preceding it.

Expectations that some maverick board members may ratchet up the differences between the government and the RBI on issues such as increased flow of credit to micro, small and medium enterprises (MSMEs), transfer of surplus from the RBI to the government, opening a separate liquidity window for non-banking financial companies, and relaxing the prompt corrective action (PCA) framework on 11 public sector banks, did not come true.

"The meeting was very cordial. There was no bickering or any sort of ill-will. Everybody is on the same page. Nobody

wants to keep banks under PCA. Nobody wants liquidity crisis....," said a person clued in to the developments at the meeting.

"No one wanted it to be controversial...There was discussion on the RBI's capital framework and need for improved lending to sectors," said another person familiar with the development.

The government nominees on the board as well as those from the RBI are understood to have stuck to the business at hand while most independent directors on the board also spoke on issues relating to lending and credit.

According to another source, there was no talk or even indication of the issue of invoking Section 7 of the RBI Act and there was give and take from both sides to reach a middle ground.

"It was business as usual," he said.

Details made public

The RBI also ensured that all decisions were made public

through a press release soon after the meeting ended.

Decisions by the board, such as setting up a committee to review the economic capital framework (ECF), are likely to be implemented over the next fortnight. Other issues which could not be discussed have been rolled over to the next meeting in December.

The 18-member Central Board of Directors of the RBI includes RBI Governor Urjit Patel and Deputy Governors Viral Acharya, NS Vishwanathan, BP Kanungo and Mahesh Kumar Jain as well as government nominee directors Economic Affairs Secretary Subhash Chandra Garg and Financial Services Secretary Rajiv Kumar. Independent Directors to the board include Tata Sons Chairman N Chandrasekharan and S Gurumurthy.

Acharya in a public lecture on October 26, had spoken on the independence of the RBI, which brought out the apex bank's differences with the Finance Ministry.