

# Business Standard

## RBI's internal committee reviewing economic capital framework: Governor

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Reserve Bank Of India Governor Sanjay Malhotra Delivers The Monetary Policy Statement On February 7, 2025. (PTI Photo)

An internal committee of the Reserve Bank of India (RBI) is reviewing the entire economic capital framework (ECF) of the central bank. Based on the committee's recommendations regarding contingency risk buffer (CRB) guidance, the RBI will discuss the matter with its board and the government at a later stage, said the RBI's top management at a post-monetary policy committee (MPC) press conference on Friday.

The ECF is a methodology for determining the appropriate level of risk provisions and profit distribution to be made under Section 47 of the RBI Act, 1934.

The Bimal Jalan Committee, set up by the RBI in November 2018, had reviewed the ECF framework and provided several recommendations, including maintaining the CRB within 5.5–6.5 per cent of the central bank's balance sheet.

The panel had also suggested that the RBI's ECF be reviewed every five years.

“The Bimal Jalan Committee had recommended maintaining a 5.5–6.5 per cent ratio of the balance sheet as a contingency risk buffer. As of March 31, 2024, we are at 6.5 per cent. The overall framework is being reviewed by an internal committee. Based on the committee’s recommendations, we will take a decision,” said Sanjay Malhotra, Governor, RBI.

Additionally, Deputy Governor Rajeshwar Rao said the Bimal Jalan Committee’s recommendations were applicable until June 30, 2024. “Internally, we are reviewing and assessing whether any changes are warranted. If we need to engage with the government or the RBI board, we will do so at a later point,” he said.

Based on the ECF adopted by the RBI in August 2019, as per the recommendations of the Bimal Jalan Committee, the RBI transferred Rs 2.1 trillion in surplus to the government for the financial year 2023–24, even after increasing the CRB to 6.5 per cent. This was the highest-ever surplus transfer to the government by the RBI. Under the framework, the RBI had transferred Rs 87,416 crore to the government in FY23, Rs 30,307 crore in FY22, Rs 99,122 crore in FY21, and Rs 57,128 crore in FY20.

In FY19, after the new ECF was adopted based on the Bimal Jalan Committee’s suggestions, the RBI transferred a surplus of Rs 1.76 trillion to the government. Between FY19 and FY22, the RBI maintained a CRB of 5.5 per cent of its balance sheet due to macroeconomic challenges amid a once-in-a-century pandemic and “to support growth and overall economic activity,” increasing it to 6 per cent in FY23.

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