Finance Minister Meets RBI Central Board of Directors

The customary post-budget meeting of the Central Board of the Reserve Bank of India with the Finance Minister (FM) was held in New Delhi today. The meeting was also attended by Shri B. Vikhe Patil, Minister of State for Banking, Insurance and Expenditure, Finance Secretary Shri Ajit Kumar, Special Secretary, Banking Shri Devi Dayal, and Shri Rakesh Mohan, Adviser to the FM. Among the Board members present were Shri K Madhava Rao, State Election Commissioner, Andhra Pradesh, Shri Mihir Rakshit, Director, Monetary Research Project, ICRA, Shri K P Singh, Chairman, DLF Group, Shri D S Brar, CEO & MD, Ranbaxy Laboratories, Shri N R Narayana Murthy, Chairman & CEO, Infosys Technologies, Shri C N R Rao, President, Jawaharlal Nehru Centre for Advanced Scientific Research, Shri A P J Abdul Kalam, Principal Scientific Adviser to Govt. Of India, Shri Y H Malegam, Chartered Accountant, Senior Partner Billimoria & Company, Shri A S Ganguly, Chairman ICI Ltd., Shri Suresh Krishna, Chairman & MD Sundaram Fasteners, Shri H P Ranina, Advocate, Supreme Court, Shri V S Vyas, economist, Former Director, Institute of Development Studies, Jaipur.

Welcoming the Hon’ble Finance Minister Shri Yashwant Sinha, Minister of State Shri Vikhe Patil and Secretaries of the Ministry, the Governor stated that despite the unexpected turbulence seen in the equity market recently, the overall macro-economic environment remained highly positive. Outside petroleum products, the overall inflation rate has been reasonably satisfactory. The liquidity conditions are easy and the interest rates have tended to be soft. Export growth has also been very impressive and, foreign exchange reserves are at the highest level ever. This should enable the country to meet normal import requirements as well as unforeseen contingencies. The Governor particularly welcomed the fiscal stance of the Budget and several structural reform measures designed to boost economic growth in the country. The Governor said that the RBI Board was also fully committed to pursuing policies, which would further accelerate growth in an environment of financial stability.

The FM welcoming the reconstituted Board described it as a distinguished, well-represented Board endowed with wisdom. He expressed confidence in the role and onerous responsibility being discharged by the RBI.

He expressed his appreciation for the prompt action taken by the RBI and SEBI in ensuring the stability in the face of developments in the financial markets in the last week. He explained to the Board the importance of political economy issues and the significance of involving the state governments in the process of reforms. In particular, he emphasized the complexities in implementation of the second phase of reforms because of the hard actions required and legislative changes involved.

In regard to the budget initiatives, he made particular mention of initiatives relating to fiscal deficit, inter generational equity, interest rate flexibility, labour market reforms, food economy and agriculture development, and emphasised the human face of reforms. He referred to the assurance given to the industry that there will be no change in the tax regime adverse to the interest of the participants, and that notice of changes in the medium-term has also been given in the budget. Above all, he said, we cannot fight poverty without high economic growth.

The Hon'ble Minister of State, Mr. Vikhe Patil emphasised the importance of restoring growth, investment and credit flow in agriculture. He referred to the critical role of NABARD and RBI in this regard.

The members of the Board welcomed the realistic measures in the budget aimed at structural transformation of the economy and made several suggestions to enhance the effective implementation of the reform process.

Alpana Killawala
General Manager

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