



RBI's Report on Currency and Finance

For Prelims: RBI's Report on Currency and Finance, Covid-19 pandemic, net-zero emission target free trade agreement (FTA) negotiations, Structural reforms in Indian economy

For Mains: Structural reforms in Indian economy, Monetary Policy, Growth & Development

Why in News?

According to recent [Reserve Bank of India's \(RBI\)](#) Report on **Currency and Finance (RCF)**, the Indian economy may take more than a decade to overcome the losses caused by the outbreak of [Covid-19 pandemic](#).

- The **theme of the report is "Revive and Reconstruct"** in the context of nurturing a durable recovery post-[Covid-19](#) and **rising trend growth in the medium-term**.

What are the Concerns Highlighted by the Report?

- **Covid-19, Worst Health Crises:** The Covid-19 pandemic will go down in history as one of the worst health crises the world has ever faced.
- **Growth Data:** The pre-Covid trend growth rate works out to **6.6%** and excluding the slowdown years it works out to **7.1%**.
 - Taking actual growth rate of **(-) 6.6% for 2020-21, 8.9% for 2021-22** and assuming growth rate of **7.2% for 2022-23 and 7.5%** beyond that, India is expected to overcome Covid-19 losses in **2034-35**.
- **Economic Challenges of Pandemic:** Its economic impact may linger for many more years and confront Indian Economy with the challenges of rebuilding livelihoods, safeguarding businesses and reviving the economy.
 - India suffered among the biggest pandemic induced losses in the world in terms of output, lives and livelihoods, which may take years to recover.
- **Russia-Ukraine Conflict:** The [Russia-Ukraine conflict](#) has also dampened the momentum of recovery, with its impact transmitting through record high commodity prices, weaker global growth outlook and tighter global financial conditions.
- **Deglobalization Threat:** Concerns surrounding [deglobalisation](#) impacting future trade, capital flows and supply chains have amplified uncertainties for the business environment.

What are the Reforms Highlighted in the Report?

- **Seven Wheels of Economic Progress:** The blueprint of reforms proposed in the Report revolves around seven wheels of economic progress:
 - Aggregate demand.
 - Aggregate supply.
 - Institutions, intermediaries and markets.
 - Macroeconomic stability and policy coordination.
 - Productivity and technological progress.

- Structural change.
- Sustainability.
- A feasible range for medium-term steady state **Gross Domestic Product (GDP) growth** in India works out to 6.5 – 8.5%, consistent with the blueprint of reforms.
- **Rebalancing of Monetary and Fiscal Policies:** Timely rebalancing of **monetary** and **fiscal policies** will likely be the first step in this journey.
- **Price Stability:** Price stability is a necessary precondition for strong and sustainable growth.
- **Reducing Government Debt:** Reducing general government debt to below **66% of GDP over the next five years** is important to secure India's medium-term growth prospects.
- **Structural Reforms:** Suggested structural reforms include:
 - Enhancing access to litigation free low-cost land.
 - Raising the quality of labor through public expenditure on education and health and the Skill India Mission.
 - Scaling up R&D activities with an emphasis on innovation and technology.
 - Creating an enabling environment for **start-ups and unicorns**.
 - Rationalization of subsidies that promote inefficiencies.
 - Encouraging urban agglomerations by improving the housing and physical infrastructure.
- **Promoting Industrial revolution 4.0: Industrial revolution 4.0** and committed transition to a **net-zero emission target** warrant a policy ecosystem that facilitates provision of adequate access to risk capital and a globally competitive environment for doing business.
- **Better FTA Negotiations:** India's ongoing and future **free trade agreement (FTA) negotiations** may focus on the transfer of technology and better trade terms for high quality imports from partner countries to improve the outlook for exports and domestic manufacturing.

UPSC Civil Services Examination Previous Year Questions (PYQs)

Q. Consider the following statements:

1. The Governor of the Reserve Bank of India (RBI) is appointed by the Central Government.
2. Certain provisions in the Constitution of India give the Central Government the right to issue directions to the RBI in public interest.
3. The Governor of the RBI draws his power from the RBI Act.

Which of the above statements are correct?

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Ans: (c)

Explanation:

- The Reserve Bank of India was established on April 1, 1935 in accordance with the provisions of the Reserve Bank of India Act, 1934.
- Though originally privately owned, since nationalization in 1949, the Reserve Bank is fully owned by the Government of India.
- The RBI's affairs are governed by a central board of directors. The board is appointed by the Government of India in line with the Reserve Bank of India Act.

Source: TH

