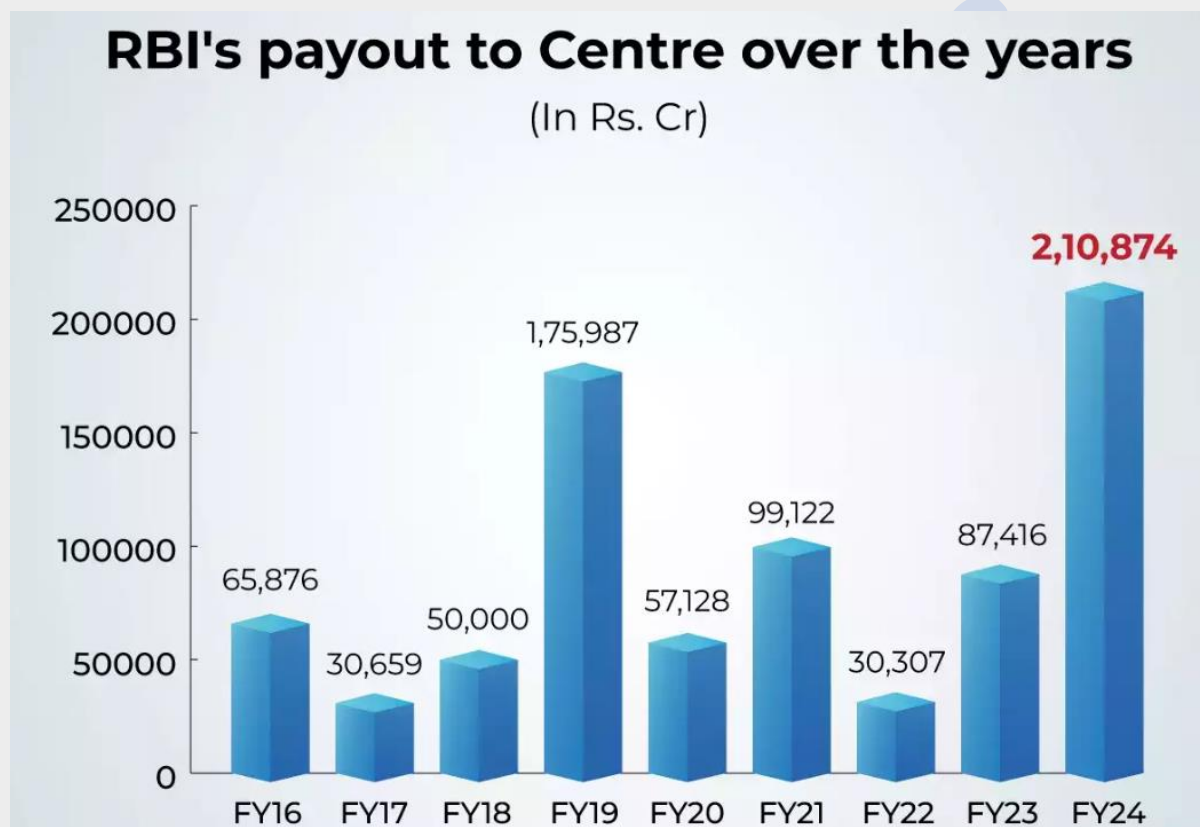


1. Why Does the RBI Transfer Surplus to the Government?**Why in News?**

The Reserve Bank of India (RBI) transfers its surplus (profit) to the government as per its statutory mandate. For the financial year 2024–25, the RBI is expected to transfer a record Rs 2.5–3 lakh crore. In 2023–24, it transferred Rs 2.11 lakh crore — the highest ever.



This surplus is not a “dividend” in the corporate sense, as the RBI is not a company but a central bank. The transfer is done based on the Economic Capital Framework (ECF), which guides risk provisioning and surplus distribution.

How Does the RBI Earn Profits?

The RBI earns income through various operations while performing its core functions such as regulating monetary policy, managing government borrowings, and overseeing the banking system. Key sources of income include:

- Interest on foreign assets like bonds and deposits held with other central banks.
- Interest from domestic government securities.
- Short-term lending to banks.
- Fees/commissions from managing government borrowings.

Main expenses include:

- Printing currency.

- Staff salaries and pensions.
- Commissions paid to banks and dealers for handling transactions and borrowings.

What Is the Legal Framework for Surplus Transfers?

The RBI transfers its surplus to the government under Section 47 of the RBI Act, 1934, after provisioning for:

- Bad debts
- Asset depreciation
- Staff-related funds
- Other necessary reserves

The transfer is finalized after the July–June financial year ends, usually in August.

Does the RBI Pay Taxes on Its Earnings?

No. Under Section 48 of the RBI Act, the RBI is exempt from income tax and other taxes on its income, profits, or gains.

Is There a Formal Surplus Distribution Policy?

There is no fixed policy, but past expert recommendations guide the process. In 2013, the Malegam Committee recommended higher transfers to the government. Before this, the RBI set aside a portion of its surplus for:

- Contingency Fund (for unexpected events)
- Asset Development Fund (for capital investments)

Following this, surplus transfers rose sharply — from 53.4% in 2012–13 to 99.99% in 2013–14.

Have There Been Differences Between the RBI and Government?

Yes, occasionally. The government has argued that the RBI's reserves are more than needed and could be used to recapitalize public sector banks. The RBI, however, emphasizes the importance of strong reserves for financial stability and autonomy.

How Do Other Central Banks Handle Surplus Transfers?

- In the UK and US, surplus transfers are decided in consultation with the government.
- In Japan, the government has the final say.
- Globally, surplus transfers usually amount to about 0.5% of GDP, with some exceptions.

Relevance: GS Prelims & Mains Paper III; Economics

Source: Indian Express

2. Drinking to Death: The Illicit Liquor Crisis in India

Recurring Tragedies

Illicit liquor tragedies — like the recent one near Amritsar that killed at least 23 people — are not new. Such incidents have been reported across India, often affecting poor daily wage earners who consume cheap alcohol to escape harsh living conditions.

The Deadly Mix: Methanol and Greed

Bootleggers, driven by profit, use toxic substances like methanol, a cheap industrial chemical, to brew spurious liquor. Methanol resembles ethanol (used in consumable alcohol) but is highly poisonous and can be lethal in small quantities.



Shortcuts include:

- Using toxic additives (e.g., dead scorpions)
- Diluting industrial methanol
- Misjudging safe dilution ratios

A Nexus of Corruption

These tragedies are often enabled by:

- Corrupt local politicians
- Complicit law enforcement
- Negligent regulation

In Punjab, some police officers were suspended, but investigations often stop short of exposing the deeper supply chain of methanol theft.

What Is Methanol?

- Industrial alcohol, not meant for human consumption

- Used in petrochemical industries
- Often not illegal in itself, but becomes dangerous when used in illicit brews
- Cheaper than traditional, molasses-based liquor
- Classified as a Class B poison in many states

Weak Legal Outcomes

Despite serious charges like murder and attempted murder, convictions are rare. For example:

- In the 2015 Mumbai's Malvani area case, 10 out of 14 accused were acquitted after 9 years.
- No one was convicted under the Poison Act, which provides for stricter sentence.

Need for Stronger Regulation

Since methanol distribution is often inter-State, there's a case for:

- A central regulatory framework on methanol transport
- Stricter State-level enforcement
- Better use of the Poison Act in prosecutions

Addressing the Root Causes

Beyond enforcement, long-term solutions lie in:

- Reducing poverty
- Improving education and awareness
- Tackling social inequality
- Ensuring clean and accountable governance

Relevance: GS Prelims & Mains Paper II; Governance

Source: The Hindu

3. Why the Northeast-Kolkata Link via Myanmar Matters

Shifting Priorities: From Bangladesh to Myanmar

India's Kaladan Multi-Modal Transit Transport Project (KMMTTP), which connects Mizoram to Kolkata via Myanmar, has gained importance due to deteriorating ties with Bangladesh. The project offers a critical alternative route to the Northeast that bypasses Bangladesh.

Tensions with Bangladesh

Relations with Bangladesh have cooled since former PM Sheikh Hasina, a long-time ally of India, was ousted in 2023.

Recently, Bangladesh's interim leader called the Northeast "landlocked" and claimed Bangladesh was its "only gateway to the ocean"—remarks that troubled New Delhi.

India's Strategic Vulnerability: The 'Chicken's Neck'

India currently connects to the Northeast through the Siliguri Corridor, a narrow 20-km wide strip between Nepal and Bangladesh.

This "Chicken's Neck" is seen as a strategic weak point, prompting India to seek alternative access routes.

Kaladan Project: A Strategic Alternative

What is the KMMTTP?

A project signed in 2008 between India and Myanmar, the Kaladan Project aims to connect Kolkata to Mizoram via:

- Sea to Sittwe port in Myanmar
- River to Paletwa via the Kaladan River
- Road to Zorinpui (Mizoram border), and then to Aizawl and the rest of the Northeast

Key Benefits

- Cuts 1,000 km in distance between Kolkata and Mizoram
- Reduces travel time by 3–4 days
- Enhances connectivity without relying on Bangladesh

Components of the Kaladan Corridor

Segment	Mode	Status
Kolkata to Sittwe	Sea (539 km)	Completed
Sittwe to Paletwa	River (158 km)	Completed
Paletwa to Zorinpui	Road (108 km)	Partially incomplete (last 50 km pending)

Segment	Mode	Status
Zorinpui to Aizawl & beyond	Road	Operational; further upgrades planned



India has also approved a Shillong-Silchar four-lane highway, which will extend to Zorinpui and boost the corridor's utility.

Why the Delay?

Political and Security Challenges in Myanmar

- Myanmar's ethnic conflicts and 2021 military coup disrupted progress.
- The region through which the road passes is controlled by the Arakan Army, labeled a terrorist group by Myanmar's military.

India's Response

- In 2022, India signed a deal with Indian Railway Construction International Limited (IRCON) to complete the project within 40 months.
- Local contractors have been engaged, but on-ground progress remains slow.

Arakan Army's Stance

Interestingly, the Arakan Army claims to support the project, offering security since 2021 and denying any threat to the construction.

The Bigger Picture

With strained ties with Bangladesh and instability in Myanmar, India's goal is clear: secure independent and reliable access to its Northeastern states. The Kaladan Project is now more than a connectivity initiative — it is a strategic lifeline.

Relevance: GS Prelims & Mains Paper II; Bilateral Relations

Source: Indian Express

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