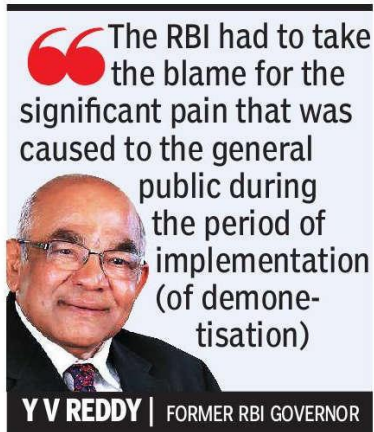


# RBI should worry top entities financed IL&FS

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**Pune:** Former RBI governor Y V Reddy has said that the central bank should be worried about top institutions financing sectors of the economy without knowing what they are doing. Referring to the country's top financial entities like the State Bank of India and Life Insurance Corporation holding stakes in the now troubled IL&FS, Reddy said that liquidity is not a concern but it is just a cause. He said that the IL&FS crisis is an insolvency issue more than it is a liquidity issue.

In a wide-ranging address at Pune's Gokhale In-



stitute of Politics and Economics that focused on the RBI's independence and the government-central bank relationship, among others, Reddy said that recent trends pointed to an unprecedented situation. Referring to the October 2018 epi-

sode, with reports of government threatening to invoke Section 7 of the RBI act that deals with issuing of directions to the central bank, Reddy said that it pointed to a breakdown in communication between the two.

“The RBI's reluctance to part with reserves was seen as a defiance of the government and not as a difference of opinion,” he said. He added, “Parting with reserves present and past is akin to extending perpetual loans (to the government) without interest.”

Saying that he was glad that the incumbent governor Shaktikanta Das said that he will uphold all that the RBI stands for; “it is also a matter of concern that he had to say it”.

## **‘LIC, SBI Responsible for IL&FS Collapse**

**MUMBAI** YV Reddy blamed LIC of India and SBI for the IL&FS collapse, which triggered a crisis among NBFCs grappling with a cash squeeze. “RBI should be concerned at the risk-assessment capabilities of PSU giants like LIC and SBI that allowed this to happen while having large stakes in IL&FS,” Reddy said. “If IL&FS faced a liquidity problem, it would have been RBI’s responsibility.” – **OB**