

Y V Reddy: Central banking and academia

Talk by Dr Y V Reddy, Governor of the Reserve Bank of India, on the occasion of the conferment of the Degree of Doctor of Civil Law by the University of Mauritius, Port Louis, 3 December 2007.

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Honourable Chancellor, Sir Ramesh Jewoolall, Respected Pro-Chancellor Professor Jugessur, Respected Vice-Chancellor, Professor Fagoonee, Governor Bheenick, distinguished academics, and friends,

It is a great honour and privilege to accept, gratefully, the conferment of the Degree of Doctor of Civil Law, *honoris causa* from the University of Mauritius. I deeply appreciate and thank the Governor of the Bank of Mauritius and Honorary Professor Rundheersingh Bheenick for presenting me for the conferment. This event is of special significance because the University commands immense prestige and has collaborations with several globally renowned academic institutions across the continents. The well known Indian Institute of Technology, Kanpur, India, is an example. The University is held in high esteem in India as exemplified by the visit to the University by Dr. A.P.J. Abdul Kalam, as President of the Republic of India, for an interactive session. The session was held on 13th March 2006 in this Auditorium in the University.

The conferment of this degree, in my humble submission, signifies the recognition of historical, cultural and economic ties between Mauritius and India. It also signals the shared desire to improve and reinforce our relations in the sectors that are critical in the rapidly developing world, such as knowledge based economy and services sector, especially financial sector and tourism. It is noteworthy that Professor Fagoonee has his current interests in information technology, management and environment. Contextually, this event invites a focus on interaction between central banks and academia.

It is well known that practice of central banking has been drawing very heavily from the academic contributions on the subject. Apart from theoretical foundations, academia provides guidance in the conduct of policy, both in terms of research inputs in collaborative work and in terms of participation in decision making process. While academics are often on the boards or committees of central banks, it is not uncommon for the Governors to be drawn from the academia – the current well known examples, to mention a few, are Professors Ben Bernanke in USA; Mervin King in UK, Axel Weber in Germany, Stanley Fischer in Israel and, of course, Professor Bheenick in Mauritius. No doubt, the central banks support research in academic and other research institutions. Often, the central banks provide significant inputs to national statistical endeavours, particularly in regard to financial sector.

We, in the RBI, attach great value to the interactions with the academia in several ways. The foundation for financial sector reform in the early 1990s, in India, was laid down by Governor Rangarajan, an academic, originally drawn from a Professorship of the Indian Institute of Management, Ahmedabad.

The Board of the Reserve Bank generally has four academics of eminence, two each from economics and sciences.

On an ongoing basis, the Reserve Bank benefits from active inputs from academics. Our standing Technical Advisory Committees on Monetary Policy; on Financial Markets; and on periodical Surveys; benefit immensely through representation of academics on these Committees.

The Reserve Bank also contributes to the requirements of the academic world through its key analytical publications such as Annual Report, Report on Trend and Progress of Banking in India, Report on Currency and Finance, State Finances: A Study of Budgets, Macroeconomic and Monetary Developments, the Weekly Statistical Supplement, the Monthly Bulletin and Handbook of Statistics on Indian Economy, for the use of researchers.

The Reserve Bank provides web-based access to the researchers through the Database on Indian Economy (DBIE). Time series data relating to the areas of financial sector, real sector, external sector, financial markets, public finance and corporate finance are made available through the DBIE. The users can navigate from metadata to the related data/reports. They can also navigate from the data/reports to the relevant metadata

Like other major central banks, the Reserve Bank has developed its own research capabilities in the fields of economics and statistics, which contribute to a better understanding of the functioning of the economy.

In order to facilitate research on development issues from multi-disciplinary points of view, an advanced research institute – the Indira Gandhi Institute of Development Research (IGIDR) – was established by the Reserve Bank of India in 1986. The IGIDR receives annual financial support from the Reserve Bank. The Institute is now recognized as a Deemed University.

The Development Research Group (DRG), constituted by the Reserve Bank in 1991, serves as a forum for collaborative research efforts between professional economists and officers of the Bank. The DRG has published 25 studies since its inception on a wide range of subjects relating to real and social sectors also. The studies are funded by the Reserve Bank.

The Reserve Bank had established the National Institute of Bank Management (NIBM) in 1969, as an autonomous apex institution, with the mandate of playing a proactive role of a "think-tank" of the banking system. The NIBM is recognized by the University of Pune as an approved Centre for Post-Graduate Research, and also by the Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India. Joint India-International Monetary Fund (IMF) Training Programme (ITP) has been established recently at the NIBM campus in Pune. The Reserve Bank has sponsored and funded this collaboration. This is the seventh such facility of the IMF Institute in the world.

A former Governor of the Reserve Bank and at present the Prime Minister, Professor Manmohan Singh, inaugurated the upgradation of the 50 year old Bankers' Training College into a Centre for Advanced Financial Learning, when he visited the Reserve Bank recently. The Centre is in the process of taking a final shape with the help of a high powered advisory group.

The Reserve Bank also promotes research by providing financial assistance under a scheme – the Reserve Bank's Endowment Scheme – to various institutions for undertaking research and training in areas of interest to the Reserve Bank. The financial support is generally provided through corpus funds. At present, there are 21 corpus funds and the beneficiaries include several universities.

The Reserve Bank funds several seminars/lectures by experts, including leading academics, most notable of them being a series of three Memorial Lectures and support to national level academic workshops/ conferences.

As a continuation of this process, and as a part of its capacity building and knowledge management initiatives, the Reserve Bank has recently signed a Memorandum of Understanding with the London School of Economics and Political Science (LSE), as one of the sponsors, for creating a LSE India Observatory and IG Patel Chair. Currently, an eminent economist, Lord Nick Stern, holds the Chair. The LSE India Observatory co-ordinates India related research, policy development and teaching at the LSE and is expected to emerge as

a hub for academic collaboration with academic institutions in India, government agencies and corporate bodies.

We, in the Reserve Bank, believe that this event reinforces our joint commitment to greater collaboration between our two countries, economies, financial sectors, central banks, and academia.

I would like to conclude by expressing my gratitude to the University, in particular, Vice Chancellor Professor Fagoonie for his kind invitation to me, and Honorary Professor Bheenick for making the conferment ceremony a very memorable one.

Thank you all, ladies and gentlemen.