RBI vs Election Commission

The Reserve Bank of India (RBI) rejected Election Commission's (EC) suggestion to relax the cash withdrawal limit on savings bank accounts yet again, and pointed out that the cap on withdrawing from current accounts had been lifted.

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What are the directives of Election Commission?

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- Recently the EC had asked the central bank to relax the weekly bank withdrawal limit on savings bank accounts from Rs 24,000 to Rs 2 lakh for candidates contesting elections in Uttar Pradesh, Uttarakhand, Punjab, Goa and Manipur.
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- The relaxation was justified by the commission on the ground that candidates would thus be able to meet their poll expenditure.
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- Ever since the demonetisation announcement, the RBI has made several changes to the weekly withdrawal limit.
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- Highlighting the problems being faced by the candidates, the EC had said, "The election process lasts only three to four weeks and therefore, the total amount that can be withdrawn with weekly limit of Rs 24,000 would only be Rs 96,000 as against the **statutory limit of expenditure of Rs 28 lakh** for the state of Punjab, Uttarakhand and UP and Rs 20 lakh for Manipur and Goa, as fixed by the Government."
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How RBI responded?

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- In response, the RBI said increasing the cash withdrawal limit was neither desirable nor possible.
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- It prompts an angry reaction from the poll watchdog, which reminded the

central bank that it is “imperative” that its directions are “complied with” during election season.
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- The central bank is learnt to have argued that since withdrawal limit on savings bank account is applicable to all individuals, including poll candidates, it’s not clear how it could disrupt the level-playing field in the upcoming elections in Punjab, Uttar Pradesh, Goa, Uttarakhand and Manipur.
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- The RBI refused to make an exception for the poll candidates, but pointed out that the **ceiling on current accounts had been lifted.**
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What measures are advised by the Election Commission?

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- The Election Commission noted that the RBI had not realised the gravity of the matter, reminding the central bank that it was the commission’s constitutional mandate to conduct free and fair elections.
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- The EC is learnt to have written to all state Chief Electoral officers and political parties, informing them that **all candidates should open current accounts for election expenditure.**
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- The RBI then refused to make an exception for the poll candidates, but pointed out that the ceiling on current accounts had been lifted.
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Way ahead:

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- In reality, however, the issues are not that complex. Of course, the Election Commission is within its rights to ensure conditions that allow free and fair elections.
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- But what it also needs to consider is whether it is necessary to allow candidates contesting elections to withdraw more cash than the limit imposed on ordinary citizens.
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- If businesses, traders and ordinary citizens, including voters, can make do with the limits imposed by the RBI on their cash withdrawals for the last several weeks by switching over to greater use of digital transactions and payment through cheques, there is no reason why candidates seeking votes in the forthcoming elections also should not follow the same principle by going digital or using cheques for their various poll-related payments.
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- The question the Election Commission must also answer is **whether the preferential relaxation in the cash withdrawal limit for candidates will amount to unfairly treating the rest of the country**, which continues to work within the limit imposed by the RBI.
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- Indeed, instead of seeking the relaxation, it should have advised candidates to embrace digital payment modes to contribute to the success of the government's digital campaign.
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- Relaxing the cash withdrawal limit for candidates will be prone to misuse as monitoring the withdrawal of cash from different bank accounts will pose a challenge.
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Source: The Indian Express

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