



How do you mitigate excessive risks
in an era of volatility?

SAVE **44%** ON YOUR SUBSCRIPTION
NIKKEI ASIAN REVIEW **SUBSCRIBE**

NIKKEI ASIAN REVIEW

Log in | Subscribe | About Nikkei Asian Review

Sort by Region

Search articles

Search companies

| Home | Politics & Economy | Business | Markets | Tech & Science | Viewpoints | Life & Arts | Features | Japan Update | Print Edition |

You might also like



Philippines wary of
Chinese encroachment on
disputed shoal



New Chinese aircraft
carrier to hit water by end
of year



South Korea pivots back
to US amid signs of
'cracks' in North regime



ABIS 2016: Saving ASEAN
from superficial
integration



BOJ Watch: What form
would Kuroda's
re-anchoring take?

Recommended by

Politics & Economy > Policy & Politics

June 20, 2016 12:15 pm JST

Commentary ▶

Chaitanya Kalbag -- India's central bank chief made too many enemies



India's Prime Minister Narendra Modi gestures to Reserve Bank of India (RBI) Governor Raghuram Rajan at an event on financial inclusion in Mumbai in April 2015. © Reuters

Indian markets, already skittish over Britain's Brexit referendum, now have to deal with the surprise announcement on June 18 by Reserve Bank of India (RBI) Governor Raghuram Rajan that he is stepping down when his three-year term ends on September 4.

Tough, uncompromising and outspoken, Rajan, 53, appeared to be doing everything that a good central bank chief ought to do in terms of policy. But

Latest headlines

Japanese emperor, empress mulling Vietnam trip as soon as next spring

Samsung's quick fix for Galaxy Note 7 is no full recharge

Thailand on alert after Zika cases more than double in two months to 200

Asian Americans a growing force in US election

Life of the Salween highlights Southeast Asia's dam concerns

more



Follow Nikkei Asian Review

Like 177K

The best content posted

Follow @NAR

The latest headlines tweeted

Editor's picks

China up close: China's Xi suffers diplomatic setback at G-20



Shakeout looms for Asian budget airlines



he was too independent for India's politicians and stepped on some very big toes.

Rajan served notice of what to expect on his very first day in office at the RBI, when he said: "The governorship of the Central Bank is not meant to win one votes or Facebook 'likes'. But I hope to do the right thing, no matter what the criticism."

ADVERTISING



inRead invented by Teads

Two weeks after he took over, Rajan stunned markets by raising interest rates, and did so twice more until early 2014, taking the repo rate to a high of 8% from 7.25%. Under constant pressure from the government and businessmen, he has since trimmed interest rates to a five-year low of 6.5% since January 2015, but critics wanted more.

Nonetheless, Rajan's efforts to restore investor confidence in India, arrest a sharp fall in the rupee's value and attack double-digit inflation have paid off.

Foreign direct investment rose from \$36 billion in 2013/14, the year before Modi took power, to \$55.45 billion in 2015/16. Foreign exchange reserves have increased sharply and the rupee ended last week trading close to 67 to the dollar, the same level the central bank chief inherited.

Despite those results, Modi's government had turned frosty, and some of its leaders distinctly hostile towards the RBI chief over the past couple of months. The government was celebrating two years in power, helped by growth of 7.6% in 2015-16 and the prospect of India being the world's fastest-growing economy this year.

But inflation, which Rajan targeted at 5% in fiscal 2016/17 ending March, rose sharply to 5.76% in May on the back of high food prices. Rajan responded by holding rates steady, ignoring business and political pressure to trim further.

In his farewell message to RBI staff on Saturday, Rajan made clear he would have liked to stay on but was being pushed. "While I was open to seeing these developments through, on due reflection, and after consultation with the

My Personal History: Dhanin Chearavanont (11): Pigs, pocket money and a priceless lesson



iPhone 7 -- made for Japan



Japanese revel as Godzilla wrecks their workplaces



Most read

BOJ to explore delving deeper into negative rates

Robot chefs help alleviate labor shortage in Japan

Destroyer or savior? Duterte shocks on international stage

Commentary: Tomoo Kikuchi and Yohei Tanaka -- Abenomics is not enough to rescue Japan

Hanjin failure seen delivering little relief to container shippers



Videos



Takeaways from ASEAN Business summit



World's lowest-priced Michelin star meal



Baselworld 2016 Luxe Watch Interview [Sponsored]

more



government, I want to share with you that I will be returning to academia when my term as Governor ends," he wrote. He also referred to two pieces of unfinished business on which he and the government have not seen eye to eye.

The first was a Monetary Policy Committee, recommended by a panel set up by Rajan himself. An MPC would dilute Rajan's singular power to decide on interest rates, but differences erupted over the membership and the RBI's remit. A six-member committee will now be set up only by September, nearly 18 months after it was mooted, with the governor holding the casting vote.

You might also like

5th nuclear test targeted US, North Korea tells Japanese lawmaker

The wirepuller behind the fall of India's central banker

'Pokemon Go' lies behind China's unprecedented military overhaul

Asia has all the ingredients for a fintech revolution

Commentary: Mark Flaming -- Fintech bridging wide gaps in the South Pacific

Recommended by

1 2 Next >

Last >>

Related stories

Commentary: Stephen Grenville -- India bids farewell to its 'maverick' central bank governor

India rupee NDFs near one month low after RBI chief's surprise decision to step down

Indian market outlook uncertain after Rajan's central bank news

Interview: Japan must take Abenomics even further: IMF official

India markets fall after RBI Rajan's surprise move to quit in September

We recommend

Japan mourns death of the 'Wolf' of wrestling

Massive layoffs hit China as heavy industries step up restructuring

Commentary: Nigel Gould-Davies -- Why Karimov's succession matters

CEO in the news: State Bank of India's Bhattacharya up for major merger

Inexperienced Chinese investors are getting stung by fintech scams

From around the web

Is this the malls of the future? (CNN INTERNATIONAL)

Cybersecurity Challenges, Risks, Trends, and Impacts: Survey Executive Summary (GovExec.com Top News)

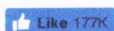
Hedge Funder FIRED Over Wild 'Wolf Of Wall Street' Hamptons Party (Radar Online)

Olympic Scandal: Ryan Lochte's Haunted Family Past Exposed! (Radar Online)

Meet the Man Who Comes Face to Face with India's Tigers (LifeToTheFullest.Abbott)

Recommended by

Follow Nikkei Asian Review



The best content posted

Follow @NAR

The latest headlines tweeted

NIKKEI
ASIAN REVIEW



About Nikkei Asian Review | Site map | Help | Contact us | Terms of use | Copyright | Privacy & cookie policy | Advertising | Announcements

Nikkei Inc. No reproduction without permission.

Mobile site | Japanese | Chinese