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_कार्यनीति प्रबंधन एवं आर्थिक परामर्श प्रभाग_
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1. FROM THE DESK OF CHIEF ECONOMIST

Indian economy in the upswing amidst global uncertainties

Indian economy continues to be in the upswing amidst recessionary fears across the globe. The Indian economy grew by 7.2% in FY'22-23 and crossed the $3.75 trillion mark. The inflation continues to be benign thus reassuring the confidence that the Indian economy is in a sweet macroeconomic spot.

❖ Global Outlook

Global economy continues to remain in a perilous state amid the lingering effects of the pandemic, the Russian Federation's invasion of Ukraine, and the sharp tightening of monetary policy across many countries to contain high inflation. World Bank has projected that the global growth will slow down significantly in the second half of this year, with weakness continuing in 2024. Inflation pressures persist, and tight monetary policy is expected to weigh substantially on activity going forward.

Many advanced and emerging economies are facing debt pressures and tighter financial conditions and higher interest rates across the globe might exacerbate the situation.

The US economy is expected to achieve a soft landing i.e. avoid a recessionary phase as is indicated by its latest labour market data and inflation data. The labour market in US is tight indicating potential acceleration in the economic growth. Inflation in US is also softening as it fell to 4% in May'2023 i.e. the lowest since March 2021. This prompted FED to opt for a pause after almost an year in the June FOMC (Federal open market Committee) meet though it continued with its hawkish stance and indicated at future rate hikes.

Slow consumer spending and sticky inflation have led to economic contraction in Euro Zone and the area is having weak growth prospects in the current year. Inflation in the zone at 6.1% in May'2023 is way above its medium target of 2%. ECB had to continue its fight with the inflation and thus hiked its key rate to 22 year high at 3.5%.

China's growth momentum is weakening. The data for industrial output, retail sales, PMI index, all indicate that the economy rebound seen earlier this year has lost its steam. Exports remain weak, the rebound in property market has faded and business are hit by falling profits. China's central bank lowered the short term lending rates for the first time in months to prop up a stalling post pandemic recovery.

❖ Domestic Outlook

The Indian economy registered GDP growth of 7.2% in FY22-23, an upward surprise from the earlier estimates of 7%, underscoring the country's economic resilience in the face of multiple challenges. Government spending and the strongest quarter-on-quarter investment growth in 23 years supported real GDP growth.

The strong momentum across high frequency growth indicators further corroborates the growth data. In May 2023, India manufacturing PMI rose to a 31-month high of 58.7 from 57.2 in the previous month. Automobile sales grew in healthy double digits last month amid steady supplies and sustained demand for passenger vehicles, three-wheelers and two-wheelers.

Growth in coal mining, rise in cashless payments and UPI, surge in electricity consumption, a considerable growth in freight loading for railways, boom in startups and entrepreneurship indicate the upward trend.

India is witnessing strong consumption growth majorly from urban areas comprising of large young employed workforce, living in nuclear families that is demanding goods and services. Moreover, improved inflationary trends are also increasing the purchasing power of rural households and will help support the rural consumption. As inflation comes down, the gap between the rural and urban consumption will narrow.

Second critical growth driver in India is government's robust capital expenditure, profitability of corporates, deleveraged balance sheets of India Inc. and the banks and supportive policies of the government to spur Investment in the economy. Capital spending specifically gains prominence due to its large multiplier impact on the economy and employments. Despite, expenses, Indian government was able to meet its fiscal deficit target at 6.4% of the GDP in FY'22-23.

Within exports, services exports are driven by IT exports from India and the trend will continue in the current financial year as well. Though, faltering growth in advanced economies might weaken the demand for Indian goods and services.

India's external sector is also in a comfortable position where the rupee is range bound in Rs.82-83/dollar. The forex reserves at RBI are at comfortable levels. FPIs flows are also rising in India due to improved macro-economic stability of the economy. We expect the current account deficit to narrow considerably in FY'24 to 1.2 – 1.5% of the GDP.

India's inflation for May'2023 was at 25 months low at 4.25% and was closer to the RBI's median target of 4%. Wholesale Price Index also contracted to 7 year low at -3.48% in May'2023. Thus it is evident that the inflationary pressures in India are ebbing away. The contraction in wholesale prices will further provide comfort to the retail prices. The low inflation print further vindicates the RBI's pause for second time in a row in its June Monetary Policy meet. Going forward, inflation in FY'23-24 is expected to be in the range of 5 – 5.2% and average WPI inflation is expected to be around 2 – 3%.

RBI will continue to adopt a wait and watch strategy as certain risk factors exists for inflation like El Nino's impact on monsoon and thus food inflation, uncertainty regarding crude oil prices, milk inflation. RBI might go for a rate cut only by Q4'FY23-24. The real rates are expected to stay in the positive territory that bodes well for savers and investors.

Banking sector of India is in its best shape with highest profitability and lowest NPA in years. Public sector banks in India achieved a significant milestone in the financial year ended March 2023, with their cumulative profit crossing the Rs.1 lakh crore-mark. All the banks are well capitalized and have strong balance sheets to continue to support the growth momentum of the economy.

Indian economy is currently in a goldilocks situation where the growth rate is high and the inflation is low. The economy is expected to clock a growth of 6.5% in the current financial year and is slated to be the fastest growing economy in the world.

Deepak Singh

(Deputy General Manager)

2. GIST OF WORLD BANK'S GLOBAL ECONOMIC PROSPECTS REPORT – JUNE 2023

The World Bank is an international organization dedicated to providing financing, advice, and research to developing nations to aid their economic advancement. The bank predominantly acts as an organization that attempts to fight poverty by offering developmental assistance to middle- and low-income countries.

It has recently released its report **"Global Economic Prospects Report" – June 2023**. It is a World Bank Group flagship report that examines global economic developments and prospects, with a special focus on emerging market and developing economies. It is issued twice a year, in January and June. *The highlights of the report are as under:*

➢ ***Global Outlook***

❖ The global economy remains in a precarious state amid the protracted effects of the overlapping negative shocks of the pandemic, the Russian Federation's invasion of Ukraine, and the sharp tightening of monetary policy to contain high inflation.

❖ Global growth is projected to slow significantly in the second half of this year, with weakness continuing in 2024.

❖ Inflation pressures persist, and tight monetary policy is expected to weigh substantially on activity.

❖ Despite the steepest global interest-rate hiking cycle in four decades, inflation remains high; even by end-2024, it will remain above the target range of most inflation-targeting central banks.

❖ The growth forecast for the different regions of the globe is as follows:-

Region	2023	2024	2025
Global growth	2.1%	2.4%	3.0%
Advanced Economies	0.7%	1.2%	2.2%
USA	1.1%	0.8%	2.3%
Euro Area	0.4%	1.3%	2.3%
Emerging & Developing Economies	4.0%	3.9%	4.0%
China	5.6%	4.6%	4.4%
India*	**6.3%**	**6.4%**	**6.5%**

*- *India's growth rate is for the Financial Year and not the Calendar Year*

- ❖ The possibility of more widespread bank turmoil and tighter monetary policy could result in even weaker global growth.
- ❖ In 2023, trade will grow at less than a third of its pace in the years before the pandemic.
- ❖ All the major drivers of global growth—including productivity, trade, labor force and investment growth—are expected to weaken over the remainder of this decade.
- ❖ Potential growth—the maximum growth the global economy can sustain over the longer term without igniting inflation—is expected to fall to a three-decade low over the remainder of the 2020s.

➢ ***Outlook for Emerging Markets & Developing Economies***

- ❖ Tight global financial conditions and subdued external demand are expected to weigh on growth across Emerging Market and Developing Economies (EMDEs).
- ❖ High interest rates aren't merely crimping growth in EMDEs; they are also dampening investment and intensifying the risk of financial crises.
- ❖ In emerging markets and developing economies, debt pressures are growing due to higher interest rates.
- ❖ Rising borrowing costs in advanced economies could lead to financial dislocations in the more vulnerable emerging market and developing economies (EMDEs).
- ❖ With increasingly restrictive global credit conditions, one out of every four EMDEs has effectively lost access to international bond markets.
- ❖ Rapid interest-rate increases of the kind that have been underway in the United States over the past year are correlated with a higher likelihood of financial crises in EMDEs.
- ❖ Geopolitical tensions, conflict and social unrest, and natural disasters stemming from climate change also present downside risks, to varying degrees. The materialization of such risks could further weaken potential growth, leading to a prolonged period of slower growth in all EMDE regions.
- ❖ By the end of 2024, economic activity in these economies is expected to be about 5% below levels projected on the eve of the pandemic.

➢ ***Outlook for Indian Economy***

- ❖ India will remain the fastest-growing economy (in terms of both aggregate and per capita GDP) of the largest EMDEs
- ❖ World Bank expects growth in India to slowdown further to 6.3% in the financial year FY 2023 - 24 (April to March). This is a 0.3 percentage point downward revision from the previous estimates of 6.6%.

- Slowdown in Indian economy is attributed to private consumption being constrained by high inflation and rising borrowing costs, while government consumption is impacted by fiscal consolidation.
- World Bank expects India's growth to pick up slightly through FY2025 - 26 as inflation moves back toward the midpoint of the tolerance range and reforms payoff.
- In India, which accounts for three-quarters of output in the South Asia region, growth in early 2023 remained below what it achieved in the decade before the pandemic as higher prices and rising borrowing costs weighed on private consumption.
- However, manufacturing rebounded into 2023 after contracting in the second half of 2022, and investment growth remained buoyant as the government ramped up capital expenditure. Private investment was also likely boosted by increasing corporate profits.
- India's headline consumer price inflation has returned to within the central bank's 2-6 percent tolerance band.
- Unemployment declined to 6.8 percent in the first quarter of 2023, the lowest since the onset of the COVID-19 pandemic, and labor force participation increased.

➢ ***Way Ahead***

- Comprehensive policy action is needed at the global and national levels to foster macroeconomic and financial stability.
- Among many EMDEs, and especially in low-income countries, bolstering fiscal sustainability will require generating higher revenues, making spending more efficient, and improving debt management practices.
- EMDEs need to rebuild currency reserve buffers to mitigate the impact of volatile capital flows.
- Prudential standards and capital and liquidity buffers at EMDE banks and other financial institutions can be shored up to reduce the risk of financial contagion from banks in advanced economies.
- Continued international cooperation is also necessary to tackle climate change, support populations affected by crises and hunger, and provide debt relief where needed.
- The slowdown in potential growth can be reversed with steps to accelerate productivity enhancing investment, strengthen health systems, improve student learning, and increase the participation of women and older workers in the labor force.
- Policies that promote trade and private capital mobilization—particularly for investments in digital technology and climate-related projects—will help a great deal.
- In the longer term, reversing a projected decline in EMDE potential growth will require reforms to bolster physical and human capital and labor-supply growth.

3. HIGHLIGHTS OF RBI'S MONETARY POLICY COMMITTEE

Highlights of the RBI's Monetary Policy announced on 08.06.2023 are given below:

A. Policy Rate	Existing	Now	Change
Policy Repo Rate	6.50%	6.50%	**No Change**
Standing Deposit Facility (SDF)	6.25%	6.25%	
MSF Rate	6.75%	6.75%	
Bank Rate	6.75%	6.75%	
B. Reserve Ratios			
Cash Reserve Ratio (CRR)	4.50%	4.50%	
Statutory Liquidity Ratio (SLR)	18.0%	18.0%	

a. **Policy Rates and Stance:** Reserve Bank of India's (RBI) monetary policy commission (MPC) kept the repo rate unchanged at 6.50%. The RBI had already hiked key benchmark lending rate by 250 basis points (bps) since an off-cycle 40 bps increase in repo in May 2022.

b. **Stance: RBI** maintains its stance of withdrawal of accommodation

c. **Rationale:** MPC decided to remain focused on the withdrawal of accommodation to ensure that inflation progressively aligns with the target, while supporting growth.

i. **Economic and Inflation Outlook**

Economy Outlook

- India's real gross domestic product (GDP) recorded a growth of 7.2 per cent in 2022-23 that was above the expected 7.0 per cent estimate. The growth rate for Q4'FY23 was at 6.1 per cent. Hence, economic activity remains resilient.
- Domestic economic activity remains resilient in Q1:2023-24 as reflected in high frequency indicators. Purchasing managers' indices (PMI) for manufacturing and services indicated sustained expansion, with the manufacturing PMI at a 31-month high in May and services PMI at a 13-year high in April-May.
- Investment activity is picking up as reflected in the healthy expansion in steel consumption and cement output in April. Merchandise exports and non-oil non-gold imports remained in contraction mode in April while services exports sustained a robust expansion.
- Weak external demand, geo-economics fragmentation, and protracted geopolitical tensions, however, pose risks to the outlook.
- Taking all these factors into consideration, GDP projections are as under:

RBI Projection GDP	Q1 FY24	Q2 FY'24	Q3 FY'24	Q4 FY'24	FY'24
06.04.2023	**7.8%**	**6.2%**	**6.1%**	**5.9%**	**6.5%**
08.06.2023	**8.0%↑**	**6.5%↑**	**6.0%↓**	**5.7%↓**	**6.5%↔**

Inflation Outlook

- CPI inflation fell sharply to 4.7 per cent in April 2023 from 6.4 per cent in February on the back of large favourable base effects, with softening observed across all the three major groups.
- Core inflation (i.e., CPI inflation excluding food and fuel) dipped, driven down by clothing and footwear, household goods and services, health, transport and communication, personal care and effects and recreation and amusement sub-groups.
- Going forward, the headline inflation trajectory is likely to be shaped by food price dynamics. Wheat prices could see some correction on robust mandi arrivals and procurement. Milk prices, on the other hand, are likely to remain under pressure due to supply shortfalls and high fodder costs.
- Taking into account these factors and assuming a normal monsoon the projections for CPI Inflation with risk evenly balanced is as under:

RBI Inflation Projection	Q1 FY24	Q2 FY’24	Q3 FY’24	Q4 FY’24	FY’24
06.04.2023	5.1%	5.4%	5.4%	5.2%	5.2%
08.06.2023	4.6%↓	5.2%↓	5.4%↔	5.2%↔	5.1%↓

i. Liquidity and Financial Market Conditions

- Surplus liquidity, as reflected in average daily absorptions under the LAF3 at ₹1.7 lakh crore during April-May, was lower than ₹2.9 lakh crore during the full year 2022-23.
- Money supply (M3) expanded by 10.1 per cent y-o-y and non-food bank credit by 15.6 per cent as on May 19, 2023.
- Since the third week of May, the decline in currency in circulation and pick-up in government spending have expanded the system liquidity. This has got further augmented due to the Reserve Bank’s market operations and the deposit of ₹2,000 banknotes in banks.
- The Reserve Bank conducted a 14-day variable rate repo (VRR) auction amounting to ₹50,000 crore as part of its main operation on May 19, 2023, similar to two such auctions conducted earlier in February and March 2023.
- Going forward, the Reserve Bank will remain nimble in its liquidity management, while ensuring that adequate resources are available for the productive requirements of the economy.
- The Reserve Bank will also ensure the orderly completion of the government’s market borrowing programme.

ii. External Sector

- India’s foreign exchange reserves were placed at US$ 595.1 billion as on June 2, 2023.
- India is making resolute strides to achieve the US$1 trillion merchandise export target by 2030 by focusing on diversification of markets and products, leveraging free trade agreements, strengthening manufacturing capacity and competitiveness by participating in value chains, and through schemes such as Production Linked Incentive (PLI) across sectors.

- During 2022-23, services exports grew faster (27.9 per cent) than merchandise exports (6.9 per cent).
- The current account deficit (CAD) is expected to have moderated further in Q4:2022- 23 and should remain eminently manageable in 2023-24 also.
- Overall, India's external sector remains resilient as key indicators, such as CAD to GDP, external debt to GDP and international investment position (IIP) to GDP ratios continue to improve.

iii. Additional Measures

I. Financial Markets

a) Borrowing in Call and Notice Money Markets by Scheduled Commercial Banks

With a view to providing greater flexibility for managing the money market borrowings, it has been decided that Scheduled Commercial Banks (excluding Small Finance Banks) can set their own limits for borrowing in Call and Notice Money Markets within the prudential limits for inter-bank liabilities prescribed by the Reserve Bank of India

II. Regulation & Supervision

b) Widening of the Scope of Prudential Framework for Stressed Assets

- The Prudential Framework for Resolution of Stressed Assets dated June 7, 2019 provides a broad principle-based framework. With a view to provide further impetus to the same, as well as to harmonise the instructions across all regulated entities, it is proposed to
  i. Issue a comprehensive regulatory framework governing compromise settlements and technical write-offs covering all regulated entities; and
  ii. Rationalise the extant prudential norms for implementation of resolution plans in respect of exposures affected by natural calamities, drawing upon the lessons from the resolution frameworks introduced during the Covid19 pandemic.

c) Default Loss Guarantee Arrangement in Digital Lending

- Based on extensive consultations with various stakeholders, and in tune with our objective of maintaining a balance between innovation and prudent risk management, it has been decided to put in place a regulatory framework for permitting Default Loss Guarantee arrangements in Digital Lending.

d) Priority Sector Lending (PSL) Targets for Primary (Urban) Cooperative Banks (UCBs)

- The PSL targets for UCBs were revised in 2020. In order to ensure a non-disruptive transition, a glide path was provided till March 31, 2024 to achieve the revised targets. With a view to ease the implementation challenges faced by the UCBs, it has been decided to extend the phase-in time for achievement of the said targets by two years, i.e. upto March 31, 2026.
- Further, suitable incentives shall be provided to UCBs that have met the prescribed targets as on March 31, 2023. Detailed circular on the matter will be issued separately.

e) Rationalisation of Licensing framework for Authorised Persons (Aps) under Foreign Exchange Management Act (FEMA), 1999

- The Licensing framework for Authorised Persons (APs) issued under FEMA, 1999 was last reviewed in March 2006. Keeping in view the progressive liberalisation under FEMA, increasing integration of the Indian economy with the global economy, digitisation of payment systems, evolving institutional structure, etc. over the last two decades, it has been decided to rationalise and simplify the licensing framework for APs to effectively meet the emerging requirements of the rapidly growing Indian economy.

III. Payment and Settlement Systems

f) Expanding the Scope and Reach of e-RUPI vouchers

- The e-RUPI, a digital voucher launched in August 2021, rides on the Unified Payments Interface (UPI) system of National Payments Corporation of India (NPCI). At present, purpose-specific vouchers are issued by banks on behalf of Central and State Governments and to a limited extent on behalf of corporates. Keeping in view the benefits for users and beneficiaries alike, it is proposed to expand the scope and reach of e-RUPI vouchers by

(a) permitting non-bank Prepaid Payment Instrument (PPI) issuers to issue e-RUPI vouchers and

(b) enabling issuance of e-RUPI vouchers on behalf of individuals. Other aspects like reloading of vouchers, authentication process, issuance limits, etc., will also be modified to facilitate use of e-RUPI vouchers.

g) Streamlining Bharat Bill Payment System processes and membership criteria

- To enhance efficiency of the system and also to encourage greater participation, the process flow of transactions and membership criteria for onboarding operating units in BBPS will be streamlined.

h) Internationalising Issuance and Acceptance of RuPay Cards

- In order to expand payment options for Indians travelling abroad, it has been decided to allow issuance of RuPay Prepaid Forex cards by banks in India for use at ATMs, PoS machines and online merchants overseas. Further, RuPay Debit, Credit, and Prepaid Cards will be enabled for issuance in foreign jurisdictions, which can be used internationally, including in India.

Our View:

RBI kept the rates unchanged as was widely anticipated by the market. RBI's tone was hawkish and further provides confidence that RBI is watchful of inflation being above its medium target of 4 per cent. RBI is in a wait and watch mode as it gauges the impact of 250 bps rate hike on the economy and how the monsoon unfolds going forward. RBI has taken development oriented measures that will further mature the financial sector.

4. GIST OF RBI'S ANNUAL REPORT

The Reserve Bank of India (RBI) has released its Annual Report for 2022-23, a statutory report of its Central Board of Directors. ***Key takeaways are given below.***

- The Indian economy exhibited robust resilience in 2022-23 amidst a global turmoil following the war in Ukraine, and recorded a growth of 7 per cent, the highest among major economies in the world.
- India remains resilient with sustained buoyancy in contact-intensive services, the government's continued thrust on capex, higher capacity utilisation in manufacturing, double digit credit growth, easing inflationary pressures on account of softer global commodity and food prices and good rabi crop prospects and rising optimism among businesses and consumers sustaining the momentum in FY24.
- With a stable exchange rate and a normal monsoon -- unless an El Nino event strikes -- the inflation trajectory is expected to move down over 2023-24.
- The size of the Reserve Bank's balance sheet increased by 2.50 per cent for the year ended March 31, 2023.
- While income for the year increased by 47.06 per cent, the expenditure increased by 14.05 per cent.
- The year ended with an overall surplus of Rs 87,416.22 crore as against Rs. 30,307.45 crore in the previous year, resulting in its increase of 188.43 per cent.
- Between May 2022 and February 2023, RBI's Monetary Policy Committee (MPC) has administered a cumulative rake hike of 2.5 percentage points in the policy rate. Data on weighted average lending rates (WALR) for various kinds of loans shows that the rate hikes have led to a significant increase in retail lending rates and barring education loans, almost all of them are now above pre-Covid levels. WALR for housing loans has seen an increase of more than 2 percentage points.
- CD ratio of the SCBs have improved to 75.8 per cent in FY'22-23 as against 72.2 per cent in the last financial year.

- During 2022-23, amidst buoyant demand for credit growth, the issuances of certificates of deposits (CDs) by banks have risen significantly as compared to the previous year, reflecting additional demand for liquidity by banks to bridge the funding gap between buoyant credit offtake and modest deposit growth. Fund mobilization through CD issuances has been robust at Rs. 6.73 lakh crore during the year, against Rs. 2.33 lakh in the previous F.Y.
- The Y-o-Y credit growth of the PSBs stood at 16.4 per cent as against Private sector Banks at 17.8 per cent. However, the share of PSBs in total SCB credit remain the largest.
- Gross NPA as share of total advances has fallen from 15.5% in 2018-19 to 5.8% in the quarter ending December 2022. While public sector banks continue to have higher NPA ratios, they have seen a large reduction in their NPA ratio.
- Value of frauds in FY23, has declined significantly, by as much as 83% since FY20, with decline most perceptible for PSBs at 85%. 2022-23 saw 13,530 cases of bank frauds involving an amount of ₹30,252 crore. These numbers were 9,097 and ₹59,819 crore in 2021-22.
- Frauds on advances, which includes willful loan defaults have fallen sharply in the last two years from ₹1.3 lakh crore to ₹28,792 crore in 2022-23.
- While small value card/internet frauds contributed maximum to the number of frauds reported by the private sector banks, the frauds in public sector banks were mainly in loan portfolio.
- The value and volume of banknotes in circulation increased by 7.8 per cent and 4.4 per cent, respectively, during 2022-23.
- In value terms, the share of Rs 500 and Rs 2,000 banknotes together accounted for 87.9 per cent of the total value of banknotes in circulation as on March 31, 2023, as compared to 87.1 per cent a year ago.
- Total Foreign Direct Investment (FDI) fell to a three-year low of $46 billion in 2022-23 according to the provisional estimates of the RBI annual report. This is 26% lower than the previous fiscal year.
- As the global uncertainties continue, the challenges for the government’s market borrowings are expected to persist in FY24, notwithstanding the lower size of the budgeted fiscal deficit of the Centre.

5. ANALYSIS OF INDIA'S GDP – Q4 FY23 AND FY23

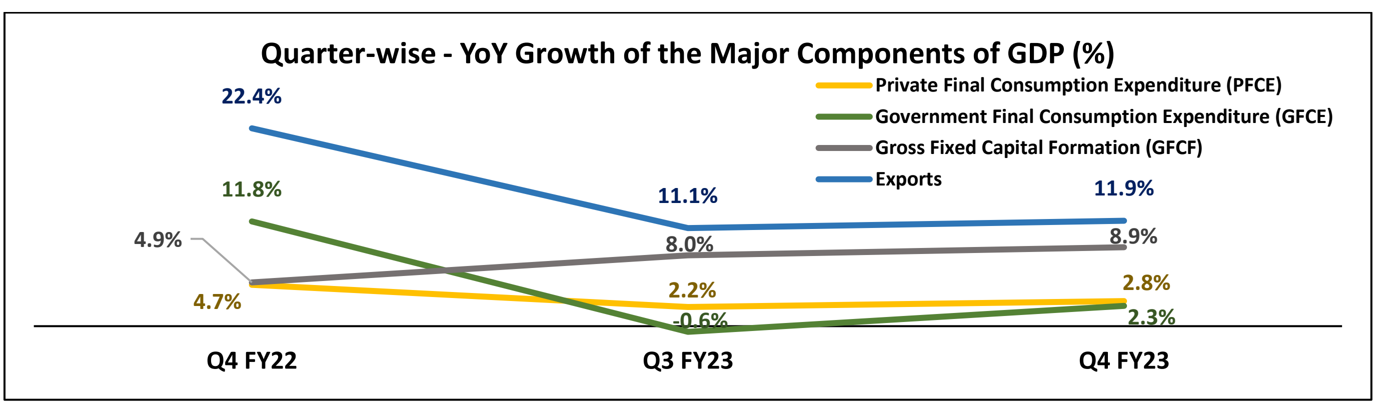
Gross Domestic Product (GDP) for FY23 grew by 7.2 per cent as compared to a growth of 9.1 per cent in the previous year. Also, **Real Gross Value Added (GVA) at basic prices in FY23 grew by 7.0 per cent** in comparison to a growth of 8.8 per cent in FY22**. For the last quarter of FY23, GDP grew by 6.1 per cent while GVA grew by 6.5 per cent.**

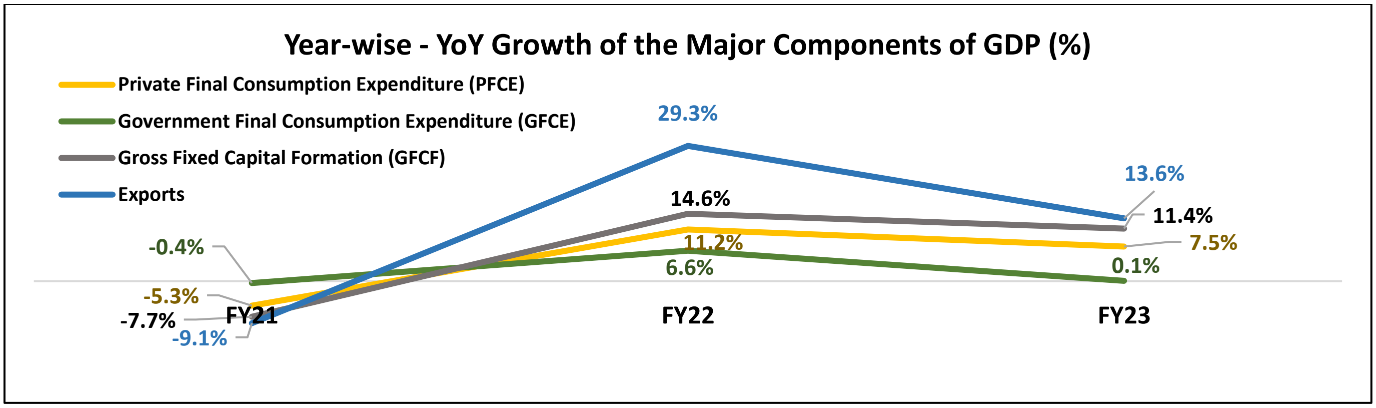
Highlights

- *The growth has driven the Indian economy to $3.3 trillion and set the stage for achieving $5 trillion target.*
- *For the quarter, growth was supported by the manufacturing and construction sectors and reflected sustained domestic demand amidst a gloomy global economic outlook.*
- *In the March quarter, India's manufacturing sector output rose 4.5 per cent on-year, while the farm output rose 5.5 per cent in the same period.*
- *Services sector showed a strong growth in FY23 with a growth rate of 9.5 per cent as against 8.8 per cent in FY22.*

Components of GDP

- Growth in **Private Final Consumption Expenditure**, the largest constituent of the GDP, improved slightly from the previous quarter but remained at a lower level. The full year growth for the component also declined from the previous year from 11.2 per cent in FY22 to 7.5 per cent in FY23. ***This calls for an improvement in the consumer sentiments in the coming days.***
- Growth in **Government Final Consumption Expenditure** improved in the quarter to 2.3 per cent, coming out of the negative zone. However, the overall growth in the full year was marginal due to the negative growth in the previous two quarters. ***The lower rate of the component implies the less dependency of the economy on the Government Expenditures.***
- The growth of investment in the economy, denoted by **Gross Fixed Capital Formation,** increased from the previous quarter from 8.0 per cent to 8.9 per cent. The growth rate for the full year was also at a high-level with 11.4 per cent. ***This implies the continuous focus of the Government and the initiatives taken towards capital expenditure.***
- **Exports** improved slightly from previous quarter's growth, however declined sharply from the previous year's, ***implying sluggish demand and recession in the global economy.***

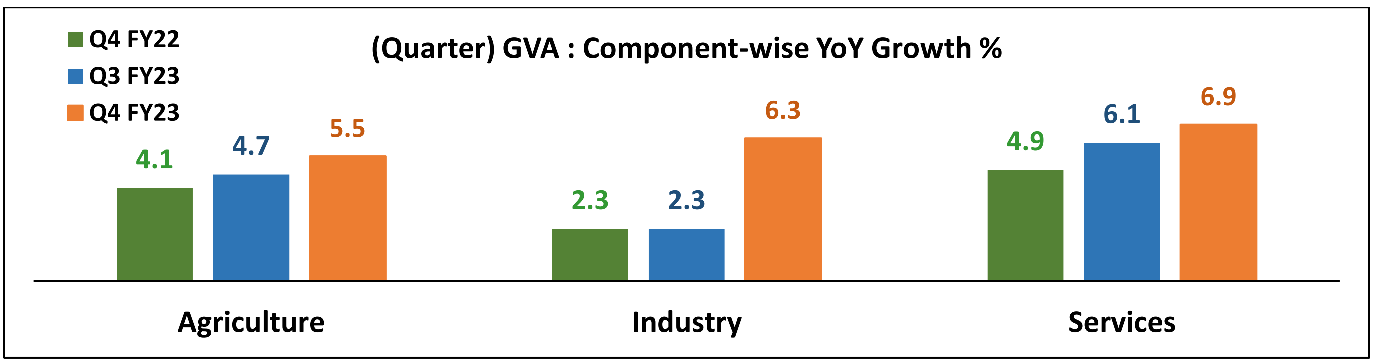


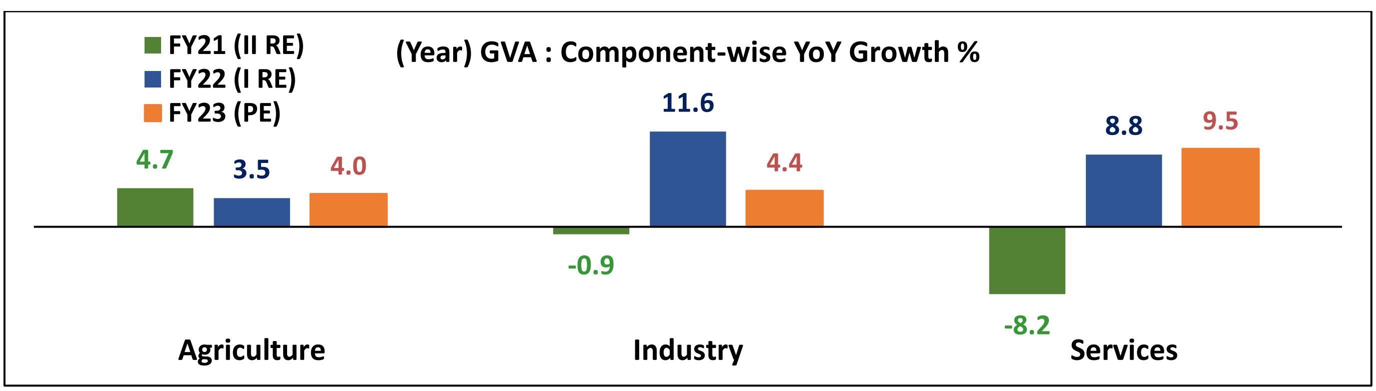


Change of the Major Component's Share in GDP from last Year

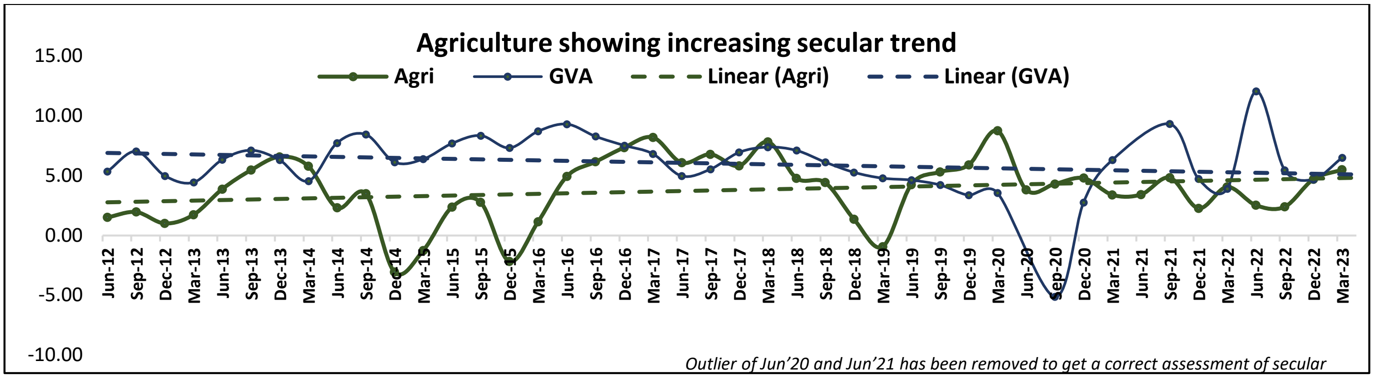
- Share of Private Final Consumption Expenditure increased marginally from 58.3 in FY22 to 58.5 in FY23.
- Share of Government Final Consumption Expenditure declined from 10.6 per cent to 9.9 per cent in FY23.
- Share of Gross Fixed Capital Formation increased sharply from 32.7 per cent a year ago to 34 per cent in FY23.
- Share of Exports and Imports also increased compared to previous year.

Components of GVA



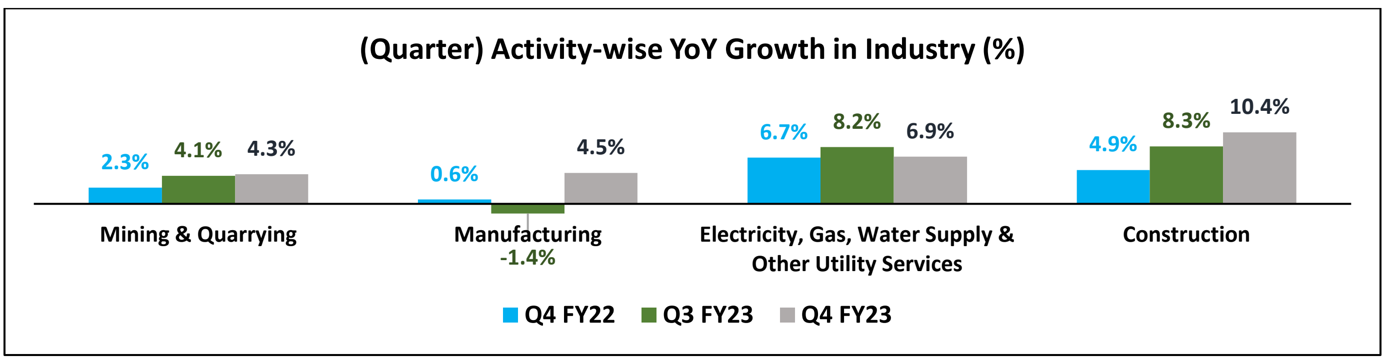


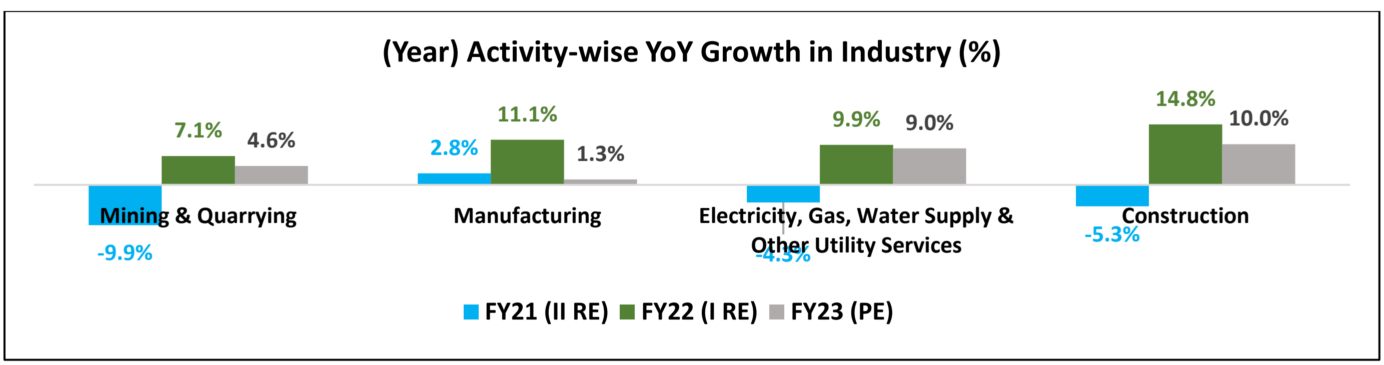
- The GVA growth in the **Farm sector** increased substantially from the previous quarter and registered a growth of 5.5 per cent. For the year too, the Agricultural sector increased from the previous year to 4.0 per cent, ***thus proving to be a major contributor despite facing adverse weather conditions.*** *The graph below justifies the sector's contribution.*



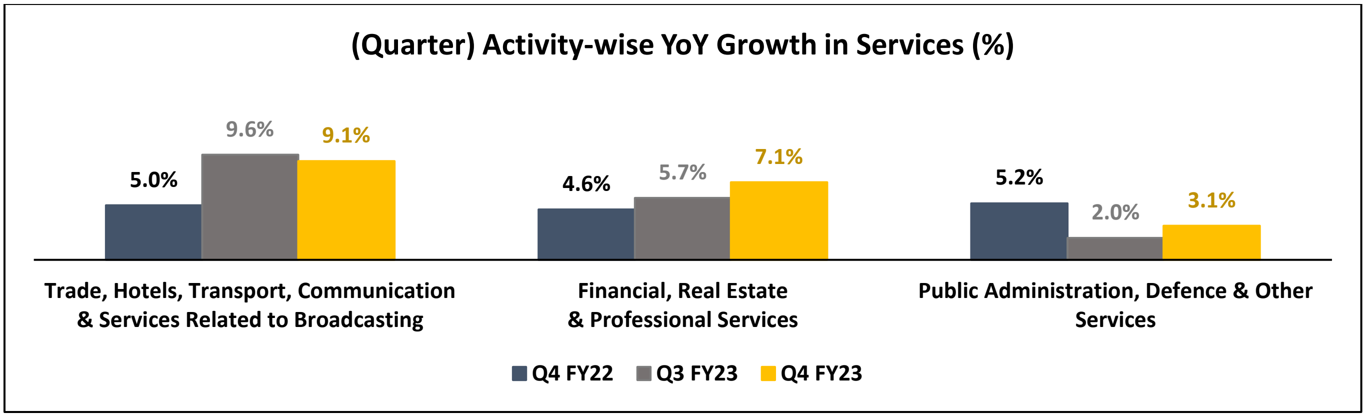
- **The Industry sector** experienced a robust growth of 6.3 per cent in the quarter (Q4 FY23) from 2.3 per cent in the previous quarter. However, the overall growth for the FY23 came down to 4.4 per cent due to ***the slow performance in the previous quarters.***
- ***The Services sector played a major role in the country's growth***, increasing both quarter wise (6.9 per cent from 6.1 per cent in the previous quarter) and year wise (9.5 per cent in FY23 from 8.8 per cent in FY22).

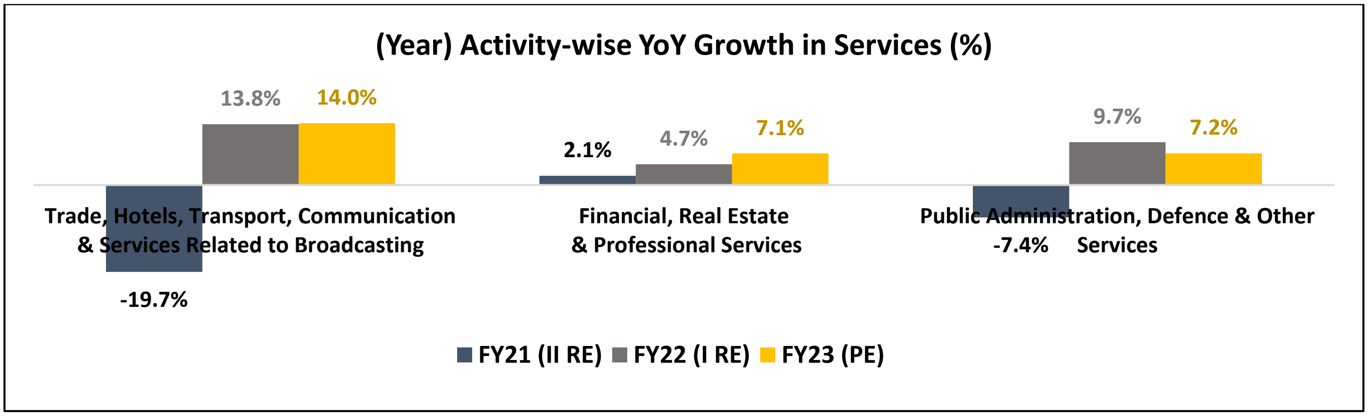
Closer look at Industry and Services





- **The Manufacturing industry**, a major part of the industry sector, **drove the growth of industry in the quarter** (Q4 FY23), growing from negative zone to 4.5 per cent, however could not make a mark for the full year when compared to the previous year's growth. ***The expansion in the quarter attributes to higher profitability in the sector owing to moderate input costs.***
- Despite the rate hikes and elevated inflation levels, ***the Construction sector showcased a robust performance with double-digit growth for both the quarter and the full year.***





- ***Growth in Services sector was mainly led by 'Trade, Hotel, Transport, Communication & Services related to broadcasting' segment***, which registered a growth of 9.1 per cent in Q4 FY23 and 14 per cent for FY23.
- ***'Financial, Real Estate & Professional Services' segment***, also registered a growth of 7.1 per cent for both, the quarter and the year.

Way forward

- Even though the rate of GDP growth remained lower than the previous year, **India remains as one of the fastest-growing economies among major global players.**
- Going ahead, the Private Expenditure needs to be pick-up this year.
- With the strong growth of FY23**, the present year needs more effort on all the aspects because of the higher base.**
- **The resilient economic performance also gives room for sticking to the rate hike pause** in the upcoming Monetary Policy Meets.
- **GDP growth may be expected around 6.3 - 6.6 per cent** which is in line with RBI's expectation of 6.5 per cent for FY24 on the back of easing inflationary pressures. However, the potential risks from global uncertainties and the El Nino Conditions will remain as the threats to be watchful of.

Sagnik Bose

Manager - Economist

6. HOW HAS INDIA TRANSFORMED IN LESS THAN A DECADE: MORGAN STANLEY REPORT

Macroeconomic Indicators

1. **The nominal GDP of India** has gone up from $1826 billion in FY12 to $3174 billion in FY22. It is likely to go up to $7903 billion in FY32.
2. **The nominal GDP per capita** has gone up from $1460 billion in FY12 to $2278 billion in FY22. It is likely to go up to $5242 billion in FY32.
3. **The consumption share as % of GDP** has gone up from $1026 billion in FY12 to $1883 billion in FY22. It is likely to go up to $4544 billion in FY32.
4. **Manufacturing and capex** as % of GDP has increased steadily. The report expect a new cycle in manufacturing and capex, and the share of both to rise in GDP.
5. **Export market share to double:** India's export market share will rise to 4.5% by 2031, nearly 2x from 2021 levels, with broad based gains across goods and services exports.
6. **Major shift in consumption basket:** As India's per capita income increases from US$2,200 in FY2021 to about US$5,200 by F2032, this will have major implications for change in the consumption basket, with an impetus to discretionary consumption.
7. **Flexible Inflation targeting:** The flexible inflation targets of RBI's has controlled inflation and at the same time focused on growth wherever necessary. RBI has kept a fine balance between its own rate hike and FED rate hike.
8. **Lower volatility in inflation and shallower interest rate cycles:** Inflation will remain benign and less volatile, which would imply shallower rate cycles. Shallower rate cycles could also imply more benign equity market cycles.
9. **Benign trend in current account deficit:** India's structural transformation will feed into the saving-investment dynamics, implying gains for its external balance sheet, with a progressively narrower trend in the CAD.
10. **India's overall credit/ Nominal GDP** will likely grow from 57% in FY 2022 to 100% in FY2032 with loan growth of CAGR 17%.
11. **Formalization of the economy:** GST collections have shown an upward trend and increased substantially from Jul-18 to Apr-23. The digital transactions as a % of GDP has increased from 4.4% in FY 2016 to 76.1% in FY 2023. The Base Corporate Tax rate of the country is now at par with the peer countries.
12. There has been significant progress across the **infrastructure sector,** national highways have increased from 25.7 Km between FY 2006-15 to 53.7 Km between FY 2015-2023, Broadband subscribers have increased from 58.9 mn between FY 2006-15 to 771.3 mn between FY 2015-2023, Renewable electricity has increased from 25.7 Gw between FY 2006-15 to 95.7 Gw between FY 2015-2023.
13. **Social Transfer Direct to beneficiary:** The number of schemes covered in both kind and cash under DBT have increased.
14. **Insolvency and Bankruptcy code:** The impaired loans ratio is at 12-year low. Corporate debt as % of GDP has moderated from 62% in FY 2015 to 50% in FY23.

15. **Focus on FDI:** The Gross FDI in US $ bn has gone up substantially from 2005 to 2023. While Net investment (Eq+ Debt) has declined.

Stock Market Implications

1. **A profit boom:** The share of profits in GDP has doubled from all-time lows hit in 2020 and are set to rise further – maybe even double from here – leading to strong absolute and relative earnings. This explains India's apparently rich headline equity valuations. Triggered by supply-side reforms by the government there will be a major rise in investments, a moderation in the CAD and an increase in credit to GDP to support the coming profit growth.
2. **Lower correlation with oil prices:** Lower share of foreign portfolio (FPI) in current account funding has reduced the stock market's negative return correlation with oil prices, especially when oil prices rise due to supply disruption.
3. **Lower correlation with US recession:** As India's reliance on global capital market flows has reduced, the market's sensitivity to a US recession and US Fed rate changes also seems to be fading.
4. **Valuation re-rating:** This reflects persistent domestic demand for stocks and higher growth for longer. India is trading at a premium to long-term history, albeit well off highs and in line with recent history.
5. **India's beta to EM has fallen to 0.6:** This is a consequence of improved macro stability and reduction in dependence on global capital market flows to fund the CAD.

Sector implications

1. A discretionary spending boom is on the horizon,
   a. The retail market has increased from $461 billion in FY12 to $781 billion in FY22. It will likely increase to $1834 billion in FY32 with modern trade and e-commerce channels to gain more share.
   b. Non-retail consumption has gone up from $ 565 billion in FY12 to $1102 billion in FY22. It will likely go up to $2710 billion in FY32.
2. India will emerge, as a major Energy boom the non-fossil will comprise a major share in energy generation.
3. **Real Estate (Regulation and Development Act):** The new launches and new sales have significantly increased since the last eight years major increase has been from Second quarter of FY21.
4. **Sentiments of MNC** has been multiyear high and India’s Service export market share has accelerated. As on Dec’22, India accounts for 4.9% of World service export share and 1.8% of world’s good export share.

Conclusion

1. India’s Nominal GDP over the next decade will increase sharply and it will resemble China during the period 2007-11.
2. GDP and productivity growth differential will swing in India’s favor.
3. The Key Risks to growth of Indian economy includes, a global recession, a fragmented general election outcome in 2024, sharp rise in commodity prices due to supply outages and shortages in skilled labor supply.

7. CLASSROOM - BANCASSURANCE

Introduction

There has been rapid modernization, technological upgradations, model conceptualizations, and diversifications in Banking operations around the globe over the last few decades. We have seen joint ventures among financial entities in many forms, Bancassurance being one of them. Bancassurance has its roots in France where the model appeared around the 1980s. The nomenclature Bancassurance got derived from two French words namely ‘Banque’ meaning Bank and the other is ‘Assurance’ depicting insurance. The synonyms often used for bancassurance are ‘Allfinanz’ (in German), ‘Assurebanking’, and ‘Integrated Financial Services’. Bancassurance in India saw light in the year 2000 when Government allowed Indian Banks to undertake insurance operations through a notification under Banking Regulation Act. The bancassurance business started augmenting post-mid-2002 when the Insurance Regulatory and Development Authority of India (IRDAI) passed a notification on corporate agency regulations. It has been almost two decades since its introduction in India but still Bancassurance keeps holding its position as highly relevant in the Banking business.

Concept and the Positives

This business strategy known as "bancassurance" involves an alliance between banks and insurance providers for the purpose of selling insurance to consumers. The established distribution channels of a bank i.e, Bank Branches are used in this strategy to sell insurance policies. The development of new technologies, the ubiquity of banking services, and the expansion of non-banking financial activities are all credited with the growth of the bancassurance industry. The bank makes money by marketing insurance policies referred to as Fee Based income. The revenue earned is completely risk-free for the bank. This business endeavour is very appealing to the insurance industry also due to benefits like reduced customer acquisition costs and lesser administrative costs. Insurance firms get benefit from the expanded market and subsequently rising earnings. From, the customers' point of view, Customers gain from having easier, more affordable, and higher-quality access to insurance goods along with normal Banking services under one roof.

The Challenges of Bancassurance

Despite having many advantages, several issues are still there in this model. There is certainly a methodological difference in selling Banking products and Insurance products. There is also a chance of a conflict of interest as many of the Banking products and insurance products are sometimes having the same aim i.e, long-term investments. Banks may face a substitution risk as insurance products have the added advantage of risk coverage and taxation benefits.

Conclusion and the Future Ahead

Bancassurance through its wide advantages has continuously remained a focus for Banks around the globe. The future seems to be very much positive especially post-pandemic where the awareness and requirement of insurance have seen tremendous growth. Future prospects for financial integration through Bancassurance will be improved if the issues are addressed in a much better way. It is necessary to have a workable plan, coordination, management, and appropriate staffing for the same.

Sandipam Palit
Manager - Treasury
HO Treasury Division

8. GIST OF LATEST RBI CIRCULARS FOR BANKS

Date of Circular	08-June-2023
Ref. No.	RBI/2023-24/41 DOR.CRE.REC.21/21.07.001/2023-24
Subject	Guidelines on Default Loss Guarantee (DLG) in Digital Lending

Gist: A reference is invited to Para (3.4.3.1) of Section C of Annex-II to the RBI Press Release "Recommendations of the Working group on Digital Lending – Implementation" dated August 10, 2022 in terms of which it was stated that the recommendation pertaining to First Loss Default Guarantee (FLDG) was under examination with the Reserve Bank.

Arrangements between Regulated Entities (REs) and Lending Service Providers (LSPs) or between two REs involving default loss guarantee (DLG), commonly known as FLDG, has since been examined by the Bank and it has been decided to permit such arrangements subject to the guidelines laid down in the Annex to this circular. DLG arrangements conforming to these guidelines shall not be treated as 'synthetic securitisation'1 and/or shall also not attract the provisions of 'loan participation. The guidelines shall come into effect from the date of this Circular.

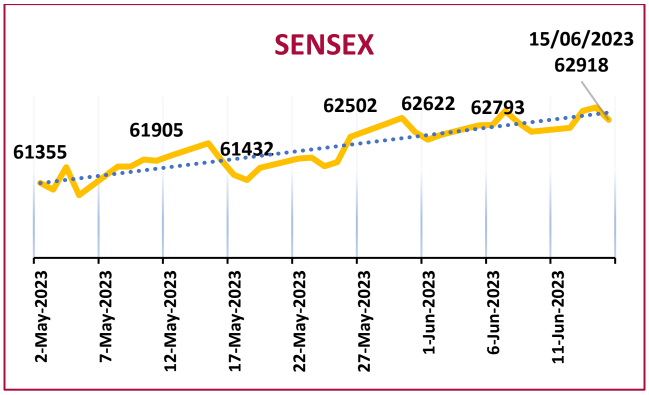
Date of Circular	08-June-2023
Ref. No.	RBI/2023-24/40 DOR.STR.REC.20/21.04.048/2023-24
Subject	Framework for Compromise Settlements and Technical Write-offs

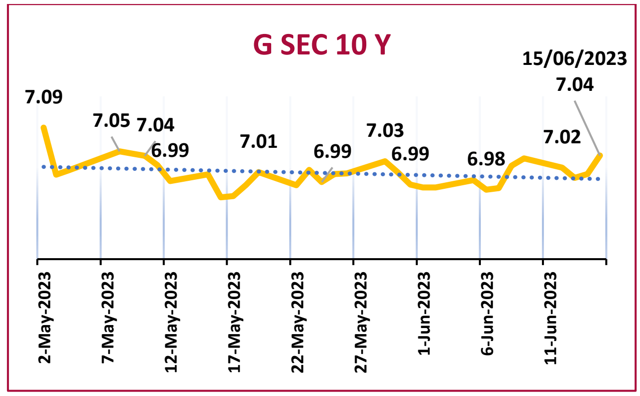
Gist: With a view to provide further impetus to resolution of stressed assets in the system as well as to rationalize and harmonize the instructions across all REs, as announced in the Statement on Developmental and Regulatory Policies released on June 8, 2023, it has been decided to issue a comprehensive regulatory framework governing compromise settlements and technical write-offs covering all the REs,

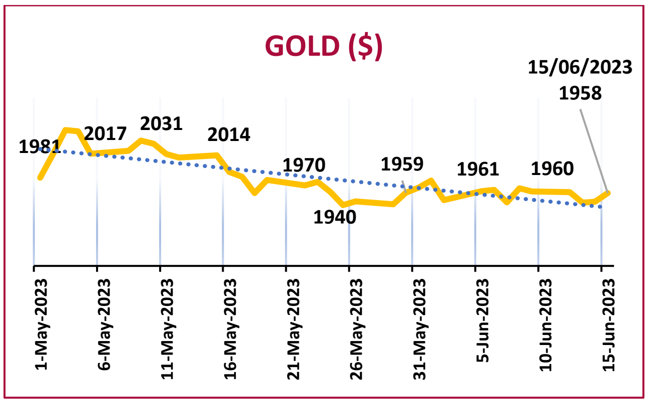
The provisions of this framework shall be applicable to all REs to which this circular is addressed and shall be without prejudice to the provisions of the Prudential Framework, or any other guidelines applicable to the REs on resolution of stressed assets.

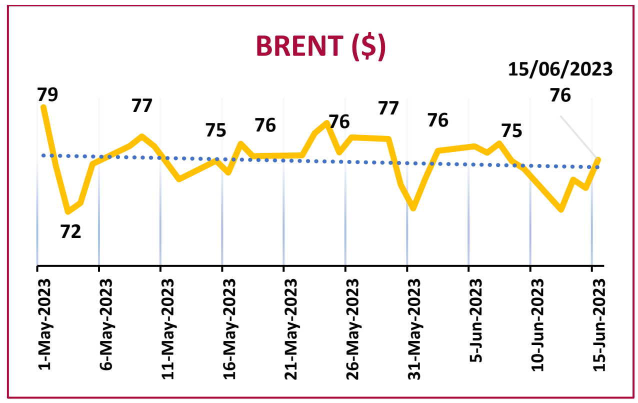
(22nd May'23-08th June'23)

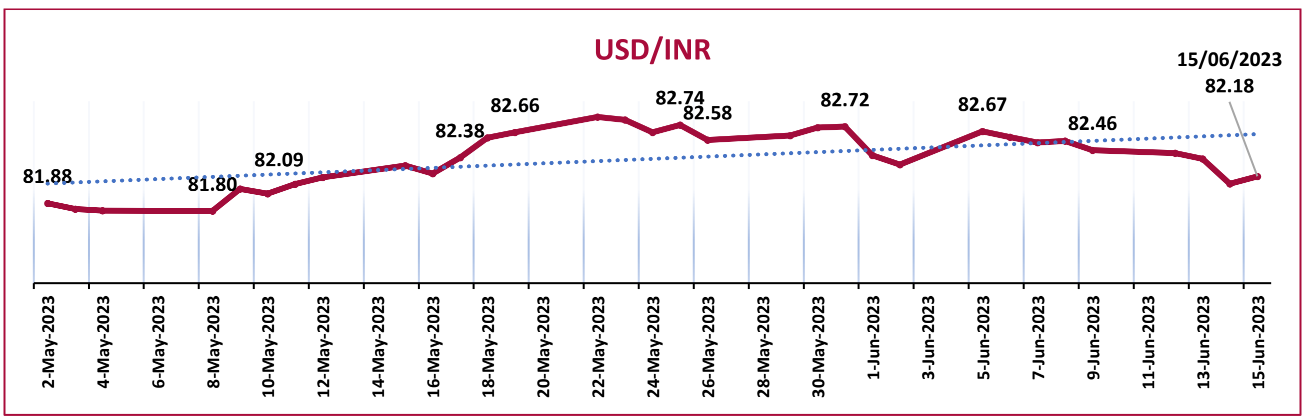
9. DAILY ECONOMIC INDICATORS

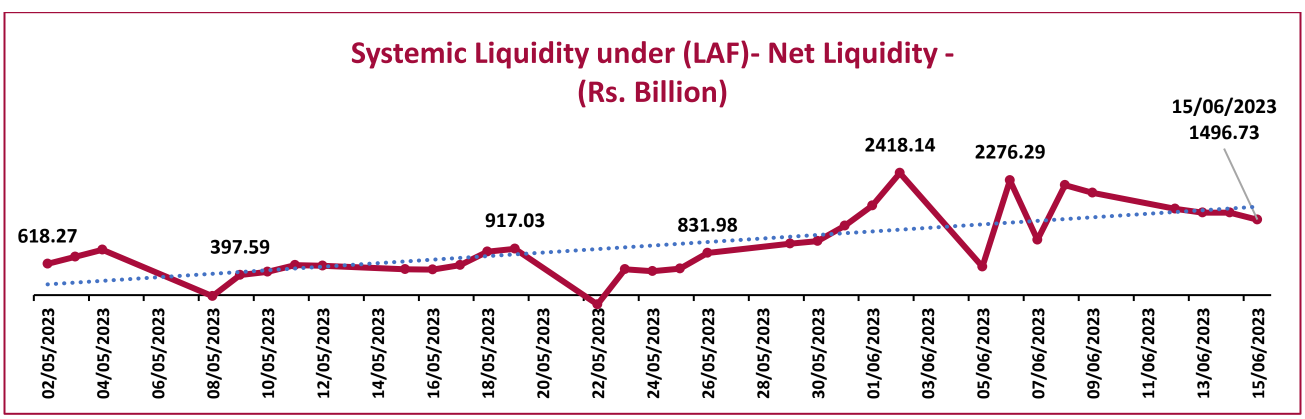








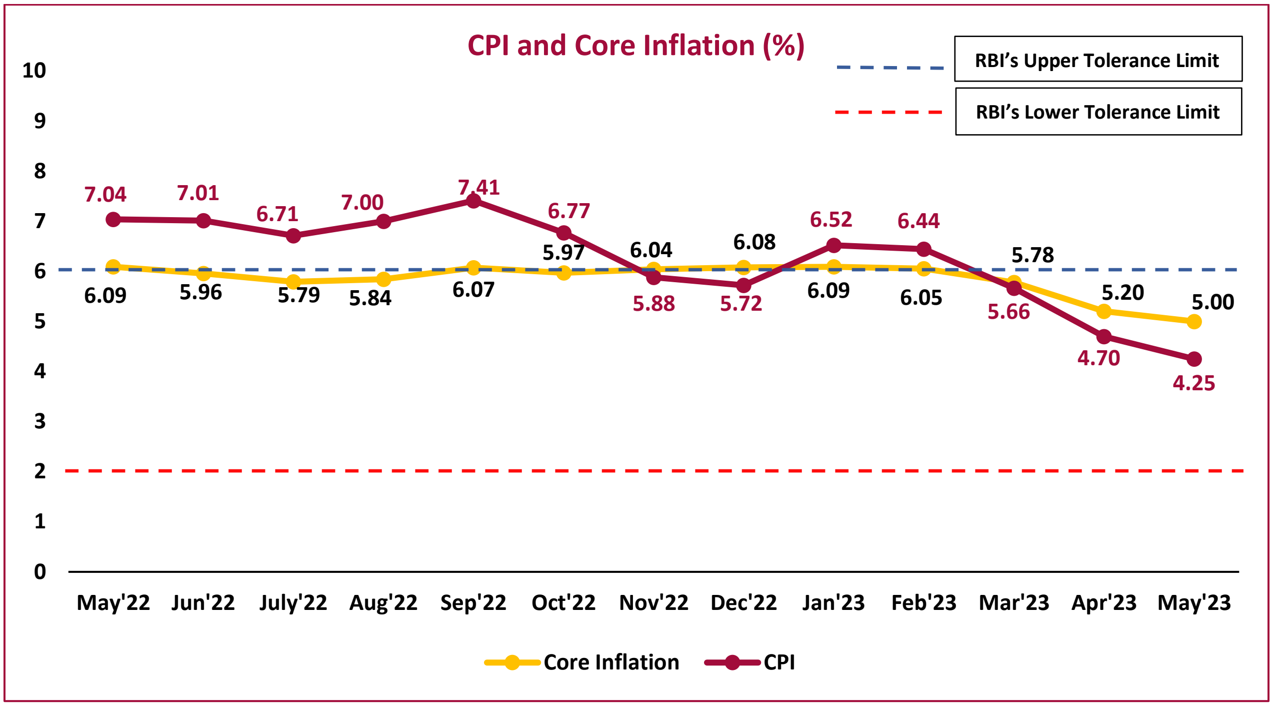


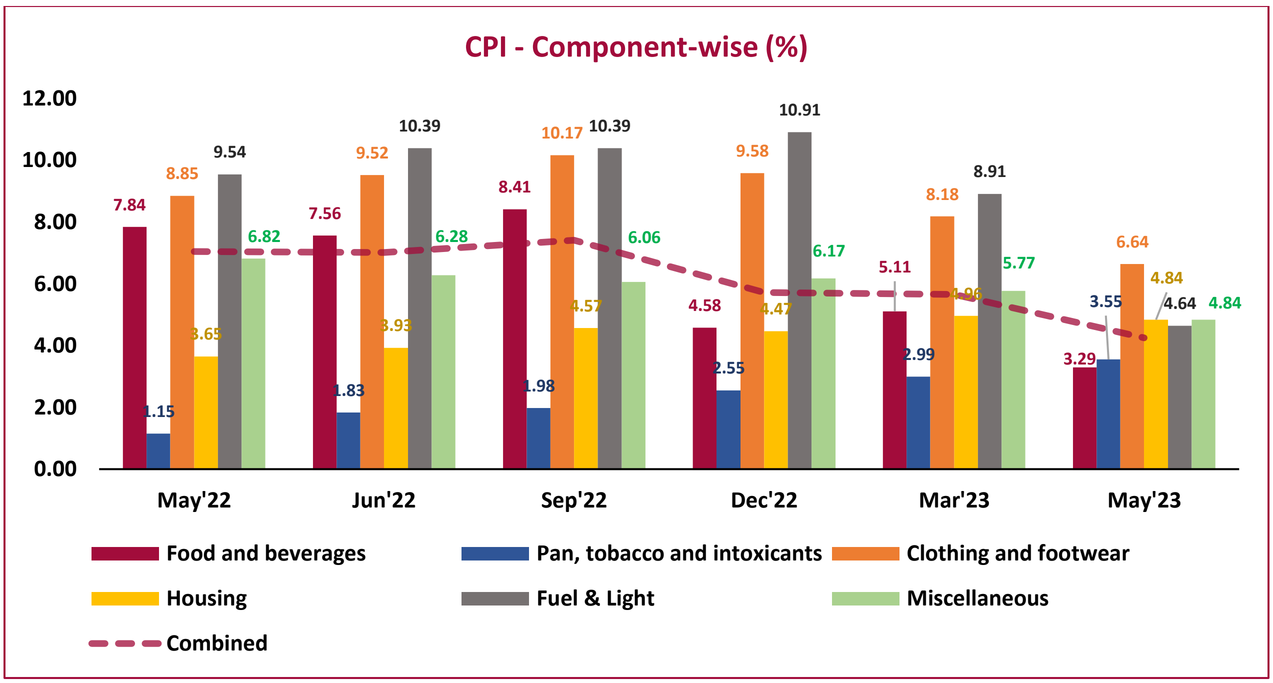


10. MONTHLY & FORTNIGHTLY ECONOMIC INDICATORS

CONSUMER PRICE INDEX (CPI)

Retail Inflation declines to 2 year low in May 2023

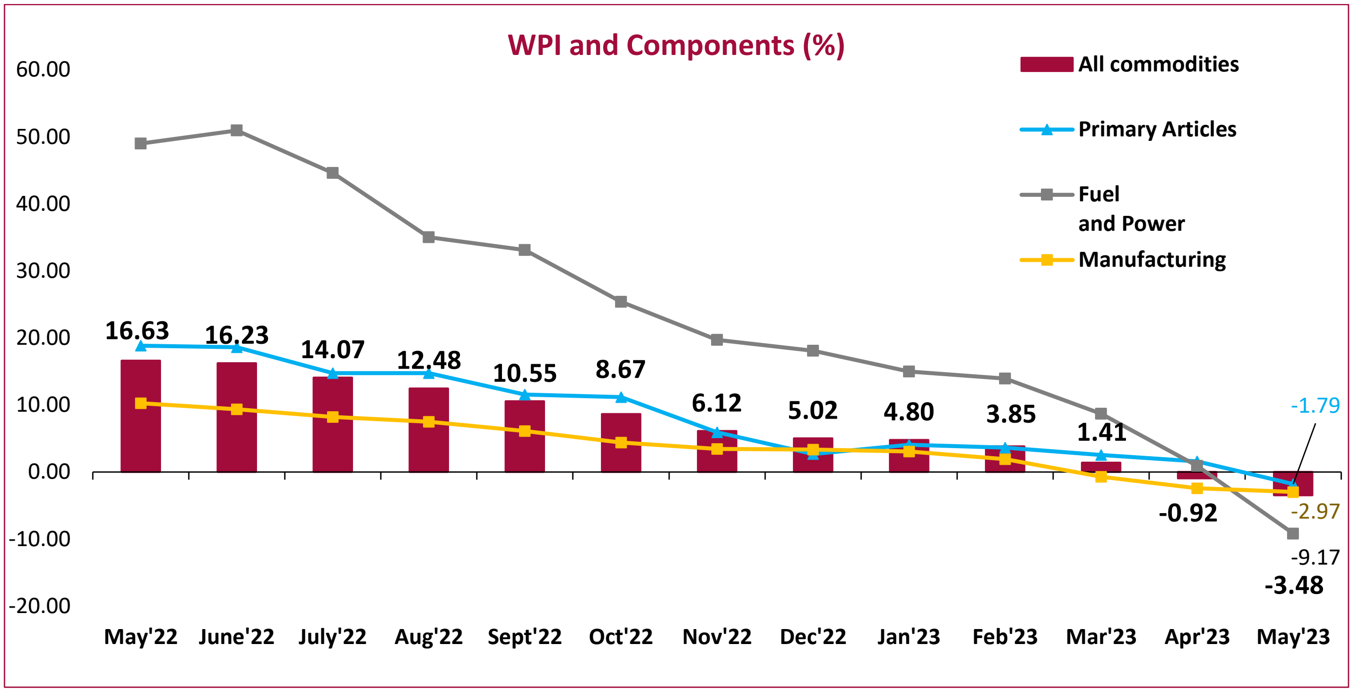




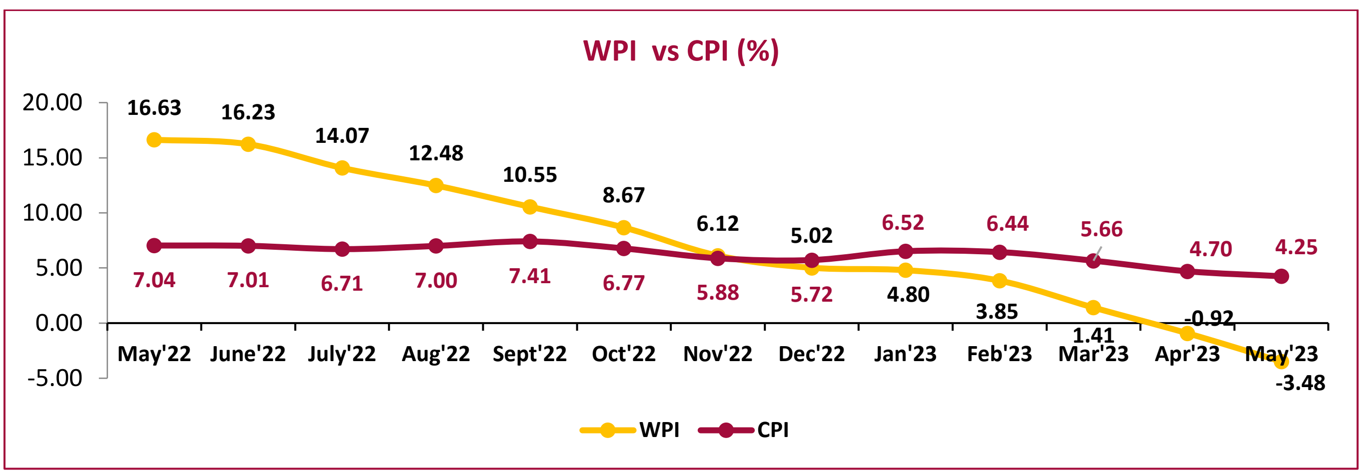
India's retail inflation in May 2023 slowed down to 4.25 per cent and remained within the targeted range of 2-6 per cent. The slow-down in the pace was mainly driven by cooling prices of Food and Fuel.

WHOLESALE PRICE INDEX (WPI)

WPI continues to be in deflationary zone



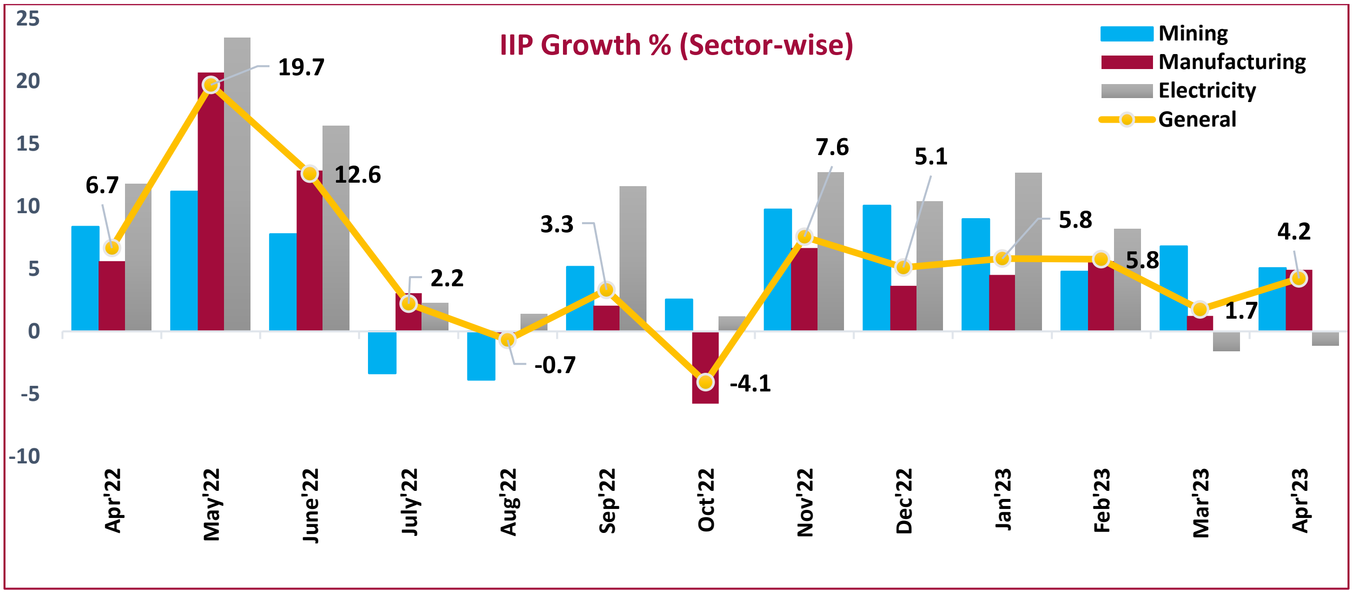
WPI Inflation (%)	Primary Articles		Fuel & Power		Manufactured Products		Food Articles *(Part of Primary Articles)*		All Commodities	
Weights	22.62%		13.15%		64.23%		15.26%		100%	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Mar	15.94	**2.52**	31.78	**8.69**	11.26	**-0.70**	8.44	**5.42**	14.63	**1.41**
Apr	15.18	**1.60**	38.84	**0.93**	11.39	**-2.42**	8.48	**3.54**	15.38	**-0.92**
May	18.84	**-1.79**	49.00	**-9.17**	10.27	**-2.97**	11.78	**1.51**	16.63	**-3.48**



Wholesale Price Index contracted once again and registered decline of 3.48 per cent. It was three year low and has been primarily contributed by fall in prices of mineral oils, basic metals, food products, textiles, non-food articles, crude petroleum & natural gas, and chemical & chemical products.

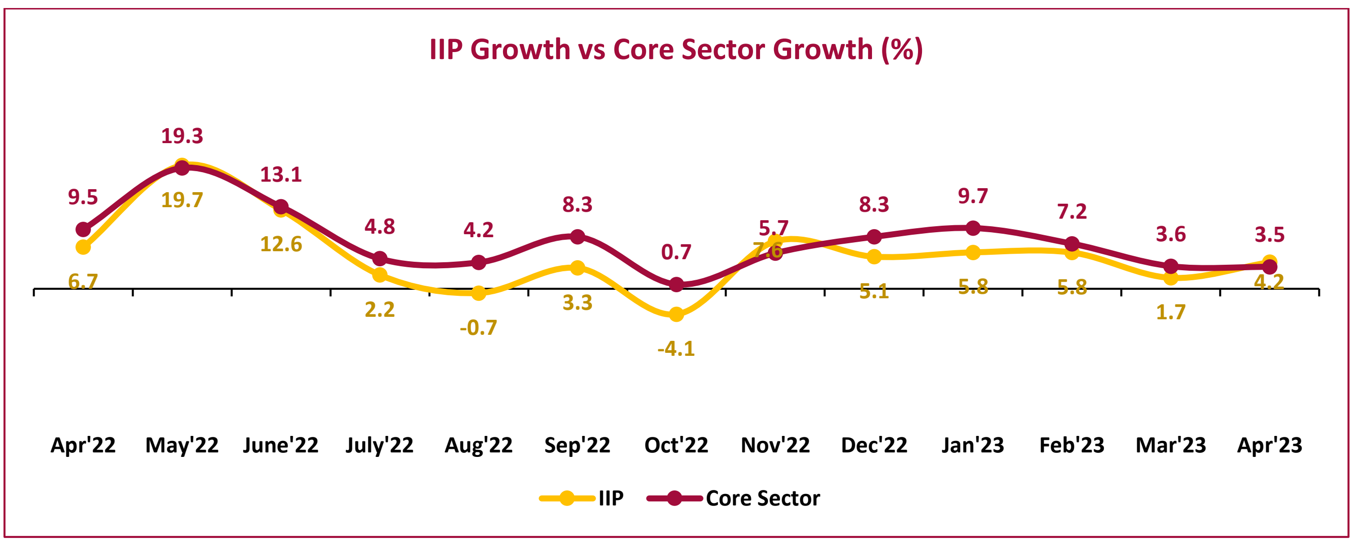
INDEX OF INDUSTRIAL PRODUCTION (IIP) & CORE SECTORS

IIP Growth shows an uptick



IIP growth % (Usage-wise)

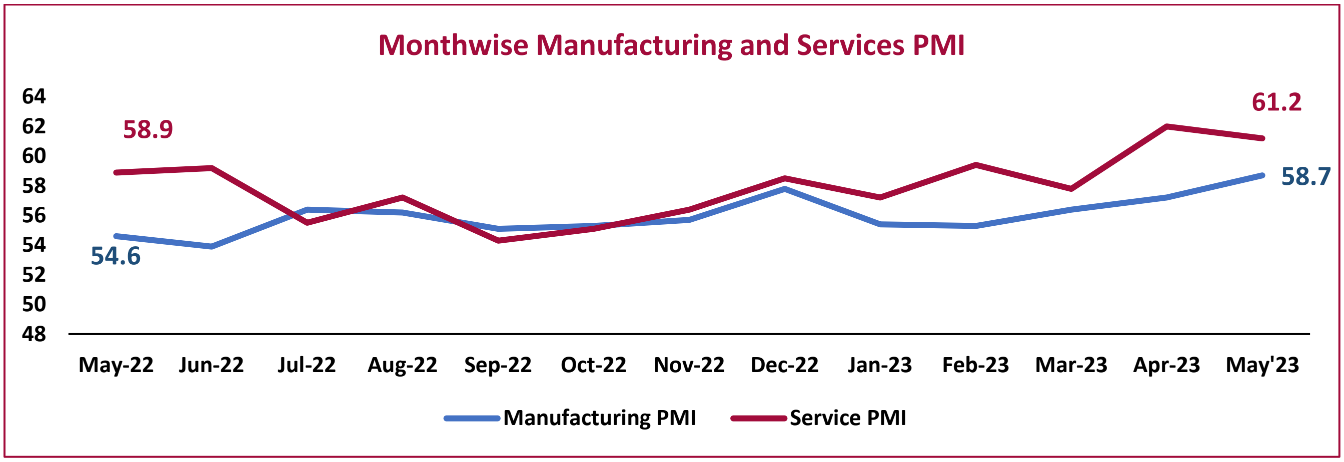
Component	Weight	Apr'22	Apr'23
Primary Goods	34.05%	10.3	1.9
Capital Goods	8.22%	12.0	6.2
Intermediate Goods	17.22%	7.1	0.8
Infra/Construction Goods	12.34%	4.0	12.8
Consumer Durables	12.84%	7.2	-3.5
Consumer Non- Durables	15.33%	-0.8	10.7



The index of industrial production showed an increase of 4.2 per cent in the month of April 2023, particularly due to low base and a pick-up in manufacturing and mining sectors. The growth was 1.7 per cent for the month of March 2023.

PURCHASING MANAGERS' INDEX (PMI)

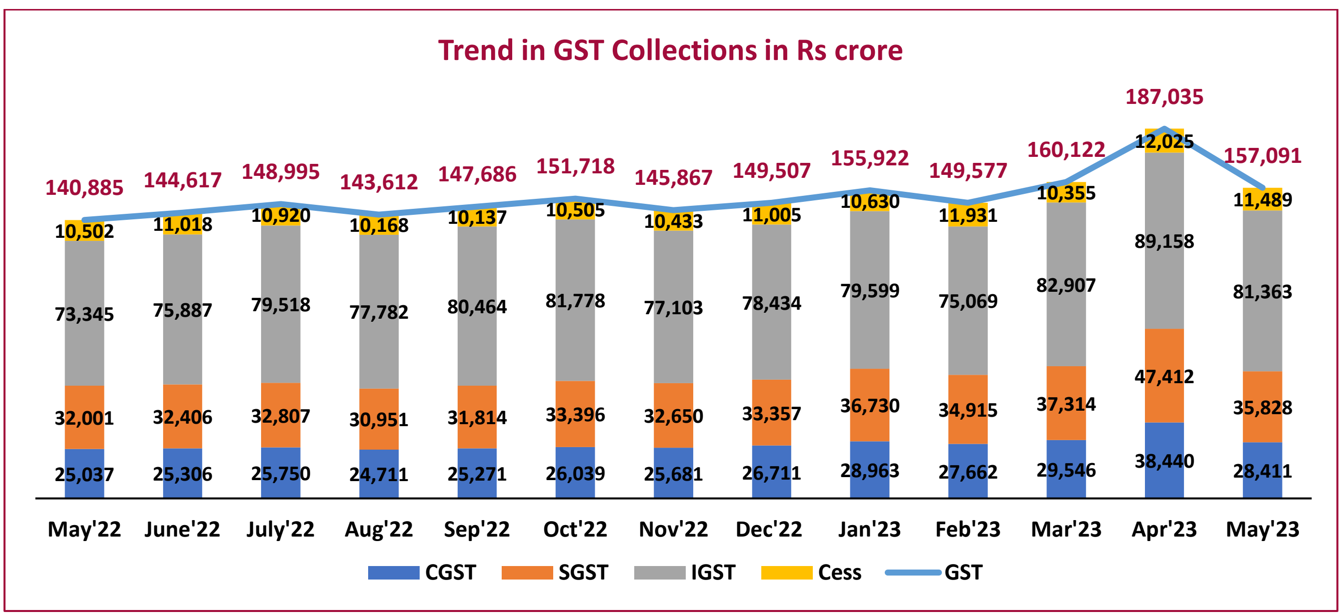
Services PMI continues to show uptick while Manufacturing PMI also rises



The S&P Global India Services PMI was at 61.2 in May 2023, after April's near 13-year high of 62. The latest reading pointed to the second-fastest pace of expansion in just under 13 years, as output rose at the second-quickest pace since July 2010, supported by the sustained growth of new business in the face of positive demand trends. The S&P Global India Manufacturing PMI increased to 58.7 in May 2023 from 57.2 a month earlier, exceeding market forecasts of 56.5. This was the strongest improvement in factory activity since October 2020, boosted by strength of demand.

GOODS AND SERVICES TAX (GST)

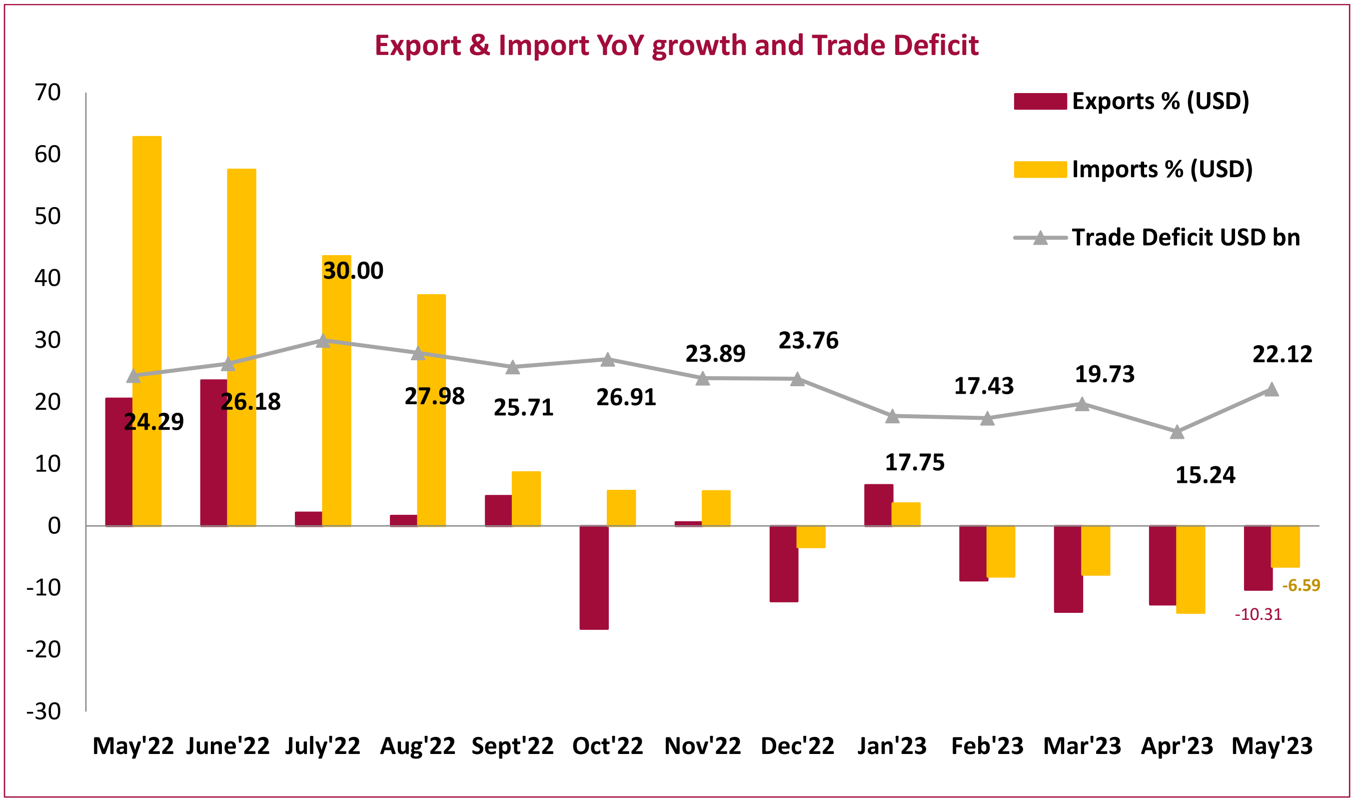
GST Collections rises by 12 per cent May'23

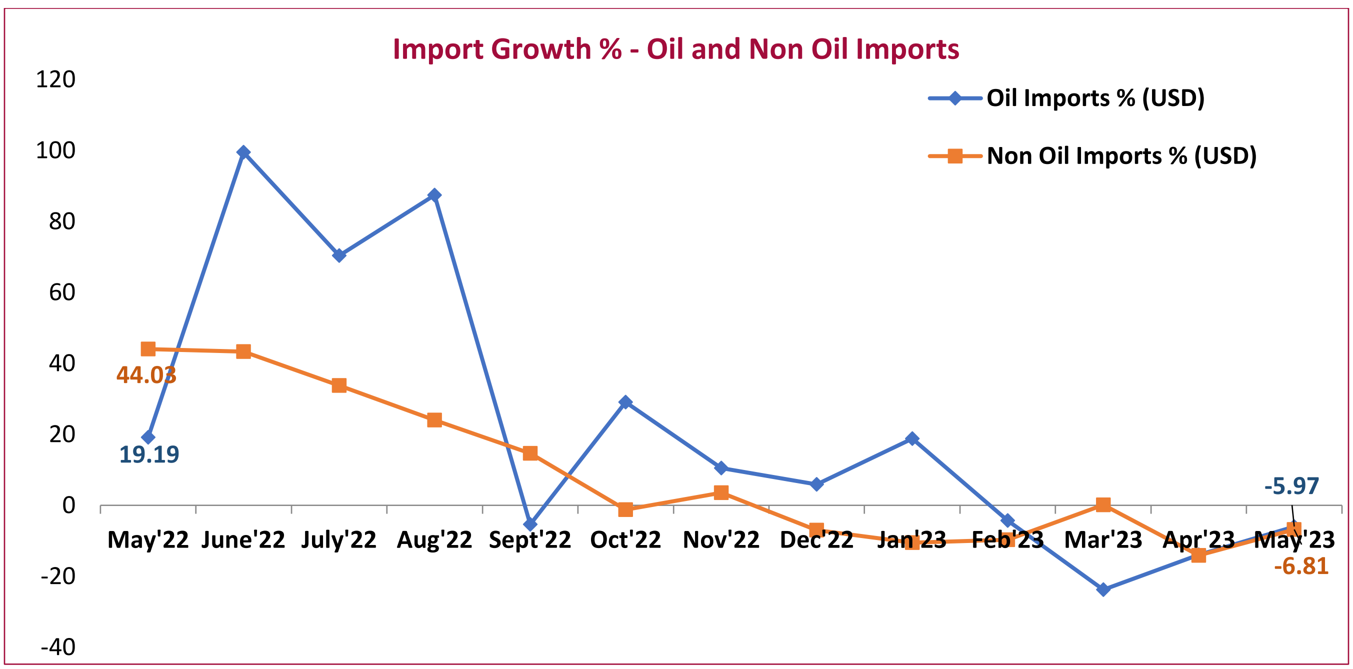


The Goods and Service Tax (GST) revenue collection was at Rs.1,57,091 Crore in May'23, hence showing the growth of 12%. It is expected that the GST revenue growth would be in range of 10% to 11% in the coming months, with revenues between ₹1.55 to ₹1.65 lakh crore per month.

FOREIGN TRADE

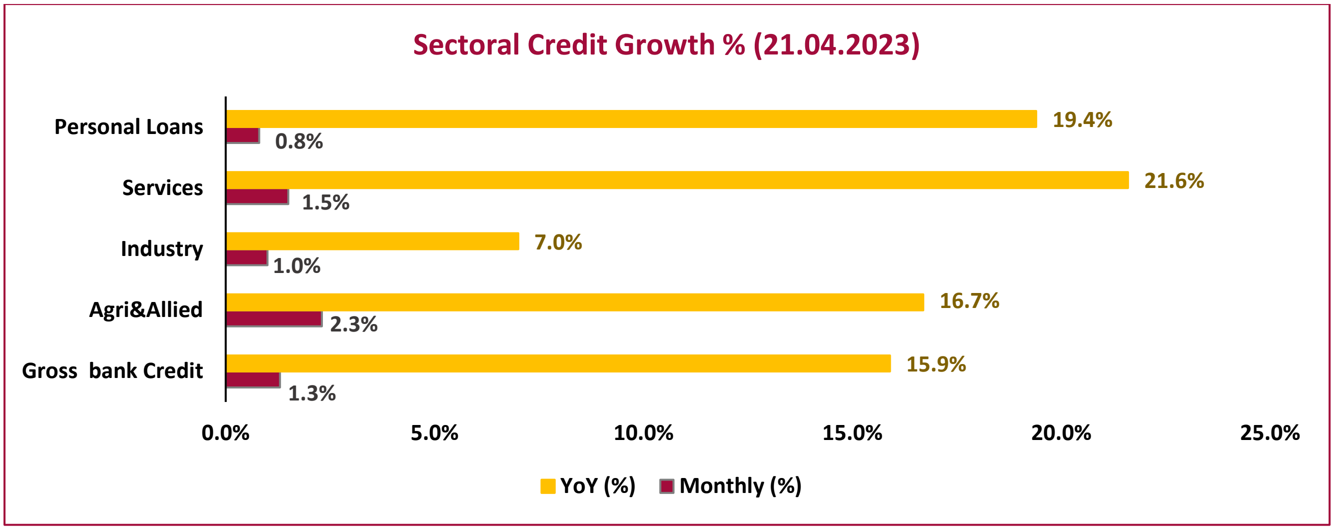
Trade Deficit surges to 5 months high





The merchandise trade deficit surged to a five-month high of $22.1 billion in May, compared to $15.2 billion in April. The exports have contracted for fourth months in a row, after contracting 12.7 per cent in April due to the global demand slowdown.

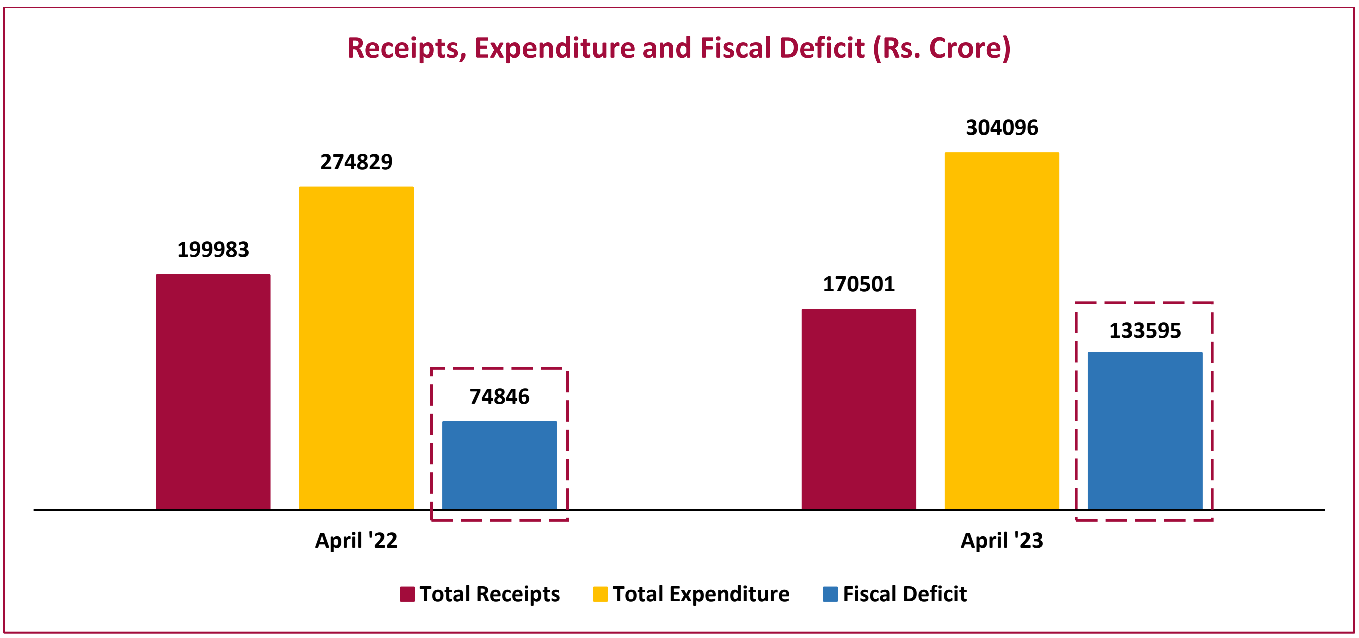
SECTORAL CREDIT



BANK DEPOSIT AND CREDIT

Parameter (Rs. Lakh Crore)	20.05.23	24.03.23	05.05.23	19.05.23	YoY (%)	YTD (%)	Fortnightly (%)
Deposits	165.74	180.44	184.35	183.74	**10.9%**	**1.8%**	**-0.3%**
Advances	120.38	136.75	139.05	138.94	**15.4%**	**1.6%**	**0.0%**
Business	286.12	317.19	323.40	322.68	**12.8%**	**1.7%**	**-0.2%**

FISCAL DEFICIT

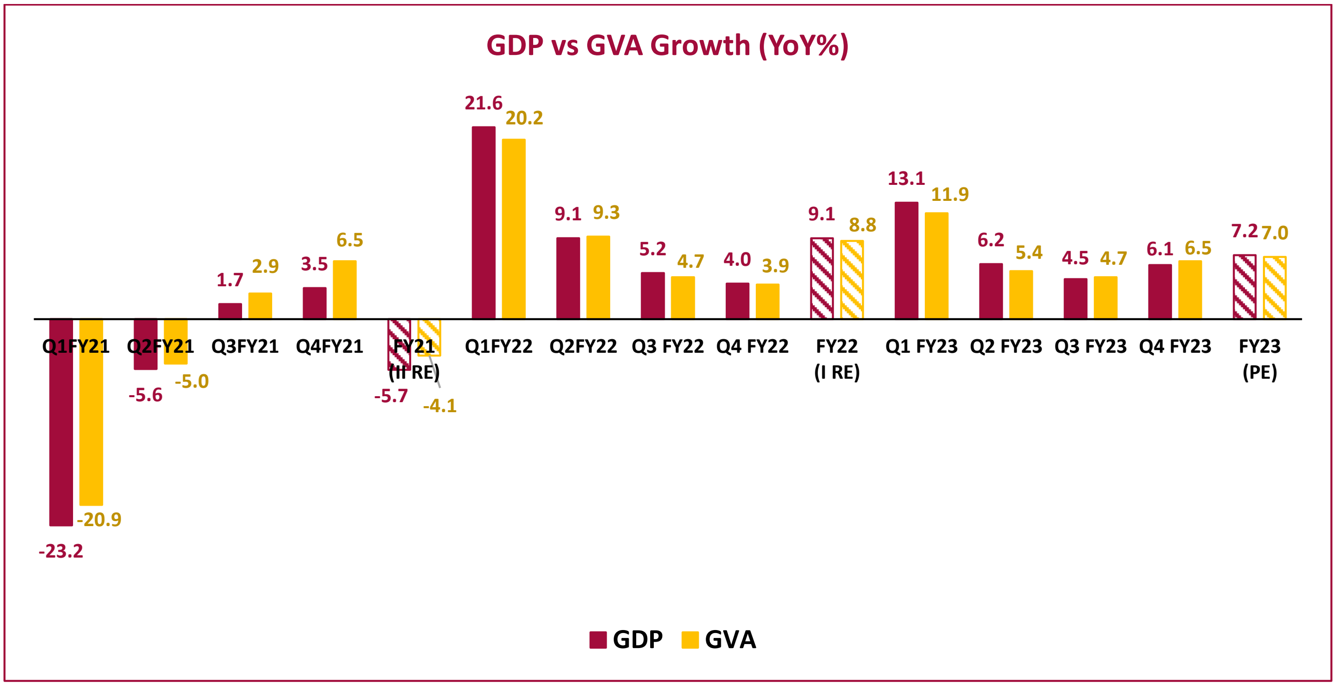


The fiscal deficit for the month of April 2023 is 7.5% of annual estimates.

11. QUARTERLY ECONOMIC INDICATORS

GROSS DOMESTIC PRODUCT (GDP) & GROSS VALUE ADDED (GVA)

India witnesses strong GDP growth

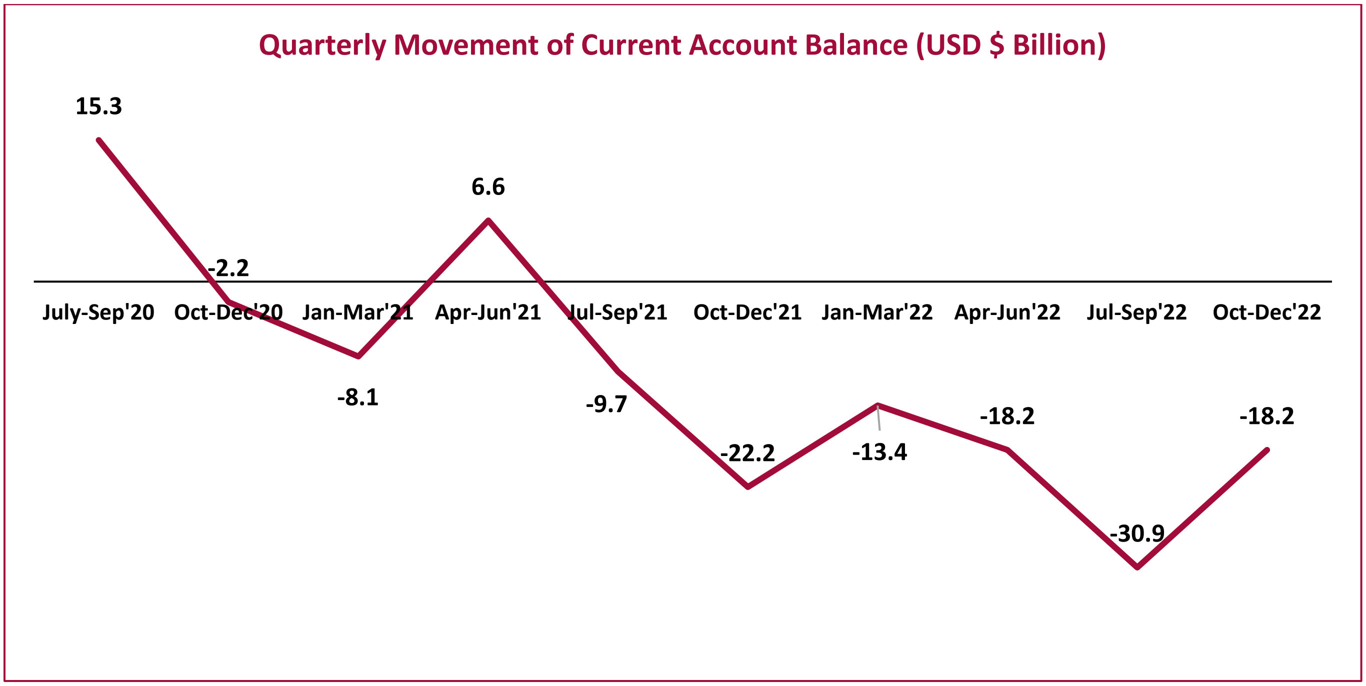


Gross Domestic Product (GDP) for FY23 grew by 7.2 per cent as compared to a growth of 9.1 per cent in the previous year. Also, **Real Gross Value Added (GVA) at basic prices in FY23 grew by 7.0 per cent** in comparison to a growth of 8.8 per cent in FY22**. For the last quarter of FY23, GDP grew by 6.1 per cent while GVA grew by 6.5 per cent.**

INDIA'S GDP OUTLOOK OF VARIOUS AGENCIES

Agency	FY24
RBI	6.5%
World Bank	6.3%
IMF	5.9%
ADB	6.4%
Economic Survey	6.5%

CURRENT ACCOUNT DEFICIT



The Current Account Deficit declined to $18.2 billion in the December quarter of FY23 against a deficit of $30.9 billion in the preceding three months. It is 2.2% of GDP.

12. GLOBAL INTEREST RATES

Central Banks	Countries	Latest Interest Rate (%)	Last Change	Next Meeting Date
Bank of Japan	Japan	-0.10	Jan 29, 2016 (-20 bps)	Jun 16, 2023
European Central Bank (ECB)	Europe	4.00	Jun 15, 2023 (25 bps)	Jul 27, 2023
Federal Reserve	U.S.A	5.25	May 03, 2023 (25 bps)	-
Bank of England	U.K	4.50	May 11, 2023 (25 bps)	Jun 22, 2023
Peoples Bank of China	China	3.65	Aug 22, 2022 (-5 bps)	-
Reserve Bank of India	India	6.50	Feb 08, 2023 (25 bps)	Aug 10, 2023

13. INDUSTRY OUTLOOK

Gems and Jewellery

Gems and Jewellery is an important industry in India and it has contribution of around 7 per cent and has employed more than 5 million skilled and semi-skilled labours. This industry has been contributing towards exports as well and has third largest commodity share. During April- March 23, the export of Gems and Jewellery stood at USD 37956.87 Million. The major market for India's Gems and Jewellery include USA, Hong Kong, UAE, Belgium, etc.

Keeping in view its importance and relevance, the Government of India has taken several initiatives towards its development. Through the initiatives, the Government has ensured that bottlenecks are removed and challenges are addressed. The Government has also declared Gems and Jewellery sector as focus area of export promotion.

The key measures taken up by the Government are revamp of gold monetization scheme revamp, reduction in import duty on gold, cut & polished diamonds and implementing mandatory hall marking. Apart from other measures, the government has permitted extra time of emergency credit line guarantee scheme for MSME upto March 2023.

It is said that the Jewellery industry is not only limited to fashion but has grown significantly as an investment option also. Apart from this, there is a growing demand for high-quality and branded gold and jewellery products and the assurance of the real, authentic and pure form of the luxury metals and gems in the Jewellery products are also helping the growth of the Indian Gems and Jewellery Industry.

Going ahead, growth in the Gems and Jewellary sector would largely be contributed only by the growth and development of large brands. At present, established brands are guiding the market and are coming up with new opportunities to grow and strengthen the market. In addition to it, the relaxation of restrictions on gold import by the Indian government is likely to provide a fillip to the market.

The improvement in the availability of materials along with the re-introduction of gold metal loans with low-cost and likely stabilization of prices at lower levels is expected to drive growth and volume for artisans over the term and the demand for gems and jewellery will be significantly supported by the recent positive developments within the industry.

Surabhi Tewari
Senior Manager - Economist

14. EXTRACTS FROM NEWS ON BANKING AND FINANCIAL EVENTS

1. **India will be among fastest growing economies in 2023: RBI Governor (FE, 13.06.2023)**

- Reserve Bank of India (RBI) Governor Shaktikanta Das expressed confidence that India will be among fastest growing economies in the world in 2023 which would grow at the rate of 6.5 per cent in the current fiscal.

- "We expect real GDP to grow by 6.5 per cent during 2023-24. In all likelihood, India will remain among the fastest growing large economies in 2023," the RBI Governor said while delivering the opening plenary address at the Summer Meetings organized by Central Banking in London.

- He said that the Indian economy displayed "exemplary resilience" post-pandemic and rebounded strongly from a contraction of 5.8 per cent in 2020-21 to a growth of 9.1 per cent in 2021-22 and 7.2 per cent in 2022-23, as proactive and coordinated response of fiscal and monetary policies nurtured a quick recovery.

2. **RBI permits banks to undertake compromise settlement of wilful defaults, fraud accounts (ET, 12.06.2023)**

- In order to ensure maximum recovery from distressed assets, the Reserve Bank of India has allowed banks to go for compromise settlement of fraud accounts and wilful defaults.

- All regulated entities (REs) will be required to put in place board-approved policies for undertaking compromise settlements, with the borrowers as well as for technical write-offs laying down the process to be followed for all compromise settlements and technical write-offs, with specific guidance on the necessary conditions precedent, RBI has said in a notification.

3. **RBI signals long pause, FY24 inflation forecast trimmed (FE, 09.06.2023)**

- The Monetary Policy Committee (MPC) of the Reserve Bank of India kept the benchmark repo rate unchanged at 6.50% and retained its tightening stance, signaling a longer timeframe for rate cuts.

- While the rate pause decision was unanimous, the decision to retain the stance as "withdrawal of accommodation" had one dissenting voice – that of external member Jayant Varma – in the six-member MPC.

- Among other decisions, RBI has allowed banks to issue Rupay prepaid forex cards. With this, the central bank also expanded the scope of the e-rupee voucher.

4. **GST collection rises 12% to Rs 1.57 lakh crore in May (FE, 01.06.2023)**

- GST collection in May rose 12 per cent to Rs 1.57 lakh crore, the finance ministry said.

- The gross Good & Services Tax (GST) revenue collected in the month of May, 2023 is Rs 1,57,091 Crore of which Central GST is Rs 28,411 crore, State GST is Rs 35,828 crore, Integrated GST is Rs 81,363 Crore (including Rs 41,772 Crore collected on import of goods) and cess is Rs 11,489 Crore (including Rs 1,057 crore collected on import of goods).

- Goods and Services Tax (GST) collection in May last year was about Rs 1.41 lakh crore. Last month, GST collection was at a record high of Rs 1.87 lakh crore.

5. **Banks' non-food credit rises to over Rs 138 trn (FE, 01.06.2023)**

- Scheduled commercial banks' non-food credit grew 16.1% year-on-year (YoY) to Rs 138.36 trillion in April, sectoral credit data released by the Reserve Bank of India showed.
- It is higher than 15.4% on-year growth registered in March.
- Credit to agriculture and allied activities rose 16.7% YoY to Rs 17.25 trillion while credit to industry segment rose 7% YoY to Rs 33.69 trillion.
- Banks' credit to services sector grew at the fastest pace, at 21.6% YoY to Rs 36.64 trillion. Among the services sector, credit to non-banking finance companies grew sharply, at 29.2% YoY to Rs 13.45 trillion.
- The overall non-food credit growth is higher than analyst estimates. According to a recent SBI Research report, banks are likely to witness a 12%-13% YoY growth in their overall advances in FY24, compared with 15%-16% credit growth in FY23.

6. **RBI's balance sheet grows 2.5 per cent to Rs 63.45 lakh crore in FY23 (FE, 30.05.2023)**

- The size of the Reserve Bank's balance sheet increased by 2.5 per cent for the year ended on March 31 to about Rs 63.45 lakh crore on higher income, as per the central bank's annual report released.
- The balance sheet of the RBI plays a critical role in the functioning of the country's economy, largely reflecting the activities carried out in pursuance of its currency issue function as well as monetary policy and reserve management objectives.
- The year ended with an overall surplus of Rs 87,416.22 crore as against Rs 30,307.45 crore in the previous year, resulting in an increase of 188.43 per cent. The RBI transfers the surplus as dividend to the central government.

7. **Microfinance portfolio grows 21% in FY23, shows Sa-Dhan data**

- As per the quarterly report of Sa-Dhan, there has been an across-the-board growth among all kinds of microfinance players in FY23.
- Except for banks (other than small finance banks), all other institutions recorded double-digit growth, with non-banking financial companies (NBFCs) recording a 49% growth and NBFC MFIs growing 37%. In comparison, banks recorded a growth of 3% in portfolio during the year.
- According to Jiji Mammen, executive director and chief executive of Sa-Dhan, the microfinance sector has shown significant performance during the last financial year and the overall growth suggests that the industry has come out of covid-19 blues and is on a growth path.

15. DATA SOURCES

- *Reserve Bank of India (RBI)*
- *Ministry of Statistics and Programme Implementation (MOSPI)*
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- *Ministry of Commerce and Industry, Department Of Commerce*
- *S & P Global*
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QUOTE OF THE MONTH

"Today a Reader,
Tomorrow a Leader"
- Margaret Fuller

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