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Governor's Statement

*Governor's Statement**

Shaktikanta Das

The Monetary Policy Committee (MPC) met on 4th, 5th and 6th August 2021. Based on an assessment of the evolving domestic and global macroeconomic and financial conditions and the outlook, the MPC voted unanimously to keep the policy repo rate unchanged at 4 per cent. The MPC also decided on a 5 to 1 majority to continue with the accommodative stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target, going forward. The marginal standing facility (MSF) rate and the bank rate remain unchanged at 4.25 per cent. The reverse repo rate also remains unchanged at 3.35 per cent.

Today, we are in a much better position than at the time of the MPC's meeting in June 2021. As the second wave of the pandemic ebbs, containment eases and we slowly build back, vaccine manufacturing and administration are steadily rising. Yet the need of the hour is not to drop our guard and to remain vigilant against any possibility of a third wave, especially in the background of rising infections in certain parts of the country.

Our actions, together with those of the Government, are aimed at alleviating distress and prioritising growth, while keeping the financial system healthy and stable. Our approach can be best described by weaving together two quotes from Martin Luther King Jr[1] "But I know, somehow, that only when it is dark enough can you see the stars. Keep moving. Let nothing slow you up. Move on ….."

Let me begin by setting out the rationale underlying the MPC's decision. The MPC met in the shadow of the two recent inflation prints being above the upper tolerance band of the inflation target. It noted that economic activity has broadly evolved on the lines of the MPC's expectations in June and the economy is recovering from the setback of the second wave. The monsoon has revived after a brief hiatus and *kharif* sowing is gaining momentum. Some high frequency indicators are also looking up again during June-July. Our expectation is that activity is likely to gather pace with progressive upscaling of vaccinations, continued large policy support, buoyant exports, better adaptations to COVID-related protocols, and benign monetary and financial conditions.

Consumer price inflation surprised on the upside in May, reflecting a combination of adverse supply shocks, elevated logistics costs, high global commodity prices and domestic fuel taxes. In June, headline inflation remained above the upper tolerance level, but price momentum moderated. Also, core inflation softened from its peak in May. International crude oil prices remain volatile; any moderation in prices as a consequence of the OPEC plus agreement could contribute towards alleviating inflation pressures.

On balance, the outlook for aggregate demand is improving, but the underlying conditions are still weak. Aggregate supply is also lagging below pre-pandemic levels. While several steps have been taken to ease supply constraints, more needs to be done to restore supply-demand balance in a number of sectors of the economy. The recent inflationary pressures are evoking concerns; but the current assessment is that these pressures are transitory and largely driven by adverse supply side factors. We are in the midst of an extraordinary situation arising from the pandemic. The conduct of monetary policy during the pandemic has been geared to maintain congenial financial conditions that nurture and rejuvenate growth. At this stage, therefore, continued policy

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* Governor's Statement – August 6, 2021.

[1] Source: Speeches delivered at Bishop Charles Mason Temple in Memphis, Tennessee (3 April 1968) and at Prayer Pilgrimage for Freedom (Call to Conscience, 1957) in Washington, D.C USA.

support from all sides – fiscal, monetary and sectoral – is required to nurture the nascent and hesitant recovery. The MPC continues to be conscious of its mandate of anchoring inflation expectations as soon as the prospects for strong and sustainable growth are assured. Accordingly, the MPC decided to retain the prevailing repo rate at 4 per cent and continue with the accommodative stance with all its nuances.

Assessment of Growth and Inflation

Domestic Growth

Domestic economic activity has started normalising with the ebbing of the second wave of the virus and the phased reopening of the economy. High-frequency indicators suggest that (i) consumption (both private and Government), (ii) investment and (iii) external demand are all on the path of regaining traction. Let me elaborate on each of these three aspects. Further easing of restrictions and increasing coverage of vaccinations are likely to boost private spending on goods and services including travel, tourism and recreational activities, propelling a broad-based recovery in aggregate demand. The robust outlook for agriculture and rural demand would continue to support private consumption. Urban demand is likely to accelerate with recovery in manufacturing and non-contact intensive services, release of pent-up demand and the pace of vaccination. This is corroborated by encouraging movements in several high frequency indicators, *viz.*, registration of automobiles, electricity consumption, non-oil non-gold imports, consumer durable sales and hiring of urban workers. The results of the July round of the Reserve Bank's consumer confidence survey suggest that one year ahead sentiments returned to optimistic territory from historic lows. Early results from listed firms show that corporates have been able to maintain their healthy growth in sales, wage growth and profitability, led by information technology firms. This will also support aggregate disposable income of consumers.

Although investment demand is still anaemic, improving capacity utilisation, rising steel consumption, higher imports of capital goods, congenial monetary and financial conditions and the economic packages announced by the Central Government are expected to kick-start a long-awaited revival. Firms polled in the Reserve Bank's surveys expect expansion in production volumes and new orders in Q2:2021-22 which would sustain through Q4:2021-22, boding well for investment. Innovation and working models adopted during the pandemic by businesses will continue to reap efficiency and productivity gains even after the pandemic recedes. This should help trigger a virtuous cycle of investment, employment and growth.

External demand remained buoyant during Q1:2021-22 and was reflected in increasing exports, lending critical support to aggregate demand. Strong external demand is an opportunity for India and further policy support should help in capitalising on this. Global commodity prices and episodes of financial market volatility, together with vulnerability to new waves of infections are, however, downside risks to economic activity. Taking all these factors into consideration, projection of real GDP growth is retained at 9.5 per cent in 2021-22 consisting of 21.4 per cent in Q1; 7.3 per cent in Q2; 6.3 per cent in Q3; and 6.1 per cent in Q4 of 2021-22. Real GDP growth for Q1:2022-23 is projected at 17.2 per cent.

Inflation

Headline CPI inflation edged up sharply to 6.3 per cent in May driven by a broad-based pick-up across all major groups on adverse supply shocks, sector-specific demand-supply mismatches and spillovers from rising global commodity prices. It remained at 6.3 per cent in June; however, core inflation registered an appreciable moderation.

The revival of the south-west monsoon and pick up in *kharif* sowing, buffered by adequate food stocks should help in containing cereal price pressures in the months ahead. High frequency food price indicators show some moderation in prices of edible oils and pulses in July on the back of supply side interventions by the government. Inflation in core services like house rentals remains below historical averages, reflecting subdued demand conditions. Crude oil prices are volatile with implications for imported cost pressures on inflation. The combination of elevated prices of industrial raw materials, high pump prices of petrol and diesel with their second-round effects, and logistics costs continue to impinge adversely on cost conditions for manufacturing and services, although weak demand conditions are tempering the pass-through to output prices and core inflation.

Before the onset of the pandemic, headline inflation and inflationary expectations were well anchored at 4 per cent, the gains from which need to be consolidated and preserved. Stability in inflation rate fosters credibility of the monetary policy framework and augurs well for anchoring inflation expectations. This, in turn, reduces uncertainty for investors, reduces term and risk premia, increases external competitiveness and, thus, is growth-promoting. Since the start of the pandemic, the MPC has prioritised revival of growth to mitigate the impact of the pandemic. The available data point to exogenous and largely temporary supply shocks driving the inflation process, validating the MPC's decision to look through it. The supply-side drivers could be transitory while demand-pull pressures remain inert, given the slack in the economy. A pre-emptive monetary policy response at this stage may kill the nascent and hesitant recovery that is trying to secure a foothold in extremely difficult conditions.

Inflation may remain close to the upper tolerance band up to Q2:2021-22, but these pressures should ebb in Q3:2021-22 on account of *kharif* harvest arrivals and as supply side measures take effect. Taking into consideration all these factors, CPI inflation is now projected at 5.7 per cent during 2021-22: 5.9 per cent in Q2; 5.3 per cent in Q3; and 5.8 per cent in Q4 of 2021-22, with risks broadly balanced. CPI inflation for Q1:2022-23 is projected at 5.1 per cent.

Liquidity and Financial Market Conditions

During June-July, global financial markets turned volatile in response to higher inflation numbers in several countries and the fear of early policy normalisation with skewed economic recovery in some advanced countries. These developments need to be factored into our policy matrix for framing an appropriate response, given that safeguarding the economy from the vicissitudes of global spillovers and ensuring financial stability remain a top priority for the Reserve Bank. Nonetheless, domestic macroeconomic situation and the evolving growth inflation dynamics will continue to be the principal pivot of our monetary policy actions.

The Reserve Bank through its market operations, both conventional and unconventional, has maintained ample surplus liquidity since the onset of the pandemic to ensure easing of financial conditions in support of domestic demand. Buoyed by the renewed vigour of capital inflows and the Reserve Bank's purchase of government securities in the secondary market, total absorption through reverse repos surged from a daily average of ₹5.7 lakh crore in June to ₹6.8 lakh crore in July 2021 and further to ₹8.5 lakh crore in August 2021 so far (up to August 4).

Under the revised liquidity management framework announced on February 06, 2020, the Reserve Bank has been conducting 14-day variable rate reverse repo (VRRR) auctions as its main liquidity operation. With the commencement of normal liquidity operations, the VRRR, which was temporarily held in abeyance during the pandemic, has been re-

introduced since January 15, 2021 and the initial absorption of ₹2 lakh crore has been rolled over in the subsequent fortnightly auctions. In parallel, access to the fixed rate overnight reverse repo has been kept open. Markets have adapted and even welcomed the VRRR in view of the higher remuneration it offers relative to the fixed rate overnight reverse repo. Fears that the recommencement of the VRRR tantamounts to liquidity tightening have been allayed. We have seen higher appetite for VRRR in terms of the bid-cover ratio in the auctions. Considering all these aspects, it has now been decided to conduct fortnightly VRRR auctions of ₹2.5 lakh crore on August 13, 2021; ₹3.0 lakh crore on August 27, 2021; ₹3.5 lakh crore on September 9, 2021; and ₹4.0 lakh crore on September 24, 2021. These enhanced VRRR auctions should not be misread as a reversal of the accommodative policy stance, as the amount absorbed under the fixed rate reverse repo is expected to remain more than ₹4.0 lakh crore at end-September 2021. Needless to add that the amount accepted under the VRRR window forms part of system liquidity.

The Reserve Bank's secondary market G-sec acquisition programme (G-SAP) has been successful in anchoring yield expectations while eliciting keen response from market participants. We propose to conduct two more auctions of ₹25,000 crore each on August 12 and August 26, 2021 under G-SAP 2.0. We will continue to undertake these auctions and other operations like open market operations (OMOs) and operation twist (OT), among others, and calibrate them in line with the evolving macroeconomic and financial conditions.

It is necessary to have active trading in all segments of the yield curve for its orderly evolution. Our recent G-SAP auctions that have focussed on securities across the maturity spectrum are intended to ensure that all segments of the yield curve remain liquid. Furthermore, our options are always open to include both off the run and on the run securities in the G-SAP auctions and operation twist. It is expected that the secondary market volumes would pick up and market participants take positions that lead to two-way movements in yields.

Our endeavour as the debt manager of both Central and state Governments has been to ensure an orderly completion of their borrowing programmes at a reasonable cost while minimising rollover risk. In my earlier statements, I have emphasised orderly evolution of the yield curve as a public good in which both market participants and the Reserve Bank have a shared responsibility. As G-sec yields serve as a benchmark and have a high signalling value for other segments of the debt market, guidance on orderly path of yields was provided through auction cut-offs, devolvements, cancellations and exercise of green shoe options in primary market operations. The introduction of uniform price auctions announced recently for issuance of securities up to 14 years tenor is expected to mitigate risks that bidders may face in the primary segment. The decision of the Government to accommodate the GST compensation payment to states for the first half of the year within the existing cash balances should assuage market concerns on the size of Government's borrowing programme this year.

The efficacy of RBI's monetary policy measures and actions is reflected in the significant improvement in transmission during the current easing cycle. The reduction in repo rate by 250 basis points since February 2019 has resulted in a cumulative decline by 217 basis points in the weighted average lending rate (WALR) on fresh rupee loans. Domestic borrowing costs have eased, including interest rates on market instruments like corporates bonds, debentures, CPs, CDs and T-bills. In the credit market, transmission to lending rates has been stronger for MSMEs, housing and large industries. The low interest rate regime has also helped the household sector reduce the burden of loan servicing. The significant reduction in interest rates on personal housing loans and loans

to commercial real estate sector augurs well for the economy, as these sectors have extensive backward and forward linkages and are employment intensive.

Additional Measures

After the onset of the pandemic, the Reserve Bank has announced more than 100 measures to mitigate its impact. Going forward, our endeavour would be to continue the monitoring of measures which are still in operation to ensure that the benefit of all our measures percolate down to targeted stakeholders. Against this backdrop and based on our continuing assessment of the macroeconomic situation and financial market conditions, certain additional measures are being announced today. The details of these measures are set out in the statement on developmental and regulatory policies (Part-B) of the Monetary Policy Statement. Let me outline these measures.

On-tap TLTRO Scheme: Extension of Deadline

The scope of the on-tap TLTRO scheme, initially announced on October 9, 2020 for five sectors, was further extended to stressed sectors identified by the Kamath Committee in December 2020 and bank lending to NBFCs in February 2021. The operating period of the scheme was also extended in phases till September 30, 2021. Given the nascent and fragile economic recovery, it has now been decided to extend the on-tap TLTRO scheme further by a period of three months, *i.e.* till December 31, 2021.

Marginal Standing Facility (MSF): Extension in Period of Relaxation

On March 27, 2020, banks were allowed to avail of funds under the marginal standing facility (MSF) by dipping into the Statutory Liquidity Ratio (SLR) up to an additional one per cent of net demand and time liabilities (NDTL), *i.e.*, cumulatively up to 3 per cent of NDTL. To provide comfort to banks on their liquidity requirements, including meeting their Liquidity Coverage Ratio (LCR) requirement, this relaxation which is currently available till September 30, 2021 is being extended for a further period of three months, *i.e.*, up to December 31, 2021. This dispensation provides increased access to funds to the extent of ₹1.62 lakh crore and qualifies as high-quality liquid assets (HQLA) for the LCR.

LIBOR Transition-Review of Guidelines – Export Credit in Foreign Currency and Restructuring of Derivative Contracts

The transition away from London Interbank Offered Rate (LIBOR) is a significant event that poses certain challenges for banks and the financial system. The Reserve Bank has been engaging with banks and market bodies to proactively take steps. The Reserve Bank has also issued advisories to ensure a smooth transition for regulated entities and financial markets. In this context, it has been decided to amend the guidelines related to (i) export credit in foreign currency and (ii) restructuring of derivative contracts. Banks will be permitted to extend export credit in foreign currency using any other widely accepted Alternative Reference Rate in the currency concerned. Since the change in reference rate from LIBOR is a "force majeure" event, banks are also being advised that change in reference rate from LIBOR/ LIBOR related benchmarks to an Alternative Reference Rate will not be treated as restructuring.

Deferral of Deadline for Achievement of Financial Parameters under Resolution Framework 1.0

The resolution plans implemented under the Resolution Framework for COVID-19 related stress announced on August 6, 2020 require sector specific thresholds to be met in respect of certain financial parameters. Of these parameters, the thresholds in respect of four parameters relate to operational performance of the borrowing entities, *viz.* Total Debt to EBIDTA ratio, Current Ratio, Debt Service Coverage Ratio and Average Debt Service Coverage Ratio. These ratios are required to be met by March 31, 2022. Recognising the adverse impact of the second

wave of COVID-19 and the resultant difficulties on revival of businesses and in meeting the operational parameters, it has been decided to defer the target date for meeting the specified thresholds in respect of the above four parameters to October 1, 2022.

Concluding Remarks

As the COVID-19 second wave ebbs, there is optimism that with adequate pandemic protocols and ramp-up in the vaccination rate, we should be able to tide over a third wave, if it occurs. As a nation, we should continue to be vigilant and ready to proactively deal with any resurgence of the pandemic with more rapidly transmissible mutants of the virus, should it happen.

The recovery remains uneven across sectors and needs to be supported by all policy makers. The Reserve Bank remains in "whatever it takes" mode, with a readiness to deploy all its policy levers – monetary, prudential or regulatory. In parallel, our focus on preservation of financial stability continues. At this juncture, our overarching priority is that growth impulses are nurtured to ensure a durable recovery along a sustainable growth path with stability. In this endeavour, we have consciously chosen optimism over gloom, inspired by Mahatma Gandhi: "I am an irrepressible optimist, but I always base my optimism on solid facts"[2].

Thank you. Stay safe. Stay well. Namaskar.

[2] Source: Book "Mahatma" by D.G. Tendulkar, Volume 2.

MONETARY POLICY STATEMENT FOR 2021-22

Monetary Policy Statement, 2021-22 Resolution of the
Monetary Policy Committee (MPC) August 4-6, 2021

Monetary Policy Statement, 2021-22 Resolution of the Monetary Policy Committee (MPC) *

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting today (August 6, 2021) decided to:

- keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 4.0 per cent.

Consequently, the reverse repo rate under the LAF remains unchanged at 3.35 per cent and the marginal standing facility (MSF) rate and the Bank Rate at 4.25 per cent.

- The MPC also decided to continue with the accommodative stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward.

These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth.

The main considerations underlying the decision are set out in the statement below.

Assessment

Global Economy

2. Since the MPC's meeting during June 2-4, 2021 the pace of global recovery appears to be moderating with the resurgence of infections in several parts of the world, especially from the delta variant of the virus. In June and July, global purchasing managers' indices (PMIs) slipped from the highs scaled in May. The growing consensus is that the recovery is occurring on a diverging two-track mode. Countries that are ahead in vaccination and have been able to provide or maintain policy stimulus are rebounding strongly. Growth in other economies remains subdued and vulnerable to new waves of infections. There has been a slowing of momentum in global trade volumes in Q2:2021, with elevated shipping charges and logistics costs posing headwinds.

3. There has been a considerable hardening of commodity prices, particularly of crude oil. The latest agreement within the Organisation of Petroleum Countries (OPEC) plus to raise oil production for a likely restoration of output to the pre-pandemic levels by September 2022 imparted transient softening to spot and future crude prices from the recent peak in early July. Headline inflation has ratcheted up in several advanced economies (AEs) as well as most emerging market economies (EMEs), prompting a few central banks in EMEs to tighten monetary policy. In contrast, sovereign bond yields have softened across AEs as markets seem to have acquiesced to the views of central banks that inflation is largely transitory. In EMEs, bond yields remain relatively high on inflation concerns and country-specific factors. In the foreign exchange market, EME currencies have depreciated in the wake of portfolio outflows since mid-June as risk appetite ebbed, while the US dollar has strengthened.

Domestic Economy

4. On the domestic front, economic activity picked up pace in June-July as some states eased pandemic containment measures. As regards agriculture, the south-west monsoon regained intensity in mid-July after a lull; the cumulative rainfall up to August 1, 2021 was one per cent below the long-period average.

* Released on August 06, 2021.

The pace of sowing of *kharif* crops picked up in July along with some high frequency indicators of rural demand, notably tractor and fertiliser sales.

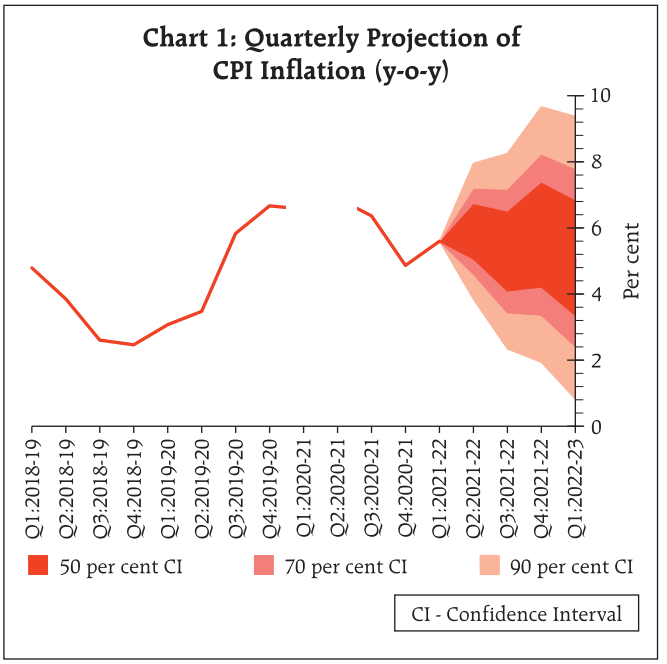
5. Reflecting large base effects, industrial production expanded in double digits year-on-year (y-o-y) in May 2021 on top of the massive jump in April, but it was still 13.9 per cent below its May 2019 level. The manufacturing purchasing managers' index (PMI) that had dropped into contraction to 48.1 in June for the first time in 11 months, rebounded well into expansion zone with a reading of 55.3 in July. High-frequency indicators – e-way bills; toll collections; electricity generation; air traffic; railway freight traffic; port cargo; steel consumption, cement production; import of capital goods; passenger vehicle sales; two wheeler sales – posted strong growth in June/July, reflecting adaptations to COVID related protocols and easing of containment. Services PMI remained in contractionary zone due to COVID-19 related restrictions, though the pace eased to 45.4 in July from 41.2 in June 2021. Initial quarterly results of non-financial corporates for Q1:2021-22 show healthy growth in sales, wage growth and profitability led by information technology firms.

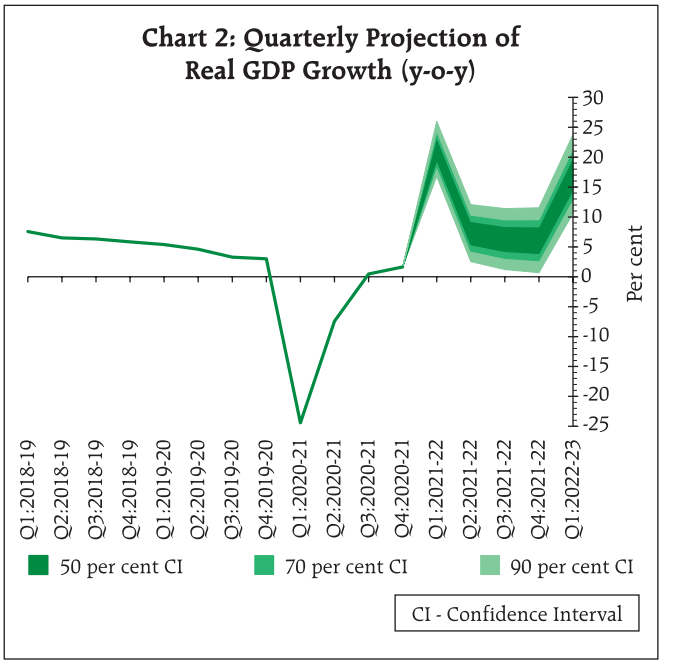
6. Headline CPI inflation plateaued at 6.3 per cent in June after having risen by 207 basis points in May 2021. Food inflation increased in June primarily due to an uptick in inflation in edible oils, pulses, eggs, milk and prepared meals and a pick-up in vegetable prices. Fuel inflation moved into double digits during May-June 2021 as inflation in LPG, kerosene, and firewood and chips surged. After rising sharply to 6.6 per cent in May, core inflation moderated to 6.1 per cent in June, driven by softening of inflation in housing, health, transport and communication, recreation and amusement, footwear, pan, tobacco and other intoxicants (as the effects of the one-off post-lockdown taxes imposed a year ago waned), and personal care and effects (due to sharp reduction in inflation in gold).

7. System liquidity remained ample, with average daily absorption under the LAF increasing from ₹5.7 lakh crore in June to ₹6.8 lakh crore in July and further to ₹8.5 lakh crore in August so far (up to August 4, 2021). Auctions for a cumulative amount of ₹40,000 crore in Q2:2021-22 so far under the secondary market government securities acquisition programme (G-SAP) evened liquidity across illiquid segments of the yield curve. Reserve money (adjusted for the first-round impact of the changes in the cash reserve ratio) expanded by 11.0 per cent y-o-y on July 30, 2021 driven by currency demand. As on July 16, 2021, money supply (M3) and bank credit by commercial banks grew by 10.8 per cent and 6.5 per cent, respectively. India's foreign exchange reserves increased by US$ 43.1 billion in 2021-22 (up to end-July) to US$ 620.1 billion.

Outlook

8. Going forward, the revival of south-west monsoon and the pick-up in *kharif* sowing, buffered by adequate food stocks should help to control cereal price pressures. High frequency indicators suggest some softening of price pressures in edible oils and pulses in July in response to supply side interventions by the Government. Input prices are rising across manufacturing and services sectors, but weak demand and efforts towards cost cutting are tempering the pass-through to output prices. With crude oil prices at elevated levels, a calibrated reduction of the indirect tax component of pump prices by the Centre and states can help to substantially lessen cost pressures. Taking into consideration all these factors, CPI inflation is now projected at 5.7 per cent during 2021-22: 5.9 per cent in Q2; 5.3 per cent in Q3; and 5.8 per cent in Q4 of 2021-22, with risks broadly balanced. CPI inflation for Q1:2022-23 is projected at 5.1 per cent (Chart 1).





9. Domestic economic activity is starting to recover with the ebbing of the second wave. Looking ahead, agricultural production and rural demand are expected to remain resilient. Urban demand is likely to mend with a lag as manufacturing and non-contact intensive services resume on a stronger pace, and the release of pent-up demand acquires a durable character with an accelerated pace of vaccination. Buoyant exports, the expected pick-up in government expenditure, including capital expenditure, and the recent economic package announced by the Government will provide further impetus to aggregate demand. Although investment demand is still anaemic, improving capacity utilisation and congenial monetary and financial conditions are preparing the ground for a long-awaited revival. Firms polled in the Reserve Bank surveys expect expansion in production volumes and new orders in Q2:2021-22, which is likely to sustain through Q4. Elevated levels of global commodity prices and financial market volatility are, however, the main downside risks. Taking all these factors into consideration, projection for real GDP growth is retained at 9.5 per cent in 2021-22 consisting of 21.4 per cent in Q1; 7.3 per cent in Q2; 6.3 per cent in Q3; and 6.1 per cent in Q4 of 2021-22. Real GDP growth for Q1:2022-23 is projected at 17.2 per cent (Chart 2).

10. Inflationary pressures are being closely and continuously monitored. The MPC is conscious of its objective of anchoring inflation expectations. The outlook for aggregate demand is improving, but still weak and overcast by the pandemic. There is a large amount of slack in the economy, with output below its pre-pandemic level. The current assessment is that the inflationary pressures during Q1:2021-22 are largely driven by adverse supply shocks which are expected to be transitory. While the Government has taken certain steps to ease supply constraints, concerted efforts in this direction are necessary to restore supply-demand balance. The nascent and hesitant recovery needs to be nurtured through fiscal, monetary and sectoral policy levers. Accordingly, the MPC decided to keep the policy repo rate unchanged at 4 per cent and continue with an accommodative stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring

that inflation remains within the target going forward.

11. All members of the MPC – Dr. Shashanka Bhide, Dr. Ashima Goyal, Prof. Jayanth R. Varma, Dr. Mridul K. Saggar, Dr. Michael Debabrata Patra and Shri Shaktikanta Das – unanimously voted to keep the policy repo rate unchanged at 4.0 per cent.

12. All members, namely, Dr. Shashanka Bhide, Dr. Ashima Goyal, Dr. Mridul K. Saggar, Dr. Michael Debabrata Patra and Shri Shaktikanta Das, except Prof. Jayanth R. Varma, voted to continue with the accommodative stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward. Prof. Jayanth R. Varma expressed reservations on this part of the resolution.

13. The minutes of the MPC's meeting will be published on August 20, 2021.

14. The next meeting of the MPC is scheduled during October 6 to 8, 2021.

STATEMENT ON DEVELOPMENTAL AND REGULATORY POLICIES

Statement on Developmental and Regulatory Policies

Statement on Developmental and Regulatory Policies

This Statement sets out various developmental measures including liquidity and regulatory measures.

I. Liquidity Measures

1. On Tap TLTRO Scheme – Extension of Deadline

With a view to increasing the focus of liquidity measures on revival of activity in specific sectors that have both backward and forward linkages and having multiplier effects on growth, the RBI had announced the On Tap TLTRO scheme on October 9, 2020 for five sectors which was available up to March 31, 2021. Stressed sectors identified by the Kamath Committee were also brought within the ambit of the scheme on December 4, 2020 and subsequently bank lending to NBFCs on February 5, 2021. On April 7, the scheme was extended by a period of six months, i.e., till September 30, 2021. Given the nascent and fragile economic recovery, it has now been decided to extend the On Tap TLTRO scheme further by a period of three months, i.e., till December 31, 2021.

2. Marginal Standing Facility (MSF) - Extension of Relaxation

On March 27, 2020 banks were allowed to avail of funds under the marginal standing facility (MSF) by dipping into the Statutory Liquidity Ratio (SLR) up to an additional one per cent of net demand and time liabilities (NDTL), i.e., cumulatively up to 3 per cent of NDTL. This facility, which was initially available up to June 30, 2020 was later extended in phases up to March 31, 2021 and again for a further period of six months till September 30, 2021, providing comfort to banks on their liquidity requirements and also to enable them to meet their Liquidity Coverage Ratio (LCR) requirements. This dispensation provides increased access to funds to the extent of ₹1.62 lakh crore and qualifies as high-quality liquid assets (HQLA) for the LCR. It has now been decided to continue with the MSF relaxation for a further period of three months, i.e., up to December 31, 2021.

II. Regulatory Measures

3. LIBOR Transition - Review of Guidelines

The London Interbank Offered Rate (LIBOR) transition is a significant event that poses challenges for banks and the financial system. RBI has issued an advisory on June 8, 2021 encouraging banks and other RBI regulated entities to cease entering into new contracts that use LIBOR as a reference rate and instead adopt any Alternative Reference Rate (ARR) as soon as practicable and in any event by December 31, 2021. The Reserve Bank has been engaging with banks and market bodies to proactively take steps, as necessary, to ensure a smooth transition for regulated entities and financial markets. In this context, it has been decided to amend the guidelines related to export credit in foreign currency and restructuring of derivative contracts as detailed below.

(i) Export Credit in Foreign Currency – Benchmark Rate

Authorized dealers are currently permitted to extend Pre-shipment Credit in Foreign Currency (PCFC) to exporters for financing the purchase, processing, manufacturing or packing of goods prior to shipment at LIBOR / EURO-LIBOR / EURIBOR related rates of interest. In view of the impending discontinuance of LIBOR as a benchmark rate, it has been decided to permit banks to extend export credit using any other widely accepted Alternative Reference Rate in the currency concerned.

(ii) Prudential Norms for Off-balance Sheet Exposures of Banks – Restructuring of Derivative Contracts

For derivative contracts, as per extant instructions, change in any of the parameters of the original contract is treated as a restructuring and the resultant change in the mark-to-market value of the contract on the date of restructuring is required to be cash settled. Since the impending change in reference rate from LIBOR is a "force majeure" event, banks are being advised that change in reference rate from LIBOR / LIBOR-related benchmarks to an Alternative Reference Rate will not be treated as restructuring.

4. Deferral of Deadline for Achievement of Financial Parameters under Resolution Framework 1.0

The resolution plans implemented under the Resolution Framework for COVID-19 related stress announced on August 6, 2020 are required to meet the sector specific thresholds notified in respect of five financial parameters, four of which are related to the operational performance of the borrowing entity, viz. Total Debt to EBIDTA ratio (Total Debt/ EBIDTA), Current Ratio, Debt Service Coverage Ratio and Average Debt Service Coverage Ratio, by March 31, 2022. Recognising the adverse impact of second wave of COVID-19 on revival of businesses, and the difficulty it may pose in meeting the operational parameters, it has been decided to defer the target date for meeting the specified thresholds in respect of the above parameters to October 1, 2022.

As regards the parameter Total Outside Liabilities/ Adjusted Total Net Worth (TOL/ATNW), this ratio reflects the revised capital structure (i.e., debt-equity mix) as required under the implementation conditions for the resolution framework and was expected to be crystallised upfront as part of the resolution plan. Accordingly, the date for achieving the same remains unchanged, i.e. March 31, 2022.

A circular to this effect, modifying the previous instructions dated September 7, 2020, will be issued shortly.

SPEECHES

Financial Inclusion – Past, Present and Future
Shaktikanta Das

Central Bank Digital Currency – Is This the Future of Money
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*Financial Inclusion – Past, Present and Future**

Shaktikanta Das

I wish to thank the organisers of the Economic Times Financial Inclusion Summit for inviting me to address this august gathering. Financial inclusion is a key driver of sustained and balanced economic growth which helps reduce income inequality and poverty. While we have made tremendous strides in this area over the years, the pandemic has created new challenges and complexities. The financial system will have a crucial role to fulfil the aspirations and needs of our economy on the mend. It is therefore befitting that a summit to deliberate on financial inclusion is being organised at this juncture and I commend the organisers for the same.

2. The overarching principle behind India's journey towards financial inclusion is echoed in the *Gandhian philosophy: "Sarvodaya through Antyodaya – Welfare of all through the upliftment of the weakest". The focus is on the* basic objectives of 'inclusiveness' and 'equity', which go beyond poverty alleviation. It also encompasses equality of opportunity for all sections of society including the poor, women, farmers, small enterprises, and others. The policy makers in India – Government of India and the Reserve Bank of India – acknowledged the importance of financial inclusion early and have taken a number of measures to ensure that the benefits of economic growth percolate down to the poor and excluded sections of the society.

3. I am sure this forum today will deliberate on the emerging risks, new models of innovative and disruptive technologies and areas of possible policy interventions. In my address today, I thought it may be apt to look at how far we have travelled on the path of financial inclusion and dwell upon the way ahead. While assessing the progress made in this sphere across the dimensions of *Access*, *Usage* and *Quality*, it is observed that India has come a long way in facilitating access to banking services to the last mile and in increasing the usage of financial products. Taking this forward, the National Strategy for Financial Inclusion 2019-2024 (NSFI)[1] and National Strategy for Financial Education 2020-2025[2] (NSFE) provide a road map for a coordinated approach towards financial inclusion, financial literacy and consumer protection. The National Strategy for Financial Inclusion document lays down several milestones and action plans to be implemented in order to make financial services available, accessible, and affordable to all citizens in a safe and transparent manner to support inclusive growth through a multi- stakeholder approach.

Developments so far

4. Financial Inclusion journey of the country can be traced back to the 1950s when the focus was on channelizing of credit to the neglected sectors of the economy and weaker sections of the population. This was followed by various initiatives over the years such as expansion of branch network, introduction of Priority Sector Lending(PSL), launch of Lead Bank Scheme, promotion of Self Help Groups(SHGs), Joint Liability Groups (JLGs), implementation of Business Correspondents (BC) model, among others. The brick and mortar branches, complemented by the BC model, have improved the reach of the banking system across the country. The spread and reach of financial inclusion has indeed been exponential in recent years.

5. The evolution and adoption of technology has led to massive improvement in deepening of digital

* Inaugural Address by Shri Shaktikanta Das, Governor, Reserve Bank of India Delivered at the Economic Times Financial Inclusion Summit on Thursday, July 15, 2021

[1] *https://m.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1154*

[2] *https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1156*

financial services. The Jan Dhan, Aadhaar and Mobile (JAM) eco system has brought about a major shift in the universe of financial inclusion. Further, several initiatives have been taken for the creation of enabling digital infrastructure at the ground level so as to universalise digital payments in a convenient, safe, secure and affordable manner. Given the latent potential of harnessing value at the bottom of the pyramid, we have seen a plethora of players emerging in the field, ranging from traditional banks, niche financial entities such as payments banks, small finance banks, micro finance institutions (MFIs) and promising fintech companies.

6. In order to have a planned and structured approach to financial inclusion, banks have been advised by RBI to put in place financial inclusion plans (FIPs) consisting of achievements against several parameters[3]. Substantial progress has been made with respect to these parameters, details of which are given in the Reserve Bank's *Annual Report* released in May 2021.

7. Greater focus is now being given to addressing the vulnerable segments of the economy and population, while paying attention to consumer protection and enhancing capacity of customers, so that responsible and sustainable use of financial services can be achieved. The introduction of differentiated banks catering to the unique needs of varied population groups was a step in that direction. In the recent past, the challenges that have engaged our attention are (i) how to identify the

8. The digital ID (Aadhaar) along with the proliferation of mobile phones with world class payment systems have addressed the first two challenges of access and usage to a large extent. The third challenge i.e. quality requires both demand and supply side interventions. Opening of Pradhan Mantri Jan-Dhan Yojana (PMJDY) accounts has enabled millions of Indians to have access to financial services, with a basic bouquet of financial products. This has addressed the supply side issue to a considerable extent. The demand side interventions focused on creating awareness amongst the public. Financial literacy, customer protection and grievance redressal have become areas of focus for furthering sustainable financial inclusion. Setting up of National Centre for Financial Education (NCFE) by the Regulators and implementation of the Centre for Financial Literacy (CFL) project of RBI are two recent initiatives towards improving financial literacy.

9. Payment systems are seen to be lifeline of an economy. They are increasingly being recognised as a means of achieving financial inclusion and ensuring that economic benefits reach the bottom of the pyramid. It is quite well known by now that India is among the leaders in the world with regard to development of state-of-the-art payment infrastructure and products leading to a wider adoption of digital payments. To give an example, the number of Prepaid Payment Instruments (PPI)[4] increased at a compounded annual growth rate (CAGR) of 53 per cent from 41 crore in May 2017 to 226 crore in May 2021. The trends indicate that such instruments have become immensely popular for making small value payments.

10. The movement towards digital payments has also been facilitated by the introduction of fast payment systems, such as Immediate Payment Service (IMPS) and Unified Payment Interface (UPI), which provide immediate credit to beneficiaries and are available round the clock. The extent of digital penetration can be gauged from the fact that, each day on an average during June 2021, the payment systems in

[3] These parameters include the number of outlets (branches and BCs), basic savings bank deposit accounts (BSBDAs), overdraft facilities availed in these accounts, transactions in kisan credit cards (KCCs) and general credit cards (GCCs) and transactions through the business correspondents – information and communication technology (BC-ICT) channel. customer; (ii) how to reach the last mile; and (iii) how to provide relevant products which are affordable and safe catering to diverse needs.

[4] As at May 2021, 91% of PPIs was in the form of Wallets and the rest in the form of Cards.

India processed more than 15 crore transactions amounting to nearly ₹4.5 lakh crore per day. The UPI platform facilitating payment transactions through smartphones has revolutionised the payment landscape in India. UPI has witnessed over 280 crore transactions in June 2021. Globally, there has been lot of interest in UPI. Similarly, the Aadhaar enabled Payments System (AePS) facilitates fund transfers/ payments and cash withdrawals through micro-ATMs and BCs using Aadhaar authentication. During the pandemic, cash transactions at BC outlets through micro-ATMs have witnessed significant surge with more than 94 crore transactions accounting for ₹2.25 lakh crore[5] during 2020-21.

Response to the Pandemic

11. In India, the second wave of the pandemic has taken a grievous toll both in terms of lives and livelihood. The recovery that had commenced in the second half of 2020-21 was dented by the second wave of the pandemic in April-May 2021. Our efforts towards financial inclusion, have helped in enabling the Government to provide seamless and timely financial support to vulnerable sections through direct benefit transfers (DBT).

12. One of the important components of the JAM trinity, Aadhaar, the world's largest initiative to provide biometric identity has facilitated financial inclusion through innovative digital platforms. The NACH- Aadhaar Payments Bridge (APB) System and PMJDY together have been instrumental in enabling an effective usage of available banking facilities, which came to the fore during the pandemic, with cash benefits under Pradhan Mantri Garib Kalyan Yojana being disbursed to these accounts. As on date there are about 42.59 crore[6] PMJDY account holders with more than 55 per cent account holders being women. The impact of the digital payment in DBT can be discerned from the fact that ₹5.53 lakh crore was transferred digitally across 319 government schemes spread over 54 ministries during 2020-21.

13. To mitigate the financial impact of COVID-19 related disruptions, the Reserve Bank has taken several policy measures to ease flow of credit at a lower cost to needy segments. These measures include lowering of policy rate, launching of on-tap liquidity schemes and channelising of liquidity through All India Financial Institutions and facilitating financial institutions to resolve stressed loans to individuals, small business and MSMEs. Cash Reserve Ratio (CRR) exemption on credit disbursements to new MSME borrowers; PSL classification for bank loans to NBFCs for on-lending and PSL classification for loans from small finance banks (SFBs) to micro finance institutions (MFIs) for on-lending were additional measures taken to promote credit flow to affected sectors. Further, with an objective to provide more focus on inclusive development, the Reserve Bank last year broadened the scope of PSL by (a) including start-ups; (b) enhanced the limits for lending to renewable energy sector; (c) increased the targets for small and marginal farmers and weaker sections; and (d) incentivised banks to augment credit flows to districts with relatively lower credit penetration.

14. The pandemic has accelerated the push towards digitalisation with greater adoption of digital payments. It is important to take steps to converge greater digitalisation with goals of financial inclusion. Operationalisation of Payment Infrastructure Development Fund (PIDF) – an initiative of RBI together with banks and card networks – will provide the necessary impetus for development of payment acceptance infrastructure in tier-3 to tier-6 centres and north eastern states. This will facilitate greater deployment of electronic payment acceptance facilities (for example point of sale devices) in hitherto untapped areas, thereby furthering the reach of digital payments ecosystem.

[5] *https://m.rbi.org.in/Scripts/BS_ViewBulletin.aspx?Id=20366 – FY 2020-21*

[6] *https://pmjdy.gov.in/*

15. Similarly, the Reserve Bank's pilot project in association with banks of making at least one district in each State/UT 100 per cent digitally enabled, which was rolled out in 2019, covering 42 districts, will facilitate greater access and usage of digital payments by the common man. As on March 2021, banks have achieved a digital coverage[7] of 95.9 per cent of individuals while the achievement for businesses stood at 89.8 per cent. The SLBCs have been advised to give renewed focus and emphasis to ensure sustenance of the digital progress in these identified districts. Further, in order to promote 'universal access to financial services' under the NSFI, access to some form of banking outlet has been provided to 99.9 per cent of the targeted villages within a 5 KM radius/ hamlets with 500 households in hilly areas.

16. The pandemic related restrictions on mass gathering of people at various public places has necessitated a relook at conventional financial literacy camps. During the pandemic period, enhanced recourse to alternative approaches like using social media, mass media (including local TV channels and radio), was undertaken across the country to continue dissemination of financial education.

Post Pandemic World: The Way Forward

17. In order to make the post-pandemic recovery more inclusive and sustainable, financial inclusion would continue to be our policy priority. Considering the complementary role played by microfinance in bridging the gaps at the last mile, a consultative document for harmonising the regulatory frameworks for various regulated lenders in the microfinance space has been issued recently. The primary objective is to address the concerns relating to over-indebtedness of microfinance borrowers; enable market mechanism to rationalise the interest rates; and empower the borrowers to make an informed decision by enhancing transparency of loan pricing.

18. The scaling up of Centre for Financial Literacy (CFL) project across the country at the block level by March 2024 is expected to enhance the effectiveness of community-led participatory approaches for greater financial literacy. Further, recognising the importance of inculcating financial literacy concepts at a young age, one of the strategic goals of the National Strategy for Financial Education 2020-2025 (NSFE) is integrating financial literacy content in the curriculum for school children. So far 15 state educational boards have included modules on financial education in their school curriculum. These approaches are expected to strengthen financial education at the grass-roots level so as to realise the vision of creating a financially aware and empowered India as enunciated in the NSFE.

19. To measure the extent of financial inclusion in the country, it has been decided to construct and periodically publish a "Financial Inclusion Index" (FI Index). The Index will have parameters across the three dimensions of financial inclusion *viz.*, Access, Usage and Quality. Work on FI Index is underway and the Index will be published shortly by the RBI.

Conclusion

20. As I conclude, I would like to reiterate that financial inclusion promotes inclusive growth by way of making financial services including credit and other safety nets available to the bottom of the pyramid. Lessons from the past and experiences gained during the COVID-19 pandemic clearly indicate that financial inclusion and inclusive growth reinforce financial stability. Greater financial literacy and education, together with sound consumer protection mechanisms will ensure that people at the bottom of the pyramid are empowered to take informed financial decisions. This will also enable banks, NBFCs, MFIs,

[7] Digitally enabled/ covered individuals and businesses have been arrived at by considering eligible operative savings accounts and eligible operative current/ business accounts covered with at least one of the digital payment modes (ATM/ Debit cards, Net banking, Mobile banking, AEPS, UPI/ USSD, POS, QR).

etc. to enhance their customer base and products and diversify their balance sheet.

21. I would like to emphasise that we must continue our efforts for greater financial inclusion in pursuance of the goal of sustainable future for all. There is need for accelerated universal reach of bank accounts along with access to financial products relating to credit, investment, insurance and pension. It is the responsibility of all stakeholders to ensure that the financial ecosystem (including the digital medium) is inclusive and capable of effectively addressing risks like mis-selling, cyber security, data privacy and promoting trust in the financial system through appropriate financial education and awareness. These efforts have to be supported by a robust grievance redressal mechanism. I look forward to interesting ideas and thoughts emanating from this forum which would enhance the process of financial inclusion in the country.

Thank you. Namskar.

*Central Bank Digital Currency – Is This the Future of Money**

T Rabi Sankar

Introduction

The idea of "Central Bank Digital Currencies" (CBDC) is not a recent development. Some attribute the origins of CBDCs to Nobel laureate James Tobin[1], an American economist, who in 1980s suggested that that Federal Reserve Banks in the United States could make available to the public a widely accessible 'medium with the convenience of deposits and the safety of currency.' It is only in the last decade, however, that the concept of digital currency has been widely discussed by central banks, economists & governments.

2. Except as currency notes, all other use of paper in the modern financial system, be it as bonds, securities, transactions, communications, correspondences or messaging – has now been replaced by their corresponding digital and electronic versions. On anecdotal evidence, use of physical cash in transactions too has been on the decline in recent years, a trend further reinforced by the ongoing Covid19 pandemic. These developments have resulted in many central banks and governments stepping up efforts towards exploring a digital version of fiat currency. Some of this interest among central banks has been indigenous in nature for pursuing specific policy objectives – for example, facilitate negative interest rate monetary policy. Another driver is to provide the public with virtual currencies, that carry the legitimate benefits of private virtual currencies while avoiding the damaging social and economic consequences of private currencies.

3. It is important to understand and appreciate what precisely is a CBDC, and to do that one needs to understand what a currency is and what money is.

What is a currency?

4. Let us start with money. As societies developed from hunters and gatherers material needs increased – to build a house, wear clothes, make weapons and implements etc. Since these needs could not be produced individually, people had to purchase them from others. These purchases were paid initially by barter – a leather skin cloak for a spear, maybe. As barter had its limits – how many cloaks for a spear – barter got standardized in terms of metals or cowrie shells. Now people knew the value of both the cloak and the spear in terms of bronze or cowrie shells. This was still barter, as both bronze and shells had intrinsic value (shells were desired for their beauty). This system evolved over time into metal currencies. Gold and silver coinage were the offshoot of this system where they had features of barter (both gold and silver had intrinsic value) as well as money (they were standardized representation of value). Somewhere along the way people improvised – instead of actual goods for barter they started using claims on goods, a bill of exchange in fact. These could be clay tablets in Mesopotamia or, as in China in the eleventh century, paper currency.

5. In respect of money two facts emerge historically.

   (i) Money has taken the form of either commodities (which have intrinsic value) or in terms of debt instruments. When money does not have intrinsic value, it must represent title to commodities that have intrinsic value or title to other debt instruments. Paper currency is such a representative money and it is essentially a debt instrument. The owner of the currency knows who owes him or who

* Keynote address delivered by Shri T Rabi Sankar, Deputy Governor, Reserve Bank of India, on July 22nd, 2021 at the webinar organised by the Vidhi Centre for Legal Policy, New Delhi. The views expressed by the speaker are personal.

[1] *https://law.stanford.edu/projects/central-bank-digital-currencies-a-transatlantic-perspective/*

has the underlying liability. There is always an ISSUER of representative money.

(ii) Money is usually issued by a sovereign. Private issuance of money – whether under sovereign license or otherwise – has existed in the past but has over time given way to sovereign issuance, for two reasons. Firstly, being a debt issuance, private money is only as good as the credit of the issuer. By definition, there can be multiple issuers. This makes private currency unstable. On the other hand, public currency, as it is backed by a sovereign, is unique to an economy and has better credit standing; therefore, it is more stable. Secondly, paper currency involves seignorage – the difference between the intrinsic value and the representative value which accrues to the issuer. This seignorage should not accrue to any private individual. It should accrue to the Government and thus used for public spending.

6. Now we are in a position to provide a definition of a currency. *In modern economies, currency is a form of money that is issued exclusively by the sovereign (or a central bank as its representative). It is a liability of the issuing central bank (and sovereign) and an asset of the holding public. Currency is fiat, it is legal tender. Currency is usually issued in paper (or polymer) form, but the form of currency is not its defining characteristic.*

What is a central bank digital currency?

7. Having defined a currency as a liability issued by the central bank, we are now in a position to define a CBDC. ***A CBDC is the legal tender issued by a central bank in a digital form. It is the same as a fiat currency and is exchangeable one-to-one with the fiat currency. Only its form is different.***

8. It is also important to understand what a CBDC is not. CBDC is a digital or virtual currency but it is not comparable to the private virtual currencies that have mushroomed over the last decade. Private virtual currencies sit at substantial odds to the historical concept of money. They are not commodities or claims on commodities as they have no intrinsic value; some claims that they are akin to gold clearly seem opportunistic. Usually, certainly for the most popular ones now, they do not represent any person's debt or liabilities. There is no ISSUER. They are not money (certainly not CURRENCY) as the word has come to be understood historically.

9. A line of argument that has helped private virtual currencies gain some degree of legitimacy is that most money in modern societies is in fact already private since they represent deposit liabilities of private banks. There are two factors that are conveniently pushed under the carpet. One, deposits are issued by banks under license of the sovereign issuer of currency (usually the central bank). Two, deposits are accepted by the public only because they are convertible one-to-one into sovereign currency. A simple way to understand the distinction is to look at deposits as lending of sovereign currency to banks by the public, on interest (credit, its opposite side, is lending of sovereign currency by banks to the public, on interest). Bank deposits are money, certainly, but they have no independent existence as money, shorn of sovereign authority and the resultant public confidence. In any case bank deposits are very different from private currencies which (a) do not have an issuer, and (b) are not convertible one-to-one into the sovereign currency.

10. To sum up, CBDC is the same as currency issued by a central bank but takes a different form than paper (or polymer). It is sovereign currency in an electronic form and it would appear as liability (currency in circulation) on a central bank's balance sheet. The underlying technology, form and use of a CBDC can be moulded for specific requirements. CBDCs should be exchangeable at par with cash.

11. While interest in CBDCs is near universal now, very few countries have reached even the pilot stage of launching their CBDCs. A 2021 BIS survey of central banks found that 86% were actively researching the potential for CBDCs, 60% were experimenting with the technology and 14% were deploying pilot projects. Why this sudden interest? The adoption of CBDC has been justified for the following reasons:-

(i) Central banks, faced with dwindling usage of paper currency, seek to popularize a more acceptable electronic form of currency (like Sweden);

(ii) Jurisdictions with significant physical cash usage seeking to make issuance more efficient (like Denmark, Germany, or Japan or even the US);

(iii) Central banks seek to meet the public's need for digital currencies, manifested in the increasing use of private virtual currencies, and thereby avoid the more damaging consequences of such private currencies.

12. In addition, CBDCs have some clear advantages over other digital payments systems – payments using CBDCs are final and thus reduce settlement risk in the financial system. Imagine a UPI system where CBDC is transacted instead of bank balances, as if cash is handed over – the need for interbank settlement disappears. CBDCs would also potentially enable a more real-time and cost-effective globalization of payment systems. It is conceivable for an Indian importer to pay its American exporter on a real time basis in digital Dollars, without the need of an intermediary. This transaction would be final, as if cash dollars are handed over, and would not even require that the US Federal Reserve system is open for settlement. Time zone difference would no longer matter in currency settlements – there would be no 'Herstatt' risk.

13. The advantages of issuing a CBDC discussed briefly in the previous paragraph might be enough to justify India issuing a CBDC, although to realize benefits of global settlements, it is important that both the countries in a currency transaction have CBDCs in place. Let us, however, look at it from India's own point of view.

14. India is leading the world in terms of digital payments innovations. Its payment systems are available 24X7, available to both retail and wholesale customers, they are largely real- time, the cost of transaction is perhaps the lowest in the world, users have an impressive menu of options for doing transactions and digital payments have grown at an impressive CAGR of 55% (over the last five years). It would be difficult to find another payment system like UPI that allows a transaction of one Rupee. With such an impressive progress of digitisation, is there a case for CBDCs?

15. A pilot survey conducted by the Reserve Bank on retail payment habits of individuals in six cities between December 2018 and January 2019, results of which were published in April, 2021 RBI Bulletin (please see charts below) indicates that cash remains the preferred mode of payment and for receiving money for regular expenses. For small value transactions (with amount up to ₹500) cash is used predominantly.

16. There is thus a unique scenario of increasing proliferation of digital payments in the country coupled with sustained interest in cash usage, especially for small value transactions. To the extent the preference for cash represents a discomfort for digital modes of payment, CBDC is unlikely to replace such cash usage. But preference for cash for its anonymity, for instance, can be redirected to acceptance of CBDC, as long as anonymity is assured.

17. India's high currency to GDP ratio holds out another benefit of CBDCs. To the extent large cash

usage can be replaced by CBDCs, the cost of printing, transporting, storing and distributing currency can be reduced.

18. The advent of private virtual currencies (VCs) may well be another reason why CBDCs might become necessary. It is not clear what specific need is met by these private VCs that official money cannot meet as efficiently, but that may in itself not come in the way of their adoption. If these VCs gain recognition, national currencies with limited convertibility are likely to come under threat. To be sure, freely convertible currencies like the US Dollar may not be affected as most of these VCs are denominated in US Dollar. In fact, these VCs might encourage the use of US Dollar, as has been argued by Randal Quarles[2]. Developing our own CBDC could provide the public with uses that any private VC can provide and to that extent might retain public preference for the Rupee. It could also protect the public from the abnormal level of volatility some of these VCs experience. Indeed, this could be the key factor nudging central banks from considering CBDCs as a secure and stable form of digital money. As Christine Lagarde, President of the ECB has mentioned in the BIS Annual Report "*…* central banks have a duty to safeguard people's trust in our money. Central banks must complement their domestic efforts with close cooperation to guide the exploration of central bank digital currencies to identify reliable principles and encourage innovation."

19. The case for CBDC for emerging economies is thus clear – CBDCs are desirable not just for the benefits they create in payments systems, but also might be necessary to protect the general public in an environment of volatile private VCs.

20. CBDCs, depending on the extent of its use, can cause a reduction in the transaction demand for bank deposits. Since transactions in CBDCs reduce settlement risk as well, they reduce the liquidity needs for settlement of transactions (such as intra-day liquidity). In addition, by providing a genuinely risk-free alternative to bank deposits, they could cause a shift away from bank deposits which in turn might reduce the need for government guarantees on deposits (Dyson and Hodgson, 2016).

21. At the same time reduced disintermediation of banks carries its own risks. If banks begin to lose deposits over time, their ability for credit creation gets constrained. Since central banks cannot provide credit to the private sector, the impact on the role of bank credit needs to be well understood. Plus, as banks lose significant volume of low-cost transaction deposits their interest margin might come under stress leading to an increase in cost of credit. Thus, potential costs of disintermediation mean it is important to design and implement CBDC in a way that makes the demand for CBDC, *vis-à-vis* bank deposits, manageable.

22. There is another risk of CBDCs that could be material. Availability of CBDC makes it easy for depositors to withdraw balances if there is stress on any bank. Flight of deposits can be much faster compared to cash withdrawal. On the other hand, just the availability of CBDCs might reduce panic 'runs' since depositors have knowledge that they can withdraw quickly. One consequence could be that banks would be motivated to hold a larger level of liquidity which could result in lower returns for commercial banks.

23. In actual fact, notwithstanding the benefits of CBDCs vis-à-vis bank deposits, since CBDCs are currency and therefore do not pay interest, their impact on bank deposits may actually be rather limited. Depositors that require CBDCs for transactional purposes are likely to sweep day end balances to interest-earning deposit accounts.

24. CBDCs may bring about a change in the behaviour of the holding public. And what the nature of that

[2] *https://www.federalreserve.gov/newsevents/speech/quarles20210628a.htm*

change would be cannot be gauged *a priori* given that no central bank has launched CBDC. If there is overwhelming demand for CBDC, and CBDCs are issued largely through the banking system, as is likely, more liquidity may need to be injected to offset the currency leakage from the banking system.

25. Much recent discussion has focussed on the use of negative interest-bearing CBDCs for effectiveness of monetary policy, for a specific reason. The extremely low inflationary environment in many advanced economies has constrained their ability to reduce interest rates as negative interest rates are not effective because of the shift to cash. However, monetary transmission of negative policy rates to boost demand would be more effective if currency itself can carry a negative interest rate. Hence the argument in favour of payment of negative interest rate on CBDC as an unconventional monetary policy tool to boost spending. Such steps may need to be taken with care as any instrument that pays interest (positive or negative) is strictly not a currency.

26. CBDC ecosystems may be at similar risk for cyber-attacks as the current payment systems are exposed to. Further, in countries with lower financial literacy levels, the increase in digital payment related frauds may also spread to CBDCs. Ensuring high standards of cybersecurity and parallel efforts on financial literacy is therefore essential for any country dealing with CBDC.

27. Absorption of CBDCs in the economy is also subject to technology preparedness. The creation of population scale digital currency system is contingent upon evolution of high speed internet and telecommunication networks and ensuring the wider reach of appropriate technology to the general public for storing and transacting in CBDCs. In developing countries, lower level of technology adoption may limit the reach of CBDCs and add to existing inequalities in terms of accessing financial products and services.

28. Central Banks across the globe are engaged in exploring CBDCs and a few countries have also introduced proofs of concept / pilots on CBDC. The High Level Inter-Ministerial Committee (November 2017) constituted by Ministry of Finance, Government of India (GoI) to examine the policy and legal framework for regulation of virtual / crypto currencies had recommended the introduction of CBDCs as a digital form of fiat money in India. Like other central banks, RBI has also been exploring the pros and cons of introduction of CBDCs since quite some time.

29. Generally, countries have implemented specific purpose CBDCs in the wholesale and retail segments. Going forward, after studying the impact of these models, launch of general purpose CBDCs shall be evaluated. RBI is currently working towards a phased implementation strategy and examining use cases which could be implemented with little or no disruption. Some key issues under examination are – (i) the scope of CBDCs – whether they should be used in retail payments or also in wholesale payments; (ii) the underlying technology – whether it should be a distributed ledger or a centralized ledger, for instance, and whether the choice of technology should vary according to use cases; (iii) the validation mechanism – whether token based or account based, (iv) distribution architecture – whether direct issuance by the RBI or through banks; (v) degree of anonymity etc. However, conducting pilots in wholesale and retail segments may be a possibility in near future.

30. Although CBDCs are conceptually no different from banknotes, introduction of CBDC would require an enabling legal framework since the current legal provisions are made keeping in mind currency in paper form. Under the Reserve Bank of India Act, 1934, the Bank is empowered to "…regulate the issue of bank notes and the keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage" (Preamble). The Reserve Bank

derives the necessary statutory powers from various sections of the RBI Act – with respect to denomination (Section 24), form of banknotes (Section 25), status as legal tender (Sec 26(1)) etc. There is a need to examine consequential amendments to other Acts like The Coinage Act, 2011, FEMA, 1999, Information Technology Act, 2000 etc. Even though CBDCs will be a primarily technology driven product, it will be desirable to keep the legislation technology neutral to enable coverage of a variety of technology choices.

31. Introduction of CBDC has the potential to provide significant benefits, such as reduced dependency on cash, higher seigniorage due to lower transaction costs, reduced settlement risk. Introduction of CBDC would possibly lead to a more robust, efficient, trusted, regulated and legal tender-based payments option. There are associated risks, no doubt, but they need to be carefully evaluated against the potential benefits. It would be RBI's endeavour, as we move forward in the direction of India's CBDC, to take the necessary steps which would reiterate the leadership position of India in payment systems.

CBDCs is likely to be in the arsenal of every central bank going forward. Setting this up will require careful calibration and a nuanced approach in implementation. Drawing board considerations and stakeholder consultations are important. Technological challenges have their importance as well. As is said, every idea will have to wait for its time. Perhaps the time for CBDCs is nigh.

ARTICLES

*State of the Economy**

The course of the economy over the month and a half gone by has been altered by the slow retreat of the second wave of the pandemic. Aggregate demand conditions are buoyed by the release of pent-up demand post unlock, while the supply situation is improving with the monsoon catching up to its normal levels and sowing activity gaining pace. Reaffirming the traction that the economy is gaining, the manufacturing activity is gradually turning around, while contraction in services has moderated. Spurred by comfortable liquidity conditions, financial conditions stay benign and supportive of the recovery.

Introduction

This edition of the **State of the Economy** coincides with the fourth month of the *Shalivahana Shaka* – the Indian national calendar – when the south west monsoon stretches its embrace across India. It is a time of sacrifice and fasting, and of the celebration of material creations, especially water. It is the season of mists and mellow fruitfulness, its music drowning out the songs of spring[1]. In keeping with the spirit of the month of *Sravana*, sowing of major crops has picked up across the country, rapidly closing up the shortfall in sown area due to the initial lull in the progress of the rains; in fact, by end-July 2021, the normal area under sowing had been exceeded. In symphony, tractor sales have surged well above pre-pandemic levels and fertiliser sales are up strongly too. Rural unemployment is declining and so is the number of rural households demanding work under the Mahatma Gandhi National Rural Employment Guarantee Scheme, indicating that the market for farm labour is tightening as agricultural activity gathers steam. So, the first impulses of the recovery have arrived, riding on thunder and lightning as the monsoon intensifies.

Another growth impulse is igniting financial markets. 2021 could well turn out to be India's year of the initial public offering (IPO). Debut offerings by Indian unicorns – unlisted start-ups – kicked off by a food delivery app's stellar IPO that was oversubscribed 38 times, have set domestic stock markets on fire and global investors in a frenzy. Following in its wake, the US$ 2.2 billion proposed listing by a payment and financial services app symbolises investor excitement surrounding India's digitalisation – digital payment solutions; e-commerce; logistics. The IPO of a specialty chemical manufacturing exporter was subscribed 180 times. These IPOs of new age companies arrive as bullishness about India mounts, especially around Indian tech. In fact, India's tech boom has been long awaited, with strong global and domestic appetite for what are widely believed to be world class businesses in the pipeline, notwithstanding initial losses that have largely stemmed from the deep discount business models adopted by them. These listings coincide with a broader rush by Indian companies to tap the market and the *fomo* (fear of missing out) factor driving investors, which have taken the benchmark indices to records.

A new era has clearly begun. It is estimated that India has 100 unicorns (Credit Suisse, 2021[2]), with 10 new ones created in 2019, 13 in 2020 in spite of the pandemic and 3 a month in 2021[3] so far. They do not rely on inherited wealth or dependence on

* This article has been prepared by Michael Debabrata Patra, Jibin Jose, Shashidhar M. Lokare, Rajeev Jain, Kunal Priyadarshi, Vineet Kumar Srivastava, Sarthak Gulati, Abhilasha, Krishna Mohan Kushawaha, Shashi Kant, Abhinandan Borad, Shobhit Goel, Rishabh Kumar, Rigzen Yangdol, Saksham Sood, Avnish Kumar, Jitendra Sokal, Manu Sharma, Rajas Saroy, Bhanu Pratap, Asish Thomas George, Deba Prasad Rath and Samir Ranjan Behera. Views expressed in this article are those of the authors and do not necessarily represent the views of the Reserve Bank of India.

1 Adapted from the poem "To Autumn" by John Keats, 1820.

2 100 Unicorns: India's changing corporate strategy, India Market Strategy, Credit Suisse, March 10, 2021.

3 Times of India, July 17, 2021.

bank loans or extra-business connections, but on talent and innovative ideas. These are the children of liberalisation, not of the wealthy (Aiyer, 2021[4]). In fact, markets regard them as 'concept stocks' because they flout the existing conventions – they have neither made profits nor issued any guidance on ever getting to profitability. Evidently, without an established set of plain vanilla financial metrics to value these businesses, investors have shown that they tend to be open-minded. These IPOs also dispel the myth that start-ups have to domicile outside India to tap the public market. This is a great positive development for the domestic ecosystem of startups. It showcases the strength, maturity and scale of domestic equity markets. It will encourage a larger flow of savings than before into venture capital, and fund job creation, infrastructure, innovation and wealth. They could inspire young Indians to give wings to their dreams and break out of traditional moulds or other cocoons of inertia.

Yet, this explosion of interest in these companies will only be sustained if they are able to convert innovative ideas into metrics such as breaking even at the level of earnings before interest, taxes, depreciation and amortisation (EBITDA) level without expensing business development costs, followed by cash flows and profits. Expanded and dynamic exploitation of innate advantages such as data and logistics will be essential to live up to investors' starry-eyed expectations. The jury is still out. Investors will closely scrutinise their stories. Analysts will put it down to stock markets' idiosyncratic behaviour, investors' greed and bandwagon effects, including myopic pursuit of listing day gains. There are already warnings of systemic risks to financial stability that monetary policy authorities should not ignore as the unicorn IPO party gets going (Ranade, 2021[5]). The bursting of the dotcom bubble in 2001 showed that many start-ups could go bust, but risk management practices have changed to diffuse this risk over many newcomers. And those that survive can go on to become the Googles, Facebooks and Amazons of the future.

Yet another sign of revitalisation of the economy is the manner in which corporate India has faced the second wave of the pandemic relative to the first one. 1,427 listed non-financial companies have declared their earnings results so far and they account for 86.8 per cent of the market capitalisation of all listed non-financial companies in India. During the quarter that ended in June 2021, net sales of these companies surged by 57 per cent year-on-year (y-o-y) *versus* a decline of 34 per cent in April-June 2020 when the first wave raged (Chart 1a), in spite of anecdotal high-frequency evidence that the second wave took a bigger toll on rural sales than the first wave. The y-o-y jump in net sales this year is admittedly suffused with base effects because of the large fall in the corresponding quarter last year; however, even on a sequential basis (q-o-q) that skirts base effects, net sales of these companies declined around 9 per cent, an appreciable improvement over the plunge a year ago (Chart 1b). This suggests that with the ebbing of the second wave, demand is limping back towards normal levels, but a catch-up will take some more time.

[4] Swaminathan S Anklesaria Aiyar, "Why Zomato IPO is reason for cheer", *Times of India*. July 17, 2021.

[5] Ajit Ranade, "Monetary policy mustn't ignore the risks of an IPO party", Mint, July 27, 2021. Subsequently, however, he has hailed the phenomenon as a 'great milestone'. "After a relatively extended drought, it has brought back excitement in the initial public offer market." The Strange Rush among Indian Companies to List Abroad," Mint , August 12, 2021.

Chart 1a: Performance of Listed Non-Financial Companies

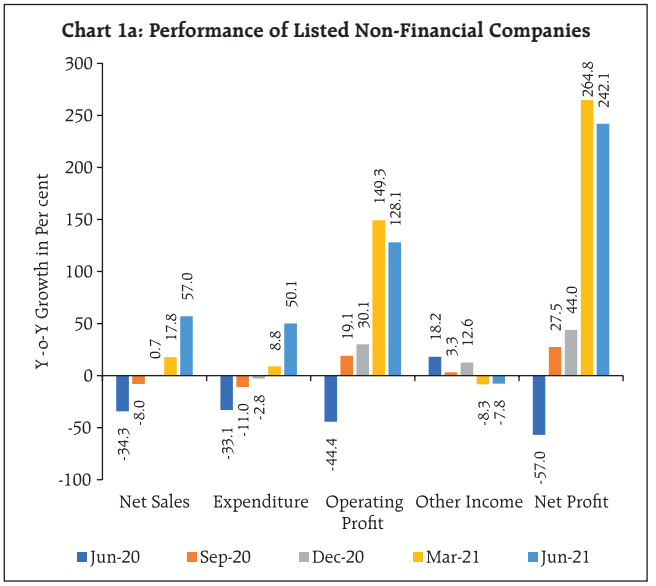
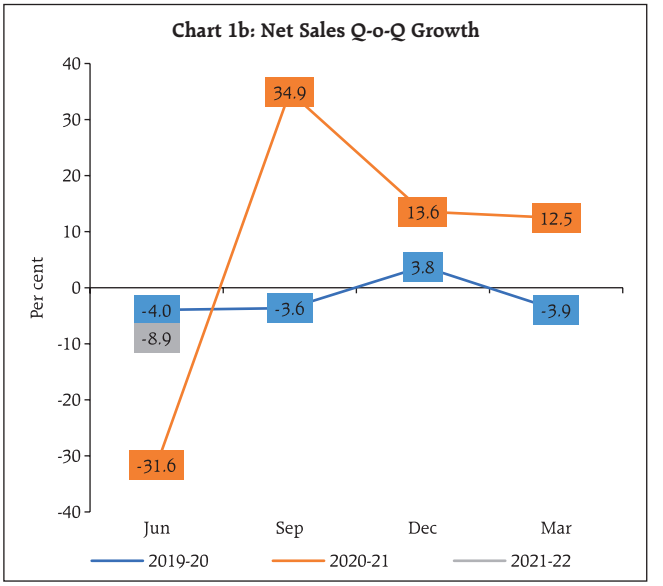


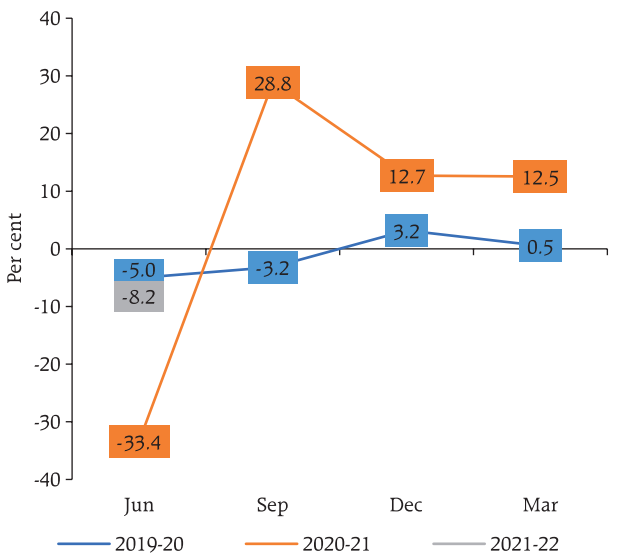
Chart 1b: Net Sales Q-o-Q Growth



Note: Excludes extra-ordinary items.
Sources: Prowess; and Authors' calculations.

Expenditure of these companies shot up y-o-y and posted shallower declines q-o-q relative to preceding quarters (Chart 2), reflecting elevated international commodity prices and cost pressures domestically. In particular, expenses on wages and salaries jumped way above the increases posted in the five preceding quarters, indicative of stepped-up rehiring. Listed companies in two sectors, *viz.*, information technology (IT) and auto and ancillaries, constituted the highest proportion of total wages and salaries paid by all listed non-financial companies (Table 1). Hiring activity by the three top IT companies are showing signs of an ebullient revival[6]. In contrast, interest expenses fell sharply, reflecting the impact of deleveraging (Chart 3).

Chart 2: Expenditure Q-o-Q Growth



Sources: Prowess; and Authors' calculations.

With the faster rise in sales relative to expenditure, both operating and net profits increased by more than 100 per cent and, in fact, net profits increased by closer to 250 per cent in April-June this year. The quarter also saw the sharpest increase in credit rating upgrades relative to downgrades since the beginning of the pandemic[7]. Forward earnings are on the rise,

[6] *https://www.livemint.com/companies/news/tcs-infosys-wipro-to-hire-more-than-1-lakh-freshers-11626423589375.html*

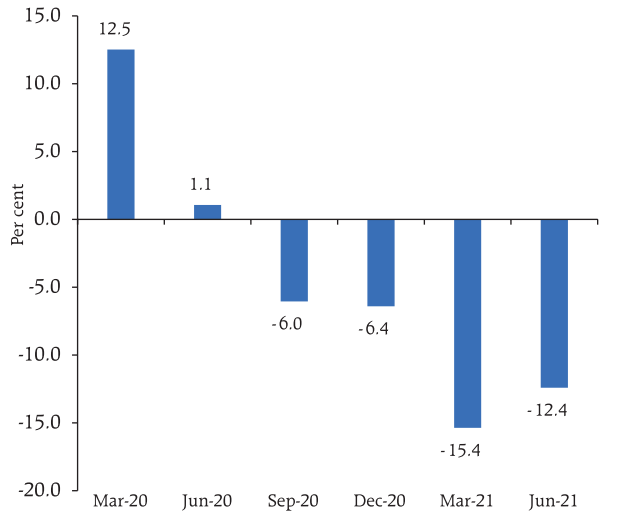
[7] *https://timesofindia.indiatimes.com/india/your-salary-cuts-and-job-losses-have-resulted-in-this/articleshow/84790072.cms*

Table 1: Industry-Wise Wages and Salaries Y-o-Y Growth (Per cent)

Quarter ended	Auto and Ancillaries	Chemicals	Communication Services	Construction and Real Estate	Construction Materials	Consumer Durables	FMCG	Hotels and Tourism	Information Technology	Machinery	Metals and Mining	Oil and Gas	Pharmaceuticals	Power	Textiles	Transport services	Others
Mar-20	-13.2	14.3	2.5	31.6	2.4	5.6	3.0	0.2	10.5	2.2	-0.5	-3.9	9.2	7.3	2.1	-20.2	8.0
Jun-20	-21.1	-0.3	11.3	22.1	-8.5	-13.1	2.6	-34.5	7.3	-11.4	-2.3	-4.1	9.4	7.6	-29.8	-25.5	-4.9
Sep-20	-7.2	5.6	4.6	-2.8	-5.1	-9.1	6.5	-40.2	5.5	-6.7	0.9	10.5	7.8	16.4	-19.2	-23.6	-6.6
Dec-20	4.7	10.8	13.1	-0.7	2.8	-3.6	9.4	-38.1	6.8	-3.5	14.6	18.9	9.6	10.9	-8.8	-17.4	-2.3
Mar-21	6.2	5.9	7.3	0.1	7.9	4.1	11.5	-35.1	8.6	0.7	25.3	13.3	4.1	3.6	0.1	-12.1	2.8
Jun-21	25.5	16.1	7.4	13.6	15.9	21.5	10.6	4.3	16.4	8.9	22.6	18.6	8.8	11.6	37.7	1.8	13.9

Sources: Prowess; and Authors' calculations.

Chart 3: Interest Expenses Y-o-Y Growth

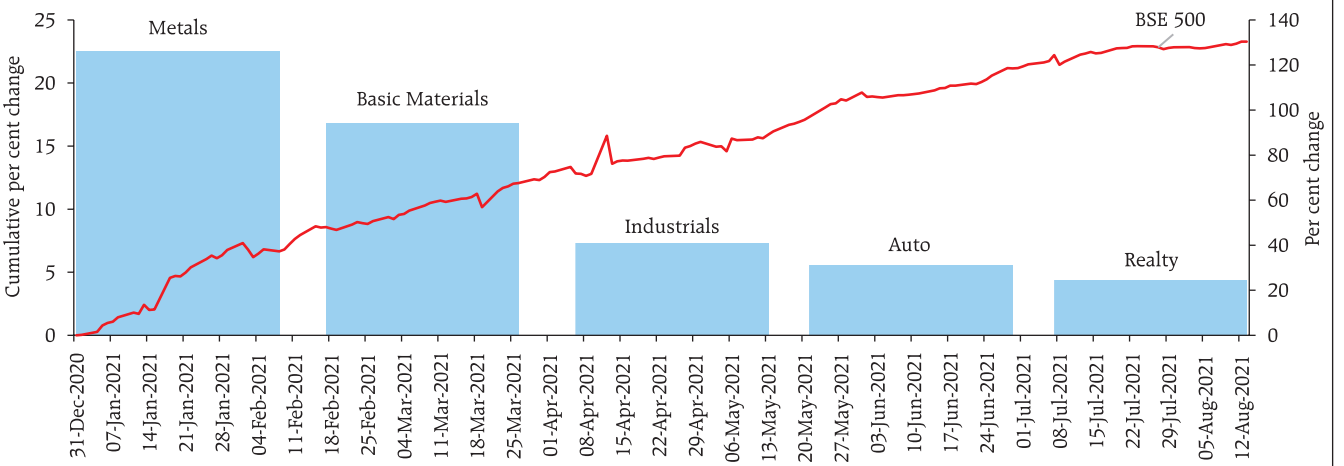


Sources: Prowess; and Auhtors' calculations.

with metals and basic materials leading the way, indicating that the recovery is gathering steam and far from its peak (Chart 4). Private equity and venture capital investment at US$ 8.8 billion in July 2021 grew four times on y-o-y basis, with 119 funding deals led by IT and IT enabled services (ITes) companies.[8]

Among listed financial companies – 390 companies representing 88.5 per cent of market capitalisation of all listed financial sector companies in India – net sales, which primarily includes interest income, increased marginally but other income, which includes fees, commissions and profit/loss from transactions in securities, saved the blushes and recorded a sharp rise relative to a year ago. Expenditure growth remained subdued, reflecting the easy cost conditions in the

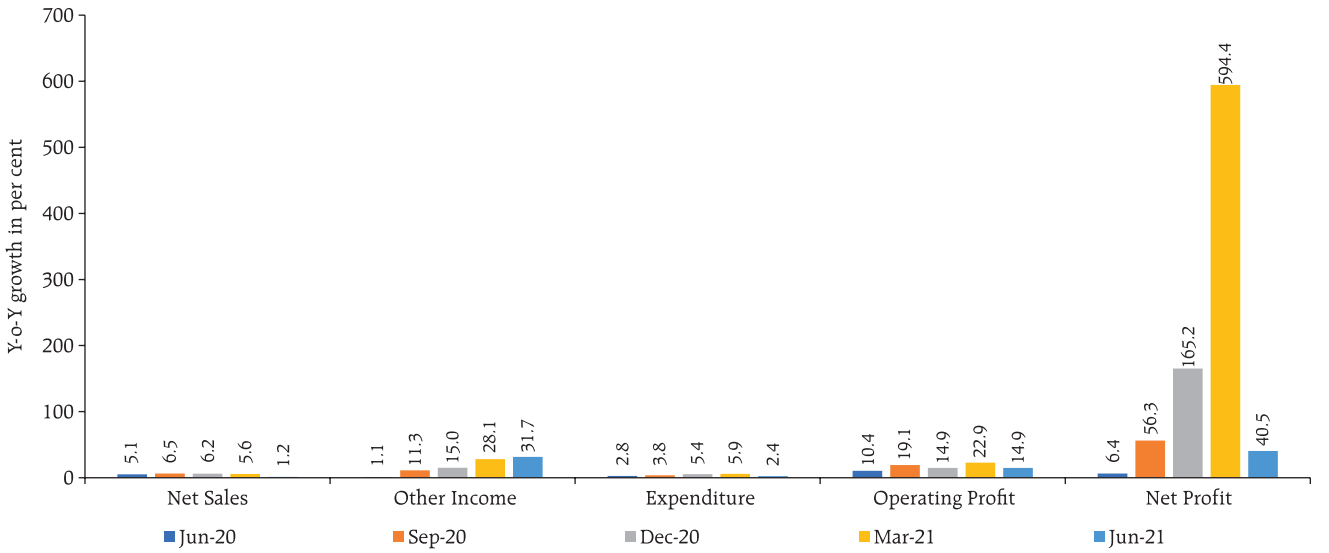
Chart 4: Revision in Forward 12 Month Earnings of BSE 500 and Top 5 Sectors in 2021



Note: BSE 500 is on left-hand side (LHS) axis. Sector-wise change is on right-hand side (RHS) axis and represents aggregate change during January 2021 to mid-August 2021 period.
Source: Bloomberg.

[8] *https://timesofindia.indiatimes.com/business/india-business/pe-vc-funding-grew-4x-y-o-y-in-july/articleshow/84987167.cms*

Chart 5: Performance of Listed Financial Companies



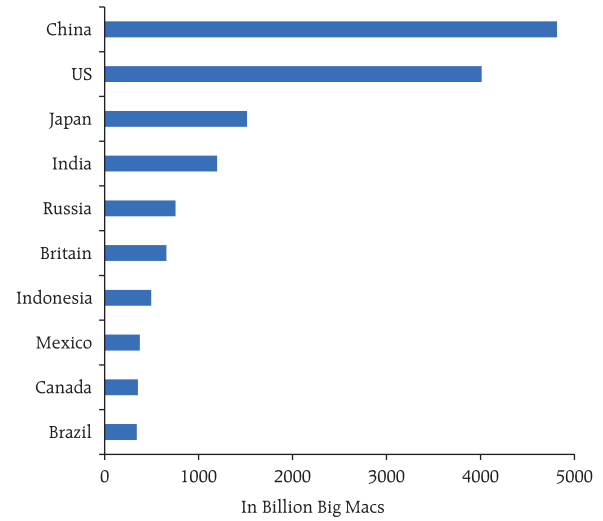
Sources: Prowess; and Authors' calculations.

economy as a result of the Reserve Bank's measures to expand liquidity and ease financial conditions. Taken together, these factors helped financial companies to post substantial growth in operating profits, literally snatched from the virulence of the second wave. Furthermore, a fall in provisioning costs contributed to the sharp growth in net profits posted by these companies (Chart 5).

To end this section on a light-hearted note and move on to the business parts of this article, *The Economist* magazine has updated its Big Mac Index, which it projects as a tongue-in-cheek guide to whether or not currencies are at their "correct" level. It is based on the notion that in the long run, exchange rates should move towards the rate that would equalise the prices of an identical basket of goods and services (in this case, a burger) in any two countries. It was never intended as a precise gauge of currency misalignment, but it has become a global standard, a part of several economic textbooks and the subject of dozens of academic studies. Its updates sometimes produce bizarre estimates of mis-valuation. For instance, in its latest GDP per capita adjusted update, the Swiss franc turns out to be overvalued by 6.5 per cent, making a mockery of the label of currency manipulator by the US Treasury. The Indian rupee is 18 per cent undervalued by the same metric, but no beef products are used here – the Maharaja Mac in which chicken patties are used, forms the basis of valuation. Also, what is almost forgotten is that the US dollar, the numeraire currency against which these mis-valuations are measured, has been debased by 253 per cent and the price of the American burger has, as a result, risen from US$ 1.60 when it was introduced 35 years ago to US $ 5.65.

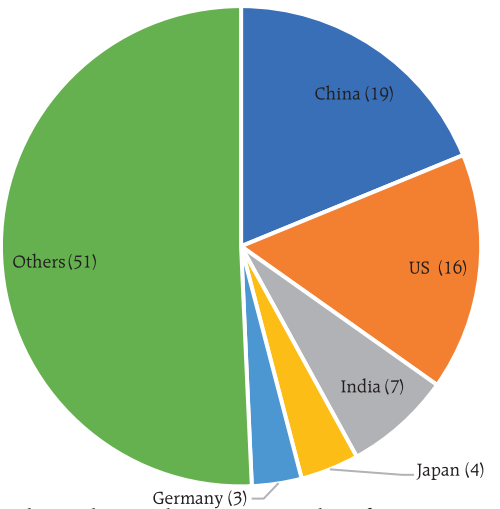
So we decided to give the Big Mac's currency valuation powers a go by and turned it on its head. Looking at affordability or how many burgers can a currency buy relative to the US dollar, we measure how much a country's GDP is valued in purchasing power terms. *Voila*! The results uphold conventional wisdom – in terms of the Maharaja Mac, India is currently the fourth largest economy in the world

Chart 6a: GDP in Terms of Big Macs



Sources: Economist; IMF; and Authors' calculations.

Chart 6b: Share in Global GDP (in PPP Terms)



Note: Numbers in the parentheses are per cent shares for 2021.
Source: IMF.

after China, the US and Japan[9] (Chart 6a). This broadly conforms to the latest update of the IMF as of April 2021 – on purchasing power parity, India is the third largest economy in the world in PPP terms (Chart 6b).

II. Global Setting

The global economic recovery is gaining traction, although its diverging and unequal pace is fraught with downside risks. In its July update of the World Economic Outlook (WEO), the International Monetary Fund (IMF) has identified vaccine access as the principal fault line along which the global recovery is split, with the advanced economies (AEs) gaining a head start due to rapid immunisation while most emerging market economies (EMEs) still struggle to secure vaccine supplies and bring down infections and mortalities.

Hence, the IMF's global growth forecast for 2021 remains unchanged at 6.0 per cent, but there are offsetting variations across country groups. While the AEs are poised to grow at a higher pace than projected earlier (in April 2021), EMEs are expected to grow slower, owing mainly to marked down growth forecasts for emerging Asian economies (Table 2).

In Q2:2021, as per data available so far, the UK was the fastest growing economy in the world with growth of 20.7 per cent (q-o-q, saar)[10], followed by the Euro area which logged growth of 8.3 per cent, with re-opening facilitated by the rapid pace of vaccination and booming consumer/business confidence and ongoing government support. The US economy, on the other hand, grew by 6.5 per cent in Q2:2021, much below the consensus estimate (8.5 – 9 per cent). Strong consumer spending was punctured by inventory drawdown and lower residential investment. Nevertheless, the US surpassed its pre-pandemic level of GDP during the quarter.

The global composite purchasing managers' index (PMI) at 55.7 hit a 4-month low in July 2021. Underlying this easing, the manufacturing and services PMI also tumbled, even though all indices

[9] The price of the Big Mac in US dollars for each country was obtained by dividing the local currency price of Big Macs by the prevailing market exchange rate (local currency/US dollar). For each country, GDP in purchasing power parity terms sourced from the World Economic Database of the International Monetary Fund was divided by the price of the Big Mac in US dollars to arrive at a measure of real GDP (in terms of Big Macs).

[10] Quarter-on-quarter seasonally adjusted annualised rate.

Table 2: GDP Growth Projections – Select AEs and EMEs

(Per cent)

Country	2021		2022	
	Apr 2021	Jul 2021	Apr 2021	Jul 2021
World	6.0	6.0	4.4	4.9
Advanced Economies				
US	6.4	7.0	3.5	4.9
UK	5.3	7.0	5.1	4.8
Euro area	4.4	4.6	3.8	4.3
Japan	3.3	2.8	2.5	3.0
Emerging Market Economies				
Brazil	3.7	5.3	2.6	1.9
Russia	3.8	4.4	3.8	3.1
India	**12.5**	**9.5**	**6.9**	**8.5**
China	8.4	8.1	5.6	5.7
South Africa	3.1	4.0	2.0	2.2

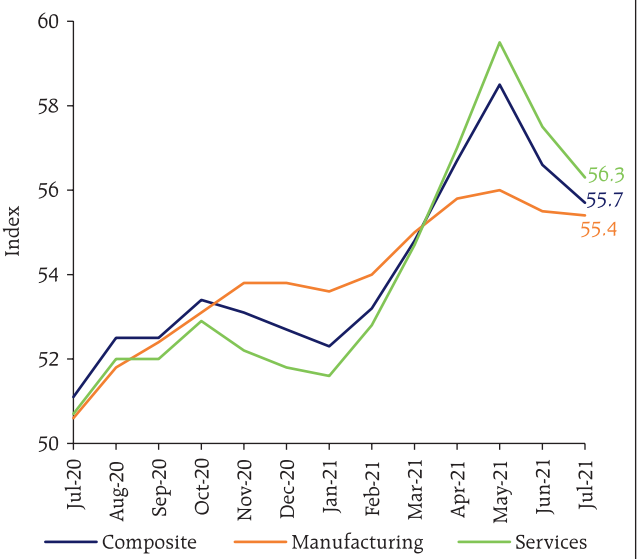
Source: IMF.

have stayed in expansion mode for 13 months in a row (Chart 7).

Among other indicators, the employment situation is improving across the board in advanced economies. The unemployment rate in the European Union dipped from 7.3 per cent in May to 7.1 per cent in June, with 4,87,000 jobs created. In the US, the unemployment rate decreased to 5.4 per cent in July, with nonfarm payrolls rising more than expected. The unemployment rate has moderated in other AEs as well, including Australia, Canada and the UK.

Even as global merchandise trade remains buoyant, trade in services lags behind. As per World

Chart 7: Global PMIs

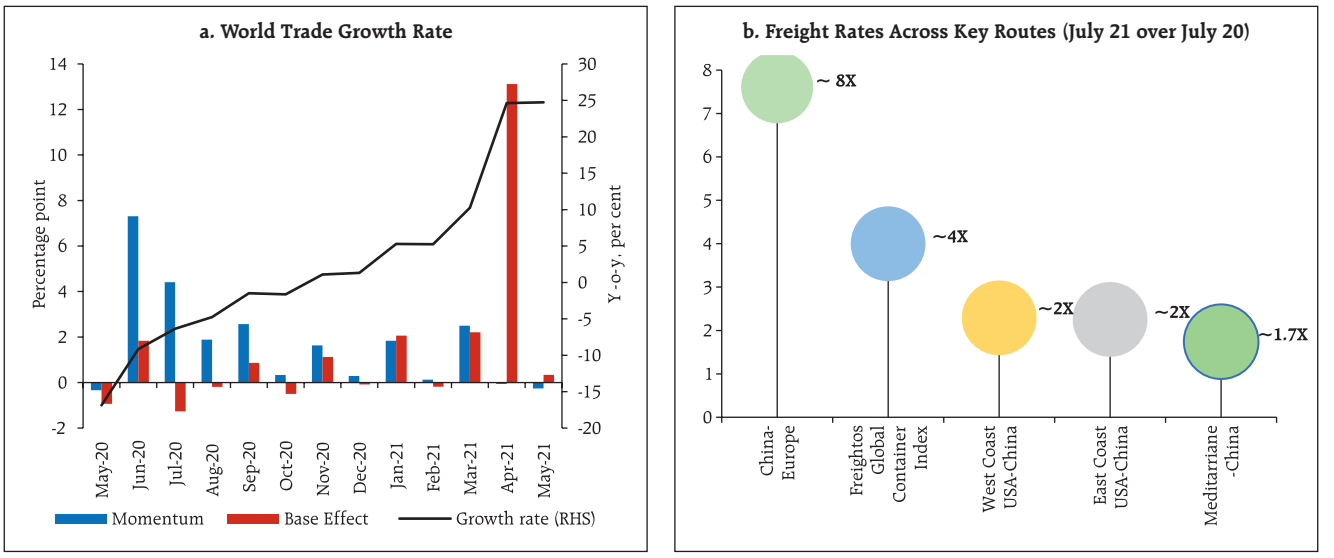


Source: IHS Markit.

Trade Organization's (WTO) release on July 23, 2021, global services trade plunged by 9.0 per cent (y-o-y) in Q1:2021, after declining by 21.0 per cent in 2020. The persistent weakness in travel acts as the main drag on services trade. Granular data for monthly merchandise trade show that the y-o-y growth rate remained in double digits but mainly on a favourable base (Chart 8a). Global freight prices remained elevated across key routes during July due to pandemic-related disruptions, with freight rates for outbound shipment from China to Europe soaring by around 8 times. These routes are also used by Indian exporters to ship their products to the USA and European countries, which are India's major export destinations (Chart 8b).

With the recovery strongly afoot, commodity prices have been soaring. The Bloomberg commodity index rose for four months(end-to-end) before easing in August so far (Chart 9a). Crude oil prices have largely been on an uptrend in 2021 so far; the WEO's July Update assumes that it will rise by about 60 per cent above its low base of 2020. Around mid-July, however, there was a sharp correction in prices due to

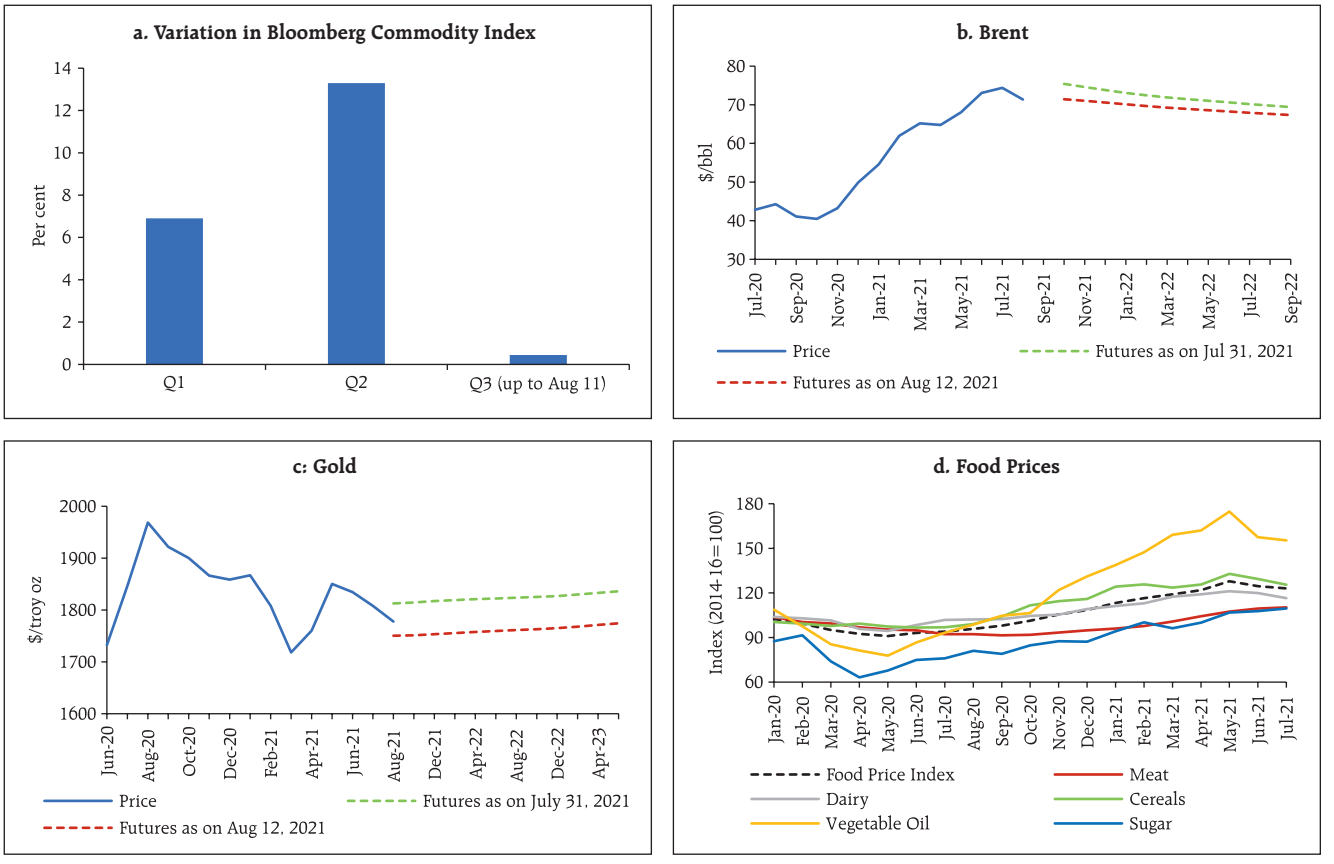
Chart 8: World Trade and Shipping Costs



Sources: CPB Netherlands; Bloomberg; Reuters and Authors calculations.

demand concerns sparked by the rapid spread of the delta variant of the virus and the OPEC *plus* reaching an agreement to ease supply with an additional output of 400,000 barrels per day each month from

Chart 9: Commodity and Food Prices

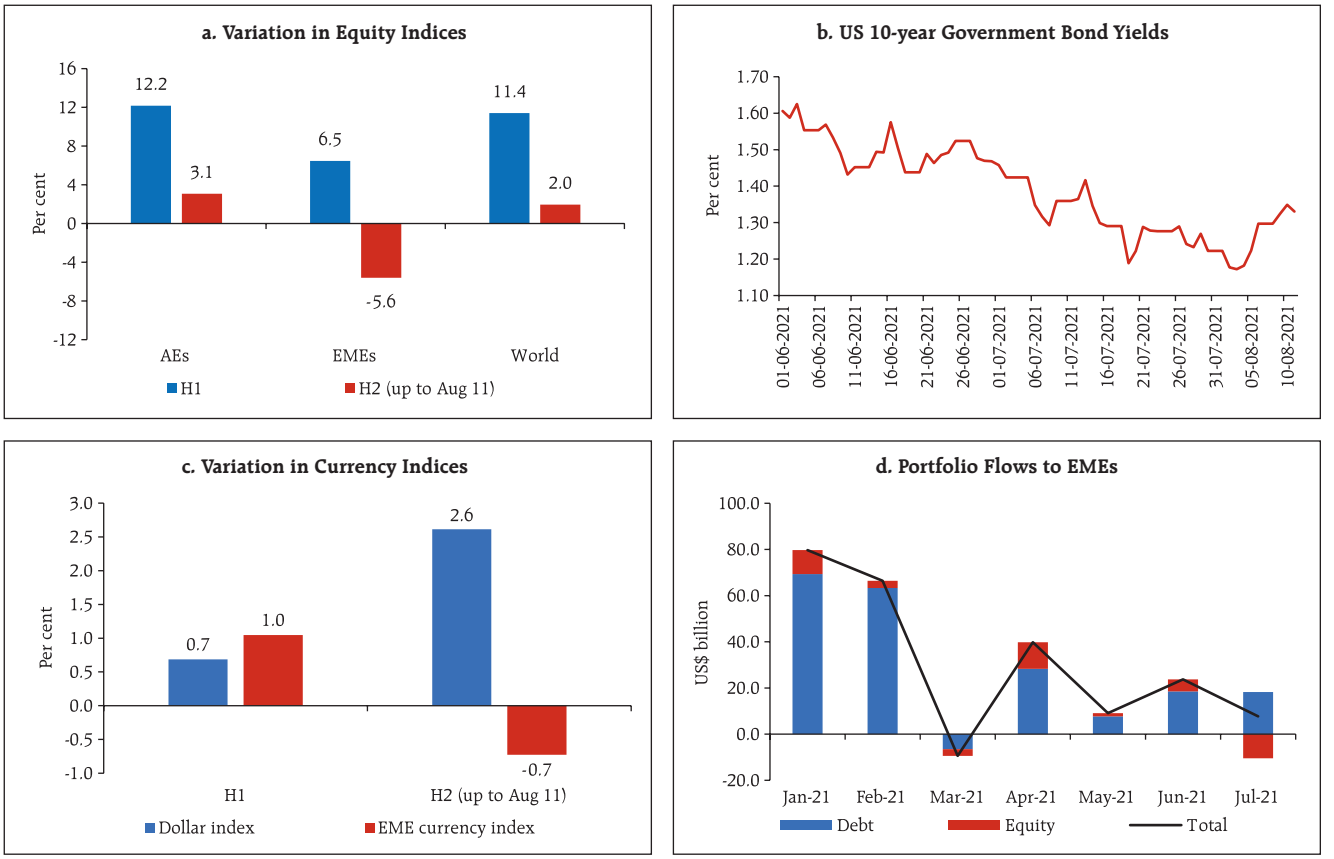


Sources: World Bank; Bloomberg; Food and Agriculture Organization.

August onwards. Another round of easing has set in from early August on demand concerns as also high stockpiles in the US (Chart 9b). Due to continuing safe haven demand and rallies in US Treasury yields, bullion had stabilised around the US$1,800 per troy ounce mark in July, but fell to a 4-month low by the second week of August on strengthening dollar and higher yields (Chart 9c). Food prices, barring sugar and meat, moderated for the second consecutive month in July (Chart 9d). Nevertheless, the food price index in July 2021 was 31.0 per cent higher than its level a year ago.

In the financial markets, AE stocks were lifted by strong rallies. The regulatory crackdown in China in July led to massive sell-offs, which pulled down the overall EME index into the red on a year-to-date basis (Chart 10a). On the other hand, 10-year Treasury yields in the US continued to dip through July. On July 19, as delta variant concerns triggered sharp corrections in stock markets world-wide and led to strong safe haven demand, the 10-year yield ebbed to its lowest level since the second week of February. With the Federal Reserve following up a modestly hawkish Federal Open Market Committee (FOMC) statement with dovish assurance, long-term Treasury yields remained soft. The jobs report for July, however, has brought the rally to a pause (Chart 10b). The US dollar, on the other hand, strengthened on the back of better economic performance and the improving inflation outlook for the US. The US dollar's rally was sharp in July and has continued into August, while most other currencies, particularly the EME currencies, have depreciated against the dollar (Chart 10c). Overall, there has been a sharp retrenchment of capital flows to EMEs in July, with net outflows from the equity segment (Chart 10d).

Chart 10: Financial Markets



Sources: Bloomberg; FBIL; and IIF.

Inflation continues to perch above the inflation target of most EMEs, with AEs also grappling with a rise in recent months. In the US, the core personal consumption expenditure (PCE) inflation at 3.5 per cent in June was at a 30-year high. CPI inflation in July remained at the 13-year high level reached in the previous month. The latest FOMC statement, however, maintains that the recent spike in inflation is largely due to transitory factors. This view is endorsed by the IMF in its latest WEO. The rise in core inflation in the US is largely contributed by increase in prices of used cars, lumber and air travel, a result of pandemic-induced disruptions rather than exhaustion of spare capacity. The Euro area, with an inflation print of 2.2 per cent in July, is the latest AE with above-target inflation on record. In EMEs, inflation remains high on the back of firming commodity prices and supply disruptions (Chart 11).

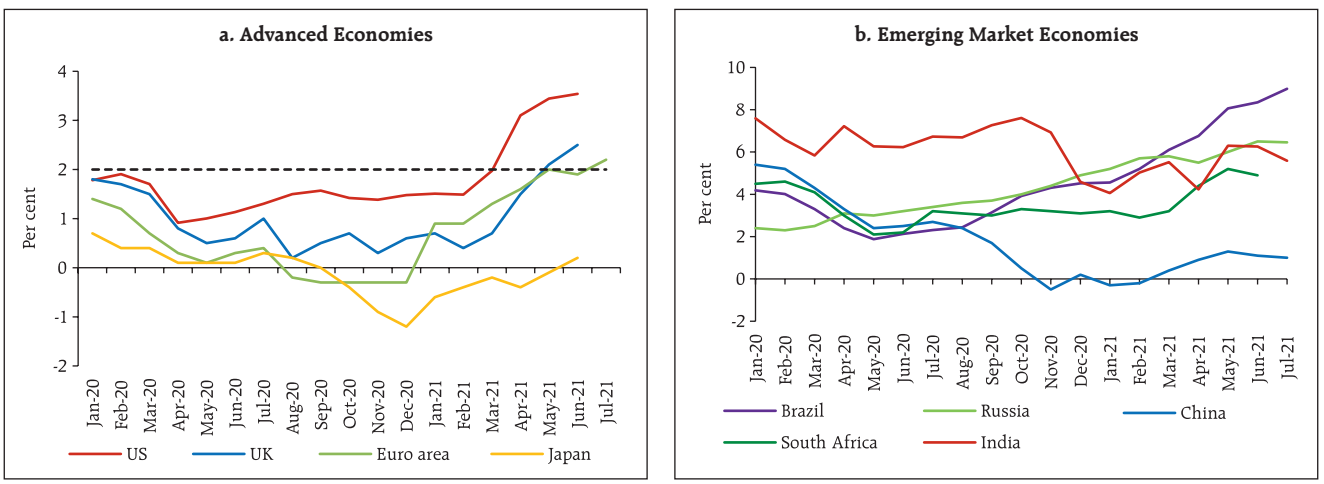
House prices are booming in almost every major economy, with historically low interest rates, savings accumulated during lockdowns and a desire for more space as people work from home fueling the demand[11].

Divergent monetary policy paths are being forged by central banks. Both Brazil and Russia effected their fourth rate hikes in 2021, with an equal magnitude of 100 basis points (bps) in July and August, respectively. Chile is the latest EME to start policy normalisation, with a rate hike of 25 bps in July while Mexico effected its second consecutive 25 bps hike in August.

Among AEs, the Bank of Canada tapered its weekly bond purchase programme for the third time by C$1 billion to C$2 billion. The Bank of England, even as it maintained a pause on rate and quantum of asset purchases, gave guidance on how it would unwind its quantitative easing. On the other side of the spectrum, the European Central Bank (ECB) has maintained a persistently accommodative monetary policy stance to meet its inflation target. It set a forward guidance that interest rates will remain at their current level or lower till the inflation target is durably achieved. The ECB has changed neither the pace nor the quantum of purchases under the Pandemic Emergency Purchase Programme.

After its July meeting, the Federal Reserve stated that the US was a good deal away from "substantial further progress" on its goals of maximum employment and price stability. This assuaged market sentiments. Furthermore, the Fed introduced two standing repo facilities entailing overnight collateralised lending – a

Chart 11: Inflation



Source: Bloomberg.

[11] Financial Times, August 2, 2021.

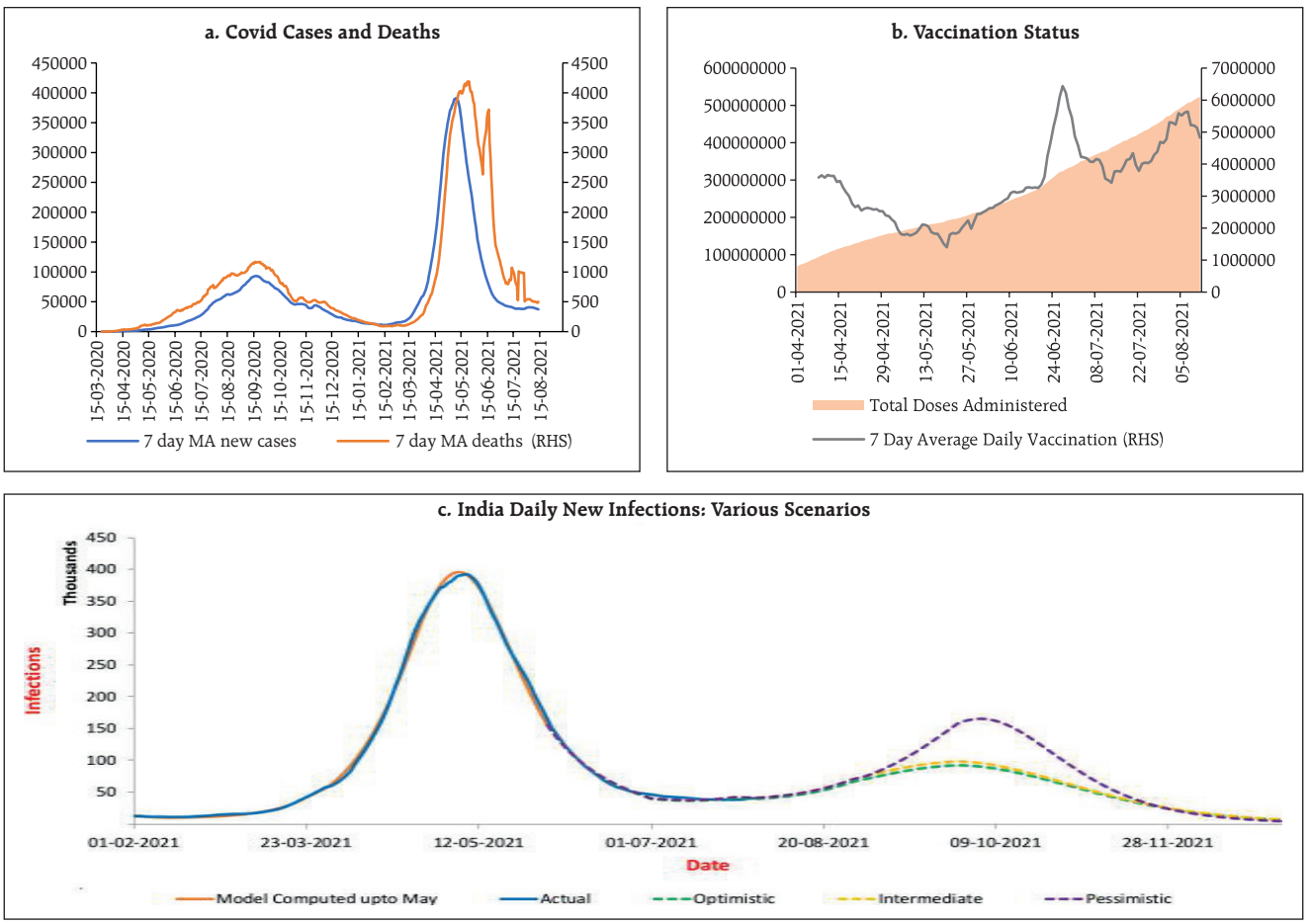
domestic standing repo facility and a repo facility for foreign and international monetary authorities (FIMA Repo Facility)[12].

Overall, the near-term outlook for the global economy remains clouded by mounting concerns over the highly contagious delta variant that is ravaging several parts of the world. Risks to global growth are slanted to the downside at the current juncture. Worsening inflation expectations and the resultant tightening of financial conditions could drag growth down with macroeconomic and financial spillovers to EMEs.

III. Domestic Developments

The course of the economy over the month gone by has been altered by the slow retreat of the second wave of the pandemic. After peaking in the first week of May, the 7-day moving average (MA) of daily new cases dipped from around 40,000 in the first half of July 2021 and touched a low of 36,074 on August 16, 2021. On the vaccination front, over 55 crore doses have been administered by August 16, 2021. During the period July 26-August 8, there has been a sharp jump in rural vaccinations: of the total 9.87 crore doses administered in this period alone, 63 per cent were in

Chart 12: COVID-19 Second Wave



Note: The "optimistic" scenario is basically a continuation of the status-quo: No mutant that is more infectious than the current Delta variant, and immunity against reinfection (after either previous asymptomatic infection or vaccination) as per international research literature, and vaccination as per GoI press releases. The "intermediate" scenario can also be called "mildly pessimistic" and assumes a faster erosion of immunity. The "pessimistic" scenario assumes that, on top of the mildly pessimistic scenario, there will emerge a new mutant that spreads 25% faster than the current Delta variant.

[12] This facility was introduced at end-March 2020 and had been extended up to September 2021, and is now made permanent.

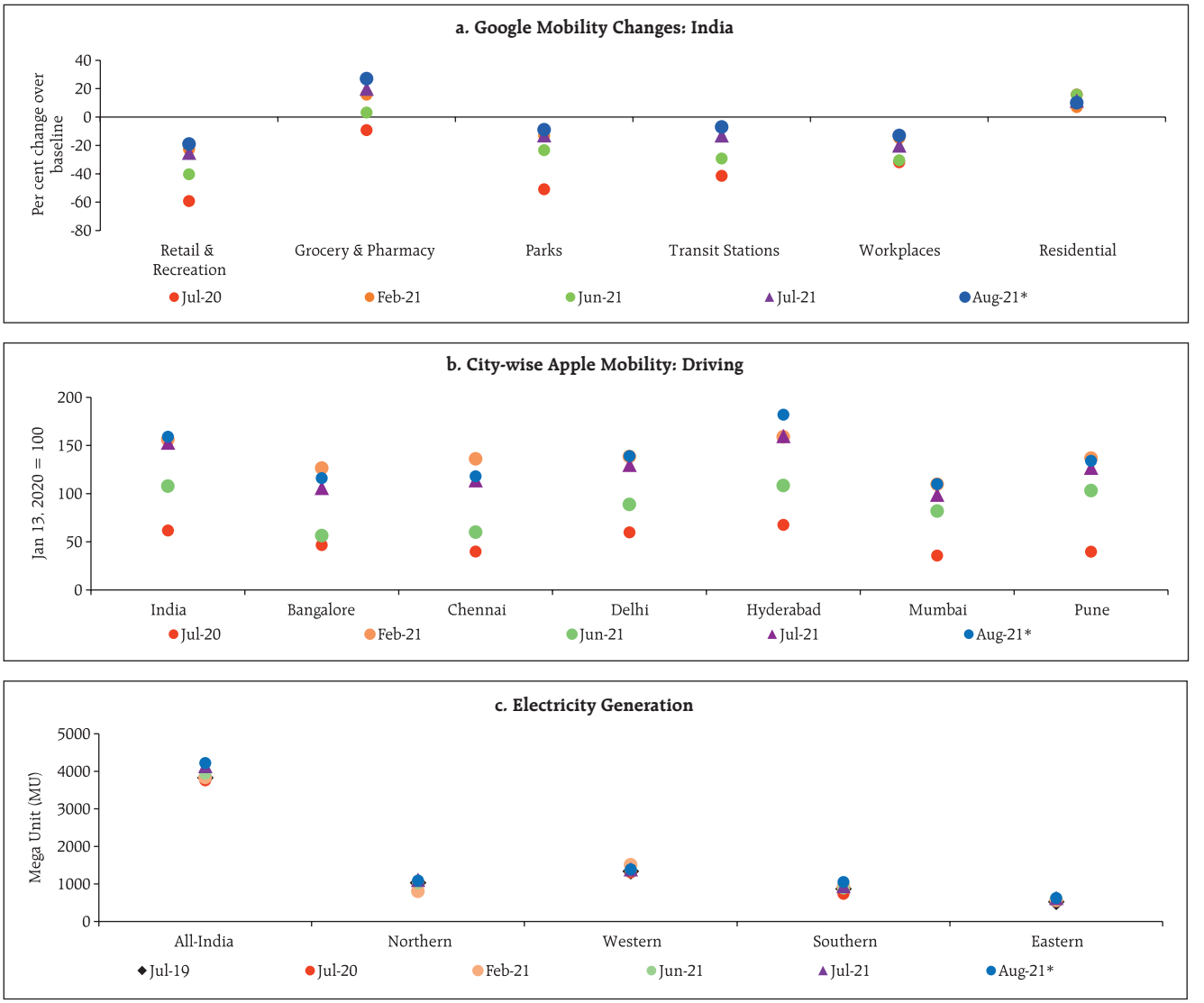
[13] Indian Express, 10 August, 2021.

rural parts[13].

According to the 4th National Seroprevalence Survey[14] conducted by the Indian Council of Medical Research (ICMR), around 68 per cent of the India's population above the age of 6 years has gained SARS-Cov-2 antibodies, suggesting that the country is inching towards herd immunity. On the other hand, model-based simulations suggest that India is likely to see a rise in Covid infections building into a new wave that may peak in October[15]. The forecast underscores the need for India to accelerate its vaccination campaign, deploy surveillance methods to identify emerging hotspots and stay vigilant through genome sequencing, given the potential for new variants to emerge.

With the cautious unwinding of restrictions by states, human mobility has risen to levels last seen in February 2021, prior to the onset of the second wave

Chart 13: Impact of Second Wave of COVID-19 on Economic Activity



*: Denotes data upto August 11, 2021.
Sources: Google; CMIE; CEIC; and POSOCO.

[14] The Survey was conducted in 70 districts, which for the first time covered children above the age of 6 years.

[15] Developed by Mathukumalli Vidyasagar and Manindra Agrawal at Indian Institute of Technology in Hyderabad and Kanpur.

(Chart 13a and 13b). Electricity generation readings, too, have recovered to peak levels seen in April 2021 and are closing on to the pre-pandemic level, *i.e.*, July 2019 (Chart 13c).

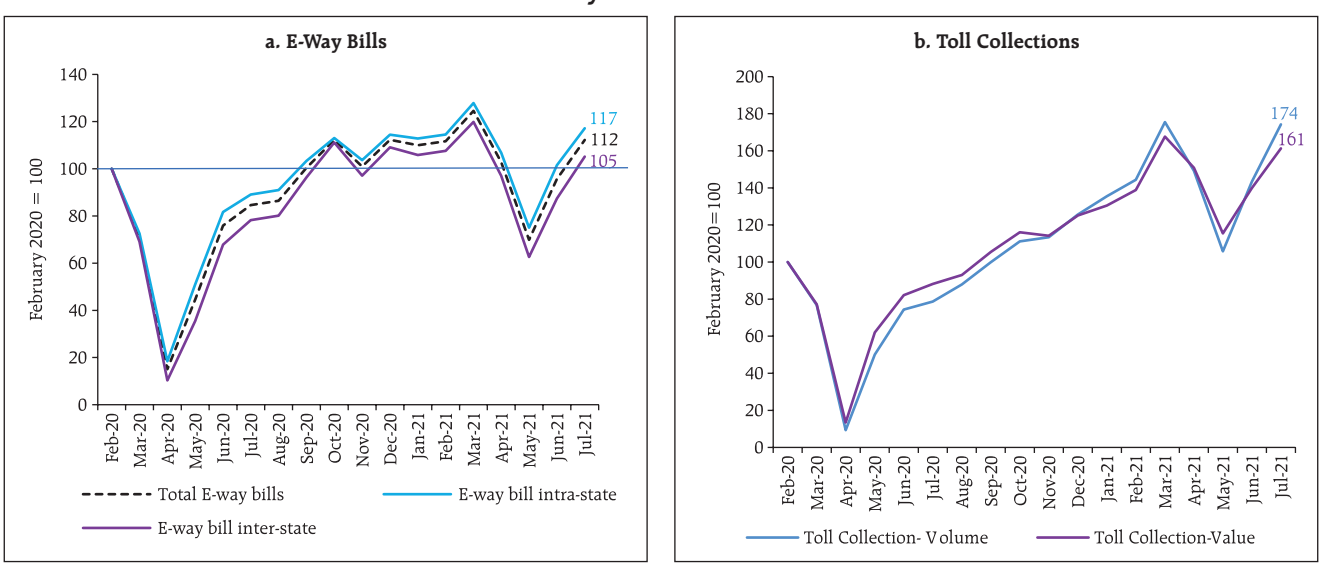
Aggregate Demand

Aggregate demand conditions are buoyed by pent-up demand released by unlocks and vaccination. E-way bill collections rose to their highest level in the last four months, clocking a growth of 17.3 per cent sequentially over June 2021. Normalised to February 2020 levels, E-way bills, both intra-state and inter-state, surpassed pre-pandemic levels (Chart 14a). In August so far (up to August 8, 2021), daily average E-way bills declined sequentially by 5.8 per cent, with implications for GST collections going forward.

Toll collections rebounded in July, nearing the March 2021 record when Fastag was made mandatory (Chart 14b). The rise in toll collection was also supported by an increase in truck rentals on the back of increased factory output and a 10-15 per cent rise in dispatches, as per the Indian Foundation of Transport Research and Training (IFTRT)[16]. Toll collections in the in August so far (up to August 12, 2021) remained flat over the corresponding period a month ago.

Fuel consumption recorded an uptick in July 2021. While the consumption of petrol reached pre-pandemic levels and aviation turbine fuel (ATF) recorded a sequential improvement, diesel consumption slipped marginally (Chart 15a). Automobile wholesales recorded an uptick in July, with positive momentum in growth of the passenger vehicle segment as manufacturers scaled up production and dispatches to dealerships to replenish inventory levels. Retail sales of motor vehicles turned around, hitting a growth of 33.7 per cent y-o-y and 27.7 per cent m-o-m in July. Normalised to February 2020, both transport and non-transport vehicle registrations improved, with the non-transport segment near normalising to pre-pandemic levels and the transport segment reaching 50 per cent of pre-pandemic levels (Chart 15b and c).

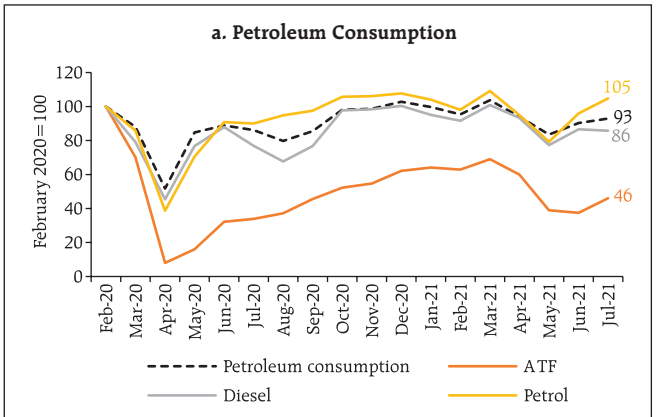
Chart 14: E-way Bills and Toll Collections



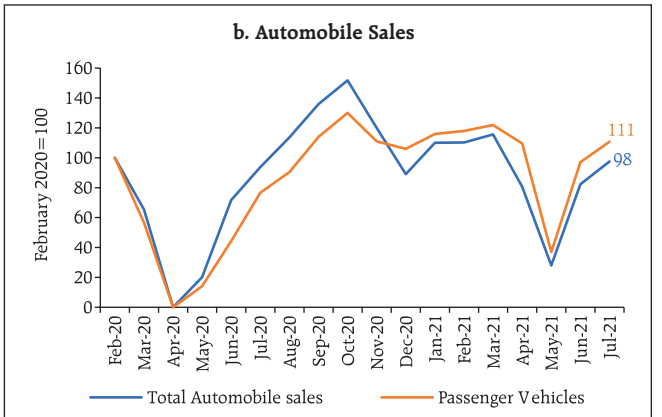
Sources: Reserve Bank of India, Authors' calculations.

[16] Money Control, 3 August, 2021.

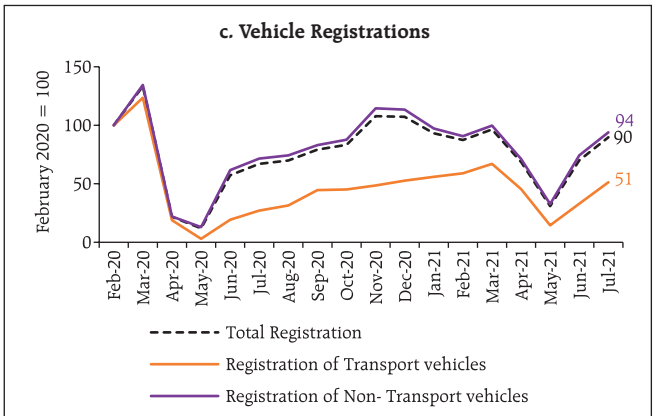
Chart 15: Transport Sector Indicators



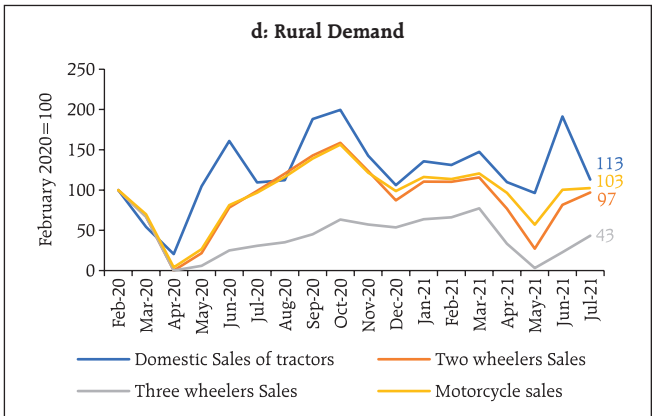
Sources: Petroleum Planning & Analysis Cell; and Authors' own calculations.



Sources: SIAM; and Authors' own calculations.



Sources: Vahan Dashboard; and Authors' own calculations.



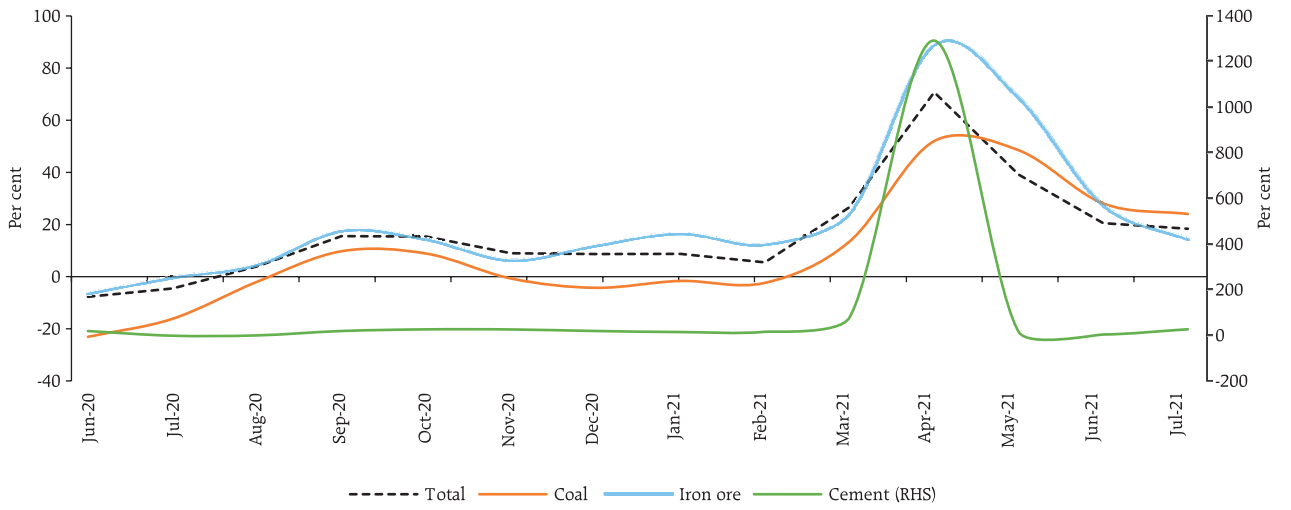
Sources: SIAM; and TMA; and Authors' own calculations.

Rural demand remained up-beat, with tractor sales registering a growth by 3.3 per cent y-o-y in July, well above pre-pandemic levels. With the normal monsoon and sowing gaining traction, industry experts remain bullish on the segment, expecting a good run in the coming months. Sales of motorcycles revived, even as two- wheeler sales remained moderate in July 2021 (Chart 15d).

Freight carried by Indian Railways remained resilient, marking an increase of 18.4 per cent in July (112.7 million tonnes) over its level a year ago. Of the major commodities, cement freight recorded a stark uptick - an indication of construction activity picking up (Chart 16). The aviation sector finally recorded some rebound in air passenger footfalls in the first week of August as airlines introduced special fares, and vaccinations improved travel sentiments. Currently, international flights are operating only to and from about 28 countries with which India has entered into "air bubble"[17] agreements.

[17] An air bubble is a bilateral arrangement between two countries under which airlines from both countries can operate international flights with a set of regulations and restrictions.

Chart 16: Railway Freight Revenue (Y-o-Y Growth)

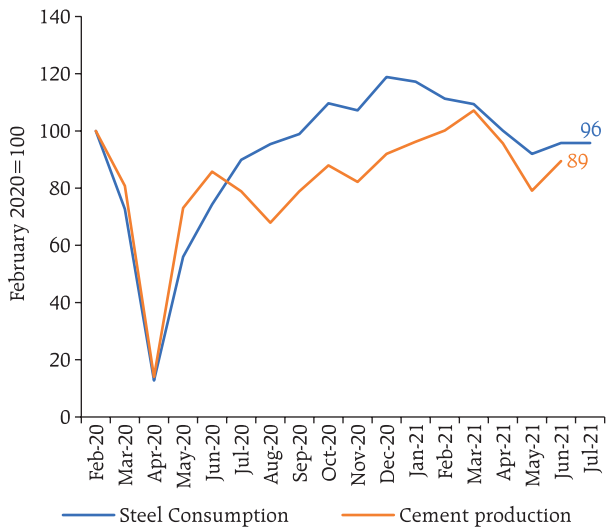


Source: Rail Drishti.

Normalised to February 2020 levels, high frequency indicators of construction activity –steel consumption and cement production –inched closer to the baseline (Chart 17).

In July 2021, the fast-moving consumer goods (FMCG) sector saw sales picking up in the rural areas and small towns as sentiments improved on the back of the favorable monsoon. Consumer electronics recorded the best-ever July sales, driven up by pent-up demand. The active number of operational kirana outlets increased by 17 per cent m-o-m in July[18].

Chart 17: Construction Sector Indicators

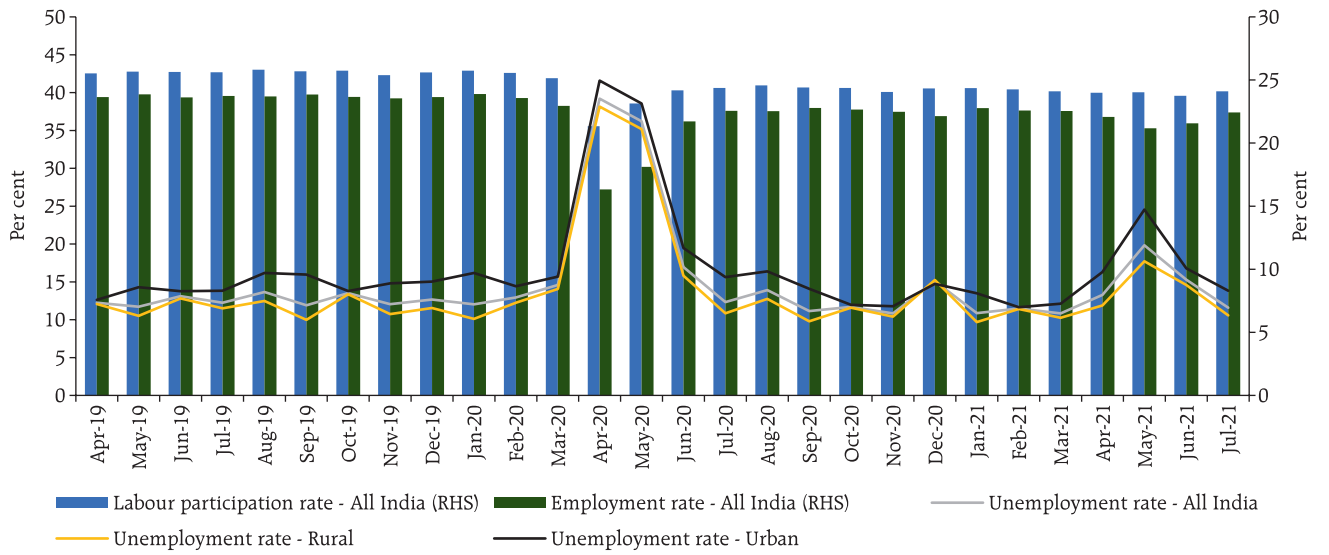


Source: Joint Plant Committee; and Office of the Economic Advisor, Ministry of Commerce and Industry.

As per the household survey of the Centre for Monitoring Indian Economy (CMIE), the unemployment rate plunged to 6.95 per cent in July from 9.17 per cent a month ago. The labour participation rate also improved by 60 basis points in July 2021 over a month ago, reaching March 2021 levels (Chart 18). The fall in unemployment was more pronounced in rural areas than in their urban counterparts, pointing to the resilience of the rural sector on brightened agricultural prospects. On July 23 and August 2, 2021, the Ministry of Statistics and Programme Implementation (MoSPI) released the periodic Labour Force Survey for the period July 2019-June 2020, providing the first formal evidence of the impact of the pandemic's first wave on labour market conditions (Annex).

[18] BloombergQuint, July 30, 2021.

Chart 18: Employment, Unemployment and Labour Participation Rates

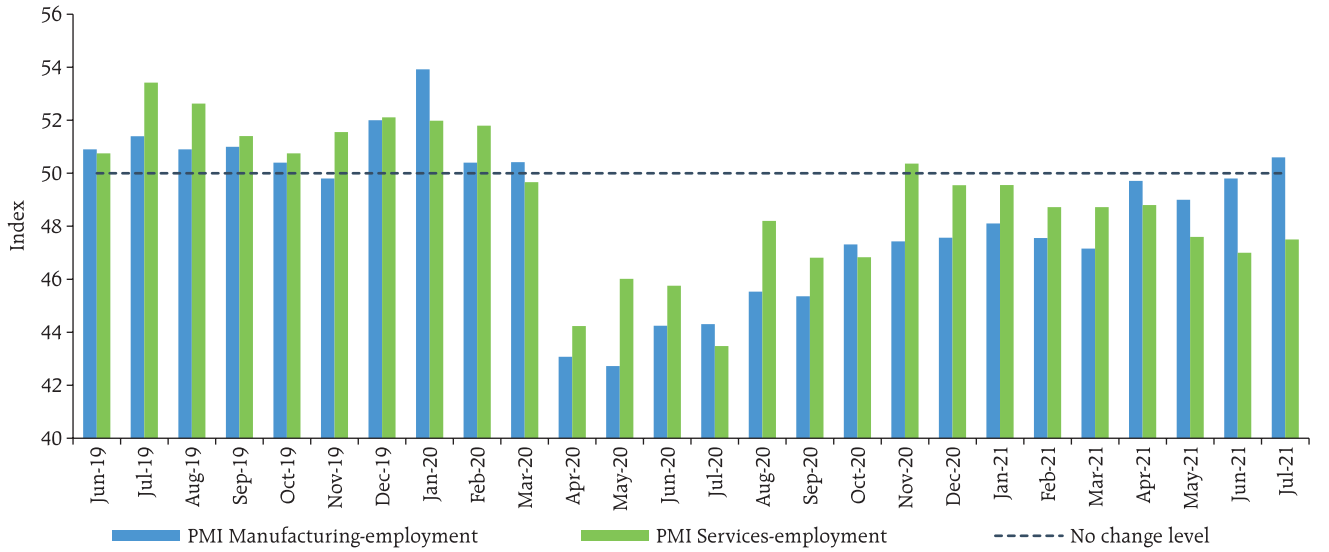


Source: CMIE.

The Employment Purchasing Managers' Index (EPMI) suggests that hiring has accelerated in the manufacturing sector while the services sector still shows contraction in July[19] (Chart 19).

During Q1:2021-22, the union government's gross fiscal deficit (GFD) was kept in check, helped by higher tax and non-tax revenues and lower revenue expenditure relative to the same period last year (Chart 20).

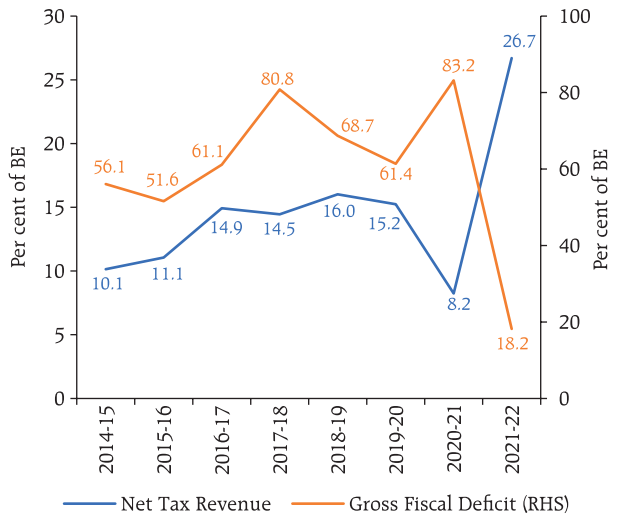
Chart 19: PMI Employment Indices



Source: IHS Markit.

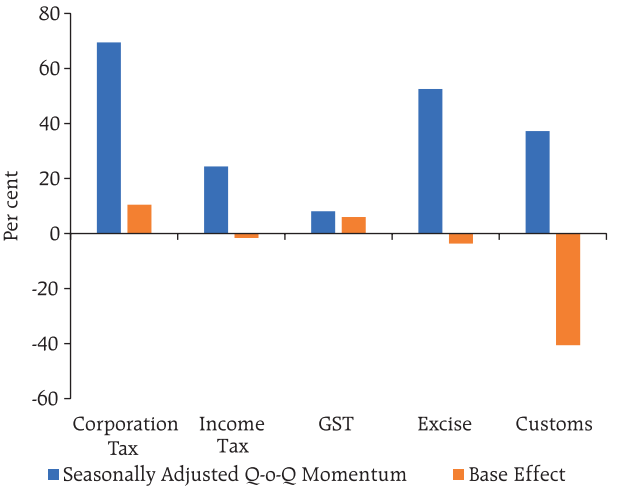
[19] IHIS Markit releases PMI data.

Chart 20: Financial Position of Union Government during April-June



Source: Controller General of Accounts (CGA).

Chart 21: Decomposition of Tax Growth in 2021-22:Q1 *vis-à-vis* 2019-20 into Momentum and Base Effect



Source: CGA; and Authors' calculations.

Gross tax revenues improved considerably – even compared with 2019-20, gross tax revenue marked an increase of 32.8 per cent, with most tax heads hitting double-digit growth in collections (Table 3).

There is a strong positive momentum under all major tax heads, which is complemented by positive base effects in the case of corporation tax and GST (Chart 21). Momentum is being generated by a surge in profitability of large corporates, improved compliance and enforcement resulting from sharing of GST data with the Central Board of Direct Taxes, higher taxes on fuel, and the sharp recovery in both exports and imports.

GST collections for the month of July 2021 at ₹1.16 lakh crore, again surpassed the ₹1 lakh crore mark, indicating that the blip in June may have been transitory (Chart 22).

In Q1:2021-22, there is also an improvement in the union government's capital outlay by 41.1 per cent over a year ago, which bodes well for medium term growth prospects. The revenue expenditure to capital outlay (RECO), an indicator of the quality of expenditure, stood at 6.8 in Q1:2021-22 as against the budget estimate (BE) of 5.7. The revenue deficit to gross fiscal deficit (RD-GFD) ratio holds at 62 per cent as against the BE of 75.7 per cent (Chart 23) (Misra *et al.*, 2021)[20].

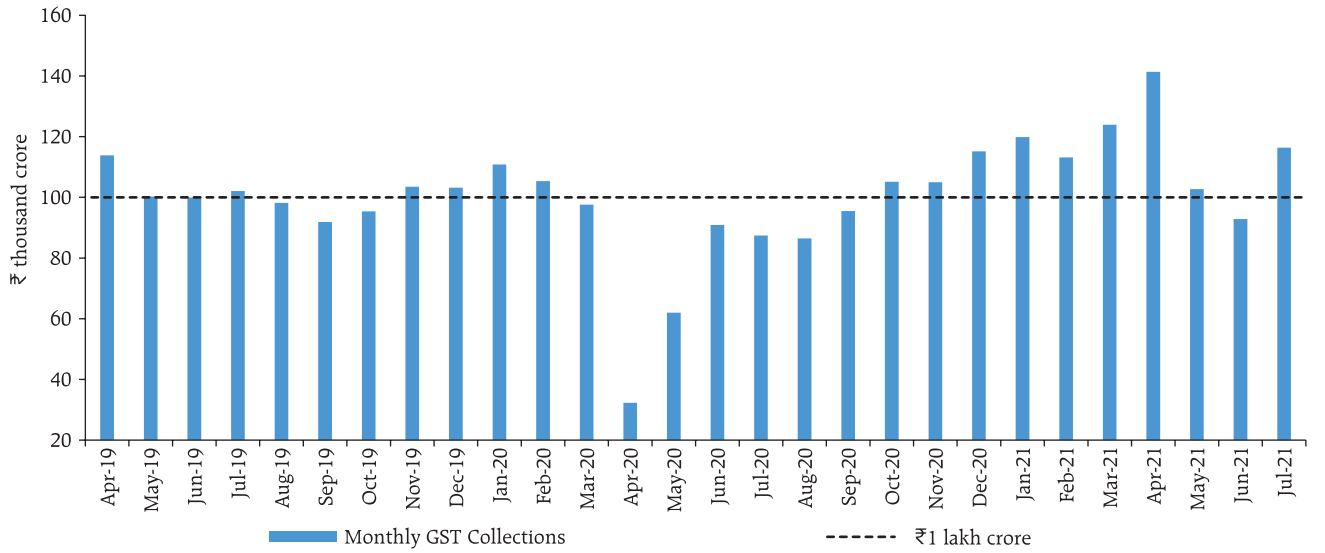
Table 3: Tax Revenue of Union Government

	Q1 (₹ crore)			Growth in Q1:2021-22	
	2019-20	2020-21	2021-22	over 2020-21	over 2019-20
Gross Tax Revenue	**4,00,421**	**2,69,686**	**5,31,606**	**97.1**	**32.8**
Direct Tax	**1,69,898**	**1,18,910**	**2,51,418**	**111.4**	**48.0**
of which:					
Corporation Tax	70,640	54,212	1,23,689	128.2	75.1
Income Tax	96,927	62,123	1,22,692	97.5	26.6
Indirect Tax	**2,30,523**	**1,50,775**	**2,80,188**	**85.8**	**21.5**
of which:					
GST	1,52,601	98,888	1,69,084	71.0	10.8
Excise	36,951	35,347	67,907	92.1	83.8
Customs	39,480	15,416	41,356	168.3	4.8

Source: Controller General of Accounts (CGA).

[20] For the general government, an RECO ratio of not more than 5 and RD-GFD ratio of not more than 40 per cent are empirically found to be appropriate for a sustainable growth trajectory. Misra, S., Behera, S.R., Seth, B. and Sood, S. (2021). "Fiscal Framework and Quality of Expenditure in India". *Reserve Bank of India Bulletin, June.*

Chart 22: GST Collections



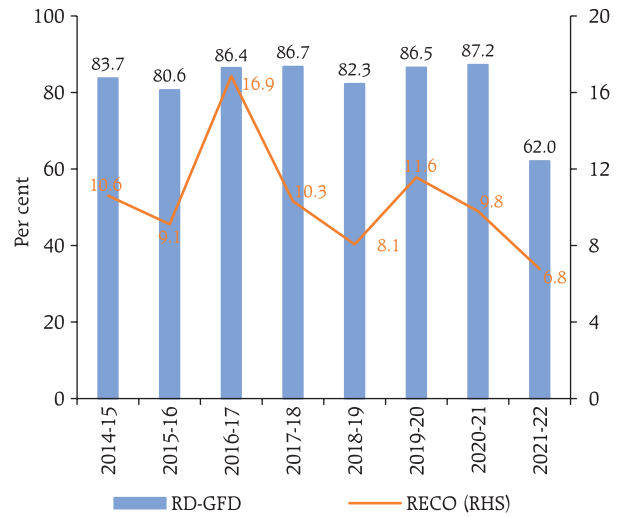
Source: Press Information Bureau.

As per the latest information available for 19 states, their capital outlay has expanded sharply during Q1:2021-22 as against a decline of 53.4 per cent in Q1:2020-21 (Chart 24). States account for more than 60 per cent of the general government's capex.

India's merchandise exports stayed above US$ 30 billion for the fifth successive month in July 2021. Robust demand in partner countries for engineering goods, petroleum products and chemicals powered the export performance (Chart 25a and 25b). In fact, 22 out of 30 major commodity groups featured in this broad-based expansion.

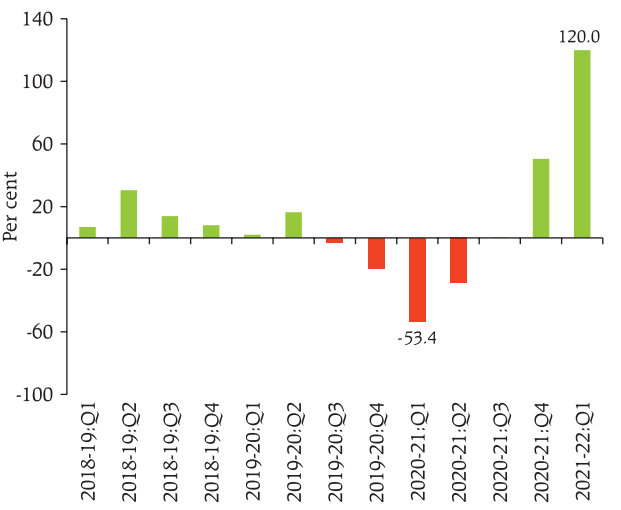
The cutting edge to the export effort is being provided by a few items, which together

Chart 23: Quality of Expenditure during April-June



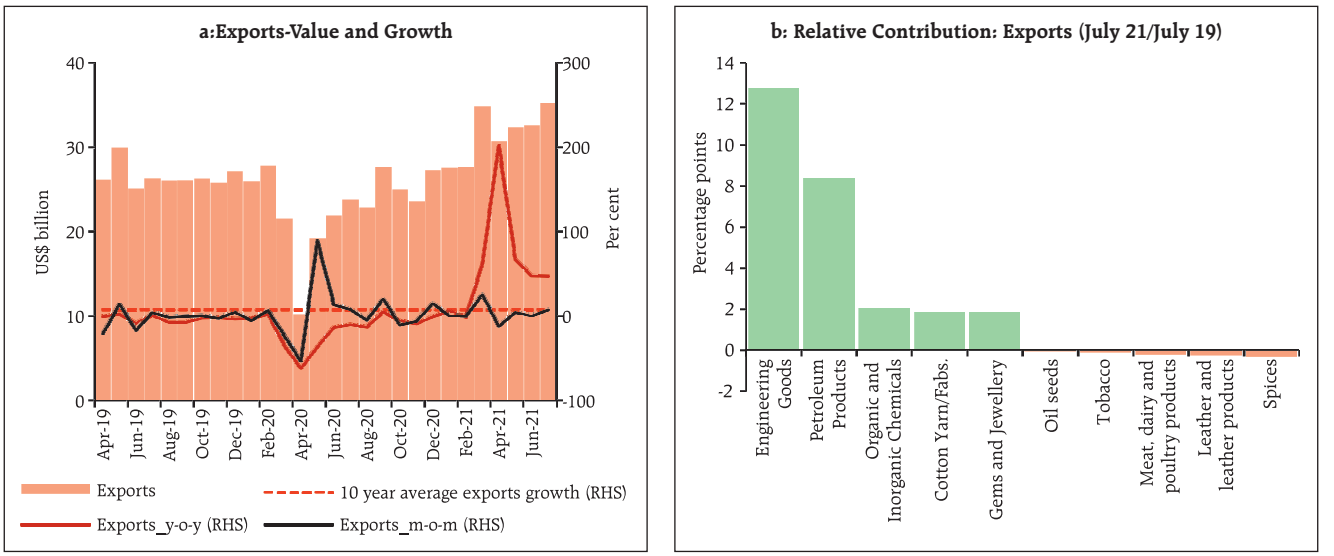
Source: CGA.

Chart 24: Growth in Capital Outlay of the State Governments



Source: CAG.

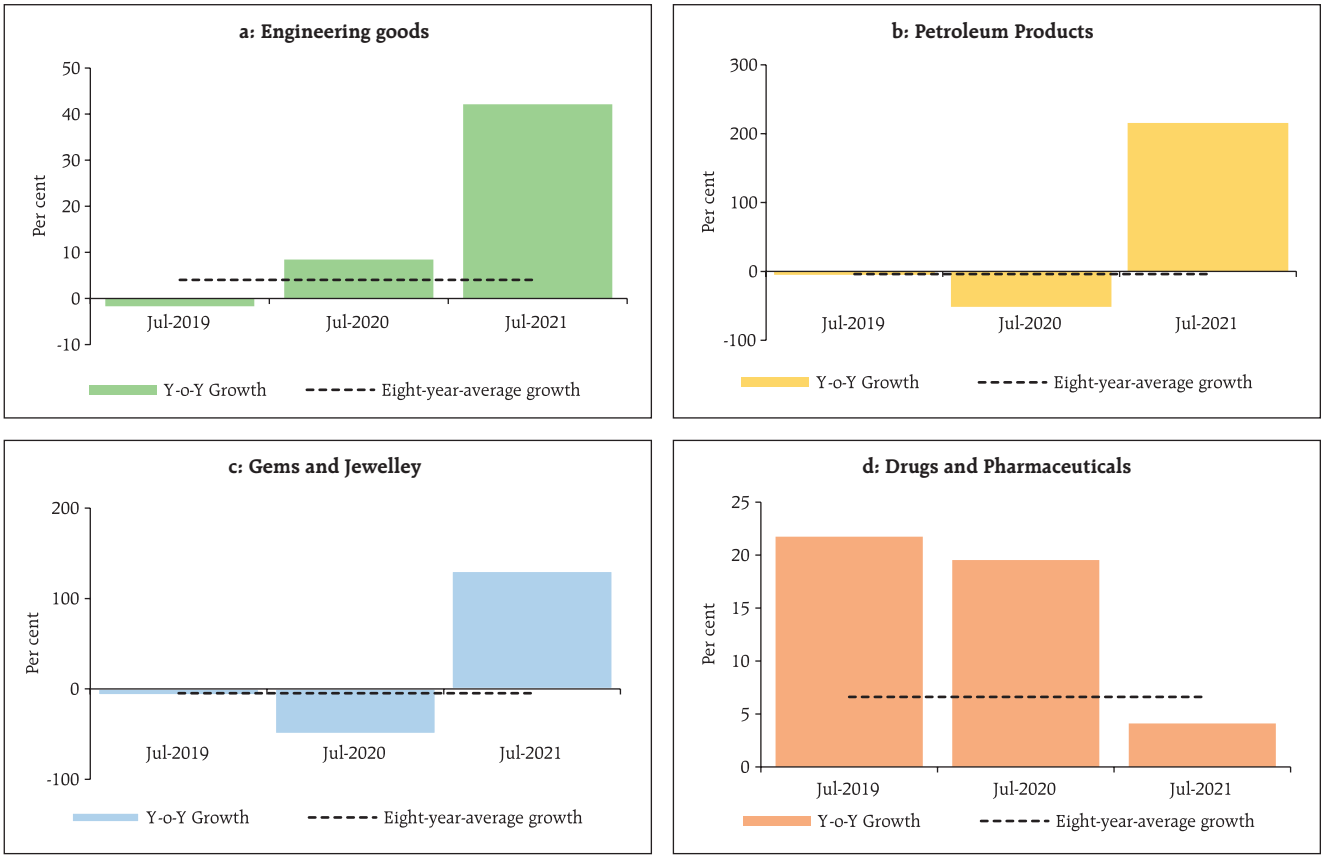
Chart 25: India's Merchandise Exports - July 2021



Sources: DGCI&S; and Authors' calculations.

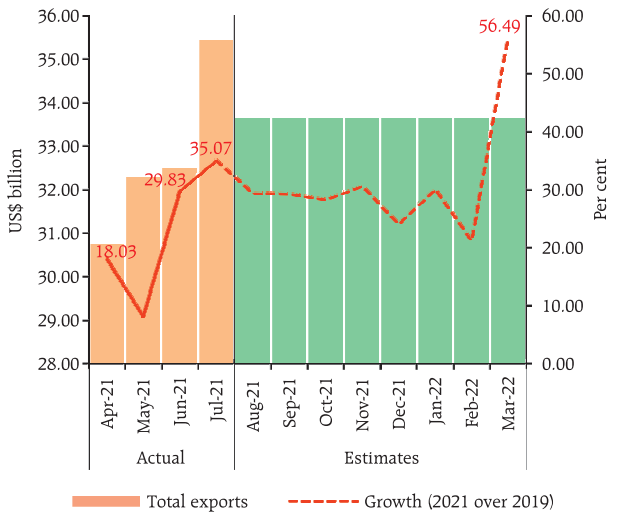
accounted for around 57.3 per cent of total exports through 2013-2020 (Chart 26a to 26d). The engineering goods segment has emerged as a bright spot, in particular.

Chart 26: Export Growth in Key Commodities



Sources: DGCI&S; and Authors' calculations.

Chart 27: India's Merchandise Exports - Estimates for 2021-22



Source: DGCI&S; and Authors' calculations

During April-July 2021, India's merchandise exports reached US$ 130.8 billion - around one-third of India's total export target of US$ 400 billion set for 2021-22 (Chart 27).

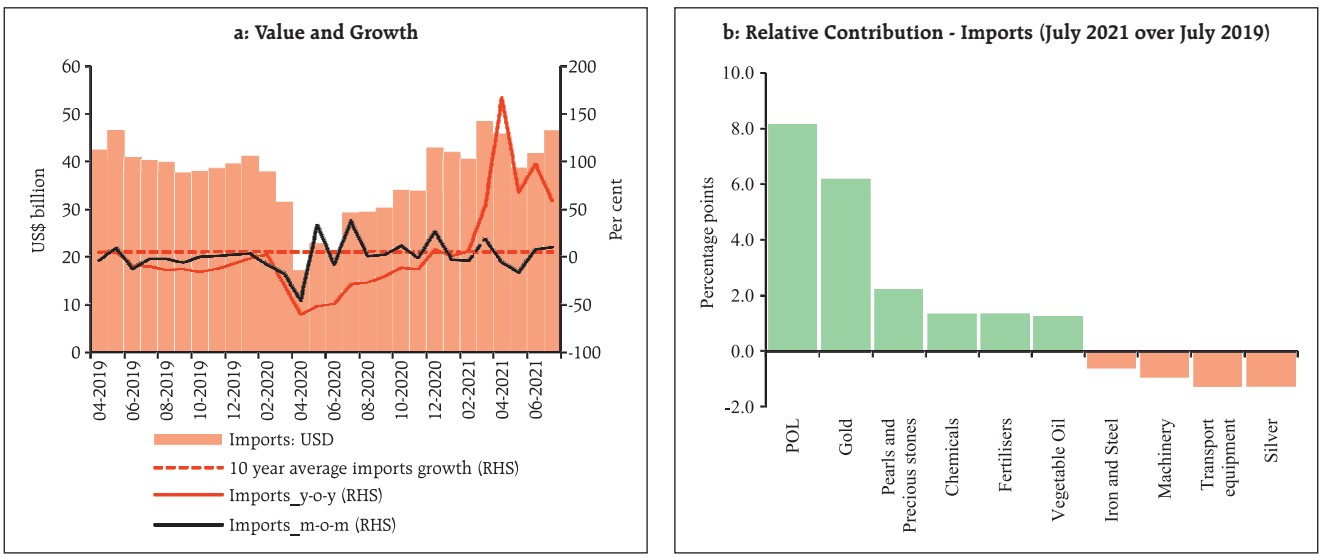
India's merchandise imports have exceeded pre-pandemic levels, reflecting the recovering strength of economic activity (Chart 28a). Non-oil-non-gold imports have exceeded US$ 25 billion for eight months in a row, attesting to a revival of domestic demand being underway. Import growth has remained broad-based, with 18 out of 30 major commodity groups expanding *vis-à-vis* July 2019 levels (Chart 28b).

Aggregate Supply

The south-west monsoon is catching up with its normal levels. The cumulative rainfall from June 1 to August 13 is 7 per cent below the long period average (LPA) as against 2 per cent above the LPA a year ago.

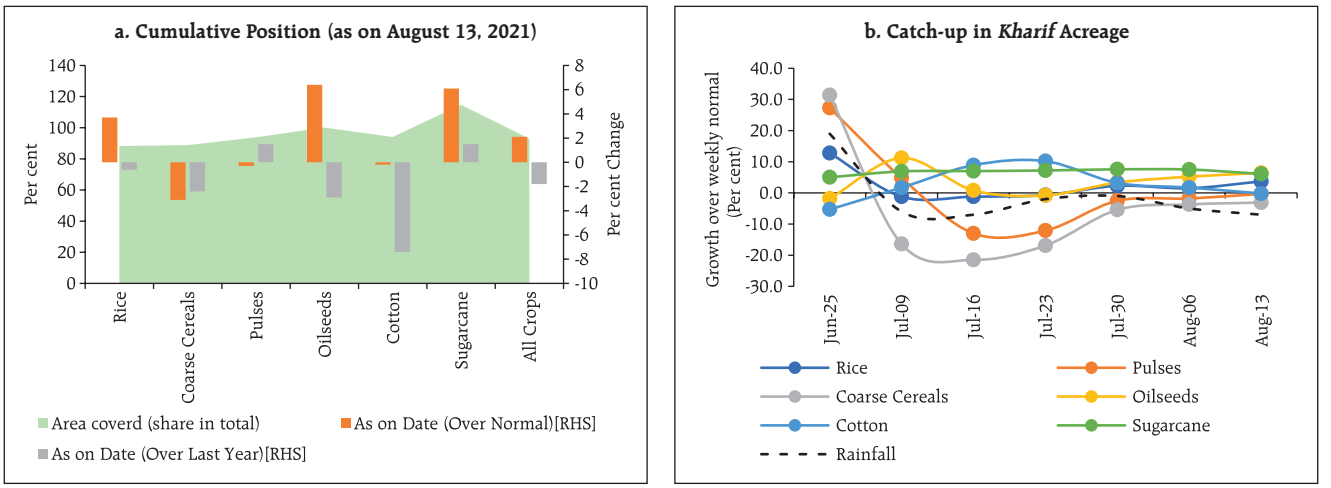
In line with the monsoon's progress, sowing activity is gradually gaining pace. As on August 13, 2021, *kharif* acreage stood at 997.1 lakh hectares – 1.8 per cent below its level a year ago but 2.1 per cent above the normal acreage. Overall, around 93 per cent of sowing has already been accomplished, with sugarcane recording the highest acreage of 114.7 per cent of the normal. Acreage under tur – the main *kharif* pulse – has been higher by 5.2 per cent over a year ago. Other pulses and coarse cereals are yet to achieve normal levels (Chart 29).

Chart 28: India's Merchandise Imports - July 2021



Sources: DGCI&S; and Authors' calculations.

Chart 29: Weekly Progress in Kharif Sowing



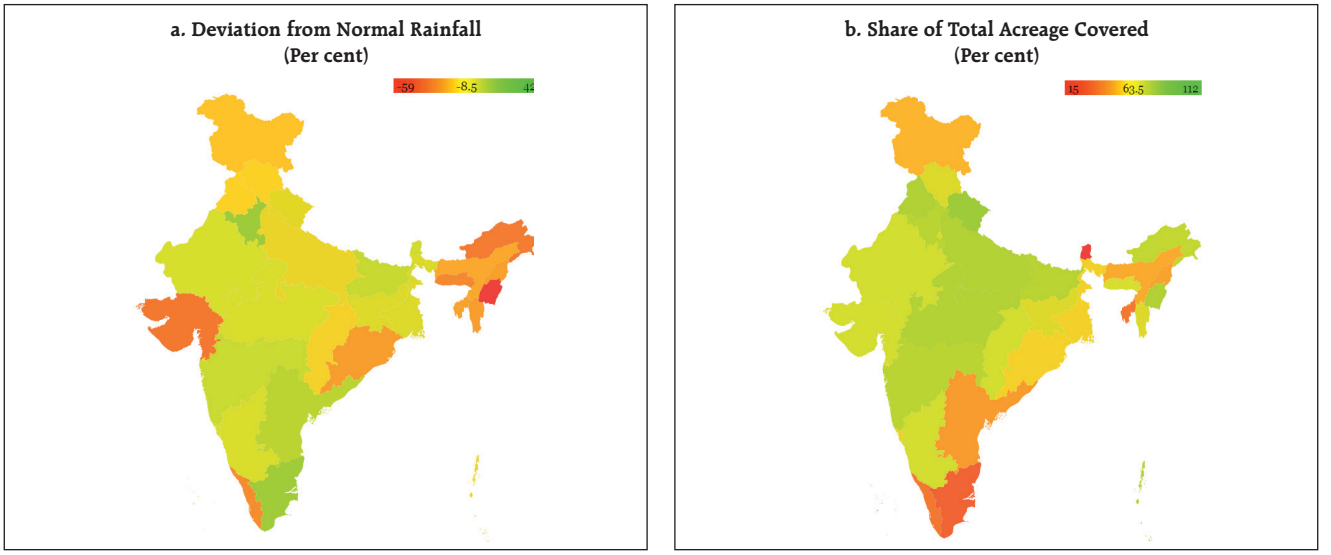
Note: Data for July 2, 2021 was not published by MoAFW.

"Total area" and "weekly Normal" for crops are the averages of 5 years (2015-16 to 2019-20).
Normal rainfall is defined as the long period average (LPA) *i.e.*, the average of rainfall received over a 50-year period between 1951 and 2001.
Source: MoAFW and IMD.

State-wise analysis shows that *kharif* sowing is on the verge of completion in the major producer states in northern and central parts of the country (Chart 30). The momentum of fertiliser sales in June and July remained strong (Chart 31a).

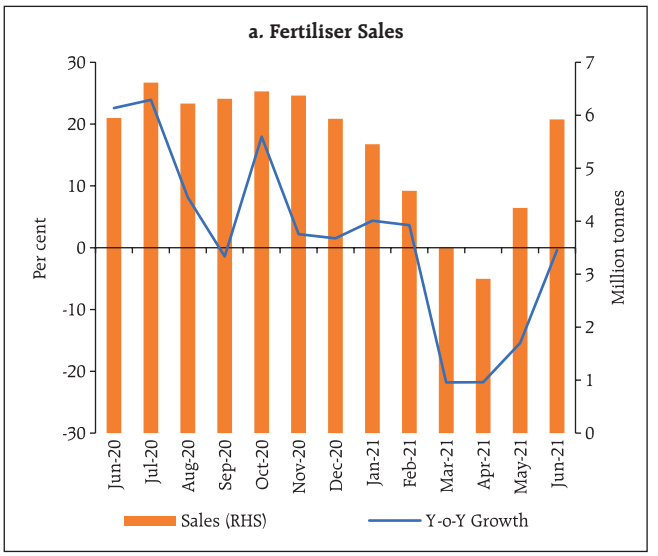
The Ministry of Agriculture and Farmers' Welfare has released the fourth Advance Estimates of agricultural crops production for the year 2020-21 on August 11, 2021 (Chart 32). 2020-21 marked the fifth consecutive year of record production of the

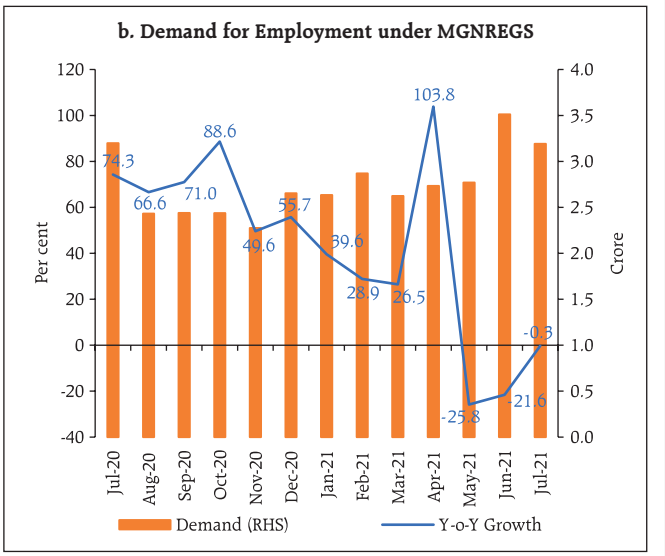
Chart 30: State wise Rainfall and Crop Situation (Kharif-2021) as on August 6, 2021



Note: Total area is average of 5 years (2015-16 to 2019-20).
Sources: MoAFW; IMD; and www.gramener.com.

Chart 31: Agricultural Activity Indicators

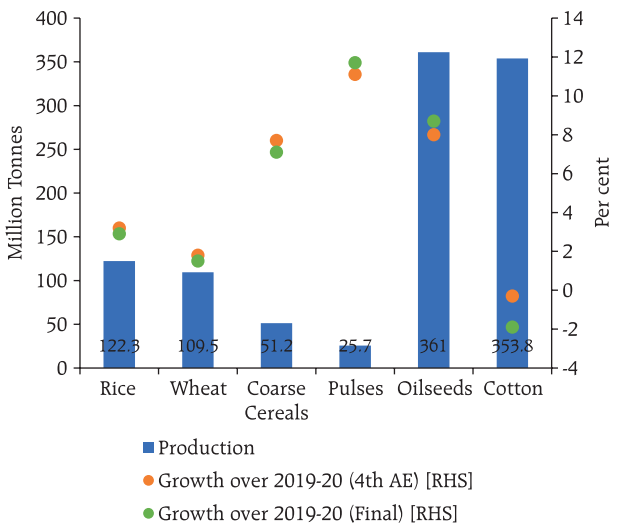




Sources: Ministry of Chemical and Fertilisers; and Ministry of Rural Development.

foodgrains. This higher growth in production has stemmed from the record high acreages in anticipation of higher public procurement, adequate temporal as well as spatial rainfall distribution, ample supply of labour, increase in export demand and supportive policy measures to boost production and export.

Chart 32: Fourth Advance Estimate of Crop Production (2020-21)

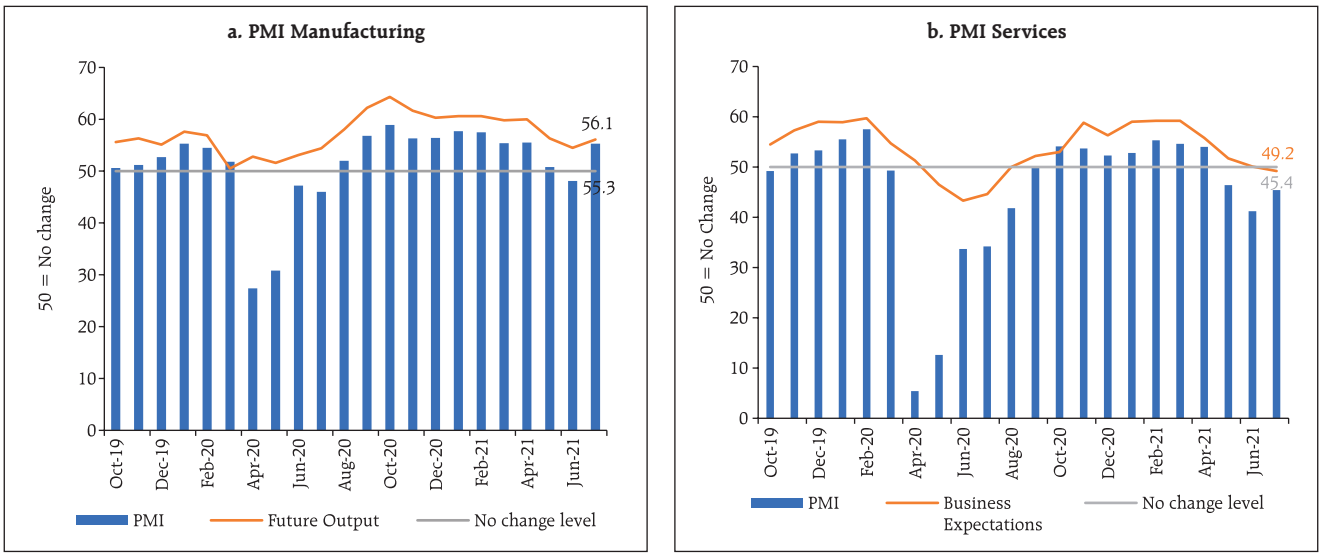


Source: Ministry of Agriculture and Farmers' Welfare.

A total of 41.8 lakh tonnes of cereals (rice and wheat) has been distributed to beneficiaries under the *Pradhan Mantri Gareeb Kalyan Yojana* (PMGKAY) 4.0 by August 9, 2021 out of the total allocation of 198.8 lakh tonnes. As of end-July, the stock position of cereals was comfortable (2.5 times the buffer norms) auguring well for the outlook on food security. Recent policy measures, namely, reduction in tariff value on import of edible oils by up to US$ 112/tonne, cutting down the customs duty on import of lentils from 30 per cent to 10 per cent and imposition of stocking norms on pulses are also aimed at venting domestic supply pressures.

Reaffirming the traction that the economy is gaining, the headline PMI Manufacturing Index hit a 3-month high in July from the contraction it had entered in June after a gap of 11 months. All sub-indices exhibited expansion, with output and new orders recording a sharp rebound (Chart 33a). On the other hand, the services index contracted for the third consecutive month, but the contraction moderated to 45.4 in July from 41.2 a month ago (Chart 33b).

Chart 33: Purchasing Managers' Index



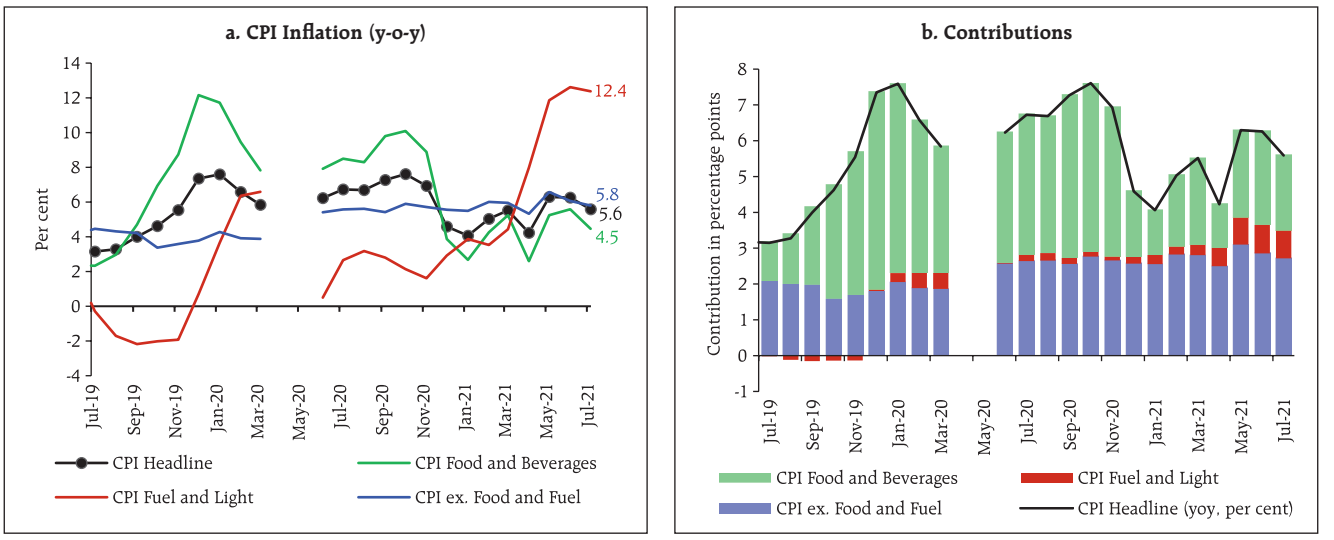
Source: IHS Markit.

Inflation

On August 12, headline CPI inflation for the month of July 2021 came in at 5.6 per cent, down 70 bps from 6.3 per cent a month ago and reinforcing the view that the recent upsurge has peaked and the worst would be behind us (Chart 34a). Despite positive momentum (month-on-month change in prices in the current month) of around 70 bps that should have pushed up inflation, large favourable base effect (month-on-month change in prices a year ago) of close to 140 bps counterbalanced it and brought about the moderation in headline inflation in July.

Among constituents, food and beverages inflation moderated to 4.5 per cent in July from 5.6 per cent in June, coming from a softening of inflation in oils and fats, fruits, pulses, prepared meals and spices along

Chart 34: CPI Inflation



Note: CPI inflation for April-May 2021 was computed based on imputed CPI indices for April-May 2020.
Sources: National Statistical Office (NSO); and RBI staff estimates.

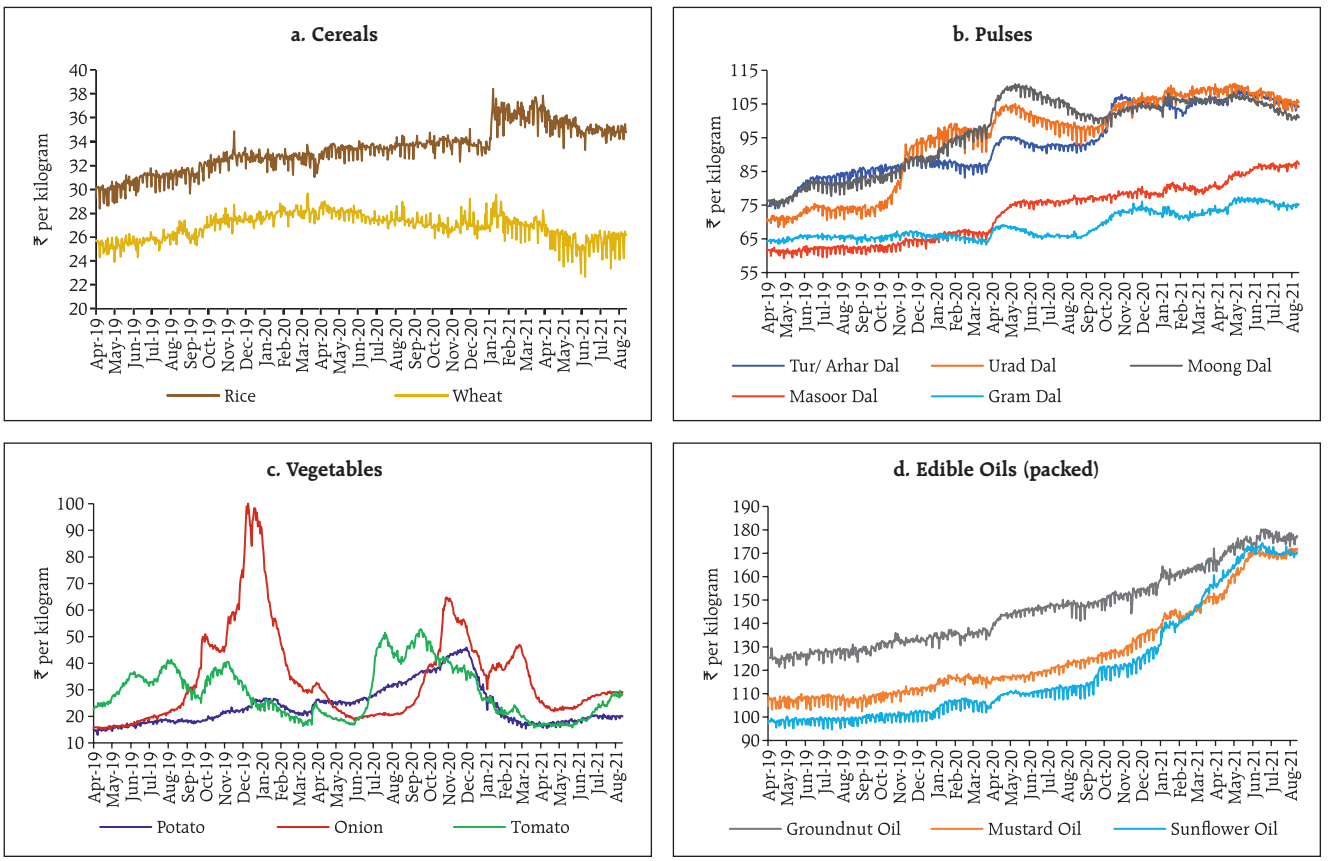
with a deepening of deflation in vegetables prices and sugar prices moving into deflation. On the other hand, inflation in meat, fish, eggs and milk picked up.

Fuel inflation remained in double digits in July at 12.4 per cent, though it was a tad lower by around 20 bps from the historical high reading of 12.6 per cent in June. High inflation in LPG, kerosene, and firewood and chips kept overall fuel inflation elevated. CPI fuel and light (weight of 6.84 per cent in the CPI) contributed to around 14 per cent of headline inflation in July (Chart 34b).

CPI inflation excluding food and fuel or core inflation softened by close to 30 bps to 5.8 per cent in July 2021 from 6.1 per cent in June, stemming from an easing of inflation in transportation and communication (mainly due to mobile telephone charges, bus fares and motor vehicles), personal care and effects (primarily on account of gold and silver), household goods and services (primarily on account of household services like domestic cook/servant) and education (primarily from tuition and other fees). On the other hand, inflation picked up in recreation and amusement (mainly due to television, computers and newspapers), pan, tobacco and intoxicants, clothing and footwear, and housing.

High frequency food price data from the Ministry of Consumer Affairs, Food and Public Distribution (Department of Consumer Affairs) indicate an uptick in cereal prices in August so far (August 1-12, 2021). Prices of pulses, on the other hand, continue to soften. Edible oil prices are seeing some pressures. Among key vegetables, prices of potatoes, onions and tomatoes saw some seasonal increase in prices (Chart 35).

Chart 35: DCA Essential Commodity Prices



Sources: Department of Consumer Affairs, GoI; and RBI staff estimates.

Table 4: Petroleum Product Prices

Item	Unit	Domestic Prices			Month-over-month (per cent)	
		Aug-20	Jul-21	Aug-21^	Jul-21	Aug-21
Petrol	₹/litre	83.80	102.81	103.56	4.5	0.7
Diesel	₹/litre	77.40	93.51	93.68	2.8	0.2
Kerosene (subsidised)	₹/litre	22.92	33.34	34.29	3.8	2.8
LPG (non-subsidised)	₹/cylinder	604.88	845.13	845.13	3.1	0.0

^: For the period August 1-12, 2021.

Note: Other than kerosene, prices represent the average Indian Oil Corporation Limited (IOCL) prices in four major metros (Delhi, Kolkata, Mumbai and Chennai). For kerosene, prices denote the average of the subsidized prices in Kolkata, Mumbai and Chennai.

Sources: IOCL; Petroleum Planning and Analysis Cell (PPAC); and RBI staff estimates.

Since around mid-July 2021 to August 12, 2021, pump prices have remained steady at ₹103.56 per litre (average of the pump prices in the four major metros) for petrol and ₹93.68 per litre for diesel. While kerosene prices registered an increase, LPG prices were kept unchanged in the first half of August (Table 4).

Input costs, as reflected in the PMIs, increased further in July across manufacturing and services, but the rate of increase in costs remained modest. Selling prices for manufacturing and services registered increases in July though the extent of pass-through of input costs remained muted. The Reserve Bank's in-house surveys on industrial, services and infrastructure outlook suggest that the elevated input cost pressures are likely to persist in Q2:2021-22. Firms expect to pass on the cost burden to the consumers in Q2 by increasing selling prices, especially for services and infrastructure.

IV. Financial Conditions

Persevering with its efforts to nurture market confidence, keep financial conditions benign, and bring down the cost of funds across the financial system, the Reserve Bank announced a number of measures for liquidity management. First, it commenced the secondary market G-sec acquisition programme version 2.0 (G-SAP 2.0) in July 2021, committing upfront to purchase G-secs worth ₹1,20,000 crore in Q2:2021-22, of which G-secs of ₹40,000 crore were acquired in two tranches of ₹20,000 crore each through auctions conducted on July 8 and 22, 2021. Two more auctions of ₹25,000 crore each were announced on August 6, of which one was conducted on August 12 and the other is scheduled for August 26, 2021. In order to steer the smooth evolution of the yield curve and ensure liquidity across the term structure, the Reserve Bank has purchased securities across the maturity spectrum up to 14 years with an emphasis on the maturity bucket of over 5 to 9 years (Table 5). Furthermore, in his monetary policy statement of August 6, Governor Shri Shaktikanta Das explained that options are always open to include both off the run and on the run securities in the G-SAP auctions and operation twist. The expectation, as he stated, is that "secondary market volumes would pick up and market participants [would] take positions that lead to two-way movements in yields".[21]

Second, the Reserve Bank extended the on-tap targeted long term repo operation (TLTRO) scheme[22]

Table 5: Maturity Profile of Government Securities Purchased under G-SAP (up to August 12, 2021)

Residual Maturity in August 2021 (Years)	Face value of G-sec purchased (₹ crore)	Share in total purchase (Per cent)
Up to 5	34,174	21.4
Over 5 to 10	1,05,792	66.3
Over 10 to 14	19,609	12.3
Total	**1,59,575***	

*: Total purchases made under G-SAP amounted to ₹1,65,000 crore, which includes purchase of G-sec of ₹1,59,575 crore and SDLs of ₹5,425 crore on June 17, 2021.

[21] Governor's Monetary Policy Statement, August 6, 2021.

[22] The scheme was announced on October 9, 2020 for five sectors and extended to stressed sectors identified by the Kamath Committee in December 2020 and to bank lending to non-banking financial companies (NBFCs) in February 2021.

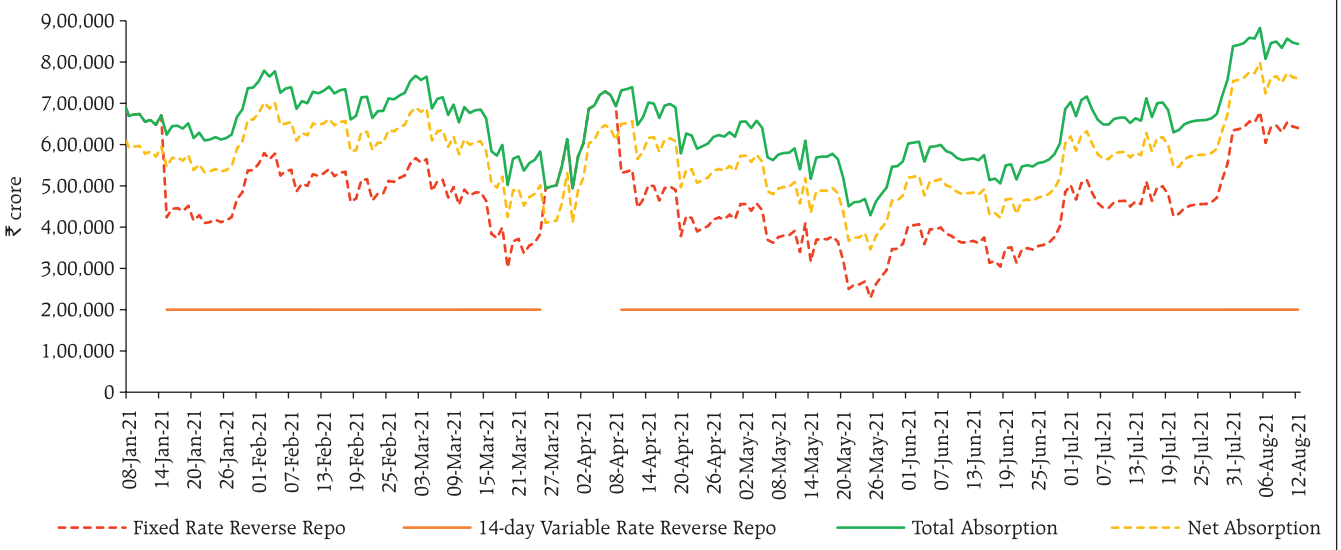
for specific pandemic-hit sectors by three months up to December 2021. Additionally, to provide comfort to banks on their liquidity requirements, including meeting the Liquidity Coverage Ratio (LCR), the Reserve Bank also extended the period of relaxation for banks by three months to avail of funds under the marginal standing facility (MSF) by dipping into the Statutory Liquidity Ratio (SLR) up to an additional one per cent of net demand and time liabilities (NDTL), *i.e.,* cumulatively up to 3 per cent of NDTL.

Third, the amount under 14-day variable rate reverse repo (VRRR) auctions has been enhanced to ₹2.5 lakh crore on August 13, 2021; ₹3.0 lakh crore on August 27, 2021; ₹3.5 lakh crore on September 9, 2021; and ₹4.0 lakh crore on September 24, 2021. In response, a section of the media has sought to resurrect the ghosts of January 11, 2021 when markets misread the first announcement of a VRRR auction of ₹ 2 lakh crore as liquidity tightening. Those fears proved unfounded.

This time around in certain sections, the VRRR time path has been linked to the upward adjustment in the inflation forecast and misconstrued as more than coincidence. We view them as distinctly separate and hence, issues around the inflation forecast are addressed in the concluding section; here, the rationale for the VRRR is set out. First, the suggestion for increasing the amount under VRRR auctions and for pre-announcing an evenly paced time path of progressive action came from market participants as part of pre-policy consultations. We believe that the request is justified from the point of view of participants who plan their liquidity operations well and seek a reward for time preference in the form of higher remuneration, as opposed to 'idle' banking which procrastinates in favour of parking lazily in the fixed rate reverse repo on an overnight basis. Second, the Reserve Bank has painstakingly emphasised that the VRRR auctions are an integral part of the system liquidity surplus. The choice of variable rate auction or fixed rate reverse repo is entirely with market participants. They can *ab initio* opt for the overnight fixed rate reverse repo or even if they have placed funds with the Reserve Bank for 14 days, they can withdraw at the end of the auction tenor and either park them at the fixed rate overnight window or deploy them in the market. Third, the notion of VRRRs being a liquidity withdrawal tool by stealth is absurd when the Reserve Bank is simultaneously committing to conduct GSAP and other liquidity injecting operations. At the end of September, out of the current overhang of liquidity of ₹ 8.5 lakh crore under the Liquidity Adjustment Facility (LAF), about ₹4.5 lakh crore will still get parked at the fixed rate overnight reverse repo window if it has not increased even further by then. Fourth, from March 2020, the Reserve Bank's liquidity management operations have been kept in an auto-pilot mode, with only the marginal standing facility and the fixed rate reverse repo passively available. With containment measures being eased, workplaces returning to normalcy and financial market timings being restored, it is only apposite to regularise liquidity management operations - with the 14-day variable rate auction as its main instrument - so that they are in sync with the requirements of the economy.

Buoyed by the Reserve Bank's liquidity enhancing measures, the system remained awash with liquidity, with surpluses in the form of average daily net absorption under the LAF stepping up to ₹6.0 lakh crore during July and ₹7.6 lakh crore in August (up to August 12) from ₹4.9 lakh crore a month ago (Chart 36).

Chart 36: Surplus Liquidity - Absorption under LAF

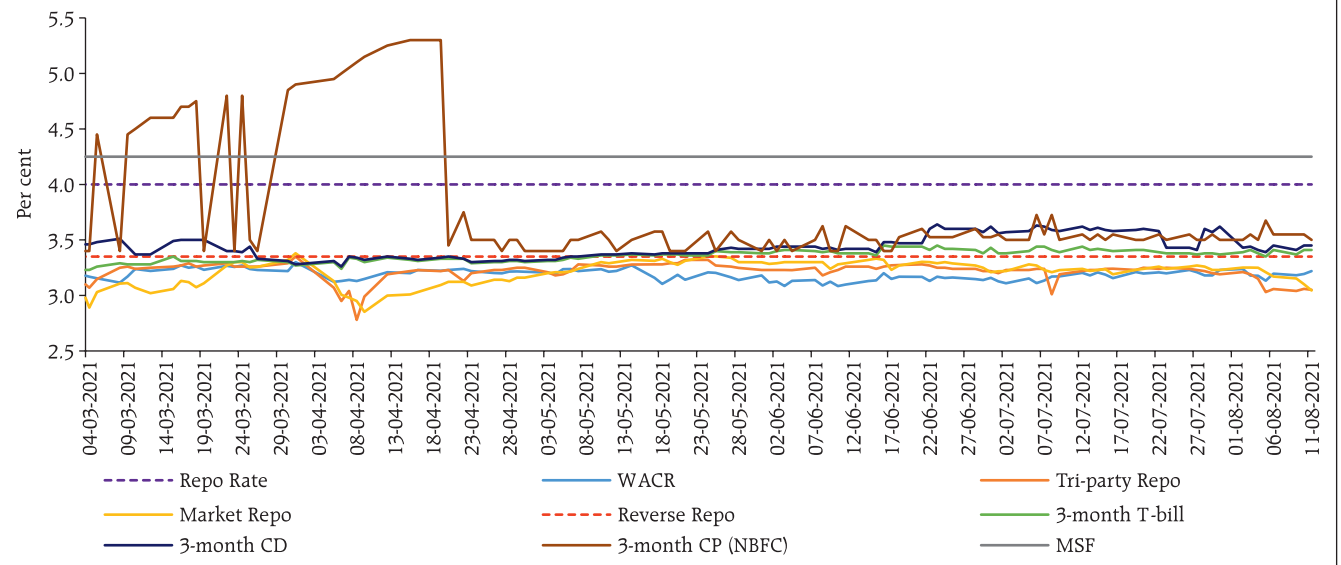


Source: RBI.

Spurred by comfortable liquidity conditions, overnight money market rates – the weighted average call rate (WACR), the tri-party repo and the market repo rate – traded below the reverse repo rate by an average 15 bps, 18 bps and 14 bps, respectively, during mid-July to August 2021 (up to August 12). Term money market rates, including 3-month certificates of deposit (CD) rates, 3-month commercial paper [Non-Banking Financial companies (NBFC)] rates and the 3-month T-bill rate, traded slightly above the reverse repo rate (Chart 37).

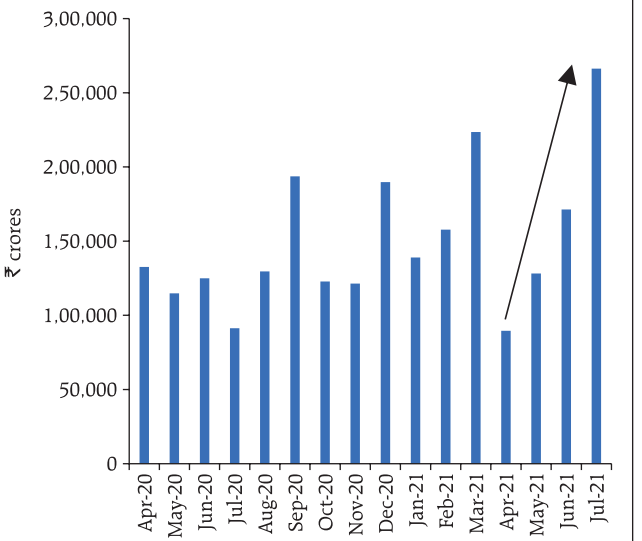
Favourable liquidity conditions have resulted in a large number of corporates taking recourse to the commercial paper (CP) market for raising funds even

Chart 37: Policy Corridor and Money Market Rates



Source: RBI.

Chart 38: Commercial Paper Issuances



Source: RBI.

as bank credit remained muted. CP issuances surged by over 190 per cent y-o-y to ₹2.66 lakh crore in July 2021 from ₹1.71 lakh crore in June and ₹3.89 lakh crore in the first quarter. Cumulatively, CP issuances for April-July 2021 increased by 41.3 per cent to ₹6.55 lakh crore, from ₹4.64 lakh crore during April-July 2020 (Chart 38).

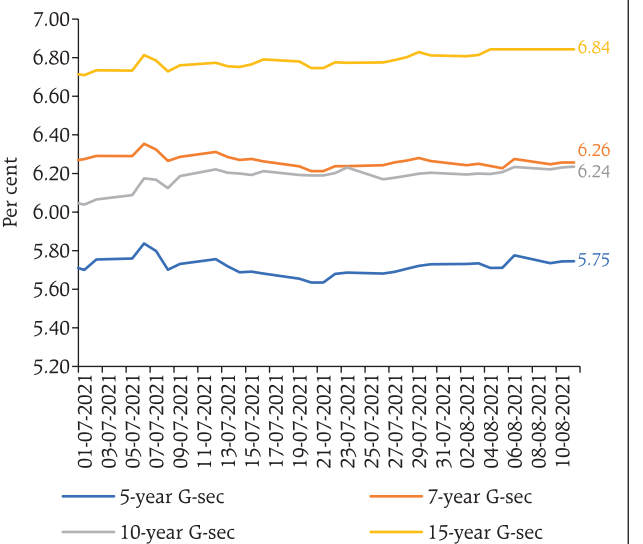
In the July edition of this article, it was hoped that the confluence of policy guidance and market expectations embodied in the results of the primary auction of July 9 would endure and facilitate the orderly evolution of the yield curve over the rest of the year. Propitiously, conditions for this convergence also fell into place. First, fears of additional borrowing due to GST shortfalls were allayed. Second, the Reserve Bank resorted to uniform price auctions to assuage investor anxieties with regard to the winner's curse in multiple price primary auctions. Third, GSAP and other operations were conducted to ensure adequate liquidity and its distribution all along the yield curve. Fourth, the June reading of the CPI that arrived on July 12 showed retail headline inflation levelling off, *albeit* at the elevated level of the preceding month, and what is noteworthy, core inflation fell by 40 basis points. In the secondary market, yields eased up to mid-July in sympathy with the decline in US treasury yields and softening of international crude prices.

In the primary auctions of July 23 and August 6, however, the policy-market consensus broke down as market participants turned impervious to all the developments described earlier and bid over-bearishly, especially in respect of benchmark papers.

The Reserve Bank has been painstakingly emphasising that it does not view g-sec yields as cast in stone but evolving in an orderly manner in alignment with underlying fundamentals. It has focused on the key role of the g-sec market in facilitating monetary transmission by establishing benchmarks for other financial market segments. This assumes significance when the credit channel is muted and waves of the pandemic threaten to destabilise financial markets and institutions.

From mid-July, yields have hardened, with the 10-year benchmark (6.31 GS 2031) yield closing at 6.23 per cent on August 12, 2021 (Chart 39).

Chart 39: Movement in G-sec Yields



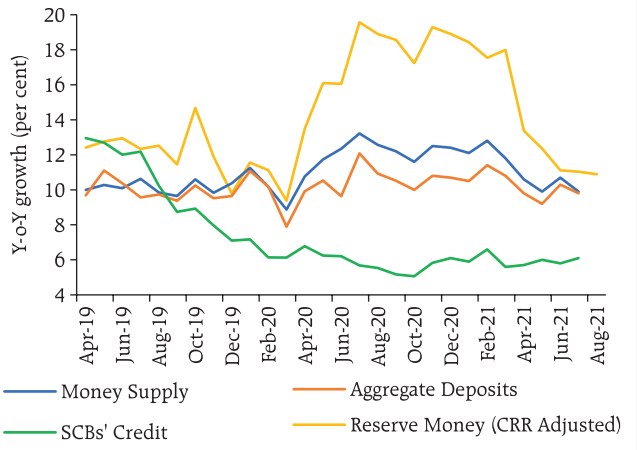
Source: Bloomberg.

Mirroring G-sec movements, corporate bond yields hardened and spreads widened across the rating spectrum and issuer categories during July and in the first half of August from a month ago (Table 6). The average spread of 3-year AAA rated corporate bonds over the G-sec yields of corresponding maturity issued by (i) public sector undertakings (PSUs), banks and financial institutions (FIs), (ii) corporates and (iii) NBFCs increased by 14 bps, 8 bps and 6 bps, respectively, in August (up to August 12).

Reserve money (RM) excluding the first-round impact of the cash reserve ratio (CRR) restoration, actually slackened in relation to the surge that was recorded a year ago (Chart 40). Currency in circulation - the largest component of RM - grew at 10.0 per cent (22.4 per cent a year ago), which is the slowest pace of currency demand recorded since November 2017. Deposit mobilisation remains resilient after the seasonal slack in the first quarter; however, scheduled commercial banks' (SCBs) credit to the commercial sector still lags substantially behind.

The transmission of policy rate changes to lending and deposit rates of SCBs has improved considerably since March 2020 on account of enduring surplus liquidity conditions and external benchmark-based pricing. The 1-year median marginal cost of funds-based lending rate (MCLR) softened by 100 bps cumulatively during March 2020 to July 2021. During the same period, the median term deposit rate (on fresh deposits) moderated by 150 bps across all tenors (Chart 41a), with the decline being

Chart 40: Monetary and Credit Aggregates



Note: 1. Data pertain to last reporting Friday of every month for money supply, aggregate deposits and SCBs' credit; and last Friday of every month for reserve money.
2. For the month of August, however, reserve money figure as on August 6, 2021 is included.

Source: RBI.

Table 6: Corporate Bond Yield and Spread

Issuer	Rating	Yield					Spread				
		Aug-20	Jul-21	Aug-21*	Variation (Aug 2021 over Aug 2020)	Variation (Aug 2021 over Jul 2021)	Aug-20	Jul-21	Aug-21*	Variation (Aug 2021 over Aug 2020)	Variation (Aug 2021 over Jul 2021)
		(Per cent)			(bps)		(bps)			(bps)	
PSU, Banks and FIs	AAA	5.23	5.49	5.59	36	10	45	45	59	14	14
	AA	5.95	6.30	6.32	37	2	117	126	132	15	6
	BBB-	9.13	9.45	9.46	33	1	435	441	446	11	5
Corporates	AAA	5.38	5.22	5.26	-12	4	60	18	26	-34	8
	AA	6.30	6.10	6.11	-19	1	152	105	111	-41	6
	BBB-	10.23	9.98	10.06	-17	8	545	496	506	-39	10
NBFCs	AAA	5.56	5.43	5.44	-12	1	78	38	44	-34	6
	AA	6.73	6.42	6.32	-41	-10	195	138	132	-63	-6
	BBB-	10.95	10.57	10.51	-44	-6	617	553	551	-66	-2

*: Up to August 12, 2021

Note: Yields and spreads are monthly averages for 3-year corporate bonds.

Source: FIMMDA.

Chart 41a: Transmission to Lending and Deposit Rates (March 2020 to July 2021)

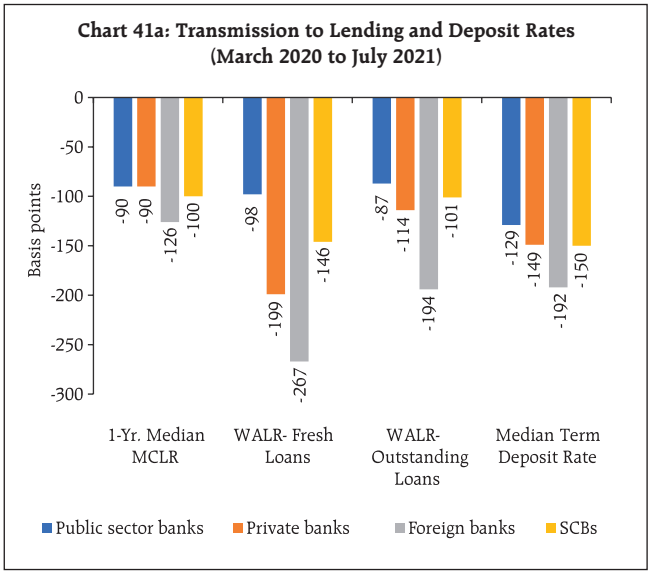
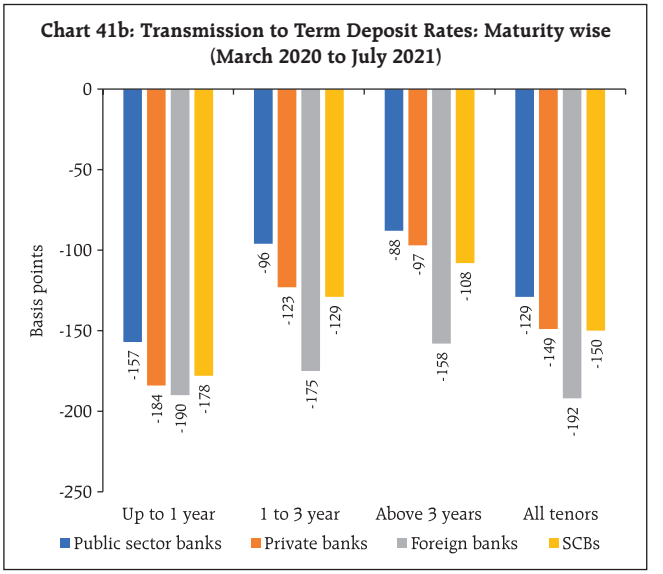


Chart 41b: Transmission to Term Deposit Rates: Maturity wise (March 2020 to July 2021)



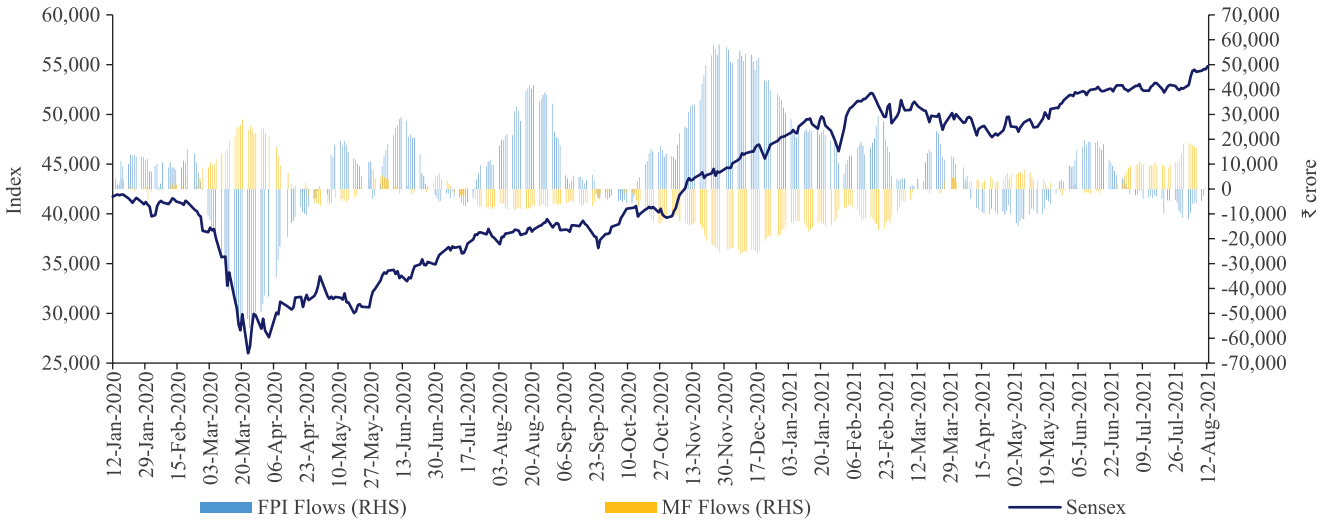
Note: Latest data on WALRs pertain to June 2021.
Sources: RBI; and Authors' calculations.

pronounced in deposits of maturity of up to one year (178 bps) (Chart 41b). Private banks have reduced term deposit rates more than public sector banks (PSBs).

Indian equity markets traded range-bound, with the BSE Sensex recording a modest gain of 0.2 per cent during July 2021 to close the month at 52,587 (Chart 42). While flows from FPIs into the equity market were negative in July, mutual funds made net purchases of ₹19,716 crore during the month.

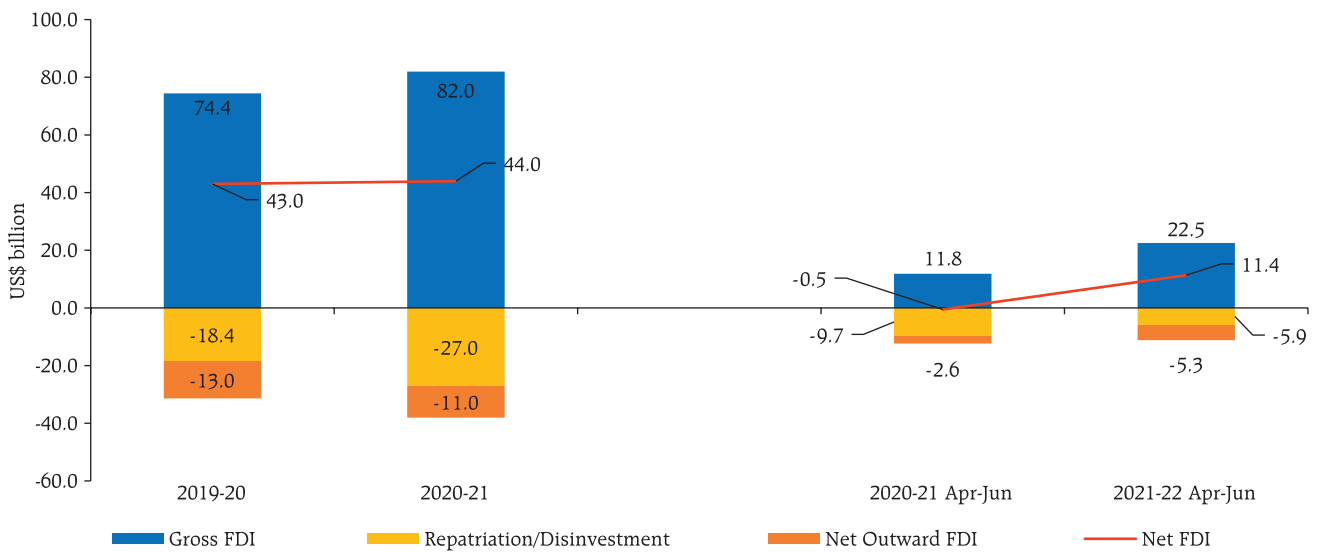
Domestic equities commenced August 2021 on a positive note, buoyed by recovery in auto sales, robust GST collections and the rise in India's manufacturing PMI for the month of July 2021. Having increased by 5.4 per cent during August 2021 so far, the BSE Sensex closed at a lifetime high of 55,437 on August 13, 2021.

Chart 42: BSE Sensex and Institutional Flows



Note: FPI and MF investments are represented on 15 days rolling sum basis.
Source: Bloomberg.

Chart 43: Foreign Direct Investment



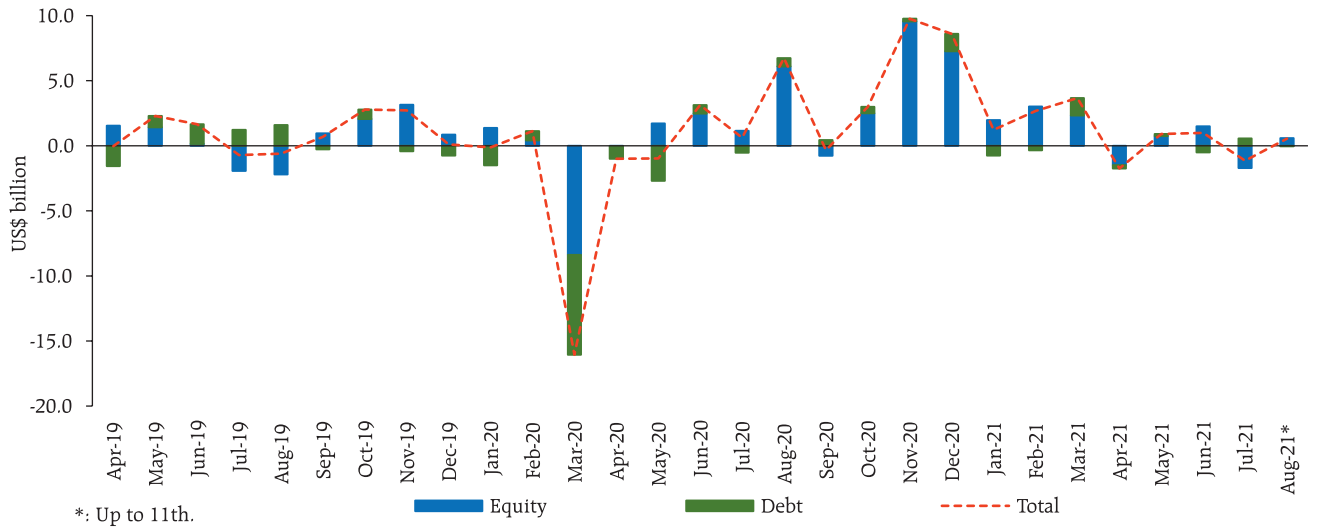
Source: RBI.

Foreign direct investment (FDI) inflows have stayed robust in 2021-22 so far (Chart 43). Cumulatively, net FDI increased to US$ 11.4 billion in April-June 2021 from US$ (-)0.5 billion a year ago (US$ 14.0 billion in April-June 2019).

Foreign portfolio investors (FPIs) turned net sellers in the equity market in July 2021, after being net buyers in the preceding two months, on concerns over the 'Delta' variant and rising oil prices. Net FPI outflows of the tune of US$ 1.1 billion occurred in July 2021 (Chart 44). FPIs sold equities in other major EMEs as well. In August (up to 11th), FPIs were net buyers in Indian and other major EME equity markets.

Foreign exchange reserves reached an all-time high of US$ 621.5 billion on August 6, 2021, equivalent

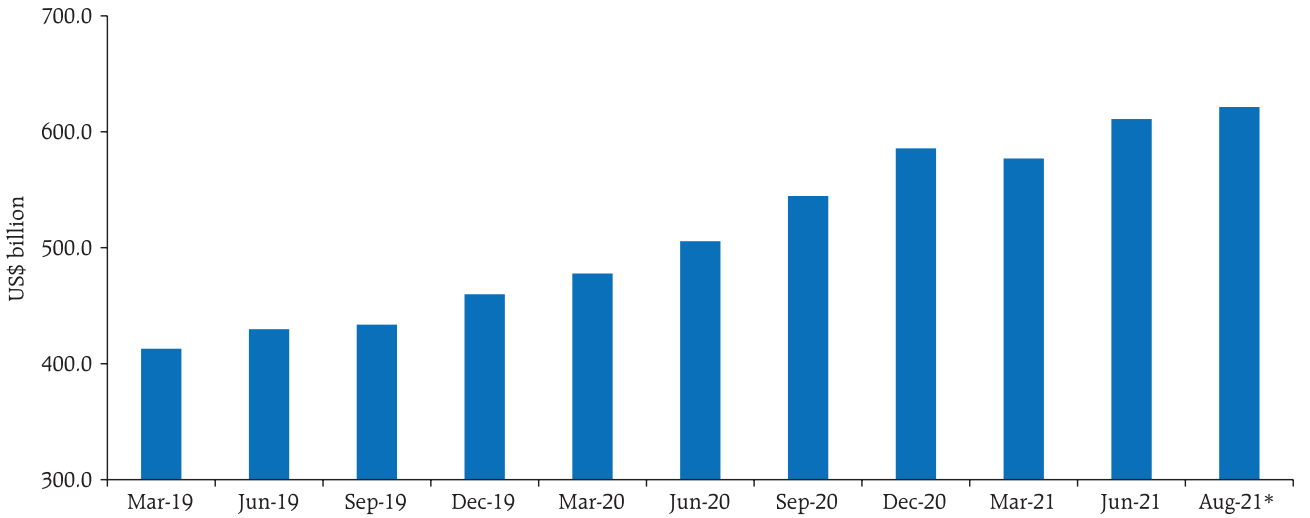
Chart 44: Net Foreign Portfolio Investment



*: Up to 11th.

Source: National Securities Depository Limited (NSDL).

Chart 45: Foreign Exchange Reserves

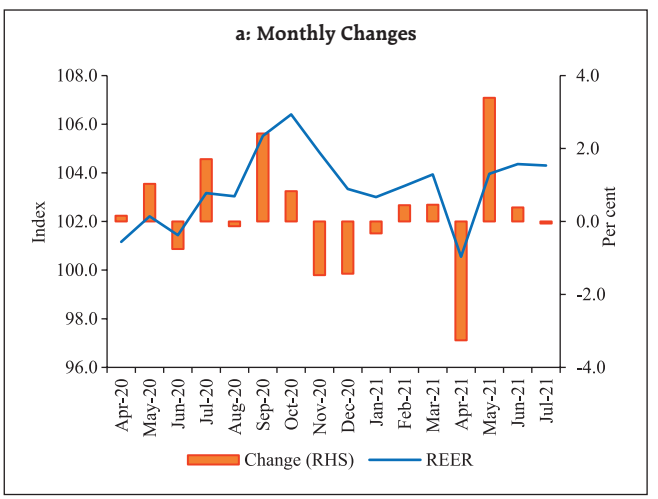


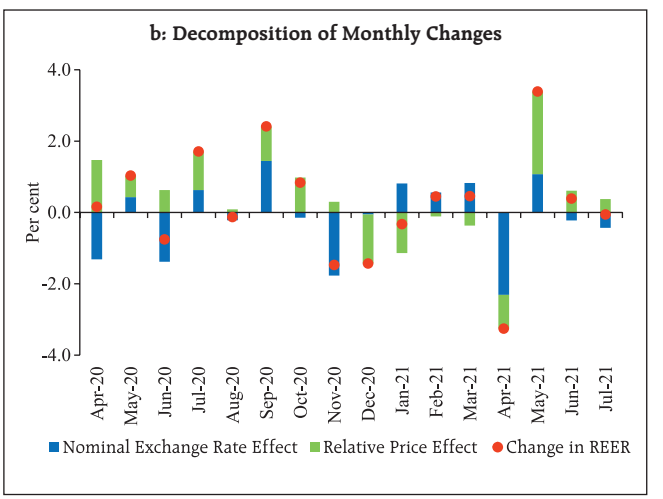
*: As on August 6.
Source: RBI.

to less than 15 months of imports projected for 2021-22 (Chart 45).

In the foreign exchange market, the Indian rupee (INR) depreciated against the US dollar in July 2021 with rising crude oil prices and the FPI sell-off during the month. However, the INR has appreciated against the US dollar in August (up to 12). In terms of the 40-currency real effective exchange rate (REER) index, INR depreciated by 0.1 per cent in July 2021 over its level in June 2021 due to moderation in domestic inflation and concomitant decline in relative price effect, and depreciation of INR in nominal terms (Charts 46a & 46b).

Chart 46: Monthly Movements in 40-Currency Real Effective Exchange Rate (REER) (Base: 2015-16 = 100)





Note: Figures for July 2021 are provisional.
Source: RBI.

PAYMENT SYSTEMS

Transactions across all digital payment modes demonstrated growth (y-o-y) in July. Real Time Gross Settlement (RTGS) payments posted robust growth in both value and volume terms, reflecting an uptick in business activity. On the retail side, transaction volumes exhibited a rising momentum across the Unified Payments Interface (UPI), the Immediate Payment Service (IMPS) and the National Electronic Toll Collection (NETC),

Rapid formalisation and digitisation of the economy was also evident from the Reserve Bank's Digital Payments Index (DPI)[23] (Chart 47).

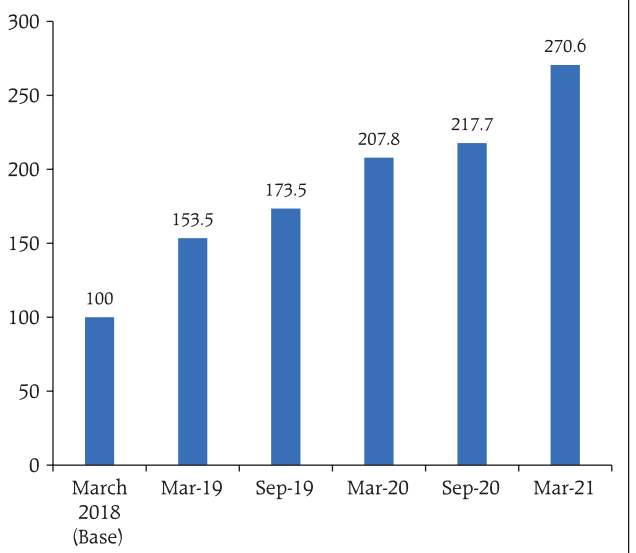
The Reserve Bank decided to extend membership in the Centralised Payment Systems (RTGS and NEFT) to authorised non-bank Payment Service Providers (PSPs), *viz.*, Prepaid Payment Instrument (PPI) issuers, Card Networks and White Label ATM operators. This is expected to bring in efficiencies in payments and settlements, reduce transaction failures and boost public confidence in digital payments. The Government of India and the National Payments Corporation of India (NPCI) have launched the 'e-RUPI' - a one-time QR code/SMS string-based payment mechanism - on August 2, 2021. It is designed as a pre-paid e-voucher, which can be delivered to the beneficiary's mobile, and can be redeemed without the requirement of a card, digital payment app or internet banking access. It is a person/purpose - specific digital payment solution, which is expected to make direct benefit transfers (DBT) more effective.

Table 7: Growth Rates in Select Payment Systems

Payment System	Transaction Volume Growth (Y-o-Y, per cent)				Transaction Value Growth (Y-o-Y, per cent)			
	June-2020	June-2021	Jul-2020	Jul-2021	June-2020	June-2021	Jul-2020	Jul-2021
RTGS	1.2	28.8	-2.1	34.4	-27.9	17.9	-33.7	28.9
NEFT	14.2	28.6	9.4	32.0	9.0	10.0	10.0	12.3
UPI	77.2	110.0	82.1	116.7	78.6	109.1	98.5	108.5
IMPS	16.1	52.8	17.3	1361.3	19.6	37.3	24.0	168.4
NACH	28.2	0.8	8.6	1.9	44.7	-4.1	19.9	1.8
NETC	207.8	92.7	217.7	122.0	153.6	70.4	166.8	83.4
BBPS	83.2	157.7	97.0	153.7	88.8	167.2	113.1	159.3

[23] The Digital Payments Index (DPI) is a composite index to capture the extent of digitisation of payments across the country. It is comprised of various indicators categorised under five broad parameters – Payment Enablers (25 per cent), Payment Infrastructure – Demand-side factors (10 per cent), Payment Infrastructure – Supply-side factors (15 per cent), Payment Performance (45 per cent) and Consumer Centricity (5 per cent). The base period has been set to March 2018.

Chart 47: RBI Digital Payments Index



Source: RBI.

V. Conclusion

Sravana 2021 is also a time of the year when the Reserve Bank connects with the transcendental calm within. Submersed in this inner stillness, it looked beyond the dilemmas and trade-offs in the here and now to contemplate the world of tomorrow.

Against the backdrop of widespread anxiety about the safety of and access to deposits with troubled banks, the recent enactment of amendments to the Deposit Insurance and Credit Guarantee Corporation (DICGC) Act is a major step towards ameliorating depositor distress. Henceforth, when a bank faces stress, its depositors will be able to get back their deposits up

to ₹5 lakh (up to which deposits are insured by the DICGC) within 90 days. This is a significant change. It enhances the mandate of the DICGC from a limited pay-box function to pay-box *plus* one which will boost public confidence in the banking system. This augurs well for consumer protection and overall financial stability.

Taking stock of the work in progress towards a central bank digital currency (CBDC) - a fiat liability denominated in the national unit of account that is digitally issued and accessible to all economic agents – there is a quiet confidence within that its time is nigh[24]. The CBDC is a part of the Reserve Bank's endeavour to provide a safe, secure and reliable payments and financial system, which will also exploit the country's pole position in the domain of digital payments worldwide.

The CBDC may not directly replace demand deposits held in banks and will complement physical cash. It would compete with other online and offline payment methods and thereby support a more resilient and diverse payment system while shunning the risks associated with private digital currencies. The Reserve Bank is conscious that the CBDC has to be meticulously planned, designed and tested.

Going forward, CBDCs could form the backbone of a highly efficient new digital payment system, enabling broad access and providing strong data governance and privacy standards, and safeguarding the payment system against illicit activities.

The UK Financial Conduct Authority's announcement of March 5, 2021 about the sunset of the London Interbank Offered Rate (LIBOR), the most widely used benchmark in the history of financial markets is widely regarded as a watershed without parallel[25]. The Reserve Bank has been monitoring global developments related to this transition and has tasked the Indian Banks' Association (IBA) to work out a transition plan. Banks have to engage in: (i) development of alternate reference rate(s) to replace MIFOR; (ii) development of fallback clauses that are customised to the Indian market but based on practices adopted globally; (iii) promoting stakeholder awareness to deal with contract renegotiation; and (iv) notifying a cut-off date closer to the LIBOR cessation date beyond which institutions should cease to enter into new contracts that make reference to LIBOR. On June 8, 2021, the Reserve Bank advised banks and other regulated entities to cease entering into new contracts that use LIBOR as a reference rate and instead adopt any Alternative Reference Rate (ARR) as soon as practicable and in any event by not later than December 31, 2021. On August 6, the Reserve Bank decided to allow banks to extend export credit using any other widely accepted ARR. It also indicated that in the case of derivative contracts, a change in the reference rate will not be treated as restructuring.

With the growing intensity and reach of the Reserve Bank's delivery of its supervisory function, the focus of the Reserve Bank's new approach to 'continuous supervision' is on early identification of risks and conduct of supervisory actions, helping supervised entities to strengthen their internal defences and resilience, and bringing focus on root cause analysis. With continuous engagement and more frequent reviews of risk profiles and supervisory assessments being envisaged, PRISM[26], a web-based and an end-to-end workflow automation system, is expected to strengthen compliance by supervised entities (SEs). PRISM will have various functionalities (inspection; compliance; incident functionality for cyber security; complaints; and returns functionalities), with built-in remediation

[24] *https://www.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1111*

[25] *On March 5, 2021 the UK's Financial Conduct Authority (FCA), announced that all LIBOR settings for all currencies will either cease or no longer be representative after 31st December 2021.*

[26] Platform for Regulated Entities for Integrated Supervision and Monitoring

workflows, time tracking, notifications and alerts, management information system (MIS) reports and dashboards.

In closing, we turn to what was arguably a challenging meeting of the monetary policy committee (MPC) held during August 4-6, 2021. Against the backdrop of inflation plateauing in June, *albeit* at elevated levels outside the tolerance band and the economy weakened by two waves of the pandemic, the MPC voted unanimously to keep the policy interest rate unchanged and by a 5/1 majority to maintain the accommodative stance it articulated in its previous meeting. It was perhaps the most widely anticipated MPC meeting outcome and yet, some dust was stirred and some misgivings.

In terms of best practices in central banking, a high level of monetary policy predictability is considered desirable. Predictability has come to be closely related to the credibility of the central bank. In fact, over the last few decades, central banks have progressively increased their emphasis on the transparency and predictability of their actions, recognising the need for greater accountability in the form of objective and systematic behaviour that hones the ability of the public to anticipate monetary policy decisions correctly and understand the monetary policy framework. Transparency is, on its own, insufficient to ensure a lasting impact on the formation of expectations; guiding expectations requires not only forward-looking communication, but also consistency between words and deeds.

This is what the MPC has sought to achieve in its forward guidance. The stance of monetary policy shifted from neutrality to accommodation in June 2019 in anticipation of the slowdown in activity getting more pronounced – real GDP growth moderated from 8.3 per cent in 2016-17 to an average of 6.7 per cent in 2017-19 and fell to 4 per cent in 2019-20. In October 2019, the MPC made its forward guidance more explicit. It decided "*to continue with an accommodative stance as long as it is necessary to revive growth, while ensuring that inflation remains within the target.*"[27] All through it has abided by this guidance in deeds and words, augmenting it (a) in March 2020 to "*mitigate the impact of coronavirus (COVID-19) on the economy*"[28] when the pandemic struck, (b) in October 2020 to bring in time-contingent accommodation guidance – *"at least during the current financial year and into the next financial year"*[29], (c) in April 2021 to "*continue to mitigate the impact of COVID-19 on the economy*"[30] as the second wave of the pandemic intensified, and (d) in June 2021 to commit to "*revive and sustain*"[31] growth on a durable basis.

The MPC's decision is backed with all available evidence – mobility-, activity- and survey-based. Yet it is, in the ultimate analysis, a judgment call because at the heart of the association between growth and inflation, a sacrifice is embedded. A reduction in the rate of inflation can only be achieved by a reduction in growth; an increase in growth is only possible by paying the price of an increase in inflation, always and everywhere. Called the sacrifice ratio in economics, the latest estimates for India suggest that for a one percentage point reduction in the rate of inflation, 1.5-2 percentage points of GDP growth has to be foregone. The MPC voted to give growth a chance to claw its way back into the sunlight. After all, growth had fallen in

[27] Fourth bi-monthly Monetary Policy Statement 2019-20 on October 4, 2019 *(https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=48319)*

[28] Seventh bi-monthly Monetary Policy Statement 2019-20 on March 27, 2020 *(https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=49581)*

[29] Monetary Policy Statement, 2020-21 on October 9, 2021 *(https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=50479)*

[30] Resolution of the Monetary Policy Committee (MPC) April 5-7, 2021 on April 7, 2021 *(https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51381)*

[31] Monetary Policy Statement, 2021-22 on June 4, 2021 *(https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51683)*

2019-20 to its lowest rate in the 2011-12 based GDP series and after two waves of the pandemic in 2020-21 and the first half of 2021-22, it couldn't conceivably be higher than in 2019-20!

But what if the MPC doggedly attacks the supply shock induced price pressures in spite of the current state of the pandemic-ravaged economy and as a consequence, economic activity wilts into depression? No amount of humility will wipe away the tears then. Also, our MPC is India-focused; it has to be. It must choose what is right for India, emulating none, not emerging nor advanced peer.

In the process, has monetary policy forsaken its *dharma*, its primary mandate of price stability? Let the facts speak. Given the knife-edge trade-off imposed by the sacrifice ratio, the conduct of monetary policy has converged to a glidepath of graduated disinflation that spreads the inherent output losses over a period rather than a 'cold turkey' approach that applies the sledge hammer but causes large GDP losses which kill the nascent recovery and set back the Indian economy by several years due to precipitate policy action.

The MPC demonstrated its commitment and ability to anchor inflation expectations around the target of 4 per cent during 2016-20. The once-in-a-century pandemic ratcheted up inflation all over the world and India was not immune. The MPC had to tolerate higher average inflation in 2020-21. For the year 2021-22, inflation is expected to average 5.7 per cent, which is a decline of 50 basis points from the preceding year's average in spite of still being in the midst of the pandemic's second wave. Furthermore, it needs to be kept in mind that the upward revision in the inflation forecast from 5.1 per cent in June to 5.7 per cent in August is essentially a correction for the deviation of the past – as against the projection of 5.2 per cent for inflation in April-June, the actual outcome turned out to be 5.6 per cent due to incomplete coverage and intensification of containment measures. So far, inflation is on track to staying within the trajectory envisaged and it is likely to stabilise during the rest of the year. In our view, this is a credible forward-looking mission statement for the path of inflation.

Annex

Box: Results of Periodic Labour Force Survey

During the period covered by the MoSPI's Periodic Labour Force Survey (PLFS), the unemployment rate fell from 5.8 per cent in 2018-19 to 4.8 per cent in 2019-20 with sharper fall in rural areas[31]. The labour force participation rate (LFPR) also improved during this period with improvement in both rural and urban areas (Table 1).

The labour market structure, which shifted towards services during the last survey round, saw a reversal in 2019-20. Across the sectors, there was a decline in the share of employment while agriculture increased its share to become the major employment provider in 2019-20 (Table 2). In rural areas, the share of self-employed in agriculture also increased during this period. This shift in employment towards agriculture partly reflects the impact of the first wave of the pandemic when there was an exodus of migrant workers back to the villages.

The decline in employment during the first wave of Covid-19 is also reflected in urban areas for which information is also available up to July-September 2020.

Table 1: Labour Market Indicators

in per cent

Survey period	Unemployment rate	Labour participation rate
	Rural	
PLFS 2019-20	4	40.8
PLFS 2018-19	5	37.7
PLFS 2017-18	5.3	37.0
	Urban	
PLFS 2019-20	7.0	38.6
PLFS 2018-19	7.7	36.9
PLFS 2017-18	7.8	36.8
	Rural+Urban	
PLFS 2019-20	4.8	40.1
PLFS 2018-19	5.8	37.5
PLFS 2017-18	6.1	36.9

Table 2: Worker Division by Industry (Rural+Urban)

in per cent

Industry division (as per NIC)	PLFS 2019-20	PLFS 2018-19	PLFS 2017-18
Agriculture	45.6	42.5	44.1
Mining & quarrying	0.3	0.4	0.4
Manufacturing	11.2	12.1	12.1
Electricity, water etc.	0.6	0.6	0.6
Construction	11.6	12.1	11.7
Trade, hotel & restaurant	13.2	12.6	12.0
Transport, storage & communications	5.6	5.9	5.9
Other services	11.9	13.8	13.2
Services Sector	42.3	44.4	42.8
All	100.0	100.0	100.0

Source: MoSPI.

After a significant decline in employment and LFPR during Q1: 2020-21, Q2 registered an improvement in labour market indicators. The brunt of the pandemic was felt mostly by casual workers whose share in employment declined by 50 per cent in Q1 2020-21. With the easing of restrictions, employment in this category came back to near normalcy in Q2 2020-21. However, compared to 2019-20, the recovery in the labour market is still not complete (Table 3).

Table 3: Quarterly Labour Market Indicators-Urban (Persons-All Ages)

(in per cent)

Quarter	Labour Force Participation Rate	Worker Population Rate	Unemployment Rate
April-June 2019	36.2	32.9	8.9
July - September 2019	36.8	33.7	8.4
April - June 2020	35.9	28.4	20.9
July - September 2020	37.0	32.1	13.3

Source: MoSPI.

[32] Though the PLFS reference period (July 2019-June 2020) covers the initial phase of the pandemic (April 2020-June 2020), it doesn't reflect the full impact of the pandemic on labour market because the 'usual status' methodology considers a person employed if he has worked for a relatively long part of the 365 days preceding the date of survey.

COVID-19 Impact on Food Price Mark-ups in India *

Using daily data on retail and wholesale prices of 22 food items, this article assesses the impact of COVID-19 on food price mark-ups in India. The results show that mark-ups increased on average during the first nation-wide lockdown period of March-May 2020 and persisted even during the subsequent unlocking phase, driven predominantly by market centres which faced high intensity lockdowns as measured by the mobility indices. During the second wave of COVID-19, however, reflecting less stringent and localised nature of lockdowns as well as better supply chain management, the extent of increase in mark-ups was relatively modest.

Introduction

The behaviour of food price mark-ups exhibited dramatic shifts following the outbreak of COVID-19 and the associated lockdown measures to contain its spread. Though the movement of essential commodities, including food, was permitted during even the first phase of the lockdown, it has been observed that India's food markets and supply chains were adversely affected during this period – arrivals in *mandis* dropped (Mahajan and Tomar, 2020); agri-markets were closed[1]; and daily movement of trucks collapsed to 10 per cent of normal levels[2]. Google's mobility index, which captures movement trends by region and by different categories of places, fell by 87 per cent for the retail and recreation category on April 18, 2020 during the first wave and again by 70 per cent on May 16, 2021 during the second wave[3]. Several factors can operate through many channels in such conditions to alter price mark-ups. First, a lockdown can affect the transportation of food products (Mahajan and Tomar, 2020) leading to high transaction costs as 92 per cent of all food consumed in India is purchased (Reardon *et al.*, 2020). Second, prices of certain agricultural products may increase because of labour shortages resulting from a decline in the number of migrant workers (Ebrahimy, Igan and Peria, 2020). Third, the uncertainty about the duration and intensity of the lockdown may also prompt consumers to resort to panic buying and hoarding of essential food items, leading to temporary increases in demand during the lockdown period (Ebrahimy, Igan and Peria, 2020; Sukhwani, Deshkar and Shaw, 2020). Further, amidst disruptions in supply, such increases in demand may enable retailers to charge higher margins (or mark-ups)[4] on the food items sold to consumers. This article intends to evaluate the above-mentioned channel – a surge in mark-ups on food items induced by the lockdown and the consequent surprises in food inflation as measured by the consumer price index (CPI) in India. With food constituting almost half of the CPI basket, the extent and persistence of these retail price margins have significant implications not only for the food inflation trajectory but also for the headline inflation path, which underscores the need to understand the role of the lockdown and mobility on retail margins across centres and commodities.

A number of studies analysing the lockdown impact on food prices in the Indian context have focused mainly on the availability and prices of food commodities. Arrivals of food items in wholesale markets dropped by 62 per cent in the three weeks following the nationwide lockdown in March-April

* This article is prepared by Jibin Jose, Vimal Kishore, and Binod B. Bhoi from the Department of Economic and Policy Research. The views expressed in this article are those of the authors and do not represent the views of the Reserve Bank of India.

1 The Hindu BusinessLine: *https://www.thehindubusinessline.com/economy/agri-business/covid-19-impact-state-border-curbs-disrupt-farm-food-supply-chain/article31144732.ece*

2 The Times of India: *https://timesofindia.indiatimes.com/business/india-business/worlds-biggest-lockdown-brings-trucks-to-a-standstill-in-india/articleshow/75027027.cms*

3 The fall in mobility is as compared to the baseline day, *i.e.*, the median value from the five-week period January 3 – February 6, 2020 for that day.

4 Margins and mark-ups are used interchangeably in this article.

2020 whereas wholesale prices rose by 8 per cent and this correlation has more to do with state-level lockdown policy variation than local responses of those in the food supply chain (Lowe, Nadhanael and Roth, 2020). The impact of the lockdown differed across non-perishable (wheat) and perishable (tomato and onion) commodities and the extent of adverse shocks are mitigated by the adoption of a greater number of agricultural market reform measures (Varshney, Roy and Meenakshi, 2020). The fall in product availability and quantity of arrivals is larger for items that are cultivated or manufactured farther from the retail centers indicating that long-distance food supply chains have been hit the hardest during the pandemic (Mahajan and Tomar, 2020). Using the daily prices data released by the Department of Consumer Affairs (DCA), Narayanan and Saha (2020) point out that average retail price increases were to the tune of over 6 per cent for several pulses, over 3.5 per cent for most edible oils, 15 per cent for potato and 28 per cent for tomato in the 28 days post-lockdown (March 24-April 21, 2020) compared to the month preceding the lockdown. The paper also constructed aggregate wholesale and retail food price indices and found that the gap between these two increased during the lockdown period which was attributed to higher transcation costs faced by traders primarily due to transport restrictions. Against this backdrop, this article attempts to link lockdown induced changes in mobility, captured by Google mobility index and retail margins to understand food price dynamics.

The daily prices data of 22 essential food items for 135 centres across the country (as per information available for May 2021), collected and monitored by the DCA, Ministry of Consumer Affairs, Food and Public Distribution, Government of India (GoI), is used for the empirical analysis. The novelty of this dataset comes from the fact that it reports both retail and wholesale prices across centres, enabling computation of *actual retail margins* (*i.e.,* the difference between retail and wholesale prices) for each commodity at any given centre. Since margin here is defined for a given commodity-centre pair, it captures the *pure* mark-up effect, broadly removing the impact of transportation costs due to supply disruptions during the lockdown. The *centres* from the DCA price data are matched with that of Google mobility indices through extensive manual mapping to gauge the impact of mobility, and therefore the lockdown, on the behaviour of price margins. Google mobility indices report movement trends over time by geography from a baseline and are available at the country, state and city levels[5]. Using the matched data between centre-wise prices with google mobility indices, this article finds that mark-ups increased *on average* during the first nationwide lockdown period (March 25 – May 31, 2020) and this increase persisted even in the unlock phase (June-November 2020). Moreover, the increase in mark-ups was predominantly driven by market centres which faced high intensity lockdown (or lower mobility) and that the impact differed considerably across commodities, with pulses, edible oils and potato showing higher mark-ups. However, during the second wave, the impact of lockdown/restrictions on margins was not statistically significant at the aggregate level, even though commodity level differences persisted, suggesting less stringent and localised nature of lockdown (lower fall in google mobility index) as well as better supply chain management of essential food items by the central and state governments as reflected in *mandi* arrivals, especially of vegetables, and highway toll collections compared to the first lockdown.

The rest of the article is organised as follows. Section II presents some stylised facts. Section III discusses the empirical strategy and results. Section IV provides the concluding observations.

[5] It shows how visitors to (or time spent in) categorised places changed compared to a baseline day, which represents a normal value for that day of the week. The baseline day is the median value from the 5-week period of January 3 – February 6, 2020.

II. Food Price Inflation in India during COVID-19 Lockdown

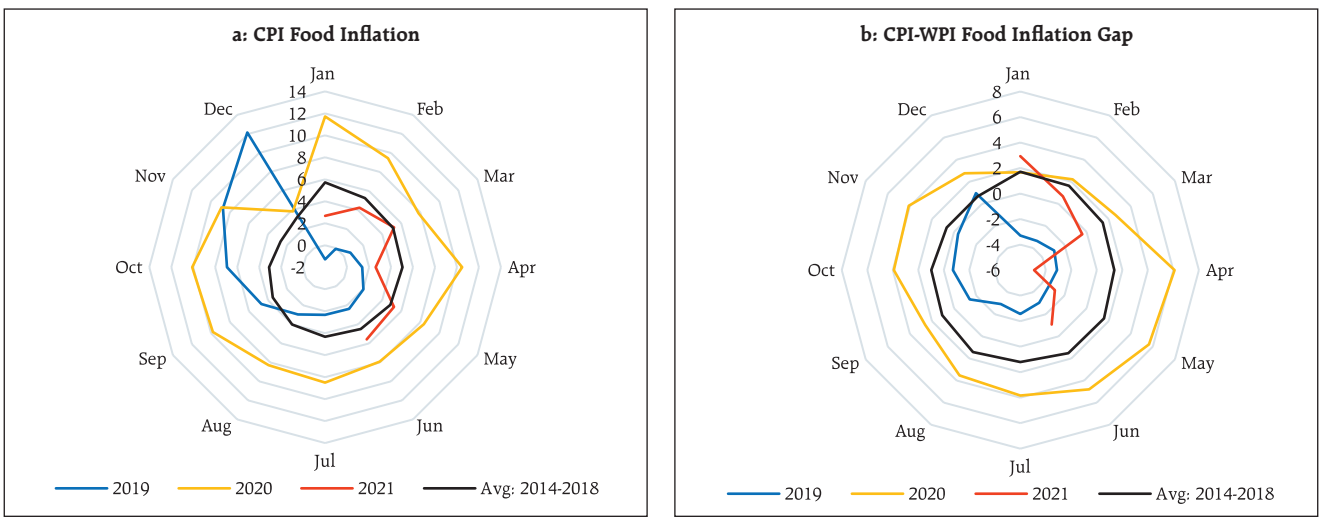
1. CPI-WPI Food Inflation Trend

Food price inflation witnessed unusual movements during the lockdown period of March-May 2020. CPI food inflation which was softening since December 2019 spiked in April 2020, coinciding with the nationwide lockdown (Chart 1a). Notwithstanding some moderation in May 2020, it remained elevated till November 2020. With the onset of usual winter easing, food inflation started to ease from December 2020.

In contrast, food inflation measured by the wholesale price index (WPI) did not show such sharp increases, leading to a widening of the gap between the CPI-WPI food inflation in April 2020, which remained elevated compared to its historical average level even during the unlocking phase (Chart 1b). However, the gap became negative in March-May 2021 as unfavourable base effects (barring in April) pulled up WPI total food inflation. While the gap may reflect the impact of time varying margins, it is not straightforward to extract margins from price indices due to differences in the composition of the food baskets in CPI and WPI, the weights attached to individual items in the two baskets, and the coverage of markets for the price collection, all of which could influence the construction of the aggregate price indices and the corresponding measured inflation.

In this regard, the centre-wise daily commodity prices data collected by the DCA at the retail and wholesale level can be used to gauge price margins (*i.e.*, difference between retail and wholesale prices). The food price margins so defined for a given commodity-centre pair, averaged across commodities and centres, show a clear pick-up in April and May 2020, over the previous months and corresponding months of the previous years, indicating the role of the nationwide lockdown in raising mark-ups (Chart 2). Although the margins at the aggregate level moderated slightly in June 2020, they remained elevated throughout 2020[6].

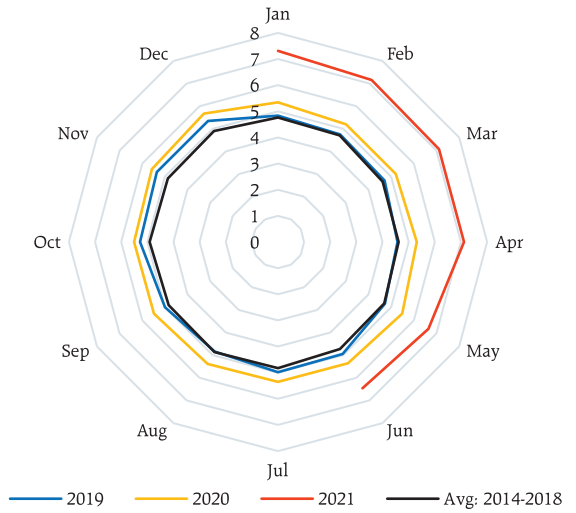
Chart 1: CPI and WPI Food Inflation



Note: WPI food here reflects primary food plus manufactured food products for a better comaprison with CPI food.
Sources: National Statistical Office (NSO), Ministry of Statisctics and Programme Implementation (MoSPI); and Office of the Economic Adviser, Ministry of Commerce and Industry.

[6] Other reasons, over and above the lockdown, might be at play for the increase in margins in later periods. For instance, excess rain in August-September 2020 during the southwest monsoon season also led to *kharif* crop damages, which might have contributed to an increase in their margins subsequently.

Chart 2: DCA Food Price Margins (₹/Kg)

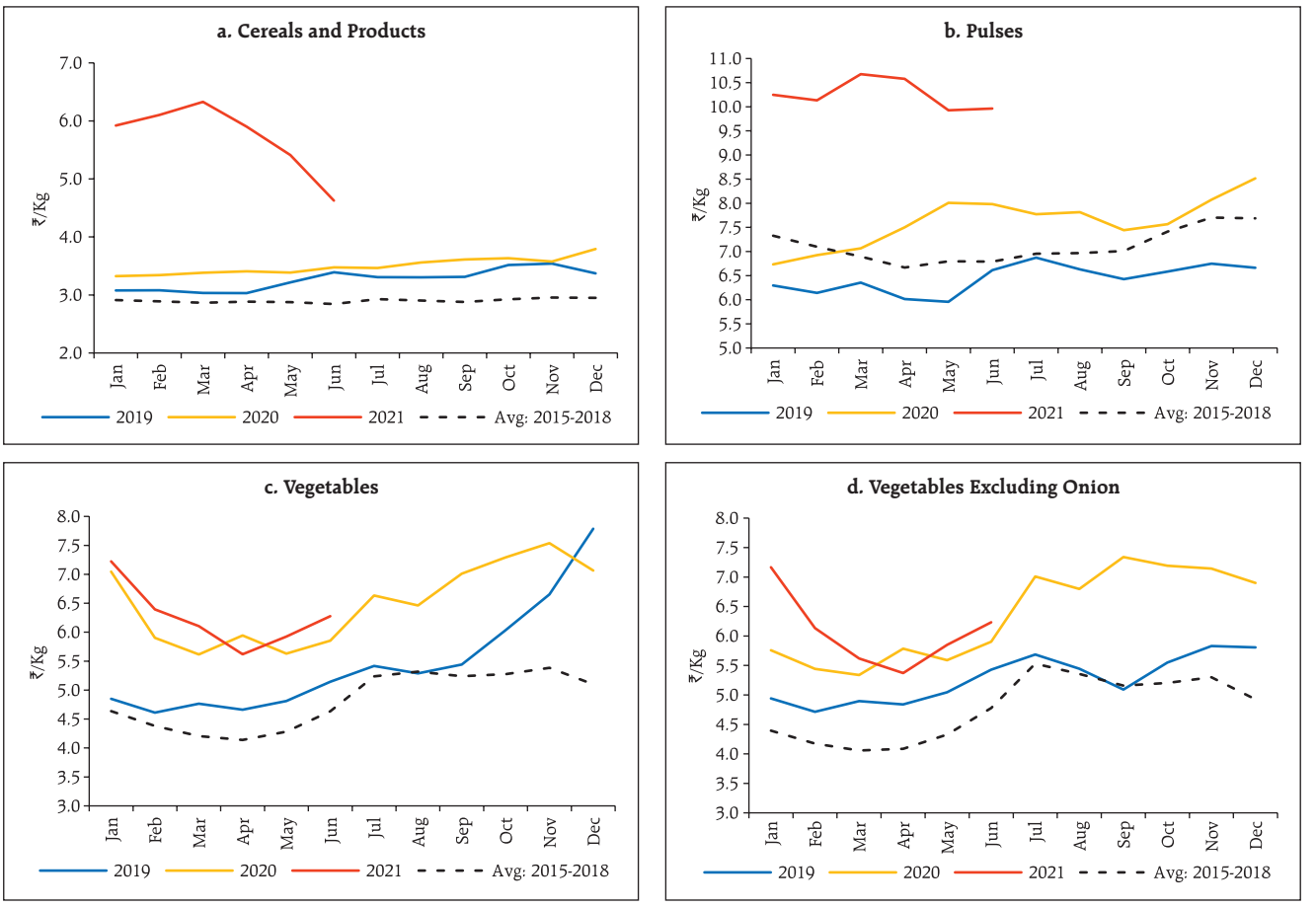


Note: Food price margin is calculated as the difference between CPI weighted average retail prices and wholesale prices of the 22 food items covered in DCA.
Source: DCA, GoI

At the sub-group level, the behaviour of margins has been rather heterogeneous. Spikes in margins can be observed in pulses, edible oils and 'other food' during April-May 2020 while cereals and vegetables showed a marginal increase in April 2020 before reversing in May 2020 (Chart 3).

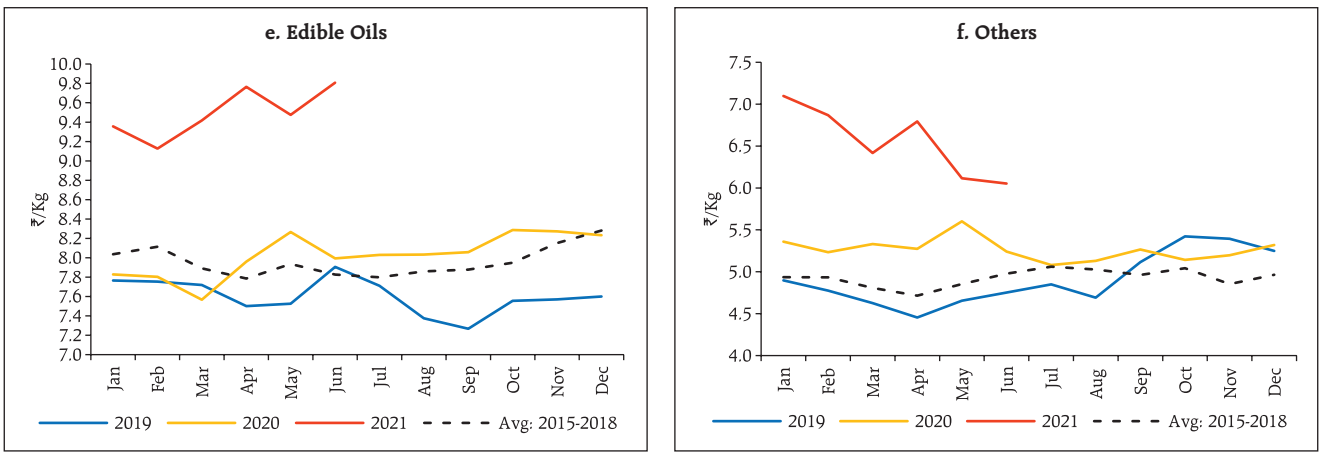
In 2021, however, margins at the aggregate level and at sub-group levels (except vegetables) showed a sharp pick-up compared to 2020. This trend was observed from January 2021, *i.e.*, before the imposition of localised lockdown/restrictions by the states. This essentially reflected a shift in data collection mechanism by the DCA to a Mobile App on January 1, 2021 to improve the quality of price data reporting from the price reporting centres[7]. The App

Chart 3: Margins Across Major Groups (Monthly Average in ₹/kg) *(Contd.)*



7 *https://www.pib.gov.in/PressReleasePage.aspx?PRID=1701493*

Chart 3: Margins Across Major Groups (Monthly Average in ₹/kg) *(Concld.)*



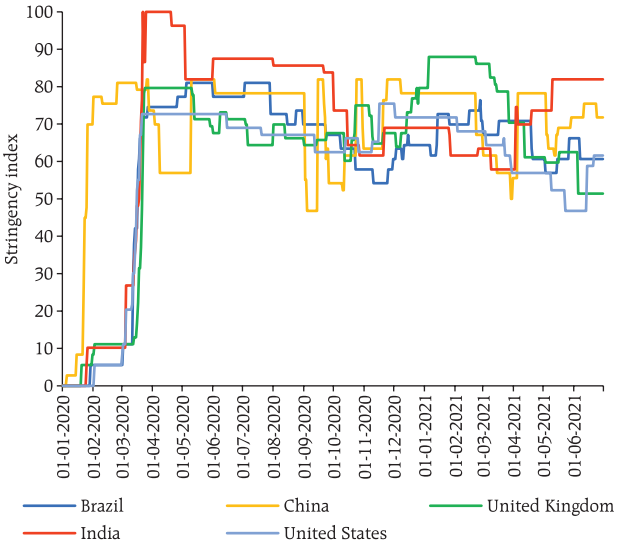
Note: Others include sugar, tea, milk, gur and salt. The spike in margins in 2021 in most of the commodities reflects the impact of change in data collection mechanism by DCA since January 2021.
Source: DCA, GoI.

is geo-tagged and has inbuilt features to calculate and report the average price, which reduces human errors in calculation and improves the data collection process. The coverage also has been increased from 122 centres in 2020 to 135 centres in 2021 (till May 2021). Thus, the unusual jump in the level of margins as per DCA data during 2021 was largely an outcome of improved data collection process and coverage of markets. Nonetheless, in May 2021 – the peak month of lockdown in the second wave – margins eased in cereals, pulses, edible oils and others, while it increased in vegetables.

2. COVID-19 Related Measures and Mobility Indices in India

In order to maintain uninterrupted supply of essential goods, specified shops – including ration shops, those dealing with food, groceries, fruits and vegetables, dairy and milk products, meat and fish, animal fodder, seeds and pesticides – were exempted from the nationwide lockdown measures, while mandating them to comply with the standard operating procedures. The lockdown that restricted movement of people, however, turned out to be amongst the most stringent in the world (Chart 4). India's stringency index reached the maximum value of 100 with the imposition of the nation-wide lockdown beginning March 25, 2020 and stayed at that level till April 19, 2020[8]. The lockdown was extended in three more phases: April 15-May 3 (Phase 2); May 4-May 17 (Phase 3); and May 18-May 31 (Phase 4). This was followed

Chart 4: Stringency Across Countries



Source: Oxford COVID-19 Government Response Tracker.

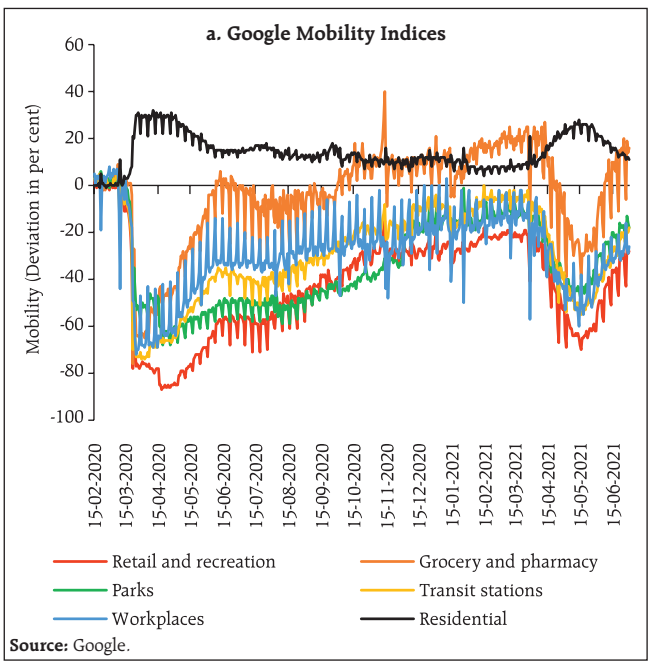
[8] The stringency index had also reached 100 on the day of *Junta Curfew* on March 22, 2020.

by a gradual unlocking process beginning June 1, 2020. The stringency index started to increase again from April 2021, as States imposed weekend curfews, night curfews, and partial and localised lockdowns to contain the second wave of infections, but the peak reached in May 2021 at 82 was still lower compared to the first wave. Thus, even if the second wave was more severe in terms of number of infected cases and deaths, there was no nation-wide lockdown and the stringency was less severe compared to the first wave.

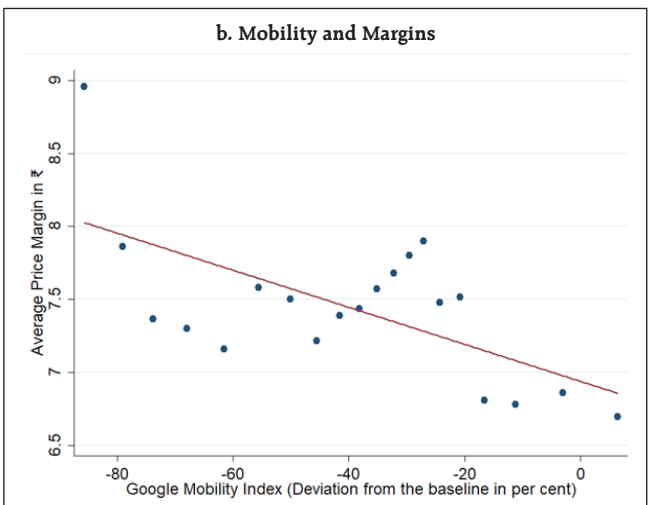
The stringency[9] of lockdown resulted in lower mobility across various segments of the economy, with retail and recreation sector hit the hardest during the first lockdown (Chart 5a). Moreover, a clear negative relationship can be observed between mobility and price margins (Chart 5b). These stylised facts motivate our empirical specification and strategy, which is discussed in Section III.

Moreover, apart from the localised and less stringent nature of the lockdown, the second wave appears to have been better managed in terms of facilitating movement of essential goods and services in the country. This is reflected in lower fall in toll collections[10] – in terms of the decline between immediate pre-lockdown peak and subsequent trough – during the lockdown period of the second wave compared to the first wave (Chart 6a). Concurrently, *mandi* arrivals also witnessed a lower fall in April 2021 relative to April 2020 for most commodities and in May 2021 for vegetables (Chart 6b). In contrast, arrivals of pulses and oil seeds (key inputs for edible oils) declined sharply in both phases reflecting tight domestic supply conditions.

Chart 5: Mobility Indices and Price Margins



Source: Google.

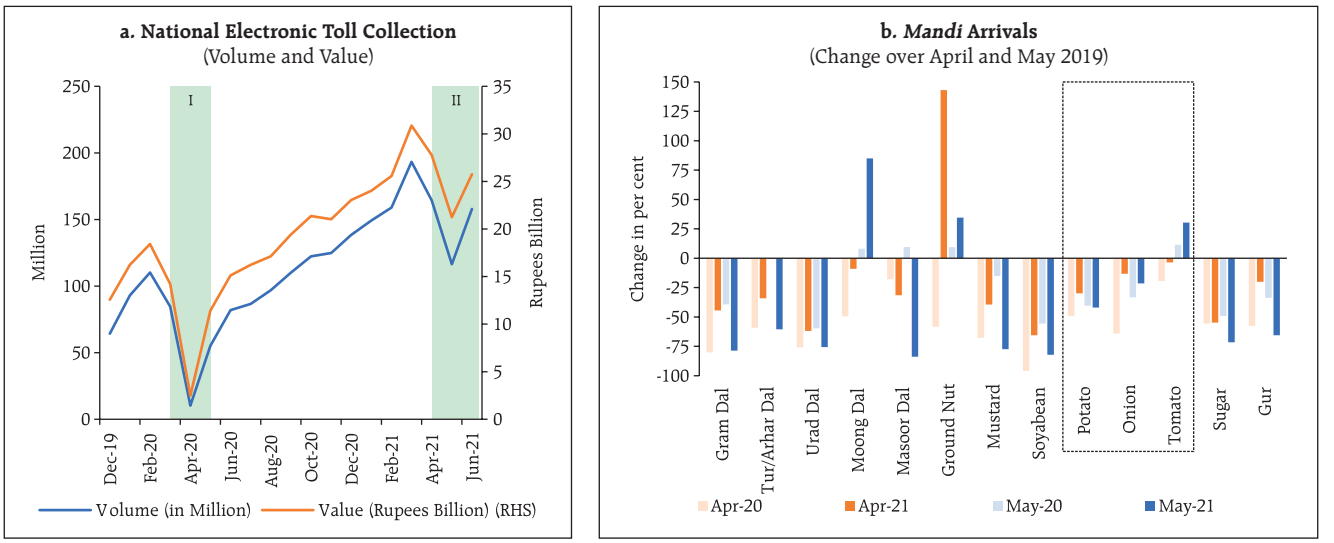


Note: This is a binscatter plot of mobility (retail and recreation index) and price margin for the 80 centres after controlling for year fixed effects. Time period covered is February 2020-May 2021. The binscatter plot groups the x-axis and y-axis variables into equal-sized bins of 20, computes their means within each bin, then creates a scatterplot of these transformed data points.
Sources: Google; and DCA.

[9] Data on the stringency index is available only at the country level in the public domain, while google mobility indices are available across sub-national centres and sectors.

[10] Reports suggest that over 70 per cent of the toll collection is from commercial vehicles (Business Standard, October 14, 2019).

Chart 6: Toll Collections and Market Arrivals



Note: In Chart 6.b, mandi arrivals in the months of April and May 2020 and 2021 (*i.e.*, the lockdown period) is compared with the corresponding months of 2019 (*i.e.*, pre-lockdown period) for better representation.
Sources: National Electronic Toll Collection, National Payments Council of India (NPCI) and Agmarknet.

III. Empirical Analysis

1. Data

As mentioned earlier, this article analyses the daily retail and wholesale prices data for 22 essential food items across 135 market centres[11] for understanding the behaviour of mark-ups or margins. A further matching of these centres with the Google mobility data[12] results in a trimming of the final dataset to 80 centres[13]. A centre is defined to be less affected by the lockdown (low intensity lockdown centre) during the first wave if its average google mobility index was higher than the median average index in each phase of the lockdown. Similarly, a centre is classified as highly affected if its average google mobility index was less than the median average index even in one of the phases. For the second wave, the classification is based on the distribution of average mobility in April-May 2021 – a centre is classified as less (highly) affected if its average google mobility index was higher (lower) than the median average index.

2. Identification Strategy

A two-step approach is followed to estimate the impact of the first lockdown on price margins of essential food items. In the first step, an event study, on daily data for the period January-June 2020 covering all the 122 centres (for which data were available in 2020), is undertaken in the following form to examine the immediate impact of the lockdown, similar to the approach adopted in Mahajan and Tomar (2020):

$$Y_{ijt} = \sum_{T=-12}^{13} \beta_{1T} \times Time\ Period_T + \alpha_i + \gamma_j + \varepsilon_{ijt}... \quad (1)$$

where Y_{ijt} is the price margin recorded at market centre i for commodity j at time t (daily)[14]; $Time\ Period_T$ is a

[11] In 2020, data were collected manually by the DCA from 122 centres, while in 2021 the data collection shifted to Mobile App-based covering 135 centres to improve data quality.

[12] The google mobility index of the retail and recreation sector is used in this analysis as that has recorded the sharpest fall following the lockdown (Chart 5a). The results, however, do not change qualitatively even if other indices are used as all the indices are highly correlated.

[13] These matched centres represent more than 65 per cent of the total centres covered by the DCA in 2020.

[14] Throughout this article, the dependent variable is absolute price margin (retail- wholesale). However, even if price margin as a per cent of wholesale price is taken as the dependent variable, the results do not change qualitatively.

dummy variable which takes the value 1 for each of the 13 weeks[15] before (*i.e.,* during January 1-March 24, 2020) and after the announcement of the lockdown; α_i is centre fixed effects (FE) and γ_j is commodity FE to control for the time-invariant centre and commodity characteristics; and ε_{ijt} is the error term. The week in which the lockdown was announced is taken as 0 and the week before that (-1) is the base period. The coefficient of the dummy variable *Time Period*$_t$, therefore, captures the difference in price margins in each time period (before and after the lockdown announcement) relative to the base period (the week before the announcement). If the lockdown indeed led to an increase in margins, one would expect to see positive and significant coefficients for time periods starting from zero.

The first approach as discussed above (specification 1), however, does not take into account the seasonal movement in food prices, which is significant in case of India due to large dependence of agriculture on monsoon. In order to account for such seasonal pattern, therefore, a difference-in-difference specification (Lowe, Nadhanael and Roth, 2020; Varshney, Roy and Meenakshi, 2020) of the following form is used in the second step where margins in 2020 is compared also with that of the corresponding period of 2019:

$$Y_{ijt} = \sum_{T=1}^{2} \beta_{1T} \times Time\ Period_T + \sum_{T=1}^{2} \beta_{2T} \times (Time\ Period_T \times 2020) + \alpha_{ij} + \gamma_{1jm} + \gamma_{2jy} + \delta_{1Im} + \delta_{2Iy} + \varepsilon_{ijt} \quad \ldots (2)$$

where Y_{ijt} is the price margin recorded at market centre *i* for commodity *j* at time *t* (daily); *Time Period*$_1$ is a dummy variable which takes the value 1 for the lockdown period March 25-May 31, 2020; *Time Period*$_2$ is a dummy variable which takes the value 1 for the unlocking period June-November 2020; 2020 is a dummy variable that takes the value 1 for the year 2020; α_{ij} is the centre-commodity FE; γ_{1jm} is the commodity-month FE; γ_{2jy} is the commodity-year FE; δ_{1Im} controls for state-month FE; δ_{2Iy} controls for state-year FE[16]; and ε_{ijt} is the error term. The sample here is the matched dataset (80 centres) for the period January 2019-November 2020. Standard errors for both specifications (1) and (2) are clustered at the commodity-centre level.

The coefficient of interest is β_{21}. It estimates the difference in price margins between *Time Period*$_1$ (March 25-May 31) and the reference period (January 1-March 24) for the year 2020 *relative* to the year 2019. It is assumed that if the event – COVID-19 induced lockdown – had not happened, the price margins in 2020 would have followed the same trend of 2019, *ceteris paribus.* Similarly, the coefficient β_{22} evaluates whether the impact of the lockdown persisted even when the unlocking process started in June 2020[17]. The state-by-month (year) and commodity-by-month (year) fixed effects control for time varying state-level or commodity-level shocks (observed or unobserved) non-parametrically. This facilitates *within-state* or *within-commodity* comparison of price margins between 2020 and 2019.

A similar strategy is employed to evaluate the impact of the lockdown during the second wave using a matched dataset for the period January 2021-May 2021 in which price margins of 2021 are compared with 2019 (January-May 2019). However, as mentioned earlier, there was no nation-wide lockdown

[15] The time period dummy has been introduced to take into account the full pre-lockdown period of January 1-March 24, 2020 encompassing 13 weeks, and considering the week before the event (*i.e.,* March 18-24, 2020) as a benchmark for comparing margins. Accordingly, for symmetrical representation, 13 weeks after the lockdown is also considered for the event plot.

[16] "i" represents centre and "I" represents state to which centres belong.

[17] Our sample period ends in November as the unlocking process got extended in phases till November 30, 2020. Further, the google mobility index also stabilised at around 30 per cent deviation from the baseline in November 2020. Accordingly, January-November 2020 is compared with January-November 2019.

during this period; states implemented lockdown-like measures depending on the local spread of the virus and test positivity rates in a staggered fashion[18]. Therefore, the treatment period differs across states in this specification, starting on April 5, 2021 for Maharashtra, April 19, 2021 for Delhi and so on[19].

$$Y_{ijt} = \beta_3 \times Time\ Period_{it} + \beta_4 \times (Time\ Period_{it} \times 2021) + \alpha_{ij} + \gamma_{1jm} + \gamma_{2jy} + \delta_{1Im} + \delta_{2Iy} + \varepsilon_{ijt} \quad \ldots (3)$$

where 2021 is a dummy variable that takes the value 1 if the year is 2021 and $Time\ Period_{it}$ is a dummy variable that takes the value 1 for the relevant time period of lockdown depending on the state to which a centre belongs. The coefficient of interest is β_4 which measures the difference in price margins between $Time\ Period_{it}$ and the reference period for the year 2021 relative to the year 2019. Equations (2) and (3) are run for sub-samples of the 80 matched centres based on lockdown intensity (high or low intensity) and commodity groups.

3. Results

3.1: Lockdown impact during the first wave

The estimates of specification 1 for the entire sample (all 22 commodities) and sub-samples of various groups along with their 95 per cent confidence intervals show that price margins increased *on average* immediately after the announcement of the first lockdown (Chart 7a). However, this increase was not uniform; it was primarily driven by pulses, edible oils, potato and tomato (Charts 7b-7h)[20].

The findings of the event study analysis are confirmed by the estimates based on the specification (1). Price margins increased *on* average by ₹0.44 for all the 22 commodities during March 25-May 31, 2020 compared to the base line in 2020 relative to the same period of 2019. This represents a 7 per cent increase over the baseline average (January-March 24, 2020) of ₹6.26, which persisted in the unlock period (June-November) as well. Moreover, such an increase in margins is predominantly driven by high

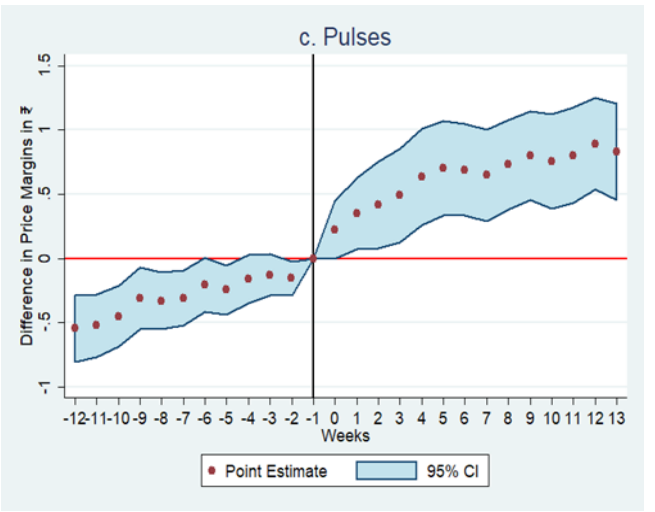
Chart 7: Event Study Analysis – Coefficient Plots

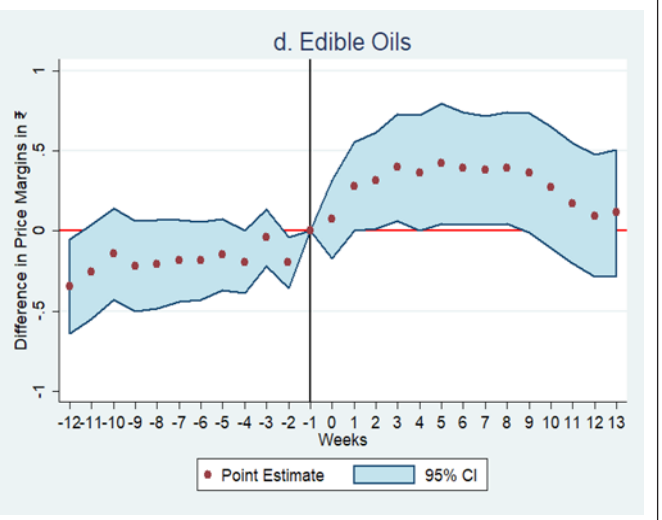
[18] An event study analysis is not attempted for the second wave as lockdown measures were implemented in a gradual/staggered manner across states.

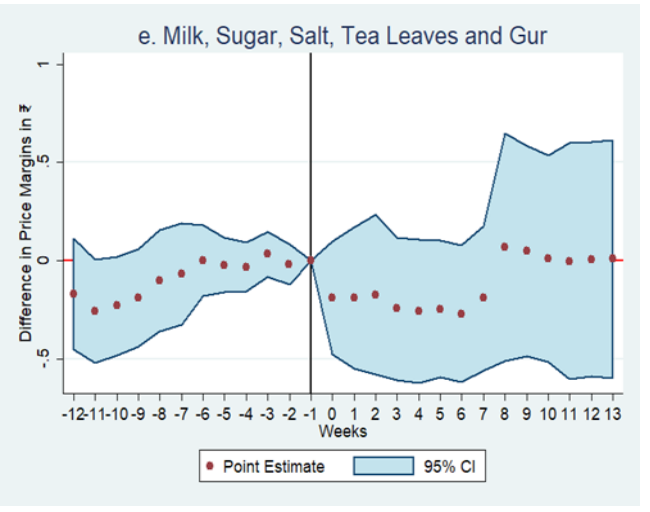
[19] Information on lockdown period for each state was sourced from newspapers and state government websites.

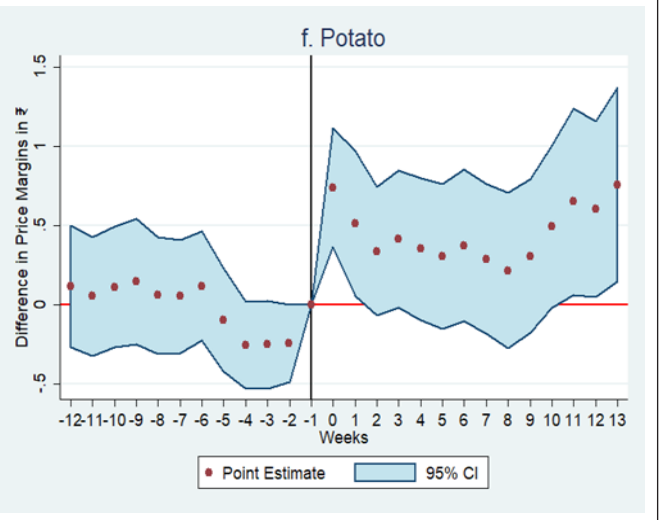
[20] Item level CPI data was not available for the period March-May 2020 to make any comparison.

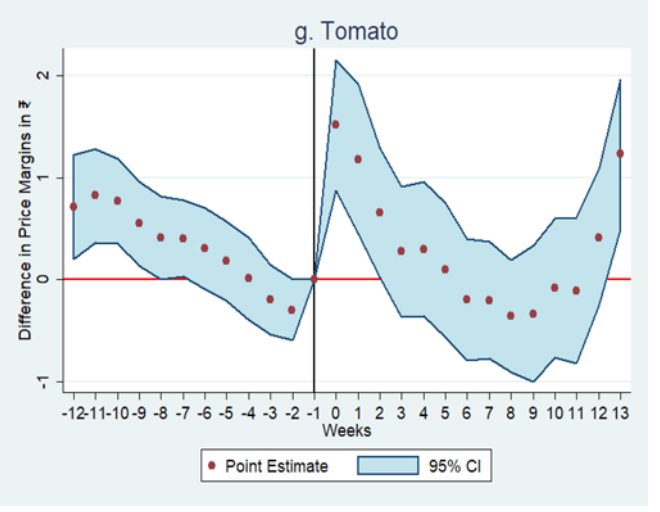
Chart 7: Event Study Analysis – Coefficient Plots *(Concld.)*

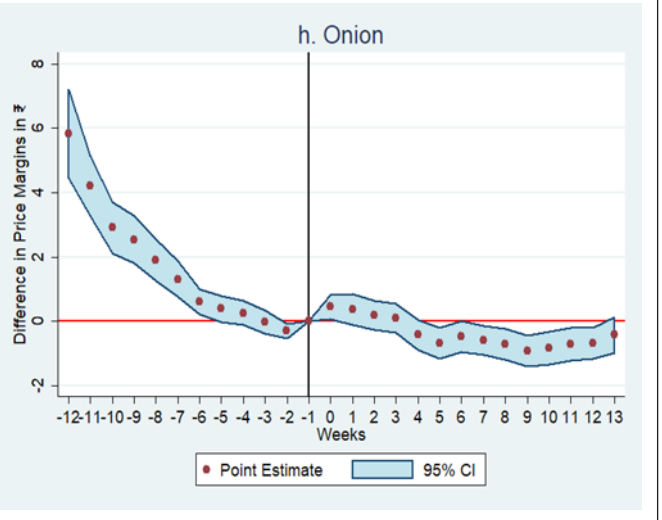












Note: The week in which the lockdown was announced is taken as 0 and the week before that (-1) is the base period. The coefficient and the 95 per cent confidence interval plotted here (Y-axis) therefore captures the difference in price margins in each week (before and after the lockdown announcement) relative to the base period (the week before the announcement).
Sources: DCA; and authors' calculations.

Table 1: Price Margin Across Centres During the First Wave[21]

	All Centres	High Intensity Lockdown Centres	Low Intensity Lockdown Centres
	(1)	(2)	(3)
2020=1 × March 25-May 31=1 #	0.441*** (0.0914)	0.602*** (0.116)	0.136 (0.142)
2020=1 × June-November=1#	0.312** (0.144)	0.372* (0.191)	0.228 (0.185)
Baseline Average (January-March 24, 2020)	6.26	6.54	5.63
Adjusted R^2	0.779	0.776	0.800
Observations	834133	573750	260383

Notes: Centre × Commodity FE, State × Month FE, State × Year FE, Commodity × Month FE, and Commodity × Year FE are included in all the above specifications. Standard errors are clustered at the commodity-centre level.

2020 is a dummy variable which takes the value 1 if the year is 2020. March 25-May 31 and June-November are dummy variables that take the value 1 if the date belongs to those periods, respectively, as mentioned earlier.

Standard errors are in parentheses.

*, ** and *** represent significance at 10 per cent, 5 per cent, and 1 per cent, respectively.

intensity lockdown centres where it increased by 9.2 per cent compared to the baseline average (Table 1). In contrast, there was no significant change in margins in low intensity centres.

The increase in price margins at the aggregate level was mainly driven by increase in margins in case of pulses, edible oils and potato[22], while the lockdown did not have any significant impact on margins for cereals and other food items (Table 2). Margins increased by 19.3 per cent for pulses, 11.2 per cent for edible oils and 12.3 per cent for potato compared to their respective baseline averages.

The commodity level differences in terms of the impact of the lockdown on margins highlight the differences in their price elasticities as well as supply chains. Items that are non-perishable in nature such as cereals, pulses and edible oils could have been stocked by consumers leading to higher demand during the pandemic. However, cereals did not exhibit any increase in margins owing to sufficient buffer stocks being maintained by the Government, free distribution of 5 kg of rice or wheat to the poor per month under the *Pradhan Mantri Garib Kalyan Anna Yojana* (PMGKAY) and timely release of stocks through open market sales. In case of pulses, on the back of a generally tight domestic supply-demand situation, a lower *kharif* production in 2019-20 reduced availability, while the lockdown led to a sudden increase in demand, pushing up margins. Similarly, in case of edible oils, where a major portion of domestic

Table 2: Price Margins Across Commodities During the First Wave

	Cereals	Pulses	Edible Oils	Other Food Items	Vegetables	Potato
	(1)	(2)	(3)	(4)	(5)	(6)
2020=1 × March 25-May 31=1	-0.0391 (0.108)	1.324*** (0.191)	0.732*** (0.195)	0.119 (0.227)	-0.547*** (0.190)	0.640** (0.242)
2020=1 × June-Nov=1	-0.0842 (0.140)	0.861*** (0.278)	0.459* (0.276)	0.408 (0.446)	-0.603** (0.246)	0.717** (0.315)
Baseline Average (Jan-March 24, 2020)	3.27	6.87	6.51	7.09	6.51	5.20
Adjusted R^2	0.638	0.699	0.733	0.832	0.684	0.738
Observations	119747	202747	206226	183315	122098	40724

Notes: Centre × Commodity FE, State × Month FE, State × Year FE, Commodity × Month FE, and Commodity × Year FE are included in all the above specifications. Cereals include *atta*, wheat, and rice; pulses include gram, *masoor, moong, tur* and *urad*; edible oils include groundnut oil, mustard oil, palm oil, soya oil, sunflower oil, and *vanaspati* oil; other food items include milk, sugar, salt, *gur*, and tea leaves; Vegetables include potato, tomato and onions. Standard errors are clustered at the commodity-centre level.

Standard errors are in parentheses.

*, ** and *** represent significance at 10 per cent, 5 per cent, and 1 per cent, respectively.

[21] This aggregate level result was published in Box II.2.1 (page 50) in Chapter 2 of RBI Annual Report 2020-21 but is reproduced here to provide a comparative picture with sub-group level estimates and estimates for the lockdown during the second wave.

[22] For tomato, the increase happened only in the first phase of the lockdown (March 25-April 14, 2020).

demand (around 60 per cent) is met especially through palm oil imports, lockdown led to uncertainty about imports reaching the Indian markets, while stocking (precautionary buying) by consumers increased demand, pushing up margins.

Other non-perishable items covered in the DCA data such as tea leaves, salt, *gur* and sugar displayed only a small uptick in margins. Margins did not increase much in case of sugar due to excess domestic production, while there was no impact on *gur*, being a close substitute of sugar. Tea witnessed a small pick-up in margins as its demand increased during the lockdown.

For perishable items like onion, tomato, potato and milk, the impact was different. The case of milk is peculiar, as it has a robust supply chain dominated by the cooperative structure of production and distribution in the country. Moreover, formal supply is further augmented by the informal channels of supplies from a large number of small dairies in both urban and rural areas, making India the largest producer of milk in the world. Thus, surplus domestic production together with faster supply response resulted in only a minor impact of the lockdown on milk prices.

Among vegetables, onion prices were on a seasonal correction from its peak in December 2019 at the time of the lockdown, while an expected better *rabi* harvest was arriving in the market, which helped contain price pressures. Tomato prices and margins did show a sudden and big pickup as the lockdown began, but they corrected quickly with *rabi* crop arriving in the market in abundance and initial hiccups in supply chains being addressed by concerted efforts of the state governments. Margins in potatoes, however, increased and stayed firm during the lockdown despite it coinciding with the *rabi* arrival period, as crop damage in Uttar Pradesh in March 2020 and further damage in West Bengal due to cyclone in May 2020 – the two major producing states – had led to supply disruptions. At the same time, consumer demand for potatoes also would have increased during the lockdown, as they can be stored for a longer period compared to onions and tomatoes, leading to increase in their margins.

3.2: Lockdown impact during the second wave

Extending the analysis into the second wave based on specification (3) indicates that there was no statistically significant increase in margins at the aggregate level during the localised lockdowns in April-May 2021[23]. Even though the coefficient of $Time\ Period_{it} \times 2021$ is positive for high intensity lockdown centres, it is not statistically significant (Table 3).

At the commodity/sub-group level, however, the impact of lockdown on margins was significantly different during the second wave. Pulses and edible oils registered increase in margins, although of relatively lower magnitude in terms of percentage increase over their baseline (5.3 per cent and 7.9 per cent, respectively, for pulses and edible oils) as compared to the first wave (19.3 per cent and 11.2 per cent,

Table 3: Price Margin Across Centres During the Second Wave

	All Centres	High Intensity Lockdown Centres	Low Intensity Lockdown Centres
	(1)	(2)	(3)
2021=1 × Second wave=1	-0.0362 (0.188)	0.0900 (0.281)	-0.151 (0.251)
Baseline Average (State specific)	9.13	10.93	7.51
Adjusted R^2	0.694	0.699	0.706
Observations	335204	170153	165051

Notes: Centre × Commodity FE, State × Month FE, State × Year FE, Commodity × Month FE, and Commodity × Year FE are included in all the above specifications. Standard errors are clustered at the commodity-centre level.
Standard errors are in parentheses
*, ** and *** represent significance at 10 per cent, 5 per cent, and 1 per cent, respectively.

[23] Unlocking started beginning June 1, 2021 in Uttar Pradesh, followed by Delhi (June 7) and Maharashtra (June 14).

Table 4: Price Margin Across Commodities During the Second Wave

	Cereals	Pulses	Edible Oils	Other Food Items	Vegetables	Tomato and Onion
	(1)	(2)	(3)	(4)	(5)	(6)
2021=1 × Second wave=1	-0.557** (0.235)	0.540** (0.261)	0.742** (0.372)	-0.693 (0.643)	-0.785*** (0.220)	-1.142*** (0.260)
Baseline Average (state specific)	5.50	10.31	9.40	11.96	6.03	6.14
Adjusted R^2	0.575	0.674	0.617	0.725	0.617	0.603
Observations	48562	82752	80691	74241	48957	32605

Notes: Centre × Commodity FE, State × Month FE, State × Year FE, Commodity × Month FE, and Commodity × Year FE are included in all the above specifications. Cereals include *atta*, wheat, and rice; pulses include gram, *masoor, moong, tur* and *urad*; edible oils include groundnut oil, mustard oil, palm oil, soya oil, sunflower oil, and *vanaspati* oil; other food items include milk, sugar, salt, *gur*, and tea leaves; Vegetables include potato, tomato and onion. Standard errors are clustered at the commodity-centre level.
Standard errors are in parentheses.
*, ** and *** represent significance at 10 per cent, 5 per cent, and 1 per cent, respectively.

respectively). On the other hand, margins declined in the case of cereals and relatively more for vegetables compared to the first wave, reflecting large buffer stock of food grains and better supply management (Table 4). With these opposing movements in margins offsetting one another, aggregate level margins did not show any increase. Overall, these results indicate that the impact of the lockdown measures on mark-ups was less severe during the second wave compared to the first wave, as expected due to the less stringent and localised nature of the lockdown as well as better supply management by the governments during the lockdown.

IV. Conclusions

This article examines the impact of the lockdown during both waves of COVID-19 on price margins in essential food items in India. It employs a difference-in-difference empirical strategy on two dimensions – across centres (which are differentiated on the basis of the intensity of the lockdown) and across food items (which are differentiated on the basis of their supply chains and Government interventions relevant to specific items). The results show that price margins increased on average during the first lockdown period by 7 per cent, which persisted with some moderation in the subsequent unlocking phase. Moreover, the increase in margins was found to be predominantly driven by high intensity lockdown centres, indicating the role of the lockdown. Second, there was considerable heterogeneity in the impact of lockdown on margins across commodities – pulses and edible oils showed sharp increases reflecting tight domestic supply-demand conditions, while cereals and milk did not show any significant impact due to excess supply and robust supply chains. During the second wave, localised lockdowns did not have a significant impact on margins across centres at the aggregate level, although commodity/sub-group level differences persisted. Pulses and edible oils registered an uptick in margins due to continued tight supply-demand conditions, although of relatively lower magnitude, while margins fell in case of cereals and vegetables, reflecting the less stringent nature of lockdown as well as better supply management by the governments during the second wave.

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*TLTRO and Structural Liquidity: A Shot in the Arm for NBFCs?**

The COVID-19 pandemic has impacted all sectors domestically, including NBFCs. They faced multiple challenges during the recent period which exacerbated their liquidity position. The Reserve Bank and the Government took calibrated measures to facilitate flow of funds to the sector and to restore overall financial stability. This article investigates the impact of one such scheme, namely the Targeted Long-Term Repo Operations (TLTRO), on NBFCs' structural liquidity by employing a difference-in-difference strategy. The results suggest that NBFCs which received funds via the TLTRO witnessed an improvement in their short-term liquidity buckets compared to others.

Introduction

Non-banking financial companies (NBFCs) have emerged as important intermediaries in India's financial system and play a crucial role in providing financial access to unbanked and under-banked sections of society as well as to niche sectors such as micro and small enterprises, vehicle loans and infrastructure financing. Their embrace of technology-driven business and operational models, agility and adaptability in staying ahead of the curve and innovative product offerings have not only enabled NBFCs to stay relevant in an increasingly competitive financial landscape but also facilitated their meteoric rise. In the last decade or so, the NBFC sector has exhibited tremendous growth as evidenced by the expansion in their balance sheet size from ₹10.6 lakh crore in March 2012 to ₹35.9 lakh crore in September 2020[1] despite hardships caused by the Infrastructure Leasing & Financial Services (IL&FS) episode, defaults by a few other NBFCs and the subsequent loss of confidence, rating downgrades and liquidity constraints.

NBFCs in India are largely engaged in traditional lending activities involving maturity transformation; *i.e.*, they often depend on several short-term sources of finance to create long-term loans for their customers. The COVID-19 pandemic, which has the global economy in a chokehold, has impacted all sectors domestically, including NBFCs. Given this background, NBFCs faced multiple challenges during the recent period – first, the COVID-19-induced lockdowns brought the activities of NBFCs to a standstill wherein their collections and disbursements dried up exacerbating their liquidity position and second, pandemic-induced sell-offs in financial markets tightened the financial conditions and heightened flight to safety. Adverse developments in the mutual fund sector in April 2020 further added to the woes of the NBFC sector due to the interlinkages between the two (Bitra *et al.*, 2020). Funding challenges of NBFCs intensified as markets and banks pulled back due to risk aversion and uncertainty. Market instruments of NBFCs such as non-convertible debentures (NCDs) and commercial paper (CP) faced spikes in their yields during this period. As NBFCs are not privy to borrowing from the central bank, the Reserve Bank and the Government took calibrated measures to facilitate flow of funds to the sector and to restore overall financial stability. To that end, many liquidity enhancing schemes like Targeted Long-Term Repo

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[1] Report on Trend and Progress of Banking in India, 2019-20.

Operations (TLTRO), Special Liquidity Scheme (SLS), Partial Credit Guarantee Scheme 2.0 (PCGS 2.0) and refinancing facility for all India financial institutions (AIFIs) were introduced (Reserve Bank of India, 2021). These measures considerably helped in alleviating the funding challenges faced by NBFCs, reduced their borrowing costs and improved market confidence. No study, however, has empirically examined the efficacy of these liquidity schemes. Against this backdrop, this article seeks to investigate how TLTRO impacted NBFCs' structural liquidity by employing a difference-in-difference methodology, thereby contributing to the nascent literature on NBFCs in India.

The rest of this article is divided into five sections. Sections II and III discuss in brief the borrowing profile of NBFCs and the TLTRO scheme, respectively. Section IV outlines the data and methodology. The results are discussed in section V and section VI concludes.

II. Borrowings of NBFCs

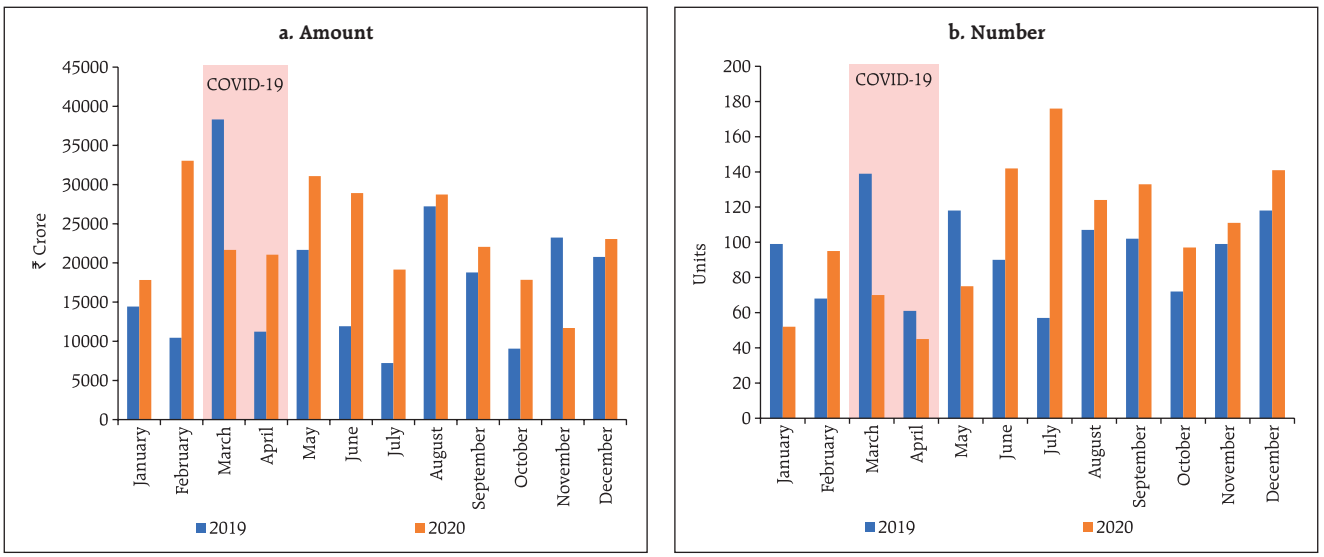
NBFCs largely fund their activities *via* borrowings, which constitute nearly two-thirds of their liabilities. They rely on various sources to raise funds, including issuance of market instruments like NCDs and CPs, borrowing from banks, financial institutions and inter-corporate borrowings, among others (Reserve Bank of India, 2020). Markets and banks constituted 76.7 per cent of their total borrowings in December 2020 (Jayakumar *et al.*, 2021). In this section, an analysis of market and bank borrowings of NBFCs is undertaken to understand why liquidity measures were needed to help NBFCs get through the rough patch.

II.1 Market Borrowings

In the immediate aftermath of COVID-19, market instruments – both NCDs and CPs – of NBFCs saw reduced issuances as well as a spike in yields (Rituraj *et al.*, 2020). In March and April 2020, the period immediately after the announcement of the nationwide lockdown, bond issuances by NBFCs – both amount as well as number of issuances – fell but recovered subsequently (Chart 1a and 1b).

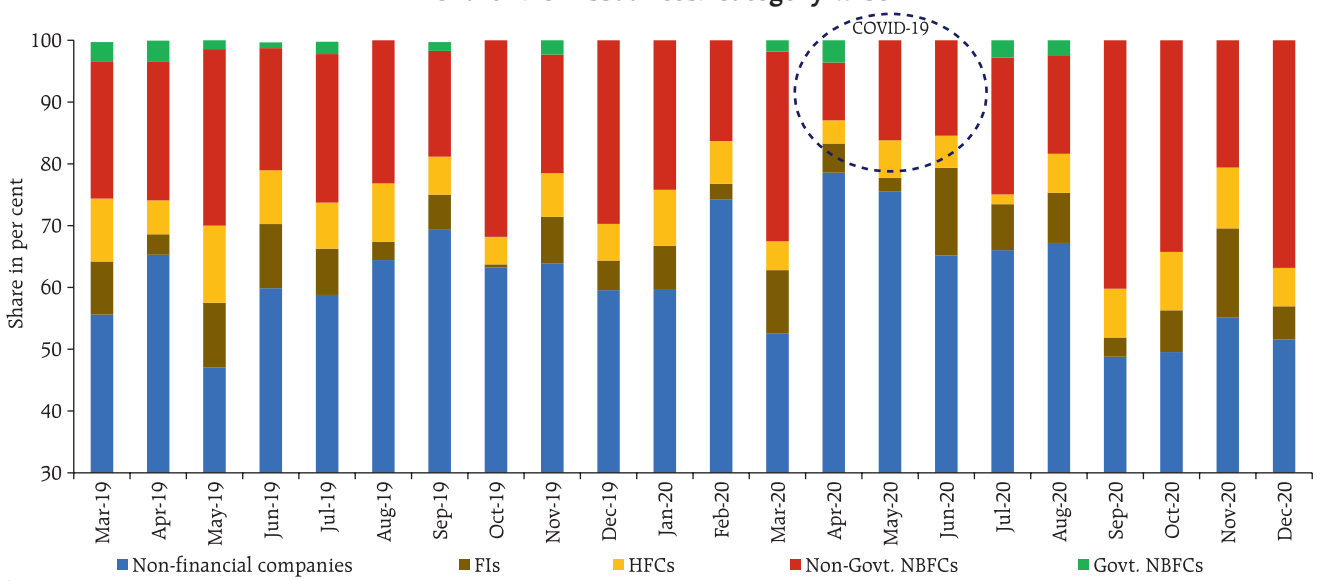
Similarly, CPs also witnessed lower issuances in the same period. The amount of CP issuances by NBFCs fell by three times during April-June 2020 as compared to April-June 2019. However, in response to the measures taken by the Reserve Bank and the

Chart 1: NCD Issuances by NBFCs



Source: Authors' calculations based on Bloomberg data.

Chart 2: CP Issuances: Category-wise



Source: RBI.

Government to provide liquidity support to the non-bank lenders, the share of NBFCs in CP issuances increased sharply from September 2020 onwards (Chart 2).

The imposition of nationwide lockdown to combat COVID-19 sent jitters through the markets and it was reflected in the sentiments towards NBFCs as well. The shutting down of certain credit risk funds in April 2020 (Bitra *et al.*, 2020) further heightened the risk aversion of market towards NBFCs[2] to such an extent that even AAA rated NBFCs faced record increase in yields (Chart 3a). CPs also witnessed heavy

Chart 3: Debt Instruments of NBFCs: Spread

Chart 3a: Yield of NBFC Bonds (3-year maturity): Spread over G-Sec of Corresponding Maturity

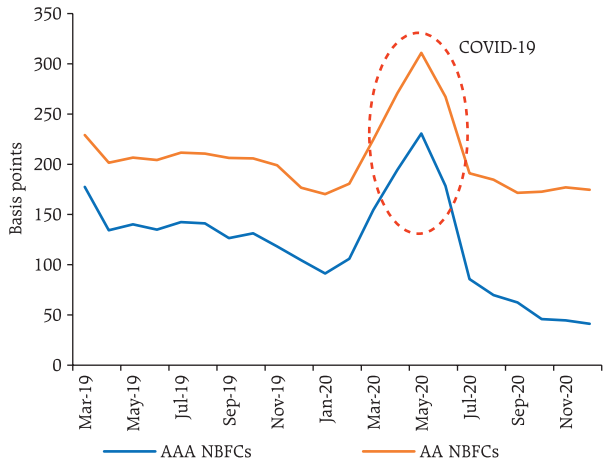
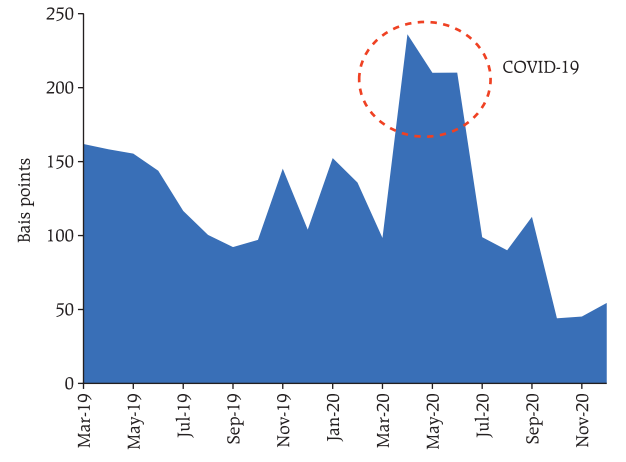


Chart 3b: Rates of Private NBFCs 3 months CP: Spread over 91-days T-Bills



Sources: Bloomberg and RBI.

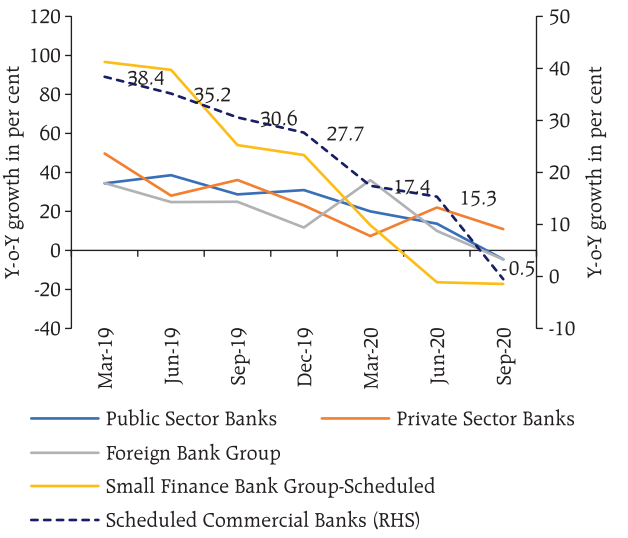
[2] Many mutual funds invest in NBFCs' papers.

selling by foreign investors and mutual funds during the period, which led to a spike in their spread over Treasury Bills (T-bills), particularly for private NBFCs (Chart 3b).

II.2 Bank Lending to NBFCs

Banks are the second-largest source of funding for NBFCs after debentures. Following the IL&FS episode, NBFCs' reliance on bank borrowings increased compared to market borrowings and they also started changing their borrowing mix by swapping short term borrowing for longer term borrowings to better manage their asset-liability profiles. While growth in bank lending to NBFCs was on a path of deceleration, the same contracted in September 2020 after the onslaught of COVID-19 in line with a decline in lending by the dominant player – public sector banks (PSBs) (Chart 4).

Chart 4: Bank Lending to NBFCs (Group-wise)

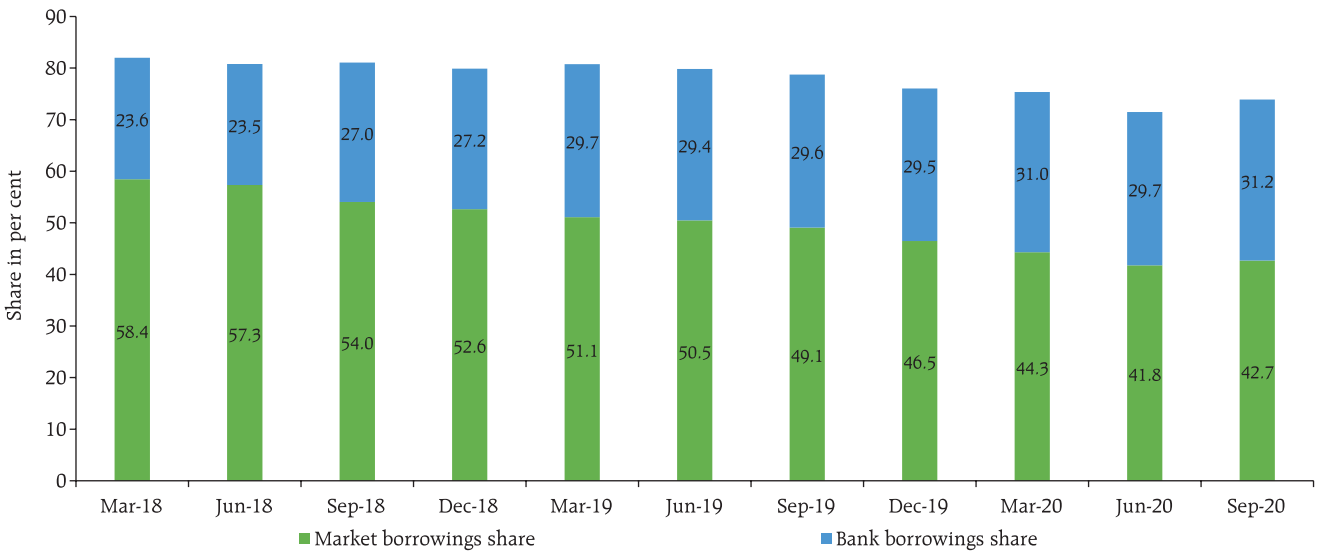


Note: Due to difference in returns, the data are not strictly comparable.
Source: Report on Trend and Progress of Banking in India, 2019-20.

Combined share of market and bank borrowings of NBFCs in total borrowings declined from 80.8 per cent in March 2019 to 73.9 per cent in September 2020 (Chart 5).

In short, it is evident that NBFCs faced constraints in raising funds in the aftermath of COVID-19. As alluded to earlier, several schemes were introduced to provide targeted liquidity to affected sectors on top of the injection of ample liquidity and aggressive rate cuts undertaken by the Reserve Bank. The next section discusses the subject of interest for this study, *viz.*, the TLTRO.

Chart 5: Outstanding Market and Bank Borrowings of NBFCs



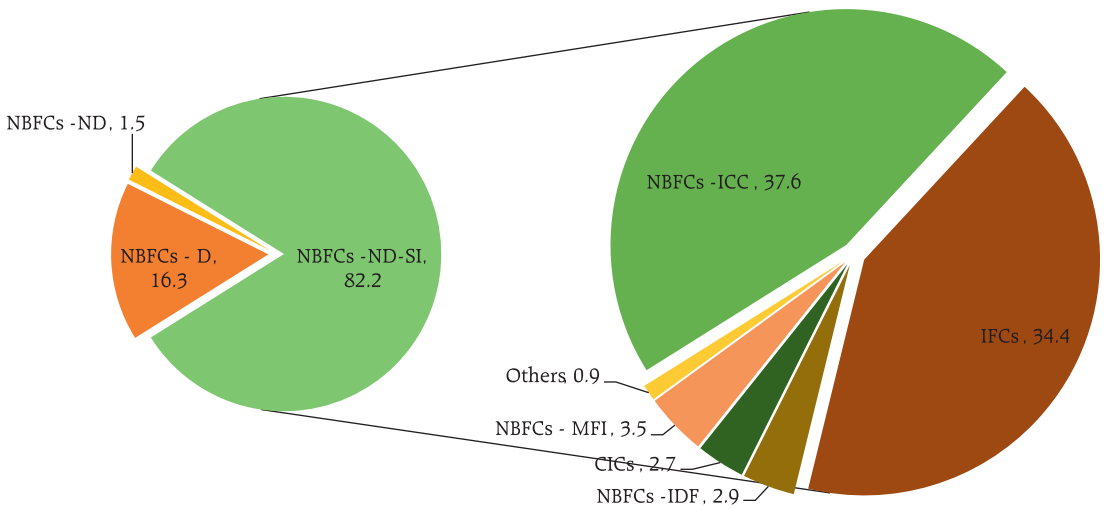
Source: Report on Trend and Progress of Banking in India, 2019-20.

III. Targeted Long-Term Repo Operations (TLTRO)

The Reserve Bank added Long Term Repo Operations (LTROs) to its arsenal in February 2020 to ensure availability of liquidity as well as transmission of rates. Under LTROs, the Reserve Bank provides longer term loans usually of 1-3 year maturity to banks at a floating rate linked to the policy repo rate on the back of government securities as collateral which enables banks in lending more to the real economy. When COVID-19 struck, the Reserve Bank introduced TLTRO to provide targeted liquidity to sectors and entities experiencing liquidity constraints and restricted market access due to the pandemic[3]. The funds received by banks were to be invested in investment grade corporate debt. The operations were undertaken in two phases. Under TLTRO 1.0 which was announced on March 27, 2020, the Reserve Bank conducted four auctions in tranches of ₹25,000 crore each, amounting to a total of ₹1,00,000 crore. The tenor was up to three years at a floating rate linked to the policy repo rate. ₹1,00,050 crore was allotted under TLTRO 1.0. TLTRO 2.0 was announced on 17 April, 2020 which sought to address liquidity constraints faced by small and mid-sized corporates, including NBFCs and micro finance institutions (MFIs). Under the TLTRO 2.0 window, a sum of ₹50,000 crore was to be made available at policy repo rate for tenors up to three years. In the first tranche, total bids received amounted to ₹12,850 crore, with a bid to cover ratio of 0.5[4]. Subsequently, on October 9, 2020, the Reserve Bank announced commencement of on-tap TLTRO of up to three years tenor for a total amount of up to ₹1,00,000 crore at a floating rate linked to the policy repo rate to revive economic activity in certain important sectors like agriculture, micro, small and medium enterprises (MSMEs) and secured retail, amongst others and it has been extended till December 31, 2021.

The distribution of TLTRO funds under the first two phases suggests that ₹61,586 crores were disbursed to NBFCs and Housing Finance Companies (HFCs), of which 60 per cent were obtained by NBFCs. Among NBFCs, non-deposit taking NBFCs, particularly systemically important non-deposit taking NBFCs (NBFCs-ND-SI), were the major beneficiaries by getting 82.2 per cent of the funds. Within NBFCs-ND-SI, Investment and Credit companies (NBFCs-ICC) and Infrastructure Finance Companies (IFCs) garnered nearly three-fourth of the funds (Chart 6).

Chart 6: Distribution of TLTRO Funds amongst Various Categories of NBFCs
(per cent)



Source: Report on Trend and Progress of India, 2019-20.

[3] *https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=49582*
[4] *https://www.rbi.org.in/Scripts/BS_ViewMMO.aspx?prid=49736*

IV. Data and Methodology

This article seeks to empirically assess the impact of the first two phases of TLTRO on NBFCs' liquidity position by comparing NBFCs that received funding *via* TLTRO with those that did not[5]. The impact of the policy on the asset-liability mismatch in various maturity buckets is investigated as TLTRO was essentially a tool to augment liquidity and NBFCs were reportedly facing issues in their short-term asset liability mismatch (ALM) buckets. The dataset used in this analysis – supervisory data of NBFCs that recorded the amount of funding received and other balance sheet indicators – is ideal for undertaking a difference-in-difference exercise wherein NBFCs that received TLTRO funding (*treatment* NBFCs) are compared with those that did not (*control* NBFCs). Difference-in-difference regression attempts are undertaken in the spirit of experimental research design wherein there is a treatment group and a control group as in a natural experiment.

IV.1 Data and Stylised Facts

There were 136 NBFCs that requested funding *via* TLTRO, most of which were NBFCs-ND-SI, as mentioned earlier. Data on their balance sheet and financial performance from December 2019 to December 2020 on quarterly basis were collected from the supervisory database and matched with the set of NBFCs that received funding to get a set of treatment NBFCs. NBFCs that did not get funding are included in the control group (Table 1). The number of companies in each quarter varies based on their reporting in the supervisory platform.

Table 1: Asset Size of Treatment and Control NBFCs

(₹ Crore)

Treatment NBFCs									
Period	NBFCs-D	NBFCs-ND	NBFCs-ND-SI						Total
	ICC	ICC	NBFC - MFI	NBFC - Factor	NBFC -ICC	NBFC -IFC	NBFC - NOFHC	NBFCs-ND-SI Total	
Dec-19	1,52,652 (3)	873 (1)	36,101 (10)	- -	5,23,024 (35)	29,945 (1)	27,440 (3)	6,16,510 (49)	7,70,034 (53)
Mar-20	3,26,849 (6)	1,599 (2)	47,405 (11)	- -	6,64,100 (48)	7,70,746 (3)	28,895 (3)	15,11,145 (65)	18,39,594 (73)
Jun-20	3,28,090 (7)	2,808 (4)	44,631 (10)	- -	6,56,740 (48)	8,05,097 (3)	31,219 (3)	15,37,687 (64)	18,68,585 (75)
Sep-20	4,09,992 (8)	2,403 (3)	44,155 (9)	- -	7,16,281 (50)	8,27,570 (3)	32,468 (3)	16,20,474 (65)	20,32,869 (76)
Dec-20	4,06,914 (6)	2,483 (3)	36,818 (6)	- -	4,82,795 (36)	- -	32,762 (3)	5,52,376 (45)	9,61,773 (54)
Control NBFCs									
Period	NBFCs-D	NBFCs-ND	NBFCs-ND-SI						Total
	ICC	ICC	NBFC - MFI	NBFC -Factor	NBFC -ICC	NBFC -IFC	NBFC -NOFHC	NBFCs-ND-SI Total	
Dec-19	40,221 (2)	227 (1)	7,630 (4)	1,298 (1)	3,13,335 (50)	5,690 (1)	2,722 (1)	3,30,676 (57)	3,71,123 (60)
Mar-20	45,146 (4)	224 (1)	10,416 (6)	1,431 (1)	4,97,605 (74)	23,321 (3)	11,853 (2)	5,44,627 (86)	5,89,997 (91)
Jun-20	44,377 (4)	22,286 (3)	10,203 (6)	1,201 (1)	4,64,337 (71)	76,783 (4)	12,108 (2)	5,64,632 (84)	6,31,295 (91)
Sep-20	46,528 (4)	22,995 (2)	9,585 (6)	1,320 (1)	5,26,639 (76)	72,864 (4)	14,916 (2)	6,25,323 (89)	6,94,846 (95)
Dec-20	35,232 (2)	24,771 (3)	964 (1)	1,451 (1)	3,32,450 (49)	23,466 (3)	5,345 (1)	3,63,676 (55)	4,23,679 (60)

Note: Figures in parenthesis are number of NBFCs.
Source: Authors' calculations based on supervisory data from December 2019 to December 2020 on quarterly basis.

[5] In view of availability of data, this analysis is restricted to NBFCs excluding HFCs.

In order to understand the nature of NBFCs that received the funding *versus* those that did not, we explore the characteristics of our sample of treatment and control groups with respect to size (total assets), soundness (capital/total liabilities), liquidity [(cash and bank balances + current investments) / total assets], profitability (return on assets, *i.e.*, net profits/ total assets) and asset quality (Non-Performing Assets [NPA] ratio, *i.e.*, Gross NPAs/ total assets).[6] Table 2 summarises these key variables that are used in our analysis.

It is evident that the beneficiaries of TLTRO funding were not chosen randomly but reflects cherry picking by banks based on certain NBFC specific characteristics. Firstly, the treatment NBFCs are bigger in size and are mainly those engaged in credit intermediation (Charts 7 and 8).

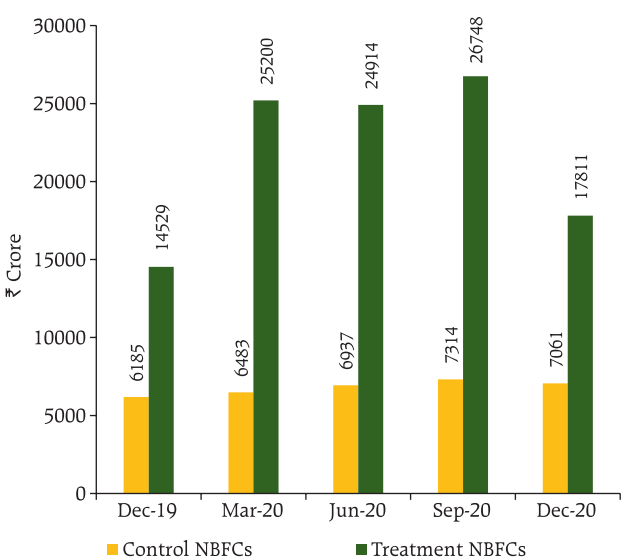
Control NBFCs, being comparatively smaller in size, may be more reliant on paid up capital and reserves and surplus and are lower leveraged than the larger treatment NBFCs, which have access to additional sources of funds in the form of borrowings. This would explain the higher capital to total liabilities ratio of the former. In a similar vein, treatment NBFCs may be keeping lower liquid funds in their books as they can generally tap into low cost funding channels

Table 2: Descriptive Statistics of Key Variables

Variables	Overall				
	N	Mean	S.D.	Min	Max
Total Assets	732	14,106	38,702	117.5	4,05,061
Capital to Total Liabilities Ratio	732	34.4	23.0	10.5	93.2
Liquidity Ratio	732	13.0	14.2	0.5	58.5
Return on Assets	732	1.2	1.5	-1.4	4.6
NPA Ratio	719	3.0	4.1	0	17.1
Credit to Total Assets Ratio	731	69.3	27.0	0	94.9
Variables	**Treatment NBFCs**				
	N	Mean	S.D.	Min	Max
Total Assets	332	22,955	55,396	117.5	4,05,061
Capital to Total Liabilities Ratio	332	28.7	16.6	10.5	93.2
Liquidity Ratio	332	11.0	7.7	0.5	45.2
Return on Assets	332	1.2	1.2	-1.3	4.5
NPA Ratio	329	2.4	2.6	0	17.1
Credit to Total Assets Ratio	332	80.4	10.6	44.6	94.9
Variables	**Control NBFCs**				
	N	Mean	S.D.	Min	Max
Total Assets	400	6,760	8,891	223	53,367
Capital to Total Liabilities Ratio	400	39.0	26.2	10.5	93.2
Liquidity Ratio	400	14.6	17.7	0.5	58.5
Return on Assets	400	1.2	1.6	-1.4	4.6
NPA Ratio	390	3.4	5.0	0	17.1
Credit to Total Assets Ratio	399	60.1	32.5	0	94.9

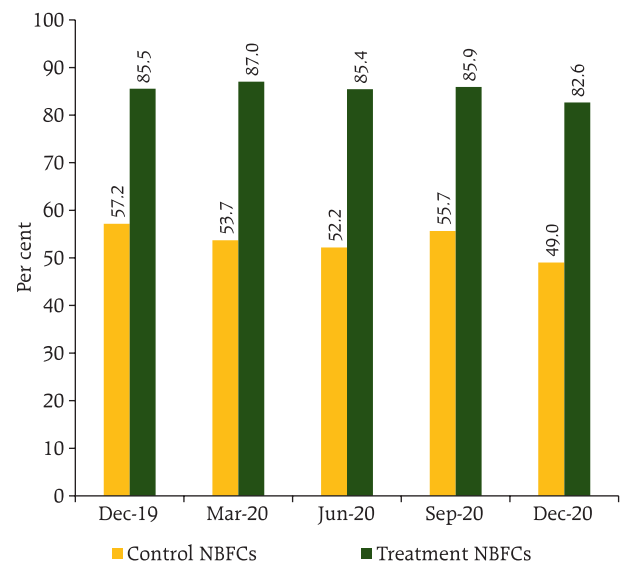
Note: S.D. is standard deviation. In per cent except total assets which is in ₹ crore.

Chart 7: Average Assets



Source: Supervisory returns, RBI.

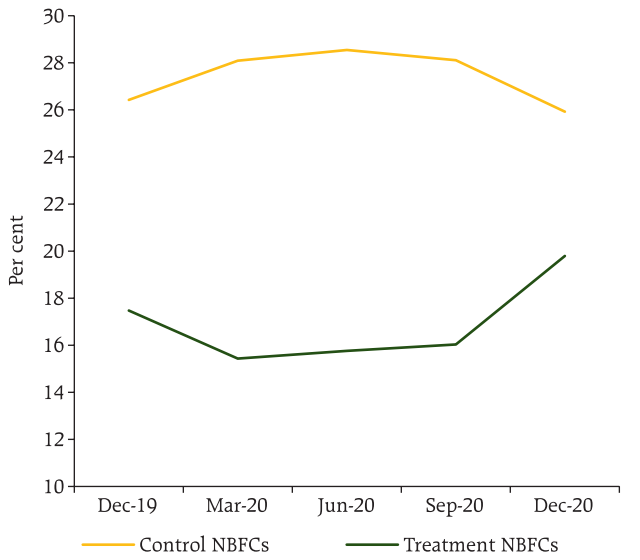
Chart 8: Credit to Total Assets ratio



Source: Supervisory returns, RBI.

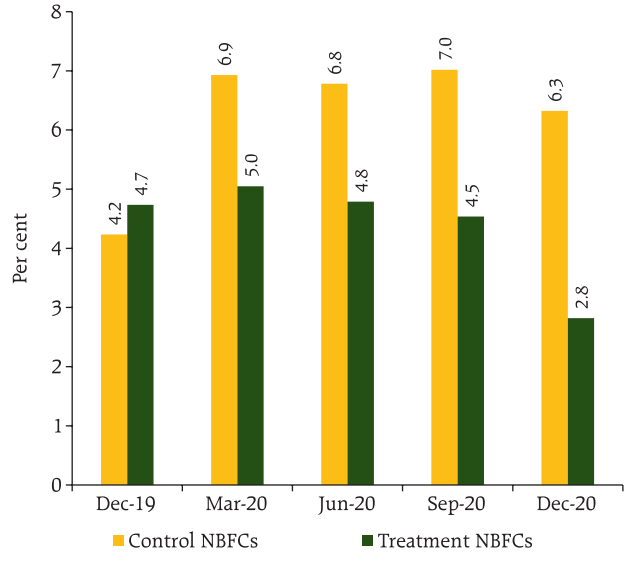
[6] To reduce the impact of outliers, the variables were winsorized at 5 per cent and 95 per cent levels.

Chart 9: Capital to Total Liabilities Ratio



Source: Supervisory returns, RBI.

Chart 11: NPA Ratio



Source: Supervisory returns, RBI.

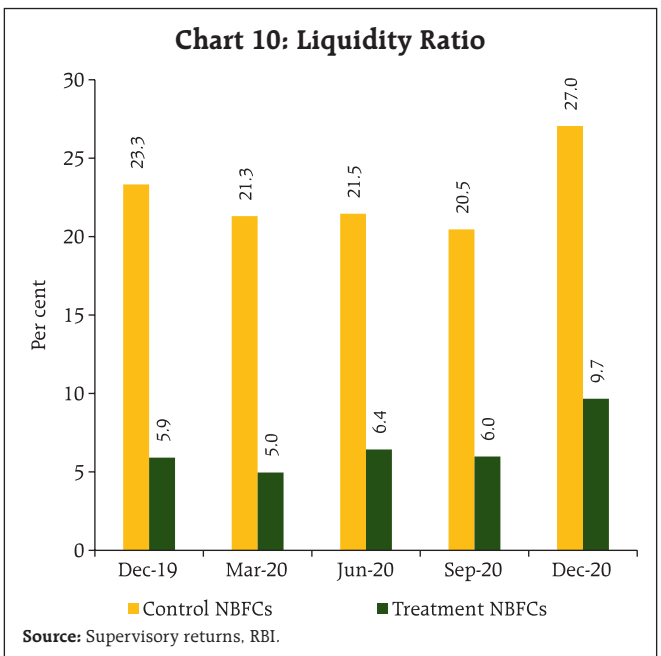
when necessity arises as against control NBFCs which may not be privy to such funding channels (Charts 9 and 10).

Generally, control NBFCs reported higher impaired assets than treatment NBFCs (Chart 11). Profitability of treatment and control NBFCs improved with the gradual resumption of economic activities (Chart 12).

IV.2 Identification and Empirical Design

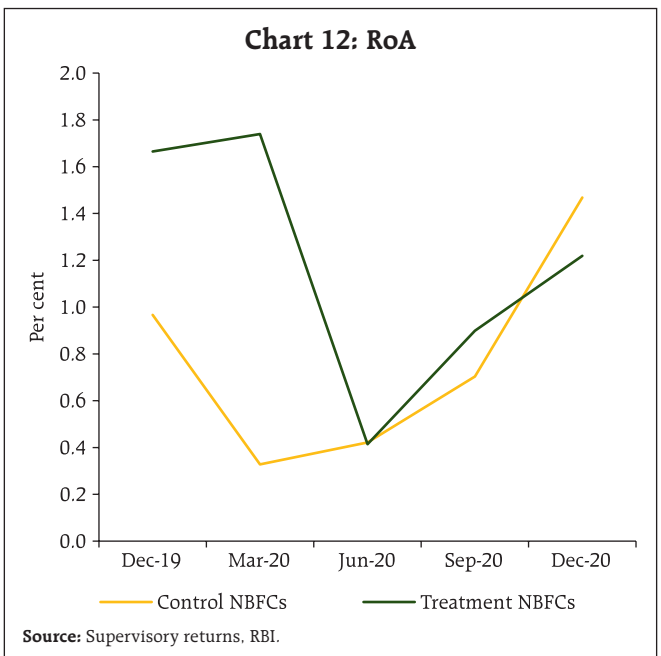
Since the choice of NBFCs for funding by banks was not random, it is necessary to evaluate the correlation of individual NBFC characteristics to the

Chart 10: Liquidity Ratio



Source: Supervisory returns, RBI.

Chart 12: RoA



Source: Supervisory returns, RBI.

treatment status to isolate the impact of TLTRO. The following linear probability model was estimated for the period December 2019, the quarter before the implementation of TLTRO, to estimate the impact of balance sheet variables on the treatment status:

$$Treated_i = \beta_1 SIZE_i + \beta_2 ROA_i + \beta_3 NPARATIO_i + \beta_4 CAPITAL_i + \beta_5 LIQUIDITY_i + \nu_i \quad \ldots (1)$$

where i indexes NBFCs and $Treated_i$ is a dummy variable which takes the value one for NBFCs that received the funding and zero for those that did not. Following Gropp *et al.* (2018) and Giasante *et al.* (2020) and based on the stylised facts discussed in the previous section, the independent variables included are *SIZE*[7] which is the total assets of the NBFC, *ROA* (net profits/ total assets) for profitability, *NPARATIO* (gross NPAs/ total assets) for asset quality, *CAPITAL* (capital/total liabilities ratio) for soundness and *LIQUIDITY* [(cash and bank balances + current investments)/ total assets)] for the liquidity position. Results indicate that Size, NPA ratio and liquidity significantly influence the probability of getting funds under TLTRO (Table 3). These characteristics will be controlled for in the main difference-in-difference exercise.

Table 3: Linear Probability Model (Dependent Variable – Treatment Dummy)

$Treated_i$	Coefficient
Size	0.234** (0.116)
ROA	0.00934 (0.033)
NPA Ratio	-0.0293** (0.014)
Capital	-0.00249 (0.002)
Liquidity	-0.00908*** (0.003)
Observations	110
Adjusted R^2	0.084

Here, Size is a dummy variable which takes the value 1 if the total assets of a NBFC is in the top 25 percentile in the asset size distribution of December 2019 quarter.

Standard errors in parentheses.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Following is the baseline difference-in difference specification:

$$Mismatch_{i,t} = \beta_i + \alpha_t + \delta(Treated_i * Post_t) + \theta X_{i,t} + \varepsilon_{i,t} \quad \ldots (2)$$

where $Mismatch_{i,t}$ is the dependent variable defined as the difference between inflows and outflows (in ₹crore) for each maturity bucket; β_i is NBFC fixed effects; α_t is time fixed effects; $Treated_i$ is an indicator variable that equals one for the treatment NBFCs and zero for the control NBFCs; and $Post_t$ denotes the period after the intervention which takes the value of one from June 2020 onwards. $X_{i,t}$ includes the control variables as previously mentioned. Additionally, two other liquidity augmenting policy measures, namely, a) Partial Credit Guarantee Scheme (PCGS), which was introduced in December 2019 to provide government guarantee to PSBs for purchase of pooled assets from financially sound NBFCs/HFCs and b) Special Liquidity Scheme (SLS) which was announced by the Government in July 2020 to improve the liquidity position of NBFCs/HFCs through a Special Purpose Vehicle are also controlled for in the estimation as the identity of the beneficiary NBFCs were available *via* supervisory datasets[8]. The coefficient of interest, δ, measures the difference, subject to controls, in mismatch between NBFCs that received funding *via* TLTRO and those that did not after the implementation of the policy compared to before and hence, is equivalent to a difference-in-difference estimate. Three specifications of the model were estimated. Model 1 is a regression with time and NBFC fixed effects and no controls, model 2 includes controls and model 3 has lagged NBFC specific independent variables to reduce the possible endogeneity problem, expressed in the following manner:

[7] Due to high correlation between credit and assets, assets was chosen as the independent variable.

[8] A PCGS dummy was created equal to one for NBFCs that received the benefit from March 2020 onwards and zero for others while SLS dummy took the value of one for those NBFCs that received funding from September 2020 and zero for others.

$$Mismatch_{i,t} = \beta_i + \alpha_t + \delta(Treated_i * Post_t) + \theta_1 SIZE_{i,t-1} + \theta_2 ROA_{i,t-1} + \theta_3 NPARATIO_{i,t-1} + \theta_4 CAPITAL_{i,t-1} + \theta_5 LIQUIDITY_{i,t-1} + \theta_6 dummy\ PCGS_i + \theta_7 dummy\ SLS_i + \varepsilon_{i,t} \quad \ldots (3)$$

Standard errors are clustered at the NBFC level.

V. Results

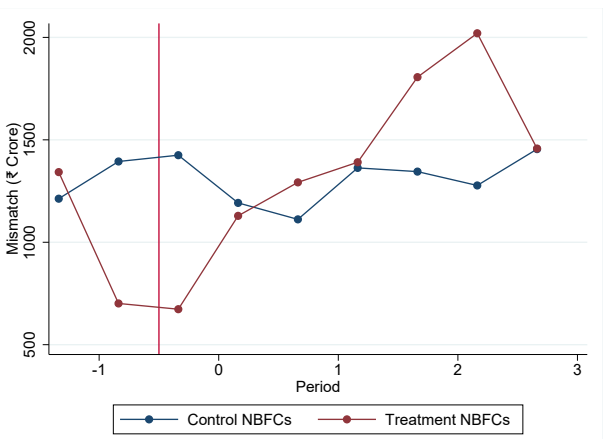
As alluded to earlier, the model was estimated with ALM as the dependent variable, which is defined as the difference between inflows and outflows (in ₹ crore) for each maturity bucket. A positive coefficient value of mismatch indicates more inflows than outflows for the given bucket and is indicative of a comfortable liquidity position. An improvement in mismatch can be attributed to either an increase in inflows or a decrease in outflows. From an accounting perspective, issuance and repayment of market instruments by NBFCs are dealt with in the outflows part of the structural liquidity return. Therefore, in the context of our study, it appears that the NBFCs which received TLTRO funding, used that money to pay off the existing liabilities in those maturity buckets which were due for repayment shortly and in which NBFCs were facing liquidity crunch. This may result in a fall in outflows and subsequent improvement in the ALM position for those buckets. However, these funds availed *via* TLTRO have to be accounted for in subsequent maturity buckets, when they will be due for repayment. In such cases, treatment NBFCs may face negative and significant outflows in the appropriate long-term maturity buckets as compared to control firms. To assess the impact of TLTRO on ALM, we first looked at the less than one-year asset liability mismatch bucket.

a) Less than One-Year Combined Maturity Bucket

To better understand the changes in ALM profiles due to TLTRO, binscatter diagrams of mismatch for treatment and control NBFCs are plotted[9] (Chart 13). Here, '0' is March 2020, *i.e.*, the period in which TLTRO was introduced and '-1' is the period before introduction of TLTRO (December 2019) while '1' is the period after the introduction of TLTRO (June 2020). In the less than one-year maturity bucket, treatment NBFCs were facing stress just before the introduction of the policy but the situation improved significantly for them thereafter, which was not the case for control firms (Chart 13).

Further, estimation results show that this improvement is on account of TLTRO – treatment NBFCs had better liquidity position in the range of ₹ 441 crores - ₹751 crores (Table 4). It is probable that the improvement seen in this bucket is due to paying off the high cost borrowings (outflows) out of the books of the treatment NBFCs using the amount procured in the TLTRO window, which improved the ALM position.

Chart 13: Binscatter Plot of Treatment and Control NBFCs: Less than One Year Combined Maturity Bucket



Notes: 1. Red line corresponds to the implementation of TLTRO.
2. Periods -1, 0, 1,2,3 correspond to December 2019, March 2020, June 2020, September 2020 and December 2020, respectively.

[9] These binscatter plots in charts 13-18 control for NBFC fixed effects.

Table 4: Impact of TLTRO on Less than One Year Combined Maturity Bucket

Dependent variable- Mismatch (₹ crore)	(1)	(2)	(3)
$Treated_i * Post_t$	751.1** (302.0)	456.4** (226.6)	441.3** (217.7)
Adjusted R^2	0.896	0.920	0.962
Observations	725	711	534
Controls	N	Y	Y
NBFC FE	Y	Y	Y
Time FE	Y	Y	Y

Robust standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

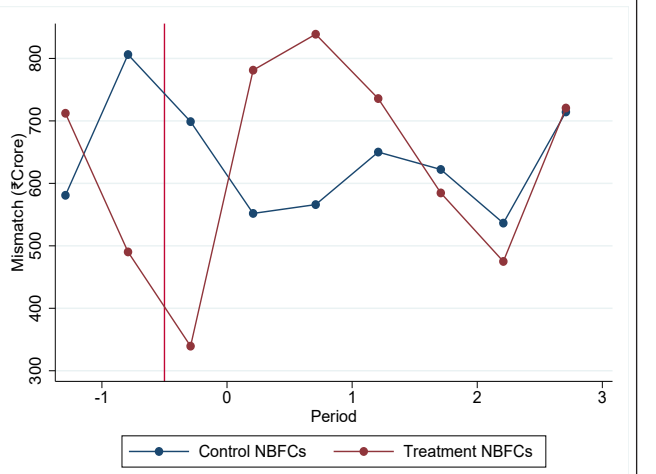
Motivated by these results, a detailed evaluation of all maturity buckets in the less than one-year time frame has been undertaken in the following subsections[10].

i) 0-7 Days Maturity Bucket

Treatment firms in this ultra-short term maturity bucket witnessed worsening in mismatch after the onslaught of COVID-19. However, this bucket reported ample funds for both treatment and control NBFCs in the period before COVID struck though the former witnessed a steep fall subsequently. Nevertheless, improvement was visible for treatment firms in the immediate aftermath of announcement of the policy on March 27, 2020 (TLTRO 1.0) and April 17, 2020 (TLTRO 2.0) which is commensurate with the short duration of the bucket (Chart 14).

Table 5 confirms that treatment firms' mismatch improved after the introduction of TLTRO in the range of ₹227 crores - ₹444 crores (Table 5).

Chart 14: Binscatter Plot of Treatment and Control NBFCs: 0-7 Days Maturity Bucket



Notes: 1. Red line corresponds to the implementation of TLTRO.
2. Periods -1, 0, 1,2,3 correspond to December 2019, March 2020, June 2020, September 2020 and December 2020, respectively.

ii) Over One Month and up to Two Months Maturity Bucket

In the 1-2 months maturity bucket, the treatment firms were facing liquidity stress in the pre-COVID period and the improvement is starkly visible after the introduction of the policy while control firms did not exhibit the same trend (Chart 15).

After the introduction of the policy, the difference in mismatch between treatment and control firms varied between ₹214 crore and ₹281 crore on average (Table 6).

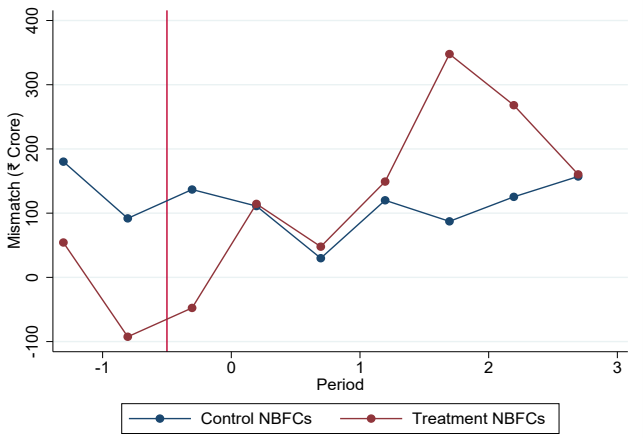
Table 5: Impact of TLTRO on 0-7 Days Maturity Bucket

Dependent variable- Mismatch (₹ crore)	(1)	(2)	(3)
$Treated_i * Post_t$	298.1** (119.1)	226.8** (114.6)	444.4*** (143.0)
Adjusted R^2	0.917	0.917	0.935
Observations	742	727	550
Controls	N	Y	Y
NBFC FE	Y	Y	Y
Time FE	Y	Y	Y

Robust standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

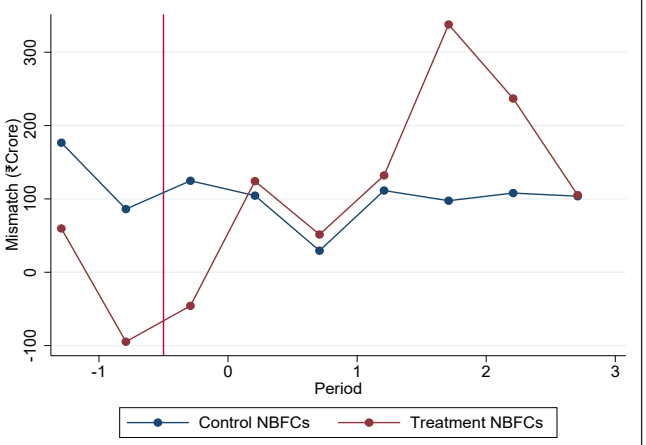
[10] Only those buckets for which the coefficient of interest (δ) turned out to be statistically significant are reported here.

Chart 15: Binscatter Plot of Treatment and Control NBFCs: Over One Month and up to Two Months Maturity Bucket



Notes: 1. Red line corresponds to the implementation of TLTRO.
2. Periods -1, 0, 1,2,3 correspond to December 2019, March 2020, June 2020, September 2020 and December 2020, respectively.

Chart 16: Binscatter Plot of Treatment and Control NBFCs: Over Two Months and up to Three Months Maturity Bucket



Notes: 1. Red line corresponds to the implementation of TLTRO.
2. Periods -1, 0, 1,2,3 correspond to December 2019, March 2020, June 2020, September 2020 and December 2020, respectively.

iii) Over Two Months and up to Three Months Months Maturity Bucket

Like the previous bucket, treatment firms witnessed stress in March 2020 for this bucket too which was subsequently alleviated (Chart 16). Control firms reported no such improvement.

Table 7 confirms that treatment NBFCs benefitted from TLTRO in alleviating liquidity crunch in this bucket. Treatment firms benefitted by ₹220-235 crore on average due to the policy relative to control firms. The 0-7 days, 1-2 months and 2-3 months borrowings were due in a short while and considering the uncertainty caused by COVID-19 and the adverse liquidity situation NBFCs were grappling with, rolling over of funds was difficult. In such a scenario, NBFCs may have taken the prudent measure to concentrate on paying off debts using TLTRO funds.

Table 6: Impact of TLTRO on Over One Month and up to Two Months Maturity Bucket

Dependent variable- Mismatch (₹ crore)	**(1)**	**(2)**	**(3)**
$Treated_i * Post_t$	244.6*** (88.55)	214.0*** (79.80)	281.1*** (104.9)
Adjusted R^2	0.691	0.697	0.761
Observations	729	715	535
Controls	N	Y	Y
NBFC FE	Y	Y	Y
Time FE	Y	Y	Y

Robust standard errors in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 7: Impact of TLTRO on Over Two Months and up to Three Months Maturity Bucket

Dependent variable- Mismatch (₹ crore)	**(1)**	**(2)**	**(3)**
$Treated_i * Post_t$	234.9** (91.64)	219.6*** (79.75)	234.0** (103.6)
Adjusted R^2	0.668	0.666	0.741
Observations	742	727	550
Controls	N	Y	Y
NBFC FE	Y	Y	Y
Time FE	Y	Y	Y

Robust standard errors in parentheses
* p < 0.10, ** p < 0.05, *** p < 0.01

iv) Over 6 Months and up to One Year Maturity Bucket

In the longer maturity bucket of over 6 months and up to one year, treatment firms did not face stress in the immediate aftermath of COVID-19 and unlike other maturity windows, witnessed deterioration after June 2020 though it improved later (Chart 17).

The results show that mismatch worsened for treatment firms in this bucket. However, this has to be seen in the context of adjusting for repayments, as discussed earlier. It is highly likely that banks bought debt of treatment firms that were due for repayment under this maturity window and that possibly explains the negative and significant coefficients under each specification (Table 8). However, being of a slightly longer tenure, it gives treatment NBFCs sufficient time to plan and raise resources to meet the funding needs.

Table 8: Impact of TLTRO on Over 6 Months and up to One Year Maturity Bucket

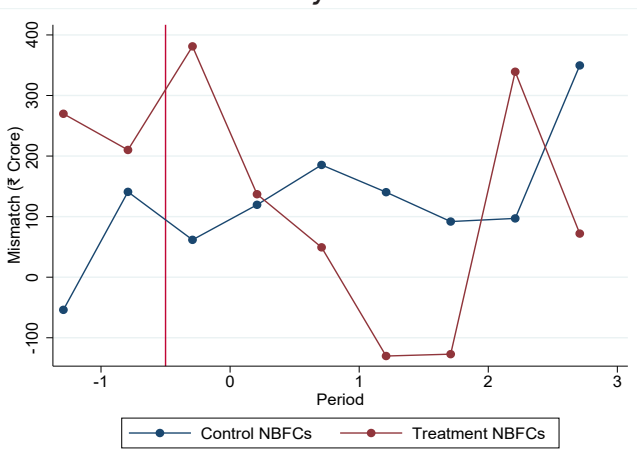
Dependent variable- Mismatch (₹ crore)	(1)	(2)	(3)
$Treated_i * Post_t$	-421.5*	-361.1**	-486.6**
	(234.0)	(179.3)	(226.2)
Adjusted R^2	0.754	0.753	0.816
Observations	742	727	550
Controls	N	Y	Y
NBFC FE	Y	Y	Y
Time FE	Y	Y	Y

Robust standard errors in parentheses
* p < 0.10, ** p < 0.05, *** p < 0.01

b) Over One Year and up to Three Years Maturity Bucket

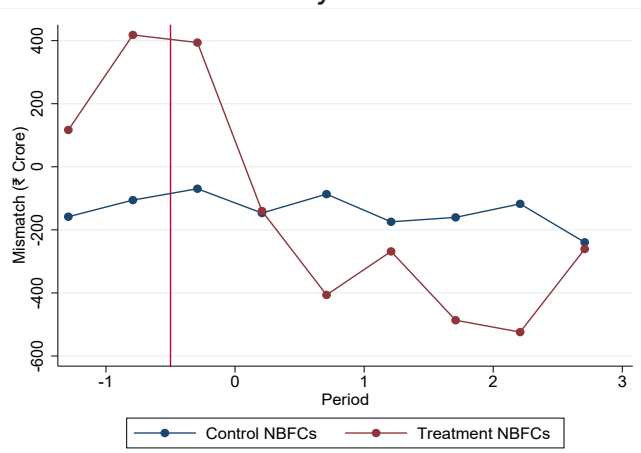
Treatment firms reported more outflows relative to inflows in the one-three year maturity bucket in periods after the introduction of TLTRO, just like the over 6 months-1 year maturity bucket (Chart 18).

Chart 17: Binscatter Plot of Treatment and Control NBFCs: Over 6 Months and up to One Year Maturity Bucket



Notes: 1. Red line corresponds to the implementation of TLTRO.
2. Periods -1, 0, 1,2,3 correspond to December 2019, March 2020, June 2020, September 2020 and December 2020, respectively.

Chart 18: Binscatter Plot of Treatment and Control NBFCs: Over One Year and up to Three Years Maturity Bucket



Notes: 1. Red line corresponds to the implementation of TLTRO.
2. Periods -1, 0, 1,2,3 correspond to December 2019, March 2020, June 2020, September 2020 and December 2020, respectively.

Table 9: Impact of TLTRO on Over One Year and up to Three Years Maturity Bucket

Dependent variable- Mismatch (₹ crore)	(1)	(2)	(3)
$Treated_i * Post_t$	-625.5** (257.2)	-380.1* (200.7)	-358.0** (172.9)
Adjusted R^2	0.801	0.847	0.919
Observations	742	727	550
Controls	N	Y	Y
NBFC FE	Y	Y	Y
Time FE	Y	Y	Y

Robust standard errors in parentheses
* p < 0.10, ** p < 0.05, *** p < 0.01

Table 9 confirms that treatment NBFCs faced deterioration in mismatch in this maturity bucket. As in the case of over 6 months-one year ALM window, it is likely that banks purchased papers of treatment NBFCs of one-three years tenure and hence, NBFCs that received the TLTRO benefit suitably accounted for it in their structural liquidity returns. Nevertheless, treatment NBFCs, being larger and good performers, can raise resources from the market or banks to pay off this debt as the need arises.

The impact of TLTRO on incremental credit and incremental liquid assets was also investigated and found to be not significant.

Robustness Checks

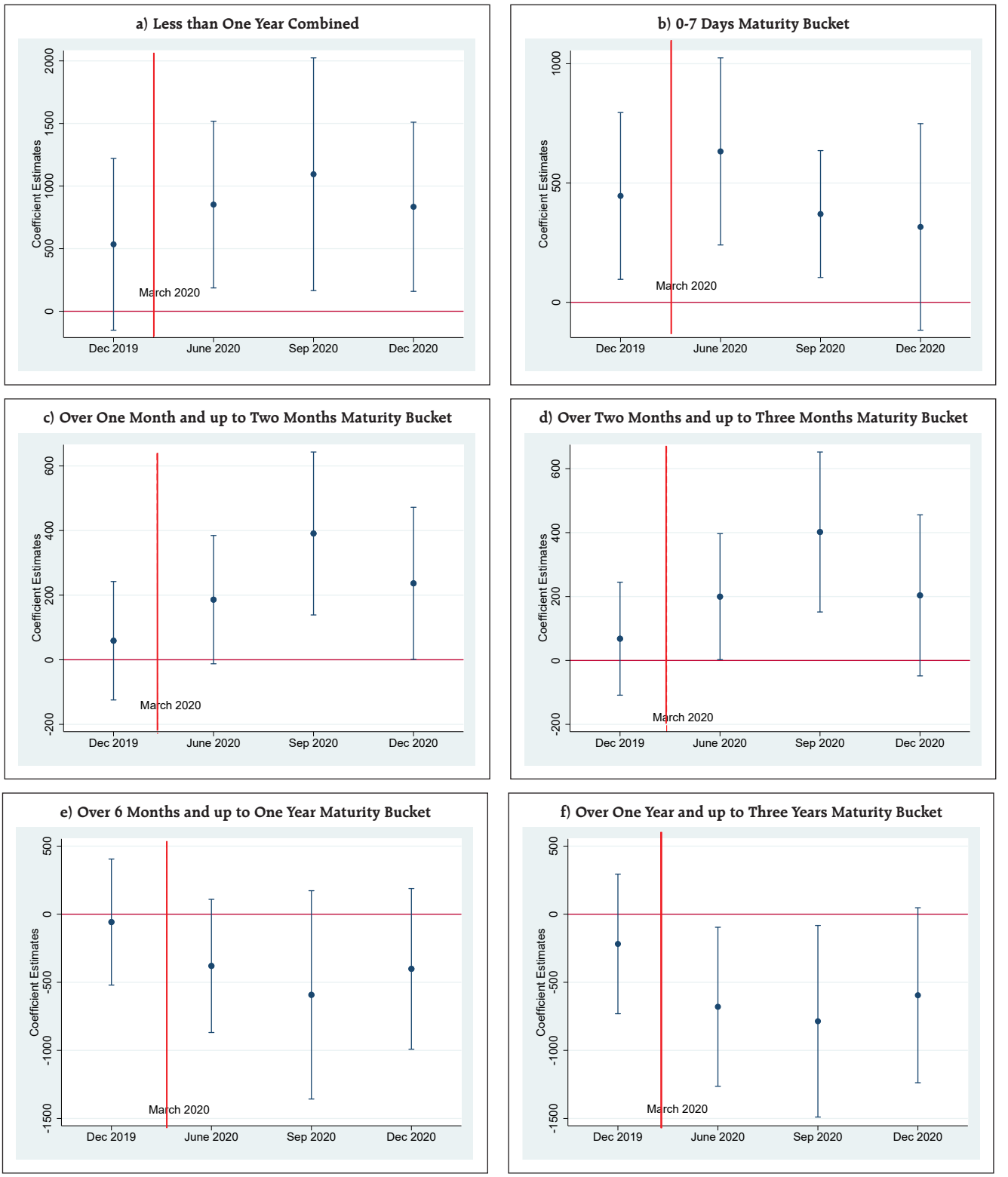
As a robustness check, a dynamic specification in the following form was estimated to confirm that improvement in ALM of treatment NBFCs happened after the implementation of TLTRO:

$$Mismatch_{i,t} = \beta_i + \alpha_t + \Sigma_t \delta_t (Treated_i * D_t) + \theta X_{i,t} + \nu_{i,t} \quad \ldots (4)$$

where $Mismatch_{i,t}$ is the difference between inflows and outflows (in ₹ crore), β_i is NBFC fixed effects, α_t is time fixed effects, $Treated_i$ is an indicator variable that equals one for the treatment NBFCs and zero for control firms. D_t is an indicator variable for each time period between December 2019 to December 2020 (excluding March 2020 which serves as the reference period). The same set of controls are employed here too. The coefficient of interest is δ, which measures the difference, subject to controls, in mismatch between NBFCs that received funding *via* TLTRO and those that did not in a given period compared to March 2020. The results are presented as event study plots. It can be observed that, after controlling for balance sheet characteristics, time-invariant factors (NBFC fixed effects) and time fixed effects, the difference in mismatch between treatment and control groups was not statistically significant in the pre-TLTRO period (December 2019) compared to March 2020. The difference begins to become statistically significant from June onwards, indicating the impact of the policy (Chart 19). These results also verify the assumption of parallel trends[11].

[11] Except for the 0-7 days maturity bucket in which the treatment NBFCs faced a sharp deterioration in liquidity in March 2020.

Chart 19: Impact of TLTRO on Various ALM buckets



Note: The graph plots the coefficients δ_t from equation (4) with the 95 per cent confidence intervals. Red line marks the implementation of TLTRO.

VI. Conclusion

As NBFCs were finding their footing after the IL&FS default, the COVID-19 pandemic started a chain of adverse reactions which exacerbated their liquidity position. The Reserve Bank and the Government unleashed a slew of policy measures to salvage the situation, one of which was the TLTRO scheme that aimed at providing targeted liquidity to sectors and entities which were experiencing liquidity constraints and restricted market access. Under the scheme, banks were provided funds at the repo rate and were directed to invest in investment grade papers of corporates, including NBFCs.

This paper analyses the impact of TLTRO on the ALM of NBFCs using a difference-in-difference methodology. The results show that the policy was beneficial in alleviating the liquidity stress faced by the treatment NBFCs in the period following COVID-19, and helped them navigate the tough times, especially since both markets and banks were not forthcoming in lending to them of their own accord. NBFCs that received funds *via* this scheme were facing stress in some short-term ALM buckets in the immediate aftermath of the onslaught of COVID-19 and those buckets witnessed betterment after the implementation of the policy as they repaid their extant liabilities. In the longer maturity buckets, treatment NBFCs had mismatch amounts in the negative zone, *i.e.,* more outflows than inflows, as the debt purchased by banks under the scheme were due for repayment. The empirical exercise undertaken in this article, therefore, suggests that the Reserve Bank's intervention for easing financial conditions proved to be timely and effective for the NBFC sector.

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Performance of Small Finance Banks – An Early Reflection *

Small Finance Banks (SFBs) are in a nascent stage of evolution. These are banking institutions aimed at developing a viable business model to cater to the financial needs of the marginalised sections of the society. The study contains an initial assessment of the performance of SFBs for early policy inputs. The analysis reveals factors like efficiency, leverage, liquidity and banking business to be statistically significant determinants of the performance of these institutions.

Introduction

"Poverty anywhere is a threat to prosperity everywhere."[1] The statement succinctly sums the ills of skewed growth as a global challenge. While an inclusive and sustainable development has always been an objective of governance in India, this objective has received a renewed impetus in recent times through the policy of financial inclusion. In a major step to connect to the last person, a structure to promote differentiated banks to cater to niche segments was announced in the Union Budget for 2014-15. These niche segments referred to farmers, low income households, small business, unorganised sector, etc.

As part of this structure, the Reserve Bank of India (RBI) released the guidelines for licensing of Small Finance Banks (SFBs) in the private sector. The primary objective of creating SFBs was to improve financial inclusion through an effective deployment of deposits and extension of credit facilities to micro, small and unorganised entities at low processing costs (RBI, 2014). The guidelines of SFBs were drafted to promote inclusive growth taking care of the lacunae in some of the earlier experiments involving differentiated banks, such as narrow capital base, restrictive geographical jurisdiction, lack of diversification in source of funds and the concentration risk (Gandhi, 2015). The "small" in SFBs refer to the importance given to the objective of serving the section that is excluded and not the size of bank. At least 50 per cent of their loan portfolio should comprise loans of upto ₹25 lakh.

Small or community banking is a globally prevalent model both in advanced and emerging economies alike to serve the Small and Medium Enterprises (SMEs). There are both pros and cons associated with small banks compared to the conventional banking system. On one hand, bigger banks have better spread of Automated Teller Machines (ATMs) and branches, the smaller banks are known to be more flexible in providing personalised service to smaller clients (Berger and Udell, 1995). While larger banks tend to allocate higher proportion of assets to bigger entrepreneurs, local banks serve neighbourhood community (Berger *et al.*, 1995). Large banks generally rely more on hard information like creditworthiness of borrowers, collateral and audited statements for lending. Small banks rely on soft information based on feedback from local community.

In India, an important reason for establishing SFBs has been finance to MSMEs (Micro, Small and Medium Enterprises). The share of MSMEs in Gross Value Added is more than 30 per cent, generating employment for more than 11 crore persons during 2015-16 (Government of India, 2020). MSMEs' opportunities to invest in profitable projects may be curtailed due to non-availability of external finance. Shocks to the banking system can also have significant impact on credit disbursement to MSMEs as it has happened on account of rising NPAs (Non-Performing Assets) in the past. Hence, dedicated intermediaries that cater to MSMEs in a focused way may be necessary in the Indian context (Hakenes *et al.*, 2015; Hasan *et al.*, 2017).

* This article is prepared by Nitin Kumar, Assistant Adviser in DSIM and Sarita Sharma, Manager in DEPR. The views expressed in this article are those of authors and do not necessarily represent the views of Reserve Bank of India.

[1] The ILO Declaration of Philadelphia, 1944.

The article attempts to answer the following questions with regard to the operation of SFBs: a. how has been the operational performance of SFBs so far? b. What drives the profitability of SFBs? We analyse some stylised facts and provide empirical evidence on the role of proximate determinants of the performance of SFBs. Section 2 of the article elucidates the policy framework for SFBs' operationalisation. Discussion of the data and variables is undertaken in Section 3 followed by description of analytical strategy in Section 4. The presentation and discussion of findings is carried out in Section 5 with summary of analysis in Section 6.

2. SFBs: The Policy Approach

The Reserve Bank released guidelines for licensing of SFBs during 2014-15, taking cues from Government of India's announcement in the Union Budget 2014-15 for the need of a structure to promote differentiated banks to cater to niche requirements (RBI, 2014). This was aimed at furthering the financial inclusion objective by, (i) provision of savings vehicles primarily to unserved and underserved sections of the population, and (ii) supply of credit to small business units; small and marginal farmers; micro and small industries; and other unorganized sector entities, through high technology-low cost operations. SFBs are registered as public limited companies under the Companies Act, 2013 and governed by Banking Regulations Act, 1949; RBI Act, 1934 and other relevant Statutes and Directives from time to time. Since then, draft guidelines for "on tap" licensing of SFBs have been formulated by the Reserve Bank (RBI, 2019). Resident individuals/ professionals (Indian citizens) having at least 10 years of experience in banking and finance at a senior level are eligible as promoters to set up SFBs. Promoters / Promoter Groups should be "fit and proper" that shall be examined, based on their past record of sound credentials, integrity, financial soundness and successful track record of professional experience. The minimum paid-up capital requirement for setting up SFB is ₹200 crore with capital adequacy ratio of 15 per cent of risk weighted assets on continuous basis. Existing Non-Banking Finance Companies (NBFCs), Micro Finance Institutions (MFIs), and Local Area Banks (LABs) are also eligible for conversion to SFBs subject to the guidelines. Earlier, as on 27 September 2018, the Reserve Bank announced a scheme for voluntary transition of eligible Urban Cooperative Banks (UCBs) to SFBs in line with the recommendations of the High-Powered Committee on UCBs chaired by Shri R. Gandhi. As per the scheme, UCBs desirous of transition to SFBs will be required to ensure compliance with these "on tap" licensing guidelines of SFBs. The minimum net worth of such SFBs shall be ₹100 crore from the date of commencement of business. Moreover, they will have to increase their minimum net worth to ₹200 crore within five years from the date of commencement of business.

3. Data

In order to assess the performance of SFBs, quarterly data of SFBs from March 2017 to March 2020 is compiled based on supervisory returns. A total of ten SFBs have been operating in India at the time of the study, although they started operations at different time points. Accordingly, we construct an unbalanced panel for the analysis. The description of all the variables is illustrated in Table 1 discussed as below.

For dependent variables, taking a cue from literature we have included three prominent indicators for bank performance, viz., profit margin, ROE (Return on equity) and ROA (Return on assets) (Dietrich and Wanzenried, 2014; Petria *et al.*, 2015; Berger and Bouwman, 2013). Turning to explanatory variables, logarithm of assets normalised by GDP deflator is included to account for size variation.

Table 1: Definition of variables

Variables	Description
	Dependent
Profit Margin	Net income over average sales (per cent)
ROE	Net income over average equity (per cent)
ROA	Net income over average assets (per cent)
	Independent
log(Assets)	Log of assets
Efficiency	Per cent of operating expenses to operating income
Leverage	Per cent of paid-up share capital to assets
Liquidity	(Liquid funds*100)/assets. Here, Liquid funds = Cash Funds + Due from Banks/ FIs/CCPs + Approved securities
Stressed_ Advances	Per cent of (GNPAs + Restructured standard advances) to Gross advances
Banking_Business	(Credit + Deposit)*100/Assets
COF	Cost of funds
LLP	Loan loss provisions i.e. per cent of Provisions held for NPAs to Gross advances
Effective_Tax	Per cent of provision for income taxes to Profit Before Tax
TE	Time dummies to segregate the time effects

Moreover, cost to income ratio is included to account for efficiency differences across banks. Leverage has been considered reflecting financial soundness and stability. Similarly, factors like liquidity, stressed advances and banking business are chosen to assess their possible impact on SFB performance.

Cost of funds (COF) is a crucial variable determining profitability (Rakhe, 2010). It portrays the expenses involved in raising funds through various intermediation activities. Loan loss provisions (LLP) is another pertinent variable that may have bearing on bank performance (Dietrich and Wanzenried, 2014). It reflects the quality of credit and its allocation for a bank. A high LLP implies low credit quality that may have a negative effect on bank profitability. Effective tax rate is included to understand its impact on profitability. On one hand, high tax rate can lead to lower post-tax profit (Demirguc-Kunt and Huizinga, 1999). Contrarily, banks may indulge in shifting taxation burden to their customers (Albertazzi and Gambacorta, 2009).

Literature provides ample support for business cycles or external factors that can also have a bearing in determining bank performance like Petria *et al.* (2015), Berger and Bouwman (2013) and Rakhe (2010). In this regard, we have included in our analysis time dummies to capture all time varying factors affecting all SFBs in the sample.

4. Methodology

Due to the longitudinal nature of our information set, the bank level characteristics may not be independent over time rendering the ordinary least square technique inappropriate providing biased estimates. Additionally, the profitability and other policy decisions of SFBs may extend over single period leading to persistence. So, a dynamic framework is employed wherein profitability of previous period is also taken as an independent variable. In dynamic panel models with large number of cross sections and small time period, Generalised Method of Moments (GMM) estimator are known to provide efficient estimates (Arellano and Bond, 1991; Arellano and Bover, 1995). The GMM is formulated as below.

$$y_{i,t} = \alpha y_{i,t-1} + \beta' X_{i,t} + \eta_i + \varepsilon_{i,t}; \text{where } \varepsilon_{i,t} \sim N(0, \tau^{-1}) \quad \ldots(1)$$

In Equation (1), $y_{i,t}$ depicts the dependent variable of i^{th} SFB at t^{th} period. The lagged endogenous variable is represented by $y_{i,t-1}$. The matrix $X_{i,t}$ depicts the values of explanatory variables. η_i is the unobserved SFB effect and $\varepsilon_{i,t}$ being the usual idiosyncratic shocks. All specifications are estimated using GMM first-difference specification so that SFB specific effects are removed. So, Equation (1) can be re-formulated as follows.

$$y_{i,t} - y_{i,t-1} = \alpha(y_{i,t-1} - y_{i,t-2}) + \beta'(X_{i,t} - X_{i,t-1}) + (\varepsilon_{i,t} - \varepsilon_{i,t-1})$$

Under the assumptions of: (a) error term is not serially correlated, (b) explanatory variables are not correlated with future realizations of error term, the GMM dynamic panel estimator employs the following moment conditions.

$$E\left[y_{i,t-s} \cdot (\varepsilon_{i,t} - \varepsilon_{i,t-1})\right] = 0 \text{ for } s \geq 2;\ t = 3, \ldots, T$$

$$E\left[X_{i,t-s} \cdot (\varepsilon_{i,t} - \varepsilon_{i,t-1})\right] = 0 \text{ for } s \geq 2;\ t = 3, \ldots, T$$

The application of instruments in GMM difference estimation enables to manage not only the issue of endogeneity but also the correlation of $(y_{i,t-1} - y_{i,t-2})$ with $(\varepsilon_{i,t} - \varepsilon_{i,t-1})$. Additionally, difference GMM also circumvents the issue of number of instruments, which may be otherwise large in case of system GMM leading Sargan test to be weak.

The detailed specification of Equation (1) is as follows.

$$Dep_{i,t} = \beta_1 Dep_{i,t-1} + \beta_2 Log(Assets)_{i,t} + \beta_3 Efficiency_{i,t} + \beta_4 Leverage_{i,t} + \beta_5 Liquidity_{i,t} + \beta_6 Stressed\_Advances_{i,t} + \beta_7 Banking\_Business_{i,t} + \beta_8 COF_{i,t} + \beta_9 LLP_{i,t} + \beta_{10}(Effective\_Tax)_{i,t} + TE + \eta_i + \varepsilon_{i,t} \quad \ldots(2)$$

As it is observed, *Dep* is our dependent variable that is taken as Profit Margin, ROE and ROA separately with common set of independent variables as illustrated in the right side of Equation (2). *TE* denotes the time dummies capturing all time varying factors affecting the SFBs in the sample.

5. Analysis and Results

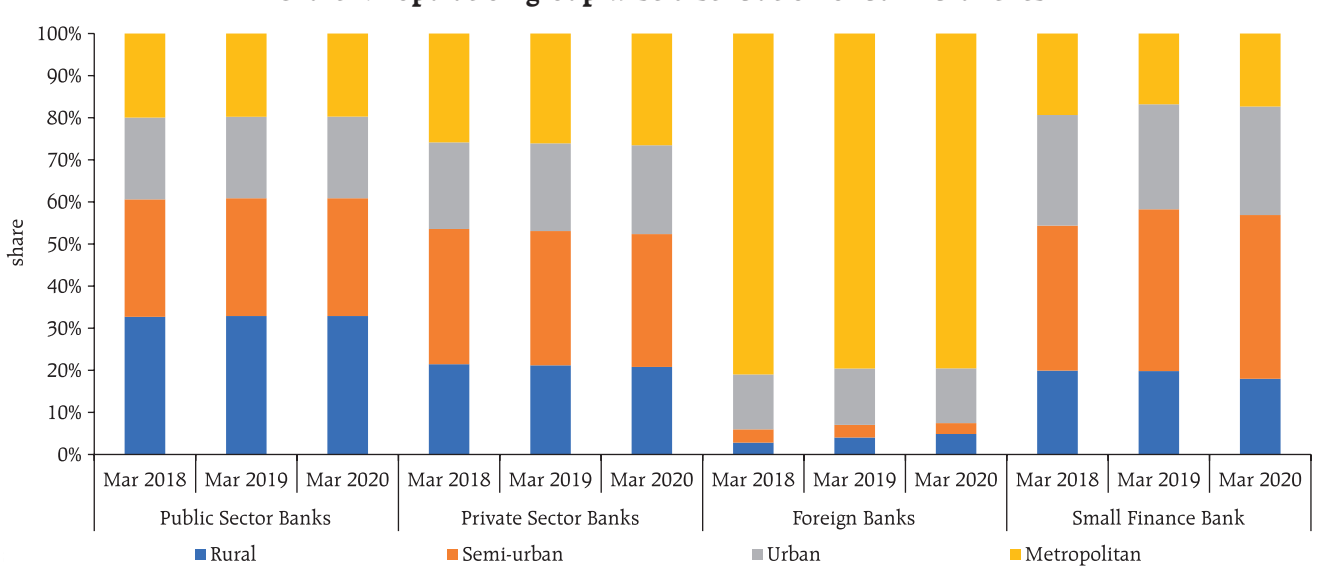
An overview of spatial and trend evaluation of SFBs is discussed in the next sub-section followed by presentation of findings based on regression analysis of determinants of profitability.

5.1 Stylised Facts

A comparison of major ratios and rates of SFBs with other bank groups is presented in Table 2 (Annex). High credit deposit (CD) ratio is observed for SFBs compared to other bank groups, implying a high conversion rate of available funds into lending activity. An important objective of SFBs was to provide credit to priority sector. This is indeed found to be in place with share of priority sector advances of SFBs considerably higher vis-a-vis other traditional banking groups[2]. Both the growth rate of deposits and credit of SFBs is generally high also due to small base. Profitability and assets quality figures for SFBs are also better in contrast to other bank groups. On the contrary, profitability measures are in negative zone for public sector bank group.

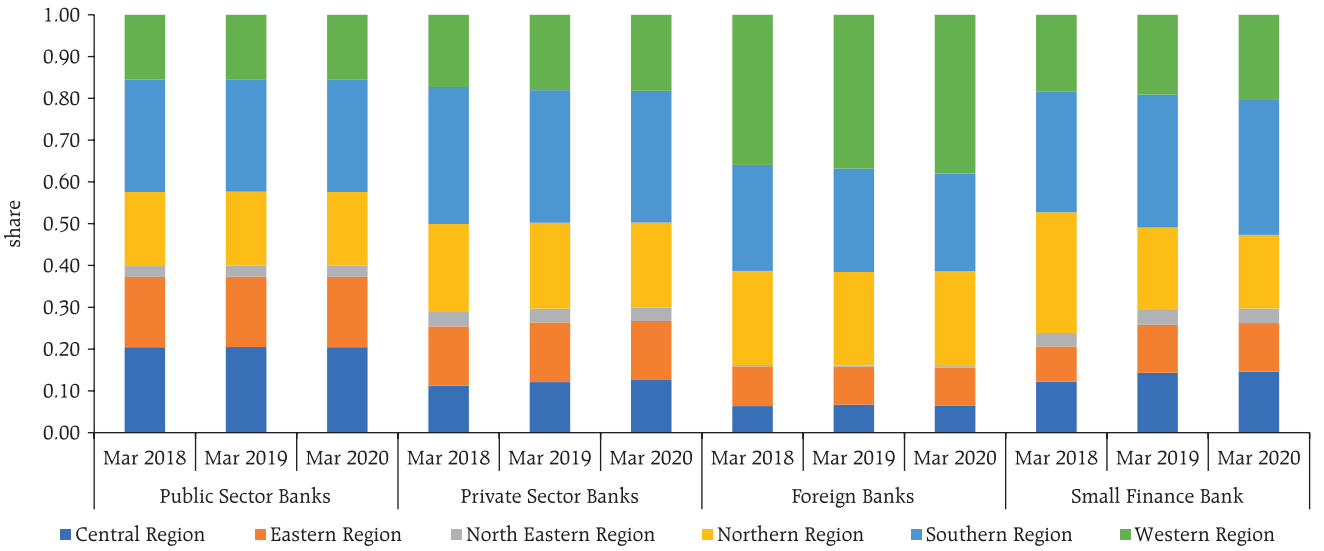
Chart 1 on population group-wise distribution of bank branches shows that out of total number of bank branches, semi-urban constitutes the highest share

Chart 1: Population group-wise distribution of bank branches



[2] The stipulations regarding priority sector advances are as percentage of ANBC (Adjusted Net Bank Credit) as on last balance sheet date. All the SFBs have achieved priority sector target of 75 per cent of ANBC.

Chart 2: Region-wise share of bank branches

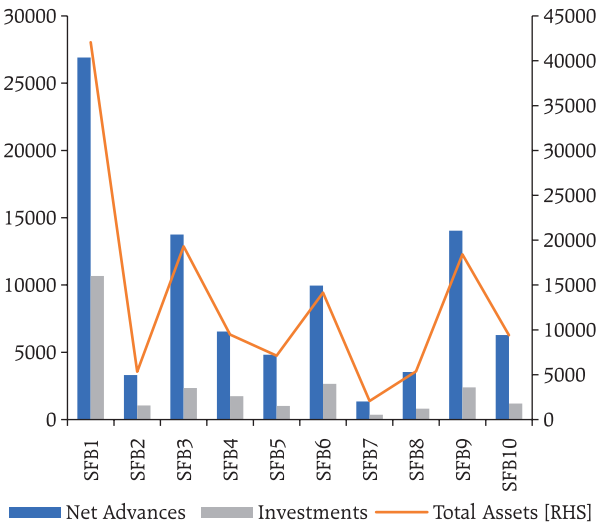


Source: Branch Banking Statistics.

of branches at around 39 per cent in March 2020 for SFBs[3] (Saraf and Chavan, 2021). Rural and semi-urban regions that draws special attention of policy makers for financial inclusion drives, together comprise a share of 57 per cent in March 2020. Although, this share is lower as compared to 61 per cent for PSBs, which have a better coverage in rural sections. The share of branches across population groups has been relatively similar since March 2018. As per Chart 2, it is seen that around 30 per cent of the total branches of SFBs are situated in southern India followed by around 20 per cent each in Northern and Western regions. It conveys that SFBs have more prominence in southern regions, which may not be surprising due to the fact that many SFBs are active in southern India.

Next, a comparison of balance sheet items across SFBs is performed. Largest bank in terms of asset size is SFB1[4] at ₹42,064 crore followed by SFB3 at ₹19,315 crore in March 2020. SFB1 alone comprises a share of around 32 per cent compared to all SFBs in terms of total assets. At the other end, SFB7, SFB2, SFB8 are the smallest SFBs with total assets size less than ₹6,000 crore. The share of advances forms the predominant portion of asset portfolio of SFBs' assets followed by investments (Chart 3).

Chart 3: Distribution of Assets (₹ Crore) - March 2020

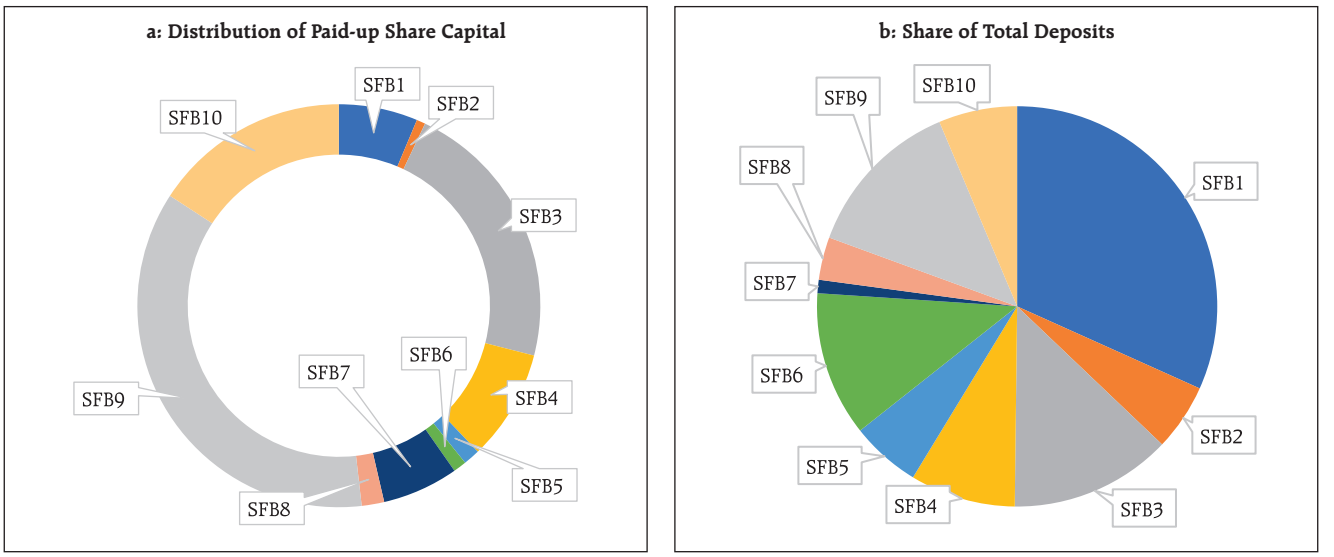


Source: Supervisory returns.

[3] The SFBs have completed with the stipulation of having 25 per cent banking outlets in Unbanked Rural Centres (URC), as the definition of URC as per the circular on 'Rationalisation on branch authorisation policy dated May 18, 2017' encompasses more criteria. Therefore, rural branches and banking outlets in URC may not be the same.

[4] Henceforth, the ten SFBs are coded as SFB1, SFB2, …, SFB10 consistently throughout.

Chart 4: Prominent Liability Indicators: March 2020



Source: Supervisory returns.

Turning to the liability side of SFBs, SFB9 occupies the highest share of capital at 36 per cent followed by SFB3 at 22 per cent of the gross capital of SFBs in March 2020. While, on the deposit side, SFB1 occupies the largest segment at 32 per cent followed by SFB3 and SFB9 at 13 per cent each for the same period (Chart 4).

5.2 Empirical Results

Table 3 (Annex) tabulates the descriptive statistics of major variables. All the profitability ratios *viz.*, Profit Margin, ROE and ROA display improvements as per the median measure of central tendency. But, the mean of profitability ratios has sharply dipped in September 2018 with an inflated standard deviation.[5] Moreover, only five SFBs were operational in March 2017 that increased to 10 in September 2018 contributing to higher dispersion. The aggregate size as measured by total assets has roughly increased both in terms of mean and median. Median efficiency has improved from 75 per cent in March 2017 to 66 per cent in March 2020. Broadly, both liquidity and banking business have enhanced both in terms of median and mean from September 2018 to March 2020 with reduced variability.

Regression results can be influenced by existence of outlier observation(s), which can contaminate the overall outcome. In this respect, DFITS[6] measure is widely employed to identify outliers (Welsh and Kuh, 1977). The number of observations stood at 109 for empirical investigation after application of DFITS test. Before performing the regression analysis, it is pertinent to establish the stationarity of variables. Regressions involving non-stationary variables lead to spurious outcome. In this context, panel unit root tests were performed that suggest rejection of null hypothesis of unit root (Annex Table 4). Accordingly, we have included all the variables at level.

The GMM estimation result of determinants of profitability is illustrated in Table 5 (Annex). The dependent variables in case 1, 2 and 3 are profit margin, ROE and ROA respectively. Broadly, the sign

[5] This has been on account of an SFB that started functioning from March 2018. Due to its poor financials, it has pulled down the average scores of SFBs during 2018.

[6] DFITS is a diagnostic measure used to detect outlier observations in regression. DFITS is a scaled difference between predicted values for the i^{th} case when the regression is fit with and without the i^{th} observation. High value of DFITS deserve investigation.

of coefficient estimates and significance are analogous across all the three regressions implying robustness of the outcome. Foremost, it is observed that efficiency is wielding an inverse influence on profitability for all the three models. Higher operating cost compared to earnings is clearly having a detrimental influence on profitability indicators in case of SFBs for all the three models extending the findings of Rakhe (2010), Dietrich and Wanzenried (2014) to SFBs also. Next, the coefficient of leverage is found to be positive and statistically significant across all the model variants. The result points to the valuable contribution of reasonable level of capital on enhancing the performance of SFBs. The outcome is consistent with regards to other studies that also obtain similar findings with capital ratio (Dietrich and Wanzenried, 2014; Petria *et al.*, 2015). The estimate of liquidity is positive and significant for profit margin and ROE. Additionally, banking business is yielding beneficial affect for all the measures of profitability.

Last but not the least, Wald statistic for all models is highly significant indicating significance of the covariates. Serial correlation of both first and second order is insignificant for all the cases indicating absence of residual correlation. The Sargan statistics of over identifying restrictions is tabulated that establishes validity of instruments. Overall, the results reflect relative importance of banks' intrinsic factors like efficiency, leverage, liquidity and banking business for profitable operations.

6. Conclusion

The SFBs have been provided license with the objective to serve the under-served and marginalised sections of the society. Over time, the Reserve Bank has been updating the guidelines for greater effectiveness of SFBs. The SFBs have been in operation for over three years at the time of this study. In this regard, the study attempts to assess the operating performance of SFBs. Preliminary analysis reveals SFBs to be leading in serving the priority sector. Most of the SFBs are displaying healthy performance with further improvements in recent quarters.

The empirical results show that micro factors like efficiency, leverage, liquidity and banking business are important in determining SFBs' profitability during this early period of operations. The outcome could be because SFBs are established with the objective of serving niche segment of under-privileged population instead of a purely profit-making intermediary. Due to limited time span available, the outcome of the analysis may be considered as indicative at this stage and needs to be substantiated with greater data, going forward.

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Annex

Table 2: Bank group-wise major indicators

(Per cent)

Period	Ratio	Public Sector Banks	Private Sector Banks	Foreign Banks	Small Finance Banks
2018-19	CD ratio	69.44	88.26	68.26	120.91
	Demand and savings deposit to total deposit	39.5	41.46	39.81	18.71
	Deposit Growth	2.71	25.1	17.45	112.95
	Priority sector to total advances	32.7	30.21	27.08	68.32
	Advances Growth	3.43	24.96	13.02	70.48
	ROA	-0.65	0.63	1.56	1.59
	ROE	-11.44	5.45	8.77	12.59
	GNPA ratio	11.59	5.25	2.99	1.83
2019-20	CD ratio	68.06	87.16	62.56	109.81
	Demand and savings deposit to total deposit	39.93	41.36	42.07	15.35
	Deposit Growth	6.62	10.32	17.73	67.73
	Priority sector to total advances	31.87	30.92	27.08	71.79
	Advances Growth	4.5	8.95	7.9	52.33
	ROA	-0.23	0.51	1.55	1.7
	ROE	-4.16	3.3	8.76	15
	GNPA ratio	10.25	5.45	2.34	1.87

Source: Statistical tables relating to banks in India, March 2020.

Table 3: Descriptive Statistics

Variable	March 2017			September 2018			March 2020		
	Median	Mean	Standard Deviation	Median	Mean	Standard Deviation	Median	Mean	Standard Deviation
Profit Margin	5.36	4.34	3.49	10.44	-6.42	67.37	11.68	9.40	4.48
Return on Equity	1.59	3.31	4.04	11.72	-14.91	101.34	13.08	12.72	6.50
Return on Assets	0.18	0.39	0.50	1.72	-0.56	10.59	2.04	1.67	0.90
ln(Assets)	12.35	12.75	0.64	12.91	12.98	0.81	13.42	13.46	0.84
Efficiency	75.27	78.08	9.91	64.52	73.51	55.59	65.64	63.90	10.28
Leverage	10.87	10.08	5.77	4.56	6.75	6.66	3.07	4.58	4.70
Liquidity	34.43	35.51	7.63	24.44	24.69	6.02	27.28	27.42	3.89
Stressed advances	0.53	1.08	1.44	2.20	5.45	10.48	1.72	1.88	0.88
Banking business	71.09	78.74	27.32	104.91	102.36	14.99	108.94	111.93	12.22
COF	1.92	3.50	2.92	9.21	9.07	1.48	8.69	8.56	0.89
LLP	0.29	0.52	0.70	1.21	3.65	7.48	0.83	0.89	0.41
Effective tax	45.03	54.52	26.72	26.69	11.28	37.39	24.97	20.53	10.26

Note: All variables except ln(Assets) in per cent.
Source: Supervisory returns.

Table 4: Result of panel unit root tests

Variable	Inverse Chi-Square statistic	Modified Inverse Chi-Square statistic
Profit Margin	53.32***	5.27***
Return on Equity	32.7**	2.01**
Return on Assets	32.12**	1.92**
ln(Assets)	88.02***	10.75***
Efficiency	63.43***	6.87***
Leverage	28.67*	1.37*
Liquidity	67.64***	7.53***
Stressed advances	163.94***	22.76***
Banking business	72.6***	8.32***
COF	469.89***	71.13***
LLP	173.55***	24.28***
Effective tax	167.16***	23.27***

Note: Phillips-Perron unit root test including trend for unbalanced panel data has been applied. The null hypothesis being tested is that all panels contain a unit root. *, **, *** indicate significance at 10, 5 and 1 per cent level respectively.
Source: Authors' calculations.

Table 5: Estimation result of SFBs performance

Variables	Profit Margin	Return on Equity	Return on Assets
	(1)	(2)	(3)
L1.Dep	0.138 (0.286)	-0.003 (0.149)	0.152 (0.308)
ln(Assets)	9.492 (8.54)	20.491 (12.556)	1.764 (1.672)
Efficiency	-0.635*** (0.124)	-0.602*** (0.089)	-0.113*** (0.019)
Leverage	2.14*** (0.605)	3.961*** (0.698)	0.307*** (0.101)
Liquidity	0.631** (0.293)	0.877*** (0.319)	0.09 (0.058)
Stressed advances	2.348 (1.531)	1.084 (1.523)	0.368 (0.26)
Banking business	0.566*** (0.133)	0.831*** (0.155)	0.09*** (0.024)
COF	-1.268 (1.496)	1.579 (0.997)	0.109 (0.201)
LLP	-2.447 (2.13)	-1.377 (2.464)	-0.441 (0.375)
Effective tax	0.003 (0.013)	0.02 (0.016)	2.3E-04 (0.002)
Model diagnostics			
Wald statistic	415.39***	803.98***	666.60***
AR-1	-0.33	0.09	-0.25
AR-2	0.72	0.47	0.70
Sargan statistics	0.01	1.16	0.03

All models are estimated using GMM first-difference specification. *, **, *** indicate significance at 10, 5, and 1 per cent level, respectively. The estimates of TEs are not displayed to keep the table parsimonious. L1.Dep represents first lag of dependent variable. Figures in bracket denote standard error.
Source: Authors' calculations.

CURRENT STATISTICS

Contents

Notes: .. = Not available.
– = Nil/Negligible.
P = Preliminary/Provisional. PR = Partially Revised.

No. 1: Select Economic Indicators

Item	2020-21	2019-20		2020-21	
		Q3	Q4	Q3	Q4
	1	2	3	4	5
1 Real Sector (% Change)					
1.1 GVA at Basic Prices	-6.2	3.4	3.7	1.0	3.7
1.1.1 Agriculture	3.6	3.4	6.8	4.5	3.1
1.1.2 Industry	-6.4	-3.0	-3.2	1.6	5.5
1.1.3 Services	-8.4	5.8	5.6	-0.2	3.2
1.1a Final Consumption Expenditure	-7.3	6.8	3.3	-2.6	6.4
1.1b Gross Fixed Capital Formation	-10.8	2.4	2.5	2.6	10.9
	2020-21	**2020**		**2021**	
		May	**Jun.**	**May**	**Jun.**
	1	2	3	4	5
1.2 Index of Industrial Production	-8.4	-33.4	-16.6	29.3	-
2 Money and Banking (% Change)					
2.1 Scheduled Commercial Banks					
2.1.1 Deposits	11.4	10.5	9.6	9.5	9.8
2.1.2 Credit	5.6	5.5	5.6	5.9	6.1
2.1.2.1 Non-food Credit	5.5	5.5	5.4	5.8	6.1
2.1.3 Investment in Govt. Securities	19.3	16.7	18.9	11.7	10.4
2.2 Money Stock Measures					
2.2.1 Reserve Money (M0)	18.8	11.8	11.8	18.3	16.9
2.2.2 Broad Money (M3)	12.2	11.7	12.3	10.3	10.7
3 Ratios (%)					
3.1 Cash Reserve Ratio	3.50	3.00	3.00	4.00	4.00
3.2 Statutory Liquidity Ratio	18.00	18.00	18.00	18.00	18.00
3.3 Cash-Deposit Ratio	4.2	3.8	3.7	4.8	4.7
3.4 Credit-Deposit Ratio	72.4	73.3	73.6	70.9	71.1
3.5 Incremental Credit-Deposit Ratio	37.4	-38.7	-37.6	-84.4	-55.7
3.6 Investment-Deposit Ratio	29.5	29.3	29.9	29.9	30.1
3.7 Incremental Investment-Deposit Ratio	46.8	91.4	122.8	65.0	87.1
4 Interest Rates (%)					
4.1 Policy Repo Rate	4.00	4.00	4.00	4.00	4.00
4.2 Reverse Repo Rate	3.35	3.35	3.35	3.35	3.35
4.3 Marginal Standing Facility (MSF) Rate	4.25	4.25	4.25	4.25	4.25
4.4 Bank Rate	4.25	4.25	4.25	4.25	4.25
4.5 Base Rate	7.40/8.80	8.15/9.40	7.40/9.00	7.40/8.80	7.40/8.80
4.6 MCLR (Overnight)	6.55/7.05	6.95/7.50	6.70/7.45	6.55/7.05	6.55/7.05
4.7 Term Deposit Rate >1 Year	4.90/5.50	5.10/5.90	5.10/5.65	4.90/5.50	4.90/5.50
4.8 Savings Deposit Rate	2.70/3.00	2.75/3.50	2.70/3.50	2.70/3.00	2.70/3.00
4.9 Call Money Rate (Weighted Average)	3.25	3.62	3.54	3.18	3.15
4.10 91-Day Treasury Bill (Primary) Yield	3.32	3.19	3.19	3.40	3.44
4.11 182-Day Treasury Bill (Primary) Yield	3.47	3.40	3.42	3.60	3.72
4.12 364-Day Treasury Bill (Primary) Yield	3.83	3.41	3.54	3.73	3.89
4.13 10-Year G-Sec Par Yield (FBIL)	6.34	5.79	5.90	6.28	6.36
5 Reference Rate and Forward Premia					
5.1 INR-US$ Spot Rate (Rs. Per Foreign Currency)	72.40	75.64	75.48	72.48	74.18
5.2 INR-Euro Spot Rate (Rs. Per Foreign Currency)	85.31	83.91	84.63	88.23	88.57
5.3 Forward Premia of US$ 1-month (%)	6.80	3.49	3.66	5.46	3.80
3-month (%)	5.64	3.60	3.66	5.63	3.99
6-month (%)	5.47	3.73	3.82	5.49	4.13
6 Inflation (%)					
6.1 All India Consumer Price Index	6.18	6.3	6.2	6.3	6.3
6.2 Consumer Price Index for Industrial Workers	5.03	5.1	5.1	5.3	5.6
6.3 Wholesale Price Index	1.29	-3.4	-1.8	12.9	12.1
6.3.1 Primary Articles	1.71	-2.1	-0.1	9.6	7.7
6.3.2 Fuel and Power	-7.99	-23.1	-16.2	37.6	32.8
6.3.3 Manufactured Products	2.75	-0.3	0.1	10.8	10.9
7 Foreign Trade (% Change)					
7.1 Imports	-17.08	-51.0	-48.5	68.7	98.3
7.2 Exports	-7.08	-35.7	-12.5	68.1	48.3

Note : Financial Benchmark India Pvt. Ltd. (FBIL) has commenced publication of the G-Sec benchmarks with effect from March 31, 2018 as per RBI circular FMRD.DIRD.7/14.03.025/2017-18 dated March 31, 2018. FBIL has started dissemination of reference rates w.e.f. July 10, 2018.

Reserve Bank of India

No. 2: RBI - Liabilities and Assets *

(₹ Crore)

Item	As on the Last Friday/ Friday						
	2020-21	2020	2021				
		Jul.	Jul. 2	Jul. 9	Jul. 16	Jul. 23	Jul. 30
	1	2	3	4	5	6	7
1 Issue Department							
1.1 Liabilities							
1.1.1 Notes in Circulation	2831727	2646131	2946228	2958354	2950407	2941015	2919525
1.1.2 Notes held in Banking Department	11	13	19	17	13	12	15
1.1/1.2 Total Liabilities (Total Notes Issued) or Assets	**2831738**	**2646144**	**2946247**	**2958371**	**2950420**	**2941027**	**2919541**
1.2 Assets							
1.2.1 Gold	106555	123866	112620	114114	115101	113295	115119
1.2.2 Foreign Securities	2724437	2521510	2832990	2843636	2834709	2826934	2803636
1.2.3 Rupee Coin	746	768	637	621	610	798	786
1.2.4 Government of India Rupee Securities	–	–	–	–	–	–	–
2 Banking Department							
2.1 Liabilities							
2.1.1 Deposits	1504697	1281734	1823443	1846466	1857912	1877568	1959069
2.1.1.1 Central Government	100	100	100	100	100	101	100
2.1.1.2 Market Stabilisation Scheme							
2.1.1.3 State Governments	42	42	42	42	42	42	42
2.1.1.4 Scheduled Commercial Banks	542693	435414	657894	621651	660018	626624	674997
2.1.1.5 Scheduled State Co-operative Banks	6529	5443	6904	6939	6992	6903	7455
2.1.1.6 Non-Scheduled State Co-operative Banks	3204	2536	3666	3606	3581	3489	3582
2.1.1.7 Other Banks	31820	25694	36023	36840	35686	36972	37177
2.1.1.8 Others	895440	805280	1094822	1150570	1124848	1177362	1209139
2.1.1.9 Financial Institution Outside India	24868	7225	23991	26718	26644	26074	26576
2.1.2 Other Liabilities	1343670	1544130	1383095	1387384	1384342	1368490	1383256
2.1/2.2 Total Liabilities or Assets	**2848367**	**2825864**	**3206538**	**3233851**	**3242254**	**3246058**	**3342325**
2.2 Assets							
2.2.1 Notes and Coins	11	13	19	17	13	12	15
2.2.2 Balances held Abroad	1204135	1180774	1433173	1426145	1437559	1426747	1511979
2.2.3 Loans and Advances							
2.2.3.1 Central Government	–	–	–	–	–	–	–
2.2.3.2 State Governments	1674	4857	11251	14104	5827	1181	836
2.2.3.3 Scheduled Commercial Banks	90275	258425	90973	90853	91602	91559	91796
2.2.3.4 Scheduled State Co-op.Banks	–	–	–	–	–	–	–
2.2.3.5 Industrial Dev. Bank of India	–	–	–	–	–	–	–
2.2.3.6 NABARD	26422	25013	11554	11554	11554	11731	16731
2.2.3.7 EXIM Bank	–	–	–	–	–	–	–
2.2.3.8 Others	6678	9649	7678	7678	7669	6769	6609
2.2.3.9 Financial Institution Outside India	24858	7226	17086	23499	23474	22952	26670
2.2.4 Bills Purchased and Discounted							
2.2.4.1 Internal	–	–	–	–	–	–	–
2.2.4.2 Government Treasury Bills	–	–	–	–	–	–	–
2.2.5 Investments	1331671	1180831	1471601	1494053	1496935	1519495	1518026
2.2.6 Other Assets	162643	159076	163203	165947	167621	165611	169662
2.2.6.1 Gold	146572	157597	159230	161706	163472	161269	164967

* Data are provisional

No. 3: Liquidity Operations by RBI

(₹ Crore)

Date	Liquidity Adjustment Facility				MSF	Standing Liquidity Facilities	Market Stabilisation Scheme	OMO (Outright)		Long Term Repo Operations &	Targeted Long Term Repo Operations #	Special Long-Term Repo Operations for Small Finance Banks	Special Reverse Repo £	Net Injection (+)/ Absorption (-) (1+3+5+6+9+10+ 11+12-2-4-7-8-13)
	Repo	Reverse Repo	Variable Rate Repo	Variable Rate Reverse Repo				Sale	Purchase					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Jun. 1, 2021	-	402563	-	-	0	–	-	-	500	-	-	-	-	-402063
Jun. 2, 2021	-	404497	-	-	0	–	-	-	-	-	-	-	-	-404497
Jun. 3, 2021	-	406786	-	-	209	–	-	-	290	-	-	-	-	-406287
Jun. 4, 2021	-	358822	-	200029	0	–	-	-	620	-	-	-	150	-558381
Jun. 5, 2021	-	35574	-	-	1021	–	-	-	-	-	-	-	-	-34553
Jun. 6, 2021	-	999	-	-	38	–	-	-	-	-	-	-	-	-961
Jun. 7, 2021	-	398908	-	-	52	–	-	-	-	-	-	-	-	-398856
Jun. 8, 2021	-	383929	-	-	0	–	-	-	-	-	-	-	-	-383929
Jun. 9, 2021	-	378913	-	-	0	–	-	-	-	-	-	-	-	-378913
Jun. 10, 2021	-	367572	-	-	0	–	-	-	-	-	-	-	-	-367572
Jun. 11, 2021	-	362304	-	-	27	–	-	-	-	-	-	-	-	-362277
Jun. 12, 2021	-	2304	-	-	11	–	-	-	-	-	-	-	-	-2293
Jun. 13, 2021	-	1699	-	-	111	–	-	-	-	-	-	-	-	-1588
Jun. 14, 2021	-	361592	-	-	0	–	-	-	-	-	320	-	-	-361272
Jun. 15, 2021	-	374505	-	-	0	3916	-	-	-	-	-	490	-	-370099
Jun. 16, 2021	-	313654	-	-	0	–	-	-	-	-	-	-	-	-313654
Jun. 17, 2021	-	317491	-	-	29	–	-	-	390	-	-	-	-	-317072
Jun. 18, 2021	-	304546	-	200009	59	–	-	–	40160	-	-	-	1000	-465336
Jun. 19, 2021	-	44220	-	-	2	–	-	-	-	-	-	-	-	-44218
Jun. 20, 2021	-	2438	-	-	104	–	-	-	-	-	-	-	-	-2334
Jun. 21, 2021	-	314349	-	-	0	–	-	-	100	-	-	-	-	-314249
Jun. 22, 2021	-	345816	-	-	0	10199	-	-	160	-	-	-	-	-335457
Jun. 23, 2021	-	349005	-	-	0	–	-	-	200	-	-	-	-	-348805
Jun. 24, 2021	-	345721	-	-	0	–	-	-	-	-	-	-	-	-345721
Jun. 25, 2021	-	354255	-	-	2	–	-	-	-	-	-	-	-	-354253
Jun. 26, 2021	-	2541	-	-	91	–	-	-	-	-	-	-	-	-2450
Jun. 27, 2021	-	6001	-	-	59	–	-	-	-	-	-	-	-	-5942
Jun. 28, 2021	-	375834	-	-	0	–	-	-	160	-	-	-	-	-375674
Jun. 29, 2021	-	401344	-	-	130	1537	-	-	-	-	-	-	-	-399677
Jun. 30, 2021	-	484819	-	-	15	–	-	-	-	-	-	-	-	-484804

Notes: #Includes Targeted Long Term Repo Operations (TLTRO), Targeted Long Term Repo Operations 2.0 (TLTRO 2.0) and On Tap Targeted Long Term Repo Operations. Negative (-) sign indicates repayments done by Banks.
& Negative (-) sign indicates repayments done by Banks.
£ As per Press Release No. 2021-2022/177 dated May 07, 2021. From June 18, 2021, the data also includes the amount absorbed as per the Press Release No. 2021-2022/323 dated June 04, 2021.

No. 4: Sale/ Purchase of U.S. Dollar by the RBI

i) Operations in onshore / offshore OTC segment

Item	2020-21	2020	2021	
		Jun.	May	Jun.
	1	2	3	4
1 Net Purchase/ Sale of Foreign Currency (US $ Million) (1.1–1.2)	68315	9814	5842	18633
1.1 Purchase (+)	162479	14847	7142	21923
1.2 Sale (–)	94164	5033	1300	3290
2 ₹ equivalent at contract rate (₹ Crores)	510516	73847	43956	138217
3 Cumulative (over end-March) (US $ Million)	68315	13035	10054	28687
(₹ Crores)	510516	97982	75735	213952
4 Outstanding Net Forward Sales (–)/ Purchase (+) at the end of month (US $ Million)	72751	2459	59852	49573

ii) Operations in currency futures segment

Item	2020-21	2020	2021	
		Jun.	May	Jun.
	1	2	3	4
1 Net Purchase/ Sale of Foreign Currency (US $ Million) (1.1–1.2)	0	0	0	0
1.1 Purchase (+)	12118	0	0	550
1.2 Sale (–)	12118	0	0	550
2 Outstanding Net Currency Futures Sales (–)/ Purchase (+) at the end of month (US $ Million)	690	0	550	0

No. 4 A : Maturity Breakdown (by Residual Maturity) of Outstanding Forwards of RBI (US $ Million)

Item	As on June 30, 2021		
	Long (+)	Short (-)	Net (1-2)
	1	2	3
1. Upto 1 month	8668	1185	7483
2. More than 1 month and upto 3 months	14922	900	14022
3. More than 3 months and upto 1 year	42548	14480	28068
4. More than 1 year	0	0	0
Total (1+2+3+4)	**66138**	**16565**	**49573**

No. 5: RBI's Standing Facilities

(₹ Crore)

Item	As on the Last Reporting Friday							
	2020-21	2020	2021					
		Jul. 31	Feb. 26	Mar. 26	Apr. 23	May 21	Jun. 18	Jul. 30
	1	2	3	4	5	6	7	8
1 MSF	182	80	58	182	149	494	59	254
2 Export Credit Refinance for Scheduled Banks								
2.1 Limit	–	-	-	0	-	-	-	-
2.2 Outstanding	–	-	-	0	-	-	-	-
3 Liquidity Facility for PDs								
3.1 Limit	4900	4900	4900	4900	4900	4900	4900	4900
3.2 Outstanding	–	30	0	0	0	0	0	0
4 Others								
4.1 Limit	75000	65000	75000	75000	75000	60000	76000	76000
4.2 Outstanding	32387	34376	32842	32387	27122	1662	5578	23296
5 Total Outstanding (1+2.2+3.2+4.2)	32569	34486	32900	32569	27271	2156	5637	23550

Note :1.Special refinance facility to Others, i.e. to the EXIM Bank, is reopened since May 22, 2020
2.Refinance facility to Others, i.e. to the NABARD/SIDBI/NHB U/S 17(4H) of RBI ACT,1934, since, April 17, 2020.

Money and Banking

No. 6: Money Stock Measures

(₹ Crore)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2020-21	2020	2021		
		Jun. 19	May 21	Jun. 4	Jun. 18
	1	2	3	4	5
1 Currency with the Public (1.1 + 1.2 + 1.3 – 1.4)	2751828	2567080	2861367	2877189	2886087
1.1 Notes in Circulation	2826851	2634218	2937217	2949472	2961524
1.2 Circulation of Rupee Coin	26170	25644	26230	26252	26252
1.3 Circulation of Small Coins	743	743	743	743	743
1.4 Cash on Hand with Banks	101935	93525	102822	99278	102432
2 Deposit Money of the Public	2042487	1611690	1879245	1916077	1937613
2.1 Demand Deposits with Banks	1995136	1572974	1830794	1866196	1887418
2.2 'Other' Deposits with Reserve Bank	47351	38716	48451	49881	50194
3 M_1 (1 + 2)	**4794315**	**4178770**	**4740612**	**4793266**	**4823700**
4 Post Office Saving Bank Deposits	150963	150963	150963	150963	150963
5 M_2 (3 + 4)	**4945278**	**4329733**	**4891575**	**4944229**	**4974663**
6 Time Deposits with Banks	14050278	13140721	14270307	14379960	14343807
7 M_3 (3 + 6)	**18844594**	**17319491**	**19010920**	**19173225**	**19167506**
8 Total Post Office Deposits	433441	433441	433441	433441	433441
9 M_4 (7 + 8)	**19278035**	**17752932**	**19444361**	**19606666**	**19600947**

No. 7: Sources of Money Stock (M_3)

(₹ Crore)

Sources	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2020-21	2020	2021		
		Jun. 19	May 21	Jun. 4	Jun. 18
	1	2	3	4	5
1 Net Bank Credit to Government	**5850374**	**5499987**	**5862533**	**6024534**	**5919172**
1.1 RBI's net credit to Government (1.1.1–1.1.2)	1099686	1123896	1025199	1108321	1049521
1.1.1 Claims on Government	1337300	1180189	1441680	1448299	1487439
1.1.1.1 Central Government	1333917	1175526	1439024	1437064	1475641
1.1.1.2 State Governments	3383	4663	2656	11235	11799
1.1.2 Government deposits with RBI	237615	56293	416481	339978	437918
1.1.2.1 Central Government	237572	56251	416439	339936	437875
1.1.2.2 State Governments	42	42	42	42	42
1.2 Other Banks' Credit to Government	4750689	4376091	4837335	4916213	4869650
2 Bank Credit to Commercial Sector	**11668469**	**10902373**	**11542997**	**11552694**	**11552418**
2.1 RBI's credit to commercial sector	8709	7187	1435	1964	5749
2.2 Other banks' credit to commercial sector	11659760	10895186	11541562	11550730	11546669
2.2.1 Bank credit by commercial banks	10949512	10247763	10831221	10843425	10841755
2.2.2 Bank credit by co-operative banks	694758	637516	693112	689798	687525
2.2.3 Investments by commercial and co-operative banks in other securities	15490	9908	17229	17508	17389
3 Net Foreign Exchange Assets of Banking Sector (3.1 + 3.2)	**4578846**	**4075368**	**4678189**	**4776584**	**4813999**
3.1 RBI's net foreign exchange assets (3.1.1–3.1.2)	4199400	3830714	4298743	4397138	4434553
3.1.1 Gross foreign assets	4199637	3830951	4298979	4397374	4434789
3.1.2 Foreign liabilities	237	237	237	237	237
3.2 Other banks' net foreign exchange assets	379446	244655	379446	379446	379446
4 Government's Currency Liabilities to the Public	**26913**	**26387**	**26973**	**26995**	**26995**
5 Banking Sector's Net Non-monetary Liabilities	**3280008**	**3184625**	**3099772**	**3207582**	**3145077**
5.1 Net non-monetary liabilities of RBI	1356660	1515001	1332483	1328980	1349809
5.2 Net non-monetary liabilities of other banks (residual)	1923349	1669624	1767289	1878602	1795268
M_3 (1+2+3+4–5)	**18844594**	**17319491**	**19010920**	**19173225**	**19167506**

No. 8: Monetary Survey

(₹ Crore)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2020-21	2020	2021		
		Jun. 19	May 21	Jun. 4	Jun. 18
	1	2	3	4	5
Monetary Aggregates					
NM_1 (1.1 + 1.2.1+1.3)	4794315	4178770	4740612	4793266	4823700
NM_2 (NM_1 + 1.2.2.1)	11048293	10013204	11094849	11196929	11209810
NM_3 (NM_2 + 1.2.2.2 + 1.4 = 2.1 + 2.2 + 2.3 – 2.4 – 2.5)	18936067	17431047	19105836	19266103	19264136
1 Components					
1.1 Currency with the Public	2751828	2567080	2861367	2877189	2886087
1.2 Aggregate Deposits of Residents	15892863	14538382	15951321	16096558	16078774
1.2.1 Demand Deposits	1995136	1572974	1830794	1866196	1887418
1.2.2 Time Deposits of Residents	13897727	12965408	14120527	14230362	14191356
1.2.2.1 Short-term Time Deposits	6253977	5834434	6354237	6403663	6386110
1.2.2.1.1 Certificates of Deposit (CDs)	78702	123414	91409	79058	68603
1.2.2.2 Long-term Time Deposits	7643750	7130974	7766290	7826699	7805246
1.3 'Other' Deposits with RBI	47351	38716	48451	49881	50194
1.4 Call/Term Funding from Financial Institutions	244025	286869	244696	242475	249080
2 Sources					
2.1 Domestic Credit	18509289	17426552	18372152	18550847	18444049
2.1.1 Net Bank Credit to the Government	5850374	5499987	5862533	6024534	5919172
2.1.1.1 Net RBI credit to the Government	1099686	1123896	1025199	1108321	1049521
2.1.1.2 Credit to the Government by the Banking System	4750689	4376091	4837335	4916213	4869650
2.1.2 Bank Credit to the Commercial Sector	12658915	11926565	12509619	12526313	12524877
2.1.2.1 RBI Credit to the Commercial Sector	34134	29238	3113	3648	7433
2.1.2.2 Credit to the Commercial Sector by the Banking System	12624780	11897327	12506505	12522665	12517444
2.1.2.2.1 Other Investments (Non-SLR Securities)	951313	989760	949168	958906	954872
2.2 Government's Currency Liabilities to the Public	26913	26387	26973	26995	26995
2.3 Net Foreign Exchange Assets of the Banking Sector	4438202	3852370	4620976	4630984	4691693
2.3.1 Net Foreign Exchange Assets of the RBI	4199400	3830714	4298743	4397138	4434553
2.3.2 Net Foreign Currency Assets of the Banking System	238802	21656	322233	233847	257140
2.4 Capital Account	2775245	2821178	2911846	2936630	2972837
2.5 Other items (net)	1263091	1053084	1002419	1006094	925764

No. 9: Liquidity Aggregates

(₹ Crore)

Aggregates	2020-21	2020	2021		
		Jun.	Apr.	May	Jun.
	1	2	3	4	5
1 NM_3	**18936067**	**17431047**	**19000006**	**19105836**	**19264136**
2 Postal Deposits	433441	433441	433441	433441	433441
3 L_1 (1 + 2)	**19369508**	**17864488**	**19433447**	**19539277**	**19697577**
4 Liabilities of Financial Institutions	33179	53474	28937	28932	30104
4.1 Term Money Borrowings	2645	10666	3563	3563	3563
4.2 Certificates of Deposit	25550	39450	20275	20275	21525
4.3 Term Deposits	4984	3358	5099	5094	5016
5 L_2 (3 + 4)	**19402687**	**17917962**	**19462384**	**19568208**	**19727681**
6 Public Deposits with Non-Banking Financial Companies	31905	31905	..	..	31905
7 L_3 (5 + 6)	**19434592**	**17949867**	..	..	**19759586**

Note : 1. Figures in the columns might not add up to the total due to rounding off of numbers.

No. 10: Reserve Bank of India Survey

(₹ Crore)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2020-21	2020	2021		
		Jun. 19	May 21	Jun. 4	Jun. 18
	1	2	3	4	5
1 Components					
1.1 Currency in Circulation	2853763	2660605	2964190	2976467	2988519
1.2 Bankers' Deposits with the RBI	698867	484463	649717	711790	715442
1.2.1 Scheduled Commercial Banks	651748	451363	603344	665049	669032
1.3 'Other' Deposits with the RBI	47351	38716	48451	49881	50194
Reserve Money (1.1 + 1.2 + 1.3 = 2.1 + 2.2 + 2.3 – 2.4 – 2.5)	3599981	3183784	3662358	3738138	3754155
2 Sources					
2.1 RBI's Domestic Credit	730328	841684	669125	642985	642416
2.1.1 Net RBI credit to the Government	1099686	1123896	1025199	1108321	1049521
2.1.1.1 Net RBI credit to the Central Government (2.1.1.1.1 + 2.1.1.1.2 + 2.1.1.1.3 + 2.1.1.1.4 – 2.1.1.1.5)	1096345	1119275	1022585	1097128	1037765
2.1.1.1.1 Loans and Advances to the Central Government	–	–	–	–	–
2.1.1.1.2 Investments in Treasury Bills	–	–	–	–	–
2.1.1.1.3 Investments in dated Government Securities	1333174	1174736	1438339	1436388	1474980
2.1.1.1.3.1 Central Government Securities	1333174	1174736	1438339	1436388	1474980
2.1.1.1.4 Rupee Coins	743	790	685	676	661
2.1.1.1.5 Deposits of the Central Government	237572	56251	416439	339936	437875
2.1.1.2 Net RBI credit to State Governments	3340	4621	2614	11193	11756
2.1.2 RBI's Claims on Banks	-403492	-311450	-359187	-468984	-414538
2.1.2.1 Loans and Advances to Scheduled Commercial Banks	-378066	-289399	-357508	-467300	-412854
2.1.3 RBI's Credit to Commercial Sector	34134	29238	3113	3648	7433
2.1.3.1 Loans and Advances to Primary Dealers	1	326	1	1	1
2.1.3.2 Loans and Advances to NABARD	25426	22051	1679	1684	1684
2.2 Government's Currency Liabilities to the Public	26913	26387	26973	26995	26995
2.3 Net Foreign Exchange Assets of the RBI	4199400	3830714	4298743	4397138	4434553
2.3.1 Gold	247723	250028	275640	274540	265576
2.3.2 Foreign Currency Assets	3951694	3580703	4023120	4122615	4168994
2.4 Capital Account	1173033	1259409	1233571	1229806	1250419
2.5 Other Items (net)	183626	255592	98912	99175	99390

No. 11: Reserve Bank - Components and Sources

(₹ Crore)

Item	2020-21	Outstanding as on March 31/ last Fridays of the month/ Fridays					
		2020	2021				
		Jun. 26	May 28	Jun. 4	Jun. 11	Jun. 18	Jun. 25
	1	2	3	4	5	6	7
Reserve Money (1.1 + 1.2 + 1.3 = 2.1 + 2.2 + 2.3 + 2.4 + 2.5 – 2.6)	3599981	3163675	3705431	3738138	3704603	3754155	3698987
1 Components							
1.1 Currency in Circulation	2853763	2660478	2963060	2976467	2990952	2988519	2980029
1.2 Bankers' Deposits with RBI	698867	463901	692723	711790	663649	715442	668838
1.3 'Other' Deposits with RBI	47351	39296	49649	49881	50003	50194	50120
2 Sources							
2.1 Net Reserve Bank Credit to Government	1099686	1134432	1069925	1108321	1080546	1049521	1017177
2.2 Reserve Bank Credit to Banks	-378066	-322330	-404069	-467300	-470693	-412854	-452721
2.3 Reserve Bank Credit to Commercial Sector	8709	9203	1963	1964	1902	5749	6048
2.4 Net Foreign Exchange Assets of RBI	4199400	3811722	4313624	4397138	4418495	4434553	4467940
2.5 Government's Currency Liabilities to the Public	26913	26411	26995	26995	26995	26995	27053
2.6 Net Non- Monetary Liabilities of RBI	1356660	1495763	1303006	1328980	1352642	1349809	1366509

No. 12: Commercial Bank Survey

(₹ Crore)

Item	Outstanding as on last reporting Fridays of the month/ reporting Fridays of the month				
	2020-21	2020	2021		
		Jun. 19	May 21	Jun. 4	Jun. 18
	1	2	3	4	5
1 Components					
1.1 Aggregate Deposits of Residents	14960977	13691815	15017382	15163555	15146093
1.1.1 Demand Deposits	1861209	1452440	1695059	1730276	1751739
1.1.2 Time Deposits of Residents	13099768	12239375	13322323	13433279	13394354
1.1.2.1 Short-term Time Deposits	5894896	5507719	5995045	6044976	6027459
1.1.2.1.1 Certificates of Deposits (CDs)	78702	123414	91409	79058	68603
1.1.2.2 Long-term Time Deposits	7204873	6731656	7327278	7388304	7366895
1.2 Call/Term Funding from Financial Institutions	244025	286869	244696	242475	249080
2 Sources					
2.1 Domestic Credit	16368358	15383601	16323001	16434933	16385814
2.1.1 Credit to the Government	4461632	4141325	4534285	4626857	4580580
2.1.2 Credit to the Commercial Sector	11906727	11242276	11788715	11808076	11805233
2.1.2.1 Bank Credit	10949512	10247763	10831221	10843425	10841755
2.1.2.1.1 Non-food Credit	10888258	10158474	10740559	10753449	10754843
2.1.2.2 Net Credit to Primary Dealers	13970	12643	16039	13291	16166
2.1.2.3 Investments in Other Approved Securities	894	1072	1250	1416	1402
2.1.2.4 Other Investments (in non-SLR Securities)	942351	980798	940205	949944	945909
2.2 Net Foreign Currency Assets of Commercial Banks (2.2.1–2.2.2–2.2.3)	238802	21656	322233	233847	257140
2.2.1 Foreign Currency Assets	454866	289675	531282	442798	470587
2.2.2 Non-resident Foreign Currency Repatriable Fixed Deposits	152552	175313	149780	149597	152451
2.2.3 Overseas Foreign Currency Borrowings	63512	92706	59269	59354	60996
2.3 Net Bank Reserves (2.3.1+2.3.2–2.3.3)	1010202	823903	1052544	1220586	1173216
2.3.1 Balances with the RBI	542693	451363	603344	665049	669032
2.3.2 Cash in Hand	90748	83141	91692	88237	91330
2.3.3 Loans and Advances from the RBI	-376761	-289399	-357508	-467300	-412854
2.4 Capital Account	1578041	1537598	1654104	1682653	1698248
2.5 Other items (net) (2.1+2.2+2.3–2.4–1.1–1.2)	834319	712879	781596	800683	722749
2.5.1 Other Demand and Time Liabilities (net of 2.2.3)	593102	426797	511502	530556	514490
2.5.2 Net Inter-Bank Liabilities (other than to PDs)	70853	75819	56308	58321	66063

No. 13: Scheduled Commercial Banks' Investments

(₹ Crore)

Item	As on March 26, 2021	2020	2021		
		Jun. 19	May. 21	Jun. 4	Jun. 18
	1	2	3	4	5
1 SLR Securities	4462526	4142392	4535489	4628273	4581982
2 Commercial Paper	82584	110140	78342	80602	81474
3 Shares issued by					
3.1 PSUs	9840	11800	9587	9663	10566
3.2 Private Corporate Sector	64035	70645	65536	65563	68918
3.3 Others	5210	5208	5136	5134	5125
4 Bonds/Debentures issued by					
4.1 PSUs	121008	131832	118763	118402	113821
4.2 Private Corporate Sector	308904	303538	305422	312699	321962
4.3 Others	149325	156851	152802	153610	153305
5 Instruments issued by					
5.1 Mutual funds	31142	68484	40436	38993	39269
5.2 Financial institutions	167130	122359	164148	165276	151470

No. 14: Business in India - All Scheduled Banks and All Scheduled Commercial Banks

(₹ Crore)

Item	As on the Last Reporting Friday (in case of March)/ Last Friday							
	All Scheduled Banks				All Scheduled Commercial Banks			
	2020-21	2020	2021		2020-21	2020	2021	
		Jun.	May	Jun.		Jun.	May	Jun.
	1	2	3	4	5	6	7	8
Number of Reporting Banks	209	210	209	210	133	134	133	134
1 Liabilities to the Banking System	**259530**	**327590**	**245040**	**240574**	**254589**	**322308**	**240110**	**235512**
1.1 Demand and Time Deposits from Banks	200585	250049	181875	181709	195866	244929	177405	177399
1.2 Borrowings from Banks	40886	61160	44689	39952	40880	61160	44471	39456
1.3 Other Demand and Time Liabilities	18059	16382	18477	18912	17843	16219	18234	18656
2 Liabilities to Others	**16457782**	**15178146**	**16527824**	**16516961**	**16014145**	**14743862**	**16089154**	**16078860**
2.1 Aggregate Deposits	15540152	14331884	15682311	15692010	15113512	13915114	15261152	15272352
2.1.1 Demand	1899343	1521699	1802866	1788424	1861193	1486775	1763217	1748636
2.1.2 Time	13640809	12810184	13879446	13903586	13252320	12428339	13497935	13523716
2.2 Borrowings	248271	293300	248315	257480	244025	289039	242718	252064
2.3 Other Demand and Time Liabilities	669359	552962	597198	567470	656607	539709	585284	554444
3 Borrowings from Reserve Bank	**90275**	**290512**	**90093**	**90829**	**90275**	**290512**	**90093**	**90829**
3.1 Against Usance Bills /Promissory Notes	–	–	–	–	–	–	–	–
3.2 Others	90275	290512	90093	90829	90275	290512	90093	90829
4 Cash in Hand and Balances with Reserve Bank	650745	533008	757622	732253	633440	517852	738455	713780
4.1 Cash in Hand	92793	90080	94785	93473	90748	87658	92728	91424
4.2 Balances with Reserve Bank	557951	442928	662837	638780	542693	430194	645726	622356
5 Assets with the Banking System	**265729**	**330943**	**247367**	**245113**	**197541**	**260839**	**191072**	**188930**
5.1 Balances with Other Banks	179430	213816	171280	169301	143294	177476	138317	134552
5.1.1 In Current Account	16796	21933	18640	16551	14226	19719	16107	14204
5.1.2 In Other Accounts	162634	191883	152640	152750	129068	157758	122209	120347
5.2 Money at Call and Short Notice	36716	41153	27532	26459	10654	15245	8874	9180
5.3 Advances to Banks	19908	24293	18069	21523	16764	23152	16028	19910
5.4 Other Assets	29675	51681	30487	27831	26829	44966	27853	25288
6 Investment	**4598924**	**4289272**	**4695860**	**4739431**	**4462526**	**4166414**	**4558998**	**4601130**
6.1 Government Securities	4591896	4281592	4688752	4732509	4461632	4165558	4557647	4599956
6.2 Other Approved Securities	7029	7679	7108	6922	894	856	1352	1175
7 Bank Credit	**11297014**	**10571882**	**11161004**	**11198423**	**10949509**	**10240256**	**10824944**	**10861025**
7a Food Credit	91653	115026	125083	121177	61254	84620	89265	85359
7.1 Loans, Cash-credits and Overdrafts	11081668	10381645	10958298	10997642	10736491	10051973	10624467	10662355
7.2 Inland Bills-Purchased	30896	21661	29136	29579	30531	21406	29108	29544
7.3 Inland Bills-Discounted	128831	126950	121059	116143	127883	125980	119655	114793
7.4 Foreign Bills-Purchased	20762	16203	17904	20271	20394	15978	17642	20057
7.5 Foreign Bills-Discounted	34857	25422	34607	34789	34210	24919	34071	34277

No. 15: Deployment of Gross Bank Credit by Major Sectors

(₹ Crore)

Sector	Outstanding as on				Growth (%)	
	Mar.26, 2021	2020	2021		Financial year so far	Y-o-Y
		Jun.19	May.21	Jun.18	2021-22	2021
	1	2	3	4	%	%
I. Gross Bank Credit (II+III)	**10949509**	**10245677**	**10833589**	**10841866**	**–1.0**	**5.8**
II. Food Credit	**61254**	**89289**	**90663**	**86912**	**41.9**	**-2.7**
III. Non-food Credit	**10888255**	**10156388**	**10742926**	**10754953**	**-1.2**	**5.9**
1. Agriculture & Allied Activities	**1299914**	**1152935**	**1284756**	**1284399**	**-1.2**	**11.4**
2. Industry (Micro and Small, Medium and Large)	**2918028**	**2875210**	**2883797**	**2867304**	**-1.7**	**-0.3**
2.1 Micro and Small[1]	383854	352696	370718	375116	-2.3	6.4
2.2 Medium	136054	95671	145549	147875	8.7	54.6
2.3 Large	2398121	2426844	2367530	2344313	-2.2	-3.4
3. Services	**2630566**	**2528492**	**2571093**	**2600627**	**-1.1**	**2.9**
3.1 Transport Operators	145195	140190	142300	141169	-2.8	0.7
3.2 Computer Software	21043	20592	20155	21006	-0.2	2.0
3.3 Tourism, Hotels & Restaurants	49590	46253	49513	49640	0.1	7.3
3.4 Shipping	7172	5155	5244	6804	-5.1	32.0
3.5 Aviation	25624	24612	26144	26440	3.2	7.4
3.6 Professional Services	119488	118781	113092	112123	-6.2	-5.6
3.7 Trade	617627	552855	614482	614336	-0.5	11.1
3.7.1 Wholesale Trade	319197	269162	315911	315376	-1.2	17.2
3.7.2 Retail Trade	298430	283693	298570	298960	0.2	5.4
3.8 Commercial Real Estate	235547	229263	233695	232292	-1.4	1.3
3.9 Non-Banking Financial Companies (NBFCs)[2] *of which,*	945061	903594	899502	883851	-6.5	-2.2
3.9.1 Housing Finance Companies (HFCs)	187324	188923	168213	166199	-11.3	-12.0
3.9.2 Public Financial Institutions (PFIs)	78441	32148	74262	77528	-1.2	141.2
3.10 Other Services [3]	464219	487198	466967	512966	10.5	5.3
4. Personal Loans	**2813713**	**2490377**	**2787265**	**2786519**	**-1.0**	**11.9**
4.1 Consumer Durables	7307	8847	7049	7093	-2.9	-19.8
4.2 Housing	1459066	1334900	1462029	1464645	0.4	9.7
4.3 Advances against Fixed Deposits	71544	61457	66510	65891	-7.9	7.2
4.4 Advances to Individuals against share & bonds	4570	5803	4401	4430	-3.1	-23.7
4.5 Credit Card Outstanding	116537	97586	104475	102757	-11.8	5.3
4.6 Education	63805	65017	62965	62720	-1.7	-3.5
4.7 Vehicle Loans	241657	214602	240170	238214	-1.4	11.0
4.8 Loan against gold jewellery	60726	34267	62101	62221	2.5	81.6
4.9 Other Personal Loans	788503	667898	777567	778548	-1.3	16.6
5. Priority Sector *(Memo)*						
5.1 Agriculture & Allied Activities[4]	1264151	1143831	1258377	1253199	-0.9	9.6
5.2 Micro & Small Enterprises[5]	1107236	1074132	1027910	1036420	-6.4	-3.5
5.3 Medium Enterprises [6]	206122	115379	183639	188251	-8.7	63.2
5.4 Housing	469863	463684	472326	470908	0.2	1.6
5.5 Education Loans	48201	52042	47526	47127	-2.2	-9.4
5.6 Renewable Energy	1171	786	1144	1321	12.9	68.1
5.7 Social Infrastructure	2352	913	2424	2467	4.9	170.1
5.8 Export Credit [7]	19028	16785	15649	19852	4.3	18.3
5.9 Others	19062	10191	22417	23860	25.2	134.1
5.10 Weaker Sections including net PSLC- SF/MF	813263	732581	813511	832421	2.4	13.6

Note 1: Data are provisional. Gross bank credit and non-food credit data are based on Section - 42 return, which covers all scheduled commercial banks (SCBs), while sectoral non-food credit data are based on sector-wise and industry-wise bank credit (SIBC) return, which covers select banks accounting for about 90 per cent of total non-food credit extended by all SCBs.

Note 2: With effect from January 2021, sectoral credit data are based on revised format due to which values and growth rates of some of the existing components published earlier have undergone some changes

1 Micro & Small includes credit to micro & small industries in the manufacturing sector.

2 NBFCs include HFCs, PFIs, Microfinance Institutions (MFIs), NBFCs engaged in gold loan and others.

3 Other Services include Mutual Fund (MFs), Banking and Finance other than NBFCs and MFs and other services which are not indicated elsewhere under services.

4 Agriculture and Allied Activities also include priority sector lending certificates (PSLCs).

5 Micro and Small Enterprises include credit to micro and small enterprises in manufacturing and services sector and also include PSLCs.

6 Medium Enterprises include credit to medium enterprises in the manufacturing and services sector.

7 Export credit under the priority sector relates to foreign banks only.

No. 16: Industry-wise Deployment of Gross Bank Credit

(₹ Crore)

Industry	Outstanding as on				Growth (%)	
	Mar. 26, 2021	2020	2021		Financial year so far	Y-o-Y
		Jun. 19	May.21	Jun.18	2021-22	2021
	1	2	3	4	%	%
1 Industries (1.1 to 1.19)	**2918028**	**2875210**	**2883797**	**2867304**	**–1.7**	**–0.3**
1.1 Mining & Quarrying (incl. Coal)	**46094**	**42890**	**44637**	**46544**	**1.0**	**8.5**
1.2 Food Processing	**165669**	**157937**	**165331**	**164730**	**–0.6**	**4.3**
1.2.1 Sugar	25552	25491	24346	23210	–9.2	–9.0
1.2.2 Edible Oils & Vanaspati	20547	17589	19812	19807	–3.6	12.6
1.2.3 Tea	5512	5108	5467	5692	3.3	11.4
1.2.4 Others	114058	109749	115705	116021	1.7	5.7
1.3 Beverage & Tobacco	**15663**	**15025**	**15496**	**15153**	**–3.3**	**0.8**
1.4 Textiles	**201250**	**189236**	**204709**	**202771**	**0.8**	**7.2**
1.4.1 Cotton Textiles	91567	86401	90244	88557	–3.3	2.5
1.4.2 Jute Textiles	2713	2046	2639	2624	–3.3	28.3
1.4.3 Man-Made Textiles	30674	26835	31667	31216	1.8	16.3
1.4.4 Other Textiles	76295	73954	80158	80374	5.3	8.7
1.5 Leather & Leather Products	**11299**	**10937**	**11479**	**11450**	**1.3**	**4.7**
1.6 Wood & Wood Products	**13296**	**12590**	**13523**	**13543**	**1.9**	**7.6**
1.7 Paper & Paper Products	**35540**	**31676**	**36005**	**36339**	**2.3**	**14.7**
1.8 Petroleum, Coal Products & Nuclear Fuels	**72323**	**73324**	**70454**	**73299**	**1.3**	**0.0**
1.9 Chemicals & Chemical Products	**186911**	**180006**	**181091**	**179134**	**–4.2**	**–0.5**
1.9.1 Fertiliser	32212	34486	31400	31748	–1.4	–7.9
1.9.2 Drugs & Pharmaceuticals	51138	52040	50339	49653	–2.9	–4.6
1.9.3 Petro Chemicals	45767	39455	42607	40172	–12.2	1.8
1.9.4 Others	57794	54025	56745	57561	–0.4	6.5
1.10 Rubber, Plastic & their Products	**53494**	**48402**	**54521**	**54578**	**2.0**	**12.8**
1.11 Glass & Glassware	**9124**	**8133**	**9028**	**9234**	**1.2**	**13.5**
1.12 Cement & Cement Products	**52196**	**57162**	**50569**	**50255**	**–3.7**	**–12.1**
1.13 Basic Metal & Metal Product	**328663**	**350359**	**307723**	**299116**	**–9.0**	**–14.6**
1.13.1 Iron & Steel	232849	266465	213800	206361	–11.4	–22.6
1.13.2 Other Metal & Metal Product	95814	83894	93923	92755	–3.2	10.6
1.14 All Engineering	**147312**	**147283**	**148011**	**145635**	**–1.1**	**–1.1**
1.14.1 Electronics	32433	29742	33647	32351	–0.3	8.8
1.14.2 Others	114879	117541	114364	113284	–1.4	–3.6
1.15 Vehicles, Vehicle Parts & Transport Equipment	**83559**	**85374**	**83094**	**84258**	**0.8**	**–1.3**
1.16 Gems & Jewellery	**62714**	**55686**	**57992**	**60158**	**–4.1**	**8.0**
1.17 Construction	**95511**	**102607**	**98223**	**97632**	**2.2**	**–4.8**
1.18 Infrastructure	**1091624**	**1069114**	**1084963**	**1092381**	**0.1**	**2.2**
1.18.1 Power	566455	568950	559500	564092	–0.4	–0.9
1.18.2 Telecommunications	113080	146155	113926	116239	2.8	–20.5
1.18.3 Roads	236947	182007	232489	233219	–1.6	28.1
1.18.4 Airports	7327	4546	9464	9467	29.2	108.2
1.18.5 Ports	7363	11104	8474	7700	4.6	–30.7
1.18.6 Railways	11021	11996	12322	12346	12.0	2.9
1.18.7 Other Infrastructure	149432	144356	148789	149318	–0.1	3.4
1.19 Other Industries	**245786**	**237470**	**246949**	**231094**	**–6.0**	**–2.7**

Note : With effect from January 2021, sectoral credit data are based on revised format due to which values and growth rates of some of the existing components published earlier have undergone some changes.

No. 17: State Co-operative Banks Maintaining Accounts with the Reserve Bank of India

(₹ Crore)

Item	Last Reporting Friday (in case of March)/Last Friday/ Reporting Friday								
	2020-21	2020	2021						
		May, 29	Mar, 26	Apr, 09	Apr, 23	Apr, 30	May, 07	May, 21	May, 28
	1	2	3	4	5	6	7	8	9
Number of Reporting Banks	32	32	32	31	30	31	32	32	32
1 Aggregate Deposits (2.1.1.2+2.2.1.2)	**125859.6**	**125730.0**	**125859.6**	**127075.5**	**125866.2**	**125959.1**	**125179.6**	**124966.0**	**123810.8**
2 Demand and Time Liabilities									
2.1 Demand Liabilities	**23736.9**	**25020.8**	**23736.9**	**23837.8**	**22965.2**	**23839.0**	**25490.5**	**25400.2**	**26861.5**
2.1.1 Deposits									
2.1.1.1 Inter-Bank	4896.9	5276.6	4896.9	4685.8	4281.2	5197.4	5245.1	4581.6	5137.8
2.1.1.2 Others	13,899.4	13939.5	13899.4	14395.6	13845.8	13808.0	15047.4	15721.6	15490.8
2.1.2 Borrowings from Banks	0.0	25.0	0.0	0.0	0.0	10.0	184.9	484.9	829.8
2.1.3 Other Demand Liabilities	4940.6	5779.7	4940.6	4756.4	4838.2	4823.6	5013.1	4612.2	5403.1
2.2 Time Liabilities	**179957.5**	**177995.6**	**179957.5**	**182880.1**	**181469.1**	**178836.8**	**173773.6**	**172843.1**	**169786.4**
2.2.1 Deposits									
2.2.1.1 Inter-Bank	65333.7	64012.5	65333.7	67268.5	66572.3	64191.2	61126.2	61084.0	59567.6
2.2.1.2 Others	111960.2	111790.5	111960.2	112679.8	112020.4	112151.0	110132.2	109244.4	108320.0
2.2.2 Borrowings from Banks	630.0	755.9	630.0	899.9	899.9	899.9	909.0	909.0	1118.9
2.2.3 Other Time Liabilities	2033.7	1436.6	2033.7	2031.8	1976.4	1594.6	1606.3	1605.7	779.9
3 Borrowing from Reserve Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4 Borrowings from a notified bank / Government	63559.8	56438.5	63559.8	61519.5	58641.5	58682.0	49148.8	47868.8	49695.4
4.1 Demand	15691.8	13701.3	15691.8	14912.6	12625.5	11930.6	10425.1	10059.3	11059.3
4.2 Time	47868.0	42737.1	47868.0	46606.8	46016.0	46751.4	38723.7	37809.4	38636.1
5 Cash in Hand and Balances with Reserve Bank	**8151.1**	**7535.9**	**8151.1**	**7511.5**	**8340.2**	**8308.0**	**8053.6**	**8964.2**	**9254.1**
5.1 Cash in Hand	570.3	720.7	570.3	599.4	579.1	584.9	588.7	672.4	662.8
5.2 Balance with Reserve Bank	7580.8	6815.2	7580.8	6912.1	7761.2	7723.1	7465.0	8291.8	8591.3
6 Balances with Other Banks in Current Account	**1148.1**	**1403.1**	**1148.1**	**831.3**	**827.4**	**898.8**	**1074.3**	**1120.4**	**1208.9**
7 Investments in Government Securities	**64455.2**	**53179.8**	**64455.2**	**67901.4**	**66257.2**	**65337.4**	**65921.0**	**66037.9**	**67366.8**
8 Money at Call and Short Notice	**28835.7**	**30659.9**	**28835.7**	**27900.9**	**24989.0**	**24508.8**	**18568.5**	**21056.5**	**21739.2**
9 Bank Credit (10.1+11)	**114631.6**	**111318.8**	**114631.6**	**117342.6**	**116773.9**	**117735.8**	**112796.8**	**125981.9**	**107780.5**
10 Advances									
10.1 Loans, Cash-Credits and Overdrafts	**114612.1**	**111315.6**	**114612.1**	**117326.7**	**116758.0**	**117719.9**	**112780.9**	**125966.5**	**107765.1**
10.2 Due from Banks	89429.1	79337.2	89429.1	88609.3	87632.4	86692.3	81383.2	79921.7	84144.9
11 Bills Purchased and Discounted	19.5	3.2	19.5	15.9	15.9	15.9	15.9	15.4	15.4

Prices and Production

No. 18: Consumer Price Index (Base: 2012=100)

Group/Sub group	2020-21			Rural			Urban			Combined		
	Rural	Urban	Combined	Jun. 20	May. 21	Jun 21(P)	Jun. 20	May. 21	Jun 21(P)	Jun. 20	May. 21	Jun 21(P)
	1	2	3	4	5	6	7	8	9	10	11	12
1 Food and beverages	**156.7**	**161.1**	**158.3**	**152.3**	**158.7**	**160.5**	**157.0**	**164.2**	**166.2**	**154.0**	**160.7**	**162.6**
1.1 Cereals and products	145.4	149.9	146.8	148.2	145.1	145.6	152.7	148.8	149.2	149.6	146.3	146.7
1.2 Meat and fish	185.2	192.4	187.7	190.3	198.5	200.1	197.0	204.3	205.6	192.7	200.5	202.0
1.3 Egg	160.3	164.8	162.0	149.4	168.6	179.3	154.6	173.0	182.8	151.4	170.3	180.7
1.4 Milk and products	154.1	154.4	154.2	153.3	155.8	156.1	153.4	156.5	156.4	153.3	156.1	156.2
1.5 Oils and fats	148.2	139.9	145.2	138.2	184.4	190.4	132.9	168.8	172.1	136.3	178.7	183.7
1.6 Fruits	146.9	153.4	149.9	143.2	162.3	158.6	151.8	172.5	171.5	147.2	167.1	164.6
1.7 Vegetables	174.2	196.2	181.7	148.9	138.4	144.7	171.2	166.5	176.2	156.5	147.9	155.4
1.8 Pulses and products	154.4	156.0	154.9	150.3	165.1	165.5	152.0	165.9	166.9	150.9	165.4	166.0
1.9 Sugar and confectionery	114.4	117.0	115.3	113.2	114.3	114.6	116.3	115.9	116.1	114.2	114.8	115.1
1.10 Spices	161.9	160.4	161.4	159.8	169.7	170.0	158.8	165.2	165.5	159.5	168.2	168.5
1.11 Non-alcoholic beverages	149.8	141.3	146.3	142.1	164.6	165.5	135.6	152.0	152.2	139.4	159.3	159.9
1.12 Prepared meals, snacks, sweets	163.2	165.5	164.3	161.8	169.8	171.7	161.7	171.1	173.3	161.8	170.4	172.4
2 Pan, tobacco and intoxicants	**181.8**	**188.7**	**183.6**	**182.4**	**189.6**	**189.1**	**186.7**	**198.2**	**195.3**	**183.5**	**191.9**	**190.8**
3 Clothing and footwear	**155.6**	**149.7**	**153.3**	**154.1**	**164.5**	**164.6**	**147.2**	**154.1**	**154.9**	**151.4**	**160.4**	**160.8**
3.1 Clothing	156.4	152.0	154.7	154.7	165.3	165.4	149.1	156.5	157.5	152.5	161.8	162.3
3.2 Footwear	151.1	137.2	145.3	150.0	160.6	159.9	136.6	140.2	140.6	144.4	152.1	151.9
4 Housing	**--**	**157.2**	**157.2**	**--**	**--**	**--**	**154.7**	**161.6**	**160.5**	**154.7**	**161.6**	**160.5**
5 Fuel and light	**149.1**	**140.9**	**146.0**	**144.9**	**161.7**	**162.1**	**137.1**	**155.5**	**156.2**	**141.9**	**159.4**	**159.9**
6 Miscellaneous	**153.9**	**146.1**	**150.2**	**151.7**	**161.1**	**161.5**	**142.0**	**152.3**	**153.6**	**147.0**	**156.8**	**157.7**
6.1 Household goods and services	152.9	145.2	149.3	151.7	158.8	159.2	140.4	150.1	150.0	146.4	154.7	154.9
6.2 Health	160.3	151.3	156.9	158.2	169.1	169.7	148.1	160.4	160.8	154.4	165.8	166.3
6.3 Transport and communication	144.9	135.0	139.7	141.4	153.2	154.0	129.3	145.0	147.6	135.0	148.9	150.6
6.4 Recreation and amusement	154.0	144.3	148.5	153.2	160.0	161.0	144.5	152.6	151.6	148.3	155.8	155.7
6.5 Education	162.5	156.2	158.9	161.8	167.6	166.7	152.5	156.6	158.4	156.4	161.2	161.8
6.6 Personal care and effects	153.7	155.8	154.5	151.2	159.3	159.5	152.2	157.5	158.0	151.6	158.6	158.9
General Index (All Groups)	**156.1**	**154.4**	**155.3**	**152.7**	**161.1**	**162.1**	**150.8**	**159.5**	**160.4**	**151.8**	**160.4**	**161.3**

Source: National Statistical Office, Ministry of Statistics and Programme Implementation, Government of India.
P: Provisional.

No. 19: Other Consumer Price Indices

Item	Base Year	Linking Factor	2020-21	2020	2021	
				Jun.	May	Jun.
	1	2	3	4	5	6
1 Consumer Price Index for Industrial Workers	2016	2.88	--	–	120.6	121.7
2 Consumer Price Index for Agricultural Labourers	1986-87	5.89	1034	1018	1049	1057
3 Consumer Price Index for Rural Labourers	1986-87	–	1040	1024	1057	1065

Source: Labour Bureau, Ministry of Labour and Employment, Government of India.

No. 20: Monthly Average Price of Gold and Silver in Mumbai

Item	2020-21	2020	2021	
		Jun.	May	Jun.
	1	2	3	4
1 Standard Gold (₹ per 10 grams)	48723	47315	47860	47891
2 Silver (₹ per kilogram)	59283	48213	70833	69960

Source: India Bullion & Jewellers Association Ltd., Mumbai for Gold and Silver prices in Mumbai.

No. 21: Wholesale Price Index

(Base: 2011-12 = 100)

Commodities	Weight	2020-21	2020	2021		
			Jun.	Apr.	May (P)	Jun. (P)
	1	2	3	4	5	6
1 ALL COMMODITIES	**100.000**	**123.4**	**119.3**	**132.0**	**132.7**	**133.7**
1.1 PRIMARY ARTICLES	**22.618**	**145.7**	**140.9**	**151.5**	**150.5**	**151.8**
1.1.1 FOOD ARTICLES	**15.256**	**160.7**	**155.4**	**161.6**	**159.7**	**160.2**
1.1.1.1 Food Grains (Cereals+Pulses)	3.462	159.3	161.6	161.0	162.3	161.4
1.1.1.2 Fruits & Vegetables	3.475	179.2	159.3	170.1	159.5	162.5
1.1.1.3 Milk	4.440	153.4	151.9	154.7	155.2	154.4
1.1.1.4 Eggs,Meat & Fish	2.402	151.2	152.5	162.1	163.1	165.6
1.1.1.5 Condiments & Spices	0.529	149.5	145.6	151.6	149.8	151.1
1.1.1.6 Other Food Articles	0.948	162.0	147.9	169.7	168.7	166.2
1.1.2 NON-FOOD ARTICLES	**4.119**	**130.5**	**125.1**	**143.2**	**145.0**	**148.7**
1.1.2.1 Fibres	0.839	119.8	116.9	133.1	135.1	142.5
1.1.2.2 Oil Seeds	1.115	161.7	154.8	195.7	208.8	212.9
1.1.2.3 Other non-food Articles	1.960	109.0	103.8	115.5	115.5	115.9
1.1.2.4 Floriculture	0.204	210.0	200.5	163.0	119.5	138.7
1.1.3 MINERALS	**0.833**	**164.9**	**166.3**	**185.9**	**184.3**	**186.1**
1.1.3.1 Metallic Minerals	0.648	159.8	162.5	182.9	183.8	182.9
1.1.3.2 Other Minerals	0.185	183.1	179.7	196.5	186.2	197.1
1.1.4 CRUDE PETROLEUM & NATURAL GAS	**2.410**	**70.4**	**67.7**	**90.2**	**90.2**	**92.3**
1.2 FUEL & POWER	**13.152**	**94.0**	**85.6**	**108.9**	**110.5**	**113.7**
1.2.1 COAL	**2.138**	**126.6**	**126.4**	**127.3**	**127.3**	**127.3**
1.2.1.1 Coking Coal	0.647	141.8	141.6	141.9	141.9	141.9
1.2.1.2 Non-Coking Coal	1.401	119.3	119.0	119.8	119.8	119.8
1.2.1.3 Lignite	0.090	130.9	131.1	138.1	138.1	138.1
1.2.2 MINERAL OILS	**7.950**	**79.2**	**68.6**	**103.1**	**105.8**	**111.0**
1.2.3 ELECTRICITY	**3.064**	**109.6**	**101.0**	**111.1**	**111.1**	**111.1**
1.3 MANUFACTURED PRODUCTS	**64.231**	**121.5**	**118.6**	**129.9**	**131.0**	**131.5**
1.3.1 MANUFACTURE OF FOOD PRODUCTS	**9.122**	**141.4**	**137.5**	**154.2**	**156.8**	**155.9**
1.3.1.1 Processing and Preserving of meat	0.134	137.2	134.8	143.4	144.2	144.3
1.3.1.2 Processing and Preserving of fish, Crustaceans, Molluscs and products thereof	0.204	139.0	139.3	143.2	139.6	139.8
1.3.1.3 Processing and Preserving of fruit and Vegetables	0.138	120.2	119.3	121.5	121.6	122.1
1.3.1.4 Vegetable and Animal oils and Fats	2.643	143.5	128.5	182.7	190.7	185.4
1.3.1.5 Dairy products	1.165	146.9	148.7	148.9	148.2	147.7
1.3.1.6 Grain mill products	2.010	143.5	145.1	142.7	142.3	144.3
1.3.1.7 Starches and Starch products	0.110	115.9	117.2	121.5	123.5	123.4
1.3.1.8 Bakery products	0.215	138.1	137.5	140.9	141.4	141.9
1.3.1.9 Sugar, Molasses & honey	1.163	118.4	119.2	118.4	119.1	118.6
1.3.1.10 Cocoa, Chocolate and Sugar confectionery	0.175	128.0	127.9	128.2	128.4	127.8
1.3.1.11 Macaroni, Noodles, Couscous and Similar farinaceous products	0.026	132.3	133.8	131.5	130.5	133.5
1.3.1.12 Tea & Coffee products	0.371	166.5	163.8	171.4	178.8	178.3
1.3.1.13 Processed condiments & salt	0.163	147.0	143.8	152.8	150.3	149.9
1.3.1.14 Processed ready to eat food	0.024	132.2	129.7	137.9	136.0	137.6
1.3.1.15 Health supplements	0.225	142.9	147.0	142.4	143.9	147.5
1.3.1.16 Prepared animal feeds	0.356	170.5	167.7	187.9	192.1	196.3
1.3.2 MANUFACTURE OF BEVERAGES	**0.909**	**124.5**	**125.5**	**125.7**	**126.1**	**126.0**
1.3.2.1 Wines & spirits	0.408	120.2	121.0	121.7	122.2	123.5
1.3.2.2 Malt liquors and Malt	0.225	126.5	127.5	128.4	128.0	127.3
1.3.2.3 Soft drinks; Production of mineral waters and Other bottled waters	0.275	129.4	130.5	129.5	130.2	128.6
1.3.3 MANUFACTURE OF TOBACCO PRODUCTS	**0.514**	**157.2**	**158.6**	**160.3**	**159.3**	**157.7**
1.3.3.1 Tobacco products	0.514	157.2	158.6	160.3	159.3	157.7

No. 21: Wholesale Price Index (Contd.)

(Base: 2011-12 = 100)

Commodities	Weight	2020-21	2020	2021		
			Jun.	Apr.	May (P)	Jun. (P)
1.3.4 MANUFACTURE OF TEXTILES	**4.881**	**117.6**	**113.6**	**128.7**	**128.3**	**129.4**
1.3.4.1 Preparation and Spinning of textile fibres	2.582	106.6	100.6	121.0	120.3	120.9
1.3.4.2 Weaving & Finishing of textiles	1.509	131.7	129.1	140.1	139.7	142.0
1.3.4.3 Knitted and Crocheted fabrics	0.193	115.2	117.0	121.9	122.1	122.0
1.3.4.4 Made-up textile articles, Except apparel	0.299	132.3	131.5	134.6	134.0	134.9
1.3.4.5 Cordage, Rope, Twine and Netting	0.098	155.6	149.4	170.6	172.5	171.0
1.3.4.6 Other textiles	0.201	116.3	118.3	119.5	121.0	121.6
1.3.5 MANUFACTURE OF WEARING APPAREL	**0.814**	**138.6**	**137.3**	**140.3**	**140.0**	**139.9**
1.3.5.1 Manufacture of Wearing Apparel (woven), Except fur Apparel	0.593	138.1	137.7	139.2	139.7	139.9
1.3.5.2 Knitted and Crocheted apparel	0.221	139.8	136.3	143.5	140.9	140.2
1.3.6 MANUFACTURE OF LEATHER AND RELATED PRODUCTS	**0.535**	**117.9**	**117.6**	**118.2**	**118.8**	**118.9**
1.3.6.1 Tanning and Dressing of leather; Dressing and Dyeing of fur	0.142	101.1	102.2	97.7	98.9	99.6
1.3.6.2 Luggage, HandbAgs, Saddlery and Harness	0.075	138.6	138.5	139.8	140.2	140.5
1.3.6.3 Footwear	0.318	120.6	119.6	122.2	122.7	122.4
1.3.7 MANUFACTURE OF WOOD AND PRODUCTS OF WOOD AND CORK	**0.772**	**134.6**	**134.1**	**138.4**	**137.4**	**138.7**
1.3.7.1 Saw milling and Planing of wood	0.124	120.7	121.1	124.2	121.7	124.3
1.3.7.2 Veneer sheets; Manufacture of plywood, Laminboard, Particle board and Other panels and Boards	0.493	136.6	136.4	140.6	139.9	140.4
1.3.7.3 Builder's carpentry and Joinery	0.036	185.8	179.8	191.3	191.3	194.5
1.3.7.4 Wooden containers	0.119	125.7	124.5	127.9	127.2	130.0
1.3.8 MANUFACTURE OF PAPER AND PAPER PRODUCTS	**1.113**	**121.7**	**120.4**	**132.8**	**133.7**	**132.8**
1.3.8.1 Pulp, Paper and Paperboard	0.493	124.1	122.6	138.5	137.8	136.3
1.3.8.2 Corrugated paper and Paperboard and Containers of paper and Paperboard	0.314	122.2	119.0	130.9	135.5	134.6
1.3.8.3 Other articles of paper and Paperboard	0.306	117.4	118.2	125.7	125.4	125.3
1.3.9 PRINTING AND REPRODUCTION OF RECORDED MEDIA	**0.676**	**153.8**	**150.8**	**153.8**	**153.1**	**154.0**
1.3.9.1 Printing	0.676	153.8	150.8	153.8	153.1	154.0
1.3.10 MANUFACTURE OF CHEMICALS AND CHEMICAL PRODUCTS	**6.465**	**118.2**	**115.7**	**128.0**	**127.8**	**128.1**
1.3.10.1 Basic chemicals	1.433	118.6	114.9	133.5	134.2	135.5
1.3.10.2 Fertilizers and Nitrogen compounds	1.485	123.6	123.4	126.5	127.4	126.7
1.3.10.3 Plastic and Synthetic rubber in primary form	1.001	116.7	109.1	140.2	135.7	133.8
1.3.10.4 Pesticides and Other agrochemical products	0.454	124.4	123.2	126.7	127.9	127.4
1.3.10.5 Paints, Varnishes and Similar coatings, Printing ink and Mastics	0.491	114.9	113.5	121.4	121.7	123.5
1.3.10.6 Soap and Detergents, Cleaning and Polishing preparations, Perfumes and Toilet preparations	0.612	120.6	120.1	123.4	124.0	125.4
1.3.10.7 Other chemical products	0.692	115.1	113.6	122.9	122.3	124.5
1.3.10.8 Man-made fibres	0.296	93.7	91.3	102.4	102.0	101.9
1.3.11 MANUFACTURE OF PHARMACEUTICALS, MEDICINAL CHEMICAL AND BOTANICAL PRODUCTS	**1.993**	**130.9**	**129.3**	**134.7**	**134.8**	**136.9**
1.3.11.1 Pharmaceuticals, Medicinal chemical and Botanical products	1.993	130.9	129.3	134.7	134.8	136.9
1.3.12 MANUFACTURE OF RUBBER AND PLASTICS PRODUCTS	**2.299**	**111.3**	**107.7**	**122.2**	**121.4**	**121.0**
1.3.12.1 Rubber Tyres and Tubes; Retreading and Rebuilding of Rubber Tyres	0.609	98.3	98.4	102.3	102.0	102.3
1.3.12.2 Other Rubber Products	0.272	93.3	92.7	98.1	97.8	98.7
1.3.12.3 Plastics products	1.418	120.3	114.7	135.3	134.3	133.4
1.3.13 MANUFACTURE OF OTHER NON-METALLIC MINERAL PRODUCTS	**3.202**	**117.6**	**118.3**	**121.2**	**120.5**	**121.6**
1.3.13.1 Glass and Glass products	0.295	127.2	127.5	132.5	135.1	136.4
1.3.13.2 Refractory products	0.223	109.5	109.1	111.8	113.5	112.7
1.3.13.3 Clay Building Materials	0.121	109.3	110.8	114.1	94.9	112.5
1.3.13.4 Other Porcelain and Ceramic Products	0.222	109.5	109.1	114.4	107.7	110.4
1.3.13.5 Cement, Lime and Plaster	1.645	120.9	121.9	124.7	125.1	124.9

No. 21: Wholesale Price Index (Contd.)

(Base: 2011-12 = 100)

Commodities	Weight	2020-21	2020	2021		
			Jun.	Apr.	May (P)	Jun. (P)
1.3.13.6 Articles of Concrete, Cement and Plaster	0.292	125.3	127.1	128.2	128.4	129.0
1.3.13.7 Cutting, Shaping and Finishing of Stone	0.234	121.1	120.9	122.9	122.5	123.4
1.3.13.8 Other Non-Metallic Mineral Products	0.169	78.9	77.6	78.9	78.9	81.5
1.3.14 MANUFACTURE OF BASIC METALS	**9.646**	**111.4**	**103.8**	**128.6**	**131.8**	**133.8**
1.3.14.1 Inputs into steel making	1.411	109.2	97.0	133.6	138.0	137.7
1.3.14.2 Metallic Iron	0.653	113.3	101.3	135.5	136.6	137.5
1.3.14.3 Mild Steel - Semi Finished Steel	1.274	99.8	94.4	113.0	116.7	116.7
1.3.14.4 Mild Steel -Long Products	1.081	112.0	104.8	127.6	129.2	131.2
1.3.14.5 Mild Steel - Flat products	1.144	117.2	106.5	142.8	154.1	154.8
1.3.14.6 Alloy steel other than Stainless Steel- Shapes	0.067	108.3	102.3	127.7	128.0	127.6
1.3.14.7 Stainless Steel - Semi Finished	0.924	108.7	101.3	131.0	126.8	135.5
1.3.14.8 Pipes & tubes	0.205	127.9	120.9	140.4	141.8	150.0
1.3.14.9 Non-ferrous metals incl. precious metals	1.693	112.3	105.1	125.9	130.8	131.9
1.3.14.10 Castings	0.925	109.1	107.6	113.3	115.2	118.0
1.3.14.11 Forgings of steel	0.271	145.7	147.5	155.3	148.8	155.6
1.3.15 MANUFACTURE OF FABRICATED METAL PRODUCTS, EXCEPT MACHINERY AND EQUIPMENT	**3.155**	**115.9**	**113.8**	**122.6**	**124.7**	**126.3**
1.3.15.1 Structural Metal Products	1.031	114.1	112.0	120.6	121.5	122.7
1.3.15.2 Tanks, Reservoirs and Containers of Metal	0.660	127.8	123.3	139.4	145.6	147.7
1.3.15.3 Steam generators, Except Central Heating Hot Water Boilers	0.145	98.9	99.0	96.8	96.8	96.8
1.3.15.4 Forging, Pressing, Stamping and Roll-Forming of Metal; Powder Metallurgy	0.383	96.7	96.1	100.9	101.6	105.6
1.3.15.5 Cutlery, Hand Tools and General Hardware	0.208	102.9	100.8	106.7	106.9	106.4
1.3.15.6 Other Fabricated Metal Products	0.728	125.0	123.6	131.3	132.9	134.3
1.3.16 MANUFACTURE OF COMPUTER, ELECTRONIC AND OPTICAL PRODUCTS	**2.009**	**109.8**	**109.9**	**111.6**	**112.1**	**112.1**
1.3.16.1 Electronic Components	0.402	99.1	96.7	102.2	102.9	100.8
1.3.16.2 Computers and Peripheral Equipment	0.336	134.8	135.1	134.6	134.8	135.5
1.3.16.3 Communication Equipment	0.310	114.9	115.4	116.3	116.6	120.7
1.3.16.4 Consumer Electronics	0.641	98.5	99.5	101.8	102.6	101.4
1.3.16.5 Measuring, Testing, Navigating and Control equipment	0.181	107.7	109.2	107.0	107.0	107.0
1.3.16.6 Watches and Clocks	0.076	141.8	142.0	142.8	141.9	142.4
1.3.16.7 Irradiation, Electromedical and Electrotherapeutic equipment	0.055	102.8	102.0	103.5	103.5	106.5
1.3.16.8 Optical instruments and Photographic equipment	0.008	102.7	112.1	95.8	95.8	98.6
1.3.17 MANUFACTURE OF ELECTRICAL EQUIPMENT	**2.930**	**113.6**	**112.0**	**118.6**	**119.4**	**119.3**
1.3.17.1 Electric motors, Generators, Transformers and Electricity distribution and Control apparatus	1.298	113.2	112.2	117.6	118.5	116.9
1.3.17.2 Batteries and Accumulators	0.236	117.1	118.1	116.5	117.2	117.3
1.3.17.3 Fibre optic cables for data transmission or live transmission of images	0.133	98.1	96.9	102.2	102.3	101.1
1.3.17.4 Other electronic and Electric wires and Cables	0.428	115.9	109.5	130.4	132.8	134.9
1.3.17.5 Wiring devices, Electric lighting & display equipment	0.263	111.1	110.4	112.4	112.8	113.2
1.3.17.6 Domestic appliances	0.366	119.7	117.8	124.6	124.3	125.3
1.3.17.7 Other electrical equipment	0.206	109.5	109.9	110.2	109.9	113.6
1.3.18 MANUFACTURE OF MACHINERY AND EQUIPMENT	**4.789**	**114.0**	**112.7**	**116.7**	**117.0**	**117.7**
1.3.18.1 Engines and Turbines, Except aircraft, Vehicle and Two wheeler engines	0.638	106.3	104.0	112.7	113.7	115.5
1.3.18.2 Fluid power equipment	0.162	119.4	117.0	120.3	120.3	120.5
1.3.18.3 Other pumps, Compressors, Taps and Valves	0.552	111.6	111.1	114.2	114.4	113.7
1.3.18.4 Bearings, Gears, Gearing and Driving elements	0.340	111.8	110.3	114.4	114.0	115.4
1.3.18.5 Ovens, Furnaces and Furnace burners	0.008	80.2	81.3	72.1	72.3	72.3
1.3.18.6 Lifting and Handling equipment	0.285	113.4	110.9	115.2	116.4	116.4

No. 21: Wholesale Price Index (Concld.)

(Base: 2011-12 = 100)

Commodities	Weight	2020-21	2020	2021		
			Jun.	Apr.	May (P)	Jun. (P)
1.3.18.7 Office machinery and Equipment	0.006	130.2	130.2	130.2	130.2	130.2
1.3.18.8 Other general-purpose machinery	0.437	128.7	127.9	131.1	131.0	131.8
1.3.18.9 Agricultural and Forestry machinery	0.833	121.6	120.6	122.9	123.4	124.6
1.3.18.10 Metal-forming machinery and Machine tools	0.224	108.4	108.2	109.7	109.4	110.1
1.3.18.11 Machinery for mining, Quarrying and Construction	0.371	75.7	75.1	76.8	76.6	76.7
1.3.18.12 Machinery for food, Beverage and Tobacco processing	0.228	128.0	125.6	128.3	128.4	130.1
1.3.18.13 Machinery for textile, Apparel and Leather production	0.192	121.9	122.7	126.0	125.9	124.8
1.3.18.14 Other special-purpose machinery	0.468	128.7	126.1	132.5	133.5	134.0
1.3.18.15 Renewable electricity generating equipment	0.046	65.2	64.6	66.4	66.5	66.2
1.3.19 MANUFACTURE OF MOTOR VEHICLES, TRAILERS AND SEMI-TRAILERS	**4.969**	**117.8**	**117.0**	**119.1**	**120.5**	**119.6**
1.3.19.1 Motor vehicles	2.600	119.4	117.9	119.8	121.7	119.6
1.3.19.2 Parts and Accessories for motor vehicles	2.368	116.1	116.0	118.4	119.1	119.7
1.3.20 MANUFACTURE OF OTHER TRANSPORT EQUIPMENT	**1.648**	**126.2**	**124.5**	**128.8**	**129.9**	**129.9**
1.3.20.1 Building of ships and Floating structures	0.117	158.8	158.8	158.8	158.9	158.8
1.3.20.2 Railway locomotives and Rolling stock	0.110	105.0	106.3	104.1	104.1	103.8
1.3.20.3 Motor cycles	1.302	124.7	122.6	127.5	129.0	128.9
1.3.20.4 Bicycles and Invalid carriages	0.117	130.3	128.5	135.2	135.3	136.3
1.3.20.5 Other transport equipment	0.002	128.5	127.2	132.7	133.5	132.4
1.3.21 MANUFACTURE OF FURNITURE	**0.727**	**133.2**	**128.3**	**145.8**	**146.9**	**147.5**
1.3.21.1 Furniture	0.727	133.2	128.3	145.8	146.9	147.5
1.3.22 OTHER MANUFACTURING	**1.064**	**132.4**	**127.8**	**133.9**	**138.4**	**138.4**
1.3.22.1 Jewellery and Related articles	0.996	130.5	125.7	131.9	136.7	136.7
1.3.22.2 Musical instruments	0.001	173.7	172.7	196.9	200.4	195.3
1.3.22.3 Sports goods	0.012	132.0	130.9	135.9	135.9	136.9
1.3.22.4 Games and Toys	0.005	142.4	141.2	146.6	147.6	146.8
1.3.22.5 Medical and Dental instruments and Supplies	0.049	167.4	167.2	169.8	170.7	170.7
2 FOOD INDEX	**24.378**	**153.4**	**148.7**	**158.8**	**158.6**	**158.6**

Source: Office of the Economic Adviser, Ministry of Commerce and Industry, Government of India.

No. 22: Index of Industrial Production (Base:2011-12=100)

Industry	Weight	2019-20	2020-21	April-May		May	
				2020-21	2021-22	2020	2021
	1	2	3	4	5	6	7
General Index	100.00	129.0	118.1	72.1	121.7	90.2	116.6
1 Sectoral Classification							
1.1 Mining	14.37	109.6	101.0	83.2	107.7	87.6	108.0
1.2 Manufacturing	77.63	129.6	117.2	63.3	119.5	84.4	113.5
1.3 Electricity	7.99	158.4	157.6	138.1	168.0	150.6	161.9
2 Use-Based Classification							
2.1 Primary Goods	34.05	127.0	118.1	99.2	124.6	106.0	122.7
2.2 Capital Goods	8.22	93.3	75.7	21.2	72.8	35.4	65.6
2.3 Intermediate Goods	17.22	137.7	124.7	64.2	134.6	83.7	129.9
2.4 Infrastructure/ Construction Goods	12.34	136.6	124.7	54.4	135.6	88.4	129.8
2.5 Consumer Durables	12.84	119.0	100.9	22.6	93.8	39.7	78.7
2.6 Consumer Non-Durables	15.33	145.3	142.4	104.0	139.1	135.3	136.4

Source : National Statistical Office, Ministry of Statistics and Programme Implementation, Government of India.

Government Accounts and Treasury Bills

No. 23: Union Government Accounts at a Glance

(₹ Crore)

Item	Financial Year	April - June			
	2021-22 (Budget Estimates)	2021-22 (Actuals)	2020-21 (Actuals)	Percentage to Budget Estimates	
				2021-22	2020-21
	1	2	3	4	5
1 Revenue Receipts	**1788424**	**539997**	**150008**	**30.2**	**7.4**
1.1 Tax Revenue (Net)	1545396	412680	134822	26.7	8.2
1.2 Non-Tax Revenue	243028	127317	15186	52.4	3.9
2 Non-Debt Capital Receipt	**188000**	**7402**	**3573**	**3.9**	**1.6**
2.1 Recovery of Loans	13000	3406	3573	26.2	23.9
2.2 Other Receipts	175000	3996	0	2.3	0.0
3 Total Receipts (excluding borrowings) (1+2)	**1976424**	**547399**	**153581**	**27.7**	**6.8**
4 Revenue Expenditure	2929000	710148	727671	24.2	27.7
4.1 Interest Payments	809701	184295	160493	22.8	22.7
5 Capital Expenditure	554236	111496	88273	20.1	21.4
6 Total Expenditure (4+5)	**3483236**	**821644**	**815944**	**23.6**	**26.8**
7 Revenue Deficit (4-1)	**1140576**	**170151**	**577663**	**14.9**	**94.8**
8 Fiscal Deficit (6-3)	**1506812**	**274245**	**662363**	**18.2**	**83.2**
9 Gross Primary Deficit (8-4.1)	**697111**	**89950**	**501870**	**12.9**	**569.4**

Source: Controller General of Accounts (CGA), Ministry of Finance, Government of India and Union Budget 2021-22.

No. 24: Treasury Bills – Ownership Pattern

(₹ Crore)

Item	2020-21	2020	2021					
		Jun. 26	May 21	May 28	Jun. 4	Jun. 11	Jun. 18	Jun. 25
	1	2	3	4	5	6	7	8
1 91-day								
1.1 Banks	5676	37408	8232	8922	8688	9451	10621	10543
1.2 Primary Dealers	16740	15861	28086	32090	32454	33516	31659	34544
1.3 State Governments	13347	13097	32220	34870	35800	39050	38982	41982
1.4 Others	52802	138769	114276	121465	131929	140761	152759	160981
2 182-day								
2.1 Banks	67473	127626	111574	116696	120899	123567	126805	127372
2.2 Primary Dealers	30966	50405	48301	48862	51679	52864	57658	58473
2.3 State Governments	9436	12805	9839	9839	11839	11839	11839	11839
2.4 Others	31800	97950	64548	71404	75993	85005	88710	99532
3 364-day								
3.1 Banks	119024	102736	132490	136542	135805	135466	138673	134123
3.2 Primary Dealers	154197	71661	152922	152729	148537	140143	134335	135126
3.3 State Governments	18510	12395	18875	18725	17973	17973	17983	17983
3.4 Others	174501	131078	121458	109770	106965	107655	102239	97843
4 14-day Intermediate								
4.1 Banks								
4.2 Primary Dealers								
4.3 State Governments	220351	153167	156220	158373	106109	76668	84391	124998
4.4 Others	747	440	1218	657	1064	2063	1114	685
Total Treasury Bills (Excluding 14 day Intermediate T Bills) #	694471	811790	842820	861914	878561	897290	912261	930341

14D intermediate T-Bills are non-marketable unlike 91D, 182D and 364D T-Bills. These bills are 'intermediate' by nature as these are liquidated to replenish shortfall in the daily minimum cash balances of State Governments

No. 25: Auctions of Treasury Bills

(Amount in ₹ Crore)

Date of Auction	Notified Amount	Bids Received			Bids Accepted			Total Issue (6+7)	Cut-off Price	Implicit Yield at Cut-off Price (per cent)
		Number	Total Face Value		Number	Total Face Value				
			Competitive	Non-Competitive		Competitive	Non-Competitive			
	1	2	3	4	5	6	7	8	9	10
91-day Treasury Bills										
2021-22										
Jun. 2	15000	98	35214	5761	58	14994	5761	20755	99.16	3.4125
Jun. 9	15000	106	44462	4252	42	14998	4252	19250	99.16	3.4035
Jun. 16	15000	83	33213	5502	57	14998	5502	20500	99.14	3.4692
Jun. 23	15000	130	42296	4514	60	14986	4514	19500	99.14	3.4679
Jun. 30	15000	110	51656	2001	41	14999	2001	17000	99.15	3.4443
182-day Treasury Bills										
2021-22										
Jun. 2	15000	106	29313	2008	83	14992	2008	17000	98.21	3.6488
Jun. 9	15000	163	41325	3	72	14997	3	15000	98.22	3.6399
Jun. 16	15000	129	41468	10	78	14990	10	15000	98.19	3.6969
Jun. 23	15000	173	47596	3	77	14997	3	15000	98.18	3.7189
Jun. 30	15000	182	44896	894	70	14993	894	15888	98.18	3.7200
364-day Treasury Bills										
2021-22										
Jun. 2	6000	72	20950	73	29	6000	73	6073	96.40	3.7426
Jun. 9	6000	75	20735	1	35	5999	1	6000	96.39	3.7595
Jun. 16	6000	73	14652	0	52	6000	0	6000	96.30	3.8526
Jun. 23	6000	122	23026	0	31	6000	0	6000	96.27	3.8851
Jun. 30	6000	98	25631	0	28	6000	0	6000	96.27	3.8898

Financial Markets

No. 26: Daily Call Money Rates

(Per cent per annum)

As on	Range of Rates	Weighted Average Rates
	Borrowings/ Lendings	Borrowings/ Lendings
	1	2
June 1, 2021	1.90-3.50	3.12
June 2, 2021	1.90-3.45	3.12
June 3, 2021	1.90-3.40	3.08
June 4, 2021	1.90-3.65	3.13
June 5, 2021	2.60-3.70	3.06
June 7, 2021	1.90-3.40	3.14
June 8, 2021	1.90-3.40	3.09
June 9, 2021	1.90-3.40	3.13
June 10, 2021	1.90-3.40	3.08
June 11, 2021	1.90-3.40	3.09
June 14, 2021	1.90-3.40	3.13
June 15, 2021	1.90-3.45	3.14
June 16, 2021	1.90-3.45	3.20
June 17, 2021	1.90-3.45	3.15
June 18, 2021	1.90-3.45	3.17
June 19, 2021	2.60-3.35	2.87
June 21, 2021	1.90-3.45	3.17
June 22, 2021	1.90-3.45	3.13
June 23, 2021	1.90-3.50	3.17
June 24, 2021	1.90-3.45	3.16
June 25, 2021	1.90-3.47	3.16
June 28, 2021	1.90-3.40	3.14
June 29, 2021	1.90-3.40	3.14
June 30, 2021	1.90-3.50	3.15
July 1, 2021	1.90-3.40	3.12
July 2, 2021	1.90-3.40	3.11
July 3, 2021	2.70-3.30	2.90
July 5, 2021	1.90-3.40	3.15
July 6, 2021	1.90-3.40	3.11
July 7, 2021	1.90-3.40	3.13
July 8, 2021	1.90-3.40	3.17
July 9, 2021	1.90-3.40	3.17
July 12, 2021	1.90-3.40	3.20
July 13, 2021	1.90-3.40	3.18
July 14, 2021	1.90-3.40	3.21
July 15, 2021	1.90-3.40	3.19

Note: Includes Notice Money.

No. 27: Certificates of Deposit

Item	2020	2021			
	Jun. 19	May 7	May 21	Jun. 4	Jun. 18
	1	2	3	4	5
1 Amount Outstanding (₹ Crore)	121465.00	87177.58	90349.28	78308.17	68209.42
1.1 Issued during the fortnight (₹ Crore)	5500.59	5276.72	5836.60	7547.33	6209.13
2 Rate of Interest (per cent)	3.92-5.08	3.57-4.21	3.43-4.01	3.47-4.69	3.44-4.11

No. 28: Commercial Paper

Item	2020	2021			
	Jun. 30	May 15	May 31	Jun. 15	Jun. 30
	1	2	3	4	5
1 Amount Outstanding (₹ Crore)	391482.30	404445.55	388707.25	404804.90	376117.85
1.1 Reported during the fortnight (₹ Crore)	56270.85	66560.60	61593.90	73440.40	97928.00
2 Rate of Interest (per cent)	3.18-13.35	3.19-11.69	3.36-12.87	3.36-11.32	3.43-13.03

No. 29: Average Daily Turnover in Select Financial Markets

(₹ Crore)

Item	2020-21	2020	2021					
		Jun. 26	May 21	May 28	Jun. 4	Jun. 11	Jun. 18	Jun. 25
	1	2	3	4	5	6	7	8
1 Call Money	17461	18541	17255	16285	12369	12680	13526	13148
2 Notice Money	2604	478	669	5913	3431	681	4513	1009
3 Term Money	757	690	731	807	571	611	708	568
4 Triparty Repo	421118	379722	450852	526894	432505	425896	491460	476714
5 Market Repo	337341	301952	371296	458253	379151	360174	433580	329177
6 Repo in Corporate Bond	2990	1764	9574	12063	13358	5616	7078	8737
7 Forex (US $ million)	67793	56068	61322	88420	73563	59838	63446	73797
8 Govt. of India Dated Securities	62490	60318	45821	52981	39397	58194	48523	43103
9 State Govt. Securities	5080	7861	7189	4165	7411	4507	7912	6446
10 Treasury Bills								
10.1 91-Day	4970	7991	6547	8193	6826	7104	8658	8852
10.2 182-Day	4870	3242	2683	4315	3610	2004	3490	3881
10.3 364-Day	4010	2589	2994	2314	4088	3439	3877	2396
10.4 Cash Management Bills	1490	1375						
11 Total Govt. Securities (8+9+10)	82910	83375	65235	71968	61333	75248	72459	64678
11.1 RBI	–	371	7037	1014	610	175	8120	145

No. 30: New Capital Issues By Non-Government Public Limited Companies

(Amount in ₹ Crore)

Security & Type of Issue	2020-21		2020-21 (Apr.-Jun.)		2021-22 (Apr.-Jun.) *		Jun. 2020		Jun. 2021 *	
	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount
	1	2	3	4	5	6	7	8	9	10
1 Equity Shares	**74**	**102062**	**5**	**53141**	**22**	**12864**	**2**	**53127**	**10**	**9550**
1A Premium	73	97648	5	52710	21	12449	2	52703	10	9223
1.1 Public	53	38004	4	16	16	12179	1	2	8	9146
1.1.1 Premium	53	34848	4	9	16	11844	1	2	8	8881
1.2 Rights	21	64059	1	53124	6	685	1	53124	2	404
1.2.1 Premium	20	62800	1	52702	5	605	1	52702	2	342
2 Preference Shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2.1 Public	–	–	–	–	–	–	–	–	–	–
2.2 Rights	–	–	–	–	–	–	–	–	–	–
3 Bonds & Debentures	**16**	**5806**	**4**	**722**	**6**	**3450**	**2**	**322**	**–**	**–**
3.1 Convertible	–	–	–	–	–	–	–	–	–	–
3.1.1 Public	–	–	–	–	–	–	–	–	–	–
3.1.2 Rights	–	–	–	–	–	–	–	–	–	–
3.2 Non-Convertible	16	5806	4	722	6	3450	2	322	–	–
3.2.1 Public	16	5806	4	722	6	3450	2	322	–	–
3.2.2 Rights	–	–	–	–	–	–	–	–	–	–
4 Total(1+2+3)	**90**	**107868**	**9**	**53862**	**28**	**16314**	**4**	**53449**	**10**	**9550**
4.1 Public	69	43809	8	738	22	15629	3	325	8	9146
4.2 Rights	21	64059	1	53124	6	685	1	53124	2	404

Note : 1.Since April 2020, monthly data on equity issues is compiled on the basis of their listing date.
2.Figures in the columns might not add up to the total due to rounding of numbers.

Source : Securities and Exchange Board of India.

* : Data is Provisional

External Sector

No. 31: Foreign Trade

Item	Unit	2020-21	2020	2021				
			Jun.	Feb.	Mar.	Apr.	May	Jun.
		1	2	3	4	5	6	7
1 Exports	₹ Crore	2154339	165899	200883	252670	228491	236426	239047
	US $ Million	291164	21908	27610	34711	30681	32269	32498
1.1 Oil	₹ Crore	190749	14143	17933	26199	26996	39058	29588
	US $ Million	25784	1868	2465	3599	3625	5331	4022
1.2 Non-oil	₹ Crore	1963591	151756	182950	226471	201495	197368	209459
	US $ Million	265379	20040	25145	31112	27056	26938	28475
2 Imports	₹ Crore	2909937	159892	295004	352365	340499	282454	308002
	US $ Million	393611	21114	40547	48407	45722	38551	41872
2.1 Oil	₹ Crore	611353	37342	65710	74768	80961	69255	78532
	US $ Million	82684	4931	9031	10271	10871	9452	10676
2.2 Non-oil	₹ Crore	2298584	122551	229295	277597	259538	213198	229470
	US $ Million	310927	16183	31515	38135	34850	29099	31196
3 Trade Balance	₹ Crore	-755597	6006	-94121	-99695	-112008	-46027	-68955
	US $ Million	-102447	793	-12936	-13696	-15040	-6282	-9374
3.1 Oil	₹ Crore	-420605	-23199	-47776	-48569	-53965	-30197	-48944
	US $ Million	-56900	-3063	-6567	-6672	-7246	-4121	-6654
3.2 Non-oil	₹ Crore	-334993	29205	-46345	-51126	-58043	-15830	-20011
	US $ Million	-45547	3857	-6370	-7024	-7794	-2161	-2720

Source: DGCI&S and Ministry of Commerce & Industry.

No. 32: Foreign Exchange Reserves

Item	Unit	2020	2021					
		Jul. 24	Jun. 18	Jun. 25	Jul. 2	Jul. 9	Jul. 16	Jul. 23
		1	2	3	4	5	6	7
1 Total Reserves	**₹ Crore**	**3910859**	**4464016**	**4519253**	**4559356**	**4566920**	**4572099**	**4549373**
	US $ Million	**522630**	**603933**	**608999**	**610012**	**611895**	**612730**	**611149**
1.1 Foreign Currency Assets	₹ Crore	3595444	4150552	4201958	4237769	4241429	4243914	4225412
	US $ Million	480482	561540	566240	566988	568285	568748	567628
1.2 Gold	₹ Crore	270134	265576	269344	271850	275820	278573	274565
	US $ Million	36100	35931	36296	36372	36956	37333	36884
	Volume (Metric Tonnes)	664.21	698.11	702.78	705.58	706.51	707.44	708.38
1.3 SDRs	SDRs Million	1048	1049	1049	1087	1087	1087	1087
	₹ Crore	10953	11078	11119	11568	11550	11554	11506
	US $ Million	1464	1499	1498	1548	1547	1548	1546
1.4 Reserve Tranche Position in IMF	₹ Crore	34328	36809	36832	38169	38122	38058	37891
	US $ Million	4585	4965	4965	5105	5107	5100	5091

* Difference,if any, is due to rounding off.

No. 33: NRI Deposits

(US$ Million)

Scheme	Outstanding				Flows	
	2020-21	2020	2021		2020-21	2021-22
		Jun.	May	Jun.	Apr.-Jun.	Apr.-Jun.
	1	2	3	4	5	6
1 NRI Deposits	**141895**	**132719**	**144288**	**141160**	**3000**	**3138**
1.1 FCNR(B)	20473	22458	19876	19623	-1786	-850
1.2 NR(E)RA	102579	94079	105245	102643	4442	3333
1.3 NRO	18842	16182	19166	18894	344	655

No. 34: Foreign Investment Inflows

(US$ Million)

Item	2020-21	2020-21	2021-22	2020	2021	
		Apr.-Jun.	Apr.-Jun.	Jun.	May	Jun.
	1	2	3	4	5	6
1.1 Net Foreign Direct Investment (1.1.1–1.1.2)	**43955**	**-528**	**11362**	**-914**	**9040**	**-513**
1.1.1 Direct Investment to India (1.1.1.1–1. 1.1.2)	**54927**	**2105**	**16617**	**64**	**10547**	**1398**
1.1.1.1 Gross Inflows/Gross Investments	**81973**	**11840**	**22525**	**3309**	**12128**	**4173**
1.1.1.1.1 Equity	61088	6897	17902	1661	10574	2777
1.1.1.1.1.1 Government (SIA/FIPB)	948	97	110	4	69	39
1.1.1.1.1.2 RBI	51597	5661	10610	1408	4318	2088
1.1.1.1.1.3 Acquisition of shares	7091	804	6847	138	6076	538
1.1.1.1.1.4 Equity capital of unincorporated bodies	1452	335	335	112	112	112
1.1.1.1.2 Reinvested earnings	16935	3908	3908	1303	1303	1303
1.1.1.1.3 Other capital	3950	1035	715	345	252	93
1.1.1.2 Repatriation/Disinvestment	**27046**	**9735**	**5908**	**3245**	**1582**	**2775**
1.1.1.2.1 Equity	26983	9725	5816	3242	1540	2739
1.1.1.2.2 Other capital	63	10	92	3	41	35
1.1.2 Foreign Direct Investment by India (1.1.2.1+1.1.2.2+1.1.2.3–1.1.2.4)	**10972**	**2633**	**5255**	**979**	**1506**	**1911**
1.1.2.1 Equity capital	5583	1235	2310	529	1132	570
1.1.2.2 Reinvested Earnings	3013	753	753	251	251	251
1.1.2.3 Other Capital	6688	789	2675	246	240	1280
1.1.2.4 Repatriation/Disinvestment	4313	144	483	48	117	190
1.2 Net Portfolio Investment (1.2.1+1.2.2+1.2.3–1.2.4)	**36137**	**642**	**-1067**	**3174**	**447**	**465**
1.2.1 GDRs/ADRs	–	–	–	–	–	–
1.2.2 FIIs	38725	1098	159	3326	904	995
1.2.3 Offshore funds and others	–	–	–	–	–	–
1.2.4 Portfolio investment by India	2589	456	1226	152	458	530
1 Foreign Investment Inflows	**80092**	**114**	**10295**	**2260**	**9487**	**-48**

No. 35: Outward Remittances under the Liberalised Remittance Scheme (LRS) for Resident Individuals

(US$ Million)

Item	2020-21	2020	2021		
		Jun.	Apr.	May	Jun.
	1	2	3	4	5
1 Outward Remittances under the LRS	**12684.40**	**780.67**	**1188.18**	**1250.24**	**1232.22**
1.1 Deposit	680.37	44.53	75.78	68.20	64.32
1.2 Purchase of immovable property	62.75	3.64	9.19	7.85	10.02
1.3 Investment in equity/debt	471.80	34.16	51.78	52.19	66.91
1.4 Gift	1586.24	108.81	161.56	149.38	178.21
1.5 Donations	12.59	0.82	0.72	1.95	1.59
1.6 Travel	3239.67	195.11	284.76	294.02	277.65
1.7 Maintenance of close relatives	2680.10	185.33	240.74	237.27	241.57
1.8 Medical Treatment	29.75	3.07	2.16	2.57	2.52
1.9 Studies Abroad	3836.12	198.82	353.49	429.73	380.23
1.10 Others	85.03	6.38	8.00	7.07	9.20

No. 36: Indices of Nominal Effective Exchange Rate (NEER) and Real Effective Exchange Rate (REER) of the Indian Rupee

Item	2019-20	2020-21	2020	2021	
			July	June	July
	1	2	3	4	5
40-Currency Basket (Base: 2015-16=100)					
1 Trade-weighted					
1.1 NEER	98.00	93.92	93.68	93.61	93.21
1.2 REER	103.20	103.46	103.17	104.36	104.30
2 Export-weighted					
2.1 NEER	97.38	93.59	93.29	93.20	92.76
2.2 REER	102.88	102.96	102.54	103.61	103.62
6-Currency Basket (Trade-weighted)					
1 Base: 2015-16 = 100					
1.1 NEER	94.92	88.47	89.00	87.03	86.62
1.2 REER	103.60	101.78	102.16	101.78	102.09
2 Base: 2018-19 = 100					
2.1 NEER	100.78	93.93	94.49	92.40	91.97
2.2 REER	103.30	101.49	101.87	101.49	101.80

No. 37: External Commercial Borrowings (ECBs) – Registrations

(Amount in US$ Million)

Item	2020-21	2020	2021	
		Jun.	May	Jun.
	1	2	3	4
1 Automatic Route				
1.1 Number	1063	105	60	87
1.2 Amount	26799	852	738	1485
2 Approval Route				
2.1 Number	13	1	-	-
2.2 Amount	8456	170	-	-
3 Total (1+2)				
3.1 Number	1076	106	60	87
3.2 Amount	35255	1022	738	1485
4 Weighted Average Maturity (in years)	6.03	5.11	6.41	5.12
5 Interest Rate (per cent)				
5.1 Weighted Average Margin over 6-month LIBOR or reference rate for Floating Rate Loans	1.93	2.44	1.86	1.75
5.2 Interest rate range for Fixed Rate Loans	0.00-13.00	0.00-10.00	0.00-8.80	0.00-10.25

No. 38: India's Overall Balance of Payments

(US $ Million)

Item	Jan-Mar 2020			Jan-Mar 2021(P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
Overall Balance of Payments(1+2+3)	**334313**	**315519**	**18794**	**336072**	**332683**	**3389**
1 CURRENT ACCOUNT (1.1+ 1.2)	**157116**	**156558**	**558**	**173382**	**181543**	**-8161**
1.1 MERCHANDISE	**76527**	**111569**	**-35042**	**91281**	**133025**	**-41745**
1.2 INVISIBLES (1.2.1+1.2.2+1.2.3)	**80590**	**44990**	**35600**	**82101**	**48518**	**33583**
1.2.1 Services	53060	31033	22027	56004	32520	23485
1.2.1.1 Travel	6860	4208	2652	2308	3141	-834
1.2.1.2 Transportation	5016	5761	-745	6080	5633	446
1.2.1.3 Insurance	623	426	198	647	566	82
1.2.1.4 G.n.i.e.	182	284	-102	159	241	-82
1.2.1.5 Miscellaneous	40378	20354	20024	46811	22938	23873
1.2.1.5.1 Software Services	23285	2159	21125	26802	3327	23475
1.2.1.5.2 Business Services	11474	11928	-454	13324	12847	478
1.2.1.5.3 Financial Services	1024	1256	-232	1258	1402	-145
1.2.1.5.4 Communication Services	631	350	281	696	399	297
1.2.2 Transfers	20579	2179	18400	20927	2085	18842
1.2.2.1 Official	26	299	-273	18	285	-267
1.2.2.2 Private	20553	1880	18673	20909	1801	19108
1.2.3 Income	6950	11778	-4827	5170	13913	-8743
1.2.3.1 Investment Income	5523	11079	-5557	3517	13192	-9675
1.2.3.2 Compensation of Employees	1428	698	729	1653	721	932
2 CAPITAL ACCOUNT (2.1+2.2+2.3+2.4+2.5)	**176311**	**158960**	**17350**	**162690**	**150429**	**12261**
2.1 Foreign Investment (2.1.1+2.1.2)	**99638**	**101420**	**-1782**	**108195**	**98236**	**9959**
2.1.1 Foreign Direct Investment	20871	8908	11963	15393	12714	2679
2.1.1.1 In India	19255	4070	15185	13679	7928	5750
2.1.1.1.1 Equity	13923	4062	9861	8553	7894	659
2.1.1.1.2 Reinvested Earnings	3772		3772	4519		4519
2.1.1.1.3 Other Capital	1560	8	1552	607	34	573
2.1.1.2 Abroad	1616	4838	-3222	1714	4786	-3072
2.1.1.2.1 Equity	1616	2107	-491	1714	1197	517
2.1.1.2.2 Reinvested Earnings	0	788	-788	0	753	-753
2.1.1.2.3 Other Capital	0	1943	-1943	0	2835	-2835
2.1.2 Portfolio Investment	78767	92511	-13745	92802	85522	7280
2.1.2.1 In India	76983	91726	-14743	92500	84310	8190
2.1.2.1.1 FIIs	76983	91726	-14743	92500	84310	8190
2.1.2.1.1.1 Equity	60171	66381	-6209	81440	73679	7761
2.1.2.1.1.2 Debt	16812	25345	-8534	11059	10631	428
2.1.2.1.2 ADR/GDRs	0		0	0	0	0
2.1.2.2 Abroad	1783	785	998	303	1212	-909
2.2 Loans (2.2.1+2.2.2+2.2.3)	**27444**	**17526**	**9918**	**26446**	**18725**	**7721**
2.2.1 External Assistance	2000	1420	580	5380	1387	3993
2.2.1.1 By India	2	28	-26	10	21	-11
2.2.1.2 To India	1998	1392	606	5370	1366	4004
2.2.2 Commercial Borrowings	16368	6030	10338	11834	5759	6075
2.2.2.1 By India	1983	1053	930	683	745	-63
2.2.2.2 To India	14385	4977	9408	11152	5014	6138
2.2.3 Short Term to India	9077	10076	-1000	9232	11578	-2346
2.2.3.1 Buyers' credit & Suppliers' Credit >180 days	9077	9725	-649	8067	11578	-3511
2.2.3.2 Suppliers' Credit up to 180 days	0	351	-351	1165	0	1165
2.3 Banking Capital (2.3.1+2.3.2)	**22109**	**26716**	**-4606**	**16733**	**21158**	**-4425**
2.3.1 Commercial Banks	21996	26716	-4719	16518	21158	-4640
2.3.1.1 Assets	4813	10222	-5409	4141	7973	-3832
2.3.1.2 Liabilities	17183	16493	690	12377	13185	-808
2.3.1.2.1 Non-Resident Deposits	16844	14079	2765	11350	11889	-539
2.3.2 Others	113	0	113	215	0	215
2.4 Rupee Debt Service		7	-7		7	-7
2.5 Other Capital	27119	13292	13827	11315	12302	-987
3 Errors & Omissions	**886**		**886**		**711**	**-711**
4 Monetary Movements (4.1+ 4.2)	0	**18794**	**-18794**	0	**3389**	**-3389**
4.1 I.M.F.				0	0	0
4.2 Foreign Exchange Reserves (Increase - / Decrease +)	0	18794	-18794	0	3389	-3389

Note : P : Preliminary

No. 39: India's Overall Balance of Payments

(₹ Crore)

Item	Jan-Mar 2020			Jan-Mar 2021(P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
Overall Balance of Payments(1+2+3)	**2419902**	**2283860**	**136042**	**2449502**	**2424800**	**24702**
1 CURRENT ACCOUNT (1.1+ 1.2)	**1137275**	**1133238**	**4037**	**1263718**	**1323202**	**-59484**
1.1 MERCHANDISE	**553933**	**807581**	**-253649**	**665312**	**969572**	**-304260**
1.2 INVISIBLES (1.2.1+1.2.2+1.2.3)	**583342**	**325657**	**257686**	**598406**	**353629**	**244776**
1.2.1 Services	384069	224629	159441	408194	237025	171170
1.2.1.1 Travel	49657	30461	19197	16819	22896	-6077
1.2.1.2 Transportation	36311	41701	-5390	44312	41058	3254
1.2.1.3 Insurance	4512	3081	1430	4719	4125	594
1.2.1.4 G.n.i.e.	1316	2057	-741	1158	1759	-601
1.2.1.5 Miscellaneous	292273	147329	144944	341186	167187	173999
1.2.1.5.1 Software Services	168546	15631	152914	195350	24250	171099
1.2.1.5.2 Business Services	83051	86341	-3290	97117	93634	3484
1.2.1.5.3 Financial Services	7410	9092	-1682	9166	10220	-1054
1.2.1.5.4 Communication Services	4567	2532	2035	5073	2905	2168
1.2.2 Transfers	148962	15774	133188	152529	15199	137330
1.2.2.1 Official	189	2167	-1978	129	2074	-1945
1.2.2.2 Private	148773	13607	135166	152400	13125	139275
1.2.3 Income	50311	85253	-34942	37682	101406	-63724
1.2.3.1 Investment Income	39977	80198	-40221	25637	96153	-70517
1.2.3.2 Compensation of Employees	10333	5055	5278	12045	5252	6793
2 CAPITAL ACCOUNT (2.1+2.2+2.3+2.4+2.5)	**1276212**	**1150622**	**125590**	**1185784**	**1096418**	**89366**
2.1 Foreign Investment (2.1.1+2.1.2)	**721222**	**734119**	**-12897**	**788594**	**716008**	**72586**
2.1.1 Foreign Direct Investment	151075	64481	86594	112193	92670	19523
2.1.1.1 In India	139378	29459	109919	99699	57788	41911
2.1.1.1.1 Equity	100781	29401	71380	62338	57537	4801
2.1.1.1.2 Reinvested Earnings	27305	0	27305	32935	0	32935
2.1.1.1.3 Other Capital	11292	58	11234	4427	251	4176
2.1.1.2 Abroad	11697	35022	-23324	12493	34882	-22389
2.1.1.2.1 Equity	11697	15253	-3556	12493	8726	3767
2.1.1.2.2 Reinvested Earnings	0	5702	-5702	0	5490	-5490
2.1.1.2.3 Other Capital	0	14067	-14067	0	20666	-20666
2.1.2 Portfolio Investment	570147	669638	-99491	676402	623338	53063
2.1.2.1 In India	557238	663952	-106714	674196	614505	59691
2.1.2.1.1 FIIs	557238	663952	-106714	674196	614505	59691
2.1.2.1.1.1 Equity	435547	480491	-44945	593588	537019	56569
2.1.2.1.1.2 Debt	121691	183461	-61770	80608	77487	3122
2.1.2.1.2 ADR/GDRs	0	0	0	0	0	0
2.1.2.2 Abroad	12909	5686	7223	2206	8833	-6628
2.2 Loans (2.2.1+2.2.2+2.2.3)	**198653**	**126862**	**71791**	**192758**	**136479**	**56279**
2.2.1 External Assistance	14475	10277	4198	39212	10111	29101
2.2.1.1 By India	14	201	-187	71	153	-82
2.2.1.2 To India	14461	10076	4385	39141	9958	29183
2.2.2 Commercial Borrowings	118476	43648	74828	86255	41978	44276
2.2.2.1 By India	14351	7622	6729	4975	5433	-459
2.2.2.2 To India	104125	36026	68099	81280	36545	44735
2.2.3 Short Term to India	65702	72938	-7236	67291	84390	-17099
2.2.3.1 Buyers' credit & Suppliers' Credit >180 days	65702	70397	-4695	58799	84390	-25591
2.2.3.2 Suppliers' Credit up to 180 days	0	2541	-2541	8492	0	8492
2.3 Banking Capital (2.3.1+2.3.2)	**160037**	**193379**	**-33343**	**121962**	**154215**	**-32253**
2.3.1 Commercial Banks	159220	193379	-34160	120397	154215	-33818
2.3.1.1 Assets	34842	73992	-39151	30186	58112	-27927
2.3.1.2 Liabilities	124378	119387	4991	90211	96103	-5892
2.3.1.2.1 Non-Resident Deposits	121926	101911	20016	82726	86651	-3925
2.3.2 Others	817	0	817	1565	0	1565
2.4 Rupee Debt Service	0	50	-50	0	50	-50
2.5 Other Capital	196301	96212	100089	82471	89666	-7196
3 Errors & Omissions	**6415**	0	**6415**	0	**5180**	**-5180**
4 Monetary Movements (4.1+ 4.2)	0	**136042**	**-136042**	0	**24702**	**-24702**
4.1 I.M.F.	0	0	0	0	0	0
4.2 Foreign Exchange Reserves (Increase - / Decrease +)	0	136042	-136042	0	24702	-24702

Note : P: Preliminary

No. 40: Standard Presentation of BoP in India as per BPM6

(US $ Million)

Item	Jan-Mar 2020			Jan-Mar 2021(P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account (1.A+1.B+1.C)	**157116**	**156531**	**584**	**173382**	**181517**	**-8135**
1.A Goods and Services (1.A.a+1.A.b)	**129586**	**142601**	**-13015**	**147285**	**165545**	**-18260**
1.A.a Goods (1.A.a.1 to 1.A.a.3)	**76527**	**111569**	**-35042**	**91281**	**133025**	**-41745**
1.A.a.1 General merchandise on a BOP basis	75738	106394	-30656	89691	115206	-25515
1.A.a.2 Net exports of goods under merchanting	789	0	789	1590	0	1590
1.A.a.3 Nonmonetary gold	0	5175	-5175		17819	-17819
1.A.b Services (1.A.b.1 to 1.A.b.13)	**53060**	**31033**	**22027**	**56004**	**32520**	**23485**
1.A.b.1 Manufacturing services on physical inputs owned by others	66	8	58	102	6	96
1.A.b.2 Maintenance and repair services n.i.e.	41	309	-269	54	211	-157
1.A.b.3 Transport	5016	5761	-745	6080	5633	446
1.A.b.4 Travel	6860	4208	2652	2308	3141	-834
1.A.b.5 Construction	931	708	223	752	713	39
1.A.b.6 Insurance and pension services	623	426	198	647	566	82
1.A.b.7 Financial services	1024	1256	-232	1258	1402	-145
1.A.b.8 Charges for the use of intellectual property n.i.e.	182	1641	-1459	238	2107	-1868
1.A.b.9 Telecommunications, computer, and information services	23967	2638	21329	27574	3909	23665
1.A.b.10 Other business services	11474	11928	-454	13324	12847	478
1.A.b.11 Personal, cultural, and recreational services	588	819	-231	727	878	-150
1.A.b.12 Government goods and services n.i.e.	182	284	-102	159	241	-82
1.A.b.13 Others n.i.e.	2105	1046	1059	2781	865	1916
1.B Primary Income (1.B.1 to 1.B.3)	**6950**	**11778**	**-4827**	**5170**	**13913**	**-8743**
1.B.1 Compensation of employees	1428	698	729	1653	721	932
1.B.2 Investment income	4487	10921	-6434	2621	12952	-10331
1.B.2.1 Direct investment	2163	4654	-2491	1363	7837	-6474
1.B.2.2 Portfolio investment	88	2346	-2259	28	1633	-1605
1.B.2.3 Other investment	457	3910	-3452	122	3481	-3359
1.B.2.4 Reserve assets	1778	10	1768	1109	1	1107
1.B.3 Other primary income	1036	159	878	896	240	656
1.C Secondary Income (1.C.1+1.C.2)	**20579**	**2152**	**18427**	**20927**	**2058**	**18868**
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	20553	1880	18673	20909	1801	19108
1.C.1.1 Personal transfers (Current transfers between resident and/	20102	1358	18745	20224	1303	18920
1.C.1.2 Other current transfers	451	522	-71	686	497	188
1.C.2 General government	26	272	-247	17	258	-240
2 Capital Account (2.1+2.2)	**142**	**161**	**-19**	**191**	**230**	**-38**
2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets	9	40	-31	87	38	49
2.2 Capital transfers	133	121	12	104	191	-88
3 Financial Account (3.1 to 3.5)	**176169**	**177620**	**-1451**	**162499**	**153615**	**8884**
3.1 Direct Investment (3.1A+3.1B)	**20871**	**8908**	**11963**	**15393**	**12714**	**2679**
3.1.A Direct Investment in India	19255	4070	15185	13679	7928	5750
3.1.A.1 Equity and investment fund shares	17695	4062	13633	13071	7894	5177
3.1.A.1.1 Equity other than reinvestment of earnings	13923	4062	9861	8553	7894	659
3.1.A.1.2 Reinvestment of earnings	3772	0	3772	4519		4519
3.1.A.2 Debt instruments	1560	8	1552	607	34	573
3.1.A.2.1 Direct investor in direct investment enterprises	1560	8	1552	607	34	573
3.1.B Direct Investment by India	1616	4838	-3222	1714	4786	-3072
3.1.B.1 Equity and investment fund shares	1616	2895	-1279	1714	1950	-236
3.1.B.1.1 Equity other than reinvestment of earnings	1616	2107	-491	1714	1197	517
3.1.B.1.2 Reinvestment of earnings	0	788	-788		753	-753
3.1.B.2 Debt instruments	0	1943	-1943	0	2835	-2835
3.1.B.2.1 Direct investor in direct investment enterprises	0	1943	-1943		2835	-2835
3.2 Portfolio Investment	**78767**	**92511**	**-13745**	**92802**	**85522**	**7280**
3.2.A Portfolio Investment in India	76983	91726	-14743	92500	84310	8190
3.2.1 Equity and investment fund shares	60171	66381	-6209	81440	73679	7761
3.2.2 Debt securities	16812	25345	-8534	11059	10631	428
3.2.B Portfolio Investment by India	1783	785	998	303	1212	-909
3.3 Financial derivatives (other than reserves) and employee stock options	**11473**	**9287**	**2186**	**2662**	**4929**	**-2267**
3.4 Other investment	**65058**	**48119**	**16939**	**51642**	**47061**	**4581**
3.4.1 Other equity (ADRs/GDRs)	0	0	0	0	0	0
3.4.2 Currency and deposits	16957	14079	2878	11565	11889	-324
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	113	0	113	215	0	215
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	16844	14079	2765	11350	11889	-539
3.4.2.3 General government	0	0	0			0
3.4.2.4 Other sectors	0	0	0			0
3.4.3 Loans (External Assistance, ECBs and Banking Capital)	23520	20086	3433	22382	16416	5966
3.4.3.A Loans to India	21535	19006	2529	21690	15650	6040
3.4.3.B Loans by India	1985	1081	904	692	766	-74
3.4.4 Insurance, pension, and standardized guarantee schemes	37	45	-8	27	43	-16
3.4.5 Trade credit and advances	9077	10076	-1000	9232	11578	-2346
3.4.6 Other accounts receivable/payable - other	15468	3832	11635	8435	7134	1301
3.4.7 Special drawing rights	0	0	0			0
3.5 Reserve assets	**0**	**18794**	**-18794**	**0**	**3389**	**-3389**
3.5.1 Monetary gold	0	0	0			0
3.5.2 Special drawing rights n.a.	0	0	0			0
3.5.3 Reserve position in the IMF n.a.	0	0	0			0
3.5.4 Other reserve assets (Foreign Currency Assets)	0	18794	-18794	0	3389	-3389
4 Total assets/liabilities	**176169**	**177620**	**-1451**	**162499**	**153615**	**8884**
4.1 Equity and investment fund shares	92776	83455	9321	99217	89707	9510
4.2 Debt instruments	67925	71539	-3613	54846	53384	1462
4.3 Other financial assets and liabilities	15468	22627	-7159	8435	10524	-2088
5 Net errors and omissions	**886**	0	**886**		**711**	**-711**

Note : P : Preliminary

No. 41: Standard Presentation of BoP in India as per BPM6

(₹ Crore)

Item	Jan-Mar 2020			Jan-Mar 2021(P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account (1.A+1.B+1.C)	**1137271**	**1133041**	**4230**	**1263714**	**1323006**	**-59291**
1.A Goods and Services (1.A.a+1.A.b)	**938002**	**1032210**	**-94208**	**1073506**	**1206597**	**-133090**
1.A.a Goods (1.A.a.1 to 1.A.a.3)	**553933**	**807581**	**-253649**	**665312**	**969572**	**-304260**
1.A.a.1 General merchandise on a BOP basis	548221	770126	-221905	653724	839694	-185970
1.A.a.2 Net exports of goods under merchanting	5712	0	5712	11588	0	11588
1.A.a.3 Nonmonetary gold	0	37456	-37456	0	129878	-129878
1.A.b Services (1.A.b.1 to 1.A.b.13)	**384069**	**224629**	**159441**	**408194**	**237025**	**171170**
1.A.b.1 Manufacturing services on physical inputs owned by others	475	57	418	741	44	697
1.A.b.2 Maintenance and repair services n.i.e.	295	2240	-1944	393	1536	-1143
1.A.b.3 Transport	36311	41701	-5390	44312	41058	3254
1.A.b.4 Travel	49657	30461	19197	16819	22896	-6077
1.A.b.5 Construction	6740	5124	1616	5482	5199	283
1.A.b.6 Insurance and pension services	4512	3081	1430	4719	4125	594
1.A.b.7 Financial services	7410	9092	-1682	9166	10220	-1054
1.A.b.8 Charges for the use of intellectual property n.i.e.	1319	11876	-10557	1737	15356	-13619
1.A.b.9 Telecommunications, computer, and information services	173487	19096	154390	200979	28494	172485
1.A.b.10 Other business services	83051	86341	-3290	97117	93634	3484
1.A.b.11 Personal, cultural, and recreational services	4259	5927	-1669	5300	6397	-1096
1.A.b.12 Government goods and services n.i.e.	1316	2057	-741	1158	1759	-601
1.A.b.13 Others n.i.e.	15237	7575	7662	20269	6308	13962
1.B Primary Income (1.B.1 to 1.B.3)	**50311**	**85253**	**-34942**	**37682**	**101406**	**-63724**
1.B.1 Compensation of employees	10333	5055	5278	12045	5252	6793
1.B.2 Investment income	32476	79049	-46573	19106	94405	-75299
1.B.2.1 Direct investment	15659	33689	-18030	9937	57123	-47186
1.B.2.2 Portfolio investment	634	16984	-16351	203	11901	-11699
1.B.2.3 Other investment	3311	28299	-24989	886	25372	-24486
1.B.2.4 Reserve assets	12873	76	12797	8080	10	8071
1.B.3 Other primary income	7502	1149	6352	6530	1748	4782
1.C Secondary Income (1.C.1+1.C.2)	**148958**	**15577**	**133381**	**152526**	**15003**	**137523**
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	148773	13607	135166	152400	13125	139275
1.C.1.1 Personal transfers (Current transfers between resident and/	145508	9826	135681	147403	9500	137903
1.C.1.2 Other current transfers	3265	3781	-516	4997	3625	1372
1.C.2 General government	185	1970	-1785	126	1878	-1752
2 Capital Account (2.1+2.2)	**1027**	**1167**	**-140**	**1393**	**1673**	**-280**
2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets	67	293	-226	636	278	358
2.2 Capital transfers	960	874	85	757	1395	-638
3 Financial Account (3.1 to 3.5)	**1275189**	**1285693**	**-10505**	**1184395**	**1119643**	**64752**
3.1 Direct Investment (3.1A+3.1B)	**151075**	**64481**	**86594**	**112193**	**92670**	**19523**
3.1.A Direct Investment in India	139378	29459	109919	99699	57788	41911
3.1.A.1 Equity and investment fund shares	128086	29401	98685	95272	57537	37735
3.1.A.1.1 Equity other than reinvestment of earnings	100781	29401	71380	62338	57537	4801
3.1.A.1.2 Reinvestment of earnings	27305	0	27305	32935	0	32935
3.1.A.2 Debt instruments	11292	58	11234	4427	251	4176
3.1.A.2.1 Direct investor in direct investment enterprises	11292	58	11234	4427	251	4176
3.1.B Direct Investment by India	11697	35022	-23324	12493	34882	-22389
3.1.B.1 Equity and investment fund shares	11697	20955	-9257	12493	14216	-1723
3.1.B.1.1 Equity other than reinvestment of earnings	11697	15253	-3556	12493	8726	3767
3.1.B.1.2 Reinvestment of earnings	0	5702	-5702	0	5490	-5490
3.1.B.2 Debt instruments	0	14067	-14067	0	20666	-20666
3.1.B.2.1 Direct investor in direct investment enterprises	0	14067	-14067	0	20666	-20666
3.2 Portfolio Investment	**570147**	**669638**	**-99491**	**676402**	**623338**	**53063**
3.2.A Portfolio Investment in India	557238	663952	-106714	674196	614505	59691
3.2.1 Equity and investment fund shares	435547	480491	-44945	593588	537019	56569
3.2.2 Debt securities	121691	183461	-61770	80608	77487	3122
3.2.B Portfolio Investment by India	12909	5686	7223	2206	8833	-6628
3.3 Financial derivatives (other than reserves) and employee stock options	**83046**	**67224**	**15822**	**19402**	**35925**	**-16523**
3.4 Other investment	**470921**	**348309**	**122612**	**376398**	**343008**	**33391**
3.4.1 Other equity (ADRs/GDRs)	0	0	0	0	0	0
3.4.2 Currency and deposits	122743	101911	20832	84291	86651	-2360
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	817	0	817	1565	0	1565
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	121926	101911	20016	82726	86651	-3925
3.4.2.3 General government						0
3.4.2.4 Other sectors						0
3.4.3 Loans (External Assistance, ECBs and Banking Capital)	170245	145393	24852	163138	119653	43484
3.4.3.A Loans to India	155879	137570	18309	158092	114067	44025
3.4.3.B Loans by India	14365	7823	6542	5045	5586	-540
3.4.4 Insurance, pension, and standardized guarantee schemes	270	328	-58	198	313	-116
3.4.5 Trade credit and advances	65702	72938	-7236	67291	84390	-17099
3.4.6 Other accounts receivable/payable - other	111962	27740	84222	61481	52000	9481
3.4.7 Special drawing rights				0	0	0
3.5 Reserve assets	**0**	**136042**	**-136042**	**0**	**24702**	**-24702**
3.5.1 Monetary gold						0
3.5.2 Special drawing rights n.a.						0
3.5.3 Reserve position in the IMF n.a.						0
3.5.4 Other reserve assets (Foreign Currency Assets)	0	136042	-136042	0	24702	-24702
4 Total assets/liabilities	**1275189**	**1285693**	**-10505**	**1184395**	**1119643**	**64752**
4.1 Equity and investment fund shares	671555	604085	67470	723159	653844	69315
4.2 Debt instruments	491672	517827	-26155	399754	389097	10657
4.3 Other financial assets and liabilities	111962	163782	-51820	61481	76702	-15221
5 Net errors and omissions	**6415**	**0**	**6415**	**0**	**5180**	**-5180**

Note : P: Preliminary

No. 42: International Investment Position

(US$ Million)

Item	As on Financial Year /Quarter End							
	2020-21		2020				2021	
			Mar.		Dec.		Mar.	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	1	2	3	4	5	6	7	8
1 Direct Investment Abroad/in India	193929	482208	182957	418234	190857	480190	193929	482208
1.1 Equity Capital and Reinvested Earnings	122726	456947	118442	395426	122489	454603	122726	456947
1.2 Other Capital	71203	25261	64515	22809	68368	25587	71203	25261
2 Portfolio Investment	6436	281842	3847	246700	5527	274032	6436	281842
2.1 Equity	840	177278	602	134778	1732	170630	840	177278
2.2 Debt	5596	104563	3246	111922	3795	103402	5596	104563
3 Other Investment	80897	446867	52412	427500	69382	438780	80897	446867
3.1 Trade Credit	5644	100342	1460	104271	3196	102598	5644	100342
3.2 Loan	13335	190382	6731	179834	10610	183983	13335	190382
3.3 Currency and Deposits	42436	142069	26011	130761	37343	140683	42436	142069
3.4 Other Assets/Liabilities	19482	14074	18210	12634	18234	11516	19482	14074
4 Reserves	576984		477807		585771		576984	
5 Total Assets/ Liabilities	858246	1210917	717023	1092434	851536	1193002	858246	1210917
6 IIP (Assets - Liabilities)		-352671		-375411		-341466		-352671

Payment and Settlement Systems

No.43: Payment System Indicators

PART I - Payment System Indicators - Payment & Settlement System Statistics

System	Volume (Lakh)				Value (₹ Crore)			
	FY 2020-21	2020	2021		FY 2020-21	2020	2021	
		Jun.	May	Jun.		Jun.	May	Jun.
	1	2	3	4	5	6	7	8
A. Settlement Systems								
Financial Market Infrastructures (FMIs)								
1 CCIL Operated Systems (1.1 to 1.3)	27.97	2.23	2.08	2.90	161943141	13383223	14652880	17144527
1.1 Govt. Securities Clearing (1.1.1 to 1.1.3)	11.55	1.01	0.89	1.01	110634315	9590341	9966087	11317988
1.1.1 Outright	6.28	0.54	0.47	0.51	10032187	928567	710624	774292
1.1.2 Repo	2.84	0.27	0.23	0.27	43751173	4244619	4280973	4653921
1.1.3 Tri-party Repo	2.43	0.21	0.19	0.23	56850956	4417155	4974490	5889775
1.2 Forex Clearing	16.04	1.19	1.14	1.82	48903961	3658697	4424858	5408999
1.3 Rupee Derivatives @	0.38	0.02	0.05	0.07	2404865	134185	261935	417541
B. Payment Systems								
I Financial Market Infrastructures (FMIs)	–	–	–	–	–	–	–	–
1 Credit Transfers - RTGS (1.1 to 1.2)	1591.92	119.68	123.34	154.14	105599849	8651978	8366599	10196989
1.1 Customer Transactions	1573.47	118.09	122.28	152.92	91008367	7641700	7211162	8887546
1.2 Interbank Transactions	18.45	1.59	1.07	1.22	14591482	1010278	1155437	1309444
II Retail								
2 Credit Transfers - Retail (2.1 to 2.6)	317851.82	20341.65	33866.22	36684.40	33522150	2499421	2707637	3029728
2.1 AePS (Fund Transfers) @	11.32	0.89	0.96	1.06	623	47	59	64
2.2 APBS $	14372.99	1371.10	1343.10	1148.34	112747	11767	16261	8143
2.3 IMPS	32783.47	1989.12	2798.61	3038.45	2941500	206951	266289	284111
2.4 NACH Cr $	16449.51	1337.21	1866.34	1498.12	1232714	112236	116463	92266
2.5 NEFT	30927.89	2274.01	2565.39	2923.27	25130910	1906586	1819459	2097771
2.6 UPI @	223306.64	13369.31	25291.82	28075.16	4103658	261835	489106	547373
2.6.1 of which USSD @	10.45	0.85	1.01	1.03	172	15	16	16
3 Debit Transfers and Direct Debits (3.1 to 3.3)	10440.40	837.03	936.41	981.70	872399	70703	70589	86759
3.1 BHIM Aadhaar Pay @	160.84	14.67	17.29	17.66	2580	186	422	417
3.2 NACH Dr $	9629.61	788.94	857.30	878.73	868906	70492	70069	86215
3.3 NETC (linked to bank account) @	649.96	33.42	61.82	85.31	913	25	98	128
4 Card Payments (4.1 to 4.2)	57841.30	4250.89	3980.67	4563.57	1293081	90484	96102	114340
4.1 Credit Cards (4.1.1 to 4.1.2)	17641.06	1248.55	1344.73	1547.01	630414	42773	52014	62746
4.1.1 PoS based $	8688.81	588.58	509.46	690.40	280769	19293	18477	23977
4.1.2 Others $	8952.25	659.97	835.27	856.61	349645	23479	33537	38769
4.2 Debit Cards (4.2.1 to 4.2.1)	40200.24	3002.34	2635.94	3016.56	662667	47711	44088	51594
4.2.1 PoS based $	20805.24	1475.38	1197.18	1564.91	378044	25788	23019	29293
4.2.2 Others $	19395.00	1526.95	1438.76	1451.65	284623	21923	21070	22300
5 Prepaid Payment Instruments (5.1 to 5.2)	49392.29	3546.66	3848.74	4586.00	197696	14494	21509	18780
5.1 Wallets	39987.01	2905.67	3180.18	3911.95	152065	12132	14626	16088
5.2 Cards (5.2.1 to 5.2.2)	9405.28	640.98	668.56	674.05	45631	2362	6883	2692
5.2.1 PoS based $	437.33	35.36	32.74	44.69	11639	710	1303	552
5.2.2 Others $	8967.95	605.62	635.82	629.36	33992	1652	5580	2140
6 Paper-based Instruments (6.1 to 6.2)	6703.70	496.68	366.69	511.38	5627189	401666	341794	477430
6.1 CTS (NPCI Managed)	6702.53	496.37	366.69	511.38	5625941	401441	341794	477430
6.2 Others	1.17	0.32	–	–	1249	225	–	–
Total - Retail Payments (2+3+4+5+6)	442229.51	29472.90	42998.73	47327.04	41512515	3076769	3237632	3727036
Total Payments (1+2+3+4+5+6)	443821.43	29592.58	43122.08	47481.18	147112364	11728746	11604231	13924026
Total Digital Payments (1+2+3+4+5)	437117.74	29095.89	42755.39	46969.80	141485174	11327080	11262437	13446596

PART II - Payment Modes and Channels

System	Volume (Lakh)				Value (₹ Crore)			
	FY 2020-21	2020	2021		FY 2020-21	2020	2021	
		Jun.	May	Jun.		Jun.	May	Jun.
	1	2	3	4	5	6	7	8
A. Other Payment Channels								
1 Mobile Payments (mobile app based) (1.1 to 1.2)	255451.57	16188.00	29734.31	32126.98	9179707	599381	898224	1033422
1.1 Intra-bank $	25220.35	1423.94	2528.93	2829.58	1871236	118965	174307	196264
1.2 Inter-bank $	230231.22	14764.06	27205.39	29297.41	7308472	480416	723917	837159
2 Internet Payments (Netbanking / Internet Browser Based) @ (2.1 to 2.2)	32493.63	2431.49	2336.06	2703.44	41581497	3123215	2953188	3468711
2.1 Intra-bank @	6886.15	533.60	492.39	545.84	20601554	1529247	1290828	1501184
2.2 Inter-bank @	25607.48	1897.89	1843.67	2157.60	20979943	1593967	1662360	1967527
B. ATMs								
3 Cash Withdrawal at ATMs $ (3.1 to 3.3)	60905.81	4716.58	4169.98	4761.61	2889826	229517	202854	229633
3.1 Using Credit Cards $	51.41	3.23	3.65	4.31	2560	163	187	219
3.2 Using Debit Cards $	60602.23	4698.45	4142.63	4735.38	2878025	228734	201978	228681
3.3 Using Pre-paid Cards $	252.17	14.91	23.69	21.91	9240	620	690	734
4 Cash Withdrawal at PoS $ (4.1 to 4.2)	394.60	29.42	20.81	7.87	1532	116	122	59
4.1 Using Debit Cards $	353.33	27.82	18.08	7.03	1483	114	102	44
4.2 Using Pre-paid Cards $	41.27	1.60	2.73	0.84	49	3	19	15
5 Cash Withrawal at Micro ATMs @	9460.43	990.75	824.36	856.89	225420	19749	24138	24187
5.1 AePS @	9460.43	990.75	824.36	856.89	225420	19749	24138	24187

PART III - Payment Infrastructures (Lakh)

System	As on March 2021	2020	2021	
		Jun.	May	Jun.
	1	2	3	4
Payment System Infrastructures				
1 Number of Cards (1.1 to 1.2)	9602.51	9027.03	9647.02	9688.24
1.1 Credit Cards	620.49	572.89	623.93	628.15
1.2 Debit Cards	8982.02	8454.14	9023.09	9060.08
2 Number of PPIs @ (2.1 to 2.2)	21952.60	19008.07	22609.29	22947.96
2.1 Wallets @	20052.10	17553.64	20542.99	20864.68
2.2 Cards @	1900.51	1454.43	2066.30	2083.28
3 Number of ATMs (3.1 to 3.2)	2.39	2.34	2.40	2.40
3.1 Bank owned ATMs $	2.14	2.10	2.15	2.14
3.2 White Label ATMs $	0.25	0.24	0.26	0.26
4 Number of Micro ATMs @	4.04	2.96	4.25	4.54
5 Number of PoS Terminals	47.20	43.26	45.20	45.93
6 Bharat QR @	35.70	21.51	48.63	49.33
7 UPI QR *	925.22	–	981.82	1018.26

@: New inclusion w.e.f. November 2019
$: Inclusion separately initiated from November 2019 - would have been part of other items hitherto.
*: New inclusion w.e.f. September 2020; Includes only static UPI QR Code

Note : 1. Data is provisional.
2. ECS (Debit and Credit) has been merged with NACH with effect from January 31, 2020.
3. The data from November 2019 onwards for card payments (Debit/Credit cards) and Prepaid Payment Instruments (PPIs) may not be comparable with earlier months/ periods, as more granular data is being published along with revision in data definitions.
4. Only domestic financial transactions are considered. The new format captures e-commerce transactions; transactions using FASTags, digital bill payments and card-to-card transfer through ATMs, etc.. Also, failed transactions, chargebacks, reversals, expired cards/ wallets, are excluded.

Occasional Series

No. 44: Small Savings

(₹ Crore)

Scheme		2019-20	2019	2020		
			Aug.	Jun.	Jul.	Aug.
		1	2	3	4	5
1 Small Savings	**Receipts**	**159573**	**11199**	**16063**	**14659**	**12164**
	Outstanding	**1078535**	**975153**	**1113107**	**1127727**	**1139857**
1.1 Total Deposits	**Receipts**	**116389**	**7932**	**12968**	**11821**	**9385**
	Outstanding	**734807**	**665357**	**763577**	**775398**	**784783**
1.1.1 Post Office Saving Bank Deposits	Receipts	25893	1460	3933	2840	1548
	Outstanding	166140	153077	177232	180072	181620
1.1.2 MGNREG	Receipts					
	Outstanding					
1.1.3 National Saving Scheme, 1987	Receipts	36	-10	-13	-13	-16
	Outstanding	3143	2966	3122	3109	3093
1.1.4 National Saving Scheme, 1992	Receipts	-1	-2	1	-3	-2
	Outstanding	9	-7	8	5	3
1.1.5 Monthly Income Scheme	Receipts	16510	1133	1096	1440	1110
	Outstanding	209168	197791	210984	212424	213534
1.1.6 Senior Citizen Scheme 2004	Receipts	20334	1459	2024	2118	1807
	Outstanding	76042	62759	79523	81641	83448
1.1.7 Post Office Time Deposits	Receipts	41795	2933	3836	4281	3430
	Outstanding	166087	138866	172804	177085	180515
1.1.7.1 1 year Time Deposits	Outstanding	92618	79433	95703	97723	99212
1.1.7.2 2 year Time Deposits	Outstanding	7097	6359	7121	7182	7206
1.1.7.3 3 year Time Deposits	Outstanding	7536	7104	7506	7490	7465
1.1.7.4 5 year Time Deposits	Outstanding	58836	45970	62474	64690	66632
1.1.8 Post Office Recurring Deposits	Receipts	11821	959	2091	1158	1508
	Outstanding	114222	109909	119908	121066	122574
1.1.9 Post Office Cumulative Time Deposits	Receipts	1	0	0	0	0
	Outstanding	-25	-25	-25	-25	-25
1.1.10 Other Deposits	Receipts	0	0	0	0	0
	Outstanding	21	21	21	21	21
1.2 Saving Certificates	**Receipts**	**30170**	**2965**	**2739**	**2426**	**2480**
	Outstanding	**252190**	**230478**	**257316**	**259703**	**262149**
1.2.1 National Savings Certificate VIII issue	Receipts	19495	2103	1325	1446	1278
	Outstanding	117987	103852	120403	121849	123127
1.2.2 Indira Vikas Patras	Receipts	-101	-74	0	0	0
	Outstanding	162	-235	162	162	162
1.2.3 Kisan Vikas Patras	Receipts	-18168	-1344	-691	-1947	-877
	Outstanding	1135	10800	357	-1590	-2467
1.2.4 Kisan Vikas Patras - 2014	Receipts	28972	2280	2105	2927	2079
	Outstanding	122602	105623	126197	129124	131203
1.2.5 National Saving Certificate VI issue	Receipts	-4	0	0	0	0
	Outstanding	-155	-173	-155	-155	-155
1.2.6 National Saving Certificate VII issue	Receipts	-24	0	0	0	0
	Outstanding	-106	-82	-106	-106	-106
1.2.7 Other Certificates	Outstanding	10565	10693	10458	10419	10385
1.3 Public Provident Fund	**Receipts**	**13014**	**302**	**356**	**412**	**299**
	Outstanding	**91538**	**79318**	**92214**	**92626**	**92925**

Source: Accountant General, Post and Telegraphs.

Note : Data on receipts from April 2017 are net receipts, *i.e.*, gross receipt minus gross payment.

No. 45 : Ownership Pattern of Central and State Governments Securities

(Per cent)

Central Government Dated Securities					
Category	2020				2021
	Mar.	Jun.	Sep.	Dec.	Mar.
	1	2	3	4	5
(A) Total (in ₹. Crore)	**6486585**	**6704983**	**7137069**	**7357111**	**7635902**
1 Commercial Banks	40.41	38.98	38.55	37.81	37.77
2 Non-Bank PDs	0.39	0.36	0.34	0.25	0.27
3 Insurance Companies	25.09	26.24	25.33	25.64	25.30
4 Mutual Funds	1.43	2.02	2.42	2.62	2.94
5 Co-operative Banks	1.90	1.86	1.86	1.83	1.82
6 Financial Institutions	0.53	1.19	1.42	1.00	1.00
7 Corporates	0.81	0.78	0.94	1.05	1.06
8 Foreign Portfolio Investors	2.44	1.79	2.05	2.10	1.87
9 Provident Funds	4.72	4.96	4.77	4.61	4.44
10 RBI	15.13	14.70	15.00	15.71	16.20
11. Others	7.17	7.11	7.32	7.37	7.33
11.1 State Governments	2.05	1.99	1.86	1.76	1.69

State Governments Securities					
Category	2020				2021
	Mar.	Jun.	Sep.	Dec.	Mar.
	1	2	3	4	5
(B) Total (in ₹. Crore)	**3265990**	**3393099**	**3564979**	**3721573**	**3879982**
1 Commercial Banks	34.99	33.54	34.60	34.19	33.69
2 Non-Bank PDs	0.76	0.74	0.54	0.36	0.48
3 Insurance Companies	31.63	30.85	30.26	30.25	30.04
4 Mutual Funds	1.14	1.74	1.96	1.92	1.82
5 Co-operative Banks	4.12	4.38	4.19	4.11	4.05
6 Financial Institutions	0.11	1.96	1.92	1.88	1.86
7 Corporates	0.30	0.31	0.39	0.45	0.49
8 Foreign Portfolio Investors	0.02	0.02	0.02	0.02	0.02
9 Provident Funds	22.22	21.70	21.31	21.20	22.00
10 RBI	0.00	0.00	0.00	0.81	0.77
11. Others	4.71	4.78	4.80	4.82	4.77
11.1 State Governments	0.18	0.18	0.18	0.18	0.18

Treasury Bills					
Category	2020				2021
	Mar.	Jun.	Sep.	Dec.	Mar.
	1	2	3	4	5
(C) Total (in ₹. Crore)	**538409**	**881362**	**982286**	**839729**	**690646**
1 Commercial Banks	61.06	46.11	53.50	54.75	55.54
2 Non-Bank PDs	2.26	1.48	2.16	1.65	2.82
3 Insurance Companies	7.45	4.64	4.06	4.50	5.61
4 Mutual Funds	13.24	23.45	19.90	18.98	17.80
5 Co-operative Banks	2.55	1.95	1.63	1.61	2.43
6 Financial Institutions	0.58	1.67	1.34	1.11	1.24
7 Corporates	1.89	1.43	1.63	2.01	3.16
8 Foreign Portfolio Investors	0.00	0.00	0.00	0.00	0.00
9 Provident Funds	0.02	0.05	0.00	0.09	0.22
10 RBI	0.00	11.27	4.80	0.68	0.49
11. Others	10.95	7.95	10.99	14.63	10.70
11.1 State Governments	6.22	4.35	7.76	13.27	5.98

No. 46: Combined Receipts and Disbursements of the Central and State Governments

(₹ Crore)

Item	2015-16	2016-17	2017-18	2018-19	2019-20 RE	2020-21 BE
	1	2	3	4	5	6
1 Total Disbursements	**3760611**	**4265969**	**4515946**	**5040747**	**5875914**	**6470254**
1.1 Developmental	2201287	2537905	2635110	2882758	3486519	3818358
1.1.1 Revenue	1668250	1878417	2029044	2224367	2708218	2920507
1.1.2 Capital	412069	501213	519356	596774	694262	794599
1.1.3 Loans	120968	158275	86710	61617	84038	103252
1.2 Non-Developmental	1510810	1672646	1812455	2078276	2295105	2556504
1.2.1 Revenue	1379727	1555239	1741432	1965907	2171963	2421566
1.2.1.1 Interest Payments	648091	724448	814757	894520	969344	1091617
1.2.2 Capital	127306	115775	69370	111029	121159	132961
1.2.3 Loans	3777	1632	1654	1340	1984	1977
1.3 Others	48514	55417	68381	79713	94290	95393
2 Total Receipts	**3778049**	**4288432**	**4528422**	**5023352**	**5779396**	**6524526**
2.1 Revenue Receipts	2748374	3132201	3376416	3797731	4338225	4828088
2.1.1 Tax Receipts	2297101	2622145	2978134	3278947	3547958	3951657
2.1.1.1 Taxes on commodities and services	1440952	1652377	1853859	2030050	2157126	2436871
2.1.1.2 Taxes on Income and Property	852271	965622	1121189	1246083	1386652	1510287
2.1.1.3 Taxes of Union Territories (Without Legislature)	3878	4146	3086	2814	4180	4500
2.1.2 Non-Tax Receipts	451272	510056	398282	518783	790267	876430
2.1.2.1 Interest Receipts	35779	33220	34224	36273	33272	30911
2.2 Non-debt Capital Receipts	59827	69063	142433	140287	129507	232172
2.2.1 Recovery of Loans & Advances	16561	20942	42213	44667	62499	18302
2.2.2 Disinvestment proceeds	43266	48122	100219	95621	67008	213870
3 Gross Fiscal Deficit [1 - (2.1 + 2.2)]	**952410**	**1064704**	**997097**	**1102729**	**1408183**	**1409995**
3A Sources of Financing: Institution-wise						
3A.1 Domestic Financing	939662	1046708	989167	1097210	1403250	1405373
3A.1.1 Net Bank Credit to Government	231090	617123	144792	387091	518093	-----
3A.1.1.1 Net RBI Credit to Government	60472	195816	-144847	325987	190241	-----
3A.1.2 Non-Bank Credit to Government	708572	429585	844375	710119	885156	-----
3A.2 External Financing	12748	17997	7931	5519	4933	4622
3B Sources of Financing: Instrument-wise						
3B.1 Domestic Financing	939662	1046708	989167	1097210	1403250	1405373
3B.1.1 Market Borrowings (net)	673298	689821	794856	795845	962386	1105573
3B.1.2 Small Savings (net)	80015	35038	71222	88961	213430	213430
3B.1.3 State Provident Funds (net)	35261	45688	42351	51004	42900	42529
3B.1.4 Reserve Funds	-3322	-6436	18423	-18298	-241	2978
3B.1.5 Deposits and Advances	13470	17792	25138	66289	32949	35987
3B.1.6 Cash Balances	-17438	-22463	-12476	17395	96518	-54272
3B.1.7 Others	158378	287268	49653	96014	55309	59147
3B.2 External Financing	12748	17997	7931	5519	4933	4622
4 Total Disbursements as per cent of GDP	*27.3*	*27.7*	*26.4*	*26.6*	*28.9*	*28.8*
5 Total Receipts as per cent of GDP	*27.4*	*27.9*	*26.5*	*26.5*	*28.4*	*29.0*
6 Revenue Receipts as per cent of GDP	*20.0*	*20.3*	*19.7*	*20.0*	*21.3*	*21.5*
7 Tax Receipts as per cent of GDP	*16.7*	*17.0*	*17.4*	*17.3*	*17.4*	*17.6*
8 Gross Fiscal Deficit as per cent of GDP	*6.9*	*6.9*	*5.8*	*5.8*	*6.9*	*6.3*

…: Not available. RE: Revised Estimates; BE: Budget Estimates

Source : Budget Documents of Central and State Governments.

No. 47: Financial Accommodation Availed by State Governments under various Facilities

(₹ Crore)

Sr. No	State/Union Territory	During June-2021					
		Special Drawing Facility (SDF)		Ways and Means Advances (WMA)		Overdraft (OD)	
		Average amount availed	Number of days availed	Average amount availed	Number of days availed	Average amount availed	Number of days availed
	1	2	3	4	5	6	7
1	Andhra Pradesh	718	29	1831	29	1670	15
2	Arunachal Pradesh	-	-	-	-	-	-
3	Assam	-	-	-	-	-	-
4	Bihar	-	-	-	-	-	-
5	Chhattisgarh	518	12	-	-	-	-
6	Goa	54	12	62	6	-	-
7	Gujarat	-	-	-	-	-	-
8	Haryana	-	-	61	1	-	-
9	Himachal Pradesh	-	-	-	-	-	-
10	Jammu & Kashmir UT	-	-	1193	23	642	18
11	Jharkhand	-	-	-	-	-	-
12	Karnataka	-	-	-	-	-	-
13	Kerala	153	29	1572	29	262	12
14	Madhya Pradesh	-	-	-	-	-	-
15	Maharashtra	-	-	-	-	-	-
16	Manipur	-	-	232	27	139	12
17	Meghalaya	40	2	-	-	-	-
18	Mizoram	-	-	98	14	-	-
19	Nagaland	84	15	30	6	-	-
20	Odisha	-	-	-	-	-	-
21	Puducherry	-	-	-	-	-	-
22	Punjab	87	3	-	-	-	-
23	Rajasthan	-	-	-	-	-	-
24	Tamilnadu	-	-	-	-	-	-
25	Telangana	725	29	1596	29	900	24
26	Tripura	-	-	-	-	-	-
27	Uttar Pradesh	-	-	-	-	-	-
28	Uttarakhand	-	-	-	-	-	-
29	West Bengal	-	-	-	-	-	-

Note: The State of J&K has ceased to exist constitutionally from October 31, 2019 and the liabilities of the State continue to remain as liabilities of the new UT of Jammu and Kashmir.
Source: Reserve Bank of India.

No. 48: Investments by State Governments

(₹ Crore)

Sr. No	State/Union Territory	As on end of June 2021			
		Consolidated Sinking Fund (CSF)	Guarantee Redemption Fund (GRF)	Government Securities	Auction Treasury Bills (ATBs)
	1	2	3	4	5
1	Andhra Pradesh	8788	864	--	-
2	Arunachal Pradesh	1768	3	--	-
3	Assam	4045	58	--	-
4	Bihar	5935	--	--	-
5	Chhattisgarh	4971	--	1	4550
6	Goa	650	328	--	-
7	Gujarat	5198	508	--	-
8	Haryana	824	1282	--	-
9	Himachal Pradesh	--	--	--	-
10	Jammu & Kashmir UT	--	--	--	-
11	Jharkhand	292	--	--	-
12	Karnataka	6129	--	--	15000
13	Kerala	2271	--	--	-
14	Madhya Pradesh	--	973	--	-
15	Maharashtra	44662	672	--	11500
16	Manipur	163	106	--	-
17	Meghalaya	768	44	9	-
18	Mizoram	372	48	--	-
19	Nagaland	1745	35	--	-
20	Odisha	11891	1542	89	19933
21	Puducherry	325	--	--	807
22	Punjab	1427	--	8	-
23	Rajasthan	--	--	129	2000
24	Tamilnadu	7049	--	40	17414
25	Telangana	6015	1307	--	-
26	Tripura	396	10	--	600
27	Uttar Pradesh	986	--	180	-
28	Uttarakhand	3459	135	--	-
29	West Bengal	9445	615	214	-
	Total	**129571**	**8530**	**670**	**71804**

Note: The State of J&K has ceased to exist constitutionally from October 31, 2019 and the liabilities of the State continue to remain as liabilities of the new UT of Jammu and Kashmir.

No. 49: Market Borrowings of State Governments

(₹ Crore)

Sr. No.	State	2019-20		2020-21		2021-22						Total amount raised, so far in 2021-22	
						April		May		June			
		Gross Amount Raised	Net Amount Raised	Gross Amount Raised	Net Amount Raised	Gross Amount Raised	Net Amount Raised	Gross Amount Raised	Net Amount Raised	Gross Amount Raised	Net Amount Raised	Gross	Net
	1	2	3	4	5	6	7	8	9	10	11	12	13
1	Andhra Pradesh	42415	33444	50896	41915	2000	1300	6000	5417	6000	5420	14000	12137
2	Arunachal Pradesh	1366	1287	767	767	400	400	-	-	-	-	400	400
3	Assam	12906	10996	15030	14230	-	-	-	-	-	-	-	-
4	Bihar	25601	22601	27285	24685	-	-	2000	2000	2000	2000	4000	4000
5	Chhattisgarh	11680	10980	13000	10500	-	-	-	-	-	-	-	-
6	Goa	2600	2000	3354	3054	-	-	-	-	300	300	300	300
7	Gujarat	38900	28600	44780	33280	-	-	-	-1000	4500	3500	4500	2500
8	Haryana	24677	20677	30000	25550	-	-1800	5000	4000	5000	5000	10000	7200
9	Himachal Pradesh	6580	4460	6000	3755	-	-	-	-	-	-	-	-
10	Jammu & Kashmir UT	7869	6760	9328	6020	500	500	400	400	1700	1000	2600	1900
11	Jharkhand	7500	5656	9400	8900	-	-	-	-	-	-	-	-
12	Karnataka	48500	42500	69000	61900	-	-	-	-	-	-	-	-
13	Kerala	18073	12617	28566	23066	-	-	1500	1500	7500	7500	9000	9000
14	Madhya Pradesh	22371	16550	45573	38773	-	-	-	-	-	-	-	-
15	Maharashtra	48498	32998	69000	50022	-	-	13500	13500	10500	10500	24000	24000
16	Manipur	1757	1254	1302	1044	200	200	-	-	200	200	400	400
17	Meghalaya	1344	1070	1777	1587	200	200	-	-100	200	200	400	300
18	Mizoram	900	745	944	677	-	-150	150	150	-	-	150	-
19	Nagaland	1000	423	1721	1366	350	350	-	-	250	150	600	500
20	Odisha	7500	6500	3000	500	-	-500	-	-	-	-	-	-500
21	Puducherry	970	470	1390	790	-	-	-	-	-	-	-	-
22	Punjab	27355	18470	32995	23467	-	-1600	-	-800	3500	1850	3500	-550
23	Rajasthan	39092	24686	57359	44273	4000	4000	4000	3500	8500	7500	16500	15000
24	Sikkim	809	481	1292	1292	-	-	500	500	-	-	500	500
25	Tamil Nadu	62425	49826	87977	76796	-	-	12000	11000	12000	10500	24000	21500
26	Telangana	37109	30697	43784	37365	1500	1000	3500	3083	8500	8080	13500	12163
27	Tripura	2928	2578	1916	1631	-	-	-	-100	-	-50	-	-150
28	Uttar Pradesh	69703	52744	75500	59185	-	-	-	-2500	5000	4000	5000	1500
29	Uttarakhand	5100	4500	6200	5208	-	-500	-	-	700	700	700	200
30	West Bengal	56992	40882	59680	50180	-	-3173	2000	-	8500	5500	10500	2327
	Grand Total	634521	487454	798816	651777	9150	227	50550	40550	84850	73850	144550	114627

- : Nil.

Note: The State of J&K has ceased to exist constitutionally from October 31, 2019 and the liabilities of the State continue to remain as liabilities of the new UT of Jammu and Kashmir.

Source: Reserve Bank of India.

Explanatory Notes to the Current Statistics

Table No. 1

1.2& 6: Annual data are average of months.
3.5 & 3.7: Relate to ratios of increments over financial year so far.
4.1 to 4.4, 4.8,4.9 &5: Relate to the last friday of the month/financial year.
4.5, 4.6 & 4.7: Relate to five major banks on the last Friday of the month/financial year.
4.10 to 4.12: Relate to the last auction day of the month/financial year.
4.13: Relate to last day of the month/ financial year
7.1&7.2: Relate to Foreign trade in US Dollar.

Table No. 2

2.1.2: Include paid-up capital, reserve fund and Long-Term Operations Funds.
2.2.2: Include cash, fixed deposits and short-term securities/bonds, e.g., issued by IIFC (UK).

Table No. 4

Maturity-wise position of outstanding forward contracts is available at http://nsdp.rbi.org.in under ''Reserves Template''.

Table No. 5

Special refinance facility to Others, i.e. to the EXIM Bank, is closed since March 31, 2013.

Table No. 6

For scheduled banks, March-end data pertain to the last reporting Friday.
2.2: Exclude balances held in IMF Account No.1, RBI employees' provident fund, pension fund, gratuity and superannuation fund.

Table Nos. 7 & 11

3.1 in Table 7 and 2.4 in Table 11: Include foreign currency denominated bonds issued by IIFC (UK).

Table No. 8

NM_2 and NM_3 do not include FCNR (B) deposits.
2.4: Consist of paid-up capital and reserves.
2.5: includes other demand and time liabilities of the banking system.

Table No. 9

Financial institutions comprise EXIM Bank, SIDBI, NABARD and NHB.
L_1 and L_2 are compiled monthly and L_3 quarterly.
Wherever data are not available, the last available data have been repeated.

Table No. 13

Data against column Nos. (1), (2) & (3) are Final (including RRBs) and for column Nos. (4) & (5) data are Provisional (excluding RRBs).

Table No. 14

Data in column Nos. (4) & (8) are Provisional.

Table No. 17

2.1.1: Exclude reserve fund maintained by co-operative societies with State Co-operative Banks

2.1.2: Exclude borrowings from RBI, SBI, IDBI, NABARD, notified banks and State Governments.

4: Include borrowings from IDBI and NABARD.

Table No. 24

Primary Dealers (PDs) include banks undertaking PD business.

Table No. 30

Exclude private placement and offer for sale.

1: Exclude bonus shares.

2: Include cumulative convertible preference shares and equi-preference shares.

Table No. 32

Exclude investment in foreign currency denominated bonds issued by IIFC (UK), SDRs transferred by Government of India to RBI and foreign currency received under SAARC SWAP arrangement. Foreign currency assets in US dollar take into account appreciation/depreciation of non-US currencies (such as Euro, Sterling, Yen and Australian Dollar) held in reserves. Foreign exchange holdings are converted into rupees at rupee-US dollar RBI holding rates.

Table No. 34

1.1.1.1.2 & 1.1.1.1.1.4: Estimates.

1.1.1.2: Estimates for latest months.

'Other capital' pertains to debt transactions between parent and subsidiaries/branches of FDI enterprises.

Data may not tally with the BoP data due to lag in reporting.

Table No. 35

1.10: Include items such as subscription to journals, maintenance of investment abroad, student loan repayments and credit card payments.

Table No. 36

Increase in indices indicates appreciation of rupee and vice versa. For 6-Currency index, base year 2018-19 is a moving one, which gets updated every year. REER figures are based on Consumer Price Index (combined). The details on methodology used for compilation of NEER/REER indices are available in December 2005, April 2014 and January 2021 issues of the RBI Bulletin.

Table No. 37

Based on applications for ECB/Foreign Currency Convertible Bonds (FCCBs) which have been allotted loan registration number during the period.

Table Nos. 38, 39, 40 & 41

Explanatory notes on these tables are available in December issue of RBI Bulletin, 2012.

Table No. 43

Part I-A. Settlement systems

1.1.3: Tri- party Repo under the securities segment has been operationalised from November 05, 2018.

Part I-B. Payments systems

4.1.2: 'Others' includes e-commerce transactions and digital bill payments through ATMs, etc.

4.2.2: 'Others' includes e-commerce transactions, card to card transfers and digital bill payments through ATMs, etc.

5: Available from December 2010.

5.1: includes purchase of goods and services and fund transfer through wallets.

5.2.2: includes usage of PPI Cards for online transactions and other transactions.

6.1: Pertain to three grids – Mumbai, New Delhi and Chennai.

6.2: 'Others' comprises of Non-MICR transactions which pertains to clearing houses managed by 21 banks.

Part II-A. Other payment channels

1: Mobile Payments –
- Include transactions done through mobile apps of banks and UPI apps.
- The data from July 2017 includes only individual payments and corporate payments initiated, processed, and authorised using mobile device. Other corporate payments which are not initiated, processed, and authorised using mobile device are excluded.

2: Internet Payments – includes only e-commerce transactions through 'netbanking' and any financial transaction using internet banking website of the bank.

Part II-B. ATMs

3.3 and 4.2: only relates to transactions using bank issued PPIs.

Part III. Payment systems infrastructure

3: Includes ATMs deployed by Scheduled Commercial Banks (SCBs) and White Label ATM Operators (WLAOs). WLAs are included from April 2014 onwards.

Table No. 45

(-): represents nil or negligible

The revised table format since June 2016, incorporates the ownership pattern of State Governments Securities and Treasury Bills along with the Central Government Securities.

State Government Securities include special bonds issued under Ujwal DISCOM Assurance Yojana (UDAY) scheme.

Bank PDs are clubbed under Commercial Banks. However, they form very small fraction of total outstanding securities.

The category 'Others' comprises State Governments, Pension Funds, PSUs, Trusts, HUF/Individuals *etc.*

Table No. 46

GDP data is based on 2011-12 base. GDP data from 2019-20 pertains to the Provisional Estimates of National Income released by National Statistics Office on 29th May 2020. GDP for 2020-21 is from Union Budget 2020-21.
Data pertains to all States and Union Territories.
Total receipts and total expenditure exclude National Calamity Contingency Fund expenditure.
1 & 2: Data are net of repayments of the Central Government (including repayments to the NSSF) and State Governments.
1.3: Represents compensation and assignments by States to local bodies and Panchayati Raj institutions.
2: Data are net of variation in cash balances of the Central and State Governments and includes borrowing receipts of the Central and State Governments.
3A.1.1: Data as per RBI records.
3B.1.1: Borrowings through dated securities.
3B.1.2: Represent net investment in Central and State Governments' special securities by the National Small Savings Fund (NSSF).
This data may vary from previous publications due to adjustments across components with availability of new data.
3B.1.6: Include Ways and Means Advances by the Centre to the State Governments.
3B.1.7: Include Treasury Bills, loans from financial institutions, insurance and pension funds, remittances, cash balance investment account.

Table No. 47

SDF is availed by State Governments against the collateral of Consolidated Sinking Fund (CSF), Guarantee Redemption Fund (GRF) & Auction Treasury Bills (ATBs) balances and other investments in government securities.
WMA is advance by Reserve Bank of India to State Governments for meeting temporary cash mismatches.
OD is advanced to State Governments beyond their WMA limits.
Average amount Availed is the total accommodation (SDF/WMA/OD) availed divided by number of days for which accommodation was extended during the month.
- : Nil.

Table No. 48

CSF and GRF are reserve funds maintained by some State Governments with the Reserve Bank of India.
ATBs include Treasury bills of 91 days, 182 days and 364 days invested by State Governments in the primary market.
--: Not Applicable (not a member of the scheme).

The concepts and methodologies for Current Statistics are available in Comprehensive Guide for Current Statistics of the RBI Monthly Bulletin **(https://rbi.org.in/Scripts/PublicationsView.aspx?id=17618)**

Time series data of 'Current Statistics' is available at https://dbie.rbi.org.in.
Detailed explanatory notes are available in the relevant press releases issued by RBI and other publications/releases of the Bank such as **Handbook of Statistics on the Indian Economy**.

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12. Perspectives on Central Banking Governors Speak (1935-2010) Platinum Jubilee	₹1400 per copy (over the counter)	US$ 50 per copy (inclusive of air mail courier charges)

Notes

1. Many of the above publications are available at the RBI website (www.rbi.org.in).
2. Time Series data are available at the Database on Indian Economy (http://dbie.rbi.org.in).
3. The Reserve Bank of India History 1935-1997 (4 Volumes), Challenges to Central Banking in the Context of Financial Crisis and the Regional Economy of India: Growth and Finance are available at leading book stores in India.

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