प्रेस प्रकाशनी PRESS RELEASE

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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RBI Bulletin – October 2022

The Reserve Bank of India today released the October 2022 issue of its monthly Bulletin. The Bulletin includes one speech, five articles and current statistics.

The five articles are: I. State of the Economy; II. Estimation of Green GDP for India; III. 'Bigtechs' in the Financial Domain: Balancing Competition and Stability; IV. Market Returns and Flows to Debt Mutual Funds; and V. Financial Liabilities of Household Sector in India – An Assessment.

I. State of the Economy

Aggressive and synchronised monetary tightening has further weakened global economic prospects as financial markets sold off, investors took fright and jettisoned risky assets. In India, broader economic activity has remained resilient and poised to expand further with domestic demand accelerating as the contact-intensive sectors are experiencing a bounce-back. Robust credit growth and fortified corporate and bank balance sheets provide further strength to the economy. Headline inflation is set to ease from its September high, *albeit* stubbornly, on the back of easing momentum and favourable base effects. These factors will entrench India's prospects as one of the fastest growing economies of the world.

II. Estimation of Green GDP for India

Using variables on sustainable development indicators and resource consumption indicators of India for the period 1971-2019, this article provides an estimation of Green GDP which adjusts for environmental deterioration and waning natural resources.

Highlights:

i) The trajectory of Green GDP displays an upward movement with visible improvements since the global financial crisis of 2008. Resource depletion, CO2 emission and material footprint, show considerable signs of improvement.

ii) During the period 2012-2019, India has seen an improvement in the Green GDP on account of increased efforts of the government towards improving resource efficiency, afforestation, carbon mitigation action plan and environment protection schemes.

III. 'Bigtechs' in the Financial Domain: Balancing Competition and Stability

This article analyses the benefits and the challenges posed by the entry of bigtechs in the financial domain drawing lessons from global experiences.

Highlights:

i) Bigtechs are foraying into the financial domain bringing with them benefits of greater financial inclusion, more efficient operations and lower transaction costs. However, they also pose the risk of stifling competition, endangering data privacy issues, and constraining operational resilience for regulated entities, with ramifications for financial stability.

ii) Regulators across the globe are coming up with regulatory frameworks such as imposing a holding company structure on financial-service subsidiaries of bigtechs, prescribing requirements of activity-specific licenses, data protection, security, equal treatment of third-party applications, data portability, *etc.,* to address the challenges posed by the entry of bigtechs in finance.

iii) The regulators are calibrating their regulatory frameworks with a mix of both entity and activity-based regulations to proactively contain the potential vulnerabilities likely to arise due to the increasing complex interlinkages between financial institutions and tech-companies.

IV. Market Returns and Flows to Debt Mutual Funds

The article analyses the growth of debt mutual funds (MFs) in India, taking into account changes over time in the size and portfolio of debt MFs, investor profile and determinants of flows to debt MFs.

Highlights:

i) The study finds that past value of returns contains significant information about current flows into debt MFs but not *vice versa*.

ii) Credit spreads are found to be inversely related to flows and CPI inflation is found to be inversely associated with returns.

V. Financial Liabilities of Household Sector in India – An Assessment

This article examines the determinants of Indian household borrowings (measured as credit to GDP ratio) and assesses the sustainability of these borrowings in different episodes of shocks by constructing a set of vulnerability indices.

Highlights:

i) The household credit to GDP ratio has increased in the recent period. It is negatively associated with trends in weighted average lending interest rates, working-age population, inflation and banks' NPAs relating to credit to households, and positively associated with deposit to GDP ratio and household expenditure.

ii) Based on the estimated vulnerability scores these borrowings are assessed to be sustainable during the last three decades despite the impact of multiple shocks including the pandemic.

The views expressed in the Bulletin Articles are of the authors and do not represent the views of the Reserve Bank of India.

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