प्रेस प्रकाशनी PRESS RELEASE

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

वेबसाइट : www.rbi.org.in/hindi
Website : www.rbi.org.in
ई-मेल/email : helpdoc@rbi.org.in

संचार विभाग, केंद्रीय कार्यालय, शहीद भगत सिंह मार्ग, फोर्ट, मुंबई-400001
Department of Communication, Central Office, Shahid Bhagat Singh Marg, Fort, Mumbai-400001 फोन/Phone: 022- 22660502

January 19, 2023

RBI Bulletin – January 2023

The Reserve Bank of India today released the January 2023 issue of its monthly Bulletin. The Bulletin includes three speeches, five articles and current statistics.

The five articles are: I. State of the Economy; II. Productivity Growth in India: An Empirical Assessment; III. What Drives Start-up Fundraising in India? IV. Open Market Operations in India – An Appraisal; and V. Supply of Banking Services and Credit Offtake: Evidence from Aspirational District Programme in the Eastern Area.

I. State of the Economy

A slowdown in growth with possibilities of recession in large swathes of the global economy has become the baseline assessment even as inflation may average well above targets. Emerging markets are appearing more resilient than in the year gone by, but their biggest risks in 2023 stem from US monetary policy and the US dollar. In India, the softening of commodity prices and other costs amidst strong revenues appears to have boosted corporate performance. Macroeconomic stability is getting bolstered with inflation being brought into the tolerance band and lead indicators suggesting that the current account deficit is on course to narrow through the rest of 2022 and 2023.

II. Productivity Growth in India: An Empirical Assessment

by Sreerupa Sengupta and Sadhan Kumar Chattopadhyay

Productivity growth can be achieved either through resource reallocation or technological progress. This article attempts to examine whether aggregate productivity growth in India is driven by resource reallocation effects or increase in technological progress within each sector during 2001-19. The article also looks into the key sectors that contributed to aggregate productivity growth.

Highlights:

i) Reallocation of resources from low to high productive sectors accounted for 63 per cent of aggregate productivity growth and 5 per cent of output growth during 2001-2019.
ii) A sub-period analysis shows that the aggregate total factor productivity growth increased from 1.33 per cent during 2001-10 to 2.72 per cent during 2011-19 mainly driven by within industry improvement in technological progress.
iii) The top-performing sectors that contributed to aggregate productivity are textiles, machinery equipment, and financial and business services.

III. What Drives Startup Fundraising in India?

by Rajas Saroy, Ashish Khobragade, Rekha Misra, Sakshi Awasthy and Sarat Dhal

This article presents an analysis of fundraising by the Indian startups over the past decade, along with an overview of the venture capital financing model. The article empirically derives the important factors that determine the quantum of start-up funding at the economy-wide level as well as at the firm level.

Highlights:

i) There has been an upward level shift of fundraising by the Indian start-ups post-2014. This has been contributed to by the Startup India initiative, along with other enabling policies and the increasing digitalisation of the economy. COVID-19 provided a temporary boost to fundraising.

ii) At the aggregate level, long-run start-up funding is largely driven by the excess return offered by the domestic equity market over the global benchmark, and by the level of domestic economic activity.

iii) At the firm level, unconventional factors like the educational background of founders, pre-existing relationships with institutional investors and popularity matter for fundraising, in addition to the scale already achieved and the sector of operation.

IV. Open Market Operations in India – An Appraisal

by Abhilasha, Bhimappa Arjun Talwar, Krishna Mohan Kushwaha and Indranil Bhattacharyya

In a modern market-based monetary policy operating framework, open market operation (OMO) is the principal instrument of liquidity management by central banks. This article reviews the Indian experience on OMOs and examines their impact on the central bank’s balance sheet. It also examines the role OMOs play in a world with significant spillover effects.

Highlights:

i) Globally, the scale and extent of OMOs – both sales and purchases – have increased significantly over the past fifteen years. By augmenting/mopping up systemic liquidity, OMOs help in modulating yields which transmit to other financial market instruments.

ii) In the Indian context, OMOs are instruments for altering durable liquidity conditions in the system barring special transactions such as Operation Twist (OT). OMO purchases increase the domestic assets in the balance sheet of the Reserve Bank, and also the reserve money, and *vice versa* for OMO sales.

iii) An empirical examination in the Indian context reveals that external / exogenous factors such as movements in the US Treasury yields have a significant impact on domestic long-term yields. Given this, our empirical results show that OMOs remain a potent tool to steer long-term interest rates in alignment with the stance of monetary policy.

V. Supply of Banking Services and Credit Offtake: Evidence from Aspirational District Programme in the Eastern Area

by Rakhe P. Balachandran and Barkha Gupta

This paper explores the causal relationship between credit intermediation and economic growth by looking at the credit to deposit (C-D) ratio – a measure of credit intermediation – in the districts of Eastern India which are covered under the aspirational districts programme (ADP) launched in 2018 by the Government of India. The paper tries to understand the key factor driving C-D ratio in backward regions, *i.e.,* whether it is the *ex-ante* supply of banking services or the demand for banking services.

Highlights:

i) Despite similar levels of economic backwardness, the aspirational districts in the Eastern Area display divergent levels of credit intermediation.

ii) By employing a suitable econometric methodology (system Generalised Methods of Moments framework), the paper shows that *ex-ante* branch expansion plays a significant role in improving credit intermediation.

iii) The evidence suggests that the perceived low branch viability in the backward regions, due to low levels of economic activity, need not slow down the branch expansion of banks.

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

(Yogesh Dayal)
Chief General Manager

Press Release: 2022-2023/1578