



भारतीय रिज़र्व बैंक  
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May 17, 2022

**RBI Bulletin – May 2022**

The Reserve Bank of India today released the [May 2022](#) issue of its monthly Bulletin. The Bulletin includes [Monetary Policy Statement, 2022-23](#), [Resolution of the Monetary Policy Committee \(MPC\) - May 2 and 4, 2022](#), one speech, four articles and current statistics.

The four articles are: [I. State of the Economy](#); [II. Financial Stocks and Flow of Funds of the Indian Economy 2019-20](#); [III. Growth Maximising External Debt of India](#); and [IV. Irrigation Management for Sustainable Agriculture](#).

**I. State of the Economy**

The Indian economy consolidated its recovery, with most constituents surpassing pre-pandemic levels of activity. Heightened global risks stemming from weakening growth, elevated inflation, supply disruptions on account of geopolitical spillovers and financial market volatility stemming from synchronised monetary tightening pose near-term challenges.

**II. Financial Stocks and Flow of Funds of the Indian Economy 2019-20**

The article presents instrument-wise financial stocks and flow of funds (FSF) for the following five broad institutional sectors – i) financial corporations; ii) non-financial corporations; iii) general government; iv) households including non-profit institutions serving households; and v) rest of the world, on a 'from-whom-to-whom' (FWTW) basis for the year 2019-20.

In view of methodological refinements and improvements imparted in the sourcing of data, [revised series of the FSF accounts from 2011-12 to 2018-19](#) are also released along with the article.

**Highlights:**

- The financial resource gap of the domestic economy – measured by the net acquisition of financial assets less net increase in financial liabilities, narrowed during 2019-20.
- In terms of financial net worth, households held the prime position followed by financial corporations, whereas general government and non-financial corporations continued to be net borrowers.
- The financial resource balance of the financial corporations strengthened during 2019-20.

- India remained a net borrower from the rest of the world in 2019-20. Dependency on foreign resources, however, declined as compared to a year ago.
- Overall, loans and advances remained the most preferred instrument for deployment of resources followed by currency and deposits.

### **III. Growth Maximising External Debt of India**

In the post-pandemic era, the relationship between external debt and economic growth has come to occupy the center-stage of policy research. Against this backdrop, this article investigates the relationship between external debt and growth with a view to identify the growth maximising threshold level of external debt for India.

#### **Highlights:**

- The findings provide evidence of a nonlinear Laffer curve type inverted U-shaped relationship.
- The estimated growth maximising external debt to GDP ratio is higher than the current level as at end-December 2021, indicating space for attracting more debt flows.
- The identified space for India's external debt may be carefully assessed along with other external vulnerability parameters for preserving macro-stability while pursuing the objective of growth.

### **IV. Irrigation Management for Sustainable Agriculture**

In the backdrop of recurrent episodes of drought and declining ground water table, ensuring irrigation efficiency is of paramount importance for sustainable agriculture. This article analyses the trends in the area-weighted cost and efficiency of irrigation across 19 agriculturally important Indian states using the Comprehensive Cost of Cultivation data published by the Ministry of Agriculture and Farmers' Welfare, Government of India for the period from 2002-03 to 2017-18.

#### **Highlights:**

- The area-weighted cost of irrigation declined during the study period perhaps reflecting the impact of increased access to subsidised power in most of the states. However, the costs are still high in some states.
- The estimated technical efficiency of irrigation suggests that majority of the states lie far from the efficiency frontier and have also recorded declining trends over the study period.
- The inefficiency appears to be driven by the energy consumption in the farm sector and ground water accessibility.
- The findings call for policy focus on energy and water efficient irrigation technologies, particularly in states where irrigation efficiency is declining.