प्रेस प्रकाशनी PRESS RELEASE

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
वेबसाइट : www.rbi.org.in/hindi
Website : www.rbi.org.in
इ-मेल email: helpdoc@rbi.org.in

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई-400001
DEPARTMENT OF COMMUNICATION, Central Office, S.B.S.Marg, Mumbai-400001
फोन/Phone: 022 2261 0835 फैक्स/Fax: 91 22 22660358

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Monthly Bulletin for August 2017

The Reserve Bank of India today released the August 2017 issue of its monthly Bulletin. The Bulletin includes third Bi-monthly Monetary Policy Statement for the Year 2017-18, Resolution of the Monetary Policy Committee (MPC), Reserve Bank of India; Speeches by the Top Management, one article and Current Statistics.

The article is on, 'Flow of Funds Accounts of the Indian Economy: 2015-16'.

I. Flow of Funds Accounts of the Indian Economy: 2015-16

The Reserve Bank of India compiles Flow of Funds (FoF) accounts, which map instrument-wise financial flows between different sectors of the Indian economy on a whom-to-whom basis. The sectors comprise (i) financial corporations; (ii) non-financial corporations, both public and private; (iii) general government (GG) comprising both central and state governments; (iv) the household (HH) sector; and (v) the rest of the world (RoW). Financial instruments include currency, deposits, debt securities, loans and borrowings, equity, investment funds (such as mutual funds), insurance, pension and provident funds, monetary gold, other accounts (including trade debt) and other liabilities/assets not elsewhere classified (NEC).
This article presents the FoF accounts for the year 2015-16. Its salient features are:

Overall Financial Liabilities

- The total acquisition of financial liabilities by all sectors (including the RoW sector) declined steadily since 2010-11 to 49 per cent of Net National Income (NNI) at current prices in 2015-16 suggesting lower financial deepening in the economy attributable mainly to lower resource mobilisation by the financial sector.
- Underlying this retrenchment, the financial liabilities of financial corporations also declined in 2015-16 on account of lower resource mobilisation by other depository corporations (ODCs) and other financial corporations (OFCs).
- Acquisition of financial liabilities by households (HH) increased, reflecting improved financial conditions.

Financial Resource Gap

- The overall financial resource balance in the economy improved further in 2015-16, building on the turnaround in 2014-15 from a deficit in the preceding year.

- A reduction in net borrowings of non-financial corporations (NFCs), coupled with a sustained improvement in net lending from the household sector (HH), underpinned this improvement.
- The resource gap of the general government sector reduced marginally on account of fiscal consolidation by the central government, despite slippages at the sub-national level.

Instruments

- Currency and deposits, which have been historically the most preferred financial instruments, were replaced by debt securities.
- In terms of acquisition of financial assets, the composition of instruments changed significantly in favour of equity instruments, followed by loans and borrowings.

FoF accounts comprise of nine Statements. Statements 1 to 5 relate to instrument-wise FoF accounts for each of the five institutional sectors. Statements 6.1 to 6.3 summarise the annual inter-sectoral flows for the years 2013-14 to 2015-16. Statements 7.1 to 7.3 present instrument-wise financial flows for each year separately. Statements 8.1 to 8.3 set out financing of other non-financial corporations, general government and households. Statements 9.1 to 9.6 present the sectoral composition of net financial liabilities and assets of the rest of the world, other depository corporations and other financial corporations.

Jose J. Kattoor
Chief General Manager

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