



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 - 400 001

Department of Communication, Central Office, Shahid Bhagat Singh Marg, Fort, Mumbai - 400 001 फोन/Phone: 022 - 2266 0502

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RBI Bulletin – June 2024

Today, the Reserve Bank released the [June 2024](#) issue of its monthly Bulletin. The Bulletin includes three speeches, three articles, and current statistics.

The three articles are: [I. State of the Economy](#); [II. Financial Stocks and Flow of Funds of the Indian Economy 2021-22](#); and [III. India's Deposit Insurance @60: Retrospect and Prospect](#).

I. State of the Economy

Global growth was resilient in the first quarter of 2024. Many central banks have pivoted towards a less restrictive monetary policy stance in response to the fall in inflation in their economies. In India, high-frequency indicators suggest the real GDP growth in Q1:2024-25 is broadly maintaining the pace it achieved in the preceding quarter. The prospects for agriculture are brightening with the early landfall of the southwest monsoon. Headline inflation is gradually easing, driven by sustained softening of its core component, although the path of disinflation is interrupted by volatile and elevated food prices.

II. Financial Stocks and Flow of Funds of the Indian Economy 2021-22

by Suraj S, Ishu Thakur and Mousumi Priyadarshini

This article presents underlying trends in the financial stocks and flows (FSF) during 2021-22 across the institutional sectors of the Indian economy. The analysis of financial flows provides insights into interconnections across sectors by mapping the sources and uses of funds. The non-consolidated [detailed statements](#), based on the annual compilation cycle, are also being released with the article.

Highlights:

- The sectoral analysis of financial stocks and flows (FSF) during 2021-22 indicates that households and financial corporations remained the surplus sectors accommodating the deficit of the general government and private non-financial corporations.
- With recovery in domestic demand, the economy returned to the net borrower status (mirroring current account deficit) in 2021-22, majorly on account of reduction in net resource flows from other depository corporations (ODCs) and other financial corporations (OFCs) and lower funding from households and private non-financial corporations.

- As uses of funds outweighed sources across sectors, net financial wealth of the domestic sector moderated to 29.8 percent of GDP at end-March 2022 relative to the previous year; however, it was well above the pre-pandemic position (23.8 per cent in 2019-20).
- The net financial wealth (NFW) of households at 93.5 per cent of GDP as at end-March 2022, although lower than the preceding year, exceeded the pre-pandemic NFW of 82.8 per cent in 2019-20.

III. India's Deposit Insurance @60: Retrospect and Prospect

by Ashutosh Yashwant Raravikar, Avijit Joarder, Anup Kumar

This article delineates the path travelled by India's deposit insurance system, spells out its achievements and suggests an agenda for its onward journey.

Highlights:

- The spread and coverage of deposit insurance has gradually expanded across the world especially since the global financial crisis.
- Established with the objectives of financial stability and protection of small depositors, India's deposit insurance system has reached a milestone with completion of sixty years of its existence. Its major achievements include enhanced coverage limit, speedy settlement of claims, revisions in premium, robust deposit insurance fund, prudent treasury management and initiatives for depositor awareness.
- Empirical estimates indicate that the Reserve Ratio¹ is expected to increase steadily in the near future.
- The future agenda may comprise of:
 - Attaining complete alignment with the Core Principles released by International Association of Deposit Insurers (IADI).
 - Speedier claim settlement through practices such as direct payments to depositors.
 - Proactive treasury management through apt mix of instruments and reduction in interest rate sensitivity.
 - Modernisation of physical and digital infrastructure for security and efficiency.
 - Capacity building with human resources development.
 - Devising deposit insurance coverage in tune with the emerging innovations in Fintech.
 - Developing the arrangements for back up funding during contingencies.
 - Periodic review of deposit insurance coverage.
 - Raising public awareness on deposit insurance through financial education and addressing gaps through suitable communication strategies.

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

¹ Reserve Ratio is defined as the ratio of Deposit Insurance Fund (DIF) to Insured Deposits (ID).