

**भारतीय रिज़र्व बैंक**  
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**RBI Bulletin - August 2021**

The Reserve Bank of India today released the [August 2021](#) issue of its monthly Bulletin. The Bulletin includes [Monetary Policy Statement, 2020-21: Resolution of the Monetary Policy Committee \(MPC\) August 3-6, 2021](#), two Speeches, four Articles and Current Statistics.

The four articles are: [I. State of the Economy](#); [II. COVID-19 Impact on Food Price Mark-ups in India](#); [III. TLTRO and Structural Liquidity: A Shot in the Arm for NBFCs?](#); [IV. Performance of Small Finance Banks – An Early Reflection](#).

**I. State of the Economy**

The course of the economy over the month and a half gone by has been altered by the slow retreat of the second wave of the pandemic. Aggregate demand conditions are buoyed by the release of pent-up demand post unlock, while the supply situation is improving with the monsoon catching up to its normal levels and sowing activity gaining pace. Reaffirming the traction that the economy is gaining, the manufacturing activity is gradually turning around, while contraction in services has moderated. Spurred by comfortable liquidity conditions, financial conditions stay benign and supportive of the recovery.

**II. COVID-19 Impact on Food Price Mark-ups in India**

The behaviour of food price mark-ups exhibited dramatic shifts following the outbreak of COVID-19 and the associated lockdown measures to contain its spread. Using centre-wise daily data on retail and wholesale prices of 22 food items released by the Department of Consumer Affairs (DCA), this article finds that mark-ups increased on average during the first nation-wide lockdown (March-May 2020) and persisted even during the subsequent unlocking phase. Furthermore, the increase in margins was found to be driven predominantly by market centres, which faced high intensity lockdowns as measured by the mobility indices. However, reflecting less stringent and localised nature of lockdowns as well as better supply chain management during the second wave of COVID-19 (April-May 2021), the extent of increase in mark-ups was relatively modest.

**III. TLTRO and Structural Liquidity: A Shot in the Arm for NBFCs?**

In the wake of the COVID-19 pandemic, liquidity position of Non-Banking Financial Companies (NBFCs) worsened and their funding challenges intensified as markets and banks pulled back. The Reserve Bank and the Government of India introduced many liquidity enhancing schemes to help them get through the rough patch. This article investigates the impact of one such scheme, namely the Targeted Long-Term Repo Operations (TLTRO), on NBFCs' structural liquidity by employing a difference-in-difference strategy. The results suggest that NBFCs, which received funds *via* the TLTRO witnessed an improvement in their short-term liquidity buckets compared to others.

#### **IV. Performance of Small Finance Banks – An Early Reflection**

The Small Finance Banks (SFBs) is a relatively new bank group provided license with the objective to serve the under-served and marginalised sections of society. The article carries out a preliminary analysis based on available data to shed light on various aspects of SFBs' functioning. The salient findings of the study are as below:

##### **Highlights:**

- A basic examination of operational financials reveals relatively high credit deposit ratio of SFBs. Additionally, most of the SFBs are displaying healthy profitability with further improvements in recent quarters.
- The empirical results based on quarterly data spanning from March 2017 to March 2020 indicate that bank-level factors like efficiency, leverage, liquidity and banking business are significant in determining SFBs' profitability during this early period of operation.

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