

CONTENTS

	Page No.
PART ONE: THE ECONOMY - REVIEW AND PROSPECTS.....	1
I. ASSESSMENT AND PROSPECTS.....	1
Assessment: 2016-17.....	1
Prospects: 2017-18	5
II. ECONOMIC REVIEW	11
The Real Economy.....	11
Price Situation.....	22
Money and Credit.....	31
Financial Markets.....	39
Government Finances.....	50
External Sector.....	56
PART TWO: THE WORKING AND OPERATIONS OF THE RESERVE BANK OF INDIA...	64
III. MONETARY POLICY OPERATIONS.....	64
Monetary Policy.....	65
The Operating Framework.....	68
Monetary Policy Transmission	72
Sectoral Lending Rates.....	73
IV. CREDIT DELIVERY AND FINANCIAL INCLUSION	78
Credit Delivery.....	79
Financial Inclusion	81
Financial Literacy	85
V. FINANCIAL MARKETS AND FOREIGN EXCHANGE MANAGEMENT.....	88
Financial Markets Regulation Department	88
Financial Markets Operations Department.....	90
Foreign Exchange Department.....	91
VI. REGULATION, SUPERVISION AND FINANCIAL STABILITY	94
Financial Stability Unit.....	98
Regulation of Financial Intermediaries.....	98
Commercial Banks: Department of Banking Regulation	98

CONTENTS

	Page No.
Cooperatives Banks: Department of Cooperative Bank Regulation	105
Non-Banking Financial Companies: Department of Non-Banking Regulation	106
Supervision of Financial Intermediaries	108
Commercial Banks: Department of Banking Supervision.....	108
Cooperative Banks: Department of Cooperative Bank Supervision	111
Non-Banking Financial Companies: Department of Non-Banking Supervision.....	111
Enforcement Department	112
Consumer Education and Protection Department.....	113
Deposit Insurance and Credit Guarantee Corporation	115
National Housing Bank.....	115
VII. PUBLIC DEBT MANAGEMENT	117
Debt Management of the Central Government	118
Debt Management of State Governments	121
VIII. CURRENCY MANAGEMENT.....	124
Trends in Currency	124
Currency Management Infrastructure.....	125
Clean Note Policy	126
Counterfeit Notes and Security Printing	127
Department of Currency Management.....	130
Bharatiya Reserve Bank Note Mudran Private Limited	133
IX. PAYMENT AND SETTLEMENT SYSTEMS AND INFORMATION TECHNOLOGY	134
Department of Payment and Settlement Systems.....	134
Trend and Progress in Payment Systems	134
Department of Information Technology	142
X. GOVERNANCE, HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT	145
Governance Structure	146
Communication Processes	148
Human Resource Initiatives	151
Strategic Research Unit	155

CONTENTS

	Page No.
Enterprise Wide-Risk Management.....	155
Internal Audit/ Inspection.....	158
International Relations	159
Government and Bank Accounts.....	163
Managing Foreign Exchange Reserves	164
Economic and Policy Research.....	164
Statistics and Information Management.....	165
Legal Issues	167
Corporate Strategy and Budget Management.....	168
Corporate Services	170
Rajbhasha	170
Premises Department	172
XI. THE RESERVE BANK'S ACCOUNTS FOR 2016-17	178
Balance Sheet.....	180
Statement of Significant Accounting Policies for the year ended June 30, 2017.....	186
Income	200
Expenditure	202
Annex: Chronology of Major Policy Announcements: July 2016 to June 2017	205
Appendix Tables	215

CONTENTS

	Page No.
BOXES	
II.1 Is Consumption-Led Expansion Sustainable?: A Case Study of India	14
II.2 Dynamics of Pulses Production.....	18
II.3 Distribution of Inflation in India	23
II.4 Decoding CPI Inflation Excluding Food and Fuel	24
II.5 Credit and Output: Macro and Sectoral Dimensions	35
II.6 Indian Equity Prices: A Sustainability Analysis.....	44
II.7 Fair-value of the Rupee	47
II.8 Recommendations of the FRBM Review Committee.....	52
II.9 Farm Loan Waiver	54
II.10 Assessment of India's External Sector Resilience	61
III.1 MCLR, Lending Rates and Health of the Banking Sector	75
IV.1 National Strategy for Financial Inclusion	84
IV.2 Pan India Financial Literacy and Inclusion Survey	86
IV.3 Pilot Project on Setting up Centres for Financial Literacy (CFLs).....	86
VI.1 Market Reaction to the NPA Ordinance.....	95
VI.2 The Insolvency and Bankruptcy Code, 2016.....	99
VI.3 Rationalisation of Branch Authorisation.....	100
VI.4 Modifications in Permissible Activities of IFSC Banking Units (IBUs).....	101
VI.5 Implementation of Ind AS - Guidance on the Expected Credit Loss Framework.....	102
VI.6 Discussion Paper on Wholesale and Long-Term Finance Banks	103
VI.7 Two-tier Rural Cooperative Structure in Jharkhand.....	105
VI.8 Asset Reconstruction Companies: Progress and the Way Forward	107
VI.9 Asset Quality Review (AQR) in Perspective - Lessons Learnt.....	108
VI.10 Revised Prompt Corrective Action Framework for Banks.....	109
VI.11 Standing Committee on Cyber Security	110
VI.12 <i>Sachet</i> Portal.....	112

CONTENTS

	Page No.
VI.13 Supervisory Enforcement Framework	112
VI.14 The Ombudsman Scheme for Non-Banking Financial Companies	114
VI.15 Complaint Management System.....	114
VIII.1 Survey-Based Estimation of Fake Indian Currency Notes (FICNs)	128
IX.1 Distributed Ledger Technology (DLT)	140
X.1 Social Media and Central Bank Communication: An Overview	150
X.2 The RBI Academy	152
X.3 Risk Tolerance Framework of the Reserve Bank	156
X.4 Developments in the Incident Reporting System.....	157
X.5 Approaches to Capital Account Liberalisation: OECD and IMF	160
X.6 Effects of G-20 Regulatory Reforms on India	161
X.7 Corporate Strategy in the Reserve Bank.....	169

APPENDIX TABLES

1. Macroeconomic and Financial Indicators	215
2. Growth Rates and Composition of Real Gross Domestic Product (At 2011-12 Prices)	217
3. Gross Savings	218
4. Inflation, Money and Credit	219
5. Capital Market - Primary and Secondary	220
6. Key Fiscal Indicators	221
7. Combined Receipts and Disbursements of the Central and State Governments	222
8. India's Overall Balance of Payments.....	223
9. Foreign Direct Investment Flows to India: Country-wise and Industry-wise.....	224