

CONTENTS

	Page No.
PART ONE: THE ECONOMY - REVIEW AND PROSPECTS.....	1
I. ASSESSMENT AND PROSPECTS.....	1
Lessons from the 2018-19 Experience.....	2
Prospects for 2019-20	7
II. ECONOMIC REVIEW.....	13
The Real Economy	13
Price Situation	32
Money and Credit.....	44
Financial Markets	54
Government Finances.....	62
External Sector.....	66
PART TWO: THE WORKING AND OPERATIONS OF THE RESERVE BANK OF INDIA	78
III. MONETARY POLICY OPERATIONS.....	78
Monetary Policy.....	78
The Operating Framework	82
Monetary Policy Transmission	86
Sectoral Lending Rates	88
IV. CREDIT DELIVERY AND FINANCIAL INCLUSION.....	90
Credit Delivery	91
Financial Inclusion	94
Financial Literacy.....	97
V. FINANCIAL MARKETS AND FOREIGN EXCHANGE MANAGEMENT.....	99
Financial Markets Regulation Department	99
Financial Markets Operations Department.....	102
Foreign Exchange Department.....	104

CONTENTS

	Page No.
VI. REGULATION, SUPERVISION AND FINANCIAL STABILITY.....	108
Financial Stability Unit.....	109
Regulation of Financial Intermediaries.....	110
Commercial Banks: Department of Banking Regulation.....	110
Cooperatives Banks: Department of Cooperative Bank Regulation.....	118
Non-Banking Financial Companies: Department of Non-Banking Regulation.....	119
Supervision of Financial Intermediaries	121
Commercial Banks: Department of Banking Supervision	121
Cooperatives Banks: Department of Cooperative Bank Supervision	124
Non-Banking Financial Companies: Department of Non-Banking Supervision	126
Enforcement Department.....	127
Customer Education and Protection Department	130
Deposit Insurance and Credit Guarantee Corporation.....	132
National Housing Bank.....	132
VII. PUBLIC DEBT MANAGEMENT	134
Debt Management of the Central Government	135
Debt Management of State Governments	140
VIII. CURRENCY MANAGEMENT	144
Developments in Currency in Circulation	144
Currency Management Infrastructure	145
Expenditure on Security Printing	147
Bharatiya Reserve Bank Note Mudran Private Limited	150
IX. PAYMENT AND SETTLEMENT SYSTEMS AND INFORMATION TECHNOLOGY	151
Department of Payment and Settlement Systems	151
Department of Information Technology	159

CONTENTS

	Page No.
X. COMMUNICATION, INTERNATIONAL RELATIONS, RESEARCH AND STATISTICS.....	162
Communication Processes.....	162
Strategic Research Unit.....	165
International Relations	166
Government and Bank Accounts	170
Managing Foreign Exchange Reserves.....	171
Economic and Policy Research.....	173
Statistics and Information Management	175
Legal Issues	178
XI. GOVERNANCE, HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT.....	179
Governance Structure	180
Human Resource Initiatives	182
Enterprise-Wide Risk Management.....	187
Internal Audit/Inspection	189
Corporate Strategy and Budget Management.....	191
Corporate Services.....	193
Rajbhasha.....	193
Premises Department.....	194
XII. THE RESERVE BANK'S ACCOUNTS FOR 2018-19.....	201
Balance Sheet	203
Statement of Significant Accounting Policies for the year ended June 30, 2019.....	210
Income.....	223
Expenditure	225
Annex: Chronology of Major Policy Announcements: July 2018 to June 2019	228
Appendix Tables.....	235

CONTENTS

Page No.

BOXES

II.1.1	Nowcasting India's GDP Growth.....	16
II.1.2	Policy Uncertainty Index for India – Big Data Analysis	17
II.1.3	Drivers of Factor Productivity in India	21
II.1.4	The Problems of Plenty	25
II.2.1	Supply Chains and Food Inflation Dynamics	42
II.3.1	Role of Capital in Bank's Lending Behaviour	50
II.6.1	India's Third-market Export Competition in Manufacturing Goods	68
II.6.2	India: Emerging Electronics Exporter	70
III.1	Interlinkage between Financial and Economic Cycles	81
IV.1	Expert Committee on Micro, Small and Medium Enterprises (MSME)	93
IV.2	National Strategy for Financial Inclusion	96
V.1	Voluntary Retention Route (VRR) for Foreign Portfolio Investment in Debt	101
V.2	The USD/INR Buy/Sell Swap: A New Armour in RBI's Liquidity Management Toolkit.....	103
V.3	New Policy Framework for External Commercial Borrowings (ECB)	105
VI.1	Risk Propagation through Financial Networks	109
VI.2	Implementation of Large Exposures Framework w.e.f. April 1, 2019.....	116
VI.3	Establishment of Umbrella Organisation for Primary (Urban) Cooperative Banks (UCBs).....	119
VI.4	Liquidity Risk Management Framework for NBFCs	121
VI.5	Basic Cyber Security Framework for Primary (Urban) Cooperative Banks (UCBs)	125
VI.6	Enforcement Policy and Framework	127
VI.7	Mediation and Conciliation as Tools for Efficient Customer Grievance Redressal	131
VI.8	The Role of Deposit Insurers in Contingency Planning and Crisis Management.....	132
VII.1	Risk Asymmetry in SDLs	136

CONTENTS

	Page No.
VIII.1 Amendment of Note Refund Rules, 2009.....	149
IX.1 Tokenisation.....	156
IX.2 Organisational Restructuring of Indian Financial Technology and Allied Services (IFTAS)	160
X.1 Public Awareness Campaign.....	163
X.2 Capital Market Convergence across Emerging and Advanced Economies.....	168
X.3 Leveraging Technology for Direct Handling of Government Transactions by the Reserve Bank of India	171
X.4 Gold in Foreign Exchange Reserves – Recent Trends	172
X.5 Granular Data Access Lab (GDAL).....	177
XI.1 Training and Development in the Reserve Bank: Recent Initiatives	183
XI.2 Equal Opportunity Policy.....	186
XI.3 Expert Committee to review the extant Economic Capital Framework of the Reserve Bank of India – Recommendations and Implementation.....	187
XI.4 Management of Operational Risk: Importance of Self-Assessment	190
XI.5 <i>Utkarsh 2022 – RBI's Medium-Term Strategy</i>	192

APPENDIX TABLES

1. Macroeconomic and Financial Indicators	235
2. Growth Rates and Composition of Real Gross Domestic Product (At 2011-12 Prices)	237
3A. Gross Savings	238
3B. Financial Saving of the Household Sector	238
4. Inflation, Money and Credit	239
5. Capital Market - Primary and Secondary	240
6. Key Fiscal Indicators	241
7. Combined Receipts and Disbursements of the Central and State Governments	242
8. India's Overall Balance of Payments.....	243
9. Foreign Direct Investment Flows to India: Country-wise and Industry-wise.....	244