

RBI balance sheet grows 11.08% to Rs 70.47 trn in FY24, income up 17%

Central bank's contingency risk buffer at 6.5% of balance sheet, says annual report



The Contingency Risk Buffer Now Stands At 6.5 Per Cent Of The Balance Sheet At The End Of March 2024, Up From 6 Per Cent At End-March 2023. The Norm Is Maintaining A Risk Buffer Between 5.5 And 6.5 Per Cent | File Image

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The size of the Reserve Bank of India's (RBI's) balance sheet increased by 11.08 per cent year-on-year (Y-o-Y) to Rs 70.47 trillion as of March 31, 2024 (FY24), driven by its liquidity and foreign exchange (forex) operations. The size of the balance sheet was Rs 63.44 trillion a year ago.

In its annual report for FY24, the RBI said that the bank's balance sheet size grew to 24.1 per cent of gross domestic product at the end of March 2024 from 23.5 per cent at the end of March 2023. The balance sheet has now normalised to its pre-pandemic level.

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The balance sheet of the central bank reflects activities carried out in pursuit of various functions, including the issuance of currency, monetary policy, and reserve management objectives.

The central bank's net income surged by 141.22 per cent Y-o-Y for the financial year ended March 2024, primarily due to a sharp reduction in expenditures, particularly lower provisions.

The RBI's expenditure declined by 56.29 per cent Y-o-Y to Rs 64,694.33 crore. This included a provision of Rs 42,819.91 crore made and transferred to the contingency fund (CF), according to its annual report for FY24. In 2022-23 (FY23), the RBI had transferred Rs 1.3 trillion to CF.

The CF is intended to protect it from depreciation of value in securities and risks from monetary and forex operations. The balance in CF was Rs 4.28 trillion as of March 31, 2024, compared to Rs 3.51 trillion as of March 31, 2023, the RBI said in its annual report.

Soumya Kanti Ghosh, group chief economic advisor, State Bank of India, mentioned that the provision towards CF was substantially lower in FY24 than the previous year.

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Source: RBI annual reports

Since the transfer of surplus depends on meeting the dual objective of maintaining a contingency risk buffer between 5.5 per cent and 6.5 per cent and economic capital between 20.8 per cent and 25.4 per cent of the total balance sheet, the required dual condition was comfortably met by making a provision of Rs 42,819.91 crore in CF in FY24. This led to a higher transfer of surplus in FY24.

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Now, the contingency risk buffer stands at 6.5 per cent of the balance sheet at the end of March 2024, up from 6 per cent at the end of March 2023.

The surplus transferred to the central government amounted to Rs 2.1 trillion in FY24, up from Rs 87,416.22 crore in FY23.

The FY24 annual report stated that the increase on the asset side was due to a rise in foreign investments (13.9 per cent), gold (18.26 per cent), and loans and advances (30.05 per cent).

On the liability side, the expansion was due to an increase in notes issued (3.88 per cent), deposits (27 per cent), and other liabilities (92.57 per cent).

Domestic assets constituted 23.31 per cent of total assets as of March 31, 2024, down from 26.08 per cent a year ago.

The share of foreign currency assets, gold (including gold deposits and gold held in India), and loans and advances to financial institutions outside India rose to 76.69 per cent from 73.92 per cent as of March 31, 2023.