

# RBI balance sheet grows; forex ops lift income 47%

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The size of the Reserve Bank of India's (RBI's) balance sheet increased 2.5 per cent year-on-year (YoY) to ₹63.4 trillion during FY23, on the back of its liquidity and foreign exchange operations. The central bank's income rose 47 per cent last financial year to ₹2.35 trillion, mainly due to profit from foreign exchange sale. The RBI's expenditure went up 14 per cent YoY to ₹1.48 trillion. This included a provision of ₹1.30 trillion made and transferred to the Contingency Fund (CF), according to its annual report for FY23.

Financial services firm Nomura Securities in its review of the report said the sharp increase in the RBI's income comes from the profit via its foreign exchange (FX) sales (₹1 trillion), reflecting its active FX intervention. In addition, higher interest income (₹1.3 trillion) on its holdings of domestic and foreign securities has more than offset losses incurred due to its liquidity operations.

The RBI's allocation of ₹1.3 trillion towards the CF is meant to protect it from

## BOLSTERING THE RISK CUSHION

(₹ trn)

Year	Contingency fund balance	RBI balance sheet size
Jun '19	1.96	41.02
Jun '20	2.64	53.34
Mar '21	2.84	57.07
Mar '22	3.10	61.90
Mar '23	3.51	63.44

Source: RBI annual reports



the depreciation of value in securities and risks from monetary and forex operations. In FY22, ₹1.1 trillion was allocated for it. Now the contingency risk buffer stands at 6 per cent of the balance sheet, up from 5.5 per cent in the past few years (the norm is 5.5-6.5 per cent).

Soumya Kanti Ghosh, group chief economic adviser, State Bank of India, said the increase in buffer (to 6 per cent) indicates higher expected risk on account of market fluctuations in FY24.

The report stated that the increase on the asset side was due to a rise in

foreign investments (2.31 per cent), gold (15.30 per cent), and loans and advances (38.33 per cent).

On the liability side, the expansion was due to an increase in notes issued (7.81 per cent), revaluation accounts (20.5 per cent), and other liabilities (79.07 per cent).

Domestic assets constituted 27.69 per cent of total assets as on March 31, 2023, down from 28.22 per cent a year ago. The share of foreign currency assets and gold (including gold deposits and gold held in India) rose to 72.31 per cent from 71.78 per cent, respectively, as on March 31, 2022.