



RBI Annual Report 2024-25

For Prelims: [Reserve Bank of India](#), [Gross Domestic Product](#), [Headline inflation](#), [Monetary Policy Committee](#), [Liquidity Adjustment Facility](#), [Non-Performing Assets](#), [Current Account Deficit](#), [Financial Inclusion Index](#), [Capital expenditure](#)

For Mains: Role of RBI in ensuring financial stability and monetary policy management, Impact of inflation volatility on India's macroeconomic stability

[Source: IE](#)

Why in News?

The [Reserve Bank of India \(RBI\)](#) released its **Annual Report 2024-25**, providing a comprehensive overview of the country's monetary policy, financial stability, regulatory initiatives, and key economic developments.

What are the Key Takeaways from RBI Annual Report 2024-25?

- **Global Economic Growth:** Global growth slowed to **3.3% in 2024**, below the historical average of 3.7% (2000-19). Growth in 2025 expected at **2.8%** and 3.0% in 2026 amid geopolitical tensions, trade protectionism, and elevated public debt.
 - Global inflation moderated to **5.7% in 2024** from 6.6% in 2023, but services inflation remained sticky in major advanced economies.
- **Indian Economy Resilience:** India's [Gross Domestic Product \(GDP\)](#) growth moderated to **6.5% in 2024-25**, yet it remained the fastest-growing major economy globally.
 - Agricultural [Gross Value Added \(GVA\)](#) grew by **4.6%** (up from 2.7% in previous year), driven by record foodgrain production and favourable weather.
 - Industrial sector growth slowed to **4.3%** and the services sector remained strong with a **7.5% growth** and accounted for 64.1% of GVA.
- **RBI Balance Sheet:** As of March, 2025, the RBI's balance sheet grew by **8.2% year-on-year**.
 - Its income rose by **22.77%** (driven by a ~33% surge in [forex](#) transaction gains and higher returns from investments), while expenditure increased by 7.76%.
 - This led to a record surplus of **Rs 2.68 lakh crore, up 27.37% from Rs 2.11 lakh crore in the previous year.**
 - On the assets side, **gold rose by 52.09%, domestic investments by 14.32%, and foreign investments by 1.70%.**
 - Liabilities expanded due to **higher notes issued**, revaluation accounts, and other liabilities.
 - As of March, 2025, foreign assets (including gold and loans) made up 74.27% of total assets, with domestic assets at 25.73%. Gold holdings rose by 57.48 metric tonnes to 879.58 metric tonnes.
- **Inflation Trends:** [Headline inflation](#) moderated to **4.6% in 2024-25** from 5.4% in 2023-24.
 - **Core inflation** stood at **3.5%**, with [food inflation](#) falling to 2.9% by March 2025.

- **Fuel prices** saw deflation of **2.5%** due to softer global energy prices.
- **Monetary Policy and Liquidity:** The **Monetary Policy Committee (MPC)** maintained the **repo rate** at 6.50% through much of 2024-25 but shifted the stance from “**withdrawal of accommodation**” to “**neutral**” in **October 2024**.
 - The **cash reserve ratio (CRR)** was reduced to 4% in December 2024 to ease liquidity pressures.
- **External Sector:** Merchandise exports grew marginally by **0.1%**, while imports rose by **6.2%**, widening the trade deficit to **USD 282.8 billion**.
 - **Current Account Deficit (CAD)** remained manageable at **1.3% of GDP**. Foreign exchange reserves stood at **USD 668.3 billion, covering 11 months of merchandise imports**.
- **Increased Household Savings:** Net household savings increased to 5.1% of **Gross National Disposable Income (GNDI)** (measures the income available to the nation for final consumption and gross saving) in FY24.
- **Financial Sector Health:** Bank credit growth outpaced deposit growth, improving credit-to-deposit ratio slightly.
 - **Gross Non-Performing Assets (NPA) ratio and Net NPA ratio** declined further. **Urban Cooperative Banks (UCBs)** showed improved credit growth and lower GNPA ratios.
- **Digital Payments and Financial Inclusion:** Digital payments volume grew by **34.8%**, value by **17.9%** in 2024-25.
 - **Unified Payments Interface (UPI)** accounted for **48.5%** of global real-time payments by volume.
 - The **RBI's Financial Inclusion Index** rose from 60.1 in 2023 to 64.2 in 2024, reflecting deeper usage of financial services.
 - Efforts to boost financial literacy continued through initiatives like **Financial Literacy Week 2025**, and new campaigns for children featuring mascots “**Junior Money**” and “**Mini Money**.”
 - Consumer grievance redressal was also strengthened with expanded RBI Ombudsman offices and a nationwide financial awareness drive.
- **Regulatory and Technological Initiatives:** RBI introduced ‘**bank.in**’ domain to enhance digital banking security, and expanded the **Central Bank Digital Currency (CBDC)** pilot to 17 banks and 60 lakh users.
 - RBI launched the **FinTech Repository and EmTech Repository** to track tech adoption by FinTechs and regulated entities. Managed by **RBI Innovation Hub**, these platforms capture data on technologies like **Machine Learning and Artificial Intelligence**, aiding policy and industry insights.
- **Fiscal Situation:** **Gross Fiscal Deficit (GFD)** of the central government reduced to **4.7% of GDP in 2024-25** from 5.5% in 2023-24.
 - **Capital expenditure** grew by **5.2%**; revenue expenditure grew by **5.8%**. States’ consolidated fiscal deficit is likely to remain within **3.2% of GDP**.
- **Outlook for 2025-26:** India projected to sustain GDP growth at **6.5%** with risks balanced.
 - Inflation expected at **4.0%**, with easing supply pressures but upward risks from global uncertainties.
 - The central government aims to reduce the fiscal deficit to **4.4% of GDP** in 2025-26 and target a declining public debt-to-GDP ratio reaching 50% by 2031.

What are the Challenges Highlighted in RBI Annual Report 2024-25?

- **Counterfeit Notes:** Although overall **fake note detection** has declined, **counterfeit** Rs 200 and Rs 500 notes rose by 13.9% and 37.3% respectively, requiring continued vigilance.
- **Surge in Bank Fraud Amounts:** The RBI highlights a sharp rise in **bank fraud amounts**, which nearly tripled to Rs 36,014 crore despite fewer cases reported.
 - This surge is largely due to reclassification and delayed reporting of old frauds.
 - **Public sector banks saw the highest fraud values**, mainly in loan portfolios, while private banks reported more cases, mostly digital payment frauds. Card/internet frauds decreased in value but remained common by number.
- **Global Uncertainties:** Rising protectionism, and geopolitical tensions (e.g., Russia-Ukraine) risk

destabilizing trade and causing market volatility.

- Evolving **US tariff policies and reciprocal actions** by other countries may cause sporadic market volatility.
- **Inflation Management:** Inflation management faces challenges as rising input costs and **weak global demand threaten India's industrial growth**. While headline inflation eased, volatile food prices continue to slow disinflation.
- **Fiscal Consolidation and Capital Expenditure Balancing:** GFD reduced to 4.7% of GDP in 2024-25, but this requires balancing fiscal consolidation with the need for increased capital expenditure to boost growth.
 - Capital expenditure grew by 5.2% in 2024-25 but still requires further enhancement to sustain growth momentum.
- **Climate Change and Sustainability Risks:** Increasing [climate shocks](#) threaten agricultural productivity and food price stability. Efforts to expand renewable energy and green technology adoption are ongoing but require scaling to meet long-term sustainability goals.

What Measures are Needed for India's Economic Growth and Financial Stability?

- **Controlling Food Inflation: Strengthen agri-logistics infrastructure**, including cold chains and warehousing, to reduce post-harvest losses and curb perishables-driven price spikes.
 - Implement forecast-based [Minimum Support Price](#) planning and ensure timely **buffer stock releases** to stabilize prices during seasonal supply shocks.
- **Enhancing Financial Sector Resilience:** Intensify fraud detection and prevention through RBI's [Mulehunter AI](#) and advanced **digital forensic tools**, especially in public sector banks and digital payment systems, to safeguard trust and stability.
 - Implementing advanced fraud detection technologies using AI/ML, as facilitated by the **RBI Innovation Hub's EmTech Repository**, will be pivotal.
- **Harnessing Digital Innovation:** Scaling the CBDC pilot to enhance transaction efficiency, reduce cash dependency, and **tighten [anti-money laundering controls](#) aligns with the future of digital finance**.
- **External Sector Diversification:** Active **engagement in multilateral trade agreements** and bilateral partnerships can reduce vulnerability to protectionist shocks and geopolitical risks.
 - **Maintaining robust forex reserves** ensures external buffers against volatility.
- **Quality Capital Expenditure:** A paradigm **shift towards higher capital expenditure** (which grew by 5.2%) focused on infrastructure, green energy, and digital connectivity is critical for **long-term productivity gains**.
 - Improving public financial management through outcome-based budgeting and digital governance will enhance expenditure efficiency and transparency.
- **Climate Adaptation and Green Financing:** Green finance instruments, including issuance of green bonds by banks and incentivizing ESG-compliant investments, align with **India's COP26 commitments and sustainability goals**.
 - Integrating climate risk assessment into banking supervision and credit appraisal will reduce systemic risks.

Conclusion

The RBI Annual Report 2024-25 highlights the need for India to balance robust economic growth with financial stability amid global uncertainties. Strategic focus on **inflation control, fostering digital innovation, and prioritizing quality capital expenditure** will be crucial. Additionally, addressing climate risks with green financing and adaptive policies will ensure long-term sustainability, helping India tackle challenges while advancing growth and development.

Drishti Mains Question:

Evaluate the role of the Reserve Bank of India in democratizing access to financial services in India.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q. Which of the following statements is/are correct regarding the Monetary Policy Committee (MPC)? (2017)

1. It decides the RBI's benchmark interest rates.
2. It is a 12-member body including the Governor of RBI and is reconstituted every year.
3. It functions under the chairmanship of the Union Finance Minister.

Select the correct answer using the code given below:

- (a)** 1 only
- (b)** 1 and 2 only
- (c)** 3 only
- (d)** 2 and 3 only

Ans: A

Q. If the RBI decides to adopt an expansionist monetary policy, which of the following would it not do? (2020)

1. Cut and optimize the Statutory Liquidity Ratio
2. Increase the Marginal Standing Facility Rate
3. Cut the Bank Rate and Repo Rate

Select the correct answer using the code given below:

- (a)** 1 and 2 only
- (b)** 2 only
- (c)** 1 and 3 only
- (d)** 1, 2 and 3

Ans: B

Mains

Q. The product diversification of financial institutions and insurance companies, resulting in overlapping of products and services strengthens the case for the merger of the two regulatory agencies, namely SEBI and IRDA. Justify. (2013)