



RBI's Annual Report 2020-21

Why in News

Recently, the [Reserve Bank of India \(RBI\)](#) released its Annual Report for 2020-21.

Key Points

▪ Foreign Exchange:

- Gain from foreign exchange transactions **rose from Rs 29,993 crore to Rs 50,629 crore in 2020-21.**

- Foreign Exchange is the **trading of one currency for another.**

▪ Surplus Transfer to the Government:

- RBI has been able to **transfer a higher amount to the government as surplus** this year following a **sharp fall in provisions** (drop in expenditure was on account of a lower provision) **and gains from foreign exchange** transactions during the year ended March 2021.
- It transferred **Rs. 99,122** crore to the government which is likely to **boost the government's finances**. It helped the government even as the [Covid pandemic](#) continued.

Provision for Giving Surplus to the Government

- **Under Section 47 of the RBI Act, 1934**, after making provisions for bad and doubtful debts, depreciation in assets, contribution to staff and superannuation funds and for all matters for which provisions are to be made by or under the Act or that are usually provided by bankers, the **balance of the profits of the Reserve Bank is required to be paid to the central government.**

▪ Rupee Against Dollar:

- The rupee strengthened by **3.5%** against the US dollar **(at end-March 2021 over end-March 2020)** but **underperformed vis-a-vis other Asian countries** during 2020-21.

▪ Decreased Bank Frauds:

- **Bank frauds of Rs.1 lakh and more fell by 25%** in value to Rs.1.38 trillion in the year 2020-21 with the number of such cases also seeing a **decline of 15% during the year.**

▪ Digital Payments:

- The Covid-19 pandemic **increased** the proliferation of digital modes of payments.
- Total **digital transaction volume in 2020-21 stood at 4,371 crore**, as against **3,412 crore in 2019-20.**

- The prospects for **FinTech** in India's financial system in 2021-22 will depend upon the degree of entrenchment of digital usage.
- Various **initiatives such as an innovation hub, a [regulatory sandbox](#) and offline payment solutions** are underway to ensure that in the digital ecosystem, India maintains its position as a leader.
- The **RBI is also in the process of extending the [geo-tagging](#) framework put in place to capture location of bank branches and ATMs** to cover payment system touch points, enabling accurate capture of their location across the country.
- Further, the **possibility of leveraging India's domestic payment systems to facilitate cross-border transactions** is being explored, and corridors and charges for inward remittances will be reviewed.

▪ **Ensuring Liquidity:**

- The RBI will **ensure a comfortable level of liquidity in the system** during 2021- 22 in **alignment with the stance of [monetary policy](#)**.
 - This is exemplified by the introduction of the secondary market **[G-sec acquisition programme \(G-SAP\)](#)**.
- **Monetary transmission will continue** unimpeded while **maintaining financial stability**.
 - Monetary transmission **refers to the process by which a central bank's monetary policy signals (like [repo rate](#)) are passed on**, through the financial system to influence the businesses and households.

▪ **Economic Growth:**

- As the vaccination drive picks up and cases of infections fall, a sharp turnaround in growth is likely, supported by strong favourable **[base effects](#)**.
 - The **base effect refers to the effect that the choice of a basis of comparison or reference can have on the result** of the comparison between data points.
- RBI predicted **10.5% [GDP \(Gross Domestic Product\)](#) growth** for the year 2021-22.

[Source: IE](#)