

## **PART I – FINANCIAL STATISTICS**

# 1. MONETARY STATISTICS

## 1.1 INTRODUCTION

The Reserve Bank of India has a long tradition of compilation and dissemination of monetary statistics, since July 1935. In view of the ongoing changes in the Indian economy as well as the developments in monetary sector, working groups were set up periodically to review and refine the monetary aggregates. Three working groups were set up so far, viz., the First Working Group on Money Supply (FWG) (1961), the Second Working Group (SWG) (1977) and the "Working Group on Money Supply: Analytics and Methodology of Compilation" (WGMS) (Chairman: Dr. Y.V. Reddy) (1998). Monetary statistics at present are compiled on a balance sheet framework with data drawn from the banking sector and postal authorities. The rationale and analytical foundations behind the compilation of monetary aggregates have been provided to the public through various reports, especially through the reports of the various working groups. Monetary aggregates are published on a regular basis in most of the major publications of RBI, such as Bank's Annual Report, Report on Currency and Finance, Handbook of Statistics, RBI Bulletin, Weekly Statistical Supplement, etc.

There is no unique definition of 'money', either as a concept in economic theory or as measured in practice. Money is a means of payment and thus a lubricant that facilitates exchange. Money also acts as a store of value and a unit of account. In the real world, however, money provides monetary services along with tangible remuneration. It is for this reason that money has to have relationship with the activities that economic entities pursue. Money can, therefore, be defined for policy purposes as the set of liquid financial assets, the variation in the stock of which could impact on aggregate economic activity. As a statistical concept, money could include certain liquid liabilities of a particular set of financial intermediaries or other issuers. Thus, like other countries, a range of monetary and liquidity measures are compiled in India.

## 1.2. CONCEPTS AND DEFINITIONS

Various monetary and liquidity aggregates are compiled in India and their definitions are set out Table 1.

**Table 1.1: Measures of Monetary and Liquidity Aggregates**

Reserve Money	= Currency in circulation + Bankers' deposits with the RBI + 'Other' deposits with the RBI = Net RBI credit to the Government + RBI credit to the commercial sector + RBI's claims on banks + RBI's net foreign assets + Government's currency liabilities to the public - RBI's net non-monetary liabilities
$M_1$	= Currency with the public + Demand deposits with the banking system + 'Other' deposits with the RBI.
$M_2$	= $M_1$ + Savings deposits of post office savings banks
$M_3$	= $M_1$ + Time deposits with the banking system = Net bank credit to the Government + Bank credit to the commercial sector + Net foreign exchange assets of the banking sector + Government's currency liabilities to the public - Net non-monetary liabilities of the banking sector
$M_4$	= $M_3$ + All deposits with post office savings banks (excluding National Savings Certificates).
$NM_1$	= Currency with the public + Demand deposits with the banking system + 'Other' deposits with the RBI.
$NM_2$	= $NM_1$ + Short-term time deposits of residents (including and up to the contractual maturity of one year).
$NM_3$	= $NM_2$ + Long-term time deposits of residents + Call/Term funding from financial institutions.

$L_1$	= $NM_3$ + All deposits with the post office savings banks (excluding National Savings Certificates).
$L_2$	= $L_1$ + Term deposits with term lending institutions and refinancing institutions (FIs) + Term borrowing by FIs + Certificates of deposit issued by FIs.
$L_3$	= $L_2$ + Public deposits of non-banking financial companies.
Net bank credit to the Government	= Net RBI credit to the Government ( <i>i.e.</i> , Net RBI Credit to the Centre + Net RBI Credit to State Governments) + Other banks' credit to the Government
Bank credit to the commercial sector	= RBI credit to the commercial sector + Other banks' credit to the commercial sector
Net foreign assets of the banking sector	= RBI's net foreign assets + Other banks' foreign assets
Net non-monetary liabilities of the banking sector	= RBI's net non-monetary liabilities + Net non-monetary liabilities of other banks.

Various components of monetary and liquidity aggregates are further set out below:

'Currency in circulation' includes notes in circulation, rupee coins and small coins. Rupee coins and small coins in the balance sheet of the Reserve Bank of India include ten-rupee coins issued since October 1969, two rupee-coins issued since November 1982 and five rupee coins issued since November 1985. Currency with the public is arrived at after deducting cash with banks from total currency in circulation, as reported by RBI.

'Bankers' deposits with the Reserve Bank' represent balances maintained by banks in the current account with the Reserve Bank mainly for maintaining Cash Reserve Ratio (CRR) and as working funds for clearing adjustments. 'Other' Deposits with the Reserve Bank, for the purpose of monetary compilation, include deposits from foreign central banks, multilateral

institutions, financial institutions and sundry deposits net of IMF Account No.1.

'Net Reserve Bank credit to Government' includes the Reserve Bank's credit to Central as well as State Governments. It includes ways and means advances and overdrafts to the Governments, the Reserve Bank's holdings of Government securities, and the Reserve Bank's holdings of rupee coins less deposits of the concerned Government with the Reserve Bank. The Reserve Bank's claims on banks include loans to the banks including NABARD. In case of the new monetary aggregates, the RBI's refinance to the NABARD, which was earlier part of RBI's claims on banks, has been classified as part of RBI credit to commercial sector.

The 'Reserve Bank's credit to the commercial sector' represents investments in bonds/shares of financial institutions, loans to them and holdings of internal bills purchased and discounted. 'Government's currency liabilities to the public' comprise rupee coins and small coins.

The Reserve Bank's net foreign assets are its holdings of foreign currency assets and gold. The gold reserves of Issue Department of the Reserve Bank were valued at Rs. 21.24 per tola till October 5, 1956; thereafter, at Rs. 62.50 per tola till January 31, 1969 and subsequently at Rs. 98.44 per tola (Rs.84.39 per 10 gms) up to October 16, 1990. From October 17, 1990 gold is valued at the end of the month at 90 per cent of the daily average price quoted at London for the month. The rupee equivalent is determined on the basis of exchange rate prevailing on the last business day of the month. Unrealised gains/ losses are adjusted to the Currency and Gold Revaluation Account (CGRA). The Reserve Bank's net foreign exchange assets take into account the impact of appreciation in the value of gold following its revaluation close to international market price effective October 17, 1990. Such appreciation has a corresponding effect on Reserve Bank's net non-monetary liabilities.

'Other liabilities of the Reserve Bank' include internal reserves and provisions of the Reserve Bank such as Exchange Equalisation Account (EEA), Currency and Gold Revaluation Account

(CGRA), Contingency Reserve and Asset Development Reserve. The reserves, viz., Contingency Reserve, Asset Development Reserve, CGRA and EEA reflected in 'Other Liabilities' are in addition to the 'Reserve Fund' of Rs.6,500 crore held by the Reserve Bank as a distinct balance sheet head. Gains/losses on valuation of foreign currency assets and gold due to movements in the exchange rates and/or prices of gold are not taken to Profit and Loss Account but instead booked under a balance sheet head named as CGRA. The balance represents accumulated net gain on valuation of foreign currency assets and gold. CGRA was earlier known as Exchange Fluctuation Reserve (EFR). The balance in EEA represents provision made for exchange losses arising out of forward commitments. Contingency Reserve represents the amount set aside on a year-to-year basis for meeting unexpected and unforeseen contingencies including depreciation in value of securities, exchange guarantees and risks arising out of monetary/ exchange rate policy compulsions. In order to meet the internal capital expenditure and make investments in subsidiaries and associate institutions, a further specified sum is provided and credited to the Asset Development Reserve.

'Net non-monetary liabilities (NNML) of the Reserve Bank' are liabilities which do not have any monetary impact. These comprise items such as the Reserve Bank's paid-up capital and reserves, contribution to National Funds (NIC-LTO Fund and NHC-LTO Fund), RBI employees' PF and superannuation funds, bills payable, compulsory deposits with the RBI, RBI's profit held temporarily under other deposits, amount held in state Governments Loan Accounts under other deposits, IMF quota subscription and other payments and other liabilities of RBI less net other assets of the RBI. Similarly, NNML of banks include items such as their capital, reserves, provisions, etc. NNML of the banking sector includes NNML of the Reserve Bank and that of other banks.

'Currency with the public' is currency in circulation less cash held by banks. 'Demand deposits' include all liabilities which are payable on demand and they include current deposits,

demand liabilities portion of savings bank deposits, margins held against letters of credit/ guarantees, balances in overdue fixed deposits, cash certificates and cumulative/ recurring deposits, outstanding Telegraphic Transfers (TTs), Mail Transfers (MTs), Demand Drafts (DDs), unclaimed deposits, credit balances in the Cash Credit account and deposits held as security for advances which are payable on demand. Money at Call and Short Notice from outside the Banking System is shown against liability to others.

'Time deposits' are those which are payable otherwise than on demand and they include fixed deposits, cash certificates, cumulative and recurring deposits, time liabilities portion of savings bank deposits, staff security deposits, margin money held against letters of credit if not payable on demand, India Millennium Deposits and Gold Deposits.

'Net bank credit to Government' comprise the RBI's net credit to Central and State Governments and commercial and co-operative banks' investments in Central and State Government securities. 'Bank credit to commercial sector' include RBI's and other bank's credit to commercial sector. Other banks' credit to commercial sector includes banks' loans and advances to the commercial sector (including scheduled commercial banks' food credit) and banks' investments in "other approved" securities.

The acronyms  $NM_1$ ,  $NM_2$  and  $NM_3$  are used to distinguish the new monetary aggregates [as proposed by the Working Group on Money Supply: Analytics and Methodology of Compilation (WGMS) (Chairman: Dr. Y.V. Reddy), June 1998] from the existing monetary aggregates.  $NM_2$  and  $NM_3$  are based on the residency concept and hence do not directly reckon non-resident foreign currency repatriable fixed deposits in the form of FCNR(B) deposits, Resurgent India Bonds (RIBs) and India Millennium Deposits (IMDs). Residency essentially relates to the country in which the holder has a centre of economic interest. Currency and deposits held by the non-residents in the rest of the world sector would be related

to balance of payments considerations such as international capital flows rather than to the domestic demand for monetary assets or to the use of money in domestic transactions. While there is a need to categorise deposit liabilities by residency, it may not be appropriate to exclude all categories of non-resident deposits from domestic monetary aggregates as non-resident rupee deposits are essentially integrated into the domestic financial system. Therefore, only non-resident repatriable foreign currency fixed deposits are excluded from deposit liabilities and treated as external liabilities. Accordingly, from among the various categories of non-resident deposits, FCNR(B), Resurgent India Bonds (RIBs), and India Millennium Deposits (IMDs) were classified as external liabilities and excluded from the domestic money stock. Other major features of the new monetary and liquidity aggregates are as follows:

1. Compilation of four measures of monetary aggregates, and three measures of liquidity aggregates besides a comprehensive financial sector survey.  $NM_0$  is essentially the monetary base, compiled mainly from the balance sheet of the Reserve Bank of India;  $NM_1$  purely reflects the non-interest bearing monetary liabilities of the banking sector;  $NM_2$  includes besides currency and current deposits, saving and short-term deposits reflecting the transactions balances of entities.  $NM_3$  was redefined to reflect additionally to  $NM_2$  the call funding that the banking system obtains from other financial institutions.
2. Bank credit is often specifically referred, in monetary economics, as a critical variable affecting consumption and capital formation in a direct manner. As such it is often regarded as a more useful indicator of real sector activity than money supply. In India, one of the objectives of monetary policy is clearly stated in official documents as one of ensuring adequate flow of credit to the productive sectors of the economy. While credit to government from the banking system is clearly identified, bank credit to the commercial sector, includes only advances in the form of loans, cash credit,

overdrafts, bills purchased and discounted, and investments in approved securities other than government securities. However, commercial banks have in recent years been investing in securities such as commercial paper, shares and debentures issues by the commercial sector, which are not reflected in the conventional credit aggregates. The definition of bank credit has been broadened to include such investments.

3. Net foreign exchange assets (NFA) of the banking sector comprise the RBI's net foreign exchange assets and the net foreign currency assets of the banking system. Net foreign currency assets of the banking system comprise their holdings of foreign currency assets net of i) their holdings of non-resident repatriable foreign currency fixed deposits which is presently defined to include FCNR(B) deposits and ii) overseas foreign currency borrowings.
4. In the new monetary aggregate  $NM_3$ , capital account consists of paid-up capital and reserves. 'Other Items (net)' is the residual, balancing the components and sources of the monetary and banking accounts and includes other demand and time liabilities, net inter-bank liabilities, etc., as applicable.

### 1.3 COVERAGE

At present monetary aggregates are compiled based on the data from the scheduled commercial banks, cooperative banks, urban cooperative banks and the post offices. The coverage of co-operative banks has increased over time (Table 1.2). As regards co-operative banks, data up to February 1970 include State co-operative banks, while the data from March 1970 onwards are inclusive of central co-operative banks and primary co-operative banks.

#### 1.3.1 Changes in the Compilation

There was a change in the treatment of apportionment of savings deposits into its two components - demand and time in March 1978. Savings bank accounts are bifurcated into demand and time portions depending on whether interest is actually paid on such deposits. Banks are required to report such classification on the basis

of the position as at close of business at September 30 and March 31 instead of as at end-June and as at end-December as done hitherto.

monetary aggregates in India has been encapsulated in the table appended below (Table 1.2).

The evolution of methodology of compilation of

**Table 1.2: Money Stock Measures: Evolution of Methodology of Compilation**

First Working Group (FWG) (1961)	Second Working Group (SWG) (1977)	Working Group on Money Supply (WGMS) (1998)	REMARKS
1	2	3	4
Components (C)			
<i>C.I. Currency with the Public (C.I.1+C.I.2-C.I.3-C.I.4-C.I.5)</i>	<i>C.I. Currency with the Public (C.I.1+C.I.2-C.I.3-C.I.4)</i>	<i>C.I. Currency with the Public (C.I.1+C.I.2-C.I.3)</i>	
C.I.1 Notes in circulation	C.I.1 Notes in circulation	C.I.1 Notes in circulation	
C.I.2 Circulation of Rupee coins and small coins <i>i.e.</i> , Government's currency liabilities to the Public	C.I.2 Circulation of Rupee coins and small coins <i>i.e.</i> , Government's currency liabilities to the Public	C.I.2 Circulation of Rupee coins and small coins <i>i.e.</i> , Government's currency liabilities to the Public	Comprise rupee coins and small coins. Ten-rupee coins issued since October 1969, two rupee-coins issued since November 1982 and five rupee coins issued since November 1985 are included under rupee coins. Net of return of Indian notes from Pakistan.
C.I.3 Currency returned by Pakistan	C.I.3 Currency returned by Pakistan		
C.I.4 Cash in hand with banks <i>i.e.</i> , commercial banks and state co-operative banks	C.I.4 Cash in hand with the banking system <i>i.e.</i> , commercial banks, state co-operative banks, central co-operative banks and primary co-operative banks	C.I.3 Cash in hand with the banking system	The FWG considered only commercial and state co-operative banks while the SWG extended the coverage to central co-operative banks and primary co-operative banks consisting of urban co-operative banks and salary earners' societies.
C.I.5 Balance of the Central and State Governments held at treasuries			Since August 1967, balances held at treasuries have not been included in the measure in view of their meagre amounts.
<i>C.II. Aggregate Deposits with Banks (C.II.1+C.II.2)</i>	<i>C.II. Aggregate Deposits with the Banking System (C.II.1+C.II.2)</i>	<i>C.II. Aggregate Deposits held by Residents with the Banking System (C.II.1+C.II.2-C.II.2.2.1-C.II.2.3.1)</i>	With the inclusion of central and urban co-operative banks, the SWG treated inter-bank deposits with the banking system as part of net non-monetary liabilities [ <i>i.e.</i> , other items (net) as defined by the Working Group on Money Supply

First Working Group (FWG) (1961)	Second Working Group (SWG) (1977)	Working Group on Money Supply (WGMS) (1998)	REMARKS
1	2	3	4
			(WGMS): Analytics and Methodology Compilation. The WGMS recommended that aggregate deposits should be on residency basis, thereby excluding repatriable foreign currency fixed deposits held by non-residents, e.g., FCNR(B) deposits, from money supply.
C.II.1 Demand Deposits with banks (including inter-bank demand deposits with state co-operative banks)	C.II.1 Demand Deposits with the banking system.	C.II.1 Demand Deposits with the banking system.	
C.II.2 Time Deposits with banks (including inter-bank time deposits with state co-operative banks)	C.II.2 Time Deposits with the banking system.	C.II.2 Time Deposits held by Residents with the banking system. (C.II.2.1+C.II.2.2+C.II.2.3)  C.II.2.1 Certificates of Deposit (CDs)  C.II.2.2 Short-term <sup>1</sup> time deposits  C.II.2.2.1 Foreign Currency Repatriable short-term <sup>1</sup> Fixed Deposits held by Non-Residents  C.II.2.3 Long-term <sup>2</sup> time deposits  C.II.2.3.1 Foreign Currency Repatriable long-term <sup>2</sup> Fixed Deposits held by Non-Residents  C.II.3 Savings Accounts  C.II.3.1 Time Liabilities portion of Savings Accounts	The WGMS recommended a break-up of time deposits into CDs and other time deposits on the basis of maturity structure partitioned at one year.
C.III. 'Other' deposits with the RBI (C.III.1-C.III.2)	C.III. 'Other' deposits with the RBI (C.III.1-C.III.2-C.III.3-C.III.4-C.III.5)	C.III. 'Other' deposits with the RBI (C.III.1-C.III.2-C.III.3-C.III.4-C.III.5)	
C.III.1 Other Deposits with the RBI	C.III.1 Other Deposits with the RBI	C.III.1 Other Deposits with the RBI	

First Working Group (FWG) (1961)	Second Working Group (SWG) (1977)	Working Group on Money Supply (WGMS) (1998)	REMARKS
1	2	3	4
C.III.2 IMF Deposits with RBI in Account No.1 *	C.III.2 IMF Deposits with RBI in Account No.1 *	C.III.2 IMF Deposits with RBI in Account No.1 *	
	C.III.3 RBI Employees' Pension/ Provident/Co-operative Guarantee Funds	C.III.3 RBI Employees' Pension/ Provident/Co-operative Guarantee Funds	Balances under Reserve Bank Employees' Pension/Provident and Co-operative Guarantee Funds have been excluded from money supply since January 1964.
	C.III.4 Compulsory Deposits with RBI	C.III.4 Compulsory Deposits with RBI	Balances under Additional Emoluments (Compulsory Deposits) Act 1974 and the Compulsory Deposit Scheme (Income Tax Payers) Act were excluded from money supply effective August 16, 1974 and December 13, 1974, respectively.
	C.III.5 Profits of the RBI held temporarily under other deposits and subscriptions to state governments' loans pending allotment	C.III.5 Profits of the RBI held temporarily under other deposits and subscriptions to state governments' loans pending allotment	
	C.IV. Post Office Total Deposits C.IV.1 Post Office Savings Deposits	C.IV. Post Office Total Deposits C.IV.1 Post Office Savings Deposits	Post Office Deposits were included in the monetary aggregates by the SWG. The WGMS recommended that these should be part of liquidity aggregates.
		C.V. Call/Term Money Borrowings by Scheduled Commercial Banks from non-bank sources (excluding PDs)	Borrowings represent money at call and short notice obtained from outside the banking system, but exclude refinance from RBI and financial institutions.
C.IV. Money Supply with the Public (=C.I+C.II.1+C.III)	C.V. Narrow Money ( $M_1$ )(=C.I+C.II.1+C.III)	C.VI. Narrow Money ( $M_1$ )(=C.I+C.II.1+C.III)	There is a break in the M1 series following the reclassification of demand and time

\* **IMF Account No. 1**

The IMF conducts its financial dealings with a member through the fiscal agency and the depository designated by the member. In addition, each member is required to designate its central bank as a depository for the IMF's holding of the member's currency, or if it has no central bank, a monetary agency or a commercial bank acceptable to IMF. Most members have designated their central banks as both the depository as well as the financial agency.

The depository maintains without any service charge or commission, two accounts that are used to record the IMF's holdings of the member's currency the IMF's account no. 1 and IMF's account no. 2. The no. 1 account is used for IMF transactions, including subscription payments, purchases and repurchases and repayment of resources borrowed by IMF.



First Working Group (FWG) (1961)	Second Working Group (SWG) (1977)	Working Group on Money Supply (WGMS) (1998)	REMARKS
1	2	3	4
			components of savings accounts <i>vide</i> circular DBOD.No.Ref.BC.127/C-96(Ret)-77 dated October 15, 1977.
	C.VI. $M_2$ (=C.V.+C.IV.1)	C.VII. $M_2$ (=C.VI + C.II.2.1 + C.II.2.2-C.II.2.2.1+ C.II.3.1)	
C.V. Aggregate Monetary Resources (=C.IV+C.II.2)	C.VII. Broad Money ( $M_3$ ) (=C.V + C.II.2)	C.VIII. Broad Money ( $M_3$ ) (=C.VII + C.II.2.3-C.II.2.3.1 + C.V)	Data on aggregate monetary resources proposed by the FWG were first published in the Bank's Annual Report 1964-65 and in the Report on Currency and Finance 1967-68.
	C.VIII. $M_4$ (=C.IV+C.VII.)		
		C.IX. $L_1$ (=C.IV+C.VIII)	
		C.X. Term Deposits of Financial Institutions (FIs)  C.XI. Certificates of Deposit issued by FIs.  C.XII. Term Borrowings by FIs.  C.XIII. $L_2$ (=C.IX +C.X+ C.XI +C.XII)	Includes IDBI, ICICI, IFCI, IIBI, EXIM Bank, TFCI, NABARD, SIDBI and NHB
		C.XIV. Public Deposits by Non-Banking Financial Companies (NBFCs)	Includes NBFCs having public deposits of Rs. 20 crore or above
		C.XV. $L_3$ (=C.XIII + C.XIV)	
<b>SOURCES (S)</b>			
<i>S.I Net Bank Credit to Government Sector (S.I.1+S.I.2)</i>	<i>S.I Net Bank Credit to Government Sector (S.I.1+S.I.2)</i>	<i>S.I Net Bank Credit to Government (S.I.1+S.I.2)</i>	
S.I.1 Net RBI Credit to Government Sector (S.I.1.1 + S.I.1.2 + S.I.1.3+ S.I.1.4 + S.I.1.5- S.I.1.6+S.I.1.7-S.I.1.8)	S.I.1 Net RBI Credit to Government Sector (S.I.1.1+S.I.1.2)	S.I.1 Net RBI Credit to Government (S.I.1.1+S.I.1.2)	
	S.I.1.1 Net RBI Credit to the Central Government (S.I.1.1.1 + S.I.1.1.2 +	S.I.1.1 Net RBI Credit to Central Government (S.I.1.1.1+S.I.1.1.2 +	

First Working Group (FWG) (1961)	Second Working Group (SWG) (1977)	Working Group on Money Supply (WGMS) (1998)	REMARKS
1	2	3	4
	S.I.1.1.3 + S.I.1.1.4 + S.I.1.1.5 - S.I.1.1.6)	S.I.1.1.3 + S.I.1.1.4 + S.I.1.1.5-S.I.1.1.6)	
S.I.1.1 Loans and Advances to the Central Government	S.I.1.1.1 Loans and Advances to the Central Government	S.I.1.1.1 Loans and Advances to the Central Government	
S.I.1.2 Bills Purchased and Discounted	S.I.1.1.2 Bills Purchased and Discounted	S.I.1.1.2 Bills Purchased and Discounted	
S.I.1.3 Investments in Treasury Bills	S.I.1.1.3 Investments in Treasury Bills	S.I.1.1.3 Investments in short-term <sup>1</sup> Central Government securities	
S.I.1.4 Investments in Government of India Securities	S.I.1.1.4 Investments in Central Government Securities	S.I.1.1.4 Investments in long-term <sup>2</sup> Central Government Securities	
S.I.1.5 Rupee coins held by the RBI	S.I.1.1.5 Rupee coins held by the RBI	S.I.1.1.5 Rupee coins held by the RBI	
S.I.1.6 Deposits of the Central Government with the RBI	S.I.1.1.6 Deposits of the Central Government with the RBI	S.I.1.1.6 Deposits of the Central Government with the RBI	
	S.I.1.2 Net RBI credit to the State Government (S.I.1.2.1-S.I.1.2.2)	S.I.1.2 Net RBI credit to the State Government (S.I.1.2.1-S.I.1.2.2)	
S.I.1.7 Loans and Advances to State Governments	S.I.1.2.1 Loans and Advances to State Governments	S.I.1.2.1 Loans and Advances to State Governments	
S.I.1.8 Deposits of State Governments	S.I.1.2.2 Deposits of State Governments	S.I.1.2.2 Deposits of State Governments	
S.I.2 Other Banks' credit to Government (S.I.2.1 + S.I.2.2)	S.I.2 Other Banks' credit to Government (=S.I.2.1)	S.I.2 Credit to Government by the Banking System (S.I.2.1 + S.I.2.2)	
S.I.2.1 Other Banks' investments in Government securities	S.I.2.1 Other Banks' investments in Government securities	S.I.2.1 Investments in short-term Government securities by the Banking System	Treasury Bills are to be valued at carrying cost.
		S.I.2.2 Investments in long-term <sup>2</sup> Government securities by the Banking System	
S.I.2.2 Government's Currency Liabilities to the Public adjusted for balances in treasuries			Government's currency liabilities to the Public were carved out as an independent source of money stock in October 1962.
S.II. Total Bank Credit to Private Sector (S.II.1+S.II.2)	S.II. Total Bank Credit to Commercial Sector (S.II.1+S.II.2)	S.II. Bank Credit to Commercial Sector (S.II.1+S.II.2)	The nomenclature "private sector" was changed into "commercial

First Working Group (FWG) (1961)	Second Working Group (SWG) (1977)	Working Group on Money Supply (WGMS) (1998)	REMARKS
1	2	3	4
			sector" in 1970, as bank credit included credit given to commercial/ manufacturing enterprises in the public sector too.
S.II.1 RBI Credit to Private Sector (S.II.1.1+S.II.1.2)	S.II.1 RBI Credit to Commercial Sector (S.II.1.1+S.II.1.2+S.II.1.3)	S.II.1 RBI Credit to Commercial Sector (S.II.1.1+S.II.1.2+S.II.1.3)	
S.II.1.1 RBI's investments in shares/bonds of financial institutions, ordinary debentures of co-operative sectors, Central Land Mortgage Bank (CLMB) debentures etc.	S.II.1.1 RBI's investments in shares/ bonds of financial institutions, ordinary debentures of co-operative sectors, CLMB debentures etc.	S.II.1.1 RBI's investments in shares/ bonds of financial institutions, ordinary debentures of co-operative sectors, CLMB debentures etc.	
S.II.1.2 Loans to financial institutions	S.II.1.2 Loans to financial institutions	S.II.1.2 Loans to financial institutions	On the establishment of National Bank for Agriculture and Rural Development (NABARD) on July 12, 1982, certain assets and liabilities of the RBI were transferred to NABARD, necessitating some reclassification of aggregates on the sources side of money stock since that date. The WGMS recommended the reclassification of the RBI's refinance to NABARD as credit to commercial sector rather than as claims on banks as had been the practice hitherto.
	S.II.1.3 Internal Bills (under Bills Rediscounting Scheme)	S.II.1.3 Internal Bills (under Bills Rediscounting Scheme)	With the introduction of the Bills Rediscounting Scheme, the commercial banks started discounting the internal bills with the RBI which have been included in the RBI credit to commercial sector since June 1971.
S.II.2 Other Banks' net credit to Private Sector (S.II.2.1 + S.II.2.2-S.II.2.3 -S.II.2.4-S.II.2.5)	S.II.2 Other Banks' credit to Commercial Sector (S.II.2.1 + S.II.2.2)	S.II.2 Credit to the Commercial Sector by the Banking System (S.II.2.1 + S.II.2.2+ S.II.2.3 + S.II.2.4)	
S.II.2.1 Bank Credit	S.II.2.1 Bank Credit	S.II.2.1 Bank Credit	Includes loans, cash credit and overdrafts and internal and foreign bills purchased and

First Working Group (FWG) (1961)	Second Working Group (SWG) (1977)	Working Group on Money Supply (WGMS) (1998)	REMARKS
1	2	3	4
			discounted of SCBs, RRBs.
S.II.2.2 Other Investments	S.II.2.2 Other Investments	S.II.2.2 Investments in other Approved Securities	
		S.II.2.3 Other Investments	Include investments in securities which are not approved for maintenance of statutory liquidity ratio (SLR) such as Commercial Papers, units of UTI and mutual funds and shares/debentures/bonds of the public and private non-bank sector.
S.II.2.3. Net inter-bank Liabilities			As data for central and primary co-operative banks were not included in money supply, the FWG had adjusted bank credit for net inter-bank liabilities. These were, however, treated as part of net non-monetary liabilities by the SWG on extension of full coverage to the co-operative sector.
S.II.2.4 Loans from financial institutions			The FWG had adjusted bank credit against loans from select financial institutions which received refinance from the RBI which had already been reckoned in the RBI credit to the commercial sector. The SWG did away with this adjustment as it was argued that these FIs had substantial access to sources of funds other than those from the RBI.
		S.II.2.4 Net lending to Primary Dealers	Banks' net lendings to PDs, net of their call borrowings from PDs, are part of net inter-bank assets under the present reporting format. However, as the banking sector in money supply excludes PDs, this item was included as part of credit from the banking system by the WGMS.

First Working Group (FWG) (1961)	Second Working Group (SWG) (1977)	Working Group on Money Supply (WGMS) (1998)	REMARKS
1	2	3	4
S.II.2.5 Time deposits held by Banks (including inter-bank time deposits held by state co-operative banks)			This adjustment was considered necessary since the FWG was concerned with M1. The presentation of data on bank credit to commercial sector on net basis was changed into gross basis in May 1974, as (i) time deposits are used not only for financing bank credit to commercial sector but also for lending to the Government and (ii) these are not owned by commercial enterprises who largely borrow from banks.
S.III Net Foreign Exchange Assets of the Banking Sector (S.III.1+S.III.2)	S.III Net Foreign Exchange Assets of the Banking Sector (S.III.1+S.III.2)	S.III Net Foreign Exchange Assets of the Banking Sector (S.III.1+S.III.2)	
S.III.1 Net Foreign Exchange Assets of the RBI (S.III.1.1 + S.III.1.2 + S.III.1.3-S.III.1.4-S.III.1.5)	S.III.1 Net Foreign Exchange Assets of the RBI (S.III.1.1 + S.III.1.2 + S.III.1.3-S.III.1.4-S.III.1.5)	S.III.1 Net Foreign Exchange Assets of the RBI (S.III.1.1 + S.III.1.2-S.III.1.3+S.III.1.4)	
S.III.1.1 Gold Coin and Bullion	S.III.1.1 Gold Coin and Bullion	S.III.1.1 Gold Coin and Bullion	Inclusive of valuation of Gold following its revaluation close to international market price effective October 17, 1990. Such revaluation has a corresponding effect on Reserve Bank's net non-monetary liabilities (capital account)
		S.III.1.2 Foreign Currency Assets of the RBI(S.III.1.2.1+S.III.1.2.2)	Since July 1996, foreign currency assets are being valued at the exchange rate prevailing at the end of every week. Such revaluation has a corresponding effect on Reserve Bank's net non-monetary liabilities (capital account).
S.III.1.2 Foreign Securities	S.III.1.2 Foreign Securities	S.III.1.2 Foreign Securities	Certain foreign securities e.g., IBRD shares, Commonwealth bonds etc. which were part of RBI's claims on

First Working Group (FWG) (1961)	Second Working Group (SWG) (1977)	Working Group on Money Supply (WGMS) (1998)	REMARKS
1	2	3	4
			Government were reclassified as part of its foreign assets by the SWG.
S.III.1.3 Balances held abroad	S.III.1.3 Balances held abroad	S.III.1.2.2 Balances held abroad	
S.III.1.4 IMF A/c No.1	S.III.1.4 IMF A/c No.1	S.III.1.3 IMF A/c No.1	
S.III.1.5 Special Currency withdrawn from Gulf States held under Other deposits of the RBI if any.	S.III.1.5 Quota subscription in rupees.	S.III.1.4 Quota subscription in rupees.	
S.III.2 Net Foreign Exchange Assets of Banking System	S.III.2 Net Foreign Exchange Assets of Banking System (Authorised Dealers' Balances)	S.III.2 Net Foreign Currency Assets of Banking System(S.III.2.1-S.III.2.2-S.III.2.3)	
		S.III.2.1 Foreign Currency Assets of the Banking System	Includes balances held abroad (i.e., the cash component of <i>nostro</i> accounts, etc.) and investments in eligible foreign securities and bonds.
		S.III.2.2. Overseas Borrowings of the Banking System	
		S.III.2.3 Non-Resident Repatriable Foreign Currency Fixed Deposits with the Banking System (C.II.2.2.1+C.II.2.3.1)	
	S.IV. Government's Currency Liabilities to the Public	S.IV. Government's Currency Liabilities to the Public	Net of Indian currency returned by Pakistan awaiting adjustment.
S.IV. Net non-monetary Liabilities of the Banking Sector (S.IV.1+S.IV.2)	S.V. Net non-monetary Liabilities of the Banking Sector (S.V.1+S.V.2)	S.V. Capital Account of the Banking Sector (S.V.1+S.VI.2)	The WGMS has bifurcated the non-monetary liabilities of the banking sector into the capital account and other items (net).
S.IV.1 Net non-monetary Liabilities of the RBI (S.IV.1.1 + S.IV.1.2 + S.IV.1.3 + S.IV.1.4 + S.IV.1.5 - S.IV.1.6 + S.IV.1.7)	S.V.1 Net non-monetary Liabilities of the RBI (S.V.1.1 + S.V.1.2 + S.V.1.3 + S.V.1.4 + S.V.1.5 + S.V.1.6 + S.V.1.7 + S.V.1.8 - S.V.1.9)	S.V.1 Capital Account of the RBI (S.V.1.1 + S.V.1.2 + S.V.1.3 + S.V.1.4 + S.V.1.5 + S.V.1.6)	
S.IV.1.1 Paid-up Capital	S.V.1.1 Paid-up Capital	S.V.1.1 Paid-up Capital	
S.IV.1.2 Reserves	S.V.1.2 Reserves	S.V.1.2 Reserves	

First Working Group (FWG) (1961)	Second Working Group (SWG) (1977)	Working Group on Money Supply (WGMS) (1998)	REMARKS
1	2	3	4
S.IV.1.3 Contributions to National Funds	S.V.1.3 Contributions to National Funds	S.V.1.3 Contingency Reserves	
S.IV.1.4 Bills Payable	S.V.1.4 RBI Employees' Pensions/ Provident/ Guarantee Funds	S.V.1.4 Exchange Fluctuation Reserve / Currency and Gold Revaluation Account	
S.IV.1.5 Other Liabilities	S.V.1.5 Compulsory Deposits with the RBI	S.V.1.5 Exchange Equalisation Account	
S.IV.1.6 Other Assets net of Gold in Banking Department	S.V.1.6 Bills Payable	S.V.1.6 Contributions to National Funds	
S.IV.1.7 Indian currency returned by Pakistan awaiting adjustment	S.V.1.7 Other Liabilities S.V.1.8 IMF Quota Subscription and other payments in rupees included in IMF A/c No.1 S.V.1.9 Other Assets net of Gold in Banking department		
		S.V.2 Capital Account of the Banking System (S.V.2.1+S.V.2.2)S.V.2.1 Paid-up Capital S.V.2.2 Reserves	
S.IV.2 Non-identifiable net non-monetary liabilities of other Banks (residual)	S.V.2 Net non-monetary liabilities of the Banking System (residual)	S.VI. Other items (net) of the Banking Sector (S.VI.1 + S.VI.2)  S.VI.1 Other items (net) of the RBI (S.VI.1.1 + S.VI.1.2 + S.VI.1.3+ S.VI.1.4 - S.VI.1.5- S.VI.1.6 - S.VI.1.7+ S.VI.1.8- S.VI.1.9)  S.VI.1.1 RBI Employees' Pensions/ Provident/ Guarantee Funds  S.VI.1.2 Compulsory Deposits with the RBIS.VI.1.3 Bills Payable  S.VI.1.4 Other Liabilities	Excludes contingency reserve, exchange fluctuation reserve and exchange equalization account which now form part of capital account and are, therefore, adjusted.

First Working Group (FWG) (1961)	Second Working Group (SWG) (1977)	Working Group on Money Supply (WGMS) (1998)	REMARKS
1	2	3	4
		S.VI.1.5 Contingency Reserves S.VI.1.6 Exchange Fluctuation Reserve / Currency and Gold Revaluation Account  S.VI. 1.7 Exchange Equalisation Account  S.VI.1.8 IMF Quota Subscription and other payments in rupees included in IMF A/c No.1  S.VI.1.9 Other Assets net of Gold in Banking department  S.VI.2 Other items (net) of the Banking System (residual)	

1. Of contractual maturity of one year or less.
2. Of contractual maturity of above one year.

**Source:** Report of the Working Group on Money Supply: Analytics and Methodology of Compilation (Chairman: Dr. Y.V. Reddy) (1998), Reserve Bank of India.

### References

Report of the Second Working Group (Chairman M. L. Ghosh) on “*Money Supply in India: Concepts, Compilation and Analysis*”, Reserve Bank of India, Bombay, 1977.

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