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Fifth Bi-Monthly Monetary Policy Statement, 2014-15 By Dr. Raghuram G Rajan, Governor

Monetary and Liquidity Measures

On the basis of an assessment of the current and evolving macroeconomic situation, it has been decided to:

- keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 8.0 per cent;
- keep the cash reserve ratio (CRR) of scheduled banks unchanged at 4.0 per cent of net demand and time liabilities (NDTL);
- continue to provide liquidity under overnight repos at 0.25 per cent of bank-wise NDTL at the LAF repo rate and liquidity under 7-day and 14-day term repos of up to 0.75 per cent of NDTL of the banking system through auctions; and
- continue with daily one-day term repos and reverse repos to smooth liquidity.

Consequently, the reverse repo rate under the LAF will remain unchanged at 7.0 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 9.0 per cent.

Assessment of the Global Economy

2. Since the fourth bi-monthly monetary policy statement of September 2014, the global economy has slowed, though the recent sharp fall in crude prices will have a net positive impact on global growth. The recovery in the United States is broadening on the back of stronger domestic consumption, rising investment and industrial activity. In the Euro area, headwinds from recessionary forces continue to weaken industrial production and investment sentiment. In Japan, growth may be picking up again on the back of stronger exports, helped in part by further quantitative and qualitative easing that has led to a depreciation of the yen. In China, disappointing activity and still-low inflation have prompted rate cuts by the People's Bank of China. In other major emerging market economies (EMEs), downside risks to growth from elevated inflation, low commodity prices, deteriorating labour market conditions and stalling domestic demand have become accentuated.

3. Notwithstanding the cessation of asset purchases by the US Fed, financial markets have remained generally buoyant on abundant liquidity stemming from accommodative monetary policies in the advanced economies (AEs). The search for yield has driven global equity markets to new highs, with investors shunning gold and commodities. Capital flows to EMEs recovered from market turbulence in the first half of October, although some discrimination on the basis of fundamentals is becoming discernible.

Assessment of the Indian Economy

4. Domestic activity weakened in Q2 of 2014-15, and activity is likely to be muted in Q3 also because of a moderate *kharif* harvest. The deficiency in the north-east monsoon rainfall has constrained the pace of*rabi* sowing, except in the southern States. Despite reasonable levels of water storage in major reservoirs, the *rabi* crop is unlikely to compensate for the decline in *kharif* production earlier in the year and consequently, agricultural growth in 2014-15 is likely to be muted. This, along with a slowdown in rural wage growth, is weighing on rural consumption demand.

5. Despite the uptick in September, the growth of industrial production slumped to 1.1 per cent in Q2 with negative momentum in September, unable to sustain the improvement recorded in the preceding quarter. The persisting contraction in the production of both capital goods and consumer goods in Q2 reflected weak aggregate domestic demand. However, more recent readings of core sector activity, automobile sales and purchasing managers' indices suggest improvement in likely activity. Exports have buffered the slowdown in industrial activity in Q2 but, going forward, require support from partner country growth.

6. In the services sector, the October's purchasing managers' survey indicates deceleration in new business. In contrast, tourist arrivals and domestic and international cargo movements have shown

improvement. Thus, various constituents of the services sector are emitting mixed signals.

7. A rise in investment is critical for a sustained pick-up in overall economic activity. While low capacity utilisation in some sectors is a dampener, the recent strong improvement in business confidence and in investment intentions should help. In this context, the still slow pace of reviving stalled projects, despite government efforts, warrants policy priority, even as ongoing efforts to ease stress in the financial system unlock resources for financing the envisaged investment push.

8. The fiscal outlook should brighten because of the fall in crude prices, but weak tax revenue growth and the slow pace of disinvestment suggest some uncertainty about the likely achievement of fiscal targets, and the quality of eventual fiscal adjustment. The government, however, appears determined to stay on course.

9. Retail inflation, as measured by the consumer price index (CPI), has decelerated sharply since the fourth bi-monthly statement of September. This reflects, to some extent, transitory factors such as favourable base effects and the usual softening of fruits and vegetable prices that occurs at this time of the year. On the other hand, protein-rich items such as milk and pulses continue to experience upside pressures, reflecting structural mismatches in supply and demand. The absence of adequate administered price revisions in inputs like electricity has contributed to the easing of inflation in the fuel group.

10. In the non-food non-fuel category, inflation eased broadly in September. Further softening of international crude prices in October eased price pressures in transport and communication. However, upside pressures persist in respect of prices of clothing and bedding, housing and other miscellaneous services, resulting in non-food non-fuel inflation for October remaining flat at its level in the previous month, and above headline inflation. Survey-based inflationary expectations have been coming down with the fall in prices of commonly-bought items such as vegetables, but are still in the low double digits. Administered price corrections, as and when they are effected, weaker-than-anticipated agricultural production, and a possible rise in energy prices on the back of geo-political risks could alter the currently benign inflation outlook significantly.

11. Liquidity conditions have eased considerably in Q3 of 2014-15 due to structural and frictional factors, as well as the fine tuning of the liquidity adjustment framework. With deposit mobilisation outpacing credit growth and currency demand remaining subdued in relation to past trends, banks are flush with funds, leading a number of banks to reduce deposit rates. The main frictional source of liquidity has been the large release of expenditure/transfers by the government. In view of abundant liquidity, banks' recourse to the Reserve Bank for liquidity through net fixed and variable rate term and overnight repos and MSF declined from ₹803 billion, on average, in Q1 to ₹706 billion in Q2 and further to ₹476 billion in October-November. The use of export credit refinance also declined from 52.6 per cent of the limit in Q2 to 32.6 per cent in October-November. The revised liquidity management framework introduced in September, has helped the weighted average cut-off rates in the 14-day term repo auctions as well as in the overnight variable rate repo auctions to remain close to the repo rate, and the volatility of the weighted average call rate has fallen, apart from episodes of cash build-up ahead of Diwali holidays.

12. The Reserve Bank determines the need for open market operations (OMO) based on its assessment of monetary conditions rather than on a specific view on long term yields. On an assessment of the permanent liquidity conditions, the Reserve Bank conducted OMO sales worth ₹401 billion during October to December so far.

13. Merchandise exports declined in October, mainly reflecting sluggish external demand conditions, but also the softening of international prices resulting in lower realisations. For the period April-October as a whole, however, export growth remained positive although the deceleration since July requires vigilance. With import growth remaining modest on account of the decline in POL imports due to falling crude prices, the trade deficit narrowed from its level a year ago. Gold imports have surged since September in volume terms, largely reflecting seasonal demand. Barring month-to-month variations, non-oil non-gold import growth has

remained moderate, with anecdotal evidence of imports substituting for shortfalls in domestic production. Even as external financing requirements stay moderate, all categories of capital flows, except non-resident deposits, have been buoyant. The consequent accretion to reserves denominated in US dollars has been moderated by valuation effects resulting from the strength of the US dollar.

Policy Stance and Rationale

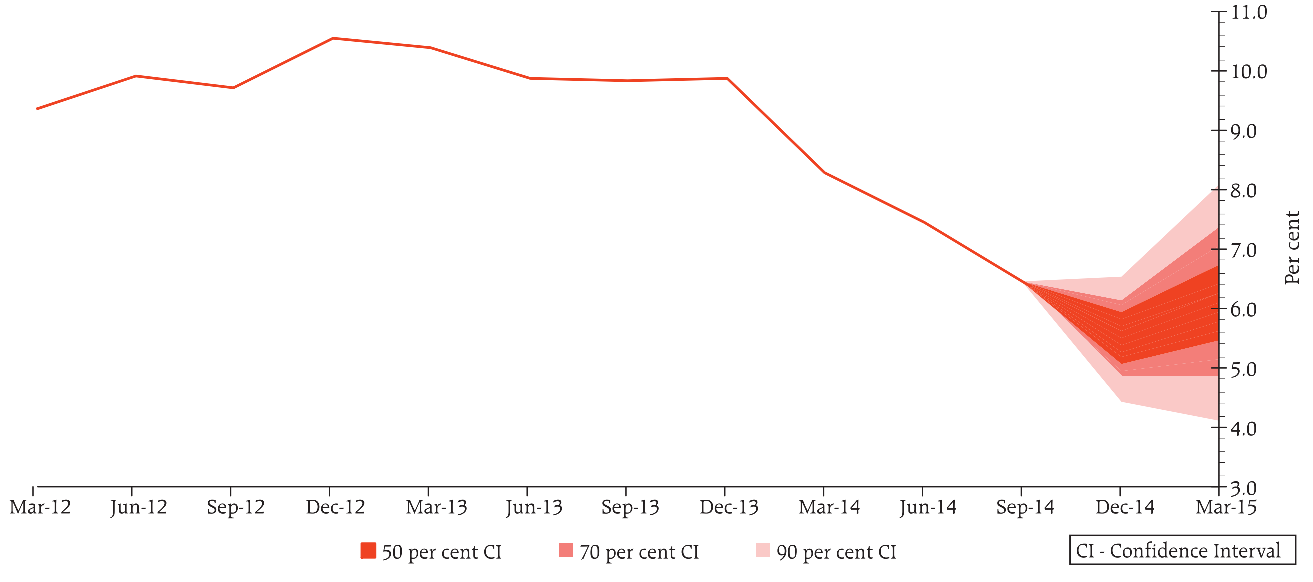
14. Consistent with the balance of risks set out in the fourth bi-monthly monetary policy statement of September, headline inflation has been receding steadily and current readings are below the January 2015 target of 8 per cent as well as the January 2016 target of 6 per cent. The inflation reading for November – which will become available by mid-December – is expected to show a further softening. Thereafter, however, the favourable base effect that is driving down headline inflation will likely dissipate and inflation for December (data release in mid-January) may well rise above current levels.

15. The key uncertainty is the durability of this upturn. The full outcome of the north-east monsoon will determine the intensity of price pressures relating to cereals, oilseeds and pulses, but it is reasonable to expect some firming up of these prices in view of the monsoon's performance so far and the shortfall estimated for *kharif* production. Risks from imported inflation appear to be retreating, given the softening of international commodity prices, especially crude, and reasonable stability in the foreign exchange market. Accordingly, the central forecast for CPI inflation is revised down to 6 per cent for March 2015 (Chart 1).

16. Turning to the outlook for inflation in the medium-term, projections at this stage will be contingent upon expectations of a normal south-west monsoon in 2015, international crude prices broadly around current levels and no change in administered prices in the fuel group, barring electricity. Over the next 12-month period, inflation is expected to retain some momentum and hover around 6 per cent, except for seasonal movements, as the disinflation momentum works through. Accordingly, the risks to the January 2016 target of 6 per cent appear evenly balanced under the current policy stance.

17. Some easing of monetary conditions has already taken place. The weighted average call rates as well as long term yields for government and high-quality corporate issuances have moderated substantially since end-August. However, these interest rate impulses have yet to be transmitted by banks into lower lending rates. Indeed, slow bank credit growth is mirrored by increasing reliance of large corporations on commercial paper and domestic as well as external public issuances.

Chart 1: Projection of CPI Inflation (y-o-y) for 2014-15

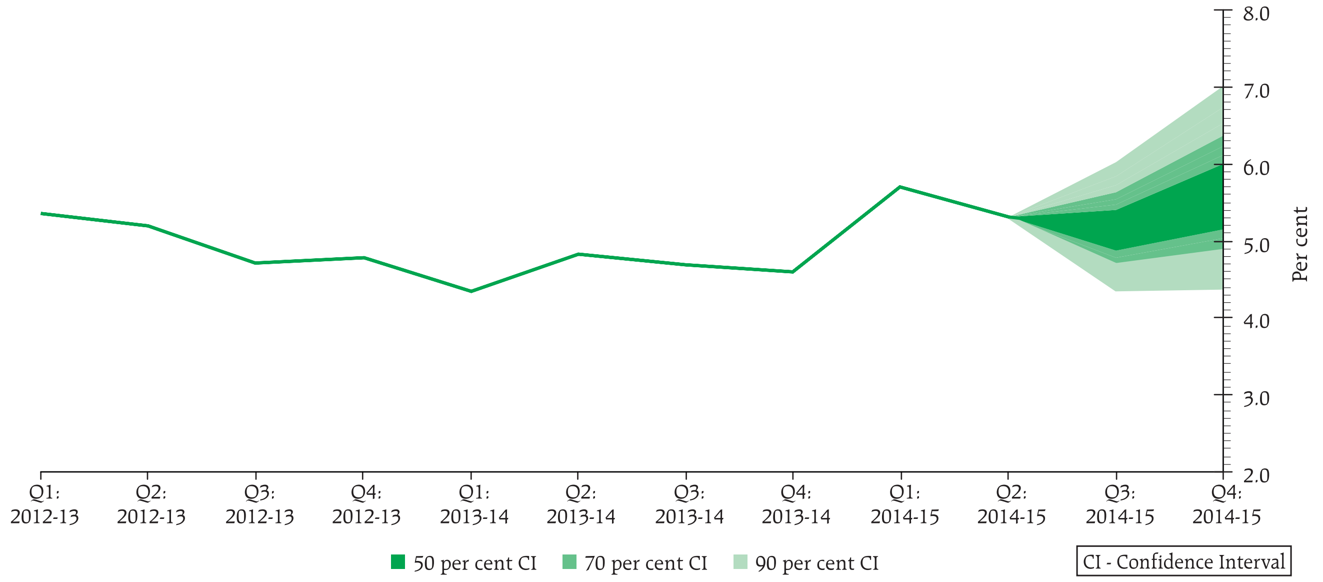


18. Still weak demand and the rapid pace of recent disinflation are factors supporting monetary accommodation. However, the weak transmission by banks of the recent fall in money market rates into lending rates suggests monetary policy shifts will primarily have signaling effects for a while. Nevertheless, these signaling effects are likely to be large because the Reserve Bank has repeatedly indicated that once the monetary policy stance shifts, subsequent policy actions will be consistent with the changed stance. There is still some uncertainty about the evolution of base effects in inflation, the strength of the on-going disinflationary impulses, the pace of change of the public's inflationary expectations, as well as the success of the government's efforts to hit deficit targets. A change in the monetary policy stance at the current juncture is premature. However, if the current inflation momentum and changes in inflationary expectations continue, and fiscal developments are encouraging, a change in the monetary policy stance is likely early next year, including outside the policy review cycle.

19. While activity appears to have lost some momentum in Q2, probably extending into Q3, conditions congenial for a turnaround – the softening of inflation; easing of commodity prices and input costs; comfortable liquidity conditions; and rising business confidence as well as purchasing activity – are gathering. These conditions could enable a pick-up in Q4 if coordinated policy efforts fructify in dispelling the drag on the economy emanating from structural constraints. A durable revival of investment demand continues to be held back by infrastructural constraints and lack of assured supply of key inputs, in particular coal, power, land and minerals. The success of ongoing government actions in these areas will be key to reviving growth and offsetting downside risks emanating from agriculture – in view of weaker-than-expected *rabi* sowing – and exports – given the sluggishness in external demand. Anticipating such success, the central estimate of projected growth for 2014-15 has been retained at 5.5 per cent, with a gradual pick-up in momentum through 2015-16 on the assumption of a normal monsoon and no adverse supply/financial shocks (Chart 2).

20. The sixth bi-monthly monetary policy statement is scheduled on Tuesday, February 3, 2015.

Chart 2: Quarterly Projection of GDP growth (y-o-y) for 2014-15



SPEECHES

*Saving Credit**

Raghuram G. Rajan

Let me start by thanking the Director of IRMA for inviting me to deliver the Third Dr. Verghese Kurien lecture. Dr. Kurien was a pioneer in the co-operative movement. He not only was instrumental in bringing about the White Revolution but he also built a variety of institutions, including Amul, IRMA and NDDB. In creating the means by which farmers could get remunerative, stable incomes, even while professionals managed their interactions with the modern market economy, Dr. Kurien created a uniquely Indian model that has brought millions out of poverty. A man of strong convictions, determination, and integrity, he truly is a giant of post-independence India.

Dr. Kurien showed people the way to remunerative livelihoods, perhaps the best form of economic inclusion. I have little expertise on the technologies and institutions he pioneered, so I will not opine on them. Instead, I want to focus on another instrument for expanding human wellbeing, credit. At a time when demand for bank credit is weak, even while we are likely to have enormous demand for it if investment picks up, we have to ask if India's system of credit is healthy. Unfortunately, the answer is that it is not. We need fundamental reforms starting with a change in mind set. A public lecture in the memory of a great Indian who did much to change our mind sets is a perfect place to make the case.

The Debt Contract

The flow of credit relies on the sanctity of the debt contract. A debt contract is one where a borrower, be it a small farmer or the promoter of a large petrochemical plant, raises money with the promise to repay interest and principal according to a specified schedule. If the borrower cannot meet his promise, he is in default. In the standard debt contract through the course of history and across the world, default means the borrower has to make substantial sacrifices, else he would have no incentive to repay. For instance, a defaulting banker in Barcelona in mediaeval times was given time to repay his debts, during which he was put on a diet of bread and water. At the end of the period, if he could not pay he was beheaded. Punishments became less harsh over time. If you defaulted in Victorian England, you went to debtor's prison. Today, the borrower typically only forfeits the assets that have been financed, and sometimes personal property too if he is not protected by limited liability, unless he has acted fraudulently.

Why should the lender not share in the losses to the full extent? That is because he is not a full managing partner in the enterprise. In return for not sharing in the large profits if the enterprise does well, the lender is absolved from sharing the losses when it does badly, to the extent possible. By agreeing to protect the lender from 'downside' risk, the borrower gets cheaper financing, which allows him to retain more of the 'upside' generated if his enterprise is successful. Moreover, he can get money from total strangers, who have no intimate knowledge of his enterprise or his management capabilities, fully reassured by the fact that they can seize the hard collateral that is available if the borrower defaults. This is why banks offer to finance your car or home loan today at just over 10 per cent, just a couple of percentage points over the policy rate.

Violating the Spirit of Debt

The problem I want to focus on in this lecture is that the sanctity of the debt contract has been continuously eroded in India in recent years, not by small borrower but by the large borrower. And this has to change if we are to get banks to finance the enormous infrastructure needs and industrial growth that this country aims to attain.

* Talk by Dr. Raghuram G. Rajan, Governor, Reserve Bank of India at the Third Dr. Verghese Kurien Memorial Lecture at IRMA, Anand on November 25, 2014.

The reality is that too many large borrowers see the lender, typically a bank, as holding not a senior debt claim that overrides all other claims when the borrower gets into trouble, but a claim junior to his equity claim. In much of the globe, when a large borrower defaults, he is contrite and desperate to show that the lender should continue to trust him with management of the enterprise. In India, too many large borrowers insist on their divine right to stay in control despite their unwillingness to put in new money. The firm and its many workers, as well as past bank loans, are the hostages in this game of chicken -- the promoter threatens to run the enterprise into the ground unless the government, banks, and regulators make the concessions that are necessary to keep it alive. And if the enterprise regains health, the promoter retains all the upside, forgetting the help he got from the government or the banks – after all, banks should be happy they got some of their money back! No wonder government ministers worry about a country where we have many sick companies but no 'sick' promoters.

Let me emphasise that I do not intend in any way to cast aspersions on the majority of Indian business people who treat creditors fairly. I also don't want to argue against risk taking in business. If business does not take risks, we will not get architectural marvels like our new international airports, the 'developed-for-India' low cost business model in the telecom sector, or our world class refineries. Risk taking inevitably means the possibility of default. An economy where there is no default is an economy where promoters and banks are taking too little risk. What I am warning against is the uneven sharing of risk and returns in enterprise, against all contractual norms established the world over – where promoters have a class of 'super' equity which retains all the upside in good times and very little of the downside in bad times, while creditors, typically public sector banks, hold 'junior' debt and get none of the fat returns in good times while absorbing much of the losses in bad times.

Why does it happen?

Why do we have this state of affairs? The most obvious reason is that the system protects the large borrower and his divine right to stay in control.

This is not for want of laws. The Debts Recovery Tribunals (DRTs) were set up under the Recovery of Debts Due to Banks and Financial Institutions (RDDBFI) Act, 1993 to help banks and financial institutions recover their dues speedily without being subject to the lengthy procedures of usual civil courts. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interests (SARFAESI) Act, 2002 went a step further by enabling banks and some financial institutions to enforce their security interest and recover dues even without approaching the DRTs. Yet the amount banks recover from defaulted debt is both meagre and long delayed. The amount recovered from cases decided in 2013-14 under DRTs was Rs. 30,590 crore while the outstanding value of debt sought to be recovered was a huge Rs. 2,36,600 crore. Thus recovery was only 13% of the amount at stake. Worse, even though the law indicates that cases before the DRT should be disposed off in 6 months, only about a fourth of the cases pending at the beginning of the year are disposed off during the year – suggesting a four year wait even if the tribunals focus only on old cases. However, in 2013-14, the number of new cases filed during the year was about one and a half times the cases disposed off during the year. Thus backlogs and delays are growing, not coming down.

Why is this happening? The judgments of the DRTs can be appealed to Debt Recovery Appellate Tribunals (DRAT), and while there are 33 of the former, there are only five of the latter. And even though section 18 of the RDDBFI Act is intended to prevent higher constitutional courts from intervening routinely in DRT and DRAT judgments, the honourable Supreme Court recently lamented that

'It is a matter of serious concern that despite the pronouncements of this Court, the High Courts continue to ignore the availability of statutory remedies under the RDDBFI Act and SARFAESI Act and exercise jurisdiction under Article 226 for passing orders which have serious adverse impact on the right of banks and other financial institutions to recover their dues.'[1]

The consequences of the delays in obtaining judgements because of repeated protracted appeals implies that when recovery actually takes place, the enterprise has usually been stripped clean of value. The present value of what the bank can hope to recover is a pittance. This skews bargaining power towards the borrower who can command the finest legal brains to work for him in repeated appeals, or the borrower who has the influence to obtain stays from local courts – typically the large borrower. Faced with this asymmetry of power, banks are tempted to cave in and take the unfair deal the borrower offers. The bank's debt becomes junior debt and the promoter's equity becomes super equity. The promoter enjoys riskless capitalism – even in these times of very slow growth, how many large promoters have lost their homes or have had to curb their lifestyles despite offering personal guarantees to lenders?

The public believes the large promoter makes merry because of sweet deals between him and the banker. While these views have gained currency because of recent revelations of possible corruption in banks, my sense is that Occam's Razor suggests a more relevant explanation – the system renders the banker helpless *vis-a-vis* the large and influential promoter. While we should not slow our efforts to bring better governance and more transparency to banking, we also need to focus on reforming the system.

Who pays for this one way bet large promoters enjoy? Clearly, the hard working savers and taxpayers of this country! As just one measure, the total write-offs of loans made by the commercial banks in the last five years is 1,61,018 crore, which is 1.27 per cent of GDP. Of course, some of this amount will be recovered, but given the size of stressed assets in the system, there will be more write-offs to come. To put these amounts in perspective – thousands of crore often become meaningless to the lay person – 1.27 per cent of GDP would have allowed 1.5 million of the poorest children to get a full university degree from the top private universities in the country, all expenses paid.

The Consequences

Let me emphasize again that I am not worried as much about losses stemming from business risk as I am about the sharing of those losses – because, ultimately, one consequence of skewed and unfair sharing is to make credit costlier and less available. The promoter who misuses the system ensures that banks then charge a premium for business loans. The average interest rate on loans to the power sector today is 13.7 per cent even while the policy rate is 8 per cent. The difference, also known as the credit risk premium, of 5.7 per cent is largely compensation banks demand for the risk of default and non-payment. Since the unscrupulous promoter hides among the scrupulous ones, every businessperson is tainted by the bad eggs in the basket. Even comparing the rate on the power sector loan with the average rate available on the home loan of 10.7 per cent, it is obvious that even good power sector firms are paying much more than the average household because of bank worries about whether they will recover loans. Reforms that lower this 300 basis point risk premium of power sector loans *vis-a-vis* home loans would have large beneficial effects on the cost of finance, perhaps as much or more than any monetary policy accommodation.

A second consequence is that the law becomes more draconian in an attempt to force payment. The SARFAESI Act of 2002 is, by the standards of most countries, very pro-creditor as it is written. This was probably an attempt by legislators to reduce the burden on DRTs and force promoters to pay. But its full force is felt by the small entrepreneur who does not have

[1] Supreme Court, January 22, 2013 in Union of India v/s. DRT Bar Association.

the wherewithal to hire expensive lawyers or move the courts, even while the influential promoter once again escapes its rigour. The small entrepreneur's assets are repossessed quickly and sold, extinguishing many a promising business that could do with a little support from bankers.

A draconian law does perhaps as much damage as a weak law, not just because it results in a loss of value on default but also because it diminishes the incentive to take risk. For think of a mediaeval businessman who knows he will be imprisoned or even beheaded if he defaults. What incentive will he have to engage in innovative but risky business? Is it any wonder that business was very conservative then? Indeed, Viral Acharya of NYU and Krishnamurthi Subramanian of ISB show in a compelling study that innovation is lower in countries with much stricter creditor rights. Or put differently, the solution to our current problems is not to make the laws even more draconian but to see how we can get more equitable and efficiency-enhancing sharing of losses on default.

A final consequence of the inequitable sharing of losses in distress is that it brings the whole free enterprise system into disrepute. When some businessmen enjoy a privileged existence, risking other people's money but never their own, the public and their representatives get angry. I have met numerous parliamentarians who are outraged at the current state of affairs. If the resolution of these issues is taken out of the realm of the commercial into the realm of the political, it will set back industrial growth. Reforms therefore assume urgency.

What we need is a more balanced system, one that forces the large borrower to share more pain, while being a little more friendly to the small borrower. The system should shut down businesses that have no hope of creating value, while reviving and preserving those that can add value. And the system should preserve the priority of contracts, giving creditors a greater share and greater control when the enterprise is unable to pay, while requiring promoters to give up more.

A better balance

How do we achieve this better balance?

- Let us start with better capital structures. The reason so many projects are in trouble today is because they were structured up front with too little equity, sometimes borrowed by the promoter from elsewhere. And some promoters find ways to take out the equity as soon as the project gets going, so there really is no cushion when bad times hit. Lenders should insist on more real equity up front, and monitor the project closely to ensure it stays in. Promoters should not try and finance mega projects with tiny slivers of equity. We also need to encourage more institutional investors, who have the wherewithal to monitor promoters, to bring equity capital into projects.
- Banks need to react more quickly and in a concerted way to borrower distress. The longer the delay in dealing with the borrower's financial distress, the greater the loss in enterprise value. Some banks are more agile (and have better lawyers), so the promoter continues servicing them while defaulting on other banks. In the absence of an efficient bankruptcy process that brings lenders together, the RBI has mandated the formation of a Joint Lending Forum (JLF) of lenders when the first signs of distress are perceived. The JLF is required to find a way to deal with the distressed enterprise quickly, with options ranging from liquidation to restructuring. In this way, we hope to coordinate lenders and prevent the borrower from playing one off against the other.
- The government's plan to expand the number of DRTs and DRATs is timely, and will be most effective if also accompanied by an expansion

in facilities, trained personnel, and electronic filing and tracking of cases, as suggested by the Supreme Court. Also

- o Some monetary incentives to tribunals for bringing down the average duration of cases, without compromising on due process, could be contemplated.
- o Some limit on the number of stays each party can ask for could also be thought of.
- o Appeals to the DRAT should not be a matter of course. Indeed, DRATs should require borrower appellants to deposit a portion of the money ordered to be paid by the DRT as laid down in the law[2] as a matter of course, rather than routinely waiving such deposits as is reported to be the current practice.
- o It is worth examining if appellants should be made to pay the real costs of delay out of their own pockets if unsuccessful, where the costs include the interest costs of postponed payments.

- As suggested by the Supreme Court, Constitutional Courts should respect the spirit of the laws and entertain fewer appeals. It is hard to see what points of law or judicial administration are raised by the standard commercial case, and routine judicial intervention favours the recalcitrant borrower at the expense of the lender.
  - o Challenging the orders of DRT and DRAT before courts should be made costlier for the appellants. Courts should require them to deposit the undisputed portion of the loan before admitting the case so that routine frivolous appeals diminish.
- The system also needs professional turn-around agents who can step in the place of promoters. Asset Reconstruction Companies (ARCs) were meant to do this, but they need more capital and better management capabilities. Also, there is a requirement that they hand the enterprise back to the original promoter once they have generated enough value to repay the original debts. Such a requirement is misconceived and needs to be repealed, else ARCs have little incentive to spend effort and money to turn around firms. They will simply be liquidators, as they have largely proven to be so far. I should mention that the RBI is open to more firms applying for licenses as ARCs.
- The government is working on a new bankruptcy law, which is very much needed. Properly structured, this will help bring clarity, predictability, and fairness to the restructuring process.

Flexibility not Forbearance

Finally, let me end on a current concern that pertains to the RBI's regulation that is not unrelated to the issues discussed in this lecture. Today, a large number of industries are getting together with banks to clamour for regulatory forbearance. They want the RBI to be 'realistic' and postpone any recognition of bad loans.

This is short-sighted, especially on the part of the banks. Today, the market does not distinguish much between non-performing loans and restructured loans, preferring to call them both stressed loans and discounting bank value accordingly. Mutilating Shakespeare, an NPA by any other name smells as bad! Indeed, because forbearance makes bank balance sheets

[2] Section 21 of RDDBI Act requires deposit of 75 per cent 'of the amount of debt so due from him as determined by the Tribunal...'. In appeals to DRAT from action initiated under SARFAESI Act, under section 18(1) second proviso of SARFAESI Act, '... no appeal shall be entertained unless the borrower has **deposited with the Appellate Tribunal fifty per cent of the amount of debt due from him,** as claimed by the secured creditors or determined by the Debt Recovery Tribunal, whichever is less.'

opaque, they may smell worse to analysts and investors. The fundamental lesson of every situation of banking stress in recent years across the world is to recognise and flag the problem loans quickly and deal with them. So regulatory forbearance, which is a euphemism for regulators collaborating with banks to hide problems and push them into the future, is a bad idea.

Moreover, forbearance allows banks to postpone provisioning for bad loans. So when eventually the hidden bad loans cannot be disguised any more, the hit to the bank's income and balance sheet is larger and more unexpected. This could precipitate investor anxiety about the state of the bank, and in the case of public sector banks, leave a bigger hole for the government to fill. These are yet more reasons to end forbearance. Or put differently, forbearance is ostrich-like behaviour, hoping the problem will go away. It is not realism but naiveté, for the lesson from across the world is that the problems only get worse as one buries one's head in the sand.

At the same time, the banks have also been asking the regulator for greater flexibility to restructure loans so as to align them with the project's cash flows, and for the ability to take equity so as to get some upside in distressed projects. These are more legitimate requests as they imply a desire to deal more effectively with distress. The regulator has been reluctant to afford banks this flexibility in the past because it has been misused by bank management. Nevertheless, recognising that it cannot micromanage the resolution of distress, the RBI is exploring ways to allow banks more flexibility in restructuring. This is a risk we are prepared to take if it allows more projects to be set on the track to recovery.

In sum, the RBI opposes forbearance which simply pushes problems into the future, while it will allow more flexibility so that problem loans can be dealt with effectively today. Let us also be clear that we will be watchful for misuse of flexibility and will deal severely with it if it occurs.

Conclusion

Let me conclude. Perhaps the reason we have been so willing to protect the borrower against the creditor is that the hated moneylender looms large in our collective psyche. But the large borrower today is not a helpless illiterate peasant and the lender today is typically not the *sahukar* but the public sector bank – in other words, we are the lender. When the large promoter defaults wilfully or does not co-operate in repayment to the public sector bank, he robs each one of us taxpayers, even while making it costlier to fund the new investment our economy needs.

The solution is not more draconian laws, which the large borrower may well circumvent and which may entrap the small borrower, but a more timely and fair application of current laws. We also need new institutions such as bankruptcy courts and turn-around agents. Finally, we need a change in mind set, where the wilful or non-cooperative defaulter is not lionized as a captain of industry, but justly chastised as a freeloader on the hardworking people of this country. I am sure that is a change in mind set that Dr. Verghese Kurien would approve of. Thank you!

*Structure of Foreign banks for emerging nations – Indian case**

R. Gandhi

Ladies and Gentlemen!

It is a pleasure and privilege to be among the banking and finance industry participants and fellow regulators in this Asia Securities Industry & Financial Markets Association (ASIFMA) Annual Conference on Developing Asia's Capital Market. The theme of the Conference is very contemporary. Though the theme relates to Capital Market, I also find that you had included credit and banking in the discussions. And I find that one of the panel sessions was specific to India, besides many other sessions which also have direct relevance to the Indian context. That panel discussed opening up Indian capital market. I intend to talk about opening up foreign banking in India.

2. The foreign banks play a transformational role in influencing the host country economies. On the one hand they act as a key vehicle in channelising foreign investments; on the other hand they bring in efficiencies and boost competitive spirit amongst the financial sector entities, thereby, raising the efficiency bar of the domestic players. Structure of foreign banks in a geography, which is a sub-set of banking structure, will be influenced by the desirable form of financial architecture in an economy. The extent to which foreign banks are allowed to play a role in the domestic sector depends upon the unique market needs of each economy. The important consideration will be the confidence of the host regulator to maintain resilience in the wake of destabilising cross border capital flows. In the process, it always remains a challenge to marry the expectations of international banks entering into a developing economy and the expectations of the host country authorities on the role of and deliverables from the foreign banks, while maintaining financial resilience. To an extent, this challenge could be partly met by the authorities by devising an appropriate structure for foreign banks and review the same at each stage of economic development to ensure that opportunities are not lost for either side. Equally important is to put in place appropriate policy responses to insulate the domestic economy from destabilising capital flows.

3. India has a real long history of banking. According to the Indian Central Banking Enquiry Committee (1931), money lending activity in India could be traced back to the Vedic period, *i.e.*, 2000 to 1400 BC. The existence of professional banking in India could be traced to the 500 BC. Kautilya's Arthashastra, dating back to 400 BC contained references to creditors, lenders and lending rates. After the independence of the country in 1947, keeping in tune with the then economic policy, banking sector was highly regulated. In the aftermath of a balance of payment crisis situation in 1991 and with the advent of economic reforms, India embarked upon financial sector liberalisation in a phased manner. Banking industry was deregulated by way of allowing entry of new private sector banks; ten new private Indian banks were set up in 1993, followed by two banks in 2003. Other notable features towards deregulation of banking sector included allowing 74 per cent foreign investment in private sector banks, doing away with licensing of branches of domestic scheduled commercial banks in a phased manner, deregulation of interest rates, widening and deepening of financial markets, *etc.*

4. Indian banking sector comprises of different types of institutions to cater to the divergent banking needs of various sectors of the economy. There are typical commercial banks which operate on all India basis. There are government owned banks, private owned banks and foreign owned banks. There are also small banks with limited areas of operation. Credit cooperatives were created to cater to the credit,

* Keynote Speech delivered by Shri R. Gandhi, Deputy Governor, Reserve Bank of India at ASIFMA Annual Conference 2014 held at Marina Bay Sands, Singapore on November 6, 2014. Assistance provided by Shri S. Venkata Raman is gratefully acknowledged.

processing and marketing needs of small and marginal farmers organised on cooperative lines. Cooperatives expanded also in urban and semi-urban areas in the form of urban cooperative banks to meet the banking and credit requirements of people with smaller means. Regional Rural Banks were created to bring together the positive features of credit cooperatives and commercial banks and specifically address credit needs of backward sections in rural areas. Further, there was an experiment of establishing Local Area Banks, *albeit* on a smaller scale, to bridge the gap in credit availability and strengthen the institutional credit framework in the rural and semi-urban areas. Notwithstanding the development of various types of banks, Indian banking sector is yet to meet the desired banking penetration and inclusion as witnessed in most advanced and some of the emerging economies.

5. A cross-country comparison using the World Bank financial sector database with several other economies, which have bank-dominated financial systems, reveals that banking sector in India is yet to match the size and outreach of the banking sector as prevailing in various other comparable economies. According to this World Bank report[1], India has around 11 ATMs and nearly 11 bank branches per 100,000 people as compared to 119 and 47 in Brazil; 182 and 38 in Russia; 38 and 8 in China; 60 and 10 in South Africa; 58 and 10 in Singapore; 124 and 24 in UK as against the world average of 34 ATMs and 12 branches per 100,000 people. But by other matrices such as ATMs/GDP, we are probably better.

6. Structural changes in the banking sector have been periodically examined by various expert committees in India. The committees favoured consolidation in the Indian banking structure to create well-capitalised, automated and technology-oriented banks through mergers and acquisitions; fostering competition in the banking structure through permitting more private sector banks; setting up of small banks with local character to cater to the requirements of rural and unorganised sectors; more active foreign banks participation; strengthening of the existing structure through enhancing appropriate risk management capabilities; and putting in place legal, insurance, resolution and prudential measures to enable the banking structure to discharge its core functions in an efficient and inclusive manner.

7. In India, the universal banking model is followed. As regards the structure of universal banks, the conglomerate structure is bank-led, *i.e.*, banks themselves are holding companies which operate certain businesses through Subsidiaries, Joint Ventures and Affiliates. The general principle in this regard is that para-banking activities, such as credit cards, primary dealer, leasing, hire purchase, factoring *etc.*, can be conducted either inside the bank departmentally or outside the bank through subsidiary/joint venture/associate. Activities such as insurance, stock broking, asset management, asset reconstruction, venture capital funding and infrastructure financing can be undertaken only outside the bank. Lending activities must be conducted from inside the bank. Investment banking services are provided by the banks as an in-house departmental activity or through subsidiary. However, limits on equity investments, by a bank in a subsidiary company, or a financial services company including financial institutions, stock and other exchanges, depositories, *etc.*, which is not a subsidiary restrict expansion of investment banking services and insurance business by the universal banks. Consequently, India does not have large investment banking and insurance activity within the banking groups.

8. Some countries have a differentiated bank licensing regime where differentiated licenses are issued specifically outlining the activities that the licensed entity can undertake. The criterion for differentiation for the purposes of issuing differentiated licenses could be on account of capital conditions, as is practiced in Indonesia or to the activity as is the case in Australia, Singapore and Hong Kong.

[1] World Development Indicators:Financial access, stability and efficiency – World Bank Report (2014)

9. With the broadening and deepening of financial sector, a need is felt that banks move from the situation where all banks provide all the services to a situation where banks find their specific realm and mainly provide services in their chosen areas. As the economy grows and becomes more integrated with the global economy, need would be felt for sophisticated financial services and products which will require the presence of different types of banks. Accordingly, differentiated banks serving niche interests are also contemplated for India.

10. Much of the Indian population is still outside the purview of formal financial sector and there is need to spruce up the institutional mechanism in this regard. Reserve Bank had, accordingly, issued draft guidelines on small banks and payment banks in June 2014. Both, payments banks and small banks are 'niche' or 'differentiated' banks; with the common objective of furthering financial inclusion. While small banks will provide a whole suite of basic banking products, such as, deposits and supply of credit, but in limited size, payments banks will provide limited range of products, such as, acceptance of demand deposits and remittances of funds, but will have a widespread network of access points particularly in remote areas, either through their own branch network or through Business Correspondents or through networks provided by others. The final guidelines on small and payment banks will be released shortly.

11. The presence of foreign banks in India is seen to be one of the drivers to increase competition, promote efficiency of the local banking system and also for bringing in sophisticated financial services and risk management methodologies which can be adopted by the domestic banks. Based on cross-country experience, some of the main drivers of foreign banks would be the desire of banks to follow their home customers abroad, opportunities in the host countries, the attractiveness of local profit, the absence or elimination of barriers to foreign bank entry *etc.*

12. The share of foreign banks in total assets of the banking sector in India is 6.5 per cent. The operations of foreign banks are skewed and mainly concentrated in urban and metropolitan areas. Out of the total of 318 foreign bank branches, 315 are in urban and metropolitan areas. Foreign banks account for less than one per cent of total branches of commercial banks in India.

13. Currently, foreign banks presence in India is in the form of branches or representative offices. For the branch form, Reserve Bank of India issues a single class of banking licence for conducting all type of banking business, ranging from retail, wholesale, forex and derivative products, credit cards, *etc.* There is no restriction as to the type of business to be conducted through branches unlike in some other countries where restrictions are placed on acceptance of retail deposits, conducting business in local currency, types of clientele, region, availability of deposit insurance, access to clearing and settlement systems *etc.* As on October 31, 2014, there are 44 foreign banks in India operating through a network of 318 branches. Also, 45 foreign banks have presence in India in the form of representative offices.

14. Foreign banks are present in India in the branch mode since mid-nineteenth century. Also, foreign banks were allowed to set up a wholly owned subsidiary (WOS) in India. To operationalise the FDI guidelines, the Reserve Bank released the roadmap for presence of foreign banks in India on February 28, 2005. The roadmap was divided into two phases – the first phase spanning the period March 2005 to March 2009 and the second phase beginning after a review of experience gained in the first phase.

15. In the first phase, foreign banks already operating in India were allowed to convert their existing branches to WOS while following the 'one-mode presence' criterion and the WOS was to be treated at par with the existing branches of foreign banks for branch expansion in India. During the first phase no foreign bank came forward to set up or convert their branches into WOS in the absence of adequate incentives. As the time came

to review the experience gained in the first phase, global financial markets were in turmoil and there were uncertainties surrounding the financial strength of banks around the world. At that time it was considered advisable to continue with the current policy and procedures governing the presence of foreign banks in India.

16. Building on the lessons from the financial crisis, Reserve Bank issued a Discussion Paper in January 2011 on the mode of presence of foreign banks in India. Taking into account the feedback received on the Discussion Paper, the framework for setting up of wholly owned subsidiary (WOS) by foreign banks in India was released in November 2013. Those foreign banks which have commenced banking business in India through a branch mode after August 2010 shall convert into a wholly owned subsidiary if they meet the set conditions and prescribed regulatory thresholds. The conditions would be, such as, foreign banks incorporated in a jurisdiction having legislation giving a preferential claim to deposits of home country in a winding up proceedings; foreign banks that do not have adequate disclosure requirements in their home jurisdiction; foreign banks with complex structures; foreign banks which are not widely held could have maiden presence only by way of WOS. Also, if the Reserve Bank of India is not satisfied with the adequacy of supervisory arrangements (including disclosure arrangements) and market discipline in the country of their incorporation or Reserve Bank of India considers necessary for subsidiary form of presence of the bank or if a foreign bank, which has set up its presence in India through branch mode after August 2010, is considered by the RBI as being systemically important by virtue of the size of its business, such banks would have to operate through a WOS. However, in case of foreign banks which are operating in India before August 2010 shall have the option either to continue their banking business through the branch mode or to convert those branches into a WOS.

17. Foreign banks have evinced interest on WOS structure in India and are deliberating internally their strategy on form of banking presence. The initial minimum paid-up voting equity capital for a WOS shall be ₹5 billion (nearly USD 82 million). In the case of an existing foreign bank having branch presence in India, which desires or is required to convert into a WOS shall have a net worth of ₹5 billion. WOS would be permitted to open branches in any centre, except at certain sensitive locations from the perspective of national security, without having the need to take prior permission from the Reserve Bank of India in each case, subject to their opening 25 per cent of branches in a year in unbanked centres. In the case of foreign bank branches, they may have to seek prior approval of Reserve Bank for branch expansion in India.

18. Financial intermediation in India mainly happens through banks. With a view to improve upon the credit disbursement to certain sectors of the economy which requires stimulus through support from formal financial sector, priority sector lending was introduced in 1970s. The objective was to achieve a wider spread of bank credit, prevent its misuse, direct a larger volume of credit flow to priority sectors and to make it an effective instrument of economic development. The definition of priority sector has evolved over a period of time. Priority sector includes those sectors of the economy which in the absence of inclusion in the priority sector categories would not get timely and adequate finance, such as, small loans to small and marginal farmers for agriculture and allied activities, loans to micro and small enterprises, loans for small housing projects, education loans and other small loans to people with low income levels. Currently, the definition is under a review.

Foreign banks' operations in India – Issues flagged often and RBI's take

Priority sector lending

19. Presently, the domestic scheduled commercial banks are required to achieve priority sector lending target of 40 per cent of the aggregate bank advances. The same would be applicable for new WOS of foreign

banks. Foreign banks with 20 or more branches in the country are being brought on par with domestic banks for priority sector targets in a phased manner over a five year period starting from April 1, 2013. For foreign banks with less than 20 branches the overall target is fixed at 32 per cent.

20. Foreign banks have from time to time raised the issue of fully or partially exempting them from the need to undertake priority sector lending on account of their limited geographical presence and expertise in areas like agro/small scale lending. These are the sectors where formal flow of credit is necessary to create equitable development. The Reserve Bank has tried to facilitate bank lending to these sectors by ensuring that the pricing of credit is made free. Foreign banks on their part are expected to bring in innovation and develop new models through their global experience to deliver credit to needy sectors of the economy in a cost effective manner. Foreign banks had to a large extent pioneered in the areas of technology banking, ATMs in India which was followed by the domestic players and has today changed the landscape of banking in India. As regards foreign banks with 20 and more branches required to undertake priority sector lending at par with domestic scheduled commercial banks, it may be noted that many of these banks are present in India for more than 100 years and are present even before some of the public sector banks were born. These foreign banks, therefore, not only know the Indian economy well but are also well versed with the culture and psyche of the local populace. Therefore, it should not be an insurmountable problem for them to comply with the priority sector requirements.

21. It is to be appreciated that different jurisdictions, including advanced countries, have been requiring the concept of mandated lending for identified sectors, communities and programmes.

Opening of branches in unbanked and underbanked centres

22. WOS of foreign banks are freely allowed to open branches in any centre with a stipulation that atleast 25 percent of the total number of branches opened during the financial year must be in unbanked rural (Tier 5 and Tier 6) centres, *i.e.*, centres which do not have a brick and mortar structure of any scheduled commercial bank for customer based banking transactions. Tier 1 comprises metropolitan and urban centres, Tiers 2, 3, and 4 comprise semi-urban centres and Tiers 5 and 6 comprise rural centres.

23. Incidentally, foreign banks operating as branches are not governed by these stipulations, although, for opening a branch they need to seek prior approval from Reserve Bank on case to case basis. However, keeping in view the concentration of foreign bank branches in urban and metropolitan areas, it is expected that foreign banks when desiring to expand presence may also like to open branches in underbanked centres, measured in terms of average population per branch office in a district/state. I understand that there are similar stipulations in other jurisdictions which have been laid down after factoring the specific needs of their economy and the extent of banking penetration.

24. Currently, foreign banks have around 99 per cent of their branches in urban and metropolitan centres of the country. For increasing banking penetration and financial inclusion, there is a need to open branches in centres that are unbanked. With a liberal branch expansion policy, WOS would have access to the hinterland, which hitherto remained unexplored by foreign banks in India. Thus, there is ample growth opportunity for foreign banks under the WOS set up. In the case of foreign bank branches, there are again plenty of prospects by way of opening branches in underbanked centres. Incidentally, underbanked centres do not necessarily constitute rural areas and many of the centres are located in the fringes of metropolitan and urban areas. Further, with the Government of India's plans to develop hundred smart cities across India, there is ample opportunity to open branches in these centres and infact I believe many existing foreign banks in India would by now have started to strategize to foray into such centres so as to have the first mover advantage.

Niche banking versus universal banking

25. Foreign banks have often sought to do niche banking like corporate/wholesale banking, investment banking rather than undertaking a bouquet of activities as would be required of a commercial bank. The rationale for such request stems from the limited geographical reach, stymied business model for foreign branch operations, lack of expertise in local market, *etc.*

26. The Reserve Bank of India issues universal banking licence to foreign banks for conducting all type of banking business. There is no restriction as to the type of business to be conducted through branches unlike in some other countries where restrictions are placed on foreign bank branches on acceptance of retail deposits, conducting business in local currency, types of clientele, availability of deposit insurance, access to clearing and settlement systems *etc.* Once established, the regulation is non-discriminatory in India, as foreign banks enjoy near national treatment in the matter of conduct of business. As indicated earlier, on account of the typical requirements of the economy, it is our desire and expectation that the foreign banks offer commercial banking with a view to ensure further penetration of banking activities. Needless to indicate that in the process foreign banks could diversify their risks and also it helps to tap the available latent opportunities.

Growing the inorganic way

27. There have been requests on whether the Reserve Bank would allow foreign banks to expand inorganically to explore possibilities for acquisition of banks operating in India. In this regard, the stance of Reserve Bank has already been conveyed in the framework of WOS of foreign banks in India. To repeat, it has been stated that once WOS are in operation for a while and after a review is made with regard to the extent of penetration of foreign investment in Indian banks and functioning of foreign banks, WOSs may be permitted to enter into mergers and acquisitions with private sector banks in India, subject to the overall foreign investment limit of 74 per cent. Since mergers and inorganic growth are natural phenomena, it is likely that over a period of time a number of small institutions may look in for such possibilities to reap benefits of economies of scale and the attendant gains. At the same time, as the population needing basic financial services increases and more opportunities unfold, more entities would like to establish presence within the gamut of policy on entry of new banks and the existing foreign banks would be making exploratory inroads into hinterland to seize the opportunities. However, depending upon the developments in the banking system and the needs of the economy, Reserve Bank would review the policy on the presence of foreign banks in India at an appropriate point of time.

Conclusion

28. To conclude, India has a long history of welcoming foreign banks, while cautiously allowing its expansion, keeping the country's needs in perspective. India offers ample scope for growth for the foreign banks in universal banking, more specifically in the highly sophisticated and profitable markets of trade finance, investment banking, treasury banking and personal banking. The permitted and desired structure of foreign banks is in effect as per the current international ethos. The regulatory and supervisory approaches are, by and large, common and non-discriminatory. Welcome to India.

Thank you all for patient listening.

*Re-designing Regulatory Framework for NBFCs**

R. Gandhi

The Non-Banking Finance Companies (NBFCs) in India, have evolved over the last fifty years to emerge as notable alternate sources of credit intermediation. The non-bank sector in India is wide and encompasses several financial intermediaries like the loan and investment companies, housing finance companies, the infrastructure finance companies, the asset finance companies, core investment companies, micro finance companies and factoring companies. In a broader sense, the NBFCs include stock brokers, insurance companies, chit fund companies, *etc.* The NBFCs are also into distribution of financial products, acting as Business Correspondents to banks, and facilitating remittances. The NBFC sector regulated by the Reserve Bank has changed dynamically since the time an enhanced regulatory framework was placed on them in 1996 in the wake of failure of a large sized NBFC. The changes in the sector have partly been regulation induced; the prudential regulations on systemically important NBFCs and deposit taking NBFCs made them financially sound and better managed, while the light touch regulation on them gave them ample head room to be innovative, and dynamic. Today, while the numbers of registered NBFCs have come down, from the peak of 14,077 in 2002 to 12,029 by March 2014, those in the business found a niche for themselves, in the financial fabric of the country.

2. In a country like India where large sections of the population are still unbanked, there is space for several forms of financial intermediation. Without sounding clichéd, I would say, the NBFCs have emerged as a very important and significant segment, financing small and medium enterprises, second hand vehicles, and other productive sectors of the economy and have very effectively tried to bridge the gaps in credit intermediation. They have played a supplementary role to banks in financial intermediation and a complimentary role in the financial inclusion agenda of the Reserve Bank. NBFCs bring the much needed diversity to the financial sector thereby diversifying the risks, increasing liquidity in the markets thereby promoting financial stability and bringing efficiencies to the financial sector.

3. Although regulated, NBFCs sector is considered as the shadow banking sector. This is because they are lightly regulated, there are pockets within the sector that are not subjected to regulation and or supervision and they are also allowed to conduct activities that may not fall under regulation. I am referring to the Principal Business Criteria (PBC) for registration which allows NBFCs the freedom to conduct other activities, beyond financial activities, from their balance sheets. There are several large entities, undertaking financial business, but do not come within the definition of the NBFC. Here, I am referring to several corporate treasuries. Examples of light touch regulation are as follows: The registered NBFCs are not supervised as intensively as banks; the reporting requirements are very little as compared to banks; capital and other prudential requirements on banks based on Basel III have not been required of the NBFCs; there are no or less pre-emptions in the form of CRR or SLR for NBFCs; nor is prescription of priority sector lending requirements; Unlike banks, there are no restrictions on the number of NBFCs that can be set up by a single Group nor is there any restriction on the number of branches of NBFCs; and corporate

* Speech delivered by Shri R. Gandhi, Deputy Governor, Reserve Bank of India at 110th Foundation Day Celebrations of City Union Bank on November 23, 2014 at Hotel Taj Coromandel, Chennai. Assistance provided by Ms Archana Mangalagiri is gratefully acknowledged.

governance guidelines have not been as stringent as that for banks. There are also no regulations on connected lending for NBFCs.

4. NBFCs today have grown considerably in size, form and complexity and operations in a variety of market products and instruments, technological sophistication, entry into areas such as payment systems, capital markets, derivatives and structured products. Some of the NBFCs are operating as conglomerates having business interests spread to sectors like insurance, broking, mutual fund and real estate. The inter-connectedness with other financial intermediaries has increased with increased access to public funds through NCDs, CPs, borrowings from banks and financial institutions. NBFCs being financial entities are exposed to risks arising out of counterparty failures, funding and asset concentration, interest rate movements and risks pertaining to liquidity and solvency. Risks of the NBFCs sector can hence be easily transmitted to the financial sector or the NBFCs can get affected by adverse developments in the financial sector. We can easily draw reference to the 2008 financial crisis when the NBFCs sector came under pressure due to the funding inter-linkages between NBFCs and Mutual Funds. The ripple effects of the turmoil in the Western economies led to liquidity issues and redemption pressures on Mutual Funds which in turn led to funding issues for NBFCs as Mutual Funds were unable to roll over the corporate debt papers of NBFCs. Many had to downsize their balance sheets or enter into distressed sale of their loan portfolios. A slew of measures had to be taken then, both conventional and unconventional to assist the NBFCs.

Evolution of Regulation

5. Regulation has generally kept pace with the dynamism displayed by the sector. Historically, more specifically from the 1960s, some form of regulation existed on deposit acceptance by NBFCs. However, regulation was tightened after 1996, with amendments to the RBI Act, by placing entry point norms and stricter and more detailed regulations on manner, form and quantum of deposit acceptance. Further, in 1999 capital requirement for fresh registration was enhanced from ₹25 lakh to ₹200 lakh. When the regulatory gaps and arbitrage between banks and NBFCs became significant in 2006, they were sought to be bridged by identification of systemically important non-deposit accepting NBFCs and placing prudential regulations on such NBFCs. At the same time, NBFCs were allowed to expand their activities to offering newer products and services.

Need for Revisions to Regulations

6. Consider some of the data that is available with the Reserve Bank[1]. The total number of NBFCs as on March 31, 2014 were 12,029 of which deposit taking NBFCs were 241 and non-deposit taking NBFCs with asset size of ₹100 crore and above were 465, non-deposit taking NBFCs with asset size between ₹50 crore and ₹100 crore were 314 and those with asset size less than ₹50 crore were 11,009. The total assets of the reporting NBFCs have grown phenomenally over the last few years. These assets which stood at ₹5,60,035 crore as at end March 2009, grew to ₹14,41,422 crore as at end March 2014. In the last year, the total assets of the NBFC sector have grown by 13.36 per cent, while the assets of the banking sector have increased by 5.36 per cent for the corresponding period. The Return on Assets (ROA) as on March 2014 in case of NBFCs was on an average 2.4 per cent, while the ROA for Scheduled Commercial Banks was 0.8 per cent. Return on Equity (ROE) for NBFC in March 2014 was 12 per cent as compared to 9.5 per cent for scheduled commercial banks. The trend in the important financial ratios for NBFCs-ND-SI and NBFCs-D is given in the tables below:

[1] Source : Regulatory Returns

Table 1

NDSI (assets size above ₹500 crore)	MAR-12	MAR-13	MAR-14
Gross NPA Ratio (per cent)	2.1	2.1	2.5
Net NPA Ratio (per cent)	1.3	1.1	1.5
Return on Assets (per cent)	1.8	1.9	2.1
Return on Equity (per cent)	7.7	8.5	9.3
Leverage Ratio	3.2	3.3	3.3

Source: Regulatory Returns

Table 2

NBFC-D	MAR-12	MAR-13	MAR-14
Gross NPA Ratio (per cent)	2.2	2.4	3.1
Net NPA Ratio (per cent)	0.5	0.8	1.0
Return on Assets (per cent)	2.7	2.7	2.6
Return on Equity (per cent)	15.3	15.6	14.8
Leverage Ratio	4.6	4.7	4.7

Source: Regulatory Returns

7. Sources of funds have also increased. The total borrowings by the reporting NBFCs grew from ₹3,75,072 crore as at end March 2009 to ₹9,98,379 crore as at end March 2014. There has been sizable growth, very high leverage, increasing dependence on public funding and increasing interconnectedness, while the regulations on NBFCs are lighter than that for the rest of the financial sector.

8. There was therefore a need felt to comprehensively review the regulatory framework for NBFCs. Several Committees both internal and external have made significant recommendations. I am referring to the Working Group Report on the Issues and Concerns in the NBFC Sector chaired by Smt. Usha Thorat ex – Deputy Governor of the Reserve Bank and in which there were participants from the industry as well. The Nachiket Mor Committee on Comprehensive Financial Services for Small Business and Low Income Households had also several recommendations for the NBFC sector. The revised regulatory framework has drawn significantly from these studies. While reviewing the recommendations for adoption, the Bank has been mindful of the fact that the revisions should not impede the dynamism displayed by NBFCs in delivering innovation and last mile connectivity for meeting the credit needs of the productive sectors of the economy.

Recent Revisions to Regulatory Framework

9. The broad principles followed in framing the revised guidelines was to review the regulations from the perspective of the mandate of the Reserve Bank, *viz.*, financial stability, depositor protection and customer protection. Hence, a) the focus has been on addressing risks where they exist, b) address gaps in regulation, c) reduce complexities and make regulations simple and easy to follow, d) harmonise regulations within the sector and with that of banks to a limited extent, e) acknowledge that there may be pockets within the sector that do not require to be stringently regulated and f) give adequate time to the NBFCs to adjust to the revised regulatory framework so that there are no disruptions in business.

10. Out of the 12,029 NBFCs registered with us, only 241 are deposit taking. Out of the remaining 11,788 non-deposit taking NBFCs, there are many NBFCs who do not access public funds and so are not interlinked. These do not pose much risk to financial stability. Hence, a simplified regulatory framework will suit them.

11. Today, there are various types of NBFCs and regulation varies depending on the type of NBFCs. This has unnecessarily complicated the structure. As a precursor to let NBFCs undertake any of the permitted activities, than be constrained by the specific segment of registered activity, we thought it fit first to harmonise the regulations among various types of NBFCs so that no regulatory arbitrage will be possible. Thus harmonisation with banks has also been warranted for those NBFCs which are in good competition with banks.

12. Thus the approach for redesigning the regulation has been "a lighter regulatory framework on NBFCs other than for those with large asset sizes and deposit accepting, harmonisation of regulation across various types of NBFCs, harmonisation with that of banks to some extent for NBFCs with large asset sizes, and for all deposit accepting NBFCs, creating a level playing field that does not unduly favour or disfavour any institution and to provide adequate time to manage transition". Let me now explain the changes in more detail.

Harmonising Minimum Capital Requirement

13. Harmonising the minimum capital requirement for all NBFCs at ₹200 lakh. The minimum capital requirement of ₹200 lakh was set in from April 1999. However, there are several thousand legacy NBFCs registered prior to this date, the capital of which is below this level. With the changed profile of NBFCs, their entry into newer businesses, the capital of ₹200 lakh in itself is grossly inadequate. The general increase in the price level since 1999 by itself would call for an increase in the capital requirements necessary to function as NBFCs. Besides, as the Usha Thorat Committee has pointed out that any financial intermediary must necessarily invest in technology to be efficient and competitive and reap economies of scale, all of which requires enhancement of capital. A higher capital requirement also ensures that serious players enter this space. Besides, registration with the Bank confers a legitimacy to the NBFC as a regulated entity and gives a sense of comfort to the lenders to the NBFCs. It is therefore necessary to begin by harmonising this level across the sector. An easy to follow roadmap for compliance by March 2017 has been provided so that NBFCs have the required time for planning capital augmentation. Needless to say, non-compliance to the roadmap could invite adverse regulatory action.

Harmonising Deposit Acceptance Regulations

14. Deposit acceptance by NBFCs is a legacy activity and no new NBFC has been given the licence to accept deposit since 1997. The stance of the Bank has been that deposit acceptance will have to be a tightly regulated activity and banks are the right structure to carry on that activity. Further given the absence of deposit insurance and an institutional complaint redress mechanism for the NBFC sector, the Reserve Bank is not in favour of allowing NBFCs to accept deposits. Total deposits held by NBFCs amount to ₹20,588 crore as on March 31, 2014. Out of the 241 companies only 17 companies have deposits greater than ₹10 crore. The trend in amount of deposit and deposit profile is given in the tables below:

Table 3

	No. of Reporting NBFC-D	Public deposits (₹ crore)
Mar-12	246	12656
Mar-13	232	15311
Mar-14	201	20588

Source: Regulatory Returns

Table 4

Public deposits NBFC-D (in ₹)	No. of NBFCs		
	Mar-12	Mar-13	Mar-14
0 to 10 cr	229	217	184
10 to 25 cr	9	7	4
25 to 50 cr	2	1	3
50 to 100 cr	1	2	1
More than 1000 cr	5	5	9

Source: Regulatory Returns

15. Within the sector itself deposit directions differ, with Asset Finance Companies (AFCs) being allowed to accept deposits without the mandatory minimum investment grade credit rating, and those that are rated and follow prudential norms can go up to 4 times of the NOF in terms of quantum of deposits they can mobilise. This dispensation was given to Asset

Finance Companies as they were financing real productive assets, typically capital equipment, commercial vehicles, tractors and automobiles. Many of these activities are now also carried out by other NBFCs and the AFCs themselves have moved out of hire-purchase, equipment leasing model of functioning. In such a scenario, there is no particular reason for differential limits. Besides, as seen from the Regulatory Returns received from NBFCs, other than a very few, the industry has not exceeded 1.5 times of NOF in deposit mobilisation. The Bank hence has harmonised deposit acceptance regulations by making minimum investment grade credit rating compulsory by March 2016 and aligning the quantum to industry levels at 1.5 times of NOF. For a smooth transition, deposits held by NBFCs-D in excess of the revised limits will be allowed to run off on maturity.

Simplifying the Regulatory Framework

16. Regulation for the NBFC sector over the last decade and a half has been incremental. As and when risks have been detected those were sought to be addressed. This had created complexities in their application and consequently affected compliance culture. There was therefore a need to review regulations comprehensively with the objective of making them simple and easy to follow. Consequently, the revised regulatory framework has brought about only two levels of regulation *viz.*, for those above the systemically important threshold and for those below. Regulation for NBFCs-D will be similar to those applicable to systemically important NBFCs-ND, as protection of interest of depositors is one of the mandates of the Reserve Bank. NBFCs-D will additionally have to follow the Direction on deposit acceptance, as hitherto. As regards the Non-Deposit taking NBFCs which are not systemically important, they will not be subjected to any regulation either prudential or conduct of business regulations *viz.*, Fair Practices Code (FPC), KYC *etc.*, if they have not accessed any public funds and do not have a customer interface; those having customer interface will be subjected only to conduct of business regulations including FPC, KYC *etc.*, if they are not accessing public funds; those accepting public funds will be subjected to limited prudential regulations but not conduct of business regulations if they have no customer interface; where both public funds are accepted and customer interface exist, such companies will be subjected both to limited prudential regulations and conduct of business regulations. However, registration under Section 45 IA of the RBI Act will be mandatory and they will be subjected to a simplified reporting system.

17. It is worthwhile to note that out of the 12,029 NBFCs registered with the Reserve Bank, as many as 11,598 will be regulated by this simplified regulatory framework.

Threshold for Systemic Significance

18. The Basel Committee on Banking Supervision and the Financial Stability Board, the two international standards setting bodies, have defined what is a Systemically Important Financial Institution (SIFI). They do not establish merely an asset size threshold for defining a SIFI. They have identified four major parameters for assessing whether a financial institution is systemically important *viz.*, its size, its complexity, its interconnectedness, the lack of readily available substitutes for the financial infrastructure it provides. Financial sector regulators in each jurisdiction are expected to identify SIFIs within their jurisdiction and make suitable laws, regulations and rules that would apply to those entities. The Financial Stability Board also describes G-SIFIs as financial institutions whose distress or disorderly failure, because of their

size, complexity and systemic interconnectedness, would cause significant disruption to the wider financial system and economic activity.

19. The SIFIs identified by the Reserve Bank in the non-banking space have been based on the asset size, although they also meet the other parameters, including substitutability factor. Nevertheless, ₹1 billion in asset size is considered too low from both national and international standards.

20. Consequently, the threshold for systemic significance has been relooked at from the perspective of the overall growth in the sector and international standards and a revised total asset size of ₹500 crore has been put in place. With this redefinition, as mentioned earlier, there are now only two broad categories of NBFCs and regulations accordingly applied. These are:

i. *non – deposit accepting NBFCs with asset size of less than ₹500 crore (NBFCs-ND) and*

ii. *non – deposit accepting NBFCs with assets of ₹500 crore and above (NBFCs-ND-SI) and deposit accepting NBFCs*

21. There will consequently be as many as 11,598 NBFCs who will be subjected to the simplified regulatory framework and only 190 NBFC-ND-SIs and 241 NBFC-Ds who will be subjected to the enhanced regulatory framework.

22. Minimal prudential regulations are prescribed for non-deposit accepting NBFCs with asset size of less than ₹500 crore. For these non-deposit accepting companies (NBFCs-ND) below the threshold of systemic significance, prudential regulations, other than capital adequacy and credit concentration norms, are applicable only where public funds are accepted and conduct of business regulations (FPC, KYC) where there is customer interface. A simple leverage ratio of 7 has been put in place so that their asset growth is in sync with the capital they hold. Further, reporting by such NBFCs will be through a simplified annual return. There have been concerns about non-systemically important NBFCs not being subjected to any supervision and reporting requirements in the past. This is now sought to be addressed by the revised reporting system for all NBFC-NDs and the supervisory arrangements based on risk perception and in normal course so that the regulator is in the know on the activities of smaller companies.

23. For those non-deposit accepting companies (NBFCs-ND-SI) above the threshold of systemic significance and for all NBFC-D, prudential regulations are applicable and conduct of business regulations wherever customer interface exists. In line with international best practices, core capital requirement has been strengthened (existing 7.5 per cent raised to 10 per cent to be phased over 2 years). The minimum Tier 1 capital requirement for NBFCs primarily engaged in lending against gold jewellery remains unchanged for the present and will be reviewed for harmonization in due course.

24. Asset Classification norms have been aligned with that of banks (from the current 180 day and 360 day norm for loan and HP/Leased assets respectively to a 90 day norm phased in over 3 years). Higher standard asset provisioning has been put in place (0.4 per cent against the existing 0.25 per cent phased in over 3 years). Further, credit concentration norms have been harmonised between the various categories of NBFCs by removing the dispensation given to AFCs to exceed the defined norms by 5 per cent. (Dispensation given to IFCs and IDFs has been retained as infra loans are high value loans) and corporate governance standards, *viz.*, fit and proper criteria for directors, disclosure and transparency have been strengthened so that they

are professionally managed and develop a sound compliance culture.

25. Assets of multiple NBFCs in a group shall be aggregated to determine if such consolidation falls within the asset sizes of the two categories mentioned above. Regulations as applicable to the two categories will be applicable to each of the NBFC-ND within the group.

Revoking of Temporary Suspension of Certificate of Registration (CoR)

26. The regulatory framework for NBFCs was based on the provisions of the RBI Act 1934, as amended in 1997. Since then, several important developments warranted a major shift in the regulatory paradigm for the NBFC sector. In the circumstances, a decision to revamp the basic framework was taken. It was thought appropriate that no new NBFCs may be registered when the regulatory framework is being overhauled and the grant of issue of CoR was suspended on April 1, 2014. With the revised guidelines in place, the suspension on new applications has been revoked simultaneously.

Relaxation in the Factoring Guidelines

27. Factoring companies were facing difficulties in meeting the Principal Business Criteria (PBC) set down for them for the purpose of registration. Factors needed to ensure that their financial assets in factoring business constitutes at least 75 per cent of its total assets and income derived from factoring business is not less than 75 per cent of gross income. The PBC was placed high to align with that of all specialised NBFCs, such as IFCs, MFIs *etc.* A number of representations were received from the industry requesting for lowering the PBC especially in the initial teething phase. Consequently, and to provide impetus to factoring, it was decided to make it easier for Factors to apply for registration by lowering the PBC. Existing companies can now seek registration if their financial assets in the factoring business constitute at least 50 per cent of its total assets and income derived from factoring business is not less than 50 per cent of its gross income. Several statutory amendments are required to the Factoring Act, 2011 which the Reserve Bank is separately taking up with the Government of India.

Feedback on the Framework

28. The revised regulatory framework has been generally received positively by the market. As somebody put it, given the context of high anxiety levels, these guidelines came as 'polite regulatory action'. There could be short term impact on the profitability due to increased provisioning and on account of the revised asset classification norms, but the phased introduction of these norms is likely to cushion any adverse impact on the NBFCs. Besides, the strengthening of governance standards and disclosures will enhance shareholder and investor confidence. NBFCs already hold a high Tier 1 capital, and hence there is likely to be no material impact on them.

29. There have been some apprehensions expressed in the media pertaining specifically to the asset classification norms being aligned with that of banks, a higher standard asset provisioning requirement and the reduction in the quantum of deposits that can be accepted by NBFCs. Media reports have stated that NBFCs catering to small borrowers are likely to see a jump in gross NPAs and provisioning as they migrate to the 90 days norm by 2018, while restriction on accessing public deposits will narrow margins and will adversely impact the profitability of the NBFCs.

30. Several representations that we have received are with regard to the issue of aligning the asset classification norms with banks; if you all will recall, this has been the focus of the Reserve Bank for several years and has also been the recommendation of several Committees. Certain uninformed campaign has been spreading a fear that this regulation will lead to increase in the borrowing cost for borrowers of NBFCs and it will lead to recall of loans, repossession of the assets *etc.* These fears are all baseless. What are we telling the NBFCs? We are saying that you be truthful, when you prepare your balance sheets. If a loan is non-performing *i.e.,* if an instalment or interest payment is not received even after a reasonable period after the due date, you cannot recognise income out of that loan. Thus, what we are bringing is an accounting discipline, so that all stakeholders know the real financial position of an NBFC. Be it the depositor who keeps a deposit with an NBFC or be it an investor or prospective investor of the NBFC when it raises funds from the market, or be it a bank which finances an NBFC, all of them need to know the real financial position of the NBFC's assets. These IRAC norms *i.e.,* the Income Recognition and Asset Classification norms are thus an accounting requirement; these in no way curtail the NBFCs' right to extend further/adequate time to the borrowers who are viable. These norms do not require that these loans/assets classified as NPAs should be recalled or repossessed. That is a call the NBFCs will take, based on their assessment about the possibility of repayment, and the probability of default, not on the mere fact that these are classified as NPAs.

31. I understand that several members of the industry have already factored these changes and suitably, that too voluntarily, moved towards a 150 days or a 120 days asset classification norm. Also it may be borne in mind that the revised rules have been made applicable to only systemically important NBFCs, that too as per the new definition and for deposit accepting NBFCs in line with the Bank's mandate of financial stability and depositor protection. Besides, ample time of 3 years has been given for compliance, which is likely to cushion impact on profitability. As on date, as I said earlier, out of the total 12,029 registered NBFCs, only 190 NBFCs which are systemically important, non-deposit taking NBFCS and only 241 deposit taking NBFCs will be required to comply with these requirements.

32. On reduction in deposit acceptance, I would like to clarify that these have not been reduced but merely aligned to the industry practice. Regulations are framed taking into account the practices in industry as a whole, not by the practices of outliers. Most NBFCs have migrated to other forms of resource mobilisation. As per data available with us, only 5 deposit taking NBFCs may have to bring down their deposit level. All other 236 deposit accepting NBFCs are already within the revised deposit acceptance threshold.

Way Ahead

33. The above revised regulatory framework is the first step towards a vibrant professionally managed and healthy NBFC sector. Much needs to be done and there is work already in progress. These include migration to an activity based rather than entity based regulation, comprehensive review of regulations placed on the NBFC-MFIs in the light of the significant progress made by them post the AP crisis, a formal institutional framework for grievance redress for the customers of the NBFCs and bringing the Government owned NBFCs within the regulatory jurisdiction of the Bank. There are also several amendments to the RBI Act, 1934, that need to be taken up with the Government in right earnest.

34. Another issue that need to be tackled is resource raising by NBFCs. Today debentures and bank finance are the two main sources of funds for reporting NBFCs. The Reserve Bank had in the past observed an unhealthy and sudden spurt in debenture issuances under the private placement route. On-site inspections of the companies also showed that the debentures were accepted on tap, the subscription amounts as low as in double digits, passbooks and internal circulars of companies using the nomenclature of deposits, loans being extended against the amounts received, debentures being issued to walk-in customers, besides other features reflecting that the debentures were in effect surrogate deposits. As NBFCs are to be accepting only wholesale funds, the Reserve Bank took action to prevent retail participation by stipulating the minimum subscription amounts, the maximum number of subscribers per issue, and preventing NBFCs from lending against the security of their own debentures. This while curbing the undesirable practices, has constrained the resource raising ability of NBFCs. With the revisions in the Companies Act on private placements, the Reserve Bank is in the process of aligning largely the Bank's debenture regulations with that of the Companies Act 2013.

Challenges for the Regulator

35. The challenges faced by the regulator are many. First, there is a need to streamline the sector, to bring within its fold entities that should have, but have not, sought registration from the Reserve Bank. These have been identified and suitable corrective action is underway. Second, it has come to the notice of the Reserve Bank that there are financial companies that have been accepting deposits from the public without authorisation from the Reserve Bank. These again have been identified and the respective State Governments are in the process of taking suitable action under the State Protection of Interest of Depositors Acts. Third, the menace of unincorporated entities and fly by night operators accepting deposits need to be addressed in full earnest. The Reserve Bank is strengthening its Market Intelligence efforts and the inter-regulatory coordination. The State level Coordination Committees (SLCCs), an inter-regulatory forum, has been strengthened, with the Chief Secretaries presiding over the SLCCs, and the frequency of such meetings has also been increased. The Reserve Bank is also examining the need for a Residual Regulator which can address issues and products that are hybrid in nature and do not strictly fall under any financial sector regulator. Some State Governments have expressed the desire to act as Residual Regulator for the financial sector. This again, is work in progress.

36. In keeping with the work done on Shadow Banking by G-20 and Financial Stability Board, the Reserve Bank has been tasked with identification of shadow banking entities and activities in the country, putting in place a data gathering mechanism to ascertain the interconnectedness and the risks transmitted to the formal financial sector from shadow banks. This is a humongous task, as today there is little data available on say Chit Funds, both in the formal and informal sector, money lenders, and the like. An inter-regulatory group consisting of financial sector regulators, enforcement agencies and the concerned Government Ministries are engaged in this task.

Conclusion

37. In conclusion, may I emphasize that framing regulations is a public policy function and it retains a long term perspective; though there may be some short term setbacks, the revised prudential regulations as detailed so far, including the strengthening of core

capital, governance standards and disclosures, will strengthen the NBFC sector, make it more resilient to economic downturns, lower systemic risks and enhance stakeholder confidence. Overall the Reserve Bank is confident that the recent regulatory changes will have a salutary effect on financial stability in the long run. It is hoped that these and other forthcoming changes in the pipeline, will further strengthen the robustness of significantly important NBFCs and allow them and other NBFCs to operate in an enabling regulatory environment.

Thank you.

*Emerging Contours of Regulation and Supervision in the Indian Banking Sector**

S. S. Mundra

Delegates to the conference, ladies and gentlemen! It is a pleasure to be here this morning to interact with you all. At the outset, I would like to thank Axis Capital Limited and especially Mr. Nilesh Shah, for inviting me to address the participants.

2. During 2013-14, amid slow growth and high inflation, the Indian economy had to contend with serious challenges to external stability emanating from an unsustainably high current account deficit (CAD), capital outflows and consequent exchange rate pressures. Joint efforts by the Reserve Bank and the Government helped stabilize the economy. With greater political stability, commitment to fiscal consolidation, strengthening of the monetary policy framework and better policy implementation, GDP growth is expected to be around 5.5 per cent in 2014-15 from the sub-5 per cent growth in the preceding two years.

3. As you are aware, based on the recommendations of the Expert Committee to Revise and Strengthen the Monetary Policy Framework (Chairman: Dr. Urjit R. Patel) in January 2014, Reserve Bank of India formally adopted a glide path for disinflation in terms of headline consumer prices, with target milestones of 8 per cent by January 2015 and 6 per cent by January 2016. The Reserve Bank anchored this change by tightening monetary policy in the January 2014 policy review and maintained this tight stance in subsequent policy reviews so as to set the economy firmly on a disinflationary path. Since then, inflationary pressures have fallen in a broad-based manner. This has been aided in part by measures taken by the Government to control the fiscal deficit and to augment food supply, disincentivise agricultural exports and reform agricultural marketing policies.

4. I have been asked to speak on a subject of my choice. Let me take this opportunity to dwell on some current as well as emerging themes in the regulatory/ supervisory landscape for the Indian Banking Sector and the financial sector in general. But before I get into the subject proper, let me give a broad overview of RBI's current areas of focus for strengthening the Indian financial system.

Five Pillars of RBI's Developmental Measures

5. Those of you closely following Reserve Bank of India's policies would have noticed that over the past few quarters our developmental measures have been focused on five key areas. These are:

- Strengthening the monetary policy framework
- Strengthening banking structure through new entrants, branch expansion, encouraging new varieties of banks and moving foreign banks into better regulated organisational forms
- Broadening and deepening financial markets and increasing their liquidity and resilience so that they can help allocate and absorb the risks entailed in financing India's growth
- Expanding access to finance to small and medium enterprises, the unorganised sector, the poor and underserved areas of the country through technology, new business practices, and new organisational structures
- Improving the system's ability to deal with corporate distress and financial institution distress by strengthening real and financial restructuring as well as debt recovery

6. While the RBI's developmental and regulatory policies continue to evolve around this five pillared approach, current efforts, in specific, are directed at certain important initiatives. These include strengthening and harmonisation of regulatory guidelines for non-bank finance companies, rationalising the priority sector lending guidelines, measures for

* Special address delivered by Shri S. S. Mundra, Deputy Governor, Reserve Bank of India at the Investors' Conference organized by Axis Capital Limited in Mumbai on November 13, 2014.

strengthening the fraud risk management system and resolution of fraud cases in commercial banks, designing a charter of customers' rights, developing a framework for resolution of financial firms under distress and catalysing the state level coordination committee structure for better regulation, supervision and monitoring of the activities of firms indulging in promoting Ponzi schemes. Thus, on the whole, the RBI's regulatory and supervisory resources are directed at fostering a competitive, vibrant and sound financial system for meeting the financing needs of a growing economy.

A. Issues in Regulation/Supervision

7. Let me now turn to the issues and challenges in the regulation /supervision of banks in India. As finance professionals, you are well aware that the performance of banks is inextricably linked to the performance of the economy, more so in India where the financial sector is heavily dominated by the banks. Following the Global Financial Crisis, the standard setters have been working overtime on fixing the regulatory loopholes which allowed the financial sector to underestimate and underprice risks. Regulatory reforms agenda in the banking sector, also called the 'Basel III' reforms are aimed at improving the banking sector's ability to absorb shocks arising from financial and economic stress; improving the risk management and governance framework and on strengthening the banks' transparency and disclosure standards. Steps have also been taken to address the concerns around macro-prudential or system wide risks that can build up across the banking sector as well as the pro-cyclical amplification of these risks over time.

8. Efforts have been initiated to end the moral hazards associated with 'Too-Big-to-Fail' by requiring the global systemically important banks (G-SIBs) to hold higher loss absorbency capital and to improve resolvability upon failure. Focus has also been on strengthening the supervisory effectiveness and disclosure standards. The Reserve Bank is committed to carry forward banking sector reforms by adapting the best international practices to country-specific requirements while being mindful that growth dynamics in Emerging Market Economies (EMEs) are different and there is a thin line between prudent regulation and excessive regulation.

Risk Based Supervision (RBS)

9. In the domestic context, a significant shift has happened in the approach to supervision of commercial banks in the form of risk based supervision. At the core of supervisory monitoring under RBS is an assessment of the quality of a bank's procedures for evaluating, monitoring and managing risk, and of the bank's internal models for determining economic capital. The success of the risk based supervision approach is incumbent upon quality and integrity of data, skill levels and competency across the banks and regulators and above all, an orientation of the top management of the bank towards risk-oriented business activities and oversight function. I will touch upon some of these issues in the course of my address. Let me now turn specifically to some of the recent regulatory/supervisory measures initiated by the RBI.

10. No discussion on the Indian banking system these days is complete without a discussion on the asset quality of the banking sector as well as the capital requirement of the public sector banks. Hence these are the first two issues which I would dwell upon.

i) Asset quality

11. The slowdown of the Indian economy in recent times has had its impact on the asset quality of the banks. The overall banking system in India is, however, quite stable and resilient though there are some specific areas which pose challenge to the regulators and supervisors and need continuous monitoring. The level of gross non-performing advances (GNPAs) as a percentage of total gross advances for the entire banking system is at an elevated level of around 4 per cent while the net non-performing advances (NNPAs) as a percentage of total net advances is around 2.2 per cent. The level of distressed assets is not uniform across bank groups. PSBs as a group, exhibit much larger GNPA and NNPA levels. While on an isolated basis, the asset

quality is not very distressing, if we were to add the portfolio of restructured assets to the GNPA numbers this surely raises concerns.

12. In line with the fifth pillar mentioned above, various steps have been taken by the RBI to ensure improvement in the system's ability to deal with corporate and financial institution distress. For effective NPA Management and to enable speedier and prompt recovery, the RBI has set out Guidelines on 'Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery for Lenders: Framework for Revitalising Distressed Assets in the Economy'. Detailed Guidelines on formation of Joint Lenders' Forum (JLF), Corrective Action Plan (CAP), 'Refinancing of Project Loans', 'Sale of NPAs by Banks' and other regulatory measures were issued to banks, emphasizing inter-alia, the need to ensure that the banking system recognises financial distress early, takes prompt steps to resolve it through rectification, restructuring or recovery thereby ensuring that interests of lenders and investors are protected by setting in motion a corrective action plan which incentivizes early identification of problem cases, timely restructuring of accounts considered to be viable, and taking prompt steps for recovery or sale of unviable accounts. At the same time, the guidelines provide for punitive actions on lenders in the form of accelerated provisioning norms if they fail to report the status of distressed accounts to Central Repository of Information on Large Credits (CRILC) or if JLFs are not convened within the stipulated timeframe etc.

13. The CRILC has been created within the RBI to collect, store and disseminate data on all borrowers' credit exposures including Special Mention Accounts (SMA 0, 1 & 2) having aggregate fund-based and non-fund based exposure of ₹50 million and above. The repository is expected to help in tracking and reviewing exposures/impairment of such large borrowers more effectively across banking institutions as also NBFCs so that timely remedial measures can be taken.

14. A point that I wish to highlight here is that 'Restructuring' *per se* is not necessarily a forbidden word. It is a legitimate financial activity practiced the world over to help the borrowers tide over short term problems. Policy and administrative reforms would establish that such forbearance was appropriate to preserve economic value in the system. It may get further help from easing commodity prices and growth returning in some parts of the globe. Our concern on restructuring is more around the fairness of the process. It should address the problem, not merely postpone it. Hence, the RBI has set out clear guidelines that a second round of restructuring would lead to automatic classification of the asset as non-performing and call for a higher provisioning requirement.

ii) Capital Adequacy of banks

15. There have been numerous discussions on the need and ability of the Indian banks to raise additional capital to support their business, going forward. I would not say that the concerns raised in this regard are entirely misplaced, especially for the public sector banks. The need to shore up capital adequacy would arise on account of pulls from several directions. These include need for higher provisioning requirements due to deterioration in asset quality, phased implementation of Basel III Capital norms, capital required to cover additional risk areas under the risk based supervision framework as also the need to expand the business and meet the likelihood of higher credit demand going forward. Let me tell you that at present, the capital position of Indian banks is comfortable with all of them meeting the extant regulatory requirement comfortably. The capital to risk weighted assets ratio (CRAR) for Indian banks under Basel III as at end March 2014 stood at a comfortable level of 12.9 per cent. While the ratio for the PSBs was lower at around 11.38 per cent, the ratio in case of private sector and the foreign banks was in excess of 16 per cent. Going ahead, the capital position of the banks, especially the PSBs, is likely to come under some strain, both in terms of quantity and quality. To meet minimum capital requirements, capital buffers, domestically systemically important banks (DSIBs) surcharge and impact of increased stressed assets, the Government's contribution to the equity up

to March 31, 2019, would have to be to the tune of two lakh forty thousand crore rupees at the existing level of its shareholding in respective public sector banks. This requirement is independent of the risk based capital requirements which the banks might need under the RBS process. It is, however, important to note that this requirement may come down if, going forward, the asset quality improves on account of higher growth and consequently, higher internal retention. Notwithstanding the room available to the banks to meet the Basel III timeline, the banks have to look to generate more internal capital. With the emphasis on fiscal consolidation by the GOI, the leeway earlier available to the PSBs to approach the Govt. for additional capital will be limited and hence, one of the options for the Government could be to reduce its stake in some of the PSBs which presently ranges from 56.26 per cent to 88.63 per cent.

iii) Total loss-absorbing capacity (TLAC) for global systemic banks

16. Let me now come to a related issue which is being debated by the standard setting bodies. You might have already read in the newspapers a couple of days back about the proposals being set out by the Financial Stability Board (FSB) to lay down a new minimum standard for 'total loss-absorbing capacity' (TLAC) for the G-SIBs. The TLAC standards are meant to provide confidence to home and host authorities that the G-SIBs do have sufficient capacity to absorb losses, both before and during resolution and simultaneously enable resolution authorities to implement a resolution strategy which would minimise any impact on financial stability and ensure the continuity of critical economic functions.

17. While the TLAC regulations are meant to be applicable to G-SIBs, we would surely see such regulations find their way into the domestic regulations across jurisdictions over time. We have already seen regulations on the higher loss absorbency capital requirement and resolution regime for G-SIBs slowly being made applicable for the D-SIBs and hence, it can well be assumed that the international community would want the TLAC regulations to be made applicable to the D-SIBs in all jurisdictions as well as banks with overseas presence. We have expressed our reservations on the likely spillover impact of the TLAC proposals on the banks in the emerging markets economies (EMEs) with delirious impact for economic growth in EMEs and emphasised the need for *ab initio* addressing of the concerns of the EMEs during the consultation process. We have also emphasised that ownership of the banks should also have a bearing upon such requirements.

iv) Unhedged Forex Exposures

18. You would all probably recall the significant volatility experienced in currency markets around the globe, and more so, in the EMEs, at the mere mention of an exit from accommodative monetary policy by the FED Chairman, during May last year. Actual tapering of asset purchase programme by the FED and the recent announcement of a complete exit from the quantitative easing programme that has been in existence since 2008 has not had a very adverse impact on the rupee. However, notwithstanding the recent measures and policy buffers created since last year, it is highly likely that any reversal in the interest rate trend in the US would lead to flight of capital to the so-called 'source' countries, in the process, putting pressure on the domestic currency of the EMEs.

19. The wild gyrations in the forex market has the potential to inflict significant stress in the books of Indian companies who have borrowed abroad as was evident during the financial crisis. This stress eventually hampers their debt repayment capability to the domestic lenders as well. It is precisely with this consideration that the RBI has been advocating a curb on the increasing tendency of the corporates to dollarize their debts without adequate mitigation.

20. Our inspection of banks' books has highlighted need for the banks to have more robust policies for risk mitigation on account of un-hedged foreign currency exposure of corporate entities. Inadequacies of data further complicate the impact assessment of such exposures across the banking system. The banks have

been advised to factor in this risk into their policies/ pricing decision and also devise means for sharing of information on such exposures amongst themselves. Regulatory guidelines have also been since issued outlining the capital and provisioning requirements for exposure to entities with significant unhedged forex exposures.

v) Corporate Governance

21. Another area which is a major challenge, especially in the PSBs, is corporate governance. Some of the recent headline events have shown the PSBs in poor light. As a regulator and supervisor of banks, the RBI has been putting a lot of emphasis on this aspect. The P. J. Nayak Committee appointed by the RBI to review 'Governance of Boards of Banks in India' has made certain significant recommendations like splitting the post of Chairman and Managing Director at PSBs, giving fixed five-year tenures for these posts, professionalising the Boards of PSBs, etc. The RBI is constantly engaging with the Government for the early implementation of the Committee's recommendations. A related concern is the impending vacuum likely to be created in the public sector banks, especially in the middle management level, due to large-scale retirement of officers in next 2-3 years. On our part, we have been sensitizing the bank managements to address the likely talent deficit that they would have to encounter more so on account of entry of new banks in the private sector space in the near term.

B. Positives for the banking sector

22. Let me now dwell upon several positives that hold out for the Indian banking sector. As I mentioned earlier, the performance of the Indian banks pretty much mirrors the performance of the Indian economy. The piling up of distressed assets and consequent drop in profitability is, thus, largely a fallout of poor macroeconomic environment- both domestic and global. Going forward, a sharp uptick in 'investment' led as also 'consumption' led demand is expected in the economy. The banking sector, the corporates and the administration have to cater to the diverse needs of two broader constituencies in the country i.e. 'India' and 'Bharat'. Towards this end, they might have to adopt different strategies. However, there is no denying the fact that a whole host of opportunities are likely to emerge for the Indian banks in future.

i) Economic Recovery

23. The Indian economy is poised for a gradual recovery. As growth picks up, domestic supply bottlenecks ease and the stalled projects come back on stream again, the outlook for both manufacturing and services sectors would brighten. With a stable Government at the Centre, pace of economic reforms in the areas of industry, services, international trade, labour markets, public sector management, financial markets and competition are likely to improve further, which would help improve commercial activity levels and productivity, thereby help enhance the growth potential. As the economy recovers, investment demand and the need for credit will pick up which would boost banks' performance and, to a great extent, address the issues of asset quality and internal generation of capital.

ii) Government's focus on Infrastructure

24. Attempts to de-clog the infrastructural bottlenecks through accelerated clearances and setting up of smart cities are likely to open up new avenues for banks. In order to make it easier for the banks to extend long term loans to infrastructure sector with flexible structuring to absorb potential adverse impacts, the RBI has already issued enabling guidelines. This will mitigate the asset-liability management (ALM) problems faced by banks in extending project loans to infrastructure and core industry sectors, and also ease the process of raising long-term resources for project loans to infrastructure and affordable housing sectors.

iii) Retail Demand

25. The impending turnaround in the Indian economy has the potential to provide a big leg-up to the domestic demand. India's demographic pattern suggests that the domestic consumption demand would continue to grow for a foreseeable future. In the absence of corporate demand, many of the banks have been crowding in the

retail space trying to capitalise on demand for housing, two-wheelers and four-wheelers, white goods and so on. This, however, raises concerns on credit absorption level in the sector. Though, the segment has until now experienced moderate levels of impairment, going forward, the banks would need to put in place systems and processes to ensure adequate origination & monitoring standards and stand guard against formation of asset bubbles. Here again, the big potential would lie in the 'greater India' where banking penetration has hitherto been inadequate. Meeting the funding needs for the life-cycle demand of this segment would be a sustainable business avenue for banks in the coming years.

iv) MSME sector

26. MSME sector plays a pivotal role in generating employment, increasing cross-border trade and fostering the spirit of entrepreneurship. In fact, it is being increasingly recognized by the policy makers that if India has to regain its high growth trajectory, it needs a vibrant MSME sector.

27. Quite often, the sector complains about not having to only contend with higher cost of borrowing but also a lack of availability of timely credit. In this context, let me make a couple of points. The interest rate on lending are no longer administered and are left to market forces, the only caveat being that the lending has to happen above the base rate. Second and more importantly, it needs to be realised that the alternate cost of borrowing for the sector would be much higher than the median rate of 12-14 per cent which the MSME borrowers currently pay. On our part, we have advised the banks to take into account the incentives available to them under the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) scheme and assign zero risk weight for capital adequacy purpose for the portion of the loan guaranteed by the CGTMSE for such MSE borrowers.

28. There are also issues around the unavailability of credit rating for first time MSME borrowers. In this context, the banks have been advised to formulate Board approved policy and start using credit scoring models in their evaluation of the loan proposals of MSE borrowers which works on the principles of attributes of similar borrowers rather than on past or future financials.

29. Further, the underlying objective of the proposed issuance of small finance banks licenses is to facilitate provision of credit to small and hitherto credit starved sections of the society, which has been relying on informal finance channels.

v) Differential Licensing of banks

30. The RBI has announced licensing of two new banks in the private sector. Simultaneously, issuance of guidelines for differentiated licences for small finance banks and payment banks are in the final stages. Possibility of continuous or 'on-tap' licensing, setting up of wholesale banks and conversion of large urban co-operative banks into commercial banks were detailed in our consultation paper issued earlier. Discussions on these ideas are currently underway and a detailed road map of the necessary reforms and regulations for freeing entry and making the licensing process more frequent will be issued in due course. While these possibilities encourage much optimism, they are simultaneously likely to place strain on our supervisory resources, which we are internally trying to strengthen and optimize. As these banks are likely to cater to small and relatively uninformed borrowers, protection of consumer interest would also pose a big challenge.

31. In conclusion, I would like to say that while challenges remain for the sector, a host of opportunities also await the Indian banks and they have to be geared up to seize these opportunities. The RBI's regulatory and supervisory stance is oriented towards facilitating strengthening of the sector in terms of best practices, processes and structure. Neither over-indulgence nor over caution are on our policy menu card.

I once again thank the organizers for inviting me here today and wish the deliberations all success.

Thank you.

*Economic Outlook and Role of Monetary Policy in funding Infrastructure Projects**

S. S. Mundra

Delegates to the Summit, ladies and gentlemen! It is indeed a pleasure to be here this morning to interact with you. I thank Citibank and in particular, Mr. Pramit Jhaveri for inviting me to this summit. I must say that the theme for the summit is more topical than ever before in the aftermath of the Global Financial Crisis. We are seeing some positives towards recovery from the downtrend witnessed by the Indian economy since 2007-08. You have already heard the perspectives of two key stakeholders *i.e.*, the Hon'ble Finance Minister, Shri Arun Jaitley and Shri Dinesh Sharma, Additional Secretary, DEA, who have a handle on the Indian economy.

2. I have been asked to speak on the topic 'Economic Outlook for India and the Role of Monetary Policy, especially regarding funding of Infrastructure projects' and hence, in my address today, I would like to share RBI's perspective on the prevalent economic landscape in the country and highlight some recent measures initiated by us towards flow of funds to the infrastructure sector. I would use this forum to also highlight some of the supervisory concerns that we have on infrastructure funding by banks.

(A) Economic Outlook

3. As you are aware, amid slow growth and high inflation, the Indian economy had to contend with serious challenges to external stability emanating from an unsustainably high current account deficit (CAD), capital outflows and consequent exchange rate pressures over the last year. Measures initiated by Reserve Bank and the Government of India have since helped stabilise the economy. Improved political stability, a firmer commitment to fiscal consolidation, stronger monetary policy framework and better policy implementation are expected to improve the GDP growth rate to around 5.5 per cent in 2014-15 from the sub-5 per cent growth experienced in the preceding two years.

4. At the current juncture, the Reserve Bank's macroeconomic outlook is one of steady disinflation with growth gaining some momentum from Q4 of 2014-15 and improvement in macro-balances, particularly lower CAD on the back of commitment to fiscal consolidation. With revival in capital flows, there has been accretion to foreign exchange reserves after financing the CAD. The macroeconomic outlook is, however, subject to risks from both global and domestic uncertainties. Adverse global developments such as a slowdown in the pace of global recovery, financial market turbulence due to a faster than expected withdrawal of accommodative monetary policy in the advanced economies, hardening of commodity prices on geo-political tensions and/or weather-related supply disruptions, could have deleterious consequences for all emerging market economies.

Growth-Inflation Debate

5. Estimates of threshold inflation for India currently vary from 4 per cent to 6 per cent based on methodology used and time span of the study. Some estimates carried out in the Reserve Bank[1] using multivariate methods on quarterly data indicate that the level of CPI-combined inflation (all India back-casted using the CPI-IW) above which it is harmful to growth is around 6 per cent.

* Address by Shri S. S. Mundra, Deputy Governor, Reserve Bank of India at 'Citi's Investor Summit: India Poised for Higher Growth' in New Delhi on November 17, 2014.

[1] 'Why Persistent High Inflation Impedes Growth? An Empirical Assessment of Threshold Level of Inflation for India' (RBI Working Paper Series No. 17 for September 2011).

6. Growth-inflation trade-off in India is complex, particularly when inflation is above the threshold level. Hence, our belief in the RBI is that monetary policy possibly cannot spur growth by tolerating higher inflation. In turn, when inflation returns to below the threshold level on a durable basis, risks to inflation from addressing growth concerns may not be significant. Thus, we feel that it is important for India to ensure price stability as a necessary means to promote sustainable growth.

External sector

7. Net foreign assets of the Reserve Bank have expanded by nearly ₹1.2 trillion during the year so far. All categories of capital flows have been buoyant, particularly under FDI, FII, ECB and non-resident deposits. Notwithstanding these flows, in the absence of a strong demand for liquidity from the market, drivers of reserve money are compensating each other with the increase in net foreign assets largely offset by a reduction in net domestic assets.

8. An overall improved macroeconomic condition reflected in lower CAD, fiscal consolidation, upbeat market sentiment and an accretion to the foreign exchange reserves have enhanced the capacity of the country to manage external spillovers better. The recent surge of interest in India reflects the revived assessment about the country's underlying potential. The RBI remains prepared to manage external spillover and India has the experience of managing phases of surges in capital inflows as well as phases of occasional sudden outflows as experienced in the aftermath of the global financial crisis and the taper announcement last May.

9. Let me finish this section of my remarks by outlining the RBI's current focus areas. The RBI's developmental measures during the past year have revolved around five major themes: strengthening of the monetary policy framework; strengthening the existing banking structure through entry of new banks and licensing new banks with niche focus; broadening and deepening financial markets; promoting financial inclusion and improving the financial system's ability to deal with corporate distress and financial institution distress. While the RBI's developmental and regulatory policies continue to evolve around this five pillared approach, specific efforts are also directed at several other important initiatives like harmonisation of regulatory guidelines for non-bank finance companies, rationalising the priority sector lending guidelines, strengthening the fraud risk management and resolution of fraud cases in commercial banks, designing a charter of customers' rights, developing a framework for resolution of financial firms under distress and catalysing the state level coordination committee structure for better regulation, supervision and monitoring of the activities of firms indulging in promoting Ponzi schemes. In sum, the RBI's resources are directed at fostering a competitive, vibrant and sound financial system for meeting the financing needs of a growing economy.

(B) Infrastructure Sector: The engine for India's economic growth?

10. Let me now turn to the subject of infrastructure financing, which is the theme of this investor summit, and the potential positive impact that revival of investment in this sector can have for the growth prospects in the economy. Infrastructural development is one of the major determinants of economic growth in any developing country. Infrastructure refers to the support structures that facilitate production of goods and services, distribution of finished products to markets, as also basic social services such as schools and hospitals. In a sense, infrastructure is a catalytic agent for any economy.

11. Despite being the third largest economy in the world based on purchasing power parity calculations, India's position is undermined by a lack of world class

infrastructure. India's average investment in infrastructure at 4.7 per cent of GDP during 1992-2010 compared poorly to an average of 7.3 per cent across China, Indonesia and Vietnam. India ranked 90th out of 144 countries, as per the World Economic Forum Global Competitiveness Report 2014-15, in terms of infrastructure quality with 'inadequate supply of infrastructure' listed as the one of the most problematic factors for doing business.

12. Estimates suggest that the lack of proper infrastructure pulls down India's GDP growth by 1-2 per cent every year. To my mind, any sector to thrive and progress in the long run, most necessarily needs a continued demand and an enabling business environment. In the context of infrastructure sector this 'enabling environment' has a wider connotation covering among others, the presence of well-documented and stable administrative and regulatory policies; a vibrant dispute resolution mechanism and a strong judicial system. Undoubtedly, the availability of long-term finance and the cost thereof are also integral to the success of the sector. Availability of finance for good profitable businesses has never been a problem and the statistics reveal that commercials banks' exposure to the infrastructure sector has grown at a sustained pace. I would argue that if the infrastructure sector has failed to live up to the expectations, it is more on account of lack of an 'enabling environment' and the quality of demand rather than due to monetary policy actions that have some bearing on the availability of funds or the cost of borrowing.

13. The availability/supply of goods and services in the market place presupposes the existence of demand by the consumers. The fast paced growth in the Indian economy witnessed in the past decade has placed increasing stress on physical infrastructure, such as electricity, railways, roads, ports, airports, irrigation, urban and rural water supply and sanitation, all of which already suffered from a 'marked' deficit. The rapid urbanisation has not only necessitated creation of new infrastructural facilities but also a need for upgrading the quality of existing infrastructure. Infrastructure development in new townships is a priority so as to redistribute the influx of growing population. Against this backdrop, new investments in creation of better all round infrastructural facilities such as irrigation, electrification, roads, drinking water, sanitation, housing, community IT service, integrated cold chain for agricultural and horticulture produce, ports, hospitals, *etc.*, have the potential to significantly contribute to domestic growth. Likewise, the Delhi – Mumbai Industrial Corridor and the Chennai-Bangalore Industrial Corridor Projects have also been conceived with a view to developing new industrial cities as 'Smart Cities' and converging next generation technologies across infrastructure sectors. These industrial corridors are expected to provide a major impetus to planned urbanisation in India with manufacturing as the key driver and in the process create employment and accelerate the economic growth.

Pricing of infrastructural services

14. While the conventional wisdom is that the consumers require world class infrastructure in our country, a very important point to consider is whether the average potential user of these facilities is willing or in a position to pay for the world class infrastructure. There is a limitation on how much infrastructural capacity can a benevolent 'State' create without stretching its own financials or without burdening its citizens with high user charges. Hence, the pricing for using infrastructure services, which may be exclusively built by the private sector, in a public-private partnership or exclusively by the public sector, assumes utmost importance for the viability of the projects. While the prices cannot be raised too high, it is important that the realisations for the service provider/operator are remunerative and based on commercial considerations. Also, there is a need to have an inbuilt mechanism in

the services/pricing contract which provides for a pass-through of price hikes to the end users on account of increase in input prices. Therefore, managing the transition from state-subsidised services to market based pricing becomes an extremely important piece in the puzzle.

Enabling Environment

15. As I mentioned earlier, a very crucial aspect for the success of any business venture is the availability of an enabling environment. At the cost of repetition, I would say that the lack of an enabling environment has been the biggest bane for the infrastructure sector in our country. The High Level Committee on Financing Infrastructure which submitted its second report in June earlier this year has lamented that a large number of infrastructure projects are stuck or delayed across various stages of award, construction and operation. The report mentions that debt constraints, fuel supply challenges for power plants, environmental clearances, land acquisition, *etc.*, have held up a large number of projects, which can achieve commissioning within the short-term if these constraints are suitably addressed. The report also highlights that infrastructure projects are fraught with disputes that cause inordinate delays due to slow resolution processes. It adds that project implementation is another major concern in respect of infrastructural projects as on an average, projects suffer from 20 to 25 per cent time and cost over-runs, which rises to as high as 50 per cent in some sub-sectors.

16. There have been conscious attempts by the Government over the last two years to remove the various bureaucratic bottlenecks and regulatory hurdles which have impeded the progress of implementation of infrastructure projects and stalled them in a few cases. With a view to strengthening the investment climate in the economy, the Government of India had set up a Cabinet Committee on Investments (CCI) chaired by the Prime Minister, liberalised the FDI in multi-brand retail, aviation and broadcasting and took initiatives to fast track large investment projects in the areas of power, petroleum and gas, roads, coal, *etc.* The Government had also set up the Project Monitoring Group in the Cabinet Secretariat for monitoring the implementation of these high-value projects. The new Government has initiated measures to minimise tax litigation, loosened caps on foreign investment in railway infrastructure and defence manufacturing, speeded up regulatory approvals and reduced bureaucratic discretion; all of which are likely to further boost the investor sentiments in the infrastructure segment.

(C) Banks' role in Financing of Infrastructure Projects

17. Let me now turn to the role of banks in financing of infrastructure projects in the country. In a bank dominated economy like India, the onus has always been on the banking system to finance the infrastructural needs of the economy and the sector as a whole and more specifically, the Public Sector Banks (PSBs) as a group, have been meeting those expectations. It is pertinent to note that outside of budgetary support, which accounts for about 45 per cent of the total infrastructure spending, commercial banks are the second largest source of finance for infrastructure (about 24 per cent).

18. Banks' exposure to the infrastructure sector as a percentage of total advances has gradually increased from 11.8 per cent in March 2010 to 15.62 per cent in September 2014 at the system level. For PSBs, this high share has moved even higher from 13.5 per cent in March 2010 to 17.57 per cent in September 2014. The share of private sector banks (PvtSBs) and foreign banks have also increased significantly from 7.6 per cent to 9.59 per cent for the former and from 2.8 per cent to 12.13 per cent for the latter during the same periods, *albeit* on a lower base.

19. In respect of PSBs, the level of gross NPAs in the infrastructure sector in June 2014 stood at 2.4 per cent

as compared to 1.36 per cent for PvtSBs. However, if we were to look at the Stressed Asset Ratio (Gross NPAs together with Restructured advances as a per cent of gross advances) for the infrastructure sector in respect of PSBs, this ratio works out to a very high 22.58 per cent on account of high level of restructured advances. For the banking system as a whole this ratio stood at 20.6 per cent. When compared to the level of stressed advances for banking system as a whole at 10.39 per cent at the end of June 2014, the levels of stressed assets in the 'infrastructure' sector is significantly higher. There are a number of reasons for this diverse trend and I would dwell upon some of them shortly.

Major Issues related to Infrastructure Financing

20. (i) The need for infrastructure financing in the country is huge. However, the non-bank sources (such as bond financing) have made insignificant contribution in this respect, forcing the banks to shoulder a large part of the burden of the financing needs. It needs to be appreciated that infrastructure financing pose some unique risks on the credit and liquidity fronts on account of long-gestation period involved. Appraising the credit proposal of infrastructural project in terms of necessary skill sets is distinctly different from credit appraisal of other types of loans that banks normally provide. Absence of these specific skill-sets has an important bearing on the quality of assets in this space, particularly in the PSBs.

(ii) While the higher level of stress in the 'infrastructure' segment particularly in PSBs is a matter of concern, it must be noted here that out of total lending to the sector, a majority (about 85 per cent) has been by the PSBs reflecting that these banks have increased their exposures to this sector in the post-crisis years.

(iii) As I mentioned earlier, several external factors such as delay in receipt of clearances/approvals, difficulty in coordination between agencies, unavailability of crucial linkages, *etc.*, have been responsible for delayed completion of infrastructure projects thereby affecting the bank lending. There were also some structural/legacy issues in the exposures to power sector/discoms which adversely impacted lending to the sector. The recent Supreme Court order on the coal blocks may also create some additional stress on the coal dependent sectors in the short term, but a successful resolution of the issue would pave the way for a lasting solution.

(iv) On account of the higher level of stress in the sector, 'risk averseness' could play a role in squeezing flow of further bank finance to the sector. Considering the tremendous financing needs of the sector, it is important that fund flows to the sector are uninterrupted; however, it needs to be achieved under viable modes of financing and appropriate structures with proper sharing of risks. With the experience of higher level of stress in PSBs, it is important that lending institutions using public deposits are not exposed to undue and unmanageable levels of risk from external factors and in the process jeopardizing financial stability.

(v) The RBI has been engaging with all the stakeholders for creating a suitable environment to resolve the problem of NPAs in infrastructure sector. Some of the important measures taken are as under:

- Banks have been advised to carry out sensitivity tests/scenario analysis, for infrastructure projects, which should *inter alia* include project delays and cost overruns.

- The Reserve Bank has introduced a comprehensive Framework for Revitalising Distressed Assets in the Economy in January 2014 for early detection of sickness and remedial measures.
- The Bank has set up the Central Repository of Information on Large Credits (CRILC) in April 2014 to collect, store and disseminate credit data to lenders to enable banks to take informed credit decisions.
- Disincentives have been proposed for: (i) wilful defaulters and non-cooperative borrowers, making their future borrowings more expensive, and (ii) for auditors, advocates and valuers who provide incorrect opinions about borrowers and their assets leading to deterioration in the asset quality of banks.
- Disincentives in the form of accelerated provisioning norms have also been proposed for the lenders for their failure to report the status of distress account to CRILC, for attempts to conceal the actual status of the accounts or upon failure to convene the JLF within the stipulated timeframe *etc.*
- The RBI has issued guidelines to encourage sale of assets to Securitisation Companies (SCs)/Reconstruction Companies (RCs) at a stage when the assets have good chance of revival and fair amount of realisable value making it a supportive system for stressed asset management with greater emphasis on asset reconstruction rather than asset stripping.

(D) RBI initiatives to support infrastructure financing

21. Let me now briefly highlight some of the recent regulatory initiatives taken by the RBI to facilitate flow of funds to the sector. In order to ensure adequate credit flow to infrastructure sector and to the affordable housing needs of the country, the RBI's extant prudential guidelines were reviewed with a view to minimising certain regulatory pre-emptions. Since July 2014, the RBI has permitted banks to issue long-term bonds with a minimum maturity of seven years to raise resources for lending to (i) long term projects in infrastructure sub-sectors, and (ii) affordable housing. The instruments are exempted from regulatory requirements such as maintenance of CRR/SLR and priority sector lending.

Infrastructure Debt Funds for supporting take out finance

22. Recognising the constraints in incremental financing by banks to the infrastructure sector, the banks have been permitted to enter into takeout financing arrangement. To augment debt resources for financing infrastructure, setting up of Infrastructure Debt Funds (IDFs) was permitted to refinance projects. By refinancing bank loans of existing projects, the IDFs are expected to take over a significant volume of the existing bank debt and thereby release funds for fresh lending by the banks for infrastructure projects. Thus far, three such IDF – NBFCs have registered with the RBI and have become operational. Simultaneously, IDFs structured as trusts to be registered with the SEBI, are also permitted to be set up to allow the investors to take direct risks and exposure to the infrastructure projects. One such trust-based IDF through the Mutual Fund route has also been set up.

Regulatory Forbearance for Infrastructure projects

23. There is a widespread acknowledgment that implementation of large projects is a complex proposition and unforeseen events have the potential to cause delays in achieving commercial operations on

the original Date of Commencement of Commercial Operations (DCCO) fixed at the time of financial closure. Recognising this fact, the Reserve Bank has allowed certain relaxations to delayed projects, wherein DCCO of projects are allowed to be extended beyond the original DCCO. In terms of extant instructions, revisions of the DCCO and consequential shift in repayment schedule for equal or shorter duration (including the start date and end date of revised repayment schedule) will not be treated as restructuring provided that:

(i) The revised DCCO falls within the period of two years from the original DCCO stipulated at the time of financial closure for infrastructure projects and

(ii) All other terms and conditions of the loan remain unchanged.

24. Further, banks have been permitted to restructure and retain the 'standard' asset classification if the fresh DCCO falls within a period of four years from the original DCCO on account of arbitration proceedings or a court case. Similarly, the standard asset classification can also be retained in case of infrastructure projects if the fresh DCCO falls within a period of three years from the original DCCO, if the delay is for other reasons beyond the control of promoters.

25. The Reserve Bank has also clarified that multiple revisions of the DCCO and consequential shift in repayment schedule for equal or shorter duration (including the start date and end date of revised repayment schedule) will be treated as a single event of restructuring provided that the revised DCCO is fixed within the stipulated time limits and other terms and conditions of loans remain unchanged. Thus, the RBI guidelines provide sufficient flexibility to mitigate the impact of the delayed projects on the financial position of the banks.

26. The RBI has also allowed the banks to finance long term projects with an option to refinance them periodically. Under the scheme also popularly called the 5/25 scheme, banks can, for example, lend for a 25 year project with an option to rollover the loan every five year.

Conclusion

27. Let me conclude by trying to dispel some wrong notions which sometimes lead to criticism of RBI's policies on bank finance to the infrastructure sector. As I mentioned above, commercial banks have always been a large source of finance for the sector. It must be understood that the macroeconomic policies do play a very limited role in flow of funds to specific sectors. The RBI's monetary and liquidity measures have an overarching objective of managing the inflation expectations and liquidity conditions in the market. The interest rate in the system is a function of an entire set of factors with inflation being one of the primary ones. Therefore, if the lending cost has not come down appreciably in the banking system, it is on account of persistent high levels of inflation.

28. Pinning entire expectations on an accommodative monetary policy and regulatory forbearance for financing of infrastructure sector would be overlooking the obvious. As I mentioned earlier, the banking system already has a high level of exposure to the sector and it cannot have infinite appetite towards a single sector. Obviously, the sector would need multiple originators of credit as also an efficient 'originate and distribute' model to leverage capacity and expertise of each player in the act. It may also be mentioned here that any reference to infrastructure generally gets limited to commissioning of large new projects. There are, however, other equally important aspects which need consideration *e.g.*, constructing energy efficient building, minimising transmission losses and providing cost efficient alternate energy sources to rural India which can help the power sector. The RBI's regulatory guidelines facilitate some of these alternate solutions.

29. I would also like to emphasize that the long-term funds available with the insurance and pension sectors can play a very critical role in funding investments in the infrastructure sector and immediate steps need to be taken in regard. There is also a need to upgrade the credit appraisal and monitoring capabilities of Indian banks, especially public sector banks, to face the challenges involved in project financing.

30. I would end by saying that the Indian economy is poised for higher growth with the infrastructure sector being a very critical component. The flow of investment in India can be accelerated significantly with a proper enabling environment comprising of sound regulatory policies, strong legal system and decisive administrative machinery being in place. I once again thank Citibank-India for inviting me to the Summit.

Thank you!

ARTICLES

*Flow of Funds Accounts of the Indian Economy: 2012-13**

The overall resource gap of the domestic economy widened further in 2012-13 as compared to the previous year reflecting the spill-over of the public sector deficit and the downward rigidity of investment in valuables, even as the financial surplus of the household sector remained more or less unchanged at a relatively low level and the financial deficit of the private corporate sector declined. The stagnant and relatively low financial saving rate of the households reflected, inter-alia, persistently high inflation and slackening income growth. Aggregate funds raised by all sectors declined for the second consecutive year to around 57 per cent of NNP in 2012-13 reflecting deceleration in economic activity. The 'financial development' ratios viz., the finance ratio, the financial interrelations ratio and the new issue ratio dipped in 2012-13 that largely reflected the slackening of real GDP growth.

I. Introduction

This article analyses the Flow of Funds (FOF) accounts for the fiscal year 2012-13 along with revised/updated data for 2011-12[1].

Macroeconomic challenges facing the domestic economy accentuated during 2012-13. Real GDP growth slackened for the second consecutive year largely on account of structural impediments and enervated external demand. At the same time, average retail inflation increased once again to double digits. Moreover, the current account deficit (CAD) distended on the back of elevated international oil prices, higher gold imports and slower export growth. Furthermore, while the central government fiscal deficit increased during the earlier part of the year, only to retract substantially in the latter part, state government accounts deteriorated somewhat during the year as a whole.

A number of policy initiatives were taken in response to the emerging macroeconomic scenario such as liberalisation of FDI norms, increase in the FII limits in respect of domestic debt securities, gradual deregulation of diesel prices and formulation of a roadmap for fiscal consolidation. These measures helped, *inter alia*, to reinforce investor sentiments and, on the back of abundant global liquidity, the consequent surge in FII inflows facilitated the financing of the higher CAD.

Monetary policy was gradually eased during 2012-13 in response to the growth-inflation dynamics and changes in banking system liquidity conditions (largely shaped by variations in government cash balances with the RBI, currency demand and the differential between the growth rates of bank deposits and bank credit); such measures took the form of reductions in policy interest rates by an aggregate of 100 basis points, enhancement of export credit refinance limit for banks, three rounds of CRR cuts of 25 basis points each and open market purchases that injected primary liquidity amounting to ₹1.5 trillion. Despite such order of monetary easing, reserve money growth was relatively muted during the year mainly because of the offsetting effects of the build-up of

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* Prepared in the National Accounts Analysis Division of the Department of Economic and Policy Research, Reserve Bank of India, Mumbai. The previous article on Flow of Funds accounts which covered the fiscal years 2010-11 and 2011-12 was published in the December 2013 issue of the RBI Bulletin.

[1] The Flow of Funds (FOF) accounts show the transactions in financial instruments between the major sectors of the economy on a 'from-whom-to-whom basis'. In the extant system of compilation of the FOF accounts, the Indian economy is divided into six major sectors – Banking, Other Financial Institutions (OFI), Private Corporate Business (PCB), Government, Rest of the World (ROW) and Households. In contrast to the classification adopted by the Central Statistics Office in the compilation of data on savings and investment as part of the National Accounts, banking and other financial institutions are shown as separate sectors (irrespective of their ownership) in the FOF accounts. The transactions between sectors are classified under nine major categories of financial instruments *viz.*, currency and deposits, investments, loans and advances, small savings, life funds, provident funds, trade debts, foreign claims not elsewhere classified (NEC) and other claims NEC.

government cash balances, slackening of currency demand and reduction in banks' deposits with the RBI following the CRR reduction.

The growth rate of commercial bank credit declined during 2012-13 due to sluggish demand conditions and deterioration in the asset quality of banks; the deceleration was fairly broad-based with the notable exception of retail loans (mainly housing). Even so, the growth rate of bank credit remained higher than that of bank deposits during the major part of the year.

After two consecutive years, mutual funds recorded positive resource mobilization in 2012-13, reflecting the impact of various developmental, regulatory and investor protection measures initiated by the Securities and Exchange Board of India (SEBI). Since 2009-10, mutual funds have been net sellers in the equity market and net buyers in the domestic debt segment. In contrast, FII investment has been skewed in favour of the equity market. The premium income of the life insurance industry remained near-static in 2012-13 after declining in the previous year; the negligible growth in life insurance premium during 2012-13 was mainly on account of low growth in the renewal premium (that contributes about 62 per cent of the total premium) and decline in the first year premium. Insurance companies remained important investors in the long-term government debt segment.

The variegated non-bank financial institutions (NBFIs) sector - comprising four financial institutions (EXIM Bank, NABARD, NHB and SIDBI) and non-bank financial companies [deposit-taking (NBFC-D), non-deposit taking systemically important (NBFC-ND-SI) and residual non-bank financial companies (RNBFCs)] – showed differential movements in their balance sheets during 2012-13. Resources raised by the four financial institutions from domestic sources declined while those raised via foreign currency increased during 2012-13. The consolidated balance sheet of NBFC-D increased marginally during the year partly because the reduction in their borrowings from banks and governments more than offset the increase in borrowings from financial institutions; on the asset side, their investments in equity shares declined while loans and advances moved up. On the other hand, the borrowings and loans and advances disbursed by NBFC-ND-SI increased substantially during 2012-13.

All these developments impacted the flow of funds across different institutions and sectors. Accordingly, this article is organised as follows. A synoptic presentation of the (resource) gaps between saving and physical (or real) investment of different sectors is given in Section II[2]. The financing pattern of the resource gaps of the different sectors is discussed in Section III. An analysis of the instrument-wise financial flows is presented in Section IV. The emerging trends in select indicators of financial development are set out in Section V. Section VI sums up the discussion. Detailed Statements relating to FOF have been released separately on the RBI website (www.rbi.org.in). The data on instrument-wise FOF accounts for each of the sectors are presented in Statements 1 to 6. The annual inter-sectoral flows are summarised in Statement 7. Instrument-wise financial flows are summarised for each year separately in Statement 8. The details of the resource gap/ financial surplus of the PCB Sector, Government Sector and the Household Sector are given in Statement 9.

II. Evolution of Sectoral Saving-Investment Gaps

The overall resource gap (*i.e.*, the CAD) of the domestic economy widened to 5.3 per cent of NNP during 2012-13 (Table 1). This largely mirrored the spill-over of the public sector deficit and the downward rigidity of investment in valuables, even as the financial surplus of the household sector remained more or less

[2] While every sector undertakes borrowing and lending/financial investment simultaneously, a sector with a resource deficit, *in the aggregate*, borrows financial resources from other sectors. In contrast, a sector with a resource surplus, *in the aggregate*, provides financial resources to other sectors.

Table 1: Net Saving and Net Investment of Different Sectors
(As percentage of NNP at current market prices)

	2003-04 to 2007-08 (Average)	2008-09	2009-10	2010-11	2011-12	2012-13
1. Private Corporate Sector						
(i) Net Savings	4.4	4.2	5.3	4.9	4.2	3.8
(ii) Net Investment	10.3	8.6	9.5	10.4	7.3	6.2
(iii) Resource Gap (i-ii)	**-5.9**	**-4.3**	**-4.2**	**-5.4**	**-3.2**	**-2.4**
2. Public Sector						
(i) Net Savings	-0.3	-2.2	-3.1	-0.1	-1.5	-1.6
(ii) Net Investment	5.2	7.3	7.0	6.5	5.7	6.2
(iii) Resource Gap (i-ii)	**-5.5**	**-9.5**	**-10.1**	**-6.6**	**-7.3**	**-7.8**
3. Household Sector						
(i) Net Savings	22.1	22.5	24.2	22.0	21.5	20.3
(ii) Net Investment	9.6	11.2	10.8	10.8	13.6	12.4
(iii) Surplus (i-ii)#	**12.5**	**11.3**	**13.4**	**11.1**	**7.9**	**8.0**
4. Total (1 to 3)						
(i) Net Savings	26.2	24.6	26.3	26.8	24.1	22.6
(ii) Net Investment	25.1	27.1	27.3	27.7	26.7	24.8
(iii) Resource Gap (i-ii)	**1.1**	**-2.5**	**-0.9**	**-0.8**	**-2.6**	**-2.2**
5. Valuables	1.2	1.4	2.0	2.3	3.1	3.0
6. Errors and Omissions	0.3	-1.4	0.2	0.0	-1.0	0.1
7. Adjusted Resource Gap [4(iii)-5-6]	**-0.4**	**-2.6**	**-3.1**	**-3.2**	**-4.7**	**-5.3**

Household financial saving, as a ratio to GDP at current market prices, was placed at 7.1 per cent in 2012-13 as compared with 7.0 per cent in the previous year.

Note: (i) Saving and Investment are shown on net basis *i.e.* adjusting for consumption of capital (CFC). In respect of the household sector, this means CFC is excluded from their gross investment in physical assets. The financial saving of the household sector are always reported after netting out financial liabilities from their investment in financial assets.

(ii) The resource gaps may be adjusted for capital transfers (generally unrequited and non-recurrent transfers which are designed to finance the gross capital formation of the recipient and made out of the wealth or saving of the donor) though these have been usually small.

Source: Central Statistics Office.

unchanged at a relatively low level and the financial deficit of the private corporate sector declined.

The increase in the public sector deficit in 2012-13 was on account of a step-up in public sector investment since the dis-saving rate of this sector remained nearly unchanged over the year. Investment in valuables (largely gold) remained downwardly inflexible in a persistently high inflation environment, even as tax and administrative curbs on the import of gold were initiated towards the end of the fiscal year. Household financial surplus hovered around 8 per cent of NNP during 2011-12 and 2012-13, down from an average of 12.5 per cent during 2003-04 to 2007-08; this was mainly a fall-out of sluggish income growth and high inflation that reduced the real returns on financial assets. On the other hand, the reduction in the resource gap of the private corporate sector in the face of declining profitability and saving was entirely due to the sharper cutbacks in the investment rate.

III. Sectoral Trends in Flow of Funds[3]

Aggregate funds raised by all sectors, as a ratio to NNP, declined for the second consecutive year to around 57 per cent in 2012-13, in line with the deceleration in economic activity (Table 2). The reduction in the

[3] Following periodic improvements in the compilation of Flow of Funds data, data may not be strictly comparable across the years. The consolidated data for the insurance sector has been sourced from the Insurance Regulatory and Development Authority (IRDA) for the FOF accounts from 2008-09 onwards. Consolidated data on all Housing Finance Companies are being provided by the National Housing Bank. The Securities and Exchange Board of India (SEBI) has provided assistance in collecting the data from 40 mutual funds. In the case of the OFI sector, the consolidated data obtained from Department of Non-Banking Supervision (DNBS), RBI has been used since 2011-12, instead of the earlier practice of estimating from the survey results of 'Financial and Investment Companies'. In the co-operative sector, consolidated balance sheet data of State Co-operative Banks and District Central Co-operative Banks have been obtained from the Rural Planning and Credit Department (RPCD), RBI.

Table 2: Financial Claims by Sectors

(₹ Billion)

Sectors	2003-04 to 2007-08 (Average)$	2008-09	2009-10	2010-11	2011-12	2012-13
1. Domestic Non-Financial Sector (1.1+1.2+1.3)	**9,656**	**13,522**	**17,421**	**22,493**	**24,564**	**25,129**
	(49.5)	(54.1)	(52.5)	(54.7)	(55.9)	(53.6)
1.1 Private Corporate Business	4,646	4,996	7,276	13,861	12,834	11,605
	(20.4)	(20.0)	(21.9)	(33.7)	(29.2)	(24.8)
1.2. Government	3,320	6,889	8,109	5,852	8,874	10,311
Of which:	(19.9)	(27.6)	(24.4)	(14.2)	(20.2)	(22.0)
1.2.1 Central Government	2,600	3,241	3,940	3,983	5,690	5,390
	(14.5)	(13.0)	(11.9)	(9.7)	(13.0)	(11.5)
1.2.2 State Governments	411	1,344	1,708	1,624	1,471	1,673
	(1.8)	(5.4)	(5.1)	(3.9)	(3.3)	(3.6)
1.3. Households	1,690	1636	2,037	2,780	2,855	3,214
	(9.2)	(6.5)	(6.1)	(6.8)	(6.5)	(6.9)
2. Domestic Financial Institutions (2.1 + 2.2)	**7,715**	**11,184**	**13,841**	**16,596**	**19,194**	**20,704**
	(40.3)	(44.8)	(41.7)	(40.3)	(43.7)	(44.2)
2.1. Banking	5,311	8,550	6,989	11,560	14,756	13,960
	(28.3)	(34.2)	(21.0)	(28.1)	(33.6)	(29.8)
2.2. Other Financial Institutions	2,404	2,635	6,852	5,036	4,438	6,744
	(12.1)	(10.5)	(20.6)	(12.2)	(10.1)	(14.4)
3. Rest of the World	**1,944**	**272**	**1,945**	**2,046**	**169**	**1,015**
	(10.1)	(1.1)	(5.9)	(5.0)	(0.4)	(2.2)
4. All Non-Financial Institutions (1+3)	**11,599**	**13,794**	**19,366**	**24,539**	**24,733**	**26,144**
	(59.7)	(55.2)	(58.3)	(59.7)	(56.3)	(55.8)
5. Total Claims Issued (1+2+3)	**19,314**	**24,978**	**33,207**	**41,135**	**43,926**	**46,848**
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
Percent to NNP	**59.5**	**53.1**	**61.4**	**64.2**	**59.1**	**56.7**

$: The absolute numbers are averages of flows in current prices from 2003-04 to 2007-08.
Note: Figures in brackets are percentages to total claims issued.

financial claims relating to NNP was evident in the PCB, banking and the (central) government sectors, in that order. In contrast, financial claims issued by the OFI, ROW and household sectors, relative to NNP, increased during the year.

The composition of total claims issued in 2012-13 largely mirrored these changes over the previous year. The share of claims issued by the PCB sector has remained higher than the average position during 2003-04 to 2007-08, notwithstanding a decline since 2011-12. On the other hand, the share of claims issued by the ROW sector has generally declined and remained lower than the average during 2003-04 to 2007-08. The changes in the shares of the other sectors in total claims issued have generally been of a lower order over this period.

Private Corporate Business Sector

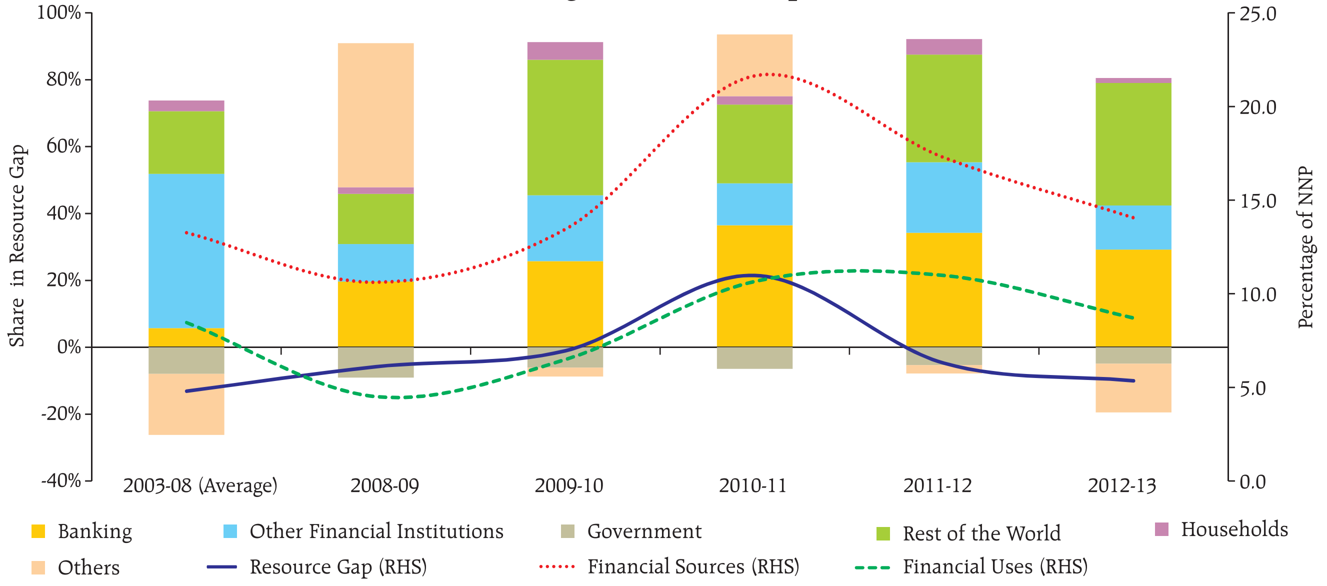
The PCB sector was adversely impacted by slackening demand conditions in the economy, and as a consequence, profitability and other major parameters generally moderated in 2012-13. During the year, the PCB sector's financial claims and financial investments both declined - the former more sharply - which led to a reduction in the financial deficit (Chart 1).

The pattern of financing the deficit showed a substantial increase in the share of the ROW sector (*via* FII, FDI and loans) during 2012-13. The share of the banking sector in the total funding of PCB sector also increased while that of the OFI sector declined.

Government Sector

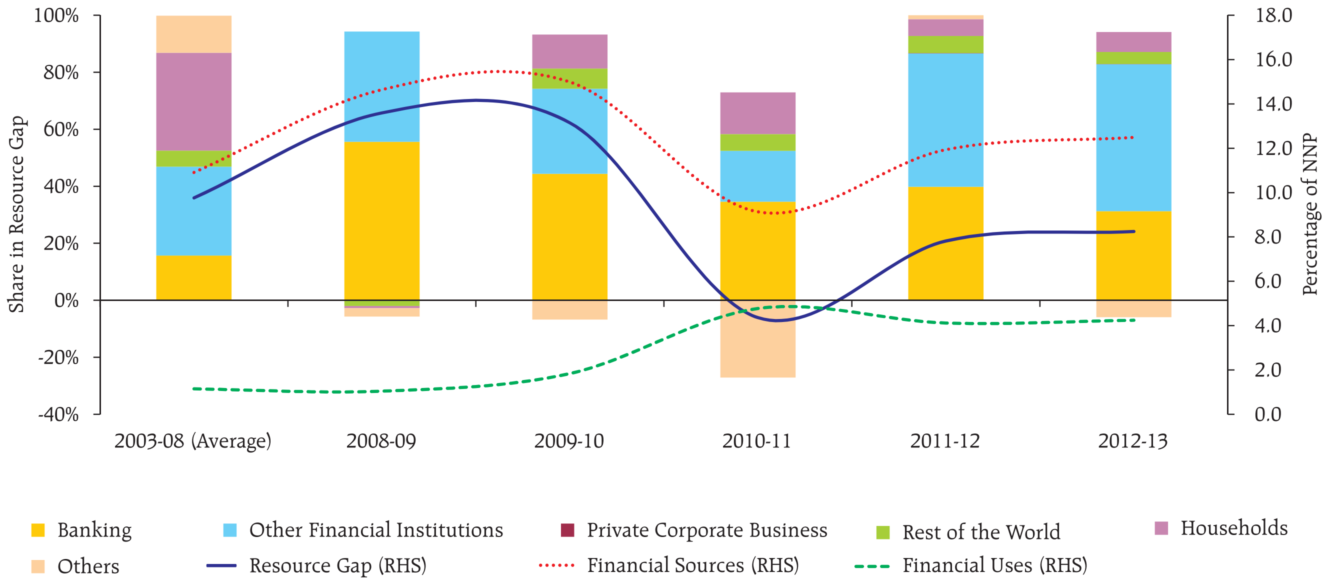
Financial claims issued by the government sector increased further in 2012-13 (Chart 2). The increase in financial claims largely paralleled that of Non-Departmental Commercial Undertakings (NDCUs) including power companies and the state governments, to some extent, even as financial claims issued by the

Chart 1: Financing the Resource Gap of PCB Sector



central government declined, following cutbacks in plan and capital expenditures and higher receipts from social and economic services. The share of OFIs in financing the resource gap of the government sector increased sharply during 2012-13; this was almost entirely reflected in terms of larger subscription to state government securities and an increase in loans and advances to NDCUs. With outflows under Small Savings significantly lower and accruals under government provident and pension funds higher in 2012-13, the share of households in funding the resource gap of the government sector also increased. The share of the banking sector in funding the government's financial deficit declined, partly reflecting the reduction in Statutory Liquidity Ratio (SLR) by 100 basis points in August 2012.

Chart 2: Financing the Resource Gap of Government Sector



Rest of the World Sector

Net financial claims (increase in liabilities *minus* decrease in liabilities) issued by the ROW sector which had dipped sharply in 2011-12, picked up in 2012-13 (Table 2). This increase was mainly on account of the RBI's purchases of foreign currency as part of exchange rate management operations (as against sales of foreign currency in the previous year) in the context of the surge in capital (particularly FII) inflows. Even so, net financial claims of the ROW sector relative to NNP of the domestic economy in 2012-13 were placed at 1.2 per cent, much lower than the average of around 6 per cent during 2003-04 to 2007-08.

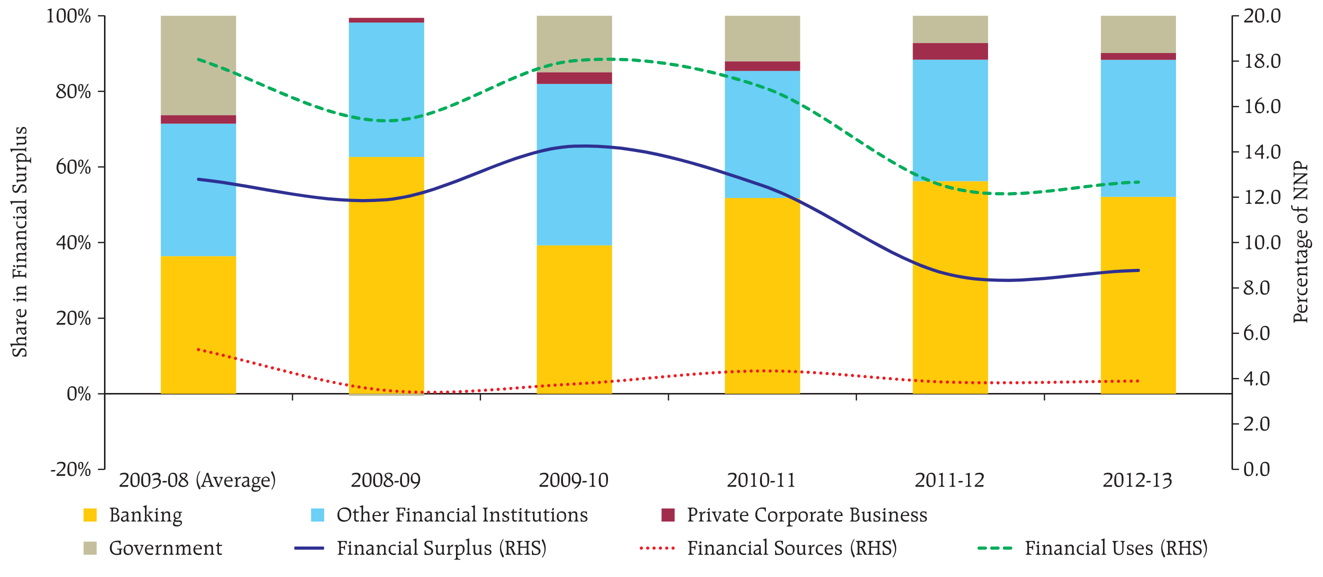
Net financial assets (increase in assets *minus* decrease in assets) of the ROW sector also increased in 2012-13 after some slackening in the previous year; this largely reflected (i) the substantial FII inflows, on the back of abundant global liquidity and in response to certain domestic reform measures as also the increase in the FII limits in government securities and corporate bonds and (ii) strong growth in short-term trade credits; both these flows were mostly directed towards the private corporate business sector. In contrast to the trend in net financial claims, net financial assets of the ROW sector relative to NNP of the domestic economy, hovered around 7 per cent in 2012-13 which was, in fact, slightly higher than the average during 2003-04 to 2007-08, indicating the general robustness of capital inflows into the domestic economy over this period.

Household Sector

The financial surplus (*i.e.,* financial investment *minus* borrowings) of the households increased in 2012-13, *albeit* marginally relative to NNP. The stagnant and relatively low financial saving rate of the households reflected *inter alia*, persistently high inflation and slackening income growth (Table 5).

The allocation of the financial surplus of the households in 2012-13 showed that the banking sector's share declined – reflecting the deceleration in currency in circulation and near-steady growth in commercial bank deposits - but remained at over 50 per cent. On the other hand, the share of household

Chart 3: Financial Surplus of the Household Sector



financial investment in the OFI sector improved, largely on account of mutual funds, even as life insurance premium was somewhat sluggish. Similarly, the share of the government sector in the total financial surplus of the households increased during 2012-13 reflecting improved collections under Small Savings and government pension and provident funds.

Banking Sector

Financial claims issued by the banking sector declined during 2012-13. This was mainly due to (i) lower accretion (vis-a-vis the previous year) to the 'Currency and Gold Revaluation Account' (CGRA) (under 'other liabilities') of the RBI; (ii) decline in the deposits of NDCUs with commercial banks; and (iii) reduction in the overseas borrowings of commercial banks. These, in the aggregate, offset the strong pick-up in the deposits of and borrowings from financial corporations (under the OFI sector) and resulted in a decline in total claims issued by the banking sector. Reflecting these developments, the share of the OFI sector in total claims issued by the banking sector increased from an average of around 6 per cent during 2003-04 to 2007-08 to around 8 per cent in 2011-12 and further to over 17 per cent in 2012-13.

Financial uses of the banking sector also declined during 2012-13. Within financial uses, commercial bank investment in central government securities declined substantially reflecting the impact of various factors such as OMO purchases by the RBI and reduction in SLR. The share of banking sector funds directed towards the OFI sector via loans and advances and investment in the shares and debentures increased by around one percentage point to 8.1 per cent in 2012-13; this share was negligible, on average, during 2003-04 to 2007-08.

Other Financial Institutions (OFI) Sector

Financial claims issued by the OFI sector increased during 2012-13 largely on account of higher accretions to life fund[4]/ mutual funds and higher borrowings by the sector. On the other hand, the increase in the financial uses of the OFI sector during 2012-13 mainly reflected higher investment in government securities and loans and advances to commercial banks.

Reflecting these trends, the share of the banking sector in total claims issued by the OFI sector declined from around 24 per cent in 2011-12 to around 18 per cent in 2012-13. On the other hand, the share of the banking sector in financial uses of the OFI sector increased from about 24 per cent to 40 per cent over this period. The significance of the banking sector in the sources and uses of funds of the OFI sector has generally increased in recent years vis-a-vis the average position during 2003-04 to 2007-08.

IV. Instrument-wise Financial Flows

During 2012-13, loans and advances remained the most preferred instrument and their share in total claims issued increased substantially over the previous year as also the average during 2003-08, largely reflecting the sharp increase in short-term credits from the ROW to the PCB sector (Table 3). On the other hand, the share of currency and deposits remained more or less the same over the previous year. The share of investments increased somewhat over the previous year, with the reduction in the share of government securities being offset by the increase in the share of other securities including mutual funds. The shares of life funds, provident funds and Small Savings, which are important instruments of household financial saving, improved in 2012-13, reversing the trend observed over the past few years.

[4] Life fund includes fair value change account, policy liabilities, insurance reserves and provision for linked liabilities.

Table 3: Financial Flows by type of Instruments

(₹ Billion)

Instruments	2003-04 to 2007-08 (Average)$	2008-09	2009-10	2010-11	2011-12	2012-13
1. Currency and Deposits	4,759	7,222	7,650	10,661	11,518	12,208
	(25.0)	(28.9)	(23.0)	(25.9)	(26.2)	(26.1)
2. Investments	6,216	5,194	11,070	8,426	11,249	12,285
	(31.2)	(20.8)	(33.3)	(20.5)	(25.6)	(26.2)
(a) Central and State Governments' Securities	1,785	3,616	4,430	3,809	6,661	6,143
	(10.5)	(14.5)	(13.3)	(9.3)	(15.2)	(13.1)
(b) Other Securities	4,432	1,578	6,640	4,617	4,587	7,058
	(20.7)	(6.3)	(20.0)	(11.2)	(10.4)	(15.1)
of which : (i) All Mutual Funds	301	-704	318	-174	-49	571
	(0.7)	-(2.8)	(1.0)	-(0.4)	-(0.1)	(1.2)
3. Loans and Advances	5,053	6,052	8,610	12,474	11,154	14,213
	(25.4)	(24.2)	(25.9)	(30.3)	(25.4)	(30.3)
4. Small Savings	441	-144	395	361	-218	-73
	(3.6)	-(0.6)	(1.2)	(0.9)	-(0.5)	-(0.2)
5. Life Fund	964	1,713	3,842	2,226	1,256	1,684
	(5.1)	(6.9)	(11.6)	(5.4)	(2.9)	(3.6)
6. Provident Fund	617	713	1,289	1,375	891	1,097
	(3.7)	(2.9)	(3.9)	(3.3)	(2.0)	(2.3)
7. Trade Debt	164	280	-18	361	404	432
	(0.9)	(1.1)	-(0.1)	(0.9)	(0.9)	(0.9)
8. Foreign claims not elsewhere classified	-154	224	632	503	301	279
	-(0.7)	(0.9)	(1.9)	(1.2)	(0.7)	(0.6)
9. Other claims not elsewhere classified	1,253	3,724	-264	4,748	7,371	4,723
	(5.9)	(14.9)	-(0.8)	(11.5)	(16.8)	(10.1)
10. Total Claims Issued	**19,314**	**24,978**	**33,207**	**41,135**	**43,926**	**46,848**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**

$: The absolute numbers are averages of flows in current prices from 2003-04 to 2007-08.
Note: Figures in brackets are percentages to Total Claims Issued.

V. Select Indicators of Financial Development

The evolution of the various 'financial development' ratios derived from the FOF data *viz.*, the finance ratio, the financial interrelations ratio, the new issue ratio and the intermediation ratio is depicted in Table 4 and Chart 4.[5] All the ratios, declined in 2012-13 in line with the slackening of real GDP growth, except the intermediation ratio, which increased slightly. The finance ratio, the financial inter-relations ratio and the new issue ratio were lower in 2012-13 as compared to their respective average positions of 2003-04 to 2007-08. On the other hand, the intermediation ratio during 2008-09 to 2012-13 has generally remained higher than its average during 2003-04 to 2007-08, indicating the strengthening of the financial intermediation process.

VI. Summing Up

- Aggregate funds raised by all sectors, as a ratio to NNP, declined for the second consecutive year to around 57 per cent in 2012-13, reflecting deceleration in economic activity. The reduction in the financial claims was evident in the PCB, banking, and the (central) government sectors, in that order. In contrast, financial claims issued by the ROW sector, relative to NNP, increased during the year.

[5] The finance ratio, the ratio of total financial claims to national income, is an indicator of the rate of financial development in relation to economic growth. The financial inter-relations ratio, the ratio between total issues to net domestic capital formation, reflects the relation between financial development and growth of physical investment. The new issue ratio, the ratio of primary issues to net domestic capital formation is indicative of the extent of dependence of the non-financial sector on its own funds in financing the capital formation. A decline in the ratio suggests increase in the role of financial intermediation in capital formation. The intermediation ratio is the ratio between the financial claims issued by the financial institutions and the financial claims issued by nonfinancial units. An increase in the ratio is reflective of higher degree of intermediation provided by financial institutions.

Table 4: Select Indicators of Financial Development

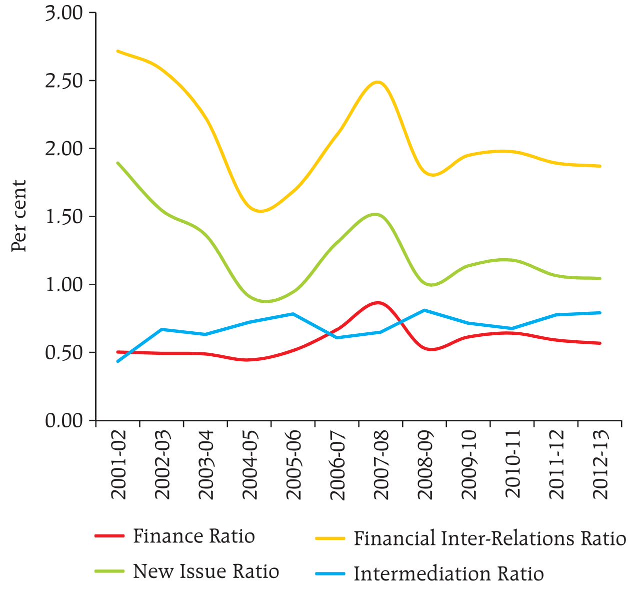
(₹ Billion)

	2003-04 to 2007-08 (Average)$	2008-09	2009-10	2010-11	2011-12	2012-13
1. Secondary Issues#	7,715	11,184	13,841	16,596	19,194	20,704
2. Primary Issues##	11,599	13,794	19,366	24,539	24,733	26,144
2.1 Domestic Sectors	9,656	13,522	17,421	22,493	24,564	25,129
2.2 Rest of the World	1,944	272	1,945	2,046	169	1,015
3. Total Issues (1+2)	19,314	24,978	33,207	41,135	43,926	46,848
4. Net Domestic Capital Formation@	9,358	13,662	17,033	20,812	23,207	25,053
5. National Income**	30,891	47,054	54,111	64,068	74,350	82,560
6. Finance Ratio (Ratio of 3 to 5)	**0.60**	**0.53**	**0.61**	**0.64**	**0.59**	**0.57**
7. Financial Inter-relations Ratio (Ratio of 3 to 4)	**2.01**	**1.83**	**1.95**	**1.98**	**1.89**	**1.87**
8. New Issue Ratio (Ratio of 2 to 4)	**1.21**	**1.01**	**1.14**	**1.18**	**1.07**	**1.04**
9. Intermediation Ratio (Ratio of 1 to 2)	**0.68**	**0.81**	**0.71**	**0.68**	**0.78**	**0.79**
10. Growth in real GDP at factor cost	8.7	6.7	8.6	8.9	6.7	4.5

$: The absolute numbers are averages of flows in current prices from 2003-04 to 2007-08.
\# : Refers to issues by financial intermediaries (*i.e.*, Banks and Other Financial Institutions).
\## : Refers to issues by all sectors other than financial intermediaries.
@ : At Current Prices.
** : Net National Product at Factor Cost at Current Prices.
Note: Item no 4 and 5 are sourced from National Accounts Statistics, CSO.

- The pattern of financing the deficit of the PCB sector showed a substantial increase in the share of the ROW sector (via FII, FDI and loans) during 2012-13. The share of the banking sector in the total funding of PCB sector also increased while that of the OFI sector declined.

Chart 4: Financial Ratios: 2001-02 to 2012-13



- The share of OFIs in financing the resource gap of the government sector increased sharply during 2012-13. With outflows under Small Savings significantly lower and accruals under government provident and pension funds higher in 2012-13, the share of households in funding the resource gap of the government sector also increased.
- Net financial claims issued by the ROW sector picked up in 2012-13 mainly on account of the RBI's purchases of foreign currency in the context of the surge in capital (particularly FII) inflows.
- Net financial assets of the ROW sector also increased in 2012-13 largely reflecting the substantial FII inflows and the strong growth in short-term trade credits; both these flows were mostly directed towards the private corporate business sector.
- The financial surplus of the households, relative to NNP, increased in 2012-13, *albeit* marginally. Of the total financial surplus, accruals under life funds, provident funds, mutual funds and Small Savings improved in 2012-13, reversing the trend observed over the past few years.

- The share of the banking sector in total claims issued by the OFI sector declined from around 24 per cent in 2011-12 to around 18 per cent in 2012-13. On the other hand, the share of the banking sector in financial uses of the OFI sector increased from about 24 per cent to 40 per cent over this period. The significance of the banking sector in the sources and uses of funds of the OFI sector has generally increased in recent years vis-a-vis the average position during 2003-04 to 2007-08.
- Loans and advances remained the most preferred instrument, followed by investments and currency and deposits.
- The finance ratio, the financial inter-relations ratio and the new issue ratio dipped in 2012-13, even as the intermediation ratio increased slightly.

*Survey of Professional Forecasters: 2014-15**

The Reserve Bank has been conducting Survey of Professional Forecasters (SPF) since September 2007 at quarterly intervals till March 2014. From 2014-15, the survey has been made bi-monthly in line with the change in monetary policy review to a two-monthly cycle. The forecasters are chosen from organisations and institutions, which have established research set up and bring out regular updates on Indian economy. The questionnaire is sent to around 40 forecasters in India and abroad to indicate their short- to longer-term expectations of macroeconomic indicators in real sector, monetary & banking sector, fiscal sector, financial markets and external sector in India. Detailed aggregate data of the survey are disseminated in the form of a web-article. In this article, forecasts, mainly of growth and inflation for the next two financial years and for the next five quarters are presented based on the 30th round conducted in September 2014. Further, the implicit growth and inflation forecast based on the probability distribution are examined. Uncertainty of forecasts has been estimated from the forecast of probability distribution of GDP growth and inflation, measured using both Wholesale Price Index (WPI) and Consumer Price Index (CPI). Empirical results suggest a decline in uncertainty for all these three economic indicators in the surveys conducted during the recent periods.

1. Introduction

For macroeconomic policy making, forecasts of key economic indicators related to the real sectors, monetary & banking sector, fiscal sector, financial markets and external sector indicators are important. Availability of forecasts helps firms in making better informed investment decisions as well as households, in their consumption and other decision making process. Among the various ways of obtaining forecasts, the Survey of Professional Forecasters (SPF), mostly conducted by the central banks, occupies an important place. For example, the Reserve Bank of India Annual Report 2014 quotes that 'as the professional forecasters consider all the available information, both past and future, their expectations could be considered more rational than that of households'.

The Reserve Bank of India (RBI) has been conducting the SPF since September 2007 at quarterly interval till March 2014. From 2014-15, the survey has been made bi-monthly in line with the change in monetary policy review to a two-monthly cycle. The results of the survey are disseminated through the Bank's web-site within one month of conducting the survey.

The survey questionnaire covers annual as well as quarterly forecasts of major macroeconomic indicators. Forecasts of annual indicators are generally collected for two financial years, while quarterly indicators are collected for four quarters ahead along with the current quarter. The survey also covers probability distribution of forecasts to possible outcomes of GDP growth and inflation in pre-defined ranges. Besides near term forecasts, forecasters provides medium to long-term forecasts for GDP growth as well as inflation based on both Wholesale Price Index (WPI) and Consumer Price Index (CPI). The CPI used here is the new CPI (Combined) series published by the Central Statistics Office.

2. Annual Forecasts for 2014-15 and 2015-16

As per the survey conducted in September 2014 (fourth bi-monthly round of 2014-15), the median forecast of GDP growth rate (at factor cost at constant prices) for 2014-15 is placed at 5.5 per cent. Growth forecast for Industry has been placed at 3.9 per cent, while Services is expected to grow by 7.0 per cent. Agriculture and Allied Activities is likely to grow by 1.9 per cent (Table 1). For 2015-16, GDP growth is expected to improve to 6.5 per cent, with Industry and Services are likely to grow by 5.0 per cent and 7.6 per cent, respectively.

For 2014-15, forecasters expect that money supply (M_3) and bank credit will grow by 14.0 per cent and

* Prepared in the Statistical Analysis Division of the Department of Statistics and Information Management, Reserve Bank of India, Mumbai. The previous annual article was published in the December 2013 issue of the Reserve Bank of India Bulletin. The survey results are those of the respondents and are not necessarily shared by the Reserve Bank of India.

Table 1: Median Forecast of macro-economic indicators for 2014-15 and 2015-16

Indicator	2014-15	2015-16
1. GDP at factor cost (growth rate in per cent)	5.5	6.5
1.1. Agriculture and Allied Activities	1.9	3.5
1.2. Industry	3.9	5.0
1.3. Services	7.0	7.6
2. Money Supply (M3) (growth rate in per cent)	14.0	14.9
3. Bank Credit (growth rate in per cent)	14.8	16.0
4. Combined Gross Fiscal Deficit (per cent of GDP)	6.6	6.1
5. Central Govt. Fiscal Deficit (per cent of GDP)	4.2	3.9
6. Export (growth rate in per cent)	7.8	10.0
7. Import (growth rate in per cent)	7.1	10.8
8. Trade Balance (per cent of GDP)	-7.6	-7.3
9. Net Invisible (US Dollar)	116.0	122.2
10. Current Account Balance (per cent of GDP)	-2.0	-2.2

14.8 per cent, respectively. For 2015-16, money supply and bank credit are expected to improve to 14.9 per cent and 16.0 per cent, respectively. Gross fiscal deficit (GFD) of the Central Government is projected at 4.2 per cent of GDP in 2014-15. For 2015-16, fiscal deficit is likely to improve to 3.9 per cent of GDP, but is expected to be higher than the road map for fiscal consolidation of 3.6 per cent. The combined GFD of Central and State Governments' is projected at 6.6 per cent of GDP in 2014-15 and is projected to improve to 6.1 per cent of GDP in 2015-16.

Exports of merchandise goods, in terms of US Dollar, is projected to grow by 7.8 per cent in 2014-15 and further by 10.0 per cent in 2015-16. Import of merchandise goods is likely to grow by 7.1 per cent in 2014-15 and is expected to improve to 10.8 per cent in 2015-16. The higher projected export growth along with a lower import growth is expected to improve the trade deficit to 7.6 per cent of GDP in 2014-15 from 7.8 per cent observed during 2013-14. Trade deficit is further expected to improve to 7.3 per cent of GDP in 2015-16. India is projected to receive US Dollar 116.0 billion, under invisible account, for the year 2014-15, which is likely to improve further to US Dollar 122.2 billion in 2015-16. The current account deficit is projected at 2.0 per cent of GDP in 2014-15 as compared to 1.7 per cent observed in 2013-14.

3. Quarterly Forecasts

The survey results show a gradual improvement in real GDP during Q3:2014-15 to Q2:2015-16 (Table 2). While, the Agriculture and Allied Activities is likely to grow at a higher rate from Q1:2015-16, both industry and services is likely to improve gradually. Inflation based on WPI is projected at 4.7 per cent in Q3:2014-15 and is expected to increase to 5.7 per cent in Q4: 2014-15. WPI headline inflation is likely to fall to 5.3 per cent in Q2:2015-16. The headline CPI inflation is forecasted to remain above 7.0 per cent till Q2:2015-16. Headline CPI inflation is expected to increase to 8.0 per cent during Q4:2014-15 and is then likely to decline to 7.4 per cent in Q2:2015-16. The Core CPI inflation, excluding the food & fuel component, is expected to remain sticky till Q2:2015-16.

4. Forecasts from Probability Distribution

In the Survey, the forecasters have also been asked to assign probabilities to annual GDP growth and also for year-end CPI and WPI inflation based on the pre-specified range given by the RBI. For 2014-15, the forecasters assigned maximum probability of 0.56 to the range of 5.5-5.9 per cent of GDP growth (Table 3). Based on the probability distribution, the implicit growth forecast is estimated at 5.5 per cent for 2014-15.

Table 2: Quarterly Forecasts (Median) of macro-economic indicators for Q3:2014-15 to Q2:2015-16

Indicators	Q3: 2014-15	Q4: 2014-15	Q1: 2015-16	Q2: 2015-16
1. GDP at factor cost	5.4	5.8	6.2	6.5
1.1. Agriculture and Allied Activities	0.9	1.5	3.1	3.4
1.2. Industry	4.2	4.2	4.0	4.4
1.3. Services	7.1	7.3	7.6	7.5
CPI Headline Inflation	7.5	8.0	7.8	7.4
Core CPI (excluding food & fuel) Inflation	7.0	6.9	6.9	6.8
WPI Headline Inflation	4.7	5.7	5.6	5.3

Table 3: Mean probabilities attached to possible outcomes of GDP growth

Growth Range	Forecasts for 2014-15	Forecasts for 2015-16
Below 2.0 per cent	0	0
2.0 to 2.4 per cent	0	0
2.5 to 2.9 per cent	0	0
3.0 to 3.4 per cent	0	0
3.5 to 3.9 per cent	0	0
4.0 to 4.4 per cent	0	0.01
4.5 to 4.9 per cent	0.03	0.02
5.0 to 5.4 per cent	0.34	0.03
5.5 to 5.9 per cent	0.56	0.10
6.0 to 6.4 per cent	0.07	0.39
6.5 to 6.9 per cent	0	0.39
7.0 to 7.4 per cent	0	0.06
7.5 to 7.9 per cent	0	0
8.0 to 8.4 per cent	0	0
8.5 to 8.9 per cent	0	0
9.0 to 9.4 per cent	0	0
9.5 to 9.9 per cent	0	0
10.0 per cent or more	0	0

The forecasters assigned highest probability of 0.48 for CPI inflation to fall in the range of 7.0-7.9 per cent in March 2015 (Table 4). For March 2016, maximum probability of 0.51 was assigned for inflation rate in the range of 6.0- 6.9 per cent. Based on the probability distribution, the implicit inflation for March 2015 and March 2016 are estimated at 7.9 per cent and 7.0 per cent, respectively.

The forecasters assigned highest probability of 0.54 for WPI inflation to fall in the range of 5.0-5.9 per cent in March 2015 (Table 5). For March 2016 also, maximum probability of 0.39 was assigned for inflation rate in the range of 5.0- 5.9 per cent. Based on the probability distribution, the implicit WPI inflation for March 2015 and March 2016 are estimated at 5.6 per cent and 5.4 per cent, respectively.

Table 4: Mean probabilities attached to possible outcomes of CPI inflation

Inflation Range	Forecasts for March 2015	Forecasts for March 2016
Below 0 per cent	0	0
0 to 0.9 per cent	0	0
1.0 to 1.9 per cent	0	0
2.0 to 2.9 per cent	0	0
3.0 to 3.9 per cent	0	0
4.0 to 4.9 per cent	0	0
5.0 to 5.9 per cent	0.01	0.04
6.0 to 6.9 per cent	0.04	0.51
7.0 to 7.9 per cent	0.48	0.32
8.0 to 8.9 per cent	0.40	0.10
9.0 to 9.9 per cent	0.06	0.03
10.0 to 10.9 per cent	0.01	0
11.0 to 11.9 per cent	0	0
12.0 to 12.9 per cent	0	0
13.0 to 13.9 per cent	0	0
14.0 per cent or above	0	0

Table 5: Mean probabilities attached to possible outcomes of WPI inflation

Inflation Range	Forecasts for March 2015	Forecasts for March 2016
Below 0 per cent	0	0
0 to 0.9 per cent	0	0
1.0 to 1.9 per cent	0	0
2.0 to 2.9 per cent	0	0
3.0 to 3.9 per cent	0	0.04
4.0 to 4.9 per cent	0.20	0.30
5.0 to 5.9 per cent	0.54	0.39
6.0 to 6.9 per cent	0.20	0.23
7.0 to 7.9 per cent	0.06	0.03
8.0 to 8.9 per cent	0.01	0.01
9.0 to 9.9 per cent	0	0
10.0 to 10.9 per cent	0	0
11.0 to 11.9 per cent	0	0
12.0 to 12.9 per cent	0	0
13.0 to 13.9 per cent	0	0
14.0 per cent or above	0	0

5. Medium and Long-Term Forecasts of GDP Growth and Inflation

Charts in this section present the median projections (the red line) and the corresponding inter-quartile ranges (the grey area along both sides of the red line).

The surveys that were conducted from June 2010 to June 2011 projected the 5-year annual average GDP growth rate expectation to remain flat at 8.5 per cent. Thereafter, the growth projections started to show a gradual decline (Chart 1). In line with the lower growth observed during the years 2012-13 and 2013-14, the forecasters lowered their medium term GDP growth expectation to 6.5 per cent, during the surveys conducted during September 2013 to May 2014. In the subsequent two rounds of surveys, the forecasters have projected a higher GDP growth for the next 5-years. As per the September 2014 survey, the average 5-years growth is expected to be at 6.8 per cent. It has been observed that the median forecast is equal to either the

Chart 1: Projections for the 5-year Annual Average Rate of GDP growth

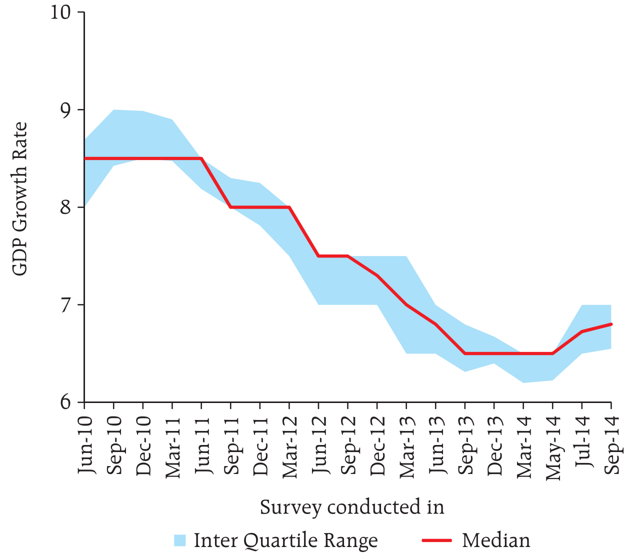
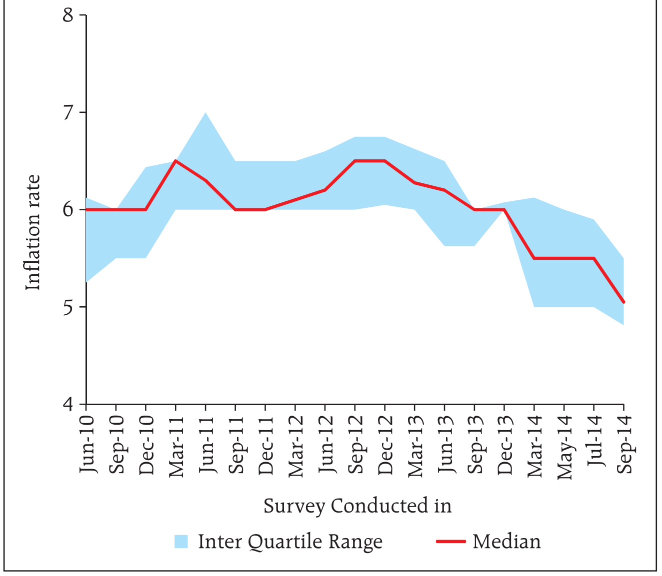


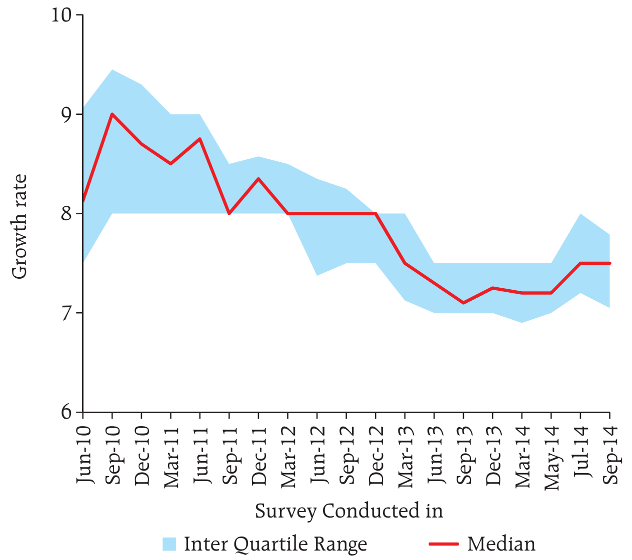
Chart 3: Projections for the 5-year Annual Average Rate of WPI Inflation



third or first quartile many times. This suggests higher concentration of forecasts around median.

The forecast of long-term 10-year annual average GDP growth were seen to move in tandem with the medium term (5-year ahead) growth forecasts. However, the disagreement among the forecasters are found to be higher for long-term forecast than the medium-term forecast, as suggested by the broader inter-quartile range observed in the long-term forecasts compared to the

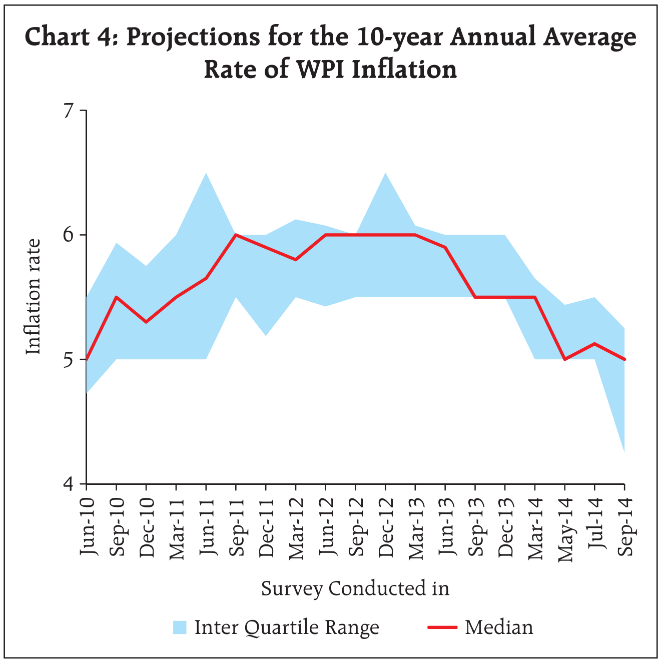
Chart 2: Projections for the 10-year Annual Average Rate of GDP growth

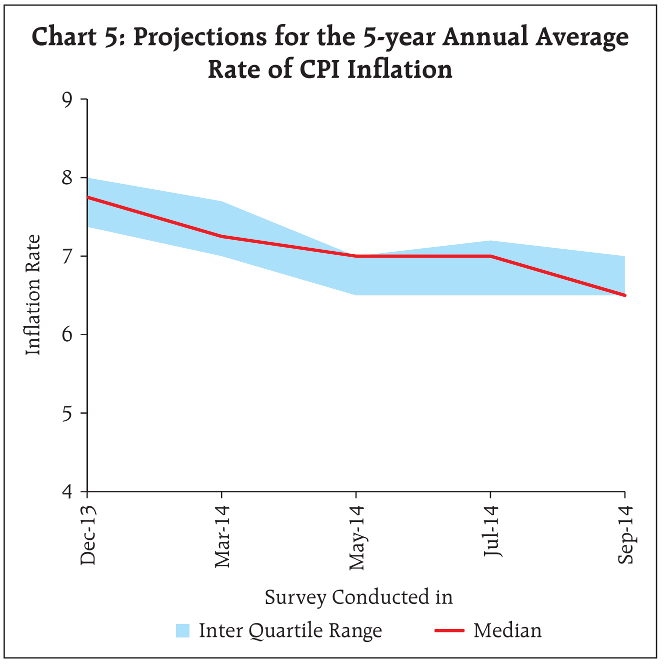


medium-term forecast (Chart 2). The 10-year annual average GDP growth expectation was highest at 9.0 per cent in the survey conducted in September 2010 and thereafter it started to decline. The long-term GDP growth expectation reached a minimum at 7.1 per cent during the September 2013 round. Since then it has seen an improvement and as per the September 2014 round, the expectation has improved to 7.5 per cent.

The expectation of 5-year annual point-to-point inflation, based on WPI, remained at above 6.0 per cent during the surveys conducted during June 2010 to December 2013 (Chart 3). The medium term inflation expectation which was at 6.5 per cent during the survey conducted in December 2012, started to decline gradually and was at 5.1 per cent during the survey conducted in September 2014. Persistence of near double digit inflation in 2010 and 2011 led to the medium term inflation expectations to remain high till the December 2013 round. Disagreement among the forecasters regarding the medium term inflation has gone up in the last four rounds of survey, as suggested by higher inter-quartile range.

The annual average 10-year WPI inflation remained elevated during the surveys conducted from June 2010 to March 2013, mainly due to persistence of higher inflation (Chart 4). The 10-year annual

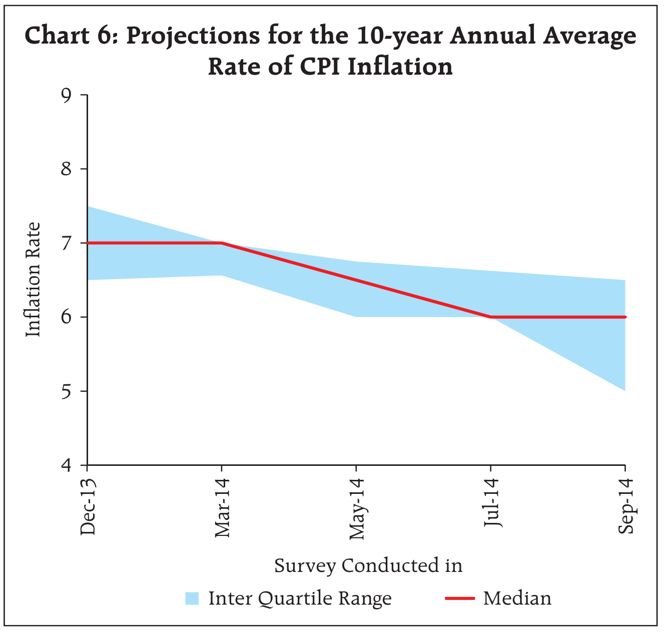




average WPI inflation expectation remained at 6.0 per cent during the survey period from June 2012 to March 2013, and subsequently reduced to 5.5 per cent in the September 2013 round. The forecasters further cut down their long-term WPI inflation forecast by 50 basis points to 5.0 per cent in the May 2014 round. Since the last three rounds, the long-term WPI inflation has remained stable at around 5.0 per cent, although disagreement among the forecasters has gone up in the recently conducted surveys.

The survey started collecting the forecasters expectations on medium and long-term CPI headline inflation from the December 2013 round. During this five rounds, both 5-year and 10-year annual average CPI inflation expectations have declined. The consumer price inflation expectation has mostly remained higher than the WPI inflation expectation. The forecast of 5-year annual average CPI inflation was at 7.8 per cent in the December 2013 round and subsequently reduced to 7.0 per cent in the May 2014 round (Chart 5). The forecasters further cut down their medium term inflation expectation by 50 basis points to 6.5 per cent in the September 2014 round. For the September 2014 round, both the median and the first quartile were same at 6.5 per cent, suggesting that majority of the forecasters are expecting the medium term CPI inflation at around 6.5 per cent.

In the with the medium term CPI inflaion exceptation, the long-term 10-year inflation expectation also declined during the five surveys conducted from December 2013 to September 2014 (Chart 6). The long-term inflation expectation which was at 7.0 per cent in the December 2013 round was reduced to 6.5 per cent in the May 2014 round and further to 6.0 per cent in the July 2014 round.



6. Performance of Quarterly Growth forecast

The survey collects projections of quarterly GDP growth for 5-quarters, including for the current quarter. Chart 7 presents the deviation of the median forecast from the actual outturn for the period from Q1:2009-10 to Q1:2014-15 with different forecast horizon. It has been observed that median forecast tends closer to the actual data as the forecast horizon gets reduced, suggesting that the short-term forecasts are revised by incorporating the latest available information. The chart further suggests that till Q4:2010-11, the median forecast underestimated the actual outturns as shown by the positive values of the error, while from Q1:2011-12 onwards, the forecast turned out to be overestimated. Further, from Q4:2012-13, the extent of forecast error has gone down.

To assess the GDP growth forecast performance, the Root Mean Square Error (RMSE) based on median forecast has been calculated from Q1:2010-11 to Q1:2014-15 (Table 6). The RMSE towards the end of the period has been found to be lower. The RMSE for the period from Q2:2013-14 to Q1:2014-15 for the entire forecast horizon has been found to be lower than the period from Q2:2012-13 to Q1:2013-14 substantially, suggesting relative improvement in the forecast performance in the recent period.

Table 6: RMSE of GDP growth forecast

Forecast Horizon (in quarter) → Period ↓	4-quarter ahead	3-quarter ahead	2-quarter ahead	1-quarter ahead
Q1:2010-11 to Q1:2014-15	-1.4	-1.2	-0.9	-0.6
Q2:2012-13 to Q1:2013-14	-2.9	-2.5	-2.0	-1.3
Q2:2013-14 to Q1:2014-15	-1.4	-1.1	-0.5	-0.4

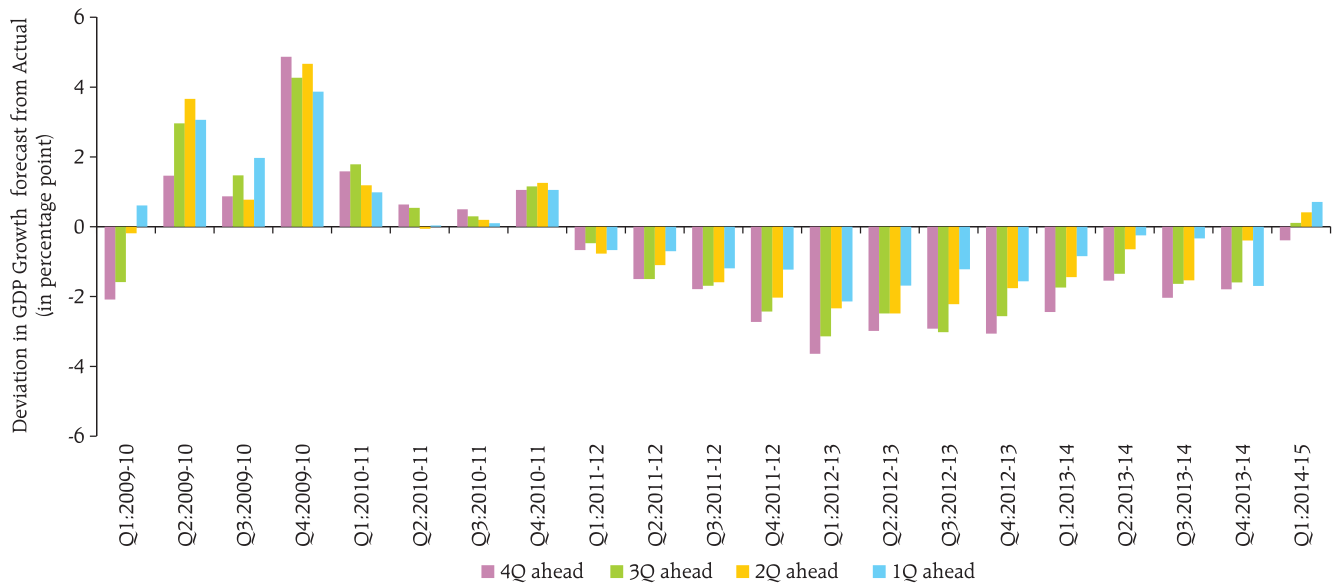
7. Performance of Quarterly WPI headline inflation forecast

Regarding the forecast of WPI headline inflation, it has also been observed that the median forecast performance improves as the forecast horizon gets shorter (Chart 8). Forecast error for WPI headline inflation was found to be higher till Q2:2011-12 and henceforth declined gradually till Q4:2012-13. The recent period has shown some increase in forecast error. Forecast error has gone up in the recent period.

8. Performance of Quarterly CPI headline inflation forecast

As the survey incorporates the quarterly forecast path of the new CPI headline inflation from the December 2013 round only, forecast performance could be worked out only for 3-quarter horizon. As expected,

Chart 7: Quarterly GDP Growth Forecast error



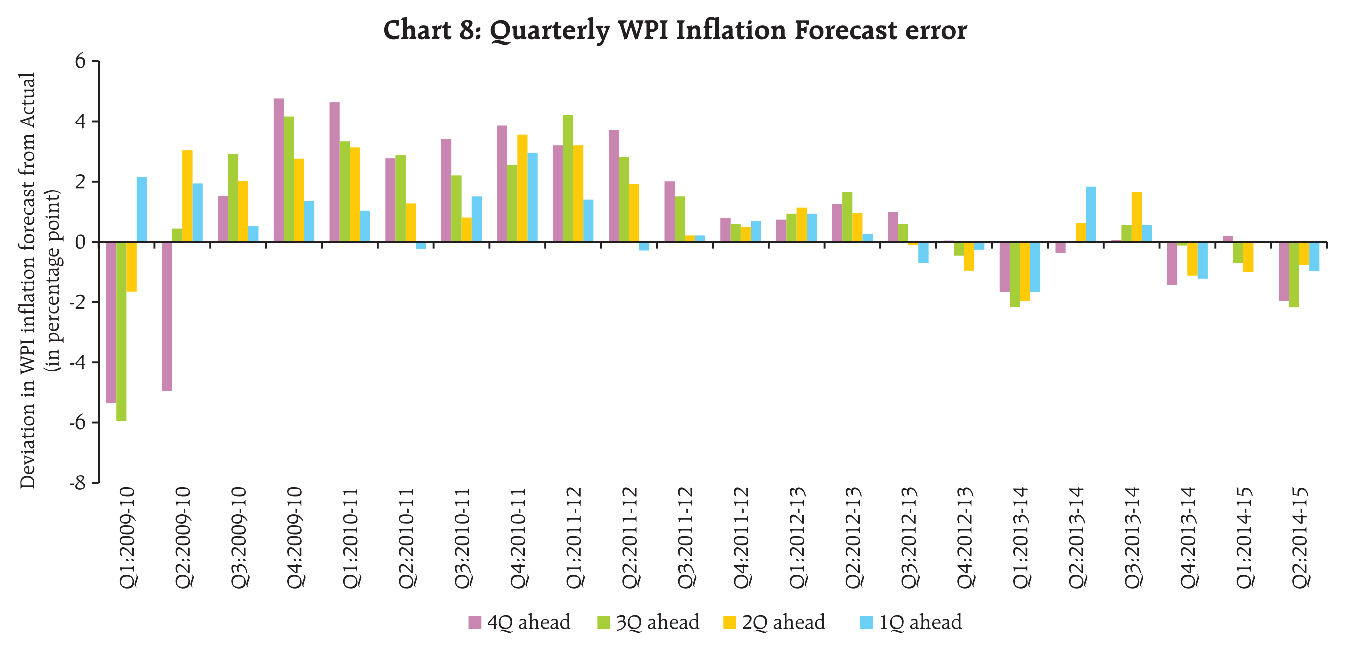


Table 7: RMSE of WPI inflation forecast

Forecast Horizon → Period ↓	4-quarter ahead	3-quarter ahead	2-quarter ahead	1-quarter ahead
Q1:2010-11 to Q2:2014-15	1.2	1.0	0.7	0.3
Q3:2012-13 to Q2:2013-14	-0.2	-0.5	-0.6	-0.2
Q3:2013-14 to Q2:2014-15	-0.8	-0.6	-0.3	-0.4

the forecast performance improves with shorter forecast horizon (Table 8, Chart 9).

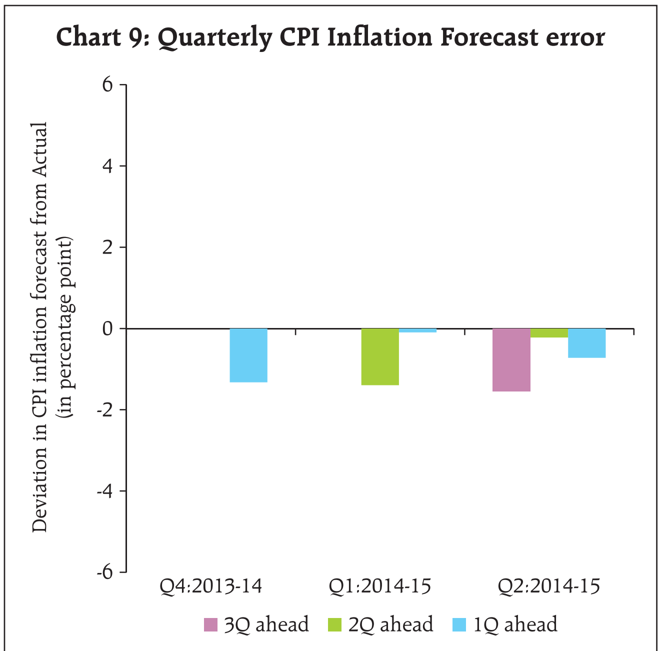


Table 8: RMSE of CPI inflation forecast

Forecast Horizon → Period ↓	3-quarter ahead	2-quarter ahead	1-quarter ahead
Q4:2013-14 to Q2:2014-15	-1.5	-0.8	-0.4

9. Variability of forecasts

Variability of the forecast was also examined using box plots. Chart 10 presents the box plot of one quarter ahead forecast of GDP growth. The thick line represents the actual GDP growth. The boxes are plotted against the reference survey period, while growth is plotted one period ahead. Thus in the chart, the last point indicates that the survey was conducted in March 2014, while GDP growth refers to the quarter April-June 2014. Box plot for quarterly GDP growth forecast suggest that, the actual outturn of GDP growth lies within the maximum and minimum forecast, except for December 2012 round.

Chart 11 present the box plot of one quarter ahead forecast of WPI headline inflation. In the chart, the second-to-last point Mar-14 indicate that the survey was conducted during March 2014 and the inflation forecast is for the quarter April-June 2014, while the last point indicate that the survey was

Chart 10: Box Plot of GDP growth forecast

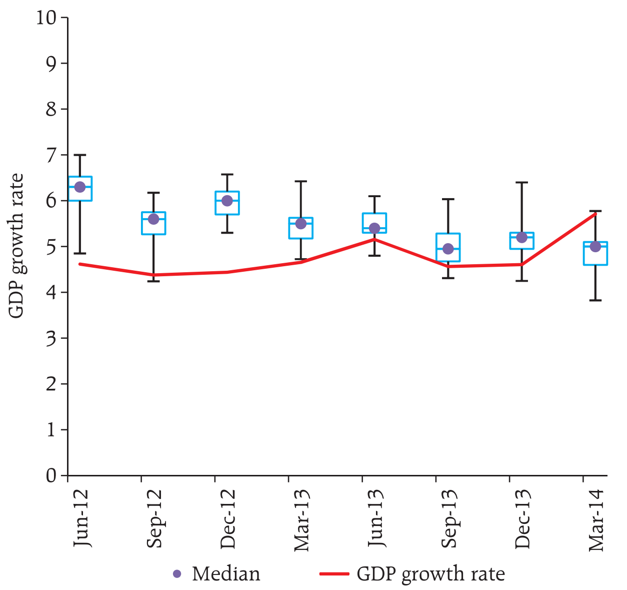
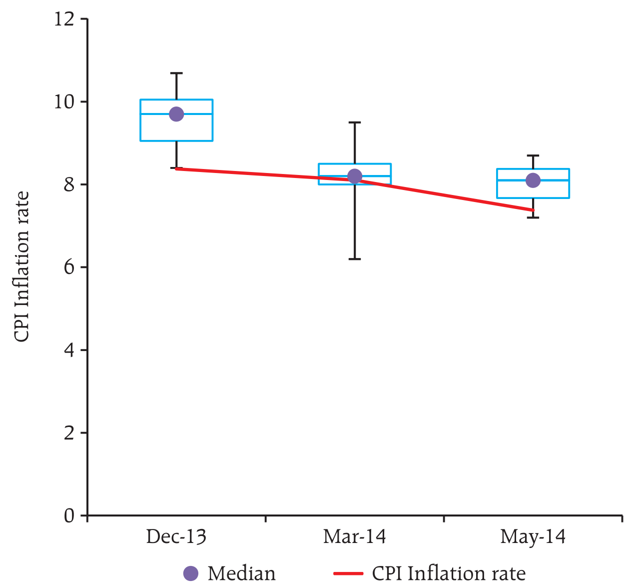
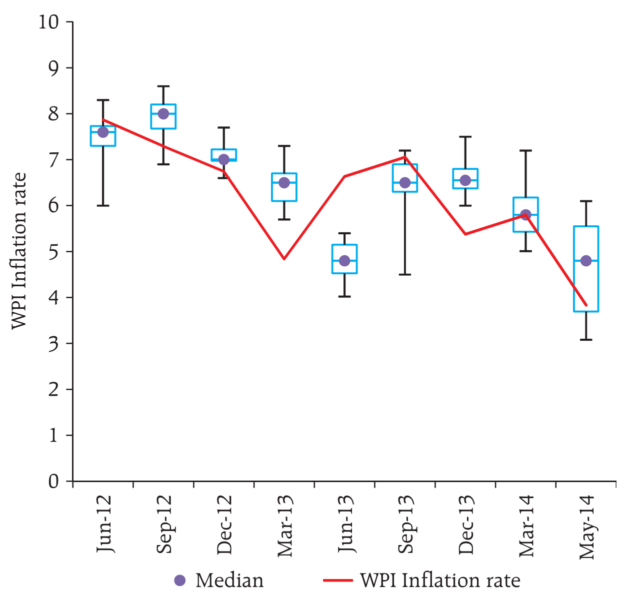


Chart 12: Box Plot of CPI Inflation forecast



conducted in May 2014 and the inflation forecast is for the quarter July-September 2014. Box plot for WPI headline inflation forecast suggests that the actual outturn of WPI inflation lies within the maximum and minimum forecast, except for March 2013, June 2013 and December 2013 round. The forecasts for CPI inflation are found to be encouraging as the actual outturn is found to be inside the maximum-minimum limit (Chart 12).

Chart 11: Box Plot of WPI Inflation forecast



9. Uncertainty of forecast

Uncertainty of future economic conditions plays an important role in expectation formation. Direct measure of uncertainty in an empirical formulation is not straightforward. Uncertainty in the way of disagreement is typically measured by the standard deviation of the mean values of the each individual forecasts. However, disagreement does not reflect an individual's uncertainty on own expectation. An individual's uncertainty can be measured using the probability density forecast. This section derives estimate of uncertainly and disagreement for the GDP growth and inflation forecast, following the work of Boero *et. al.* (2008)[1]. The estimate of uncertainty and disagreement has been derived from the probability density forecast as follows:

Let there be 'n' forecasters with individual probability density forecasts $f_i(y)$, i= 1,2, --n, of the random variable Y. Then the aggregate density forecast is defined as,

$$f_A(y) = \frac{1}{n}\sum_{i=1}^{n} f_i\,(y) \qquad (1)$$

[1] Boero, G., Smith, J. and Wallis, K.F. (2008), 'Uncertainty and Disagreement in Economic Prediction: The Bank of England Survey of External Forecasters', *The Economic Journal,* Vol. 118 (July), 1107-1127.

Boero *op. cit.* assumed that the individual point forecasts are the means of the individual forecast densities and the same assumption has also been assumed for this study. Empirically it has been observed that the individual point forecast does not differ much from the mean of the individual density forecast. Let $\bar{y}_i$ denote the point forecast and σ_i^2 denote the estimated variance from the individual forecast density of the ith forecaster, respectively. Then the average forecast $\bar{y}_A$, based on the mixture distribution f_A is,

$$\bar{y}_A = \mu_1^{/} = \frac{1}{n}\sum_{i=1}^{n} \bar{y}_i \qquad (2)$$

The second moment about the origin is defined as,

$$\mu_2^{/} = \frac{1}{n}\sum_{i=1}^{n}(\bar{y}_i^2 + \sigma_i^2) \qquad (3)$$

Thus the variance σ_A^2 of f_A, a measure of uncertainty, will be,

$$\mu_2 = \sigma_A^2 = \mu_2^{/} - \mu_1^{/2} = \frac{1}{n}\sum_{i=1}^{n}\sigma_i^2 + \frac{1}{n}\sum_{i=1}^{n}(\bar{y}_i - \bar{y}_A)^2 \qquad (4)$$

Expression (4) decomposes the variance of the aggregate density, a possible measure of uncertainty, into two parts. The first part $\frac{1}{n}\sum_{i=1}^{n}\sigma_i^2$ is the average of individual uncertainty (or variance), while the second part is the variation among the average forecast, known as the disagreement. Generally collective uncertainty is measured as the average of the individual uncertainty instead of based on the aggregate distribution. Zarnowitz and Lambros (1987)[2] implicitly used the average individual standard deviation as a measure of uncertainty. Boero *op. cit.* defined the collective uncertainty as the square root of $\frac{1}{n}\sum_{i=1}^{n}\sigma_i^2$, as this measure is more consistent with the assumption of quadratic utility than the average standard deviation (Batchelor and Dua, 1996)[3]. This article defines uncertainty following Boero *op. cit.* Thus, uncertainty is defined as,

$$\text{Uncertainty} = \sqrt{\frac{1}{n}\sum_{i=1}^{n}\sigma_i^2} \qquad (5)$$

[2] Zarnowitz, V. and Lambros, L.A. (1987), 'Consensus and uncertainty in economic predictions', *Journal of Political Economy*, 95(3), 591-621.

[3] Batchelor, R.A. and Dua, P. (1996), 'Empirical measures of inflation uncertainty: a cautionary note', *Applied Economics*, 28(3), 333-341.

Chart 13: Estimate of uncertainty for annual GDP growth forecast

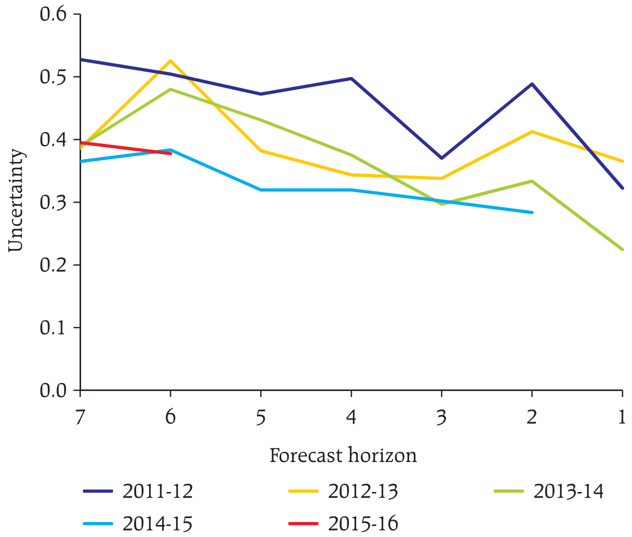


Chart 13 presents the estimate of uncertainty for annual GDP growth forecast from the years from 2011-12 to 2015-16. The horizontal axis presents the forecast horizon in quarters, while the vertical axis presents the estimate of uncertainty defined in (5). The forecasters are asked to provide the pre-defined probability distribution of annual GDP growth first time with a 7 quarter ahead forecast horizon. It has been observed that uncertainty use to decline as the forecast horizon reduces. For the year 2011-12, uncertainty reduced by 0.2 percentage points from approximately 0.5 at h=7 to 0.3 at h=1. Further, uncertainty has reduced over the years for different horizons. At h=7, uncertainty for 2011-12 was at 0.5, which declined to 0.4 for 2015-16. At h=4, uncertainty declined from 0.5 for 2011-12 to 0.4 for 2013-14 and further to 0.3 for 2014-15.

Chart 14 presents the uncertainty for year-end inflation forecast based on WPI. Information on probability distribution for year-end inflation were collected for the first time from the 13th Round (October 2010), and thus information for March 2012 was first collected at h=6. Uncertainty for inflation forecast is found to be higher than those of GDP growth. Uncertainty for near forecast horizon is found to be lower than those at longer forecast horizon. For March

Chart 14: Estimate of uncertainty for year end WPI inflation forecast

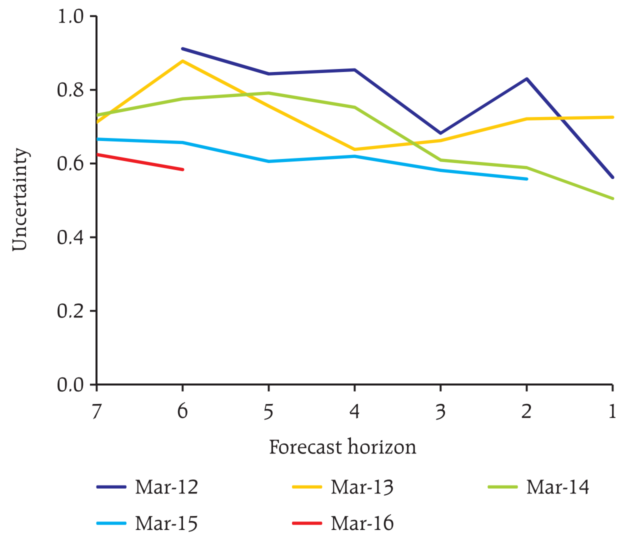
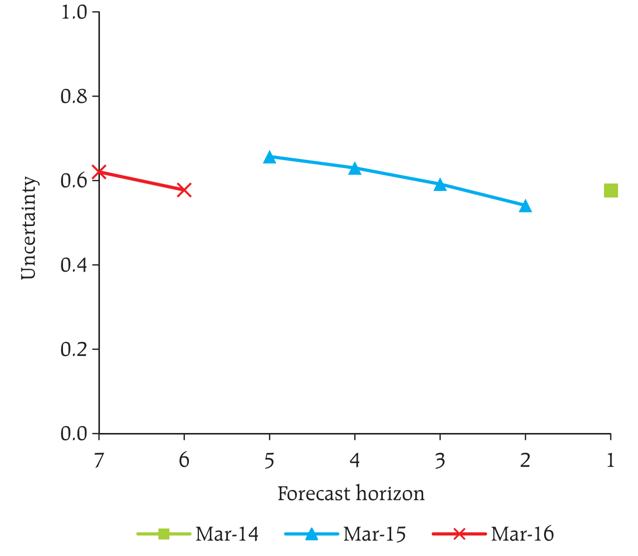


Chart 15: Estimate of uncertainty for year end CPI inflation forecast



2014, uncertainty reduced from 0.7 at h=7 to 0.6 at h=3 and further to 0.5 at h=1. Further, uncertainty has gone down in the recent period compared to the earlier period. At h=6, uncertainty for March 2012 was 0.9, which declined to 0.8 for March 2014 and further to 0.6 for March 2016.

The survey questionnaire incorporated the probability distribution of the year-end CPI inflation from the 26th Round conducted in January 2014. Probability distribution forecast of CPI inflation for March 2014 is available only at h=1. In line with the probability distribution of GDP growth and WPI inflation forecast, the uncertainty in CPI inflation also declined with near forecast horizon (Chart 15). For March 2015, uncertainty has reduced from 0.7 at h=5 to 0.5 at h=2.

10. Conclusion

This article presents the trend in forecasts based on the Survey of Professional Forecasters conducted by the Reserve Bank of India. The recent survey results indicate a recovery of growth for India in 2014-15 and 2015-16. Inflation pressure from CPI is likely to remain above 7.0 per cent till Q2:2015-16, while CPI excluding food & fuel is expected to remain sticky at around 7.0 per cent. WPI inflation is expected to move within the range between 5.0 per cent to 6.0 per cent from Q4:2014-15 to Q2:2015-16. Further, growth outlook for the next five years and ten years has improved in the recent surveys. For the next five and ten years, the forecasters expect a fall in the inflation, measured using both CPI and WPI. Also, the implicit forecast of growth and inflation, estimated from the probability distribution is found to be consistent with the explicit growth and inflation forecasts, suggesting the internal consistency of the projections made by the forecasters. Estimate of uncertainty for GDP growth and inflation forecast has also been carried out. Empirically it has been found that uncertainty declines with near forecast horizon. Also, the extent of uncertainty has declined in the recent survey rounds compared to the earlier rounds across the forecast horizons.

*Developments in India's Balance of Payments during the First Quarter (April-June) of 2014-15**

The data on India's Balance of Payments (BoP) are published by the Reserve Bank on a quarterly basis with a lag of one quarter. This article presents an analysis of major developments in India's BoP during the first quarter (April-June) of 2014-15.

Highlights

- India's balance of payments improved in Q1 of 2014-15, with the current account deficit (CAD) narrowed on a contraction of the trade deficit.
- While merchandise exports picked up on stronger global demand and favorable exchange market conditions, there was a sharp decline in imports, primarily on account of a moderation in gold imports (Table 1).
- The upturn in overall export performance in Q1 of 2014-15 was driven by exports of petroleum products (POL), engineering goods, readymade garments and drugs and pharmaceuticals.
- Destination-wise, a pick-up in export demand occurred in markets such as the US, the EU, China, Malaysia and the UAE.
- The decline in imports was due to sharp contraction in gold imports, the latter mainly due to the moderation in international price of gold by 9 per cent.
- Imports of POL were, however, higher in Q1 of 2014-15 when international prices of crude oil (Indian basket) increased by about 6 per cent owing to geo-political disturbances in the Middle East.
- During Q1 of 2014-15, net services receipts improved marginally on a pick-up in construction, financial services, telecommunication, computer and information services and other business services from their levels a year ago (Table 2).
- The net outflow of primary income, comprising investment income and compensation of employees, continued in Q1 of 2014-15, mainly due to a sharp increase in interest payments on external commercial borrowings (ECBs), NRI deposits, profits and reinvested earnings of FDI companies in India (Table 2).
- Net receipts under secondary income, comprising mainly remittances, also exhibited some moderation in relation to their level a year ago (local withdrawals from NRI deposits constituted around 45 per cent of total private transfers in Q1 of 2014-15) (Tables 2 and 3).
- There was a sharp contraction in the CAD in Q1 of 2014-15 to 1.7 per cent of GDP from 4.8 per cent in Q1 of 2013-14.
- Net capital flows were driven by robust FDI inflows and a sharp turnaround in FII inflows, particularly in the debt segment (Table 4).
- The increase in FDI inflows (y-o-y basis) was discernible broadly across all major sectors (Table 5) and was primarily sourced from Japan, Mauritius, Russia, Netherlands and the UK; FDI from Singapore declined in Q1 of 2014-15 in relation to a year ago (Table 6).
- Moderation in FDI by India in Q1 of 2014-15 was reflected across all sectors (Table 5) and Singapore remained the major destination of India's outward FDI (Table 6).
- India's outward FDI through joint ventures and wholly owned subsidiaries was around 36 per cent lower than in Q1 of 2013-14, through both equity and loans (Table 7).

* Prepared in the Division of International Trade and Finance, Department of Economic and Policy Research, Reserve Bank of India, Mumbai. Time series data on BoP are available on the RBI website at dbie.rbi.org.in. In addition, the disaggregated quarterly data on invisibles are being released separately on the RBI website.

- There was a net repayment of overseas borrowings by banks in Q1 of 2014-15, as against net borrowing a year ago (Table 4).
- Net inflows under 'trade credit and advances' declined as moderation in imports during the quarter and the previous quarter might have reduced the need for fresh credit by importers (Table 4).
- Flows under NRI deposits were not only lower than in the corresponding quarter of 2013-14 but also in the preceding quarter (Table 4)
- Other receivables/payables that include 'leads and lags in exports', 'net funds held abroad', 'advances received pending issue of shares under FDI', and 'other capital not included elsewhere' recorded a net outflow of US$ 4.6 billion in Q1 of 2014-15 as against an inflow of US$ 0.2 billion in Q1 of the previous year (Table 8).
- These developments resulted in an accretion to India's foreign exchange reserves (on BoP basis)[1] to the tune of US$ 11.2 billion in Q1 of 2014-15 (Table 1).

[1] Calculation on BoP basis excludes any valuation change in reserves due to cross-currency movements.

Table 1 : Major items of India's Balance of Payments

(US$ Billion)

	Apr-Jun		Jan-Mar
	2014-15 (P)	2013-14 (PR)	2013-14 (PR)
1. Goods Exports	81.7	73.9	83.7
2. Goods Imports	116.4	124.4	114.3
3. Trade Balance (1-2)	**-34.6**	**-50.5**	**-30.7**
4. Services Exports	37.6	36.5	40.6
5. Services Imports	20.5	19.7	21.0
6. Net Services (4-5)	**17.1**	**16.9**	**19.6**
7. Goods and Services Balances (3+6)	**-17.6**	**-33.6**	**-11.1**
8. Primary Income, Net (Compensation of employees and Investment Income)	-6.7	-4.8	-6.4
9. Secondary Income, Net (Private Transfers)	16.4	16.7	16.3
10. Net Income (8+9)	**9.7**	**11.8**	**9.9**
11. Current Account Balance (7+10)	**-7.8**	**-21.8**	**-1.2**
12. Capital and Financial Account Balance, Net (Excl. change in reserves)	**19.8**	**20.5**	**9.1**
13.Change in Reserves (-) increase/(+) decrease	-11.2	0.3	-7.1
14. Errors & Omissions (-)(11+12+13)	-0.8	0.9	-0.7

P: Preliminary; PR: Partially Revised

Table 2: Disaggregated Items of Current Account (Net)

(US$ Billion)

	Apr-Jun		Jan-Mar
	2014-15 (P)	2013-14 (PR)	2013-14 (PR)
1. Goods	**-34.6**	**-50.5**	**-30.7**
2. Services	**17.1**	**16.9**	**19.6**
2.a Transportation	0.5	0.4	0.8
2.b Travel	0.4	0.8	2.1
2.c Construction	0.21	0.01	0.12
2.d Insurance and pension services	0.2	0.2	0.3
2.e Financial Services	0.2	-0.6	0.3
2.f Charges for the use of intellectual property	-1.2	-1.0	-1.0
2.g Telecommunications, computer and information services	17.2	16.2	18.1
2.h Personal, cultural and recreational services	0.0	0.2	0.1
2.i Government goods and services	-0.1	-0.2	-0.1
2.j Other Business services	0.8	0.6	0.1
2.k Others *n.i.e.*	-1.1	0.1	-1.2
3. Primary Income	**-6.7**	**-4.8**	**-6.4**
3.a Compensation of Employees	0.2	0.2	0.1
3.b Investment Income	-7.0	-5.1	-6.7
3.c Other Primary Income	0.1	0.1	0.2
4. Secondary Income	**16.4**	**16.7**	**16.3**
4.a Personal Transfers	16.0	16.2	15.5
4.b. Other Transfers	0.6	0.6	0.7
5. Current Account (1+2+3+4)	**-7.8**	**-21.8**	**-1.2**

P: Preliminary; PR: Partially Revised.

Table 3: Details of Personal Transfers to India

(US$ Billion)

Year	Total Private Transfers	*Of Which:*			
		Inward remittances for family maintenance		Local withdrawals/ redemptions from NRI Deposits	
		Amount	Percentage Share in Total	Amount	Percentage Share in Total
2013-14	69.6	37.9	54.4	29.2	41.9
2012-13	67.6	33.0	48.9	32.0	47.2
Apr-June 2014-15 (P)	17.5	8.8	50.3	8.0	45.8
Apr-June 2013-14 (PR)	17.9	9.1	51.0	8.1	45.3

P: Preliminary. PR: Partially Revised.

Table 4: Disaggregated Items of Financial Account (Net)

(US$ Billion)

	Apr-Jun		Jan-Mar
	2014-15 (P)	2013-14 (PR)	2013-14 (PR)
1. Direct Investment (net)	**8.2**	**6.5**	**0.9**
1.a Direct Investment to India	8.3	6.5	9.8
1.b Direct Investment by India	-0.1	0.0	-8.9
2. Portfolio Investment	**12.4**	**-0.2**	**9.3**
2.a Portfolio Investment in India	12.5	-0.5	9.5
2.b Portfolio Investment by India	-0.03	0.2	-0.3
3. Other investment	**-2.8**	**14.1**	**-4.3**
3.a Other equity (ADRs/GDRs)	0.0	0.0	0.0
3.b Currency and deposits	2.5	5.7	3.9
Deposit-taking corporations, except the central bank (NRI Deposits)	2.4	5.5	3.7
3.c Loans	-1.0	5.9	0.3
3.c.i Loans to India	-1.1	5.4	0.2
Deposit-taking corporations, except the central bank	-2.6	4.7	-5.7
General government (External Assistance)	0.1	0.3	1.0
Other sectors (External Commercial Borrowings)	1.4	0.4	4.9
3.c.ii Loans by India	0.2	0.4	0.2
General government (External Assistance)	-0.1	-0.1	0.0
Other sectors (External Commercial Borrowings)	0.3	0.5	0.2
3.d Trade credit and advances	0.2	2.5	-4.5
3.e Other accounts receivable/payable—other	-4.6	0.2	-4.2
4. Financial Derivatives	**2.0**	**-0.5**	**3.4**
5. Reserve assets	**-11.2**	**0.3**	**-7.1**
Financial Account (1+2+3+4+5)	**8.6**	**20.1**	**2.1**

P: Preliminary; PR: Partially Revised.

Table 5: Sector-wise FDI – Inflows and Outflows

(US$ Billion)

Gross FDI inflows to India#				Gross FDI outflows from India*			
Industry	**2013-14**	**Apr-Jun 2014-15**	**Apr-Jun 2013-14**	**Industry**	**2013-14**	**Apr-Jun 2014-15**	**Apr-Jun 2013-14**
Manufacture	6.4	1.9	1.6	Manufacturing	2.6	0.5	0.9
Communication Services	1.3	0.5	0.0	Financial, Insurance, Real Estate and Business Services	1.7	0.2	0.4
Electricity and others	1.3	0.4	0.2	Transport, Storage and Communication Services	0.7	0.2	0.3
Financial Services	1.0	0.3	0.6	Wholesale, Retail Trade, Restaurants and Hotels	0.7	0.1	0.1
Construction	1.3	0.3	0.2	Construction	0.2	0.1	0.1
Restaurants and Hotels	0.4	0.2	0.1	Community, Social and Personal Services	0.4	0.0	0.0
Business Services	0.5	0.1	0.1	Agriculture , Hunting, Forestry and Fishing	6.3	0.0	0.1
Computer Services	0.9	0.1	0.0	Electricity, Gas and Water	0.0	0.0	0.0
Others	3.0	0.7	0.5	Miscellaneous	0.1	0.0	0.0
Total	**16.1**	**4.5**	**3.3**	**Total**	**12.8**	**1.2**	**1.8**

#: Includes equity FDI through SIA/FIPB and RBI routes only and hence are not comparable with data in other tables.
*: Includes equity (except that of individuals and banks), loans and guarantee invoked, and hence are not comparable with data in other tables.

Table 6: Country-wise FDI – Inflows and Outflows

(US$ Billion)

Gross FDI inflows to India#				Gross FDI outflows from India*			
Country	**2013-14**	**Apr-Jun 2014-15**	**Apr-Jun 2013-14**	**Country**	**2013-14**	**Apr-Jun 2014-15**	**Apr-Jun 2013-14**
Japan	1.8	1.1	0.5	Singapore	1.1	0.3	0.3
Mauritius	3.7	0.9	0.7	USA	1.0	0.2	0.3
Russia	0.0	0.5	0.0	Mauritius	1.3	0.1	0.3
Singapore	4.4	0.3	0.7	UK	0.4	0.1	0.1
Netherlands	1.2	0.3	0.2	UAE	0.3	0.1	0.1
UK	0.1	0.3	0.0	Netherlands	1.8	0.1	0.3
Cyprus	0.5	0.2	0.1	France	0.0	0.1	0.0
USA	0.6	0.2	0.2	Jersey	0.0	0.1	0.0
Switzerland	0.4	0.1	0.0	Others	7.0	0.2	0.4
Others	3.4	0.6	0.9				
Total	**16.1**	**4.5**	**3.3**	**Total**	**12.8**	**1.2**	**1.8**

#: Includes equity FDI through SIA/FIPB and RBI routes only and hence are not comparable with data in other tables.
*: Includes equity (except that of individuals and banks), loans and guarantees invoked, and hence are not comparable with data in other tables.

Table 7: India's Outward FDI

(US$ Billion)

Period	Equity*	Loan	Guarantees Invoked	Total
Apr-Jun 2014-15 (P)	0.47 (39.7)	0.71 (60.2)	0.0 (0.1)	**1.2**
Apr-Jun 2013-14 (PR)	0.86 (46.4)	0.98 (53.1)	0.0 (0.4)	**1.8**
2013-14	9.5 (74.2)	3.2 (25.2)	0.1 (0.5)	**12.8**
2012-13	6.5 (58.6)	4.5 (40.9)	0.1 (0.5)	**11.0**

*: The equity data do not include equity of individuals and banks.
Note: Figures in brackets relate to percentage share in total outward FDI for the period.

Table 8: Details of 'Other Receivables / Payables' (Net)

(US $ Billion)

Item	April-March		April-June	
	2012-13	**2013-14**	**2013-14 (PR)**	**2014-15 (P)**
Lead and Lags in Exports	-10.8	-16.9	-2.1	-4.4
Net Funds Held Abroad	-5.2	-6.5	-1.2	-1.7
Advances Received Pending Issue of Shares under FDI	9.2	7.5	3.5	1.6
Other capital not included elsewhere#	4.2	2.5	0.0	-0.1
Total	**-2.7**	**-13.4**	**0.2**	**-4.6**

#: Inclusive of derivatives and hedging, migrant transfers and other capital transfers.
P: Preliminary. PR: Partially Revised.

*India's External Debt at end of June 2014**

India's external debt statistics for the quarters ending March and June are released by the Reserve Bank of India on its website in the form of a press release (available at http://rbi.org.in). Statistics for the quarters ending September and December are released by the Ministry of Finance, Government of India. This article reviews the evolution of India's external debt during the first quarter of 2014-15 as well as salient policy measures undertaken during the year up to November.

Highlights

- India's external debt at end-June 2014 was placed at US$ 450.1 billion (23.2 per cent of GDP), recording an increase of US$ 7.9 billion (1.8 per cent) over its level at end-March 2014 (Table 1 & 2).
- Excluding valuation effects due to a marginal depreciation of the US dollar against the Indian rupee and major currencies, the increase in external debt by end-June 2014 over its end-March 2014 level would have been lower at US$ 7.6 billion.
- Four-fifth of the increase in external debt up to end-June 2014 was on account of external commercial borrowings (ECBs), followed by non-resident Indian (NRI) deposits (Table 3).
- US dollar denominated debt continued to be the largest component (share: 61.1 per cent) at end-June 2014 (Table 4).
- Instrument-wise across borrower categories, the overall outstanding debt of both Government and non-Government sectors increased, but there has been a shift towards long-term debt; in the case of the Government, in fact, short-term debt declined (Table 5 & 8).
- Short-term debt[1] by original maturity declined, largely on account of lower FII investment in Government and corporate securities, while short-term trade credit rose by 0.3 per cent (Table 6).
- Short-term debt by residual maturity accounted for 38.9 per cent of total external debt as at end-June 2014 as compared with 39.6 per cent as at end-March 2014; the ratio of short-term debt by residual maturity to foreign exchange reserves remained above 55 per cent at end-June 2014 (Table 7).
- Somewhat higher debt service payments in April-June relative to the preceding quarter, in particular, higher repayments of ECBs led to a pick-up in the debt service ratio from its level a year ago (Table 9).
- The external debt to GDP ratio declined and this improvement was also evident in a range of indicators, including the ratio of India's foreign exchange reserves to total external debt (Table 10).
- International comparison based on the latest data available on Global Development Finance Online Database (World Bank), indicates that of the twenty most indebted countries, India was the third most indebted country in 2012 after China and Brazil (Table 11).
- The element of concessionality in India's external debt portfolio was the seventh highest (after Pakistan, Vietnam, Philippines, Albania, Indonesia and Serbia), while India's debt service ratio was the sixth lowest after China, Malaysia, Thailand, Vietnam and Venezuela.
- India's ratio of short-term debt to total external debt was the ninth highest among the top 20 debtor countries; in terms of short-term debt to foreign exchange reserves, India's position was the eighth lowest after Serbia, Brazil, Philippines, China, Pakistan, Colombia and Thailand.

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* Prepared in the Division of International Trade & Finance, Department of Economic and Policy Research, Reserve Bank of India, Mumbai.

[1] Comprises trade related credits, external liabilities of central bank and commercial banks, and foreign institutional investment (FII) in Government T-bills.

Table 1: External Debt Outstanding

(US$ billion)

	Total External Debt	Variation			
		Over Corresponding Quarter of Previous Year		Over Previous Quarter	
		Amount	Per cent	Amount	Per cent
1	2	3	4	5	6
Mar-12	360.8 (20.5)	42.9	13.5	15.6	4.5
Jun-12	364.0 (22.3)	32.8	9.9	3.2	0.9
Sep-12	381.4 (21.3)	40.5	11.9	17.5	4.8
Dec-12	394.1 (22.1)	48.9	14.2	12.7	3.3
Mar-13	409.4 (22.0)	48.6	13.5	15.3	3.9
Jun-13	405.0 (23.4)	41.0	11.3	-4.4	-1.1
Sep-13	405.5 (23.7)	24.1	6.3	0.5	0.1
Dec-13	427.6 (24.1)	33.5	8.5	22.1	5.4
Mar-14	442.2 (23.4)	32.8	8.0	14.6	3.4
Jun-14	450.1 (23.2)	45.1	11.1	7.9	1.8

Source: Figures in brackets are external debt to GDP ratio (in per cent).

Table 2: External Debt by Component

(US$ million)

Item	End-March					End-June		Percentage Variation	
	1991	2011 PR	2012 PR	2013 PR	2014 PR	2013 PR	2014 P	Jun-14/ Jun-13	Jun-14/ Mar-14
1	2	3	4	5	6	7	8	9	10
1. Multilateral	20,900 (24.9)	48,475 (15.2)	50,452 (14.0)	51,596 (12.6)	53,355 (12.1)	51,720 (12.8)	53,736 (11.9)	3.9	0.7
2. Bilateral	14,168 (16.9)	25,712 (8.1)	26,884 (7.5)	25,170 (6.1)	24,702 (5.6)	24,821 (6.1)	24,716 (5.5)	-0.4	0.1
3. IMF	2,623 (3.1)	6,308 (2.0)	6,163 (1.7)	5,964 (1.5)	6,149 (1.4)	5,983 (1.5)	6,150 (1.4)	2.8	0.0
4. Trade Credit	4,301 (5.1)	18,647 (5.9)	18,990 (5.3)	17,732 (4.3)	15,911 (3.6)	17,531 (4.3)	16,039 (3.6)	-8.5	0.8
5. ECBs	10,209 (12.2)	100,476 (31.6)	120,136 (33.3)	140,182 (34.2)	147,554 (33.4)	135,812 (33.5)	153,846 (34.2)	13.3	4.3
6. NRI Deposits	10,209 (12.2)	51,682 (16.3)	58,608 (16.2)	70,822 (17.3)	103,844 (23.5)	71,123 (17.6)	106,251 (23.6)	49.4	2.3
7. Rupee Debt	12,847 (15.3)	1,601 (0.5)	1354 (0.4)	1,258 (0.3)	1,468 (0.3)	1,249 (0.3)	1,496 (0.3)	19.8	1.9
8. Long-term Debt (1to 7)	**75,257** (89.8)	**252,901** (79.6)	**282,587** (78.3)	**312,724** (76.4)	**352,984** (79.8)	**308,240** (76.1)	**362,235** (80.5)	**17.5**	**2.6**
9. Short-term Debt	**8,544** (10.2)	**64,990** (20.4)	**78,179** (21.7)	**96,697** (23.6)	**89,231** (20.2)	**96,759** (23.9)	**87,896** (19.5)	**-9.2**	**-1.5**
Total (8+9)	**83,801 (100)**	**317,891 (100)**	**360,766 (100)**	**409,421 (100)**	**442,216 (100)**	**404,999 (100)**	**450,131 (100)**	**11.1**	**1.8**

P: Provisional. PR: Partially Revised.
IMF: International Monetary Fund; ECBs: External Commercial Borrowings; NRI: Non-Resident Indian.
Note: Figures in parentheses are percentage to total external debt.

Table 3: External Commercial Borrowings

(US$ million)

End-March	Approvals#	Gross Disbursement	Amortisation	Interest	Total Servicing	ECB Debt Outstanding
1	2	3	4	5	6=4+5	7
1991	1,903	4,252	2,004	1,410	3,414	10,209
1996	6,286	4,252	2,977	1,380	4,357	13,873
2001	2,837	9,621	5,313	1,695	7,008	24,408
2002	2,653	2,684	4,272	1,456	5,728	23,320
2003	4,235	3,505	5,206	1,167	6,373	22,472
2004	6,671	5,225	8,153	2,119	10,272	22,007
2005	11,490	9,084	3,658	959	4,617	26,405
2006	17,175	14,343	11,584	3,015	14,599	26,452
2007	25,353	20,257	3,814	2,517	6,331	41,443
2008	28,900	28,700	6,060	3,652	9,712	62,334
2009 R	15,702	13,226	6,578	3,965	10,543	62,461
2010 R	20,636	14,029	11,498	3,244	14,742	70,726
2011 R	25,218	22,283	10,451	3,508	13,959	100,476
2012 PR	35,240	28,922	19,782	5,416	25,198	120,136
2013 PR	31,670	25,497	16,915	6,326	23,241	140,182
2014 PR	33,218	28,418	17,702	5,696	23,398	147,554
2013-14 PR (Apr-Jun)	5,538	5,297	4,875	1,329	6,204	135,812
2014-15 P (Apr-Jun)	6,529	8,374	6,965	1,392	8,357	153,846

PR: Partially Revised; P: Provisional; R: Revised.

#: Based on date of agreement of the loan which may differ from the date of granting the loan registration number by the RBI. Ceiling on ECB approvals is fixed on the basis of the latter, which may either be after or before the date of agreement of the loan. Hence, there may be some difference between the amount shown under approvals in the table and the amount of ceiling fixed for a particular year.

Note: 1. Disbursements during 2000-01 include IMDs (US $5.5 billion). Debt service payments during 2003-04 and 2005-06 include redemption of RIBs and IMDs, respectively.

2. ECBs in external debt include commercial bank loans, securitised borrowings and FII investment in debt funds (public and private), hence, may not be comaprable with net ECB flows under BoP.

Table 4: Currency Composition of India's External Debt

(Percentage share in total external debt)

Currency	End-March						End-June
	2009	2010	2011 R	2012 PR	2013 PR	2014 PR	2014 P
1	2	3	4	5	6	7	8
US Dollar	54.1	53.2	53.6	55.0	57.2	61.8	61.1
Indian Rupee	15.4	18.7	19.5	21.4	24.0	21.1	22.1
Japanese Yen	14.3	11.5	11.3	9.1	6.3	5.1	4.9
SDR	9.8	10.7	9.7	8.7	7.5	6.9	6.8
Euro	4.1	3.6	3.7	3.7	3.5	3.4	3.1
Pound Sterling	1.9	1.8	1.7	0.9	0.7	1.1	1.1
Others	0.4	0.5	0.5	1.2	0.8	0.6	0.7
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Table 5: Instrument-wise classification of External Debt Outstanding

(US$ million)

Sr. No. Borrower	End-March 2013	End-March 2014	End-June 2014
1 **2**	3	4	5
A. Government (1+2+3)	**81,654**	**81,524**	**85,355**
1. Short-Term	3,787	2,540	868
(i) Money Market Instruments	3,787	2,540	868
2. Long-term {(i)+(ii)+(iii)}	71,904	72,834	78,336
(i) Bonds and Notes	9,647	9,479	14,764
(ii) Loans	60,843	61,955	62,179
(iii) Trade Credit	1,414	1,400	1,393
3. Other debt liabilities	5,964	6,149	6,150
(i) IMF	5,964	6,149	6,150
B. Monetary Authority	**181**	**148**	**168**
1. Short-term	181	148	168
(i) Currency and Deposits	181	148	168
C. Non-Government (1+2)	**327,586**	**360,544**	**364,609**
1. Short-Term {(i)+(ii)}	92,730	86,542	86,860
(i) Money Market Instruments	5,943	4,800	4,895
(ii) Trade Credit	86,787	81,743	81,965
2. Long-term{(i)+(ii)+(iii)+(iv)}	234,857	274,001	277,748
(i) Bonds and Notes	29,187	24,491	26,402
(ii) Loans	134,068	144,873	144,286
(iii) Currency and Deposits	70,823	103,844	106,251
(iv) Trade Credits	779	792	809
Total External Debt (A+B+C)	**409,422**	**442,216**	**450,131**

Table 6: Short-Term Debt by Original Maturity

(US$ million)

Components	End-March			End-June	
	2012	2013	2014	2013	2014
1	2	3	4	5	6
A Short-Term Debt	**78,179**	**96,697**	**89,231**	**96,759**	**87,896**
a) NRI Deposits (up to 1 year maturity)	0	0	0	0	0
b) FC (B&O) Deposits (up to 1 year maturity)	0	0	0	0	0
c) Trade Related Credits	65,130	86,787	81,743	89,238	81,965
(i) Above 6 months and upto 1 year	39,182	59,021	54,992	61,187	54,544
(ii) Upto 6 months	25,948	27,766	26,751	28,051	27,421
d) FII Investments in Government Treasury Bills & other instruments	9,395	5,455	3,158	3,137	1,207
e) Investment in Treasury Bills by foreign central banks and International Institutions, *etc.*	64	82	95	73	94
f) External Debt Liabilities of:	3,590	4,373	4,236	4,311	4,630
(i) Central Bank	170	181	148	191	168
(ii) Commercial Bank	3,420	4,192	4,087	4,120	4,462
B. Imports (during the year)*	**499,533**	**502,237**	**466,216**	**458,184**	**507,780**
C. Trade Credit to Imports (%)	**13.0**	**17.3**	**17.5**	**19.5**	**16.1**

*: On balance of payments basis.

Table 7: Residual Maturity of External Debt Outstanding as at End-June 2014

(US$ million)

Components	Short-term up to one year	Long-term			Total (2 to 5)
		1 to 2 years	2 to 3 years	More than 3 years	
1	2	3	4	5	6
1. Sovereign Debt (long-term) $	7,391	7,849	8,173	61,073	84,486
2. External Commercial Borrowings (including trade credit) #	24,586	25,203	23,979	97,730	171,497
3. NRI deposits {(i)+(ii)+(iii)}	55,041	9,605	26,695	14,911	106,251
(i) FCNR(B)	11,712	3,194	20,741	6942	42,590
(ii) NR(E)RA	36,141	5,413	5,522	7,600	54,676
(iii) NRO	7,188	997	431	368	8,985
4. Short-term Debt* (Original maturity)	87,896				87,896
Total (1 to 4)	**174,914**	**42,656**	**58,847**	**173,714**	**450,131**
Memo Items					
Short-term debt (Residual maturity as per cent of total external debt)	**38.9**				
Short-term debt (Residual maturity as per cent of Reserves)	**55.3**				

$: Inclusive of FII Investments in Govt. Securities.
*: Also includes FII investment in sovereign debt and commercial paper.
#: External Commercial Borrowings are inclusive of trade credit, FII investment in corporate debt instruments and a portion of non-Govt multilateral and bilateral borrowing and therefore may not tally with the ECB provided in other Tables under original maturity.
Note: Residual Maturity of NRI Deposits is estimated on the basis of returns submitted by authorised dealer.

Table 8: Government and Non-Government External Debt

(US$ million)

Components	End-March							End-June
	2008	2009	2010	2011	2012 PR	2013 PR	2014 PR	2014 P
1	2	3	4	5	6	7	8	9
A. Sovereign Debt (I+II)	**58,070**	**55,870**	**67,067**	**78,072**	**818,95**	**81,654**	**81,524**	**85,355**
(As a percentage of GDP)	*4.7*	*5.1*	*4.7*	*4.5*	*4.7*	*4.4*	4.3	4.4
I. External Debt on Government Account under External Assistance	52,541	51,816	55,235	62,295	63,374	61,336	62,204	62,393
II. Other Government External Debt @	5,529	4,054	11,832	15,777	18,522	20,319	19,320	22,961
B. Non-Government Debt #	**166,337**	**168,628**	**193,868**	**239,819**	**278,870**	**327,767**	**360,692**	**364,776**
(As a percentage of GDP)	*13.3*	*15.2*	*13.5*	*13.7*	*15.8*	*17.6*	19.1	18.8
C. Total External Debt (A+B)	**224,407**	**224,498**	**260,935**	**317,891**	**360,766**	**409,421**	**442,216**	**450,131**
(As a percentage of GDP)	*18.0*	*20.3*	*18.2*	*18.2*	*20.5*	*22.0*	23.4	23.2

@ :Other Government external debt includes Defence Debt, Investment in Treasury Bills/ Government Securities by FIIs, Foreign Central Banks and International Institutions and IMF.
#: Includes external debt of Monetary Authority.

Table 9: India's External Debt Service Payments

(US$ million)

Item	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Apr-Jun 2013	Apr-Jun 2014
1	2	3	4	5	6	7	8	9
1. External Assistance	3,384	3,461	3,667	3,923	4,255	4,078	845	1,308
Repayment	2,375	2,585	2,839	3,125	3,415	3,383	689	1,136
Interest	1,009	876	828	798	840	695	156	171
2. External Commercial Borrowings	10,543	14,742	13,959	25,198	23,240	23,398	6,204	8,357
Repayment	6,578	11,498	10,451	19,782	16,914	17,702	4,875	6,965
Interest	3,965	3,244	3,508	5,416	6,326	5,696	1,329	1,392
3. I.M.F.	-	-	-	-	-	-	-	-
Repayment	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
4. NRI Deposits Interest	1,547	1,599	1,737	2,313	3,778	4,784	1,077	1,495
5. Rupee Debt Service Repayments	101	97	69	79	58	52	25	56
6. Total Debt Service (1 to 5)	15,575	19,899	19,432	31,513	31,331	32,312	8,152	11,216
Repayment	9,054	14,180	13,359	22,986	20,387	21,137	5,589	8,157
Interest	6,521	5,719	6,073	8,527	10,944	11,175	2,563	3,059
7. Current Receipts #	356,175	345,144	445,999	528,372	530,163	551,072	130,828	139,136
Debt Service Ratio (6/7) (%)	4.4	5.8	4.4	6.0	5.91	5.9	6.2	8.1

#: Current Receipts minus Official Transfers. -: Nil.

Table 10: India's Key External Debt Indicators

(Per cent)

Year	External Debt (US$ billion)	Ratio of External Debt to GDP (Per cent)	Debt Service Ratio (Per cent)	Ratio of Foreign Exchange Reserves to Total Debt (Per cent)	Ratio of Concessional Debt to Total Debt (Per cent)	Ratio of Short-Term Debt to Foreign Exchange Reserves (Per cent)	Ratio of Short- Term Debt to Total Debt (Per cent)
1	2	3	4	5	6	7	8
1990-91	83.8	28.7	35.3	7.0	45.9	146.5	10.2
1995-96	93.7	27.0	26.2	23.1	44.7	23.2	5.4
2000-01	101.3	22.5	16.6	41.7	35.4	8.6	3.6
2001-02	98.8	21.1	13.7	54.7	35.9	5.1	2.8
2002-03	104.9	20.3	16.0*	72.5	36.8	6.1	4.5
2003-04	112.6	18.0	16.1**	100.3	35.8	3.9	3.9
2004-05	134.0	18.1	5.9^	105.6	30.7	12.5	13.2
2005-06	139.1	16.8	10.1#	109.0	28.4	12.9	14.0
2006-07	172.4	17.5	4.7	115.6	23.0	14.1	16.3
2007-08	224.4	18.0	4.8	138.0	19.7	14.8	20.4
2008-09	224.5	20.3	4.4	112.2	18.7	17.2	19.3
2009-10	260.9	18.2	5.8	106.9	16.8	18.8	20.1
2010-11	317.9	18.2	4.4	95.9	14.9	21.3	20.4
2011-12 PR	360.8	20.5	6.0	81.6	13.3	26.6	21.7
2012-13 PR	409.4	22.0	5.9	71.3	11.1	33.1	23.6
2013-14 PR	442.2	23.4	5.9	68.8	10.5	29.3	20.2
End-June 2014 P	450.1	23.2	8.1	70.2	10.3	27.8	19.5

P: Provisional. PR: Partially Revised.
*: Works out to 12.4 per cent, with the exclusion of pre-payment of external debt of US$ 3,430 million.
**: Works out to 8.2 per cent with the exclusion of pre-payment of external debt of US$ 3,797 million and redemption of Resurgent India Bonds (RIBs) of US $ 5,549 million.
^: works out to 5.7 per cent with the exclusion of pre-payment of external debt of US$ 381 million.
#: works out to 6.3 per cent with the exclusion of India Millennium Deposits (IMDs) repayments of US$ 7.1 billion and pre-payment of external debt of US $ 23.5 million.

Table 11: International Comparison of Top Twenty Debtor Countries, 2012

Country	External debt (US$ billion)	Concessional debt/ Total external debt (per cent)	External debt/GNI (per cent)	Short-term debt/ Total external debt (per cent)	Debt Service Ratio (per cent)	Short-term debt/ Total reserves (per cent)
1	2	3	4	5	6	7
China	754.0	5.3	9.2	67.6	3.3	15.0
Brazil	440.5	2.7	19.9	7.4	15.5	8.7
India	394.1	11.9	22.1	23.7	5.8	31.6
Mexico	354.9	0.9	30.7	20.4	17.7	43.3
Turkey	337.5	3.2	43.1	29.9	26.1	84.6
Indonesia	254.9	16.0	29.9	17.6	17.1	39.7
South Africa	137.5	0	36.6	20.3	7.9	55.0
Kazakhstan	137.0	0.8	79.0	6.8	23.5	33.0
Ukraine	135.1	0.8	77.9	25.7	31.5	141.5
Thailand	134.2	4.3	38.2	42.4	4.1	31.4
Romania	131.9	6.7	78.9	20.5	34.2	57.8
Argentina	121.0	2.7	26.3	11.6	13.2	32.3
Malaysia	103.9	2.2	35.5	45.2	3.5	33.6
Colombia	79.1	5.3	22.4	13.5	22.0	28.9
Venezuela, RB	72.1	7.2	19.4	26.9	5.6	65.8
Pakistan	61.9	56.9	25.5	4.2	14.9	19.0
Philippines	61.4	21.7	24.6	13.8	8.0	10.1
Vietnam	59.1	50.9	44.1	16.7	4.4	38.7
Bulgaria	50.8	1.5	102.9	27.1	13.0	67.1
Serbia	34.4	12.3	94.8	3.0	36.7	7.07
Albania	25.5	21.0	58.4	24.5	11.5	71.5

Source: Global Development Finance, World Bank; Ministry of Finance, Government of India and Reserve Bank of India.

Annex
External Debt Management in India

Countries facing a scarcity of domestic capital require external financing to supplement domestic saving. For a sustainable external sector position, however, it is necessary that an adequate balance is ensured between the build-up of debt, its composition and external debt sustainability. In India, a policy preference for long-term non-debt creating flows has guided the management of debt flows through regulations in terms of ceiling, end-use, maturity periods and interest rate/all-in-cost ceilings. Such regulations are, however, fine-tuned in line with evolving domestic and global financial conditions. Keeping in view the domestic and global financial conditions and their stress on India's external sector, a number of policy measures have been undertaken since July 2014 with regard to various components of external debt which are set out below:

Recent Policy Developments

Foreign investment in Government Securities

I. In July 2014, the Reserve Bank raised the investment limit on Government securities available to Foreign Institutional Investors (FIIs), Qualified Foreign Investors (QFIs)/ Foreign Portfolio Investors (FPIs) by US$ 5 billion and correspondingly reduced the amount available to long term investors from US$ 10 billion to US$ 5 billion within the overall limit of US$ 30 billion. It was also stipulated that the incremental investment limit of US$ 5 billion would be required to be invested in Government bonds with a minimum residual maturity of three years. Further, all future investment against the limit vacated when the current investment by an FII/QFI/FPI runs off either through sale or redemption would have be made in Government bonds with a minimum residual maturity of three years. As there is no lock-in period, FIIs/QFIs/FPIs are free to sell the securities (including that are presently held with less than three years of residual maturity) to the domestic investors.

II. In August 2014, with a view to providing flexibility in regard to the manner in which Government securities can be acquired by FIIs/QFIs/FPIs, the Reserve Bank removed any stipulation on the manner of acquisition. Consequently, the FIIs/QFIs/FPIs can acquire such securities in any manner as per the prevalent/approved market practice.

External Commercial Borrowings

A. In July 2014, the extant all-in-cost ceiling norms for ECBs as specified in circular released in March 2012 were further extended till end-December 2014.

B. In August 2014, the Reserve Bank decided to simplify the procedure by delegating powers to the authorised dealer (AD) category-I banks to approve even those cases where the average maturity period of the fresh ECBs exceeds the residual maturity of the existing ECBs under the automatic route subject to the following conditions:

   a. both the existing and fresh ECBs should be in compliance with the applicable guidelines.

   b. all-in-cost of fresh ECBs should be less than that of the all-in-cost of existing ECBs.

   c. consent of the existing lender is available.

   d. refinancing is to be undertaken before the maturity of the existing ECBs.

   e. borrower should not be in the default/Caution List of the Reserve Bank and should not be under the investigation of the Directorate of Enforcement (DoE).

   f. overseas branches/subsidiaries of Indian banks will not be permitted to extend ECBs for refinancing and existing ECBs.

This facility is available even in those cases where existing ECBs were raised under the approval route subject to the amount of new ECBs being eligible to be raised under the automatic route.

(Contd...)

Annex

External Debt Management in India *(Concld.)*

C. In September 2014, with a view to providing greater flexibility for structuring of ECB arrangement, the Reserve Bank allowed recognised non-resident ECB lenders to extend loans in Indian rupees, subject to the following conditions:

a. the lender should mobilise Indian rupees through swaps undertaken with an AD category-I bank in India.

b. the ECB contract should comply with all other conditions applicable to the automatic and approval routes as the case may be.

c. the all-in-cost of such ECBs should be commensurate with prevailing market conditions.

D. In November 2014, with a view to providing greater flexibility to borrowers in structuring drawdown of ECB proceeds and utilisation of the same for permitted end uses, the Reserve Bank decided to permit AD category-I banks to allow eligible ECB borrowers to park ECB proceeds (both under the automatic and approval routes) in term deposits with AD category banks in India for a maximum period of six months pending utilisation for permitted end uses.

CURRENT STATISTICS

Contents

Notes: .. = Not available.
– = Nil/Negligible.
P = Preliminary/Provisional. PR = Partially Revised.

No. 1: Select Economic Indicators

Item	2013-14	2013-14		2014-15	
		Q1	Q2	Q1	Q2
	1	2	3	4	5
1 Real Sector (% Change)					
1.1 GDP	4.7	4.7	5.2	5.7	5.3
1.1.1 Agriculture	4.7	4.0	5.0	3.8	3.2
1.1.2 Industry	-0.1	-0.9	1.8	4.0	1.2
1.1.3 Services	6.2	6.5	6.1	6.6	6.8
1.1a Final Consumption Expenditure	4.7	6.8	2.4	6.2	6.4
1.1b Gross Fixed Capital Formation	-0.1	-2.8	3.1	7.0	0.0
	2013-14	2013		2014	
		Sep.	Oct.	Sep.	Oct.
	1	2	3	4	5
1.2 Index of Industrial Production	-0.1	2.7	-1.2	2.5	..
2 Money and Banking (% Change)					
2.1 Scheduled Commercial Banks					
2.1.1 Deposits	14.1	11.5	14.3	12.4	12.0
2.1.2 Credit	13.9	15.0	16.0	9.6	11.2
2.1.2.1 Non-food Credit	14.2	15.2	16.4	9.7	11.3
2.1.3 Investment in Govt. Securities	10.3	9.3	10.3	11.5	10.5
2.2 Money Stock Measures					
2.2.1 Reserve Money (M0)	14.4	7.7	8.0	9.6	9.9
2.2.2 Broad Money (M3)	13.2	13.0	13.7	12.8	12.7
3 Ratios (%)					
3.1 Cash Reserve Ratio	4.00	4.00	4.00	4.00	4.00
3.2 Statutory Liquidity Ratio	23.00	23.00	23.00	22.00	22.00
3.3 Cash-Deposit Ratio	4.7	5.1	5.0	4.8	4.8
3.4 Credit-Deposit Ratio	77.8	77.7	76.4	75.8	75.8
3.5 Incremental Credit-Deposit Ratio	76.8	74.4	58.6	39.7	48.8
3.6 Investment-Deposit Ratio	28.7	29.4	29.7	29.2	29.2
3.7 Incremental Investment-Deposit Ratio	21.6	24.9	29.3	37.5	35.4
4 Interest Rates (%)					
4.1 Policy Repo Rate	8.00	7.50	7.75	8.00	8.00
4.2 Reverse Repo Rate	7.00	6.50	6.75	7.00	7.00
4.3 Marginal Standing Facility (MSF) Rate	9.00	9.50	8.75	9.00	9.00
4.4 Bank Rate	9.00	9.50	8.75	9.00	9.00
4.5 Base Rate	10.00/10.25	9.80/10.25	9.80/10.25	10.00/10.25	10.00/10.25
4.6 Term Deposit Rate >1 Year	8.00/9.25	8.00/9.00	8.00/9.05	8.00/9.05	8.00/9.05
4.7 Savings Deposit Rate	4.00	4.00	4.00	4.00	4.00
4.8 Call Money Rate (Weighted Average)	8.59	9.46	8.98	7.85	7.91
4.9 91-Day Treasury Bill (Primary) Yield	8.86	9.69	8.77	8.52	8.44
4.10 182-Day Treasury Bill (Primary) Yield	8.86	9.47	8.68	8.66	8.53
4.11 364-Day Treasury Bill (Primary) Yield	8.96	9.46	8.71	8.66	8.41
4.12 10-Year Government Securities Yield	8.84	8.54	8.55	8.52	8.28
5 RBI Reference Rate and Forward Premia					
5.1 INR-US$ Spot Rate (₹ Per Foreign Currency)	60.10	62.78	61.41	61.61	61.41
5.2 INR-Euro Spot Rate (₹ Per Foreign Currency)	82.58	84.67	84.12	78.21	77.19
5.3 Forward Premia of US$ 1-month (%)	9.78	11.66	8.50	8.38	7.62
3-month (%)	8.79	9.91	8.47	8.32	7.88
6-month (%)	8.95	9.03	8.11	8.22	7.85
6 Inflation (%)					
6.1 All India Consumer Price Index	9.5	9.8	10.2	6.5	5.5
6.2 Consumer Price Index for Industrial Workers	9.7	10.7	11.1	6.3	5.0
6.3 Wholesale Price Index	6.0	7.1	7.2	2.4	1.8
6.3.1 Primary Articles	9.8	14.0	14.6	2.2	1.4
6.3.2 Fuel and Power	10.1	11.7	10.5	1.3	0.4
6.3.3 Manufactured Products	3.0	2.4	2.8	2.8	2.4
7 Foreign Trade (% Change)					
7.1 Imports	-8.3	-18.5	-13.9	25.5	3.6
7.2 Exports	4.8	13.0	14.3	2.7	-5.0

Reserve Bank of India

No. 2: RBI - Liabilities and Assets

(₹ Billion)

Item	As on the Last Friday/ Friday						
	2013-14	2013	2014				
		Nov.	Oct. 31	Nov. 7	Nov. 14	Nov. 21	Nov. 28
	1	2	3	4	5	6	7
1 Issue Department							
1.1 Liabilities							
1.1.1 Notes in Circulation	12,835.11	12,450.25	13,485.64	13,603.95	13,643.94	13,573.63	13,507.42
1.1.2 Notes held in Banking Department	0.17	0.13	0.11	0.11	0.12	0.12	0.12
1.1/1.2 Total Liabilities (Total Notes Issued) or Assets	**12,835.28**	**12,450.38**	**13,485.75**	**13,604.05**	**13,644.06**	**13,573.75**	**13,507.54**
1.2 Assets							
1.2.1 Gold Coin and Bullion	682.33	683.07	635.14	635.14	635.14	635.14	635.14
1.2.2 Foreign Securities	12,141.07	11,755.02	12,837.55	12,956.08	12,996.39	12,926.50	12,860.67
1.2.3 Rupee Coin	1.41	1.82	2.59	2.37	2.06	1.65	1.26
1.2.4 Government of India Rupee Securities	10.46	10.46	10.46	10.46	10.46	10.46	10.46
2 Banking Department							
2.1 Liabilities							
2.1.1 Deposits	4,721.36	3,689.28	4,133.17	4,015.14	3,912.51	3,903.81	4,093.67
2.1.1.1 Central Government	534.25	1.01	1.01	1.00	1.00	1.00	1.01
2.1.1.2 Market Stabilisation Scheme	–	–	–	–	–	–	–
2.1.1.3 State Governments	0.42	0.42	0.42	0.42	0.42	0.42	0.42
2.1.1.4 Scheduled Commercial Banks	3,805.71	3,278.68	3,400.39	3,375.41	3,367.92	3,389.96	3,498.30
2.1.1.5 Scheduled State Co-operative Banks	39.04	31.86	33.09	32.96	33.07	32.82	33.14
2.1.1.6 Non-Scheduled State Co-operative Banks	5.50	3.22	6.56	6.54	6.97	7.18	7.14
2.1.1.7 Other Banks	174.92	154.27	177.89	175.94	175.92	176.06	176.36
2.1.1.8 Others	161.52	219.81	513.81	422.86	327.20	296.36	377.31
2.1.2 Other Liabilities	8,567.95	8,957.03	8,216.86	8,184.18	8,230.93	8,243.67	8,253.54
2.1/2.2 Total Liabilities or Assets	**13,289.32**	**12,646.31**	**12,350.03**	**12,199.32**	**12,143.43**	**12,147.48**	**12,347.21**
2.2 Assets							
2.2.1 Notes and Coins	0.17	0.13	0.11	0.11	0.12	0.12	0.12
2.2.2 Balances held Abroad	4,588.34	4,757.15	5,162.75	5,031.36	5,049.79	5,131.31	5,317.47
2.2.3 Loans and Advances							
2.2.3.1 Central Government	–	–	–	461.60	320.87	177.28	105.60
2.2.3.2 State Governments	14.88	–	7.43	17.39	17.34	18.66	10.99
2.2.3.3 Scheduled Commercial Banks	421.78	391.01	731.03	430.24	539.33	622.67	756.37
2.2.3.4 Scheduled State Co-op.Banks	–	–	–	–	–	–	–
2.2.3.5 Industrial Dev. Bank of India	–	–	–	–	–	–	–
2.2.3.6 NABARD	–	–	–	–	–	–	–
2.2.3.7 EXIM Bank	–	–	–	–	–	–	–
2.2.3.8 Others	77.15	27.70	64.25	28.39	37.25	37.16	29.14
2.2.4 Bills Purchased and Discounted							
2.2.4.1 Internal	–	–	–	–	–	–	–
2.2.4.2 Government Treasury Bills	–	–	–	–	–	–	–
2.2.5 Investments	7,387.75	6,589.06	5,656.71	5,513.86	5,500.09	5,481.95	5,454.47
2.2.6 Other Assets	799.25	881.26	727.75	716.36	678.65	678.34	673.05
2.2.6.1 Gold	619.82	620.50	576.95	576.95	576.95	576.95	576.95

No. 3: Liquidity Operations by RBI

(₹ Billion)

Date	Liquidity Adjustment Facility				MSF	Standing Liquidity Facilities	OMO (Outright)		Net Injection (+)/ Absorption (-) (1+3+5+6+8-2-4-7)
	Repo	Reverse Repo	Term Repo/ Overnight Variable Rate Repo	Term Reverse Repo/ Overnight Variable Rate Reverse Repo			Sale	Purchase	
	1	2	3	4	5	6	7	8	9
Oct. 1, 2014	102.82	457.87	160.01	249.98	3.30	–28.44	5.10	–	–475.26
Oct. 7, 2014	47.10	132.29	155.04	250.01	2.50	–7.90	5.60	–	–191.16
Oct. 8, 2014	23.22	34.64	–	190.56	3.35	–13.67	–	–	–212.30
Oct. 9, 2014	22.18	77.08	–	168.03	0.12	–26.73	7.60	–	–257.14
Oct. 10, 2014	21.03	33.63	122.60	204.04	9.00	–8.75	–	–	–93.79
Oct. 13, 2014	24.08	24.28	–	146.40	13.40	–0.19	–	–	–133.39
Oct. 14, 2014	107.62	19.08	150.02	0.05	95.52	73.82	65.82	–	342.03
Oct. 16, 2014	174.98	205.81	–	–	–	–52.88	5.40	–	–89.11
Oct. 17, 2014	101.44	105.72	175.04	–	0.50	–16.92	–	–	154.34
Oct. 20, 2014	98.12	26.94	–	–	31.20	74.73	2.55	–	174.56
Oct. 21, 2014	209.54	77.21	215.71	–	1.94	8.04	2.80	–	355.22
Oct. 22, 2014	212.09	14.93	242.10	–	95.66	–17.35	2.55	–	515.02
Oct. 27, 2014	172.30	33.36	–	–	10.91	–3.70	2.60	–	143.55
Oct. 28, 2014	171.00	110.74	150.08	–	2.50	–27.80	2.85	–	182.19
Oct. 29, 2014	131.28	23.09	–	50.94	–	–12.10	4.00	–	41.15
Oct. 30, 2014	102.98	81.76	–	42.57	2.06	1.10	5.15	–	–23.34
Oct. 31, 2014	92.75	66.37	165.03	206.76	0.20	2.30	5.80	–	–18.65

No. 4: Sale/ Purchase of U.S. Dollar by the RBI

Item	2013-14	2013	2014	
		Oct.	Sep.	Oct.
	1	2	3	4
1 Net Purchase/ Sale of Foreign Currency (US$ Million) (1.1–1.2)	8,992.00	3,928.00	1,437.00	2,703.00
1.1 Purchase (+)	52,394.00	9510.00	11207.00	14257.00
1.2 Sale (–)	43,402.00	5,582.00	9,770.00	11,554.00
2 ₹ equivalent at contract rate (₹ Billion)	586.19	244.82	76.28	153.98
3 Cumulative (over end-March) (US $ Million)	8,992.00	–9,901.00	16,677.00	19,380.00
(₹ Billion)	586.19	–621.68	956.45	1,110.43
4 Outstanding Net Forward Sales (–)/ Purchase (+) at the end of month (US$ Million)	–31,030.00	–14,459.00	8,421.00	10,217.00

No. 5: RBI's Standing Facilities

(₹ Billion)

Item	2013-14	2013 Oct. 18	2014 May 30	2014 Jun. 27	2014 Jul. 25	2014 Aug. 22	2014 Sep. 19	2014 Oct. 31
	As on the Last Reporting Friday							
	1	2	3	4	5	6	7	8
1 MSF	176.3	434.2	0.4	88.8	23.5	12.0	0.6	0.2
2 Export Credit Refinance for Scheduled Banks								
2.1 Limit	568.0	436.8	549.5	339.6	326.9	320.7	307.2	137.1
2.2 Outstanding	410.4	364.5	308.2	230.8	276.3	137.4	128.6	43.9
3 Liquidity Facility for PDs								
3.1 Limit	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0
3.2 Outstanding	22.2	25.0	19.7	17.9	20.7	23.5	23.3	20.1
4 Others								
4.1 Limit	–	–	–	–	–	–	–	–
4.2 Outstanding	–	–	–	–	–	–	–	–
5 Total Outstanding (1+2.2+3.2+4.2)	608.9	823.7	328.3	337.5	320.5	172.9	152.5	64.2

Money and Banking

No. 6: Money Stock Measures

(₹ Billion)

Item	2013-14	2013 Oct. 18	2014 Sep. 19	2014 Oct. 17	2014 Oct. 31
	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	1	2	3	4	5
1 Currency with the Public (1.1 + 1.2 + 1.3 – 1.4)	12,483.4	11,886.2	12,858.4	13,022.3	12,997.8
1.1 Notes in Circulation	12,837.4	12,259.4	13,255.9	13,462.2	13,485.6
1.2 Circulation of Rupee Coin	166.0	158.2	175.2	175.2	175.2
1.3 Circulation of Small Coins	7.4	7.4	7.4	7.4	7.4
1.4 Cash on Hand with Banks	527.3	538.7	580.1	622.6	670.4
2 Deposit Money of the Public	8,063.5	7,408.1	8,382.6	8,458.4	8,596.5
2.1 Demand Deposits with Banks	8,043.9	7,370.8	8,311.5	8,384.7	8,522.8
2.2 'Other' Deposits with Reserve Bank	19.7	37.3	71.0	73.7	73.7
3 M_1 (1 + 2)	20,547.0	19,294.3	21,241.0	21,480.7	21,594.3
4 Post Office Saving Bank Deposits	423.6	389.6	447.7	447.7	447.7
5 M_2 (3 + 4)	20,970.6	19,683.9	21,688.7	21,928.4	22,042.0
6 Time Deposits with Banks	74,426.3	70,753.9	78,353.3	79,378.3	79,870.9
7 M_3 (3 + 6)	94,973.3	90,048.3	99,594.2	100,858.9	101,465.2
8 Total Post Office Deposits	1,572.0	1,484.8	1,667.4	1,667.4	1,667.4
9 M_4 (7 + 8)	96,545.3	91,533.0	101,261.6	102,526.4	103,132.7

No. 7: Sources of Money Stock (M_3)

(₹ Billion)

Sources	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2013-14	2013	2014		
		Oct. 18	Sep. 19	Oct. 17	Oct. 31
	1	2	3	4	5
1 Net Bank Credit to Government	**30,386.0**	**29,973.3**	**30,319.7**	**31,039.5**	**31,115.8**
1.1 RBI's net credit to Government (1.1.1–1.1.2)	6,987.1	6,971.7	5,227.3	5,592.6	5,659.9
1.1.1 Claims on Government	7,855.2	6,973.1	5,376.6	5,594.1	5,661.3
1.1.1.1 Central Government	7,844.1	6,951.6	5,371.0	5,578.8	5,653.9
1.1.1.2 State Governments	11.1	21.5	5.6	15.3	7.4
1.1.2 Government deposits with RBI	868.1	1.4	149.3	1.4	1.4
1.1.2.1 Central Government	867.7	1.0	148.9	1.0	1.0
1.1.2.2 State Governments	0.4	0.4	0.4	0.4	0.4
1.2 Other Banks' Credit to Government	23,398.9	23,001.7	25,092.4	25,446.9	25,455.9
2 Bank Credit to Commercial Sector	**64,424.8**	**60,357.2**	**65,889.1**	**66,632.6**	**67,160.0**
2.1 RBI's credit to commercial sector	88.4	38.1	85.4	77.2	76.8
2.2 Other banks' credit to commercial sector	64,336.4	60,319.0	65,803.7	66,555.4	67,083.2
2.2.1 Bank credit by commercial banks	59,941.0	55,979.8	61,465.3	62,200.2	62,726.1
2.2.2 Bank credit by co-operative banks	4,357.8	4,290.1	4,293.1	4,307.9	4,310.4
2.2.3 Investments by commercial and co-operative banks in other securities	37.7	49.1	45.4	47.3	46.7
3 Net Foreign Exchange Assets of Banking Sector (3.1 + 3.2)	**19,239.5**	**17,818.6**	**20,010.9**	**20,125.0**	**20,206.8**
3.1 RBI's net foreign exchange assets (3.1.1–3.1.2)	18,025.3	16,908.4	19,018.8	19,132.9	19,214.8
3.1.1 Gross foreign assets	18,025.6	16,908.8	19,019.2	19,133.3	19,215.1
3.1.2 Foreign liabilities	0.3	0.4	0.4	0.4	0.3
3.2 Other banks' net foreign exchange assets	1,214.2	910.2	992.0	992.0	992.0
4 Government's Currency Liabilities to the Public	**173.4**	**165.6**	**182.6**	**182.6**	**182.6**
5 Banking Sector's Net Non-monetary Liabilities	**19,250.4**	**18,266.4**	**16,808.1**	**17,120.7**	**17,200.0**
5.1 Net non-monetary liabilities of RBI	8,433.2	8,704.9	8,203.5	8,311.4	8,232.6
5.2 Net non-monetary liabilities of other banks (residual)	10,817.2	9,561.5	8,604.6	8,809.3	8,967.4
M_3 (1+2+3+4–5)	**94,973.3**	**90,048.3**	**99,594.2**	**100,858.9**	**101,465.2**

No. 8: Monetary Survey

(₹ Billion)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2013-14	2013	2014		
		Oct. 18	Sep. 19	Oct. 17	Oct. 31
	1	2	3	4	5
Monetary Aggregates					
NM_1 (1.1 + 1.2.1+1.3)	20,420.5	19,175.3	21,115.8	21,353.2	21,468.0
NM_2 (NM_1+ 1.2.2.1)	51,967.6	49,673.6	54,339.4	55,010.1	55,358.1
NM_3 (NM_2 + 1.2.2.2 + 1.4 = 2.1 + 2.2 + 2.3 – 2.4 – 2.5)	92,735.6	89,418.0	96,781.6	98,005.3	98,639.6
1 Components					
1.1 Currency with the Public	12,497.4	11,901.6	12,873.2	13,038.2	13,015.4
1.2 Aggregate Deposits of Residents	78,008.2	75,010.2	82,001.8	83,034.4	83,690.2
1.2.1 Demand Deposits	7,903.4	7,236.4	8,171.6	8,241.3	8,378.9
1.2.2 Time Deposits of Residents	70,104.7	67,773.8	73,830.3	74,793.1	75,311.2
1.2.2.1 Short-term Time Deposits	31,547.1	30,498.2	33,223.6	33,656.9	33,890.1
1.2.2.1.1 Certificates of Deposit (CDs)	3,741.3	3,369.0	3,035.8	2,887.8	2,727.0
1.2.2.2 Long-term Time Deposits	38,557.6	37,275.6	40,606.7	41,136.2	41,421.2
1.3 'Other' Deposits with RBI	19.7	37.3	71.0	73.7	73.7
1.4 Call/Term Funding from Financial Institutions	2,210.4	2,468.9	1,835.5	1,859.0	1,860.3
2 Sources					
2.1 Domestic Credit	97,053.0	92,412.0	98,688.0	100,048.7	100,726.7
2.1.1 Net Bank Credit to the Government	29,782.8	29,389.5	29,683.9	30,404.3	30,486.4
2.1.1.1 Net RBI credit to the Government	6,987.1	6,971.7	5,227.3	5,592.6	5,659.9
2.1.1.2 Credit to the Government by the Banking System	22,795.8	22,417.9	24,456.7	24,811.7	24,826.5
2.1.2 Bank Credit to the Commercial Sector	67,270.2	63,022.4	69,004.1	69,644.3	70,240.3
2.1.2.1 RBI Credit to the Commercial Sector	88.4	38.1	85.4	77.2	76.8
2.1.2.2 Credit to the Commercial Sector by the Banking System	67,181.8	62,984.3	68,918.7	69,567.2	70,163.5
2.1.2.2.1 Other Investments (Non-SLR Securities)	4,120.9	3,840.1	4,352.0	4,256.6	4,333.8
2.2 Government's Currency Liabilities to the Public	173.4	165.6	182.6	182.6	182.6
2.3 Net Foreign Exchange Assets of the Banking Sector	16,009.8	15,660.2	17,439.2	17,184.1	17,209.8
2.3.1 Net Foreign Exchange Assets of the RBI	18,025.3	16,908.4	19,018.8	19,132.9	19,214.8
2.3.2 Net Foreign Currency Assets of the Banking System	–2,015.5	–1,248.2	–1,579.6	–1,948.8	–2,005.0
2.4 Capital Account	15,946.0	16,006.1	16,617.2	16,626.0	16,646.1
2.5 Other items (net)	4,554.6	2,813.6	2,911.0	2,784.0	2,833.5

No. 9: Liquidity Aggregates

(₹ Billion)

Aggregates	2013-14	2013	2014		
		Oct.	Aug.	Sep.	Oct.
	1	2	3	4	5
1 NM_3	**92,735.6**	**89,418.0**	**95,933.9**	**96,781.6**	**98,639.6**
2 Postal Deposits	1,572.0	1,484.8	1,656.3	1,667.4	1,667.4
3 L_1 (1 + 2)	**94,307.6**	**90,902.8**	**97,590.2**	**98,449.0**	**100,307.0**
4 Liabilities of Financial Institutions	29.3	29.3	29.3	29.3	29.3
4.1 Term Money Borrowings	26.6	26.6	26.6	26.6	26.6
4.2 Certificates of Deposit	0.3	0.3	0.3	0.3	0.3
4.3 Term Deposits	2.5	2.5	2.5	2.5	2.5
5 L_2 (3 + 4)	**94,336.9**	**90,932.1**	**97,619.5**	**98,478.3**	**100,336.4**
6 Public Deposits with Non-Banking Financial Companies	140.8	..	..	159.3	..
7 L_3 (5 + 6)	**94,477.8**	..	..	**98,637.6**	..

No. 10: Reserve Bank of India Survey

(₹ Billion)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2013-14	2013	2014		
		Oct. 18	Sep. 19	Oct. 17	Oct. 31
	1	2	3	4	5
1 Components					
1.1 Currency in Circulation	13,010.7	12,425.0	13,438.5	13,644.9	13,668.3
1.2 Bankers' Deposits with the RBI	4,297.0	3,335.7	3,576.0	3,555.0	3,617.9
1.2.1 Scheduled Commercial Banks	4,070.8	3,148.3	3,363.3	3,339.1	3,400.4
1.3 'Other' Deposits with the RBI	19.7	37.3	71.0	73.7	73.7
Reserve Money (1.1 + 1.2 + 1.3 = 2.1 + 2.2 + 2.3 – 2.4 – 2.5)	17,327.4	15,797.9	17,085.6	17,273.6	17,359.9
2 Sources					
2.1 RBI's Domestic Credit	7,562.0	7,428.8	6,087.6	6,269.5	6,195.0
2.1.1 Net RBI credit to the Government	6,987.1	6,971.7	5,227.3	5,592.6	5,659.9
2.1.1.1 Net RBI credit to the Central Government (2.1.1.1.1 + 2.1.1.1.2 + 2.1.1.1.3 + 2.1.1.1.4 – 2.1.1.1.5)	6,976.4	6,950.6	5,222.1	5,577.8	5,652.9
2.1.1.1.1 Loans and Advances to the Central Government	–	–	–	–	–
2.1.1.1.2 Investments in Treasury Bills	–	–	–	–	–
2.1.1.1.3 Investments in dated Government Securities	7,842.9	6,949.3	5,370.0	5,577.4	5,651.3
2.1.1.1.3.1 Central Government Securities	7,832.4	6,938.9	5,359.5	5,566.9	5,640.8
2.1.1.1.4 Rupee Coins	1.3	2.3	1.0	1.4	2.6
2.1.1.1.5 Deposits of the Central Government	867.7	1.0	148.9	1.0	1.0
2.1.1.2 Net RBI credit to State Governments	10.6	21.1	5.2	14.9	7.0
2.1.2 RBI's Claims on Banks	486.5	419.0	774.9	599.7	458.4
2.1.2.1 Loans and Advances to Scheduled Commercial Banks	484.7	417.1	774.0	599.7	457.9
2.1.3 RBI's Credit to Commercial Sector	88.4	38.1	85.4	77.2	76.8
2.1.3.1 Loans and Advances to Primary Dealers	25.2	25.0	23.3	19.3	20.1
2.1.3.2 Loans and Advances to NABARD	–	–	–	–	–
2.2 Government's Currency Liabilities to the Public	173.4	165.6	182.6	182.6	182.6
2.3 Net Foreign Exchange Assets of the RBI	18,025.3	16,908.4	19,018.8	19,132.9	19,214.8
2.3.1 Gold	1,296.2	1,366.4	1,265.9	1,233.1	1,212.1
2.3.2 Foreign Currency Assets	16,729.3	15,542.2	17,753.1	17,900.0	18,002.9
2.4 Capital Account	8,315.7	8,570.1	8,256.2	8,256.2	8,256.2
2.5 Other Items (net)	117.5	134.7	-52.7	55.3	-23.6

No. 11: Reserve Money - Components and Sources

(₹ Billion)

Item	Outstanding as on March 31/ last Fridays of the month/ Fridays						
	2013-14	2013	2014				
		Nov. 1	Sep. 26	Oct. 10	Oct. 17	Oct. 24	Oct. 31
	1	2	3	4	5	6	7
Reserve Money (1.1 + 1.2 + 1.3 = 2.1 + 2.2 + 2.3 + 2.4 + 2.5 – 2.6)	17,327.4	16,115.7	17,010.8	17,227.9	17,273.6	17,832.4	17,359.9
1 Components							
1.1 Currency in Circulation	13,010.7	12,524.6	13,343.4	13,614.5	13,644.9	13,835.2	13,668.3
1.2 Bankers' Deposits with RBI	4,297.0	3,547.4	3,593.5	3,539.9	3,555.0	3,925.1	3,617.9
1.3 'Other' Deposits with RBI	19.7	43.6	74.0	73.6	73.7	72.1	73.7
2 Sources							
2.1 Net Reserve Bank Credit to Government	6,987.1	7,088.1	5,391.5	5,780.5	5,592.6	5,657.7	5,659.9
2.2 Reserve Bank Credit to Banks	486.5	415.8	550.4	333.5	599.7	1,069.6	458.4
2.3 Reserve Bank Credit to Commercial Sector	88.4	38.2	104.1	82.0	77.2	87.2	76.8
2.4 Net Foreign Exchange Assets of RBI	18,025.3	17,061.6	19,129.7	18,959.6	19,132.9	19,066.7	19,214.8
2.5 Government's Currency Liabilities to the Public	173.4	165.6	182.6	182.6	182.6	182.6	182.6
2.6 Net Non- Monetary Liabilities of RBI	8,433.2	8,653.6	8,347.5	8,110.2	8,311.4	8,231.5	8,232.6

No. 12: Commercial Bank Survey

(₹ Billion)

Item	Outstanding as on last reporting Fridays of the month/ reporting Fridays of the month				
	2013-14	2013	2014		
		Oct. 18	Sep. 19	Oct. 17	Oct. 31
	1	2	3	4	5
1 Components					
1.1 Aggregate Deposits of Residents	74,514.1	71,662.7	78,451.8	79,486.7	80,143.1
1.1.1 Demand Deposits	7,139.2	6,514.9	7,367.5	7,437.6	7,575.2
1.1.2 Time Deposits of Residents	67,374.9	65,147.8	71,084.3	72,049.1	72,567.9
1.1.2.1 Short-term Time Deposits	30,318.7	29,316.5	31,987.9	32,422.1	32,655.6
1.1.2.1.1 Certificates of Deposits (CDs)	3,741.3	3,369.0	3,035.8	2,887.8	2,727.0
1.1.2.2 Long-term Time Deposits	37,056.2	35,831.3	39,096.4	39,627.0	39,912.3
1.2 Call/Term Funding from Financial Institutions	2,210.4	2,468.9	1,835.5	1,859.0	1,860.3
2 Sources					
2.1 Domestic Credit	86,123.0	81,514.8	89,538.0	90,548.3	91,165.9
2.1.1 Credit to the Government	22,111.9	21,729.5	23,753.2	24,112.0	24,131.9
2.1.2 Credit to the Commercial Sector	64,011.1	59,785.2	65,784.9	66,436.3	67,034.1
2.1.2.1 Bank Credit	59,941.0	55,979.8	61,465.3	62,200.2	62,726.1
2.1.2.1.1 Non-food Credit	58,956.2	55,054.3	60,414.6	61,201.0	61,636.4
2.1.2.2 Net Credit to Primary Dealers	22.5	32.3	38.9	50.3	45.2
2.1.2.3 Investments in Other Approved Securities	16.3	22.6	19.3	19.9	19.5
2.1.2.4 Other Investments (in non-SLR Securities)	4,031.3	3,750.5	4,261.4	4,165.9	4,243.2
2.2 Net Foreign Currency Assets of Commercial Banks (2.2.1–2.2.2–2.2.3)	–1,977.9	–1,248.2	–1,579.6	–1,948.8	–2,005.0
2.2.1 Foreign Currency Assets	1,495.3	1,096.7	1,703.1	1,465.3	1,295.3
2.2.2 Non-resident Foreign Currency Repatriable Fixed Deposits	2,541.5	1,285.5	2,614.7	2,652.0	2,626.2
2.2.3 Overseas Foreign Currency Borrowings	931.7	1,059.4	668.1	762.1	674.0
2.3 Net Bank Reserves (2.3.1+2.3.2–2.3.3)	3,206.0	3,200.0	3,085.6	3,277.2	3,526.7
2.3.1 Balances with the RBI	3,163.4	3,148.3	3,363.3	3,339.1	3,400.4
2.3.2 Cash in Hand	458.7	468.8	496.3	537.8	584.2
2.3.3 Loans and Advances from the RBI	416.1	417.1	774.0	599.7	457.9
2.4 Capital Account	7,388.6	7,194.2	8,119.4	8,128.1	8,148.2
2.5 Other items (net) (2.1+2.2+2.3–2.4–1.1–1.2)	3,238.1	2,140.7	2,637.3	2,402.8	2,536.0
2.5.1 Other Demand and Time Liabilities (net of 2.2.3)	3,451.6	2,765.6	3,758.9	3,393.1	3,652.0
2.5.2 Net Inter-Bank Liabilities (other than to PDs)	–666.1	–696.9	–424.7	–387.9	–400.0

No. 13: Scheduled Commercial Banks' Investments

(₹ Billion)

Item	As on March 21, 2014	2013	2014		
		Nov. 01	Sep. 19	Oct. 17	Oct. 31
	1	2	3	4	5
1 SLR Securities	22,128.2	21,859.0	23,638.0	24,132.0	24,151.4
2 Commercial Paper	159.5	159.5	244.8	236.6	245.2
3 Shares issued by					
3.1 PSUs	82.9	83.8	72.9	72.8	72.1
3.2 Private Corporate Sector	334.2	335.2	335.6	342.9	345.7
3.3 Others	9.4	8.6	28.9	35.8	35.9
4 Bonds/Debentures issued by					
4.1 PSUs	831.5	716.2	790.4	746.3	746.5
4.2 Private Corporate Sector	1,159.1	1,071.2	1,198.9	1,184.8	1,198.2
4.3 Others	459.8	520.5	481.7	464.3	482.3
5 Instruments issued by					
5.1 Mutual funds	401.1	577.3	567.8	510.1	537.1
5.2 Financial institutions	593.8	526.5	607.2	572.4	580.2

No. 14: Business in India - All Scheduled Banks and All Scheduled Commercial Banks

(₹ Billion)

Item	As on the Last Reporting Friday (in case of March)/ Last Friday							
	All Scheduled Banks				All Scheduled Commercial Banks			
	2013-14	2013	2014		2013-14	2013	2014	
		Oct.	Sep.	Oct.		Oct.	Sep.	Oct.
	1	2	3	4	5	6	7	8
Number of Reporting Banks	213	214	213	213	146	147	146	146
1 Liabilities to the Banking System	1,308.7	1,002.8	1,476.0	1,476.1	1,261.9	961.0	1,420.5	1,423.2
1.1 Demand and Time Deposits from Banks	821.7	747.0	1,104.8	1,112.3	777.2	710.5	1,057.0	1,064.0
1.2 Borrowings from Banks	351.9	192.9	287.0	290.4	349.7	187.7	279.4	286.0
1.3 Other Demand and Time Liabilities	135.1	62.8	84.2	73.3	135.0	62.7	84.1	73.3
2 Liabilities to Others	85,878.6	81,946.8	90,335.9	91,315.7	83,649.3	79,835.3	87,960.9	88,955.8
2.1 Aggregate Deposits	79,200.8	75,172.8	83,544.0	85,041.1	77,055.6	73,139.0	81,277.7	82,769.5
2.1.1 Demand	7,312.5	6,762.1	7,776.1	7,761.0	7,139.2	6,597.9	7,590.5	7,575.2
2.1.2 Time	71,888.4	68,410.7	75,767.9	77,280.0	69,916.4	66,541.2	73,687.2	75,194.2
2.2 Borrowings	2,227.8	2,863.5	2,228.7	1,880.8	2,210.4	2,844.5	2,199.0	1,860.3
2.3 Other Demand and Time Liabilities	4,449.9	3,910.5	4,563.2	4,393.8	4,383.3	3,851.8	4,484.1	4,326.0
3 Borrowings from Reserve Bank	417.9	446.7	745.7	731.5	416.1	444.9	745.2	731.0
3.1 Against Usance Bills /Promissory Notes	–	–	–	–	–	–	–	–
3.2 Others	417.9	446.7	745.7	731.5	416.1	444.9	745.2	731.0
4 Cash in Hand and Balances with Reserve Bank	3,729.1	3,745.2	3,978.2	4,100.5	3,622.1	3,640.7	3,867.1	3,984.6
4.1 Cash in Hand	470.0	474.6	499.2	598.2	458.7	461.4	487.9	584.2
4.2 Balances with Reserve Bank	3,259.0	3,270.6	3,479.0	3,502.3	3,163.4	3,179.3	3,379.3	3,400.4
5 Assets with the Banking System	2,325.9	1,989.2	2,173.1	2,244.9	1,950.5	1,702.7	1,784.8	1,868.5
5.1 Balances with Other Banks	1,191.9	1,069.0	1,234.0	1,420.4	1,062.3	967.9	1,082.1	1,273.8
5.1.1 In Current Account	115.3	123.3	100.3	104.0	97.3	108.1	81.6	89.0
5.1.2 In Other Accounts	1,076.6	945.7	1,133.7	1,316.4	965.0	859.8	1,000.4	1,184.7
5.2 Money at Call and Short Notice	453.7	244.9	318.3	354.8	278.0	131.7	164.2	211.0
5.3 Advances to Banks	170.8	126.2	180.0	158.0	167.4	120.7	176.7	154.7
5.4 Other Assets	509.5	549.1	440.8	311.6	442.7	482.3	361.9	229.0
6 Investment	22,797.6	22,364.9	24,417.4	24,852.8	22,128.2	21,714.4	23,710.6	24,151.4
6.1 Government Securities	22,778.7	22,340.1	24,397.6	24,829.8	22,111.9	21,692.7	23,694.1	24,131.9
6.2 Other Approved Securities	18.9	24.8	19.8	23.0	16.3	21.7	16.5	19.5
7 Bank Credit	61,794.9	57,701.4	63,650.3	64,668.6	59,941.0	55,908.4	61,617.7	62,726.1
7a Food Credit	1,095.2	1,081.0	1,165.1	1,200.2	984.8	970.6	1,054.7	1,089.8
7.1 Loans, Cash-credits and Overdrafts	59,517.5	55,661.6	61,482.3	62,545.0	57,690.8	53,894.4	59,476.2	60,628.1
7.2 Inland Bills-Purchased	387.8	357.4	321.4	311.6	384.4	353.9	318.3	309.0
7.3 Inland Bills-Discounted	1,121.7	987.9	1,146.2	1,139.1	1,105.8	969.7	1,127.6	1,121.1
7.4 Foreign Bills-Purchased	266.9	231.8	259.3	248.1	262.9	230.6	258.4	247.3
7.5 Foreign Bills-Discounted	501.0	462.9	441.1	424.8	497.1	459.8	437.3	420.7

No. 15: Deployment of Gross Bank Credit by Major Sectors

(₹ Billion)

Item	Outstanding as on				Growth (%)	
	Mar. 21, 2014	2013	2014		Financial year so far	Y-o-Y
		Oct. 18	Sep. 19	Oct. 31	2014-15	2014
	1	2	3	4	5	6
1 Gross Bank Credit	**56,572**	**52,796**	**57,569**	**58,690**	**3.7**	**11.2**
1.1 Food Credit	**912**	**866**	**1,054**	**984**	**7.8**	**13.6**
1.2 Non-food Credit	**55,660**	**51,931**	**56,515**	**57,707**	**3.7**	**11.1**
1.2.1 Agriculture & Allied Activities	**6,694**	**6,192**	**7,248**	**7,447**	**11.2**	**20.3**
1.2.2 Industry	**25,229**	**23,565**	**25,142**	**25,402**	**0.7**	**7.8**
1.2.2.1 Micro & Small	3,517	3,055	3,531	3,562	1.3	16.6
1.2.2.2 Medium	1,274	1,281	1,253	1,269	–0.4	–0.9
1.2.2.3 Large	20,438	19,228	20,358	20,570	0.6	7.0
1.2.3 Services	**13,370**	**12,472**	**13,218**	**13,578**	**1.5**	**8.9**
1.2.3.1 Transport Operators	904	848	878	887	–1.8	4.6
1.2.3.2 Computer Software	176	178	169	164	–6.6	–7.7
1.2.3.3 Tourism, Hotels & Restaurants	392	384	362	363	–7.3	–5.3
1.2.3.4 Shipping	99	93	94	96	–2.9	3.5
1.2.3.5 Professional Services	707	671	705	722	2.1	7.6
1.2.3.6 Trade	3,228	2,978	3,243	3,246	0.6	9.0
1.2.3.6.1 Wholesale Trade	1,701	1,543	1,633	1,587	–6.7	2.9
1.2.3.6.2 Retail Trade	1,527	1,435	1,609	1,659	8.7	15.6
1.2.3.7 Commercial Real Estate	1,544	1,437	1,633	1,656	7.3	15.2
1.2.3.8 Non-Banking Financial Companies (NBFCs)	2,946	2,909	2,936	3,112	5.6	7.0
1.2.3.9 Other Services	3,375	2,975	3,197	3,331	–1.3	12.0
1.2.4 Personal Loans	**10,367**	**9,702**	**10,907**	**11,281**	**8.8**	**16.3**
1.2.4.1 Consumer Durables	128	95	143	146	14.0	53.2
1.2.4.2 Housing	5,408	5,108	5,804	5,934	9.7	16.2
1.2.4.3 Advances against Fixed Deposits	641	566	541	554	–13.6	–2.1
1.2.4.4 Advances to Individuals against share & bonds	38	32	38	39	2.5	23.8
1.2.4.5 Credit Card Outstanding	249	234	276	294	18.5	25.8
1.2.4.6 Education	600	585	626	632	5.4	8.2
1.2.4.7 Vehicle Loans	1,304	1,202	1,398	1,454	11.5	20.9
1.2.4.8 Other Personal Loans	1,998	1,880	2,082	2,227	11.5	18.5
1.2A Priority Sector	**18,781**	**16,685**	**19,050**	**19,363**	**3.1**	**16.0**
1.2A.1 Agriculture & Allied Activities	6,694	6,192	7,248	7,447	11.2	20.3
1.2A.2 Micro & Small Enterprises	7,511	6,282	7,420	7,528	0.2	19.8
1.2A.2.1 Manufacturing	3,852	3,055	3,531	3,562	–7.5	16.6
1.2A.2.2 Services	3,659	3,226	3,889	3,966	8.4	22.9
1.2A.3 Housing	3,034	2,923	3,182	3,193	5.2	9.2
1.2A.4 Micro-Credit	174	171	169	175	0.2	1.8
1.2A.5 Education Loans	579	564	587	594	2.5	5.2
1.2A.6 State-Sponsored Orgs. for SC/ST	2	1	4	4	120.6	175.8
1.2A.7 Weaker Sections	3,862	3,155	3,772	3,888	0.7	23.2
1.2A.8 Export Credit	483	452	430	422	–12.8	–6.7

No. 16: Industry-wise Deployment of Gross Bank Credit

(₹ Billion)

Industry	Outstanding as on				Growth (%)	
	Mar. 21, 2014	2013	2014		Financial year so far	Y-o-Y
		Oct. 18	Sep. 19	Oct. 31	2014-15	2014
	1	2	3	4	5	6
1 Industry	**25,229**	**23,565**	**25,142**	**25,402**	**0.7**	**7.8**
1.1 Mining & Quarrying (incl. Coal)	**353**	**333**	**379**	**366**	**3.6**	**9.7**
1.2 Food Processing	**1,480**	**1,221**	**1,425**	**1,435**	**–3.0**	**17.5**
1.2.1 Sugar	348	313	341	336	–3.5	7.2
1.2.2 Edible Oils & Vanaspati	213	176	176	181	–14.8	2.7
1.2.3 Tea	32	34	31	33	0.6	–2.9
1.2.4 Others	887	698	876	885	–0.2	26.8
1.3 Beverage & Tobacco	**186**	**163**	**197**	**193**	**4.0**	**18.9**
1.4 Textiles	**2,040**	**1,869**	**1,953**	**1,958**	**–4.0**	**4.8**
1.4.1 Cotton Textiles	1,011	908	951	947	–6.4	4.2
1.4.2 Jute Textiles	20	20	22	24	18.0	17.7
1.4.3 Man-Made Textiles	216	196	195	197	–8.8	0.4
1.4.4 Other Textiles	793	744	785	791	–0.3	6.2
1.5 Leather & Leather Products	**103**	**95**	**102**	**102**	**–0.5**	**7.7**
1.6 Wood & Wood Products	**94**	**86**	**94**	**96**	**2.2**	**10.8**
1.7 Paper & Paper Products	**331**	**313**	**338**	**336**	**1.5**	**7.5**
1.8 Petroleum, Coal Products & Nuclear Fuels	**635**	**602**	**530**	**555**	**–12.6**	**–7.8**
1.9 Chemicals & Chemical Products	**1,677**	**1,607**	**1,517**	**1,500**	**–10.5**	**–6.7**
1.9.1 Fertiliser	306	274	215	218	–28.9	–20.6
1.9.2 Drugs & Pharmaceuticals	492	526	492	482	–2.1	–8.4
1.9.3 Petro Chemicals	435	400	370	368	–15.5	–8.0
1.9.4 Others	443	407	440	433	–2.4	6.3
1.10 Rubber, Plastic & their Products	**368**	**342**	**363**	**367**	**–0.4**	**7.2**
1.11 Glass & Glassware	**87**	**80**	**87**	**89**	**2.0**	**10.9**
1.12 Cement & Cement Products	**541**	**495**	**547**	**556**	**2.8**	**12.3**
1.13 Basic Metal & Metal Product	**3,620**	**3,377**	**3,595**	**3,676**	**1.5**	**8.8**
1.13.1 Iron & Steel	2,685	2,556	2,662	2,720	1.3	6.4
1.13.2 Other Metal & Metal Product	934	821	933	956	2.3	16.4
1.14 All Engineering	**1,456**	**1,373**	**1,463**	**1,473**	**1.2**	**7.3**
1.14.1 Electronics	367	330	379	377	2.8	14.4
1.14.2 Others	1,088	1,043	1,084	1,096	0.7	5.1
1.15 Vehicles, Vehicle Parts & Transport Equipment	**677**	**644**	**665**	**664**	**–2.0**	**3.0**
1.16 Gems & Jewellery	**720**	**696**	**713**	**719**	**–0.2**	**3.3**
1.17 Construction	**614**	**569**	**712**	**727**	**18.3**	**27.7**
1.18 Infrastructure	**8,398**	**7,887**	**8,720**	**8,880**	**5.7**	**12.6**
1.18.1 Power	4,883	4,532	5,189	5,277	8.1	16.4
1.18.2 Telecommunications	904	881	851	904	–0.0	2.6
1.18.3 Roads	1,574	1,460	1,633	1,636	4.0	12.1
1.18.4 Other Infrastructure	1,036	1,014	1,047	1,063	2.5	4.8
1.19 Other Industries	**1,850**	**1,812**	**1,742**	**1,711**	**–7.5**	**–5.6**

No. 17: State Co-operative Banks Maintaining Accounts with the Reserve Bank of India

(₹ Billion)

Item	Last Reporting Friday (in case of March)/Last Friday/ Reporting Friday					
	2013-14	2013	2014			
		Jul. 26	Jun. 13	Jun. 27	Jul. 11	Jul. 25
	1	2	3	4	5	6
Number of Reporting Banks	31	31	31	31	31	31
1 Aggregate Deposits (2.1.1.2+2.2.1.2)	417.9	374.7	421.0	419.8	423.2	426.9
2 Demand and Time Liabilities						
2.1 Demand Liabilities	139.7	127.1	137.2	136.8	135.6	137.9
2.1.1 Deposits						
2.1.1.1 Inter-Bank	25.4	17.4	23.4	21.2	22.4	28.4
2.1.1.2 Others	76.2	74.5	77.8	78.6	76.6	75.5
2.1.2 Borrowings from Banks	7.2	12.3	7.7	9.5	9.6	9.2
2.1.3 Other Demand Liabilities	30.9	22.9	28.3	27.5	27.0	24.8
2.2 Time Liabilities	899.5	828.6	893.2	888.8	887.7	877.3
2.2.1 Deposits						
2.2.1.1 Inter-Bank	541.4	520.8	539.6	535.3	531.2	516.3
2.2.1.2 Others	341.7	300.2	343.1	341.2	346.6	351.3
2.2.2 Borrowings from Banks	5.9	–	–	2.0	–	–
2.2.3 Other Time Liabilities	10.2	7.7	10.5	10.3	9.8	9.7
3 Borrowing from Reserve Bank	–	0.3	–	–	–	–
4 Borrowings from a notified bank / State Government	337.9	341.8	384.5	398.7	410.6	411.1
4.1 Demand	162.6	129.2	165.5	175.2	170.4	166.7
4.2 Time	175.3	212.6	218.9	223.5	240.2	244.4
5 Cash in Hand and Balances with Reserve Bank	43.0	35.0	40.4	37.7	39.1	39.1
5.1 Cash in Hand	2.2	2.3	2.1	2.1	2.1	2.2
5.2 Balance with Reserve Bank	40.8	32.8	38.3	35.6	37.0	36.9
6 Balances with Other Banks in Current Account	8.3	6.3	7.2	8.1	7.3	9.9
7 Investments in Government Securities	289.4	272.0	304.8	304.9	306.0	303.7
8 Money at Call and Short Notice	213.9	154.4	229.4	219.2	215.2	214.3
9 Bank Credit (10.1+11)	388.2	388.3	390.4	386.8	374.2	382.9
10 Advances						
10.1 Loans, Cash-Credits and Overdrafts	388.2	388.1	390.3	386.7	374.2	382.9
10.2 Due from Banks	650.1	617.3	566.1	626.3	643.7	657.8
11 Bills Purchased and Discounted	–	0.1	0.1	0.1	–	–

Prices and Production

No. 18: Consumer Price Index (Base: 2010=100)

Group/Sub group	2013-14			Rural			Urban			Combined		
	Rural	Urban	Combined	Oct. 13	Sep. 14	Oct. 14	Oct. 13	Sep. 14	Oct. 14	Oct. 13	Sep. 14	Oct. 14
	1	2	3	4	5	6	7	8	9	10	11	12
1 Food, beverages and tobacco	**138.8**	**138.0**	**138.6**	**143.3**	**151.7**	**151.7**	**141.6**	**150.1**	**149.5**	**142.7**	**151.2**	**151.0**
1.1 Cereals and products	132.8	131.9	132.6	133.9	141.9	142.3	132.0	138.4	138.9	133.4	141.0	141.4
1.2 Pulses and products	118.2	115.2	117.3	118.5	125.7	126.3	114.4	124.6	125.2	117.2	125.4	126.0
1.3 Oils and fats	143.9	141.9	143.2	144.1	145.8	146.0	141.9	137.8	137.8	143.4	143.2	143.4
1.4 Egg, fish and meat	143.1	146.8	144.4	144.2	152.9	153.3	146.9	155.7	156.2	145.1	153.8	154.3
1.5 Milk and products	144.2	139.0	142.3	144.9	158.9	159.8	139.0	154.6	155.2	142.7	157.3	158.1
1.6 Condiments and spices	134.3	132.9	133.9	135.1	142.8	143.7	132.9	151.6	152.8	134.5	145.4	146.4
1.7 Vegetables	161.5	157.5	160.3	194.2	199.3	195.7	192.5	188.8	180.5	193.7	196.0	190.9
1.8 Fruits	155.8	147.2	152.1	158.3	186.3	184.7	142.4	170.9	169.2	151.5	179.7	178.0
1.9 Sugar etc	109.5	105.0	108.2	110.2	111.1	110.5	105.7	107.3	106.4	108.9	110.0	109.3
1.10 Non-alcoholic beverages	135.0	136.9	135.8	136.0	143.2	143.4	137.2	144.9	145.3	136.5	143.9	144.2
1.11 Prepared meals etc	135.0	137.9	136.4	135.9	144.3	145.0	138.3	148.3	149.0	137.1	146.2	146.9
1.12 Pan, tobacco and intoxicants	143.5	147.8	144.7	144.6	154.2	154.8	148.2	164.4	163.0	145.6	157.0	157.1
2 Fuel and light	**136.9**	**133.9**	**135.7**	**138.0**	**142.9**	**143.3**	**134.4**	**137.4**	**137.6**	**136.6**	**140.8**	**141.1**
3 Housing	**--**	**133.5**	**133.5**	**--**	**--**	**--**	**134.3**	**144.0**	**145.1**	**134.3**	**144.0**	**145.1**
4 Clothing, bedding and footwear	**144.1**	**144.2**	**144.1**	**145.0**	**155.3**	**156.8**	**145.0**	**153.4**	**154.0**	**145.0**	**154.6**	**155.8**
4.1 Clothing and bedding	144.8	146.0	145.2	145.7	156.1	157.7	146.9	155.6	156.1	146.1	155.9	157.1
4.2 Footwear	140.0	133.8	137.7	141.1	150.4	151.6	134.4	140.6	141.2	138.7	146.9	147.8
5 Miscellaneous	**128.8**	**125.0**	**127.1**	**129.8**	**135.7**	**136.2**	**125.9**	**131.3**	**131.5**	**128.0**	**133.7**	**134.0**
5.1 Medical care	124.0	122.6	123.6	124.6	131.1	131.9	122.6	128.3	128.7	123.9	130.2	130.8
5.2 Education, stationery etc	125.7	126.9	126.4	126.8	134.5	134.9	128.2	137.9	138.4	127.6	136.3	136.8
5.3 Recreation and amusement	121.2	113.3	116.4	121.7	126.3	126.8	114.0	119.0	119.4	117.1	121.9	122.3
5.4 Transport and communication	131.0	125.3	127.8	132.1	137.5	137.4	126.6	129.0	128.7	129.0	132.7	132.5
5.5 Personal care and effects	126.2	121.6	124.3	126.7	133.7	134.3	121.8	129.8	130.3	124.7	132.1	132.7
5.6 Household requisites	134.1	127.5	131.4	136.0	138.8	139.4	128.4	133.4	133.7	132.9	136.6	137.1
5.7 Others	145.8	148.4	146.9	147.3	158.7	159.8	149.0	161.4	162.4	148.0	159.8	160.8
General Index (All Groups)	**136.4**	**133.3**	**135.0**	**139.5**	**147.0**	**147.2**	**135.1**	**142.5**	**142.6**	**137.6**	**145.0**	**145.2**

Source: Central Statistics Office, Ministry of Statistics and Programme Implementation, Government of India.

No. 19: Other Consumer Price Indices

Item	Base Year	Linking Factor	2013-14	2013	2014	
				Oct.	Sep.	Oct.
	1	2	3	4	5	6
1 Consumer Price Index for Industrial Workers	2001	4.63	236	241	253	253
2 Consumer Price Index for Agricultural Labourers	1986-87	5.89	750	766	811	813
3 Consumer Price Index for Rural Labourers	1986-87	–	751	766	813	815

Source: Labour Bureau, Ministry of Labour and Employment, Government of India.

No. 20: Monthly Average Price of Gold and Silver in Mumbai

Item	2013-14	2013	2014	
		Oct.	Sep.	Oct.
	1	2	3	4
1 Standard Gold (₹ per 10 grams)	29,190	30,710	26,963	26,991
2 Silver (₹ per kilogram)	46,637	49,513	41,390	39,186

Source: Business Standard/Business Line/The Economic Times, Mumbai for Gold and Silver prices in Mumbai.

No. 21: Wholesale Price Index

(Base: 2004-05 = 100)

Commodities	Weight	2013-14	2013	2014		
			Oct.	Aug.	Sep. (P)	Oct. (P)
	1	2	3	4	5	6
1 ALL COMMODITIES	**100.000**	**177.6**	**180.7**	**185.9**	**185.0**	**183.9**
1.1 PRIMARY ARTICLES	**20.118**	**241.6**	**251.4**	**261.2**	**258.2**	**255.0**
1.1.1 Food articles	**14.337**	**238.9**	**251.7**	**265.3**	**261.8**	**258.5**
1.1.1.1 Food Grains	4.090	226.0	228.4	237.3	237.3	236.2
1.1.1.1.1 Cereals	3.373	225.5	228.3	237.0	236.6	235.8
1.1.1.1.2 Pulses	0.717	228.0	229.0	239.0	240.9	238.2
1.1.1.2 Fruits & Vegetables	3.843	244.3	282.8	303.4	290.8	272.8
1.1.1.2.1 Vegetables	1.736	294.5	367.6	373.4	328.6	295.5
1.1.1.2.2 Fruits	2.107	202.9	212.9	245.8	259.8	254.1
1.1.1.3 Milk	3.238	220.6	221.2	245.0	245.3	246.4
1.1.1.4 Eggs, Meat & Fish	2.414	275.7	287.3	269.8	270.0	279.9
1.1.1.5 Condiments & Spices	0.569	245.6	240.7	308.8	304.8	302.8
1.1.1.6 Other Food Articles	0.183	229.1	229.3	251.4	246.5	249.3
1.1.2 Non-Food Articles	**4.258**	**213.2**	**213.0**	**218.9**	**214.3**	**210.0**
1.1.2.1 Fibres	0.877	239.7	253.0	225.4	220.8	205.2
1.1.2.2 Oil Seeds	1.781	202.6	198.7	218.3	212.4	205.5
1.1.2.3 Other Non-Food Articles	1.386	213.5	208.3	214.8	217.3	217.4
1.1.2.4 Flowers	0.213	190.8	199.2	224.3	185.5	219.2
1.1.3 Minerals	**1.524**	**346.5**	**355.3**	**341.2**	**347.3**	**348.1**
1.1.3.1 Metallic Minerals	0.489	387.3	375.8	395.9	383.5	398.9
1.1.3.2 Other Minerals	0.135	213.2	212.3	207.6	205.7	208.2
1.1.3.3 Crude Petroleum	0.900	344.3	365.5	331.5	348.8	341.3
1.2 FUEL & POWER	**14.910**	**205.4**	**209.8**	**214.0**	**213.4**	**210.7**
1.2.1 Coal	2.094	190.8	191.5	189.8	189.8	189.8
1.2.2 Mineral Oils	9.364	226.0	231.3	236.5	235.6	231.3
1.2.3 Electricity	3.452	158.7	162.8	167.4	167.5	167.5
1.3 MANUFACTURED PRODUCTS	**64.972**	**151.5**	**152.1**	**156.1**	**155.8**	**155.8**
1.3.1 Food Products	**9.974**	**168.8**	**170.6**	**175.5**	**175.1**	**174.2**
1.3.1.1 Dairy Products	0.568	180.4	179.6	196.4	200.3	202.3
1.3.1.2 Canning, Preserving & Processing of Food	0.358	164.9	168.1	166.3	165.7	162.6
1.3.1.3 Grain Mill Products	1.340	167.9	169.9	175.0	175.1	175.7
1.3.1.4 Bakery Products	0.444	139.2	137.6	152.9	154.2	148.1
1.3.1.5 Sugar, Khandsari & Gur	2.089	183.0	184.5	189.7	188.4	187.1
1.3.1.6 Edible Oils	3.043	147.0	147.7	145.8	144.5	144.1
1.3.1.7 Oil Cakes	0.494	223.5	227.9	235.9	235.0	231.8
1.3.1.8 Tea & Coffee Proccessing	0.711	182.1	192.4	199.1	198.9	194.5
1.3.1.9 Manufacture of Salt	0.048	186.0	185.0	196.8	196.8	196.8
1.3.1.10 Other Food Products	0.879	178.5	179.3	192.3	193.8	194.9
1.3.2 Beverages, Tobacco & Tobacco Products	**1.762**	**186.0**	**183.8**	**201.6**	**201.0**	**201.6**
1.3.2.1 Wine Industries	0.385	128.9	126.3	137.5	137.5	138.4
1.3.2.2 Malt Liquor	0.153	170.8	170.1	176.3	176.3	176.8
1.3.2.3 Soft Drinks & Carbonated Water	0.241	161.4	162.9	158.7	158.7	161.3
1.3.2.4 Manufacture of Bidi, Cigarettes, Tobacco & Zarda	0.983	216.8	213.6	241.1	240.1	240.1
1.3.3 Textiles	**7.326**	**139.0**	**140.3**	**144.1**	**144.1**	**143.3**
1.3.3.1 Cotton Textiles	2.605	158.0	159.6	165.2	165.0	162.9
1.3.3.1.1 Cotton Yarn	1.377	174.7	177.5	184.6	184.0	180.3
1.3.3.1.2 Cotton Fabric	1.228	139.3	139.6	143.5	143.5	143.3
1.3.3.2 Man-Made Textiles	2.206	131.7	133.1	137.6	137.9	137.5
1.3.3.2.1 Man-Made Fibre	1.672	131.3	132.9	137.1	137.3	136.6
1.3.3.2.2 Man-Made Fabric	0.533	132.9	133.6	139.1	139.8	140.3
1.3.3.3 Woollen Textiles	0.294	154.8	157.8	159.0	159.0	158.8
1.3.3.4 Jute, Hemp & Mesta Textiles	0.261	183.9	183.0	190.9	190.5	190.3
1.3.3.5 Other Misc. Textiles	1.960	113.5	114.3	115.0	114.9	115.0
1.3.4 Wood & Wood Products	**0.587**	**179.1**	**179.2**	**185.9**	**186.1**	**186.3**
1.3.4.1 Timber/Wooden Planks	0.181	144.9	146.2	156.4	156.4	156.0
1.3.4.2 Processed Wood	0.128	185.6	186.3	190.5	190.6	190.6
1.3.4.3 Plywood & Fibre Board	0.241	205.2	204.2	210.8	211.0	211.6
1.3.4.4 Others	0.038	154.7	154.1	154.2	155.2	155.9

No. 21: Wholesale Price Index (Concld.)

(Base: 2004-05 = 100)

Commodities	Weight	2013-14	2013	2014		
			Oct.	Aug.	Sep. (P)	Oct. (P)
	1	2	3	4	5	6
1.3.5 Paper & Paper Products	**2.034**	**143.0**	**142.4**	**150.1**	**150.0**	**150.5**
1.3.5.1 Paper & Pulp	1.019	141.6	141.5	149.3	149.5	149.8
1.3.5.2 Manufacture of boards	0.550	131.2	131.3	134.5	134.6	134.4
1.3.5.3 Printing & Publishing	0.465	159.8	157.5	170.2	169.4	171.1
1.3.6 Leather & Leather Products	**0.835**	**143.1**	**145.2**	**146.5**	**146.6**	**145.6**
1.3.6.1 Leathers	0.223	114.3	114.1	116.1	115.8	115.8
1.3.6.2 Leather Footwear	0.409	159.8	164.3	164.4	165.3	163.5
1.3.6.3 Other Leather Products	0.203	141.3	140.8	144.1	142.9	142.4
1.3.7 Rubber & Plastic Products	**2.987**	**146.0**	**147.4**	**151.1**	**151.2**	**151.1**
1.3.7.1 Tyres & Tubes	0.541	174.1	175.9	178.2	178.2	178.0
1.3.7.1.1 Tyres	0.488	174.4	176.4	178.3	178.3	178.1
1.3.7.1.2 Tubes	0.053	171.4	171.6	176.8	176.8	176.9
1.3.7.2 Plastic Products	1.861	136.3	137.6	141.8	141.7	142.0
1.3.7.3 Rubber Products	0.584	151.1	152.1	156.0	156.1	155.4
1.3.8 Chemicals & Chemical Products	**12.018**	**148.9**	**149.1**	**154.1**	**153.6**	**153.7**
1.3.8.1 Basic Inorganic Chemicals	1.187	150.6	150.5	156.8	156.3	156.5
1.3.8.2 Basic Organic Chemicals	1.952	147.5	145.6	156.5	154.7	153.4
1.3.8.3 Fertilisers & Pesticides	3.145	148.2	148.9	151.3	151.3	151.5
1.3.8.3.1 Fertilisers	2.661	152.3	152.7	154.2	154.2	154.4
1.3.8.3.2 Pesticides	0.483	125.9	127.7	135.4	135.1	135.5
1.3.8.4 Paints, Varnishes & Lacquers	0.529	147.6	148.1	149.2	149.0	149.1
1.3.8.5 Dyestuffs & Indigo	0.563	132.6	132.0	146.6	146.2	147.2
1.3.8.6 Drugs & Medicines	0.456	126.8	127.2	129.2	129.1	129.2
1.3.8.7 Perfumes, Cosmetics, Toiletries etc.	1.130	157.3	157.6	161.0	161.0	160.7
1.3.8.8 Turpentine, Plastic Chemicals	0.586	147.6	147.4	156.2	156.2	156.8
1.3.8.9 Polymers including Synthetic Rubber	0.970	142.8	142.1	154.5	153.0	153.8
1.3.8.10 Petrochemical Intermediates	0.869	170.4	175.7	166.0	165.5	166.5
1.3.8.11 Matches, Explosives & other Chemicals	0.629	149.8	150.7	153.8	153.6	154.6
1.3.9 Non-Metallic Mineral Products	**2.556**	**166.2**	**165.2**	**171.2**	**170.8**	**173.2**
1.3.9.1 Structural Clay Products	0.658	176.1	177.5	191.0	189.1	195.6
1.3.9.2 Glass, Earthenware, Chinaware & their Products	0.256	131.7	132.0	133.4	133.2	135.1
1.3.9.3 Cement & Lime	1.386	167.0	164.4	167.4	167.7	168.7
1.3.9.4 Cement, Slate & Graphite Products	0.256	171.3	170.4	178.2	177.3	178.5
1.3.10 Basic Metals, Alloys & Metal Products	**10.748**	**164.5**	**164.6**	**166.7**	**165.8**	**166.4**
1.3.10.1 Ferrous Metals	8.064	154.9	154.7	156.7	156.1	156.8
1.3.10.1.1 Iron & Semis	1.563	154.1	153.5	159.2	157.8	158.9
1.3.10.1.2 Steel: Long	1.630	165.6	165.0	166.4	165.7	167.2
1.3.10.1.3 Steel: Flat	2.611	153.9	153.9	151.5	151.1	152.0
1.3.10.1.4 Steel: Pipes & Tubes	0.314	129.8	130.5	132.2	132.2	132.7
1.3.10.1.5 Stainless Steel & alloys	0.938	159.8	160.8	167.4	167.2	166.5
1.3.10.1.6 Castings & Forgings	0.871	142.6	141.7	146.5	146.1	145.8
1.3.10.1.7 Ferro alloys	0.137	155.6	158.2	160.2	159.3	159.7
1.3.10.2 Non-Ferrous Metals	1.004	164.0	165.2	169.1	168.5	169.0
1.3.10.2.1 Aluminium	0.489	137.9	139.7	145.0	143.9	145.6
1.3.10.2.2 Other Non-Ferrous Metals	0.515	188.9	189.4	192.0	191.9	191.2
1.3.10.3 Metal Products	1.680	211.2	211.7	213.0	210.4	210.9
1.3.11 Machinery & Machine Tools	**8.931**	**131.6**	**131.9**	**134.7**	**134.6**	**134.9**
1.3.11.1 Agricultural Machinery & Implements	0.139	141.6	144.8	148.1	148.1	148.1
1.3.11.2 Industrial Machinery	1.838	150.1	150.3	152.4	152.2	152.5
1.3.11.3 Construction Machinery	0.045	137.0	136.1	141.4	141.4	141.4
1.3.11.4 Machine Tools	0.367	160.4	161.8	165.4	165.4	165.4
1.3.11.5 Air Conditioner & Refrigerators	0.429	115.6	116.9	120.7	120.8	120.8
1.3.11.6 Non-Electrical Machinery	1.026	123.8	124.1	127.1	127.3	127.2
1.3.11.7 Electrical Machinery, Equipment & Batteries	2.343	136.6	137.1	138.4	138.5	138.4
1.3.11.8 Electrical Accessories, Wires, Cables etc.	1.063	150.3	149.9	156.5	156.4	157.1
1.3.11.9 Electrical Apparatus & Appliances	0.337	117.6	117.8	118.5	117.8	120.9
1.3.11.10 Electronics Items	0.961	87.9	87.3	89.8	89.8	89.8
1.3.11.11 IT Hardware	0.267	88.4	88.5	91.5	91.5	91.7
1.3.11.12 Communication Equipments	0.118	95.9	95.9	99.2	98.5	98.5
1.3.12 Transport, Equipment & Parts	**5.213**	**134.5**	**135.8**	**136.0**	**136.1**	**136.1**
1.3.12.1 Automotives	4.231	134.0	135.6	135.2	135.2	135.3
1.3.12.2 Auto Parts	0.804	133.6	133.4	137.4	137.6	137.6
1.3.12.3 Other Transport Equipments	0.178	150.1	150.3	150.2	150.7	149.7

Source: Office of the Economic Adviser, Ministry of Commerce and Industry, Government of India.

No. 22: Index of Industrial Production (Base:2004-05=100)

Industry	Weight	2012-13	2013-14	April-September		September	
				2013-14	2014-15	2013	2014
	1	2	3	4	5	6	7
General Index	**100.00**	**172.2**	**172.0**	**167.0**	**171.7**	**167.5**	**171.7**
1 Sectoral Classification							
1.1 Mining and Quarrying	14.16	125.5	124.7	117.4	119.9	115.2	116.0
1.2 Manufacturing	75.53	183.3	181.9	176.6	180.1	177.1	181.6
1.3 Electricity	10.32	155.2	164.7	164.2	181.2	169.0	175.6
2 Use-Based Classification							
2.1 Basic Goods	45.68	153.6	156.9	151.7	163.8	153.6	161.4
2.2 Capital Goods	8.83	251.6	242.6	232.4	245.8	232.4	259.4
2.3 Intermediate Goods	15.69	146.7	151.3	149.0	152.5	148.3	151.0
2.4 Consumer Goods	29.81	190.6	185.3	180.3	172.0	179.6	172.4
2.4.1 Consumer Durables	8.46	301.1	264.2	268.8	234.9	271.6	241.0
2.4.2 Consumer Non-Durables	21.35	146.9	154.0	145.2	147.1	143.1	145.2

Source : Central Statistics Office, Ministry of Statistics and Programme Implementation, Government of India.

Government Accounts and Treasury Bills

No. 23: Union Government Accounts at a Glance

(Amount in ₹ Billion)

Item	Financial Year	April–October			
	2014-15 (Budget Estimates)	2013-14 (Actuals)	2014-15 (Actuals)	Percentage to Budget Estimates	
				2013-14	2014-15
	1	2	3	4	5
1 Revenue Receipts	11,897.6	4,560.4	4,800.7	43.2	40.4
1.1 Tax Revenue (Net)	9,772.6	3,565.3	3,688.7	40.3	37.7
1.2 Non-Tax Revenue	2,125.1	995.2	1,112.0	57.8	52.3
2 Capital Receipts	6,051.3	4,659.7	4,820.2	76.5	79.7
2.1 Recovery of Loans	105.3	64.9	61.4	60.9	58.3
2.2 Other Receipts	634.3	15.9	1.2	2.8	0.2
2.3 Borrowings and Other Liabilities	5,311.8	4,578.9	4,757.5	84.4	89.6
3 Total Receipts (1+2)	17,948.9	9,220.1	9,620.9	55.4	53.6
4 Non-Plan Expenditure	12,198.9	6,539.5	6,951.0	58.9	57.0
4.1 On Revenue Account	11,146.1	5,918.2	6,415.0	59.6	57.6
4.1.1 Interest Payments	4,270.1	1,844.2	2,059.7	49.8	48.2
4.2 On Capital Account	1,052.8	621.3	536.0	53.1	50.9
5 Plan Expenditure	5,750.0	2,680.6	2,669.9	48.3	46.4
5.1 On Revenue Account	4,535.0	2,172.4	2,112.1	49.0	46.6
5.2 On Capital Account	1,215.0	508.2	557.8	45.4	45.9
6 Total Expenditure (4+5)	17,948.9	9,220.1	9,620.9	55.4	53.6
7 Revenue Expenditure (4.1+5.1)	15,681.1	8,090.5	8,527.1	56.3	54.4
8 Capital Expenditure (4.2+5.2)	2,267.8	1,129.6	1,093.8	49.3	48.2
9 Revenue Deficit (7-1)	3,783.5	3,530.1	3,726.3	92.9	98.5
10 Fiscal Deficit {6-(1+2.1+2.2)}	5,311.8	4,578.9	4,757.5	84.4	89.6
11 Gross Primary Deficit [10-4.1.1]	1,041.7	2,734.6	2,697.8	159.2	259.0

Source: Controller General of Accounts, Ministry of Finance, Government of India.

No. 24: Treasury Bills – Ownership Pattern

(₹ Billion)

Item	2013-14	2013	2014					
		Nov. 1	Sep. 26	Oct. 3	Oct. 10	Oct. 17	Oct. 24	Oct. 31
	1	2	3	4	5	6	7	8
1 14-day								
1.1 Banks	–	–	–	–	–	–	–	–
1.2 Primary Dealers	–	–	–	–	–	–	–	–
1.3 State Governments	1,101.8	816.2	755.3	778.7	529.9	624.2	693.4	638.6
1.4 Others	6.6	5.2	6.9	4.8	6.5	2.5	8.7	7.3
2 91-day								
2.1 Banks	286.0	317.9	338.6	299.4	331.3	324.0	304.8	325.1
2.2 Primary Dealers	286.9	211.4	377.1	352.3	346.0	343.4	331.6	363.7
2.3 State Governments	381.9	609.5	616.8	575.3	577.8	553.8	508.8	561.6
2.4 Others	300.3	401.9	443.8	414.6	477.6	493.9	428.9	472.6
3 182-day								
3.1 Banks	270.0	210.5	262.1	258.0	269.2	270.3	244.3	269.5
3.2 Primary Dealers	255.3	229.5	303.8	286.8	275.3	268.3	248.6	279.4
3.3 State Governments	74.1	9.8	6.3	6.3	11.9	11.9	11.9	12.1
3.4 Others	164.6	181.2	125.2	145.9	146.7	151.8	137.6	140.3
4 364-day								
4.1 Banks	356.1	247.4	451.5	426.2	476.6	450.2	449.4	375.6
4.2 Primary Dealers	480.7	615.0	497.0	453.1	508.6	470.5	540.6	565.2
4.3 State Governments	6.9	7.9	12.0	12.0	12.0	12.0	12.0	12.0
4.4 Others	523.6	469.8	465.1	474.5	425.9	491.1	421.5	470.9
5 Total	4,494.7	4,333.2	4,661.4	4,488.1	4,395.2	4,467.8	4,342.1	4,494.0

No. 25: Auctions of Treasury Bills

(Amount in ₹ Billion)

Date of Auction	Notified Amount	Bids Received			Bids Accepted			Total Issue (6+7)	Cut-off Price	Implicit Yield at Cut-off Price (per cent)
		Number	Total Face Value		Number	Total Face Value				
			Competitive	Non-Competitive		Competitive	Non-Competitive			
	1	2	3	4	5	6	7	8	9	10
91-day Treasury Bills										
2014-15										
Oct. 1	90	67	427.10	45.00	23	90.00	45.00	135.00	97.92	8.5201
Oct. 8	90	90	394.54	25.00	38	90.00	25.00	115.00	97.93	8.4782
Oct. 14	90	77	246.05	16.61	63	90.00	16.61	106.61	97.93	8.4782
Oct. 22	90	89	381.77	67.50	52	90.00	67.50	157.50	97.94	8.4364
Oct. 29	90	84	326.57	95.50	63	90.00	95.50	185.50	97.94	8.4364
182-day Treasury Bills										
2014-15										
Sep. 24	50	63	168.32	6.32	33	50.00	6.32	56.32	95.86	8.6613
Oct. 8	60	80	190.46	5.56	44	60.00	5.56	65.56	95.88	8.6177
Oct. 22	60	75	188.70	0.32	31	60.00	0.32	60.32	95.92	8.5305
364-day Treasury Bills										
2014-15										
Sep. 17	50	94	226.72	0.07	37	50.00	0.07	50.07	92.05	8.6603
Oct. 1	60	76	186.41	–	36	60.00	–	60.00	92.06	8.6485
Oct. 14	60	94	259.25	0.29	27	60.00	0.29	60.29	92.13	8.5657
Oct. 29	60	99	272.36	–	25	60.00	–	60.00	92.26	8.4124

Financial Markets

No. 26: Daily Call Money Rates

(Per cent per annum)

As on		Range of Rates	Weighted Average Rates
		Borrowings/ Lendings	Borrowings/ Lendings
		1	2
October	1, 2014	3.00-8.30	7.55
October	4, 2014	4.00-8.50	7.56
October	7, 2014	6.50-8.35	7.89
October	8, 2014	5.50-8.15	7.91
October	9, 2014	5.50-8.25	7.92
October	10, 2014	5.00-8.10	7.93
October	11, 2014	2.00-7.75	5.84
October	13, 2014	6.20-8.10	7.84
October	14, 2014	6.55-9.05	8.03
October	16, 2014	6.40-8.25	7.87
October	17, 2014	4.00-8.15	7.65
October	18, 2014	4.75-10.00	7.66
October	20, 2014	6.40-9.05	8.24
October	21, 2014	6.50-8.80	8.52
October	22, 2014	5.50-9.10	8.67
October	25, 2014	6.40-8.00	7.82
October	27, 2014	6.50-8.80	8.16
October	28, 2014	6.50-8.50	7.84
October	29, 2014	6.50-8.25	7.90
October	30, 2014	6.25-8.30	7.99
October	31, 2014	6.30-8.05	7.70
November	1, 2014	0.50-8.00	5.60
November	3, 2014	6.30-8.15	7.65
November	5, 2014	6.00-8.15	7.66
November	7, 2014	6.00-8.15	7.74
November	8, 2014	6.00-9.75	7.37
November	10, 2014	6.30-8.20	7.74
November	11, 2014	6.30-8.95	8.11
November	12, 2014	6.25-8.80	7.93
November	13, 2014	6.30-9.00	7.88
November	14, 2014	5.50-8.25	7.85
November	15, 2014	4.50-8.00	6.42

No. 27: Certificates of Deposit

Item	2013	2014			
	Oct. 18	Sep. 19	Oct. 3	Oct. 17	Oct. 31
	1	2	3	4	5
1 Amount Outstanding (₹ Billion)	3,377.7	2,975.9	2,809.5	2,787.7	2,625.1
1.1 Issued during the fortnight (₹ Billion)	32.5	254.7	174.3	141.9	104.1
2 Rate of Interest (per cent)	8.90-9.85	8.60-9.23	8.52-9.25	8.34-9.40	8.31-8.98

No. 28: Commercial Paper

Item	2013	2014			
	Oct. 31	Sep. 15	Sep. 30	Oct. 15	Oct. 31
	1	2	3	4	5
1 Amount Outstanding (₹ Billion)	1,574.5	2,329.9	1,843.5	2,241.8	2,185.3
1.1 Reported during the fortnight (₹ Billion)	337.2	685.3	515.8	501.6	346.5
2 Rate of Interest (per cent)	8.63-12.39	8.26-12.00	8.44-12.60	8.34-11.62	7.55-11.75

No. 29: Average Daily Turnover in Select Financial Markets

(₹ Billion)

Item	2013-14	2013	2014					
		Nov. 1	Sep. 26	Oct. 3	Oct. 10	Oct. 17	Oct. 24	Oct. 31
	1	2	3	4	5	6	7	8
1 Call Money	230.7	192.1	204.8	186.3	182.3	174.2	156.3	186.1
2 Notice Money	71.6	69.6	53.8	99.6	70.7	72.8	67.5	57.5
3 Term Money	5.4	2.6	3.2	2.3	9.5	6.1	4.4	4.5
4 CBLO	1,196.3	1,053.9	1,223.7	1,007.5	1,118.5	958.6	911.0	1,111.5
5 Market Repo	986.8	1,066.2	1,137.9	1,195.9	1,007.6	1,113.8	895.6	1,131.7
6 Repo in Corporate Bond	0.3	–	–	–	–	–	–	–
7 Forex (US $ million)	50,568	47,099	60,192	72,784	63,315	61,128	57,660	60,075
8 Govt. of India Dated Securities	662.5	458.0	583.8	707.7	819.7	895.8	755.0	805.4
9 State Govt. Securities	12.8	6.1	10.1	4.9	6.4	13.8	19.4	11.8
10 Treasury Bills								
10.1 91-Day	26.7	41.3	31.6	38.4	52.5	30.2	13.4	47.1
10.2 182-Day	12.9	15.2	11.1	5.4	19.6	6.3	6.7	11.9
10.3 364-Day	25.4	28.2	12.9	23.0	27.9	20.1	23.9	18.3
10.4 Cash Management Bills	7.3	–	–	–	–	–	–	–
11 Total Govt. Securities (8+9+10)	740.3	548.7	649.6	779.4	926.1	966.3	818.5	894.5
11.1 RBI	4.0	1.4	6.7	5.7	5.9	19.2	5.7	6.4

No. 30: New Capital Issues By Non-Government Public Limited Companies

(Amount in ₹ Billion)

Security & Type of Issue	2013-14		2013-14 (Apr.-Oct.)		2014-15 (Apr.-Oct.) *		Oct. 2013		Oct. 2014 *	
	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount
	1	2	3	4	5	6	7	8	9	10
1 Equity Shares	53	58.1	30	33.1	37	38.3	6	0.8	2	0.1
1A Premium	43	53.2	25	30.0	33	24.6	5	0.6	1	–
1.1 Prospectus	38	12.4	21	11.4	27	10.4	5	0.8	2	0.1
1.1.1 Premium	30	10.7	18	10.3	25	9.0	5	0.6	1	–
1.2 Rights	15	45.8	9	21.7	10	28.0	1	–	–	–
1.2.1 Premium	13	42.5	7	19.7	8	15.6	–	–	–	–
2 Preference Shares	–	–	–	–	–	–	–	–	–	–
2.1 Prospectus	–	–	–	–	–	–	–	–	–	–
2.2 Rights	–	–	–	–	–	–	–	–	–	–
3 Debentures	17	58.7	6	28.2	17	57.0	1	5.0	–	–
3.1 Convertible	–	–	–	–	–	–	–	–	–	–
3.1.1 Prospectus	–	–	–	–	–	–	–	–	–	–
3.1.2 Rights	–	–	–	–	–	–	–	–	–	–
3.2 Non-Convertible	17	58.7	6	28.2	17	57.0	1	5.0	–	–
3.2.1 Prospectus	17	58.7	6	28.2	17	57.0	1	5.0	–	–
3.2.2 Rights	–	–	–	–	–	–	–	–	–	–
4 Bonds	–	–	–	–	–	–	–	–	–	–
4.1 Prospectus	–	–	–	–	–	–	–	–	–	–
4.2 Rights	–	–	–	–	–	–	–	–	–	–
5 Total (1+2+3+4)	70	116.8	36	61.3	54	95.4	7	5.8	2	0.1
5.1 Prospectus	55	71.0	27	39.6	44	67.4	6	5.8	2	0.1
5.2 Rights	15	45.8	9	21.7	10	28.0	1	–	–	–

* : Data is Provisional

Source: Based on prospectus/advertisements issued by companies, replies to Reserve Bank's questionnaire and information received from SEBI, stock exchanges, press reports, etc.

External Sector

No. 31: Foreign Trade

Item	Unit	2013-14	2013	2014				
			Oct.	Jun.	Jul.	Aug.	Sep.	Oct.
		1	2	3	4	5	6	7
1 Exports	₹ Billion	19,050.1	1,693.2	1,561.2	1,676.8	1,607.6	1,758.7	1,600.7
	US $ Million	314,415.7	27,480.1	26,137.4	27,919.2	26,399.6	28,894.6	26,094.1
1.1 Oil	₹ Billion	3,832.5	347.2	350.9	446.7	308.4	365.2	..
	US $ Million	63,179.4	5,634.3	5,875.2	7,438.1	5,064.4	6,000.6	..
1.2 Non-oil	₹ Billion	15,217.6	1,346.0	1,210.3	1,230.1	1,299.2	1,393.4	..
	US $ Million	251,236.3	21,845.9	20,262.2	20,481.1	21,335.3	22,894.0	..
2 Imports	₹ Billion	27,154.3	2,346.0	2,298.8	2,408.9	2,281.3	2,616.1	2,420.0
	US $ Million	450,213.6	38,075.0	38,485.6	40,108.6	37,463.1	42,981.4	39,451.5
2.1 Oil	₹ Billion	9,978.9	942.0	795.6	875.3	780.1	882.4	758.5
	US $ Million	164,770.3	15,293.6	13,319.1	14,574.5	12,810.7	14,497.3	12,365.2
2.2 Non-oil	₹ Billion	17,175.5	1,404.0	1,503.2	1,533.5	1,501.2	1,733.7	1,661.5
	US $ Million	285,443.3	22,781.4	25,166.5	25,534.1	24,652.4	28,484.1	27,086.3
3 Trade Balance	₹ Billion	–8,104.2	–652.8	–737.6	–732.1	–673.7	–857.4	–819.4
	US $ Million	–135,797.9	–10,594.9	–12,348.2	–12,189.4	–11,063.4	–14,086.9	–13,357.5
3.1 Oil	₹ Billion	–6,146.4	–594.9	–444.6	–428.6	–471.7	–517.2	..
	US $ Million	–101,591.0	–9,659.3	–7,443.9	–7,136.5	–7,746.3	–8,496.7	..
3.2 Non-oil	₹ Billion	–1,957.9	–57.9	–292.9	–303.5	–202.0	–340.2	..
	US $ Million	–34,206.9	–935.5	–4,904.3	–5,052.9	–3,317.1	–5,590.2	..

Source: DGCI & S and Ministry of Commerce & Industry.

No. 32: Foreign Exchange Reserves

Item	Unit	2013	2014					
		Nov. 29	Oct. 24	Oct. 31	Nov. 7	Nov. 14	Nov. 21	Nov. 28
		1	2	3	4	5	6	7
1 Total Reseves	**₹ Billion**	**18,155**	**19,283**	**19,431**	**19,413**	**19,473**	**19,486**	**19,607**
	US $ Million	**291,301**	**314,178**	**315,910**	**315,132**	**315,551**	**314,879**	**316,312**
1.1 Foreign Currency Assets	₹ Billion	16,456	17,693	17,862	17,847	17,906	17,918	18,039
	US $ Million	263,736	288,332	290,366	289,640	290,062	289,398	290,822
1.2 Gold	₹ Billion	1,304	1,233	1,212	1,212	1,212	1,212	1,212
	US $ Million	21,227	20,013	19,738	19,738	19,738	19,738	19,738
1.3 SDRs	SDRs Million	2,887	2,889	2,889	2,889	2,889	2,889	2,889
	₹ Billion	277	263	262	260	261	261	262
	US $ Million	4,433	4,290	4,270	4,232	4,229	4,224	4,230
1.4 Reserve Tranche Position in IMF	₹ Billion	119	94	94	94	94	94	94
	US $ Million	1,905	1,543	1,536	1,522	1,521	1,519	1,521

No. 33: NRI Deposits

(US$ Million)

Scheme	Outstanding				Flows	
	2013-14	2013	2014		2013-14	2014-15
		Oct.	Sep.	Oct.	Apr.-Oct.	Apr.-Oct.
	1	2	3	4	5	6
1 NRI Deposits	**103,844**	**82,618**	**108,724**	**110,011**	**18,983**	**7,586**
1.1 FCNR(B)	41,823	24,737	42,872	42,700	9,549	877
1.2 NR(E)RA	52,908	49,257	56,739	58,081	9,358	6,396
1.3 NRO	9,114	8,623	9,113	9,230	75	313

No. 34: Foreign Investment Inflows

(US$ Million)

Item	2013-14	2013-14	2014-15	2013	2014	
		Apr.-Oct.	Apr.-Oct.	Oct.	Sep.	Oct.
	1	2	3	4	5	6
1.1 Net Foreign Direct Investment (1.1.1–1.1.2)	**21,564**	**16,630**	**19,456**	**2,040**	**2,897**	**2,801**
1.1.1 Direct Investment to India (1.1.1.1–1. 1.1.2)	**30,762**	**17,036**	**20,782**	**1,830**	**3,128**	**3,171**
1.1.1.1 Gross Inflows/Gross Investments	**36,046**	**20,216**	**25,287**	**2,300**	**4,221**	**3,731**
1.1.1.1.1 Equity	25,274	14,357	17,665	1,312	2,534	2,741
1.1.1.1.1.1 Government (SIA/FIPB)	1,185	753	1,200	89	354	8
1.1.1.1.1.2 RBI	14,869	6,498	10,828	815	1,827	2,227
1.1.1.1.1.3 Acquisition of shares	8,245	6,569	5,100	323	277	420
1.1.1.1.1.4 Equity capital of unincorporated bodies	975	536	537	86	76	86
1.1.1.1.2 Reinvested earnings	8,978	4,938	4,938	791	696	791
1.1.1.1.3 Other capital	1,794	921	2,684	197	991	198
1.1.1.2 Repatriation/Disinvestment	**5,284**	**3,180**	**4,506**	**470**	**1,093**	**559**
1.1.1.2.1 Equity	4,786	2,819	4,386	441	1,092	552
1.1.1.2.2 Other capital	498	361	119	29	0	7
1.1.2 Foreign Direct Investment by India (1.1.2.1+1.1.2.2+1.1.2.3–1.1.2.4)	**9,199**	**406**	**1,325**	**–209**	**231**	**370**
1.1.2.1 Equity capital	12,420	2,163	1,994	347	394	369
1.1.2.2 Reinvested Earnings	1,167	672	672	99	99	99
1.1.2.3 Other Capital	3,148	2,000	2,140	179	238	275
1.1.2.4 Repatriation/Disinvestment	7,535	4,428	3,482	834	500	373
1.2 Net Portfolio Investment (1.2.1+1.2.2+1.2.3–1.2.4)	**4,822**	**–7,240**	**23,990**	**–414**	**2,390**	**1,787**
1.2.1 GDRs/ADRs	20	20	–	–	–	–
1.2.2 FIIs	5,009	–7,412	24,059	–366	2,364	1,722
1.2.3 Offshore funds and others	–	–	–	–	–	–
1.2.4 Portfolio investment by India	207	–152	69	48	–26	–65
1 Foreign Investment Inflows	**26,385**	**9,389**	**43,446**	**1,626**	**5,287**	**4,588**

No. 35: Outward Remittances under the Liberalised Remittance Scheme (LRS) for Resident Individuals

(US$ Million)

Item	2013-14	2013	2014		
		Sep.	Jul.	Aug.	Sep.
	1	2	3	4	5
1 Outward Remittances under the LRS	**1,093.9**	**72.2**	**90.2**	**90.2**	**110.2**
1.1 Deposit	31.6	1.3	4.2	2.7	4.0
1.2 Purchase of immovable property	58.7	3.8	0.8	3.3	3.3
1.3 Investment in equity/debt	165.5	9.8	16.2	12.9	16.1
1.4 Gift	267.1	15.9	29.8	24.7	32.0
1.5 Donations	2.0	0.1	0.1	0.2	0.1
1.6 Travel	15.9	1.0	0.4	0.6	0.8
1.7 Maintenance of close relatives	173.9	9.4	11.1	11.0	14.0
1.8 Medical Treatment	4.7	0.4	0.4	1.1	0.5
1.9 Studies Abroad	159.3	14.5	18.2	24.3	29.0
1.10 Others	215.3	16.2	9.0	9.4	10.4

No. 36: Indices of Real Effective Exchange Rate (REER) and Nominal Effective Exchange Rate (NEER) of the Indian Rupee

Item	2012-13	2013-14	2013	2014	
			November	October	November
	1	2	3	4	5
36-Currency Export and Trade Based Weights (Base: 2004-05=100)					
1 Trade-Based Weights					
1.1 NEER	78.32	72.32	69.98	73.69	74.28
1.2 REER	105.57	103.27	102.96	109.10	109.97
2 Export-Based Weights					
2.1 NEER	80.05	73.56	71.01	74.81	75.27
2.2 REER	108.71	105.48	104.96	111.43	112.12
6-Currency Trade Based Weights					
1 Base: 2004-05 (April-March) =100					
1.1 NEER	75.59	67.75	64.99	68.04	68.44
1.2 REER	117.15	112.77	111.89	119.77	120.49
2 Base: 2013-14 (April-March) =100					
2.1 NEER	111.57	100.00	95.92	100.42	101.02
2.2 REER	103.88	100.00	99.22	106.20	106.84

No. 37: External Commercial Borrowings (ECBs)

(Amount in US$ Million)

Item	2013-14	2013	2014	
		Oct.	Sep.	Oct.
	1	2	3	4
1 Automatic Route				
1.1 Number	573	41	79	56
1.2 Amount	12,340	720	2,844	2,711
2 Approval Route				
2.1 Number	140	12	6	3
2.2 Amount	20,892	1,207	333	69
3 Total (1+2)				
3.1 Number	713	53	85	59
3.2 Amount	33,232	1,927	3,177	2,780
4 Weighted Average Maturity (in years)	4.88	5.26	4.66	5.90
5 Interest Rate (per cent)				
5.1 Weighted Average Margin over 6-month LIBOR or reference rate for Floating Rate Loans	1.98	2.16	2.21	1.88
5.2 Interest rate range for Fixed Rate Loans	0.00-12.79	0.00-10.50	0.00-11.00	0.00-9.00

No. 38: India's Overall Balance of Payments

(US $ Million)

Item	Apr-Jun 2013 (PR) Credit	Apr-Jun 2013 (PR) Debit	Apr-Jun 2013 (PR) Net	Apr-Jun 2014 (P) Credit	Apr-Jun 2014 (P) Debit	Apr-Jun 2014 (P) Net
	1	2	3	4	5	6
Overall Balance of Payments(1+2+3)	**266,538**	**266,884**	**–346**	**286,376**	**275,197**	**11,179**
1 CURRENT ACCOUNT (1.1+ 1.2)	**130,958**	**152,747**	**–21,789**	**139,186**	**147,046**	**–7,860**
1.1 MERCHANDISE	**73,909**	**124,393**	**–50,484**	**81,712**	**116,360**	**–34,648**
1.2 INVISIBLES (1.2.1+1.2.2+1.2.3)	**57,049**	**28,354**	**28,695**	**57,474**	**30,686**	**26,788**
1.2.1 Services	36,522	19,655	16,868	37,568	20,499	17,069
1.2.1.1 Travel	3,825	2,999	826	4,232	3,838	394
1.2.1.2 Transportation	4,134	3,696	438	4,452	3,931	521
1.2.1.3 Insurance	503	263	240	537	304	234
1.2.1.4 G.n.i.e.	130	300	–169	132	248	–115
1.2.1.5 Miscellaneous	27,930	12,397	15,533	28,213	12,178	16,035
1.2.1.5.1 Software Services	16,484	350	16,134	17,533	519	17,014
1.2.1.5.2 Business Services	7,263	6,696	567	7,066	6,306	761
1.2.1.5.3 Financial Services	1,799	2,390	–591	1,581	1,415	166
1.2.1.5.4 Communication Services	635	426	209	450	262	188
1.2.2 Transfers	18,001	1,343	16,658	17,561	1,149	16,413
1.2.2.1 Official	131	265	–134	50	263	–213
1.2.2.2 Private	17,870	1,078	16,792	17,512	885	16,626
1.2.3 Income	2,526	7,357	–4,830	2,345	9,039	–6,694
1.2.3.1 Investment Income	1,777	6,784	–5,007	1,501	8,350	–6,849
1.2.3.2 Compensation of Employees	750	573	177	844	689	155
2 CAPITAL ACCOUNT (2.1+2.2+2.3+2.4+2.5)	**134,692**	**114,136**	**20,556**	**147,190**	**127,360**	**19,830**
2.1 Foreign Investment (2.1.1+2.1.2)	**65,201**	**58,938**	**6,263**	**80,837**	**60,229**	**20,607**
2.1.1 Foreign Direct Investment	10,486	3,998	6,488	11,810	3,642	8,168
2.1.1.1 In India	8,129	1,653	6,476	10,247	1,957	8,291
2.1.1.1.1 Equity	5,619	1,526	4,093	7,459	1,904	5,555
2.1.1.1.2 Reinvested Earnings	2,059	–	2,059	2,059	–	2,059
2.1.1.1.3 Other Capital	451	127	324	729	53	677
2.1.1.2 Abroad	2,357	2,346	11	1,562	1,685	–123
2.1.1.2.1 Equity	2,357	1,091	1,266	1,562	695	867
2.1.1.2.2 Reinvested Earnings	–	276	–276	–	276	–276
2.1.1.2.3 Other Capital	–	978	–978	–	714	–714
2.1.2 Portfolio Investment	54,715	54,939	–225	69,027	56,587	12,440
2.1.2.1 In India	54,203	54,665	–462	68,858	56,393	12,465
2.1.2.1.1 FIIs	54,183	54,665	–482	68,858	56,393	12,465
2.1.2.1.1.1 Equity	40,759	35,887	4,872	52,715	45,224	7,491
2.1.2.1.1.2 Debt	13,424	18,778	–5,354	16,143	11,169	4,974
2.1.2.1.2 ADR/GDRs	20	–	20	–	–	–
2.1.2.2 Abroad	512	274	237	169	194	–25
2.2 Loans (2.2.1+2.2.2+2.2.3)	**37,577**	**33,931**	**3,647**	**34,134**	**32,271**	**1,863**
2.2.1 External Assistance	1,043	751	292	1,215	1,265	–50
2.2.1.1 By India	12	62	–50	16	129	–113
2.2.1.2 To India	1,031	689	342	1,200	1,136	63
2.2.2 Commercial Borrowings	5,834	4,931	903	8,819	7,129	1,690
2.2.2.1 By India	537	56	481	446	164	282
2.2.2.2 To India	5,297	4,875	422	8,374	6,965	1,409
2.2.3 Short Term to India	30,700	28,249	2,451	24,099	23,877	222
2.2.3.1 Suppliers' Credit > 180 days & Buyers' Credit	30,415	28,249	2,166	23,428	23,877	–448
2.2.3.2 Suppliers' Credit up to 180 days	285	–	285	671	–	671
2.3 Banking Capital (2.3.1+2.3.2)	**25,989**	**15,664**	**10,325**	**24,064**	**24,179**	**–115**
2.3.1 Commercial Banks	25,877	15,664	10,212	23,969	24,179	–210
2.3.1.1 Assets	6,539	461	6,078	8,279	8,234	45
2.3.1.2 Liabilities	19,337	15,204	4,134	15,690	15,945	–255
2.3.1.2.1 Non-Resident Deposits	18,380	12,837	5,542	15,117	12,708	2,409
2.3.2 Others	113	–	113	95	–	95
2.4 Rupee Debt Service	–	25	–25	–	56	–56
2.5 Other Capital	5,924	5,578	346	8,156	10,626	–2,470
3 Errors & Omissions	**887**	–	**887**	–	**791**	**–791**
4 Monetary Movements (4.1+ 4.2)	**346**	–	**346**	–	**11,179**	**–11,179**
4.1 I.M.F.	–	–	–	–	–	–
4.2 Foreign Exchange Reserves (Increase - / Decrease +)	346	–	346	–	11,179	–11,179

No. 39: India's Overall Balance of Payments

(₹ Billion)

Item	Apr-Jun 2013 (PR)			Apr-Jun 2014 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
Overall Balance of Payments(1+2+3)	**14,907**	**14,926**	**–19**	**17,125**	**16,456**	**668**
1 CURRENT ACCOUNT (1.1+ 1.2)	**7,324**	**8,543**	**–1,219**	**8,323**	**8,793**	**–470**
1.1 MERCHANDISE	**4,134**	**6,957**	**–2,823**	**4,886**	**6,958**	**–2,072**
1.2 INVISIBLES (1.2.1+1.2.2+1.2.3)	**3,191**	**1,586**	**1,605**	**3,437**	**1,835**	**1,602**
1.2.1 Services	2,043	1,099	943	2,246	1,226	1,021
1.2.1.1 Travel	214	168	46	253	230	24
1.2.1.2 Transportation	231	207	24	266	235	31
1.2.1.3 Insurance	28	15	13	32	18	14
1.2.1.4 G.n.i.e.	7	17	–9	8	15	–7
1.2.1.5 Miscellaneous	1,562	693	869	1,687	728	959
1.2.1.5.1 Software Services	922	20	902	1,048	31	1,017
1.2.1.5.2 Business Services	406	375	32	423	377	45
1.2.1.5.3 Financial Services	101	134	–33	95	85	10
1.2.1.5.4 Communication Services	36	24	12	27	16	11
1.2.2 Transfers	1,007	75	932	1,050	69	981
1.2.2.1 Official	7	15	–7	3	16	–13
1.2.2.2 Private	999	60	939	1,047	53	994
1.2.3 Income	141	411	–270	140	540	–400
1.2.3.1 Investment Income	99	379	–280	90	499	–410
1.2.3.2 Compensation of Employees	42	32	10	50	41	9
2 CAPITAL ACCOUNT (2.1+2.2+2.3+2.4+2.5)	**7,533**	**6,383**	**1,150**	**8,802**	**7,616**	**1,186**
2.1 Foreign Investment (2.1.1+2.1.2)	3,647	3,296	350	4,834	3,602	1,232
2.1.1 Foreign Direct Investment	586	224	363	706	218	488
2.1.1.1 In India	455	92	362	613	117	496
2.1.1.1.1 Equity	314	85	229	446	114	332
2.1.1.1.2 Reinvested Earnings	115	–	115	123	–	123
2.1.1.1.3 Other Capital	25	7	18	44	3	40
2.1.1.2 Abroad	132	131	1	93	101	–7
2.1.1.2.1 Equity	132	61	71	93	42	52
2.1.1.2.2 Reinvested Earnings	–	15	–15	–	17	–17
2.1.1.2.3 Other Capital	–	55	–55	–	43	–43
2.1.2 Portfolio Investment	3,060	3,073	–13	4,128	3,384	744
2.1.2.1 In India	3,031	3,057	–26	4,118	3,372	745
2.1.2.1.1 FIIs	3,030	3,057	–27	4,118	3,372	745
2.1.2.1.1.1 Equity	2,280	2,007	273	3,152	2,704	448
2.1.2.1.1.2 Debt	751	1,050	–299	965	668	297
2.1.2.1.2 ADR/GDRs	1	–	1	–	–	–
2.1.2.2 Abroad	29	15	13	10	12	–1
2.2 Loans (2.2.1+2.2.2+2.2.3)	**2,102**	**1,898**	**204**	**2,041**	**1,930**	**111**
2.2.1 External Assistance	58	42	16	73	76	–3
2.2.1.1 By India	1	3	–3	1	8	–7
2.2.1.2 To India	58	39	19	72	68	4
2.2.2 Commercial Borrowings	326	276	51	527	426	101
2.2.2.1 By India	30	3	27	27	10	17
2.2.2.2 To India	296	273	24	501	416	84
2.2.3 Short Term to India	1,717	1,580	137	1,441	1,428	13
2.2.3.1 Suppliers' Credit > 180 days & Buyers' Credit	1,701	1,580	121	1,401	1,428	–27
2.2.3.2 Suppliers' Credit up to 180 days	16	–	16	40	–	40
2.3 Banking Capital (2.3.1+2.3.2)	**1,454**	**876**	**577**	**1,439**	**1,446**	**–7**
2.3.1 Commercial Banks	1,447	876	571	1,433	1,446	–13
2.3.1.1 Assets	366	26	340	495	492	3
2.3.1.2 Liabilities	1,081	850	231	938	953	–15
2.3.1.2.1 Non-Resident Deposits	1,028	718	310	904	760	144
2.3.2 Others	6	–	6	6	–	6
2.4 Rupee Debt Service	–	1	–1	–	3	–3
2.5 Other Capital	331	312	19	488	635	–148
3 Errors & Omissions	**50**	–	**50**	–	**47**	**–47**
4 Monetary Movements (4.1+ 4.2)	**19**	–	**19**	–	**668**	**–668**
4.1 I.M.F.	–	–	–	–	–	–
4.2 Foreign Exchange Reserves (Increase - / Decrease +)	19	–	19	–	668	–668

No. 40: Standard Presentation of BoP in India as per BPM6

(US $ Million)

Item	Apr-Jun 2013 (PR)			Apr-Jun 2014 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account (1.A+1.B+1.C)	**130,950**	**152,722**	**–21,772**	**139,184**	**147,021**	**–7,837**
1.A Goods and Services (1.A.a+1.A.b)	**110,431**	**144,047**	**–33,616**	**119,280**	**136,859**	**–17,580**
1.A.a Goods (1.A.a.1 to 1.A.a.3)	**73,909**	**124,393**	**–50,484**	**81,712**	**116,360**	**–34,648**
1.A.a.1 General merchandise on a BOP basis	73,909	107,907	–33,998	81,712	109,312	–27,600
1.A.a.2 Net exports of goods under merchanting	–	–	–	–	–	–
1.A.a.3 Nonmonetary gold	–	16,486	–16,486	–	7,049	–7,049
1.A.b Services (1.A.b.1 to 1.A.b.13)	**36,522**	**19,654**	**16,868**	**37,568**	**20,499**	**17,069**
1.A.b.1 Manufacturing services on physical inputs owned by others	10	9	1	34	10	24
1.A.b.2 Maintenance and repair services n.i.e.	63	94	–30	31	59	–28
1.A.b.3 Transport	4,134	3,696	438	4,452	3,931	521
1.A.b.4 Travel	3,825	2,999	826	4,232	3,838	394
1.A.b.5 Construction	341	334	7	504	289	215
1.A.b.6 Insurance and pension services	503	263	240	537	304	234
1.A.b.7 Financial services	1,799	2,390	–591	1,581	1,415	166
1.A.b.8 Charges for the use of intellectual property n.i.e.	94	1,071	–977	198	1,392	–1,194
1.A.b.9 Telecommunications, computer, and information services	17,140	896	16,244	18,072	880	17,192
1.A.b.10 Other business services	7,263	6,696	567	7,066	6,306	761
1.A.b.11 Personal, cultural, and recreational services	362	141	221	301	317	–16
1.A.b.12 Government goods and services n.i.e.	130	300	–169	132	248	–115
1.A.b.13 Others n.i.e.	857	766	91	427	1,511	–1,084
1.B Primary Income (1.B.1 to 1.B.3)	**2,526**	**7,357**	**–4,830**	**2,345**	**9,039**	**–6,694**
1.B.1 Compensation of employees	750	573	177	844	689	155
1.B.2 Investment income	1,559	6,678	–5,119	1,253	8,210	–6,958
1.B.2.1 Direct investment	463	2,840	–2,377	445	3,675	–3,230
1.B.2.2 Portfolio investment	309	1,314	–1,005	14	1,594	–1,580
1.B.2.3 Other investment	58	2,523	–2,465	125	2,940	–2,815
1.B.2.4 Reserve assets	729	1	728	669	2	667
1.B.3 Other primary income	217	105	112	248	140	109
1.C Secondary Income (1.C.1+1.C.2)	**17,992**	**1,318**	**16,675**	**17,559**	**1,123**	**16,436**
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	17,870	1,078	16,792	17,512	885	16,626
1.C.1.1 Personal transfers (Current transfers between resident and/ non-resident households)	17,210	997	16,213	16,842	798	16,044
1.C.1.2 Other current transfers	660	81	579	670	88	582
1.C.2 General government	123	239	–117	48	237	–190
2 Capital Account (2.1+2.2)	**1,043**	**276**	**767**	**138**	**121**	**18**
2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets	8	9	–2	76	72	4
2.2 Capital transfers	1,036	267	769	63	49	13
3 Financial Account (3.1 to 3.5)	**134,012**	**113,895**	**20,118**	**147,126**	**138,515**	**8,610**
3.1 Direct Investment (3.1A+3.1B)	**10,486**	**3,998**	**6,488**	**11,810**	**3,642**	**8,168**
3.1.A Direct Investment in India	8,129	1,653	6,476	10,247	1,957	8,291
3.1.A.1 Equity and investment fund shares	7,678	1,526	6,152	9,518	1,904	7,614
3.1.A.1.1 Equity other than reinvestment of earnings	5,619	1,526	4,093	7,459	1,904	5,555
3.1.A.1.2 Reinvestment of earnings	2,059	–	2,059	2,059	–	2,059
3.1.A.2 Debt instruments	451	127	324	729	53	677
3.1.A.2.1 Direct investor in direct investment enterprises	451	127	324	729	53	677
3.1.B Direct Investment by India	2,357	2,346	11	1,562	1,685	–123
3.1.B.1 Equity and investment fund shares	2,357	1,367	990	1,562	971	591
3.1.B.1.1 Equity other than reinvestment of earnings	2,357	1,091	1,266	1,562	695	867
3.1.B.1.2 Reinvestment of earnings	–	276	–276	–	276	–276
3.1.B.2 Debt instruments	–	978	–978	–	714	–714
3.1.B.2.1 Direct investor in direct investment enterprises	–	978	–978	–	714	–714
3.2 Portfolio Investment	**54,695**	**54,939**	**–245**	**69,027**	**56,587**	**12,440**
3.2.A Portfolio Investment in India	54,183	54,665	–482	68,858	56,393	12,465
3.2.1 Equity and investment fund shares	40,759	35,887	4,872	52,715	45,224	7,491
3.2.2 Debt securities	13,424	18,778	–5,354	16,143	11,169	4,974
3.2.B Portfolio Investment by India	512	274	237	169	194	–25
3.3 Financial derivatives (other than reserves) and employee stock options	**1,735**	**2,280**	**–545**	**6,008**	**3,996**	**2,012**
3.4 Other investment	**66,750**	**52,677**	**14,073**	**60,281**	**63,111**	**–2,830**
3.4.1 Other equity (ADRs/GDRs)	20	–	20	–	–	–
3.4.2 Currency and deposits	18,492	12,837	5,655	15,212	12,708	2,504
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	113	–	113	95	–	95
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	18,380	12,837	5,542	15,117	12,708	2,409
3.4.2.3 General government	–	–	–	–	–	–
3.4.2.4 Other sectors	–	–	–	–	–	–
3.4.3 Loans (External Assistance, ECBs and Banking Capital)	14,374	8,509	5,865	18,887	19,865	–978
3.4.3.A Loans to India	13,825	8,391	5,434	18,425	19,572	–1,147
3.4.3.B Loans by India	549	118	431	462	293	169
3.4.4 Insurance, pension, and standardized guarantee schemes	15	99	–84	29	32	–3
3.4.5 Trade credit and advances	30,700	28,249	2,451	24,099	23,877	222
3.4.6 Other accounts receivable/payable - other	3,149	2,983	166	2,054	6,630	–4,575
3.4.7 Special drawing rights	–	–	–	–	–	–
3.5 Reserve assets	**346**	–	**346**	–	**11,179**	**–11,179**
3.5.1 Monetary gold	–	–	–	–	–	–
3.5.2 Special drawing rights n.a.	–	–	–	–	–	–
3.5.3 Reserve position in the IMF n.a.	–	–	–	–	–	–
3.5.4 Other reserve assets (Foreign Currency Assets)	346	–	346	–	11,179	–11,179
4 Total assets/liabilities	**134,012**	**113,895**	**20,118**	**147,126**	**138,515**	**8,610**
4.1 Equity and investment fund shares	53,056	41,433	11,623	70,001	52,321	17,680
4.2 Debt instruments	77,442	69,479	7,963	75,070	68,385	6,685
4.3 Other financial assets and liabilities	3,515	2,983	532	2,054	17,809	–15,754
5 Net errors and omissions	**887**	–	**887**	–	**791**	**–791**

No. 41: Standard Presentation of BoP in India as per BPM6

(₹ Billion)

Item	Apr-Jun 2013 (PR)			Apr-Jun 2014 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account (1.A+1.B+1.C)	**7,324**	**8,541**	**–1,218**	**8,323**	**8,791**	**–469**
1.A Goods and Services (1.A.a+1.A.b)	**6,176**	**8,056**	**–1,880**	**7,133**	**8,184**	**–1,051**
1.A.a Goods (1.A.a.1 to 1.A.a.3)	**4,134**	**6,957**	**–2,823**	**4,886**	**6,958**	**–2,072**
1.A.a.1 General merchandise on a BOP basis	4,134	6,035	–1,901	4,886	6,537	–1,650
1.A.a.2 Net exports of goods under merchanting	–	–	–	–	–	–
1.A.a.3 Nonmonetary gold	–	922	–922	–	421	–421
1.A.b Services (1.A.b.1 to 1.A.b.13)	**2,043**	**1,099**	**943**	**2,246**	**1,226**	**1,021**
1.A.b.1 Manufacturing services on physical inputs owned by others	1	1	–	2	1	1
1.A.b.2 Maintenance and repair services n.i.e.	4	5	–2	2	4	–2
1.A.b.3 Transport	231	207	24	266	235	31
1.A.b.4 Travel	214	168	46	253	230	24
1.A.b.5 Construction	19	19	–	30	17	13
1.A.b.6 Insurance and pension services	28	15	13	32	18	14
1.A.b.7 Financial services	101	134	–33	95	85	10
1.A.b.8 Charges for the use of intellectual property n.i.e.	5	60	–55	12	83	–71
1.A.b.9 Telecommunications, computer, and information services	959	50	908	1,081	53	1,028
1.A.b.10 Other business services	406	375	32	423	377	45
1.A.b.11 Personal, cultural, and recreational services	20	8	12	18	19	–1
1.A.b.12 Government goods and services n.i.e.	7	17	–9	8	15	–7
1.A.b.13 Others n.i.e.	48	43	5	26	90	–65
1.B Primary Income (1.B.1 to 1.B.3)	**141**	**411**	**–270**	**140**	**540**	**–400**
1.B.1 Compensation of employees	42	32	10	50	41	9
1.B.2 Investment income	87	374	–286	75	491	–416
1.B.2.1 Direct investment	26	159	–133	27	220	–193
1.B.2.2 Portfolio investment	17	73	–56	1	95	–94
1.B.2.3 Other investment	3	141	–138	7	176	–168
1.B.2.4 Reserve assets	41	–	41	40	–	40
1.B.3 Other primary income	12	6	6	15	8	7
1.C Secondary Income (1.C.1+1.C.2)	**1,006**	**74**	**933**	**1,050**	**67**	**983**
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	999	60	939	1,047	53	994
1.C.1.1 Personal transfers (Current transfers between resident and/ non-resident households)	962	56	907	1,007	48	959
1.C.1.2 Other current transfers	37	5	32	40	5	35
1.C.2 General government	7	13	–7	3	14	–11
2 Capital Account (2.1+2.2)	**58**	**15**	**43**	**8**	**7**	**1**
2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets	–	1	–	5	4	–
2.2 Capital transfers	58	15	43	4	3	1
3 Financial Account (3.1 to 3.5)	**7,495**	**6,370**	**1,125**	**8,798**	**8,283**	**515**
3.1 Direct Investment (3.1A+3.1B)	**586**	**224**	**363**	**706**	**218**	**488**
3.1.A Direct Investment in India	455	92	362	613	117	496
3.1.A.1 Equity and investment fund shares	429	85	344	569	114	455
3.1.A.1.1 Equity other than reinvestment of earnings	314	85	229	446	114	332
3.1.A.1.2 Reinvestment of earnings	115	–	115	123	–	123
3.1.A.2 Debt instruments	25	7	18	44	3	40
3.1.A.2.1 Direct investor in direct investment enterprises	25	7	18	44	3	40
3.1.B Direct Investment by India	132	131	1	93	101	–7
3.1.B.1 Equity and investment fund shares	132	76	55	93	58	35
3.1.B.1.1 Equity other than reinvestment of earnings	132	61	71	93	42	52
3.1.B.1.2 Reinvestment of earnings	–	15	–15	–	17	–17
3.1.B.2 Debt instruments	–	55	–55	–	43	–43
3.1.B.2.1 Direct investor in direct investment enterprises	–	55	–55	–	43	–43
3.2 Portfolio Investment	**3,059**	**3,073**	**–14**	**4,128**	**3,384**	**744**
3.2.A Portfolio Investment in India	3,030	3,057	–27	4,118	3,372	745
3.2.1 Equity and investment fund shares	2,280	2,007	273	3,152	2,704	448
3.2.2 Debt securities	751	1,050	–299	965	668	297
3.2.B Portfolio Investment by India	29	15	13	10	12	–1
3.3 Financial derivatives (other than reserves) and employee stock options	**97**	**128**	**–30**	**359**	**239**	**120**
3.4 Other investment	**3,733**	**2,946**	**787**	**3,605**	**3,774**	**–169**
3.4.1 Other equity (ADRs/GDRs)	1	–	1	–	–	–
3.4.2 Currency and deposits	1,034	718	316	910	760	150
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	6	–	6	6	–	6
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	1,028	718	310	904	760	144
3.4.2.3 General government	–	–	–	–	–	–
3.4.2.4 Other sectors	–	–	–	–	–	–
3.4.3 Loans (External Assistance, ECBs and Banking Capital)	804	476	328	1,129	1,188	–59
3.4.3.A Loans to India	773	469	304	1,102	1,170	–69
3.4.3.B Loans by India	31	7	24	28	18	10
3.4.4 Insurance, pension, and standardized guarantee schemes	1	6	–5	2	2	–
3.4.5 Trade credit and advances	1,717	1,580	137	1,441	1,428	13
3.4.6 Other accounts receivable/payable - other	176	167	9	123	396	–274
3.4.7 Special drawing rights	–	–	–	–	–	–
3.5 Reserve assets	**19**	–	**19**	–	**668**	**–668**
3.5.1 Monetary gold	–	–	–	–	–	–
3.5.2 Special drawing rights n.a.	–	–	–	–	–	–
3.5.3 Reserve position in the IMF n.a.	–	–	–	–	–	–
3.5.4 Other reserve assets (Foreign Currency Assets)	19	–	19	–	668	–668
4 Total assets/liabilities	**7,495**	**6,370**	**1,125**	**8,798**	**8,283**	**515**
4.1 Equity and investment fund shares	2,967	2,317	650	4,186	3,129	1,057
4.2 Debt instruments	4,331	3,886	445	4,489	4,089	400
4.3 Other financial assets and liabilities	197	167	30	123	1,065	–942
5 Net errors and omissions	**50**	–	**50**	–	**47**	**–47**

No. 42: International Investment Position

(US$ Million)

Item	As on Financial Year /Quarter End							
	2013-14		2013		2014			
			Jun.		Mar.		Jun.	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	1	2	3	4	5	6	7	8
1 Direct Investment Abroad/in India	128,709	242,732	119,499	219,827	128,709	242,732	128,832	250,339
1.1 Equity Capital and Reinvested Earnings	90,902	231,724	83,861	209,058	90,902	231,724	90,311	239,301
1.2 Other Capital	37,807	11,008	35,638	10,769	37,807	11,008	38,522	11,038
2 Portfolio Investment	1,206	193,123	1,346	186,505	1,206	193,123	1,206	203,694
2.1 Equity	946	139,661	1,197	131,639	946	139,661	946	147,115
2.2 Debt	261	53,463	150	54,866	261	53,463	261	56,579
3 Other Investment	48,275	380,539	31,228	341,587	48,275	380,539	46,568	385,308
3.1 Trade Credit	8,742	83,935	6,249	91,424	8,742	83,935	8,335	84,667
3.2 Loan	6,863	179,581	3,743	166,523	6,863	179,581	5,078	180,815
3.3 Currency and Deposits	17,862	103,992	7,987	71,314	17,862	103,992	15,722	106,419
3.4 Other Assets/Liabilities	14,807	13,030	13,249	12,327	14,807	13,030	17,434	13,407
4 Reserves	304,223	–	282,454	–	304,223	–	316,138	–
5 Total Assets/ Liabilities	482,413	816,394	434,527	747,919	482,413	816,394	492,745	839,341
6 IIP (Assets - Liabilities)		–333,981		–313,392		–333,981		–346,596

Payment and Settlement Systems

No. 43: Payment System Indicators

System	Volume (Million)				Value (₹ Billion)			
	2013-14	2014			2013-14	2014		
		Aug.	Sep.	Oct.		Aug.	Sep.	Oct.
	1	2	3	4	5	6	7	8
1 RTGS	**81.11**	**6.97**	**7.72**	**7.21**	**904,968.04**	**69,327.09**	**88,111.20**	**69,825.27**
1.1 Customer Transactions	76.35	6.62	7.34	6.87	573,614.03	46,545.69	60,640.01	47,700.97
1.2 Interbank Transactions	4.75	0.35	0.37	0.33	160,638.37	9,024.57	10,889.21	9,127.92
1.3 Interbank Clearing	0.011	0.001	0.001	0.001	170,715.64	13,756.83	16,581.98	12,996.38
2 CCIL Operated Systems	**2.56**	**0.21**	**0.27**	**0.22**	**621,569.63**	**53,810.98**	**67,262.21**	**53,304.41**
2.1 CBLO	0.18	0.02	0.02	0.01	175,261.92	13,397.60	15,878.52	10,892.57
2.2 Govt. Securities Clearing	0.87	0.06	0.08	0.08	161,848.24	15,954.32	22,731.03	18,930.37
2.2.1 Outright	0.82	0.05	0.07	0.08	89,566.99	5,274.34	7,020.21	7,673.79
2.2.2 Repo	0.046	0.008	0.011	0.008	72,281.26	10,679.98	15,710.82	11,256.58
2.3 Forex Clearing	1.51	0.13	0.16	0.13	284,459.46	24,459.06	28,652.66	23,481.47
3 Paper Clearing	**1,257.31**	**97.84**	**103.77**	**95.95**	**93,316.04**	**6,959.44**	**7,505.49**	**6,843.65**
3.1 Cheque Truncation System (CTS)	591.38	79.42	85.63	79.63	44,691.39	5,522.41	6,091.59	5,626.36
3.2 MICR Clearing	440.07	0.79	0.22	0.001	30,942.81	73.59	28.42	0.06
3.2.1 RBI Centres	215.50	0.15	0.05	-	15,246.84	12.94	9.81	–
3.2.2 Other Centres	224.57	0.64	0.17	0.001	15,695.97	60.65	18.61	0.06
3.3 Non-MICR Clearing	225.86	17.63	17.92	16.32	17,681.84	1,363.44	1,385.49	1,217.23
4 Retail Electronic Clearing	**1,108.32**	**110.55**	**138.34**	**117.20**	**47,856.29**	**5,055.57**	**5,868.93**	**5,243.93**
4.1 ECS DR	192.91	20.11	18.45	19.38	1,267.96	196.61	140.09	141.54
4.2 ECS CR (includes NECS)	152.54	8.55	11.05	10.00	2,492.19	181.66	211.58	151.60
4.3 EFT/NEFT	661.01	66.98	88.00	73.29	43,785.52	4,520.40	5,393.36	4,781.50
4.4 Immediate Payment Service (IMPS)	15.36	4.80	5.80	6.51	95.81	35.20	42.95	48.99
4.5 National Automated Clearing House (NACH)	86.50	10.11	15.04	8.01	214.81	121.71	80.95	120.30
5 Cards	**7,219.13**	**705.80**	**707.06**	**731.32**	**22,159.58**	**2,082.38**	**2,105.65**	**2,215.71**
5.1 Credit Cards	512.03	50.85	50.50	54.93	1,556.72	152.51	153.67	173.14
5.1.1 Usage at ATMs	2.96	0.32	0.34	0.35	16.87	1.73	1.84	1.93
5.1.2 Usage at POS	509.08	50.53	50.17	54.58	1,539.85	150.78	151.82	171.20
5.2 Debit Cards	6,707.10	654.95	656.56	676.40	20,602.86	1,929.87	1,951.98	2,042.57
5.2.1 Usage at ATMs	6,088.02	587.33	591.66	602.70	19,648.35	1,825.18	1,854.65	1,923.01
5.2.2 Usage at POS	619.08	67.62	64.90	73.69	954.51	104.69	97.33	119.56
6 Prepaid Payment Instruments (PPIs)	**133.63**	**20.00**	**22.84**	**31.08**	**81.05**	**14.15**	**17.58**	**18.17**
6.1 m-Wallet	107.51	16.58	18.77	21.39	29.05	5.76	6.74	7.01
6.2 PPI Cards	25.60	3.38	4.02	9.65	28.36	6.54	8.11	9.21
6.3 Paper Vouchers	0.53	0.04	0.06	0.04	23.63	1.86	2.74	1.95
7 Mobile Banking	**94.71**	**12.24**	**13.17**	**14.86**	**224.18**	**48.58**	**82.68**	**90.35**
8 Cards Outstanding	**413.60**	**443.73**	**450.93**	**463.98**	–	–	–	–
8.1 Credit Card	19.18	19.78	19.88	19.95	–	–	–	–
8.2 Debit Card	394.42	423.95	431.04	444.03	–	–	–	–
9 Number of ATMs (in actuals)	**160055**	**170463**	**172460**	**173697**	–	–	–	–
10 Number of POS (in actuals)	**1065984**	**1083061**	**1097199**	**1111576**	–	–	–	–
11 Grand Total (1.1+1.2+2+3+4+5+6)	**9,802.05**	**941.37**	**980.00**	**982.99**	**1,519,234.98**	**123,492.79**	**154,289.09**	**124,454.76**

Occasional Series

No. 44: Small Savings

(₹ Billion)

Scheme		2013-14	2013	2014		
			May	Mar.	Apr.	May
		1	2	3	4	5
1 Small Savings	**Receipts**	**2,020.60**	**159.51**	**214.79**	**179.52**	**200.32**
	Outstanding	**6,214.97**	**6,048.13**	**6,214.97**	**6,210.21**	**6,214.75**
1.1 Total Deposits	**Receipts**	**1,780.40**	**142.97**	**175.58**	**158.36**	**180.73**
	Outstanding	**3,866.31**	**3,700.48**	**3,866.31**	**3,875.09**	**3,889.22**
1.1.1 Post Office Saving Bank Deposits	Receipts	946.50	76.41	93.99	86.54	96.11
	Outstanding	430.17	376.10	430.17	435.05	437.05
1.1.2 MGNREG	Receipts	–	–	–	–	–
	Outstanding	–	–	–	–	–
1.1.3 National Saving Scheme, 1987	Receipts	0.80	0.01	0.01	–	–
	Outstanding	38.69	38.79	38.69	38.23	38.13
1.1.4 National Saving Scheme, 1992	Receipts	0.05	–	–	–	0.01
	Outstanding	2.77	3.11	2.77	2.72	2.66
1.1.5 Monthly Income Scheme	Receipts	179.91	13.80	19.18	16.88	19.70
	Outstanding	2,020.85	2,017.41	2,020.85	2,018.63	2,017.09
1.1.6 Senior Citizen Scheme	Receipts	19.94	1.76	1.60	1.92	2.26
	Outstanding	224.92	236.09	224.92	221.33	220.19
1.1.7 Post Office Time Deposits	Receipts	246.74	18.76	22.71	23.81	27.20
	Outstanding	407.14	338.54	407.14	416.10	426.16
1.1.7.1 1 year Time Deposits	Outstanding	273.43	220.49	273.43	280.74	288.85
1.1.7.2 2 year Time Deposits	Outstanding	17.67	15.11	17.67	17.93	18.21
1.1.7.3 3 year Time Deposits	Outstanding	39.15	39.07	39.15	39.24	39.35
1.1.7.4 5 year Time Deposits	Outstanding	76.89	63.87	76.89	78.19	79.75
1.1.8 Post Office Recurring Deposits	Receipts	386.46	32.23	38.09	29.21	35.45
	Outstanding	741.49	690.22	741.49	742.75	747.66
1.1.9 Post Office Cumulative Time Deposits	Outstanding	0.06	–	0.06	0.06	0.06
1.1.10 Other Deposits	Outstanding	0.22	0.22	0.22	0.22	0.22
1.2 Saving Certificates	**Receipts**	**169.46**	**12.05**	**26.56**	**12.95**	**14.16**
	Outstanding	**1,882.58**	**1,938.59**	**1,882.58**	**1,872.15**	**1,863.06**
1.2.1 National Savings Certificate VIII issue	Receipts	169.24	12.03	26.72	12.91	14.16
	Outstanding	750.86	657.23	750.86	757.80	767.25
1.2.2 Indira Vikas Patras	Receipts	0.04	–	–	0.02	–
	Outstanding	8.96	9.05	8.96	8.97	8.94
1.2.3 Kisan Vikas Patras	Receipts	0.18	0.02	–0.16	0.02	–
	Outstanding	1,067.54	1,249.04	1,067.54	1,046.91	1,024.40
1.2.4 National Saving Certificate VI issue	Outstanding	–0.77	–0.75	–0.77	–0.77	–0.78
1.2.5 National Saving Certificate VII issue	Outstanding	–0.50	–0.68	–0.50	–0.50	–0.50
1.2.6 Other Certificates	Outstanding	56.49	24.70	56.49	59.74	63.75
1.3 Public Provident Fund	**Receipts**	**70.74**	**4.49**	**12.65**	**8.21**	**5.43**
	Outstanding	**466.08**	**409.06**	**466.08**	**462.97**	**462.47**

Source: Accountant General, Post and Telegraphs.

No. 45: Ownership Pattern of Government of India Dated Securities

(Per cent)

Category	2013		2014		
	Sep.	Dec.	Mar.	Jun.	Sep.
	1	2	3	4	5
1 Commercial Banks	36.34	35.55	35.42	34.43	33.63
2 Bank-Primary Dealers	8.36	9.18	9.04	9.00	9.32
3 Non-Bank PDs	0.04	0.15	0.11	0.28	0.20
4 Insurance Companies	19.27	19.27	19.54	20.21	20.55
5 Mutual Funds	1.61	1.56	0.78	1.29	1.26
6 Co-operative Banks	2.73	2.69	2.76	2.76	2.71
7 Financial Institutions	0.71	0.67	0.72	1.51	1.44
8 Corporates	1.19	1.27	0.79	0.89	1.06
9 FIIs	1.40	1.38	1.68	2.45	3.37
10 Provident Funds	7.20	7.37	7.18	7.21	7.13
11 RBI	16.83	16.01	16.05	15.03	14.33
12 Others	4.32	4.89	5.92	4.94	4.99

Explanatory Notes to the Current Statistics

Table No. 1
1.2 & 6: Annual data are averages of months.
3.5 & 3.7: Relate to ratios of increments over financial year so far.
4.1 to 4.4, 4.8, 4.12 & 5: Relate to the last day of the month/financial year.
4.5, 4.6 & 4.7: Relate to five major banks on the last Friday of the month/financial year.
4.9 to 4.11: Relate to the last auction day of the month/financial year.

Table No. 2
2.1.2: Include paid-up capital, reserve fund and Long-Term Operations Funds.
2.2.2: Include cash, fixed deposits and short-term securities/bonds, *e.g.*, issued by IIFC (UK).

Table No. 4
Maturity-wise position of outstanding forward contracts is available at http://nsdp.rbi.org.in under ''Reserves Template''.

Table No. 5
Special refinance facility to Others, i.e. to the EXIM Bank, is closed since March 31, 2013.

Table No. 6
For scheduled banks, March-end data pertain to the last reporting Friday.
2.2: Exclude balances held in IMF Account No.1, RBI employees' provident fund, pension fund, gratuity and superannuation fund.

Table Nos. 7 & 11
3.1 in Table 7 and 2.4 in Table 11: Include foreign currency denominated bonds issued by IIFC (UK).

Table No. 8
NM_2 and NM_3 do not include FCNR (B) deposits.
2.4: Consist of paid-up capital and reserves.
2.5: includes other demand and time liabilities of the banking system.

Table No. 9
Financial institutions comprise EXIM Bank, SIDBI, NABARD and NHB.
L_1 and L_2 are compiled monthly and L_3 quarterly.
Wherever data are not available, the last available data have been repeated.

Table No. 15
Data are provisional and relate to select banks which cover 95 per cent of total non-food credit extended by all scheduled commercial banks.
1.2A.2.1 : Manufacturing include ₹335 billion and item 1.2A.2.2 : Services includes ₹34 billion credit to medium enterprises for the month of March 2014 only.

Table No. 17
2.1.1: Exclude reserve fund maintained by co-operative societies with State Co-operative Banks
2.1.2: Exclude borrowings from RBI, SBI, IDBI, NABARD, notified banks and State Governments.
4: Include borrowings from IDBI and NABARD.

Table No. 24
Primary Dealers (PDs) include banks undertaking PD business.

Table No. 30
Exclude private placement and offer for sale.
1: Exclude bonus shares.
2: Include cumulative convertible preference shares and equi-preference shares.

Table No. 32
Exclude investment in foreign currency denominated bonds issued by IIFC (UK), SDRs transferred by Government of India to RBI and foreign currency received under SAARC SWAP arrangement. Foreign currency assets in US dollar take into account appreciation/depreciation of non-US currencies (such as Euro, Sterling, Yen and Australian Dollar) held in reserves. Foreign exchange holdings are converted into rupees at rupee-US dollar RBI holding rates.

Table No. 34
1.1.1.1.2 & 1.1.1.1.1.4: Estimates.
1.1.1.2: Estimates for latest months.
'Other capital' pertains to debt transactions between parent and subsidiaries/branches of FDI enterprises.
Data may not tally with the BoP data due to lag in reporting.

Table No. 35
1.10: Include items such as subscription to journals, maintenance of investment abroad, student loan repayments and credit card payments.

Table No. 36
Increase in indices indicates appreciation of rupee and vice versa. For 6-Currency index, base year 2012-13 is a moving one, which gets updated every year. REER figures are based on Consumer Price Index (combined). Methodological details are available in December 2005 and April 2014 issues of the Bulletin.

Table No. 37
Based on applications for ECB/Foreign Currency Convertible Bonds (FCCBs) which have been allotted loan registration number during the period.

Table Nos. 38, 39, 40 & 41
Explanatory notes on these tables are available in December issue of RBI Bulletin, 2012.

Table No. 43
1.3: Pertain to multilateral net settlement batches.
3.1: Pertain to two centres - New Delhi and Chennai.
3.3: Pertain to clearing houses managed by 21 banks.
6: Available from December 2010.
7: Include IMPS transactions.

Table No. 44
1.1.1: Receipts include interest credited to depositors' account from time to time.
1.1.9: Relate to 5-year, 10-year and 15-year cumulative time deposits. Exclude Public Provident Fund.
1.2.4 to 1.2.6: Negative figures are due to rectification of misclassification.
1.3: Data relate to Post Office transactions.

Table 45
Includes securities issued under the Market Stabilisation Scheme and the special securities, *e.g.*, issued to the oil marketing companies.

Detailed explanatory notes are available in the relevant press releases issued by RBI and other publications/releases of the Bank such as **Handbook of Statistics on the Indian Economy**.

Indicative Calendar for Bulletin Articles, 2015

S. No.	Article	Release Month
1 2	Finances of Foreign Direct Investment Companies: 2012-13 India's Foreign Trade during April-September 2014	**January**
3 4 5	Annual Census on Foreign Liabilities and Assets of Indian Companies: 2013-14 International Trade in Banking Services: 2013-14 Performance of Private Corporate Business Sector during First Half of 2014-15	**February**
6 7 8	Composition and Ownership Pattern of Deposits with SCBs - March 2014 Survey on Computer Software & Information Technology Services Exports: 2013-14 Developments in India's Balance of Payments: July–September 2014	**March**
9	India's Foreign Trade during April-December 2014	**April**
10 11 12	Monsoon and Agricultural Output-The Changing Dynamics and Risk ahead Union Budget 2015-16: An Assessment Small Borrowal Accounts of Scheduled Commercial Banks- March 2014	**May**
13 14 15 16	Developments in India's Balance of Payments: October –December 2014 Finances of Non-Government Non-Financial Public Limited Companies: 2013-14 Industrial Outlook Survey for the Quarters during 2014-15 Inflation Expectations Survey of Households: 2013-14	**June**
17 18	India's Foreign Trade during 2014-15 International Banking Statistics for March, June, September and December 2014	**July**
19 20 21 22 23 24	India's External Debt at end-March 2015 Developments in India's Balance of Payments: January – March 2015 Corporate Investment: Growth in 2013-14 and Prospects for 2014-15 Monthly Seasonal Factors of Select Economic Time Series: 2014-15 Order Books, Inventories and Capacity Utilisation Survey for Quarters Oct 2013 to Sep 2014 Consumer Confidence Survey: 2014-15	**September**
25 26 27 28 29	India's Foreign Trade during April-June 2015 Performance of Private Corporate Business Sector: 2014-15 Performance of Financial and Investment Companies: 2013-14 Housing Price Index: 2014-15 Finances of Non-Government Non-Financial Private Limited Companies: 2013-14	**October**
30 31	Survey of Professional Forecasters: 2015-16 Finances of Foreign Direct Investment Companies, 2013-14	**November**
32 33 34	Flow of Funds Accounts of the Indian Economy Developments in India's Balance of Payments during April – June 2015 India's External Debt at End-June 2015	**December**

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Name of Publication	Price	
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23. Banking Glossary (2012)	₹80 (normal) (postage extra)	

Notes

1. Many of the above publications are available at the RBI website (www.rbi.org.in).
2. Time Series data are available at the Database on Indian Economy (http://dbie.rbi.org.in).
3. The Reserve Bank of India History 1935-1981 (3 Volumes), Challenges to Central Banking in the Context of Financial Crisis and the Regional Economy of India: Growth and Finance are available at leading book stores in India.

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