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# SPEECHES

# *Competitive Monetary Easing: Is it yesterday once more?**



## *Raghuram G. Rajan*



Good morning. As the world seems to be struggling back to its feet after the great financial crisis, I want to draw attention to an area we need to be concerned about: the conduct of monetary policy in this integrated world. A good way to describe the current environment is one of extreme monetary easing through unconventional policies. In a world where debt overhangs and the need for structural change constrain domestic demand, a sizeable portion of the effects of such policies spillover across borders, sometimes through a weaker exchange rate. More worryingly, it prompts a reaction. Such competitive easing occurs both simultaneously and sequentially, as I will argue, and both advanced economies and emerging economies engage in it. Aggregate world demand may be weaker and more distorted than it should be, and financial risks higher. To ensure stable and sustainable growth, the international rules of the game need to be revisited. Both advanced economies and emerging economies need to adapt, else I fear we are about to embark on the next leg of a wearisome cycle.

Central bankers are usually reluctant to air their concerns in public. But because the needed change has political elements to it, I take my cue from speeches by two central bankers whom I respect greatly, Ben Bernanke in his 2005 'Global Savings Glut' speech, and Jaime Caruana in his 2012 speech at Jackson Hole, both of whom have raised similar concerns to mine, although from different perspectives.

Before starting, I should disclose my interests in this era of transparency. For the last few months India has experienced large inflows of capital, not outflows, and is seen by the markets as an emerging economy that has made some of the necessary policy adjustments.[1] We are well buffered with substantial reserves, though no country can be de-coupled from the international system. My remarks are motivated by the desire for a more stable international system, a system that works equally for rich and poor, large and small, and not the specifics of our situation.

**Unconventional Policy**

I want to focus on unconventional monetary policies (UMP), by which I mean both policies that hold interest rates at near zero for long, as well as balance sheet policies such as quantitative easing or exchange intervention, that involve altering central bank balance sheets in order to affect certain market prices.[2] The key point that I will emphasise throughout this talk is that quantitative easing and sustained exchange intervention are in an economic equivalence class, though the channels they work through may be somewhat different. Our attitudes towards them should be conditioned by the size of their spillover effects rather than by any innate legitimacy of either form of intervention.

Let me also add there is a role for unconventional policies – when markets are broken or grossly dysfunctional, central bankers do have to think innovatively. Fortunately for the world, much of what they did immediately after the fall of Lehman was exactly right, though they were making it up as they went in the face of extreme uncertainty. They eased

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* Remarks by Dr. Raghuram G. Rajan at the Brookings Institution, April 10, 2014. These are my personal views. I acknowledge very useful comments from Joshua Felman, Prachi Mishra, Jonathan Ostry, Michael Patra, Eswar Prasad and Tharman Shanmugharatnam.

1 See Mishra et al. (2014).

2 See Borio and Disyatat (2009) for an excellent early comprehensive taxonomy and assessment of balance sheet policies.

access to liquidity through innovative programs such as TALF, TAF, TARP, SMP, and LTRO. By lending long term without asking too many questions of the collateral they received, by buying assets beyond usual limits, and by focusing on repairing markets, they restored liquidity to a world financial system that would otherwise have been insolvent based on prevailing market asset prices. In this matter, central bankers are deservedly heroes.[3]

The key question is what happens when these policies are prolonged long beyond repairing markets – and there the benefits are much less clear. Let me list 4 concerns:

1. Is unconventional monetary policy the right tool once the immediate crisis is over? Does it distort behavior and activity so as to stand in the way of recovery? Is accommodative monetary policy the way to fix a crisis that was partly caused by excessively lax policy?
2. Do such policies buy time or does the belief that the central bank is taking responsibility prevent other, more appropriate, policies from being implemented? Put differently, when central bankers say, however reluctantly, that they are the only game in town, do they become the only game in town?
3. Will exit from unconventional policies be easy?
4. What are the spillovers from such policies to other countries?

Since I have dwelt at length on the first two concerns in an earlier speech, let me focus on the last two.[4]

**Exit**

The macroeconomic argument for prolonged unconventional policy in industrial countries is that it has low costs, provided inflation stays quiescent. Hence it is worth pursuing, even if the benefits are uncertain. A number of economists have, however, raised concerns about financial sector risks that may build with prolonged use of unconventional policy.[5] Asset prices may not just revert to earlier levels on exit, but they may overshoot on the downside, and exit can cause significant collateral damage.

One reason is that leverage may increase both in the financial sector and amongst borrowers as policy stays accommodative.[6] One channel seems to be that a boost to asset liquidity leads lenders to believe that asset sales will backstop loan recovery, leading them to increase loan to value ratios. When liquidity tightens, though, too many lenders rely on asset sales, causing asset prices and loan recovery to plummet. Because lenders do not account for the effects of their lending on the 'fire sale' price, and subsequently on lending by others, they may have an excessive incentive to build leverage.[7] These effects are exacerbated if, over time, lenders become reliant on asset sales for recovery, rather than on upfront project evaluation and due diligence. Another possible channel is that banks themselves become more levered, or equivalently, acquire more illiquid balance

3 I was not a member of the fraternity at that time, so I do not feel a conflict in doling out praise!

4 'A step in the dark: unconventional monetary policy after the crisis', Raghuram Rajan, Andrew Crockett Memorial Lecture delivered at the BIS on June 23, 2013.

5 See Borio (2014), Borio and Disyatat (2009), Stein (2013), though see Chodorow-Reich (2014) for an alternative viewpoint. One question about Chodorow-Reich's assessment that quantitative easing does not, by and large, prompt risk taking is that he uses market prices to estimate effects, even though these prices themselves could be distorted by risk taking.

6 For evidence, see for example Becker and Ivashina (2013), Bruno and Shin (2014 a,b), Ioannidou, Ongena and Peydró (2009), Maddaloni and Peydró (2010).

7 Stein, Jeremy. 2012. Monetary Policy as Financial-Stability Regulation. Quarterly Journal of Economics 127, no. 1: 57-95.

sheets, if the central bank signals it will intervene in a sustained way when times are tough because unemployment is high.[8]

Leverage need not be the sole reason why exit may be volatile after prolonged unconventional policy. Investment managers may fear underperforming relative to others. This means they will hold a risky asset only if it promises a risk premium (over safe assets) that makes them confident they will not underperform holding it.[9] A lower path of expected returns on the safe asset makes it easier for the risky asset to meet the required risk premium, and indeed draws more investment managers to buy it – the more credible the forward guidance on 'low for long', the more the risk taking. However, as investment managers crowd into the risky asset, the risky asset is more finely priced so that the likelihood of possible fire sales increases if the interest rate environment turns. Every manager dumps the risky asset at that point in order to avoid being the last one holding it.

Leverage and investor crowding may therefore exacerbate the consequences of exit. When monetary policy is ultra-accommodative, prudential regulation, either of the macro or micro kind, is probably not a sufficient defence. In part, this is because, as Fed Governor Stein so succinctly put it, monetary policy 'gets into every crack', including the unregulated part of the financial system.[10] In part, ultra accommodative monetary policy creates enormously powerful incentive distortions whose consequences are typically understood only after the fact. The consequences of exit, however, are not just felt domestically, they could be experienced internationally.

**Spillovers**

Perhaps most vulnerable to the increased risk-taking in this integrated world are countries across the border. When monetary policy in large countries is extremely and unconventionally accommodative, capital flows into recipient countries tend to increase local leverage; this is not just due to the direct effect of cross-border banking flows but also the indirect effect, as the appreciating exchange rate and rising asset prices, especially of real estate, make it seem that borrowers have more equity than they really have.[11]

Exchange rate flexibility in recipient countries in these circumstances sometimes exacerbates booms rather than equilibrates. Indeed, in the recent episode of emerging market volatility after the Fed started discussing taper in May 2013, countries that allowed the real exchange rate to appreciate the most during the prior period of quantitative easing suffered the greatest adverse impact to financial conditions.[12] Countries that undertake textbook policies of financial sector liberalisation are not immune to the inflows – indeed, their deeper markets may draw more flows in, and these liquid markets may be where selling takes place when conditions in advanced economies turn.[13]

Macro-prudential measures have little traction against the deluge of inflows – Spain had a housing boom despite its countercyclical provisioning. Recipient countries should adjust, of course, but credit and flows mask the magnitude and timing of needed adjustment. For instance, higher collections from

8 See Diamond and Rajan (2012), Farhi and Tirole (2012) and Acharya, Pagano and Volpin (2013). The problem is exacerbated if unemployment is driven by factors that move to a different cycle and pace than the financial cycle.

9 See Feroli , Kashyap, Schoenholtz, and Shin (2014) for details.

10 See Stein (2013).

11 See Bruno and Shin (2014 a, b), Calvo, Leiderman, and Reinhart (1996), Obstfeld (2012), Rey (2013), and Schularick and Taylor (2012) for example.

12 See Eichengreen and Gupta (2013) and Mishra, Moriyama, N'Diaye, and Nguyen (2014).

13 See Prasad (2014, p 198) and Eichengreen and Gupta (2013).

property taxes on new houses, sales taxes on new sales, capital gains taxes on financial asset sales, and income taxes on a more prosperous financial sector may suggest a country's fiscal house is in order, even while low risk premia on sovereign debt add to the sense of calm. At the same time, an appreciating nominal exchange rate may also keep down inflation.

The difficulty of distinguishing the cyclical from the structural is exacerbated in some emerging markets where policy commitment is weaker, and the willingness to succumb to the siren calls of populist policy greater. But it would be a mistake to think that pro-cyclical policy in the face of capital inflows is primarily a disease of the poor; Even rich recipient countries with strong institutions, such as Ireland and Spain, have not been immune to capital-flow-induced fragility.

Ideally, recipient countries would wish for stable capital inflows, and not flows pushed in by unconventional policy. Once unconventional policies are in place, however, they do recognise the problems stemming from prolonged easy money, and thus the need for source countries to exit. But when source countries move to exit unconventional policies, some recipient countries are leveraged, imbalanced, and vulnerable to capital outflows. Given that investment managers anticipate the consequences of the future policy path, even a measured pace of exit may cause severe market turbulence and collateral damage.[14] Indeed, the more transparent and well-communicated the exit is, the more certain the foreign investment managers may be of changed conditions, and the more rapid their exit from risky positions.

Recipient countries are not being irrational when they protest both the initiation of unconventional policy as well as an exit whose pace is driven solely by conditions in the source country. Having become more vulnerable because of leverage and crowding, recipient countries may call for an exit whose pace and timing is responsive, at least in part, to conditions they face.

## The Case for International Monetary Policy Coordination

Hence, my call is for more coordination in monetary policy because I think it would be an immense improvement over the current international non-system. International monetary policy coordination, of course, is unpopular among central bankers, and I therefore have to say why I reiterate the call and what I mean by it.

I do not mean that central bankers sit around a table and make policy collectively, nor do I mean that they call each other regularly and coordinate actions. In its strong form, I propose that large country central banks, both in advanced countries and emerging markets, internalise more of the spillovers from their policies in their mandate, and are forced by new conventions on the 'rules of the game' to avoid unconventional policies with large adverse spillovers and questionable domestic benefits.[15] Given the difficulties of operationalising the strong form, I suggest that, at the very least, central banks reinterpret their domestic mandate to take into account other country reactions over time (and not just the immediate feedback effects), and thus become more sensitive to spillovers. This weak 'coordination' could be supplemented with a re-examination of global safety nets.

14 See Feroli et al. (2014).

15 Though see Caruana (2012), Eichengreen et al. (2011), Jeanne (2014), and Taylor (2013) for proposals by current and former policy makers and monetary economists.

*The Gains from Coordination*

Economists generally converged on the view that the gains to policy coordination were small provided each country optimised its own policies keeping in mind the policies of others. The 'Nash equilibrium' was not that far from the global optimum, hence the 'own house in order' doctrine was dominant in the international monetary field.[16] National macroeconomic stability was seen as sufficient for international macroeconomic stability. The domestic and international aspects were essentially regarded as two sides of the same coin.

Two factors have led to a rethinking of the doctrine. First, domestic constraints including political imperatives of bringing unemployment down and the economic constraint of the zero lower bound may lead monetary policy to be set at levels different from the unconstrained domestic optimal. Dysfunctional domestic politics could also contribute in moving monetary policy further from the unconstrained optimal. In other words, the central bank, responding to a variety of political pressures and weaknesses, may stray away from even the constrained optimal – towards third best policies rather than second best policies. Second, cross-border capital flows can lead to a more dramatic transmission of policies, driven by agency (and other) considerations that do not necessarily relate to economic conditions in the recipient countries.

One argument along these lines is that if some large country adopts unconventional and highly accommodative sub-optimal policies, other countries may follow suit to avoid exchange rate appreciation in a world with weak demand.[17] As a result, the policy equilibrium may establish at rates that are too low compared to that warranted by the global optimal. Another argument is that when the sending country is at the zero lower bound, and the receiving country responds to capital inflows with aggressive reserve accumulation, both may be better off with more moderate policies.[18] Indeed, it may well be that coordination may allow policy makers political room to move away from sub-optimal policies. If political paralysis and consequent fiscal tightening forces a source country to a sub-optimal reliance on monetary stimulus, policy coordination that allows for expanded demand elsewhere could allow the source country to cut back on its dependence on monetary stimulus.[19]

*Domestic Optimal is close to the Global Optimal*

Despite these arguments, official statements by multilateral institutions such as the IMF continue to endorse unconventional monetary policies while downplaying the adverse spillover effects to other countries. Indeed, in an excellent analysis of the obstacles to international policy coordination, the IMF's own Jonathan Ostry and Atish Ghosh argue that 'impartial' international policy assessments by multilateral entities could be suspected of bias[20]

'…if there were a systematic tendency of the assessor to identify a change in policy (tighter fiscal policy; looser monetary policy; structural reform) as always yielding welfare gains at the national and global levels. This would breed suspicion because the base case should be that countries do not fail to exploit available welfare gains…it is implausible that welfare gains at the national and global levels should always be positively correlated…'

16 See Eichengreen et al. (2011). For an articulation of the doctrine, see Rose (2007) or Taylor (2013).

17 See Taylor (2013).

18 See Jeanne (2014).

19 See Ostry and Ghosh (2013).

20 See Ostry and Ghosh (2013, p23).

By downplaying the adverse effects of cross-border monetary transmission of unconventional policies, we are overlooking the elephant in the post-crisis room. I see two dangers here. One is that any remaining rules of the game are breaking down. Our collective endorsement of unconventional monetary policies essentially says it is ok to distort asset prices if there are other domestic constraints to reviving growth, such as the zero-lower bound. But net spillovers, rather than fancy acronyms, should determine internationally acceptable policy.

Otherwise, countries could legitimately practice what they might call quantitative external easing or QEE, whereby they intervene to keep their exchange rate down and build huge reserves. The reason we frowned on QEE in the past is because we believed the adverse spillover effects for the rest of the world were significant. If we are unwilling, however, to evaluate all policies based on their spillover effects, there is no legitimate way multilateral institutions can declare that QEE contravenes the rules of the game. Indeed, some advanced economy central bankers have privately expressed their worry to me that QE 'works' primarily by altering exchange rates, which makes it different from QEE only in degree rather than in kind.

The second danger is a mismanaged exit will prompt fresh distortionary behaviour. Even as source country central banks go to great pains to communicate how their removal of accommodation will be contingent on domestic activity, they have been silent on how they will respond to foreign turmoil. Market participants conclude that recipient countries, especially those that do not belong to large reserve currency blocks, are on their own, and crowd devastatingly through the exit.

Indeed, the lesson some emerging markets will take away from the recent episode of turmoil is (i) don't expand domestic demand and run large deficits (ii) maintain a competitive exchange rate (iii) build large reserves, because when trouble comes, you are on your own. In a world with deficient aggregate demand, is this the message the international community wants to send?

For this is not the first episode in which capital has been pushed first in one direction and then in another, each time with devastating effect. In the early 1990s, rates were held low in the United States, and capital flowed to emerging markets. The wave of emerging market crises starting with Mexico in 1994 and ending with Argentina in 2001, sweeping through East Asia and Russia in between, was partially caused by a reversal of these flows as interest rates rose in industrial countries. The subsequent reserve build up in emerging markets, including China, contributed to weak global demand and excess spending by some industrial countries, culminating in the global financial crisis of 2007-09. Once again, though, post-crisis unconventional monetary policy has pushed capital to emerging markets, with the associated build up in fragility. Are we setting the stage for a resumption of the 'global savings glut' as emerging markets build reserves once again?

Two obvious remedies suggest themselves; Less extreme monetary policies on all sides with some thought given to adverse spillover effects when setting policy, and better global safety nets to mitigate the need for countries to self-insure through reserve buffers.

*More Moderate Policy*

Even though we live in a world where monetary transmission is global, policy focus is local. Central banks mount a number of defences as to why they should not take full account of spillovers. One way to demonstrate the weaknesses in the usual arguments that are put forward to defend the status quo is to see how they would sound if they were used to defend QEE, that is, sustained intervention in the exchange market to keep the exchange rate competitive.

Defense 1: We are a developing country and we are mandated to support growth. Institutional constraints in enhancing productivity, and our vulnerability to sudden stops, means that a competitive exchange rate, and thus QEE, is essential to fulfilling our mandate.[21]

Defense 2: Would the world not be better off if we grew strongly? QEE is essential to our growth.

Defense 3: We take into account feedback effects to our economy from the rest of the world while setting policy. Therefore, we are not oblivious to the consequences of QEE on other countries.

Defense 4: Monetary policy with a domestic focus is already very complicated and hard to communicate. It would be impossibly complex if we were additionally burdened with having to think about the effects of QEE on other countries.

There are many problems with these defenses that those who have complained about currency manipulation will recognise. Currency manipulation may help growth in the short run (even this is debatable), but creates long-run distortions that hurts the manipulating country. There are more sensible policies to foster growth. And even if a central bank has a purely domestic mandate, the country's international responsibilities do not allow it to arbitrarily impose costs on the rest of the world. The net spillover effects need to be estimated, and it cannot be taken for granted that the positive spillovers from the initiating country's growth (say through greater trade) more than offset the adverse spillovers to other countries. Feedback effects to the source country represent only a small part of the spillover effects experienced by the world, and a central bank will be far from implementing the globally optimal policy if it is solely domestically-oriented, even if it takes these feedback effects into account. Countries are required to pay attention to the effects of their policies on others, no matter how much the added complication, because we all have international responsibilities.

Of course, the reader will recognise that each one of these arguments has been made defending unconventional monetary policy. Yet multilateral institutions treat sustained currency intervention with great opprobrium while giving unconventional monetary policy a clean chit. Should the cleanliness of the chit not depend on the size of the net spillovers and the competitive response it engenders? Without estimating them carefully, how can we tell?

**Operationalising Coordination: Some Suggestions**

We need to break away from this cycle of unconventional policies and competitive monetary easing. Already, the events of recent months have set the stage for renewed reserve accumulation by the emerging markets. And this time, it will be harder for advanced economies to complain if they downplay their own spillover effects while they are pushing for recovery.

*An Independent Assessor*

In an ideal world, unconventional monetary policies such as QE or QEE should be vetted by an independent assessor for their spillover effects.[22] The assessment procedure is easy to visualise; Perhaps following a complaint by an impacted country (as in

[21] See Rodrik (2008) on why exchange undervaluation may be essential for emerging economies.

[22] See Ostry and Ghosh (2013) for the idea of an independent assessor.

the WTO), the independent assessor could analyse the effects of such policies and come to a judgment on whether they follow the rules of the game. Policies where the benefits are largely domestic, while the costs fall largely abroad, would be especially carefully scrutinised. And if the assessor deems the policy reduces global welfare, international pressure should be applied to stop such policies.

The problems with such an idealistic process are easy to see. Where is such an impartial assessor to be found? The staff at multilateral institutions is excellent, and well capable of independent judgment. But political pressure subsequent to the initial assessment operates unevenly. Initial assessments typically remain unaltered when a small country complains (no country likes independent assessments), but are often toned down when a large economy protests. There are many exceptions to this, but more work is needed to build trust in the impartiality of assessments of multilateral institutions.

Even if multilateral organisations become immune to power politics, they are not immune to cognitive capture. Their staff has been persuaded by the same models and frameworks as the staff of industrial country central banks – models where monetary policy is an extremely powerful tool to elevate activity, and exchange rate flexibility does wonders in insulating countries from the most debilitating spillovers. 'Decoupling' is always possible in such models, even though the evidence is that the models typically underestimate the extent of 'coupling'. Indeed, many of these models do not have realistic models of credit, or of monetary transmission in an economy with debt overhang, which reduces their value considerably. Progress is being made but it will take time.

And, of course, even if a truly independent assessment came to the conclusion that certain policies were in violation, how would such a judgment be enforced?

The reality is that the rules of the game were framed in a different era to deter competitive devaluations and currency manipulation. They have not been updated for today's world of more varied competitive easing. But it is unclear that even if they were updated, they could be assessed and enforced in the current environment.

*A More Modest Proposal*

Perhaps then, it would be better to settle for a more modest proposal. Central banks should assess spillover effects from their own actions, not just in terms of immediate feedback, but also in terms of medium term feedback as other countries alter their policies. In other words, the source country should not just worry about the immediate flows of capital to other countries from its policies, but the longer run reaction such as sustained exchange intervention that this would bring about. This would allow central banks to pay more attention to spillovers even while staying within their domestic mandate.

For example, this would mean that while exiting from unconventional policies, central banks would pay attention to conditions in emerging markets also while deciding the timing of moves, while keeping the overall direction of moves tied to domestic conditions. Their policy statements should acknowledge such concerns. To be concrete in a specific case, the Fed postponing tapering in September 2013 allowed emerging economies more time to adjust after the initial warning in May 2013. Whatever the underlying rationale for postponement, it helped tapering start smoothly in December 2013, without disrupting markets. In contrast, with volatility hitting emerging markets after the Argentinian problems in January 2014, the Fed policy statement in January 2014, with no mention of concern about the emerging market situation, and with no indication Fed policy would be sensitive to conditions in those markets in the future, sent the probably unintended message that those markets were on their own. Speeches by Regional Fed Presidents emphasising the Fed's domestic mandate did not help. Since then, Fed communication has been more nuanced, though the real challenge in communication lies ahead when policy rates have to move up.[23]

**International Safety Nets**

Emerging economies have to work to reduce vulnerabilities in their economies, to get to the point where, like Australia, they can allow exchange rate flexibility to do much of the adjustment for them to capital inflows. But the needed institutions take time to develop. In the meantime, the difficulty for emerging markets in absorbing large amounts of capital quickly and in a stable way should be seen as a constraint, much like the zero lower bound, rather than something that can be altered quickly. Even while resisting the temptation of absorbing flows, they will look to safety nets.

So another way to prevent a repeat of substantial reserve accumulation is to build stronger international safety nets.[24] As the financial crisis suggested, this is not just an emerging economy concern. In a world where international liquidity can dry up quickly, the world needs bilateral, regional, and multilateral arrangements for liquidity. Multilateral arrangements are tried and tested, and are available more widely, and without some of the possible political pressures that could arise from bilateral and regional arrangements. Indeed swap arrangements can be channelled through multilateral institutions like the IMF instead of being conducted on a bilateral basis, so that the multilateral institution bears any (small) credit risk, and the source central bank does not have to justify the arrangements to its political authorities.

Perhaps equally valuable would be a liquidity line from the IMF, where countries are pre-qualified by the IMF and told (perhaps privately) how much of a line they would qualify for under current policy – with access limits revised every Article IV and any curtailment becoming effective 6 months later.[25] Access to the line would get activated by the IMF Board in a situation of generalised liquidity shortage (as, for example, when policy tightening in source countries after an extended period of low rates causes investment managers to become risk averse). The IMF has suggested such arrangements in a discussion paper, and they should be explored because they allow countries access to liquidity without the stigma of approaching the Fund, and without the conditionality that accompanies most Fund arrangements.[26]

Clearly, the Fund's resources will be safe only if the situation is one of genuine temporary illiquidity rather than one where countries need significant reforms to regain market access. Equally clearly, access will vary across countries, and prolonged use after the liquidity emergency is declared over will necessitate an IMF program. Nevertheless, the twin proposals of the Global Stability Mechanism and Short-term Liquidity Line that the IMF Board has examined in the past deserve close examination for they come closest to genuinely helping offset reserve build-up.

Finally, it would be a useful exercise for the Fund, in a period of growing vulnerability to capital flow

23 For a recent nuanced view from a key Fed President, see Dudley (2014).

24 See Farhi, et al. (2011) for comprehensive proposals, as also Prasad (2014).

25 So as to give a country time to adjust policies to qualify for higher limits, or to find alternative arrangements.

26 See "The Fund's Mandate – The Future Financing Role: Reform Proposals", IMF June 29 2010.

reversals, to identify those countries that do not have own, bilateral, regional, or multilateral liquidity arrangements to fall back on, and to work to improve their access to some safety net. The role of honest ex-ante marriage broker may be one that could prove to be immensely important when the interest rate environment changes.

## Conclusion

The current non-system in international monetary policy is, in my view, a source of substantial risk, both to sustainable growth as well as to the financial sector. It is not an industrial country problem, nor an emerging market problem, it is a problem of collective action. We are being pushed towards competitive monetary easing.

If I use terminology reminiscent of the Depression era non-system, it is because I fear that in a world with weak aggregate demand, we may be engaged in a futile competition for a greater share of it. In the process, unlike Depression-era policies, we are also creating financial sector and cross-border risks that exhibit themselves when unconventional policies come to an end.[27] There is no use saying that everyone should have anticipated the consequences. As the former BIS General Manager Andrew Crockett put it, 'financial intermediaries are better at assessing relative risks at a point in time, than projecting the evolution of risk over the financial cycle.'

A first step to prescribing the right medicine is to recognise the cause of the sickness. Extreme monetary easing, in my view, is more cause than medicine. The sooner we recognise that, the more sustainable world growth we will have.

[27] For an interesting episode, see the farm mortgage crisis in the United States documented in Rajan and Ramcharan (2013).

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# *Inclusion, Growth and Governance – Issues and Way Forward**

## *K. C. Chakrabarty*

Lord Meghnad Desai, Professor Emeritus, London School of Economics; Shri Rana Kapoor, Managing Director & CEO, Yes Bank and President, ASSOCHAM; Shri Sameer Kochhar, Chairman, SKOCH Group; members of the print and electronic media; ladies and gentlemen! It is a pleasure and privilege for me to be present here today at the inaugural session of this SKOCH Summit which features the theme of 'Inclusion, Growth and Governance'. The theme of the conference is particularly relevant at this juncture in our economy when the economic growth has considerably slowed down. Across the globe, especially in the wake of the financial crisis, there has been a growing appreciation of the fact that sustainable growth and financial stability can only be achieved through greater financial inclusion. The policymakers in India have been cognizant of the need for equitable development and have pursued polices which aimed at greater financial inclusion over the years. Generating sustainable economic growth through increased financial inclusion has, of late, become the central mantra of the regulators and policy makers, not only in India, but across the globe. But, how far have we succeeded in our efforts? Undoubtedly, over the last five-six years, ever since RBI has encouraged the banks to adopt a structured approach for financial inclusion, the banking sector has done a good job. One can see the statistics related to number of basic bank accounts opened, number of Kisan credit cards (KCCs) and General credit cards (GCCs) issued, *etc.* These numbers are by no means small. But, if you ask me whether we are satisfied with the progress, the answer would be an unqualified 'NO.' We are not happy with the quality of Financial Inclusion that we have achieved over these years. When we say quality, we mean that although a number of accounts have been opened, many people have been issued KCCs and GCCs; the number of transactions in these accounts continues to be minuscule. What really pains me is that contrary to the potential that exists, the progress is quite unsatisfactory. The larger question, therefore, is what is holding us back? Why are the banks not able to bring in meaningful financial inclusion? To my mind, a fair share of the collective failure of the stakeholders can be attributed to poor governance of our Financial Inclusion framework and lack of accountability at the highest policy level *i.e.* Board and at the level of senior management.

2. I am, therefore, happy that SKOCH has chosen this theme, which is aimed at highlighting this linkage between inclusion, growth and governance. As I mentioned a little while back, we set in motion a structured framework for promoting financial inclusion some 5-6 years ago and hence, this is an ideal time to take stock of our initiatives, reflect on our achievements and initiate course correction, wherever necessary. In my address today, I intend to focus on the progress made in our financial inclusion efforts, the attendant issues and challenges and the improvements needed in the governance framework of the financial inclusion initiatives in the banks in order to make it truly meaningful.

3. There is an inalienable link between growth and governance and this has been established through several empirical studies. The concept of good governance emerged at the end of the 1980s, first at the World Bank which was further developed upon

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by international development aid agencies and organisations such as UNDP and OECD. According to the World Bank, good governance entails sound public sector management (efficiency, effectiveness and economy), accountability, exchange and free flow of information (transparency), and a legal framework for development (justice, respect for human rights and liberties)(World Bank, 1994). UNDP states 9 major characteristics of good governance: Participation, Rule of law, Transparency, Responsiveness, Consensus orientation, Equity, Effectiveness and Efficiency, Accountability and Strategic Vision. Good governance can spur the process of economic growth and lead to gains which are tangible, equitable and inclusive.

4. Similarly, there is an equally compelling link between growth and financial inclusion especially in the emerging market economies. This is on account of the pivotal role that the banks play as financial intermediaries in these economies, both at a macro and a micro level. At a macro level, banks contribute to growth through mobilisation of savings and allocation of credit towards the most optimal deployment avenues available in the economy; while at a micro level, banks provide households and businesses an opportunity to realise their economic goals and improve their financial position by providing a range of financial services, thereby contributing to overall growth. However, the ability of banks to play this vital role is constrained by their lack of reach across a large segment of the population on account of financial exclusion. Financial inclusion and the consequent increased penetration of banks to the hitherto unbanked segments, thus, have strong linkages to economic growth.

**Growth through financial inclusion: Historical Perspective**

5. The criticality of the financial sector in ensuring equitable and sustainable development was realised quite early in the post-independence period and there was a focus on channeling credit to the neglected sectors of the economy and weaker sections of the population. Increasing access to credit for the poor has remained a core concern for India's planning architecture, in its fight against poverty. Having recognised the social and economic imperatives of broader financial inclusion early, the policy makers set about finding innovative ways to empower the poor. Starting with the nationalisation of banks (1969/1980), outlining priority sector lending requirements for banks, introduction of the Lead Bank Scheme, establishment of Regional Rural Banks (RRBs-1975-76), Service Area Approach (1989) and Self-Help Group-Bank Linkage Programme (1989-90), all these initiatives were taken with an underlying objective of taking banking services to the masses and making them participate in the developmental process of the economy. The financial sector reforms, set in motion in the 1990s, saw the focus shift to strengthening financial institutions and bringing in new players to infuse competitiveness, with the ultimate objective of achieving enhanced financial access, greater efficiency and improved consumer satisfaction. These initiatives, undoubtedly, had a positive impact and resulted in some improvement in access of banking services to remote parts of the country. However, since these initiatives lacked a structured and coordinated approach, the developments were rather skewed with few regions witnessing better financial access and inclusion than others. The skewness in financial development across regions could mainly be attributed to poor polices as well as inadequacy of Governance framework. The lack of formal structure and effective co-ordination in the financial inclusion initiatives, thus, contributed to regional disparities in growth and economic prosperity.

**Good Governance: An essential pre-requisite**

6. The vision of inclusive growth and governance dictates the need to broaden and deepen access to

development finance for all. Only well functioning and efficiently governed financial institutions can provide financial services to meet the growing needs of the economy. Despite early recognition of the need for universal financial inclusion, a large cross-section of the population remained financially excluded. As I mentioned before, though various measures initiated by the regulator/Government in the post-independent period resulted in impressive gains in rural outreach and volume of credit, the structure suffered from inherently weak governance. The achievements were 'quantitatively impressive, but qualitatively weak'. Due to the target driven approach to social banking, the initiatives were not part of the business strategy of banks. The effort on the part of the banks was always aimed at somehow meeting the lending targets, mostly at subsidised rates of interest, or with subsidy from the Government under various government directed schemes.

7. Overtime and especially, in the wake of the adoption of the RBI encouraged structured Financial Inclusion Framework adopted by banks over the last few years, there has been substantive development in the architecture and thinking on financial inclusion. There has been a growing realisation that there is no "one-size-fits-all" financial inclusion strategy which can be cloned over the length and breadth of our country, although few core conditions are essential to maximise the benefits derived from such a strategy. Effective Governance is the most predominant of these conditions and is, in fact, a *sine qua non* for achieving financial inclusion.

8. Effective financial inclusion cannot be achieved until the entire structure of the financial inclusion programme is supported by good governance. Good governance in our financial inclusion programme is supposed to be achieved by having a planned and structurally integrated framework, supported by a policy vision. As a first step towards creating this governance structure, effort has been made to precisely define financial inclusion and all ingredients associated with it. In the subsequent paragraphs we shall be presenting the entire governance structure of our financial inclusion programme, the progress achieved so far and issues and challenges that need to be tackled to make it a success.

**(A) Definition of financial inclusion**

9. Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular, at an affordable cost, in a fair and transparent manner, by regulated, mainstream institutional players.

**Approach to Financial Inclusion**

***(a) A Bank led Model***

10. We have adopted a bank- led model for financial inclusion, which seeks to leverage on technology. Our belief has been that in view of the geographic expanse of our country, the success of Financial Inclusion initiatives would depend on the solution being ICT-enabled, with the market participants developing new delivery models to best suit their individual requirements.

11. Our experience has shown that the goal of financial inclusion can be best served through mainstream banking institutions as only they have the ability to offer the entire suite of products necessary for effective financial inclusion. There has been criticism of our approach in not recognising mono product offerings from service providers like telcos (remittance) and MFIs/SHGs (credit) as part of the mainstream financial inclusion process. As I said before, unless the players can offer the entire suite of products, it cannot be considered financial inclusion

as it will only cater to a small chunk of the financial needs of the population and would, hence, not be a complete financial inclusion. In fact, the mainstream financial players *i.e.* banks have the ability to cross-subsidise across various products/services and offer the Financial Inclusion (FI) products in most efficient and cost-effective manner. This does not, however, mean that we have entirely excluded other players. We have suggested that other entities, such as mobile service providers, can synergistically collaborate with banks in offering services. Our belief is that such partnerships with banks could be a game changer as far as financial inclusion is concerned.

***(b) An Integrated approach – Financial Inclusion & Financial Literacy***

12. We have adopted a structured, planned and integrated approach towards Financial Inclusion which is focusing on improving access to financial services and also encouraging demand for financial services through Financial Literacy initiatives. We recognise that the success of the financial inclusion efforts depend not just on the extent to which the reach of the formal financial sector is improved, but also on whether the target population is aware about the benefits of moving on to the formal financial system and is inclined to make this transition.

***(c) Building a Robust Institutional mechanism for FI***

13. Let me now dwell upon the institutional mechanism that has been built for ensuring success of financial inclusion across the country.

i. The Financial Stability and Development Council (FSDC) headed by the Finance Minister is at the apex. Under the aegis of the FSDC, we have a Sub-Group of FSDC headed by the Governor, RBI and within that is a Technical Group, headed by a Deputy Governor, the RBI exclusively mandated to focus on financial inclusion and financial literacy. The membership of these groups comprises of representatives of all financial sector regulators, which makes the structure of the group very strong.

ii. In order to gauge the performance of banks and to continuously review the various models adopted under Financial Inclusion, the RBI has constituted a Financial Inclusion Advisory Committee (FIAC), headed by a Deputy Governor from the RBI, which has members comprising of few Directors from the Central Board of the RBI as also experts drawn from various NGOs/other civil society representatives, *etc.* The collective expertise and experience of these members is expected to be leveraged towards developing viable and sustainable banking services delivery models for meeting the objective of total financial inclusion.

iii. Further, we also leverage upon the infrastructure created at the state level, wherein we have the State Level Bankers Committee (SLBC) at the Apex which is ably supported by the Lead District Managers (LDMs) at the District level.

iv. In order to ensure that the initiatives on the supply side are ably supported by initiatives on the demand side, we have around 896 financial literacy centres set up by banks. Banks have been advised to educate, train and counsel people in the rural areas regarding the benefits of getting linked to the mainstream financial system and also to take all out efforts to ensure that such people get converted into long term customers of the banks.

***(d) Bouquet of Financial products***

14. In the absence of banks, a large number of informal financial market intermediaries mushroomed,

particularly in the rural areas, which were acting as proxy to the banks. Many of these entities were in the business of extending only credit products, that too at exorbitant rates of interest, mostly to the illiterate section of the population. This led to huge indebtedness amongst the poor people and their deteriorating financial health. Under our financial inclusion framework, we expect the banks to ensure that all the financial needs of the customers are met by offering them, at a minimum, the following four basic products:

- A savings cum overdraft account
- A pure savings account, ideally a recurring or variable recurring deposit
- A remittance product to facilitate EBT and other remittances, and
- Entrepreneurial credit products like a GCC or a KCC

15. The objective is to ensure that customers who are linked to the banking system are provided with all the basic financial products that are required to enhance their income generation capacity, thereby, helping them to come out of poverty.

***(e) Leveraging on Technology***

16. We realise that the task of Financial Inclusion is gigantic and it would not be possible without leveraging technology. Recognising that banking services through the traditional brick and mortar model is expensive for banks, we have encouraged them to adopt and leverage technology to attain greater reach and penetration while keeping the cost of providing financial services to the minimum. While we remain technology neutral, we require banks to seamlessly integrate whatever technology they choose, with their CBS architecture. This approach is expected to enable banks to minimise the cost of providing financial services in far flung areas of the country, which is the key for success of our financial inclusion initiatives.

***(f) Combination of Branch and BC Outlets***

17. We have been advocating a combination of Brick and Mortar structure *i.e.*, Branch with Click and Mouse technology (Business Correspondents (BC) outlets) for extending financial inclusion, especially in geographically dispersed areas. However, for the BC model to succeed there is need for strong support from the base branch. Banks have, therefore, been advised to open small intermediary brick and mortar structures between the base branch and the BC outlets. The whole purpose of the exercise is to create an entire ecosystem for ensuring efficient delivery of services, efficiency in cash management, redress of customer grievances and closer supervision of BC operations for better credit administration.

**(B) Regulatory Initiatives**

***(i) Enhancing Reach***

***(a) Agent Banking Model – Use of Business Correspondents***

18. In January 2006, the Reserve Bank permitted banks to utilise the services of intermediaries such as business facilitators and business correspondents in providing banking services. The BC model allows banks to do 'cash in - cash out' transactions at a location closer to the rural population, with the help of technology. This innovative model aimed at addressing the last mile problem.

***(b) Branch Expansion***

19. The RBI has considerably relaxed the branch opening norms for banks. Branch authorisation has been relaxed to the extent that banks do not require prior permission to open branches in centres with population less than 1 lakh, they have only to report having done so.

20. To further step up the opening of branches in rural areas, banks have been mandated to open at least 25 per cent of their new branches in unbanked rural centres. To further encourage the banks towards pursuing this mandate, banks have been advised to consider frontloading (prioritising) the opening of branches in unbanked rural centres over a three year cycle co-terminus with their Financial Inclusion Plans. This is expected to facilitate quicker branch expansion in unbanked rural centres.

21. Along with increasing brick and mortar presence through branch expansion, we have also encouraged banks to adopt modes such as ICT-BC outlets, Kiosks, off-site Rural ATMs, mobile vans, *etc.*

***(ii) Enhancing Access***

***(a) Relaxed KYC norms***

22. One of the major constraints faced by the people in getting linked to the formal banking system was the strict Know Your Customer (KYC) norms. To facilitate easy opening of accounts especially for small customers, the KYC guidelines have been simplified so that these accounts can be opened by means of self-certification in the presence of bank officials. Further, in order to leverage upon the initiative of UIDAI, RBI has recently allowed 'Aadhaar', the unique identification number to be used as one of the eligible documents for meeting the KYC requirement for opening a bank account. Very recently, the RBI has also allowed banks to use the E-Aadhaar facility provided by UIDAI for KYC purposes.

***(b) Basic Savings Bank Deposit Accounts (BSBDAs)***

23. Banks have been advised to make available Basic Savings Bank Deposit Accounts (BSBDAs) for all individuals with zero minimum balance and facility of ATM card/Debit card. Existing impediments of minimum balance maintenance, bank charges, *etc.* are being addressed through the same. With this it has become a right for every eligible Indian citizen to open basic savings account with banks. Further, banks have also been advised to provide in-built overdrafts in such basic savings accounts so as to meet the emergency credit needs of the customer and prevent them from having to approach money lenders in distress situation. The entrepreneurial credit has also been simplified in the form of KCC for farm sector household and GCC for non-farm sector households.

***(c) Leveraging the banking network for extending social benefits - Direct Benefit Transfers***

24. The recent introduction of direct benefit transfer, based on validation of the identity of the beneficiary through Aadhaar, will help facilitate delivery of social welfare benefits by direct credit to the bank accounts of beneficiaries, thereby preventing leakages and wastages in the system. The government, in future, has plans of routing all social security payments through the banking network using the Aadhaar based platform as a unique financial address of beneficiaries. In order to ensure smooth roll out of the Government's Direct Benefit Transfer (DBT) initiative, banks have been advised to:

- Open accounts of all eligible individuals in camp mode with the support of local Government authorities.
- Seed the existing and new accounts with Aadhaar numbers.
- Put in place an effective mechanism to monitor and review the progress in implementation of DBT (G2P – Government to Personal Payments).

**(C) Financial Inclusion: A Viable Business Proposition**

***Financial Inclusion Plan of banks***

25. Contrary to common perception, financial inclusion can, with better governance, be a viable

business proposition because of the huge untapped market, which can be brought into the fold of banking services. Financial Inclusion, *prima facie*, needs to be viewed as "money at the bottom of the pyramid". With the banks being free to charge reasonable interest rates on the advances as also to internally fix charges for various service offerings, what banks actually need is to develop an appropriate business and delivery model in line with their business strategy and comparative advantage and align the same to their business plan. This will create an environment of competitiveness amongst banks and in the process will benefit the unbanked population.

26. As I have mentioned above, we have encouraged banks to adopt a structured and planned approach to financial inclusion with commitment at the highest levels. Towards this end, the banks have been advised to prepare Financial Inclusion Plans (FIPs) containing self-determined targets on various parameters to be achieved during the FIP period, with the approval from their respective Boards. The first phase of FIPs was implemented over the period 2010-2013 and the second phase of FIPs has been finalised and is under implementation. The Reserve Bank has used the FIPs to gauge the performance of banks under their FI initiatives. For this purpose, a structured and comprehensive monitoring mechanism has been put in place for evaluating banks' performance *vis-à-vis* their planned targets. To ensure engagement of the Top Management/senior functionaries of the Bank in the FI process, a system of annual review meetings between CMDs/CEOs of banks and Deputy Governor of RBI has also been institutionalised.

**Performance of banks under the Financial Inclusion Plan**

27. The achievements of the banking system under the FIP can be accessed from the following monitoring data (for the period up to December 2013):

i. Banking connectivity has been extended to nearly 328679 villages from 67,694 villages in March 2010.

ii. The total no of BSBDAs have gone up to 229 million of which 108 million are ICT based accounts.

iii. Credit to **farm sector households** have touched 39 million households while credit to **non farm sector households** have touched more than 6 million households

iv. About 238 million transactions have already been carried out in ICT based accounts through BCs during the nine month period ended December 2013 as against 250 million transactions recorded during the year 2012-2013.

28. After completion of the first FIP period, it was realised that although a large banking network had been created along with the opening of large number of bank accounts, simply creating the banking infrastructure and opening banking accounts would not fulfill the objectives of achieving meaningful financial inclusion. As an improved governance measure, with an underlying objective of ensuring involvement of all stakeholders in the Financial Inclusion efforts and in order to ensure uniformity in the reporting structure under the Financial Inclusion Plan, banks were advised to ensure that their FIPs are disaggregated and that they percolate down up to the branch level. The focus under the new plan is to ensure that the newly created banking network is utilised not just for offering deposit and remittance products, but also for extending other products *viz.*, credit, which can help make the business more viable for banks. This would also ensure that not only the volume of transactions in the newly opened accounts increase but the people also reap the benefits of getting linked to the formal financial system.

**Facilitating a balanced approach - Roadmap for providing Banking Services in unbanked Villages**

29. With the banks slowly realising the potential business opportunity in financial inclusion and gearing up to penetrate the rural areas, the RBI came up with the idea of notional allocation of villages amongst banks, in order to ensure that the efforts of banks are not duplicated. This was also with the objective of ensuring presence of at least one banking outlet in all the unbanked villages of the country.

30. In this direction, a phase-wise approach was adopted wherein SLBCs/DCCs were advised to identify unbanked villages with population more than 2000 and notionally allocate them amongst banks operating in the region. While the first phase saw coverage of almost 74,000 unbanked villages (having a population above 2000), in the second phase, the SLBCs/DCCs have identified approximately 4,90,000 remaining unbanked villages. These villages have also been notionally allotted to banks and the target is to provide each of these villages with a banking outlet by 2016.

**Financial Literacy and Financial Education**

31. As I had mentioned earlier, we have adopted an integrated approach of promoting supply of financial services through improved financial access and ensuring greater demand for financial services through financial literacy initiatives. In the Indian context, the problem of financial illiteracy is more acute with awareness levels of the rural population regarding the benefits of linking with mainstream financial institutions, being extremely poor.

32. Therefore, we have ensured that our supply side initiatives are ably supported by initiatives on the demand side. Our idea is to include financial education in the school curriculum so as to educate children about the benefits of banks and banking services. In this direction, the Technical Group of the FSDC has already come out with a National Strategy on Financial Education, which has been approved by the FSDC.

33. The RBI has advised banks to set up Financial Literacy Centres (FLCs) across the country. Banks have so far set up around 896 FLCs as of December 2013. These FLCs have reportedly educated more than 10 million people through various literacy programs. Banks have been further advised to scale up financial literacy efforts through conduct of outdoor Financial Literacy Camps, at least once a month, both by the FLCs and also by the rural branches.

34. In order to standardise the literacy material, the RBI has prepared a comprehensive Financial Literacy Guide containing Guidance Note for Trainers, Operational Guidelines for conduct of Financial Literacy Camps, Standard Financial Literacy Material, Financial Diary for use of rural customers and a set of 16 posters. Banks have been advised to use the material as a standard curriculum to impart basic conceptual understanding of financial products and services.

**(D) Issues & Challenges**

35. While several initiatives are being taken for ensuring widespread financial access, certain factors continue to impede progress of financial inclusion. Let me come to these issues and challenges one by one.

***Governance Deficit***

36. The need for effective governance implies that the underpinning of all processes, through norms that define our actions, allocate power and prescribe a matrix against which we can calibrate our performance. Lack of effective governance has been one of the major reasons for slow progress in implementing our Financial Inclusion initiatives.

***Ownership and Accountability***

37. Why Financial Inclusion is not happening even after the infrastructure being in place? It is clearly due to lack of accountability and a problem of attitude. Many of the banks still have not developed an appropriate, cost-effective delivery model for Financial Inclusion and therefore, they are still not thoroughly convinced about FI being a profitable business opportunity. Resultantly, they still perceive this to be a social/regulatory obligation and consequently their efforts are half-hearted. The inadequacy of MIS creates further complications. The sunken cost for setting up the intermediate brick and mortar structures and developing the BC network has to be seen as future investment. Obviously, it cannot be revenue accretive from day one. Still, if one were to logically work out the mathematics of serving the customers in a brick and mortar branch and through a BC, keeping the fixed and variable cost in mind, certainly the BC model would work out much cheaper in the intermediate term. Therefore, for the FI model to work, the banks need to take ownership of the model and ensure continuous and full support to the Business Correspondents at the ground level. There is need to punish the non-performers in the system and the governance system has to be improved for ensuring buy-in from the Top Management and commitment and accountability from the rank and file of the bank.

***Delivery Model***

38. One of the major challenges is that banks are yet to develop a sustainable and scalable business delivery model to guide its Financial Inclusion initiatives. While several alternate models have been tried out, the BC-ICT model has gained prominence amongst banks. However, many banks are yet to settle upon on a BC model which is scalable and will help them achieve their targets under financial inclusion.

***Viability Issues***

39. While access to financial services has improved, the usage of the financial infrastructure continues to be tardy. While more than 3 lakh banking outlets are available across the country, the number of transactions in many accounts opened by the BCs, remains unimpressive. This not only restricts the potential benefits that could accrue from increased financial access but also reduces the viability of Financial Inclusion activities for banks and BCs. The reduced viability, in turn, impacts the scalability of the model and, in the process, hampers the Financial Inclusion efforts.

***Hindrances constraining BC operations***

40. We have identified certain deficiencies which are hampering the scaling up of the BC model. These include restrictive Cash Management Systems followed by banks wherein BCs are required to fully prefund their business operations in terms of cash limits and security obtained from BCs; Non-insurance of cash held in transit by BCs; Low or untimely remuneration paid to BCs/CSPs; allowing transactions only in limited products through the BC channel. These have restricted the involvement and effectiveness of the BCs as a vital peg in the financial inclusion jigsaw.

41. Our review has shown that different banks are adopting different practices. We feel that the time has come for banks to come together and identify the best practices for the scaling up of the BC model. We have asked banks to work under the aegis of IBA and come up with "Best Self Regulatory Practices for BC Operations" based on industry best practices. The RBI is also considering issuing instructions to banks for standardising operations under the BC model.

***Technology issues***

42. While banks have innovated on technology, the same has not resulted in significant reduction in the

cost of providing financial services. Beneficiaries/stakeholders often complain of constraints in digital/physical connectivity. This, coupled with delays in issuance of smart cards, reliability issues in hardware infrastructure such as hand held devices, *etc.* have impacted the quick roll out of financial services across the country. Over dependence on vendors and the resultant problems is a serious governance deficit which needs to be overcome for effective rollout of our Financial Inclusion initiatives.

***Collaboration***

43. Finally, the collective will power of the society and of all the concerned stakeholders is lacking and this adversely impacts the effective implementation of our Financial Inclusion initiatives.

**(E) Regulatory Governance to Self Governance**

44. The primary role of the regulator is to issue broad guidelines to ensure standardised practices across the banks at the national level. In line with these broad guidelines, it is the responsibility of the bank management to develop their own internal processes, structures and governance framework based on their business model and overall business strategy. The internal governance should ensure that a robust system is developed to keep a check on adherence to rules and regulations.

45. Presently, there is a top-down approach to implementation of regulation and regulatory controls at all levels. Financial Inclusion delivery models also operate in similar ways where top-down approach is followed by banks while deciding the operational aspects of Business Correspondents and other delivery channels. It is this approach which needs a fundamental change. We need to move from forced implementation to willing participation to facilitate achievement of Financial Inclusion goals. Effective governance at all levels within banks would ensure that regulations are seen as an essential element of business and are not adhered to merely for compliance sake. Banks' policies should evolve from best practices and ground level realities. The regulator should not be required to micro manage the principles on which Financial Inclusion model operates. This can be achieved in following ways:

i. Alignment of business plan with all micro policies

ii. Self regulation

iii. Bottom up and participatory approach

iv. Robust internal checks and control

v. Knowledge sharing at industry level

46. In general, Governance is administered in three ways *viz.* through market forces, through governing body or through network. In an organisational set up, it's about the rules and regulations that guide all activities. Regulatory governance reflects the emergence of de-centered and mutually adaptive policy regimes which rest on regulation rather than service provision. From the perspective of the Governance framework guiding the financial inclusion process, banks need to devise their own strategies to ensure that an effective and conducive governance regime is in place to ensure attainment of the FI goals.

**Conclusion**

47. Good governance is at the core of improving the delivery of public services. Good governance provides a mechanism for linking inclusion, decision making, and accountability. Problems in infrastructure, critical for building an inclusive India, can often be traced back to lack of ownership and poor governance. Many of the initiatives launched over the years for achieving the objective of rapid growth coupled with poverty alleviation and inclusiveness have failed to achieve their goals because of lack of ownership, ineffective governance and insufficient accountability at various

levels. Without effective implementation, even substantial government expenditure results in limited success.

48. The success of banks cannot be measured simply in terms of profit their banking operations generate. The banking services are equally about addressing the financial needs of various stakeholders. Not only is it about making the system more inclusive, it is also about protecting the financial consumer, through improved awareness and better grievance redressal mechanisms. The mantra of good corporate governance, therefore, does not just encompass ethics and business practices followed by the bank or its personnel; it has to go beyond compliance with regulatory directives. It must consider fair and acceptable behavior, among others, to those who are more vulnerable, even if it is at some cost to their bottom lines.

49. For our Financial Inclusion initiatives to succeed, it is important for banks to craft new policies on governance and compliance, wherein good governance should be the primary responsibility of the bank's board of directors and its senior management. While we respect the mandate of the leadership of each bank to make strategic decisions as it is these choices that differentiate one bank from another as a business proposition; however, the governance perspective that we seek must be fundamentally entrenched as a core competency across all banks.

50. There is a causal linkage between growth and good Governance. The deficit of governance can impair and impede development. I am often asked why the BC model is not scaling up as it should to meet the humungous credit needs of our population. The answer is simple. The model lacks effective governance at every level. There is inadequate supervision of the banks' frontline staff. The vision of the Board room is not transmitted to the frontline manager. Governance failure is also reflected in the vendor dependence in the usage of technology. We have to chart a clear path and change this dependence into efficient and effective systems which are scalable and sustainable. So, the overarching theme here is a persistent and immediate need to address the governance deficit to ensure financial inclusion and concomitant growth.

51. In sum, good governance and accountability at different levels of bank management is the key for the success of the financial inclusion programme. Maximum attention needs to be paid to firmly showcase the virtues of financial inclusion to the banks' boards and to ensure its acceptance at the highest level. It is also important at the same time to make the Boards accountable to deliver the results on the mandate of financial inclusion. The acceptability and accountability at lower level of management will automatically follow. We also need to improve governance mechanism for delivery of banking services through BC network by ensuring better co-ordination and governance amongst all stakeholders, including the technology providers, vendors, *etc.* Up until now, we have followed a carrot and stick policy to ensure the success of financial inclusion programme with the carrots being used more predominantly. Having created a flexible and friendly regulatory environment for financial inclusion for inclusive banking practices, time has come for us to use the stick more often, albeit judiciously, to make financial inclusion an integral part of banking operation and its acceptability at bank board level. This has to be supported by good governance at every level of the management associated with the delivery of the financial inclusion programme.

52. I once again congratulate the organisers for the topical selection of the theme and hope that delegates at the summit would appreciate the role of governance deficit in impeding financial inclusion and growth in the country and take correctives steps within their

respective organisations to ensure that universal financial inclusion can be achieved in a time-bound manner. I would like to close with an extract from Robert Frost's famous poem:-

"The woods are lovely, dark and deep,
but I have promises to keep
and miles to go before I sleep".

Yes, a lot has been achieved in our journey towards universal financial inclusion, but there is a long road still to travel for fulfilling the promises we have made to the people of this country. What can ensure success in this challenging task of delivering meaningful financial inclusion is full commitment of the Board and the senior management of the banks.

# *Currency Management in India: Issues and Challenges**

## *K. C. Chakrabarty*

Mr. Tom Ferguson, Chairman, Banknote Conference 2014; Mr. Tim Vigotsky, Director, Banknote Conference 2014, my fellow speakers - Mr. Barna Barabas, DMD, Jura Security Printing Alliance; Dr. Wolfram Seidemann, Managing Director, Louisenthal; other delegates; ladies & gentlemen. At the outset, I thank the organizers of Banknote Conference 2014 for inviting me to speak at this august gathering. From the contents of the Conference Schedule and from the feedback that I have received from my colleagues in the Reserve Bank of India, who have participated in this Conference over the years, I gather that the Conference seeks to serve certain useful purposes, notably, providing a platform for a free and frank exchange of views, showcasing the latest developments in the rapidly changing field of currency management, bringing together the service providers and the service seekers from across the world under one roof and generally helping the participants to chalk out their future strategies and plans of action.

2. Because of the sheer size of our population and the quantum of banknotes that we are required to put into circulation every year, India has emerged as one of the biggest consumers of the ingredients that go into production of banknotes in the world. In keeping with the magnitude of the banknotes that are put into circulation, the corresponding need to import other machinery for processing, detection and destruction of the bank notes is also humongous. Thus, India is a very significant market for the suppliers of all ingredients and equipments, which form the entire ecosystem of the banknote production and destruction process. As in-charge of the currency management function in the country, we at the Reserve Bank of India, the Central Bank of the country, have experienced severe constraints, some of which can be traced, directly or indirectly to the operations of the global suppliers and vendors in the banknote industry. I intend to use the presence of these global suppliers and vendors and the opportunity to speak at this platform today to highlight some of these concerns, which I feel must be bothering other Central Banks which rely on imports for their currency management, especially in the emerging markets. I would be extremely happy if the suppliers/vendors could reflect on our concerns and develop some practical solutions to our problems. However, before I get into the specific issues, let me begin with a brief perspective on various dimensions of the Indian currency system and the issues and challenges that we face in our currency management efforts. I would also like to share some of the recent steps we have taken in this area with a view to seeking your views and feedback for improvements.

**Introduction**

3. Currency management has a great degree of significance for Central Banks the world over as it is one of the most visible functions which touches the lives of every individual. Since people often tend to judge the efficacy of the central bank from the ease of continuous access and quality of notes in their possession, currency management function entails a certain degree of reputational risk for the central bank. As is the case in most jurisdictions, issue of banknotes and management of currency is one of the core functions of the Reserve Bank of India. It is enshrined in the preamble to the RBI Act, 1934 as *"…to regulate the issue of Bank Notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage."*

4. The mandate of any central bank is to protect the integrity of banknotes through new design and security features, estimate the demand for banknotes and coins,

* Keynote address by Dr. K. C. Chakrabarty, Deputy Governor, Reserve Bank of India at the Banknote Conference 2014, Washington on April 8, 2014. The assistance provided by Shri B. P. Vijayendra, Ms. Kaya Tripathi and Shri Arvind Kumar is gratefully acknowledged.

plan the supply and distribution of adequate quantity of banknotes and coins and ensure quality of banknotes in circulation by timely withdrawal of soiled banknotes. It is equally important to maintain confidence in currency through improvement in systems/procedures and by raising public awareness by enlisting support from all associated with the design, production and supply of banknotes.

**Some Numbers**

5. There has been a steady increase in the demand for banknotes and coins over the years, despite the increased use of technology-driven non-cash modes of payments/e-currency/virtual currency-bit coins, *etc.* Even internationally, notes in circulation have been increasing despite the use of non-cash modes of payment. However, the large numbers in India present a unique situation as compared to other countries. A comparative picture of the Notes in Circulation (NIC) in India as compared to some major countries is indicated in the table given below:

| Year 2012/13 | India | US | UK | Euro zone | Australia | Canada |
|---|---|---|---|---|---|---|
| No. of Pieces (in billion) | 76.47 | 34.5 | 2.99 | 15.8 | 1.15 | 2.00 |
| Value in home currency terms | 12468 billion | 1198 billion | 58 billion | 933.7 billion | 53.6 million | 63.7 million |

6. Globally, the cash in circulation to GDP ratio has ranged from 2.5% to 8% whereas in India it has been around 13% due to the predominant usage of cash by a majority of the population. The world-wide growth rates of cash in circulation has varied between 6% and 13%, with Central & South America figuring at the top end followed by Africa (12%), Middle East (11%), Europe (10%), Asia (7%) and finally UK and Ireland at 6%. In the year 2013, 154 billion banknotes were issued globally, of which the maximum banknotes, 54 billion, were issued by China and almost 20 billion banknotes by India. The global projections for the next three years have been worked out at 160 billion, 166 billion and 173 billion banknotes, respectively. These numbers are simply astounding. While it presents a massive opportunity for the vendors associated with the production of banknotes, I believe it simultaneously enjoins upon them certain responsibilities. For instance, the vendors need to be conscious of the impact of their activities on the environment. I will touch upon some of these issues later in my address. At this stage, I would like to mention that there needs to be more investment in research and development efforts by the vendors to ensure that the longevity of the banknotes improves and eventually, the cost of printing of banknotes for the society as a whole comes down. Vendors need to develop such banknote paper that can resist dirt and moisture, thereby increasing the life and quality of the banknotes in circulation. But while the focus needs to be on bringing down the cost of printing banknotes, it cannot be done by compromising on security. In fact, effort has to be on making the banknotes more secure with lesser, but stronger security features.

**Currency Management in India- Major Challenges**

7. Let me now share with you some of the challenges that we encounter in currency management and currency distribution in India. In a country like India having an area of approximately 3.3 mn sq. km. and a population of more than 1.2 billion, reaching the currency to the end users in far flung areas dotted with difficult terrains, poses an enormous challenge. As on December 31, 2013, there is a network of 110,520 commercial bank branches and 137,080 ATMs. The notes in circulation as on the same date was approximately 76.47 billion pieces valued at ₹ 12, 468 billon while the coins in circulation were around 89.91 billion pieces valued at ₹ 168 billion. As the demand for notes and coins is subject to diverse socio-economic, behavioural and other often unpredictable factors, the task of forecasting demand for currency is a challenging task and can be subject to large variations. At present, the system poses considerable difficulties in capturing the structural and cyclical demands for currency and projecting demand with precision. I would, therefore, also take this opportunity to extend an invitation to

the delegates present here to come forward and see if they can work with us for making accurate projections for the demand of banknotes and coins.

8. The other challenges in currency management relates to ensuring durability of banknotes, ensuring adequate supply of all denominations, improving operational efficiency in distribution of notes by controlling cost of handling, distribution and security in transit/storage, providing last mile connectivity at reasonable cost, ensuring equity in distribution and repositioning RBI as an upstream facilitator in the fresh note/coin supply chain, rather than as a retailer with limited reach. Let me highlight the challenge associated with durability of the banknotes in India by giving some figures. We in India, withdraw more number of banknotes from circulation than the number of banknotes collectively produced by all countries taken together with the exception of China. In fact, we are constrained to withdraw over 75% of all notes that we circulate every year as may be seen from the table below:

**Supply of Banknotes by RBI to Currency Chests and disposal of Soiled notes**

| Denomination | Volume(Million Pieces) | | | | | |
|---|---|---|---|---|---|---|
| | 2010-11 | | 2011-12 | | 2012-13 | |
| | Supply | Disposal | Supply | Disposal | Supply | Disposal |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| ₹1000 | 706 | 179 | 371 | 375 | 1536 | 450 |
| ₹500 | 4347 | 1864 | 5560 | 1994 | 2725 | 2263 |
| ₹100 | 4085 | 5227 | 1091 | 5577 | 6348 | 5627 |
| ₹50 | 1114 | 2095 | 1522 | 1578 | 1257 | 1357 |
| ₹20 | 1296 | 664 | 4237 | 562 | 904 | 609 |
| ₹10 | 5580 | 3657 | 3379 | 3584 | 5991 | 3752 |
| up to ₹5 | 549 | 166 | 1440 | 101 | 105 | 72 |
| Total | 17677 | 13852 (78%) | 17600 | 13771 (78%) | 18866 | 14130 (75%) |

9. Such massive withdrawal of banknotes from circulation not only means additional cost for printing of fresh notes but also additional requirement of various resources used in production of banknotes. In this context, it becomes imperative that efforts are made to enhance the durability of the banknotes so that not only the wastages are reduced, but also resources are utilized in a sustainable manner, thereby ensuring that the environmental footprint of our currency management operations is minimised.

10. Mechanisation of soiled note processing while augmenting capacity has also thrown up new challenges like ensuring standardisation of machine parameters, slow progress in improvement in processing capacity by commercial banks and security risks on account of manual intervention. Another challenge with the likely potential to evolve into a reputational risk for RBI is the shortage/'perceived' shortage of coins and the lack of understanding on the exact role of the central bank in its distribution. It needs to be understood that while the responsibility for issue of coins is that of the Government of India (GoI), RBI's role is restricted to putting into circulation the coins received by it. Then, there are issues arising out of similar shapes and sizes of coins of different denominations. Last, but not the least, is the growing menace of forged notes in circulation and creating public awareness about various aspects of banknotes.

## Recent Measures in India

### a) Constitution of High Level Committee

11. To address the significant challenges faced by us in India and other related issues, a High Level Committee was recently constituted by GoI (Chairman: Dr. K. C. Chakrabarty) having members representing GoI, RBI, Note Presses & Mints. The Committee reviewed the forecasting methodology and studied the international best practices in cash distribution by other Central Banks. It made wide-ranging recommendations, notably, (i) RBI to focus exclusively on management and planning of currency system while passing on the responsibility for distribution of banknotes and coins entirely to commercial banks, (ii) need to introduce private entrepreneurs for distribution of banknotes and coins on behalf of banks, if last mile connectivity for distribution has to be achieved, (iii) identification of a bank willing to assume leadership of currency

management function in the district, *etc.* All these recommendations have been accepted and are at various stages of implementation.

**b) Distribution Mechanism**

12. The functions relating to issuance of currency (both banknotes and coins) and their management is performed by the Reserve Bank through its 19 issue offices and a network of 4,209 Currency Chests and 3,966 Small Coin Depots spread across the country. Despite the large number of currency chests (extended arms of the RBI's Issue Department), the primary responsibility for reaching currency to the banks rests with the RBI because of the currency management structure. Every year, based on the Bank's indent for banknotes and coins, the Printing Presses and Mints dispatch notes and coins to the RBI offices. From the RBI offices, the notes and coins are remitted to currency chests operated by commercial banks. The central bank arranges for transport and police escort for transfer of treasure and bears all the expenditure related to it unlike other countries where the commercial banks are responsible for transport of cash. Thus, distribution of cash in India is the primary responsibility of the central bank. The treasure held in the currency chests is the property of the central bank and is subject to audit/ verification. Any withdrawal or deposit in the currency chest by the bank holding the chest is reflected as debit/ credit in the bank's account held with the RBI.

13. To improve last mile connectivity, we have decided to involve private entrepreneurs in the distribution function. The Cash-in Transit (CIT) companies/Business Correspondents have been allowed to process coin and banknotes, including packaging, sorting and delivery to banks' customers and for retrieval. Banks, including urban co-operative banks and regional rural banks, are also being involved to ensure that last mile delivery of cash related services penetrates throughout the country. We have also initiated a pilot exercise under the lead bank scheme for currency management and intend to upscale it going forward, based on the experience gained.

**c) Direct remittance of banknotes**

14. At present, remittances of notes from printing presses accompanied by press representatives and police escort are received at our Issue Offices. After receiving these boxes, they are subjected to preliminary verification (PV) wherein the contents of the box are verified by the vault joint custodians in the presence of the press representative. Later, at the time of sending remittance to banks, packing of the boxes is done in the presence of the accompanying the RBI staff and vault joint custodians. At the bank, the RBI staff remains stationed till the verification of notes is completed by the bank officials.

15. We have realized that the present process has some inherent inefficiency as the currency notes have to be transported several times before they reach the public. This not only reduces productivity but is also cost-inefficient. Accordingly, we have introduced a scheme for direct remittance of banknotes from Banknote Printing Presses to the commercial banks instead of routing them through the RBI Issue offices to save time, efforts and resources. The new process is being given greater impetus by the RBI.

**d) Pursuit of Clean Note Policy**

16. Since the year 1999, the Bank has been pursuing a 'Clean Note Policy' to ensure an uninterrupted supply and circulation of good quality banknotes. As may be seen from the Table at para 8 above, during the last three years, 13852 million pieces (mpcs), 13771 mpcs and 14130 mpcs respectively of soiled banknotes were withdrawn and disposed of. While the objectives of Clean Note Policy have been by and large achieved in respect of higher denomination notes, the quality of lower denomination notes, especially ₹10, continues to be a cause for concern, possibly due to reluctance/ constraints on the part of banks to mop up such notes from circulation.

17. To ensure that genuine banknotes alone are put into circulation, high priority is accorded to detection of counterfeit notes in the banking system. Towards

this end, banks have been directed to enhance the use of technology to re-align their cash management systems so as to ensure that cash receipts in the denominations of ₹100 and above are not put into re-circulation without being machine processed for authenticity. Banks have also been advised to put in place suitable systems to ensure that counterfeit notes detected are duly impounded and reported by following the prescribed procedure.

**e) Currency Processing in India -Trends in Expenditure**

18. The currency production costs in our country have been substantial over the years. We in RBI have incurred an expenditure of ₹23.76 billion in 2010-11, ₹27.36 billion in 2011-12 and ₹28.72 billion in 2012-13 on this activity. The two note printing presses, BRBNMPL and SPMCIL, exhibit an increasing trend in their overall expenses *viz.* ₹12.22 billion, ₹13.09 billion and ₹14.23 billion in the case of the former and ₹ 26.17 billion, ₹27.88 billion and ₹32.82 billion in the case of the latter during the last three years respectively, with the cost of paper and ink contributing significantly in the overall costs. Additionally, RBI has incurred an expenditure of ₹5.23 billion for acquisition, upgradation and overhaul of its 59 CVPS machines and 28 SBS (Shredding and Briquetting system) machines employed for destruction of soiled notes.

**The Road Ahead & Key Messages**

19. Currency management offers significant business opportunities for the players as the cost of printing of banknotes is increasing every year due to the increasing demand for banknotes. As I mentioned earlier, this also enjoins certain amount of responsibility on the part of the vendors. It is expected from them that the products offered are of high quality and reliability and they strictly adhere to the agreed technical specifications. In this context, I wish to allude to the failure of the selected bidders in meeting the technical specifications of the plastic banknotes in ₹10 denomination that we are proposing to introduce on a trial basis in India, necessitating undertaking the exercise afresh, thereby delaying the process. The vendors are also expected to co-operate with the national governments and Central Banks to avoid production of counterfeits by developing country-specific security features and bringing about improvisation in raw materials like paper, ink, thread, *etc.* Any failure of the vendors in this regard could result in total loss of business with individual countries making efforts to indigenize.

20. Let me now focus your attention on some expectations that we have from the various vendors present in the Banknote Conference here. We all agree that the integrity of banknotes is the most important factor. In this context, it is also actually quite ironical that for the circulation of forged notes the blame is put on the central bank when, in fact, the blame should go to the manufacturer of the forged notes as in the case of spurious drugs, where the manufacturers are prosecuted. However, it is my considered opinion that the integrity of the banknotes is not a technology issue but more of a law and order issue. When I say this I feel I would be echoing the sentiments of all consumers of various products that the industry produces, especially the representatives of the emerging market countries, who rely heavily on imports for currency production in their respective jurisdictions. I firmly believe that upgrading the security and design features of the banknotes every few years to outsmart the counterfeiters is not a long-term solution but only adds to the cost of producing the banknotes.

21. Let me elaborate what I mean. If the counterfeiters are able to do a good job of producing duplicate currency, they are obviously having access to good quality currency paper, printing ink and other components that are necessary for production of banknotes. So, the question is, what is the source of supply for the fraudsters and what is the role of vendors in perpetration of these unlawful activities. The commercial banks the world over follow stringent KYC procedures on their customers. As counterfeiting is a global issue, what I would like the vendors present here is to similarly do a proper customer identification/due

diligence on all their customers. The vendors must join hands to find out who has supplied ink, paper, machinery, *etc.* to the counterfeiters which would enable the regulators to take appropriate action. In a manner the banks close accounts of customers doing any doubtful transactions; the suppliers should be able to cut off their links with their doubtful customers. In fact, the need of the hour is that counterfeiting should be tackled as a criminal activity with active co-ordination and collective might of all stakeholders-the vendors, Central Banks, law enforcement agencies, *etc.* Finding a long-term solution to this menace may also require close cross-border cooperation between various countries. The global vendors have, in fact, the maximum stake in ensuring that these problems are countered at the earliest. Over time, the vendors have made significant investments in building capacities and, in the process, created economies of scale and scope. They are the least cost producers of the various ingredients/components used in production of banknotes and any attempt by individual countries at creating manufacturing capacities could prove inefficient and in many cases, wasteful investment. But the bottom line is that any failure to initiate necessary corrective measures would push more and more countries like India to go for indigenisation thereby resulting in loss of big business for the vendors.

22. The global banknote industry, comprising various manufacturers of machines, paper, ink, security features, *etc* is very huge. I understand that the overall market for this industry is roughly US$ 27 to 28 billion. So, while the opportunities for the vendors are immense, I would also take this opportunity to request all the manufacturers, suppliers, vendors in the banknote industry to put their minds together and come up with ideas on not only reducing the cost of paper, ink, machines, *etc.* but also for enhancing the durability of the banknotes through technological innovations. The vendors must realize that they also have a responsibility towards the environment. These innovations are necessary to reflect that the vendors are conscious about promoting environmental sustainability and 'green' practices. Thus, it is extremely significant that currency production activities are not viewed as mere business proposition for the vendors but also as something which has serious implications for the reputation of all stakeholders - the national governments, Central Banks and the vendors themselves.

23. I once again thank the organisers for the opportunity provided to me and appreciate the patient hearing given by the participants. I hope that the delegates present at the Conference would reflect on the messages/concerns that I have tried to convey this morning. I hope the Conference would deliberate on these issues and come up with practical solutions to the present/impending challenges. Global co-ordination and intensive efforts to ensure integrity of banknotes is the need of the hour and I hope that all stakeholders *viz.*, the Central Banks, state, policy makers and vendors who are involved in the process of production, supply and distribution of banknotes, would discuss these issues in a more purposeful manner. Ultimately, this is the prime objective of the Conference. It is our collective responsibility to bring greater efficiency in the entire currency management function – an essential commitment that all of us must make to the end users spread across regions and jurisdictions.

Thank you.

# *Regulation of Indian Debt & Derivatives Markets: Some perspectives on post-crisis paradigm**

## *Harun R Khan*

Shri N. S. Venkatesh, Chairman, Fixed Income Money Market Derivatives Association (FIMMDA), Shri B. Prasanna, Chairman, Primary Dealers Association of India (PDAI), Shri C.E.S. Azariah, outgoing Chief Executive Officer and Shri Prasad, incoming CEO of the FIMMDA, distinguished speakers and panellists and delegates to the conference. It gives me immense pleasure to be amidst you all for the 15th annual meeting of the FIMMDA and the PDAI in this beautiful, historic city of Jaipur. After holding meeting overseas for some years, holding the meeting here is like home coming. Jaipur with its majestic forts and palaces, archaeological monuments and beautiful gardens provides appropriate ambience for the bond and derivatives dealers to reflect on the very topical subject of the conference: *Risk, Regulation & Opportunities in Globalised Markets.* I would like to compliment the organisers for very thoughtfully choosing the session themes covering dynamics of Impossible Trinity in the context of the EMEs, liquidity risk and capital requirements under the Basel framework, regulations relating to Financial Market Infrastructures (FMIs) and current issues and challenges in the financial market development and the eminent panellists. By way of background to some of the issues that would be discussed in these sessions, I would like to share some perspectives on regulations of Indian debt and derivatives markets in the recent times in the context of post-crisis paradigm.

**I. Why do we need regulation?**

**I.I Importance of regulation for markets**

2. Wayne Byres, Secretary General, Basel Committee on Banking Supervision (BCBS) described financial market participants as 'glass half full' people, and regulators as their 'glass half empty' counterparts. The reason for such description is that market participants will first see opportunity for reward whereas regulators will first see exposure to risk. The two perspectives are different sides of the same coin and are essential for development of financial markets and, by extension, development of the real economy. The operation of an efficient financial sector is dependent on efficient financial regulation. The recent financial crisis has amply demonstrated the need for effective regulation.

3. The financial crisis has been triggered by actions of financial firms motivated by incentives which were misaligned with the requirements of financial stability. The regulators were not able to accurately gauge the impact of the actions of financial firms, whether they are sub-prime lenders or dealers in complex derivatives, leading to a crisis of humongous magnitude. The "free markets paradigm", which emphasised the efficiency and self-correcting nature of markets, has been found inadequate. The build-up of systemic vulnerabilities arising from excess liquidity, leverage, risk-taking and interconnectedness across the financial system was not detected by regulators. The crisis has in a sense changed the global regulatory landscape dramatically.

4. Besides taking monetary and fiscal steps intended to restore market confidence and help economic recovery from the crisis, the policy makers have also shown determination to introduce new financial regulations in an attempt to mitigate the impact of

* Detailed version of the keynote address of Shri Harun R Khan, Deputy Governor, Reserve Bank of India delivered at 15th FIMMDA-PDAI Annual Conference at Jaipur on March 8, 2014. The speaker acknowledges the contribution of Shri N. R. V. V. M. K Rajendra Kumar, Shri Sudarsana Sahoo and Shri Surajit Bose of the Reserve Bank of India.

such crisis in future. The regulatory reform is therefore focused on strengthening micro-prudential and market-conduct regulation supplemented with focus on build-up of systemic risks.

5. As the crisis spread to the developed countries, interconnectedness of global finance highlighted need for co-ordination of regulation at the global level, prompting G-20 countries to launch a co-ordinated and concerted regulatory reform initiative. G-20 also emphasised on effective enforcement of regulation which should be co-ordinated internationally so that national authorities and international standard setters work together and assist each other in strengthening financial regulatory and oversight frameworks. G-20 has recognised that regulatory reform requires enhancements to a range of supporting policies and infrastructure, including compensation practices that promote prudent risk taking; the greater standardisation of derivatives contracts and the use of risk-proofed central counterparties (CCPs); improved accounting standards that better recognise loan-loss provisions and dampen adverse dynamics associated with fair-value accounting. At the global level, strict new rules on capital, liquidity and leverage have been designed so as to ensure that there are sizable buffers available in the system as cushion against event of failure and the risks assumed by the financial firms are limited.

6. In the advanced economies, comprehensive regulatory reforms have been ushered in key areas through legislation (*e.g.* passage of Dodd-Frank Act in US) and comprehensive review (*e.g.* Vickers review of banking system in United Kingdom). The global scale of crisis and the complex financial system with entities straddling across national jurisdictions necessitated coordinated regulatory action through international agencies, and the G-20 has therefore taken an enhanced role in shaping international financial regulatory arrangements.

### I.II Global Initiatives on Regulation

7. The new regulatory initiatives are intended to be both more intrusive in their impact on the financial sector than the "*light touch*" approach to regulation and supervision that prevailed – particularly in some jurisdictions – before the crisis, and they are also designed to be much broader in scope. They cover not only capital and liquidity required by financial institutions (*e.g.* Basel-III), but also market activities, financial instruments, infrastructure, and benchmarks [*e.g.* Markets in Financial Instruments Directive (MiFID-II), Markets in Financial Instruments Regulation (MiFIR), European Market Infrastructure Regulation (EMIR), European Commission's proposed Regulation on indices used as benchmarks in financial instruments and financial contracts]. The cost to the industry for complying with these new regulations is certain to be high, but it is outweighed by the potential benefit of a stable financial system.

### I.III Financial Market Regulation – The Indian Perspective

8. The Reserve Bank of India is the regulator of Money, G-Sec and over-the-counter (OTC) credit, foreign exchange and interest rate derivatives including Repo. In pursuit of the regulatory mandate, the Reserve Bank has been endeavouring to develop broad and deep markets. Deeper and broader financial markets serve important public policy objectives in terms of improving the efficiency of capital allocation and absorbing the risks entailed in financing growth. As sound regulation is an essential institutional factor to ensure market development, the Reserve Bank has been focussing on prudent regulations for furthering the development of Money, G-Sec and OTC derivatives markets. Reforms in the G-Sec market carried out since the early 90s have ensured that the G-Sec market is a well-organised and regulated market with world class market infrastructure for trading and settlement.

9. Reserve Bank of India's approach to regulation and development of the financial markets has been guided by three broad principles.

i. First, the menu of financial products available to enable economic agents to hedge emergent risks and meet their funding requirements should be widened.

ii. Second, the introduction of new products should follow a graduated process guided by the acceptance of the product by market participants.

iii. Lastly, the robustness of the market infrastructure for trading, settlement and reporting of existing as well as new financial products should be improved.

From the outset, India has resolved to attain standards of international best practice but the endeavour has been to fine tune the process keeping in view the underlying structural, institutional and operational issues.

10. The philosophy behind such policy action is preference for safety and stability of the financial system over the considerations of short term market activity. This was well articulated by Governor Dr. Raghuram Rajan that the Reserve Bank of India's policy focus is to broaden and deepen financial markets and increase their liquidity and resilience so that they can help allocate and absorb the risks entailed in financing India's growth. Efforts of the Reserve Bank has been to strike a balance between market development and financial stability.

11. We can describe our regulatory and developmental measures for the debt and derivatives markets under two broad focus areas – building resilience and increasing liquidity.

## II. Building Resilience of Debt & Derivatives Markets

12. Safe and sound markets ensure financial stability and orderly market development. The resilience of financial markets is ensured by the Reserve Bank of India mandating requirements for registration and reporting, requirements for capital and collateral and orderly market rules.

### II.I *Requirements for registration & reporting*

13. The requirements of registration ensure that safe and financially strong entities have access to the financial system. For instance, Reserve Bank's guidelines for authorisation of Primary Dealers (PDs) prescribe that besides financials, experience in the financial sector and commitment to serve the market including retail/mid-segment participants are required for becoming a PD. The reporting requirements foster transparency, market integrity as well as discipline. Lack of transparency has often been cited as a major reason for global financial crisis. In India, the Reserve Bank has taken several steps to improve transparency through mandated reporting requirements. G-Sec trades are captured by the anonymous trading platform owned by the Reserve Bank (Negotiated Dealing System- Order Matching [NDS-OM]). All OTC outright and repo transactions in G-sec and Call/Notice/Term money transactions are reported to CCIL. Commercial Paper/Certificate of Deposit trades are reported on FIMMDA's reporting platform. Comprehensive OTC Derivative trade reporting is in place.

### II.II *Requirements for capital and collateral*

14. Requirements of capital and collateral are prudential in nature and ensure that the market participants do not take undue counterparty risks while trading in the market. Capital requirements act as buffer against various risks including credit and market risks. Indian banks have been well capitalised and have been conforming to the international best practices with regard to bank capital as delineated by the Basel prescriptions. We have announced migration to Basel III to strengthen the banks' capital base and improve their ability to withstand systemic shocks. The norms would come into effect in a phased

manner. We are in the process of revamping capital adequacy standards of standalone primary dealers on lines of Basel III framework. Collateral requirements reduce counterparty risk in market transactions. The international consensus on sound regulation for OTC derivatives as articulated by G-20 declaration for moving these derivatives to central clearing and mandatory posting of margins emphasises the importance attached to collateral. In India collateral protocols are available for G-sec, repo and equity markets. We are in the process of operationalising similar dispensation in OTC derivatives markets.

**II.III *Orderly market rules***

15. In order to protect the integrity of market prices so that they provide credible price information and encourage wider market participation, orderly market rules are put in place by the regulators. These rules need not necessarily be prescribed by the regulator itself rather they could evolve through consensus among market participants. FIMMDA's Code of Conduct is an example in this regard. FIMMDA has also constituted a Dispute Resolution Committee recently with wider representation of varied market participants to resolve the disputes arising out of erroneous trades in the government securities market. Wherever gaps are seen, the market regulator steps in to ensure orderly conduct. Financial stability concerns have been the prime motive behind such actions. Rules prescribed by the Reserve Bank, such as, the users of Credit Default Swap (CDS) to buy them only with underlying exposure; placing appropriate limits on short selling; ensuring consumer protection by measures that would curb mis-selling with emphasis on "appropriateness & suitability"; placing appropriate limits on interest rate futures positions, *etc.* must be seen in this perspective. One can say that the approach has served Indian financial markets well as India was relatively unscathed from the contagion effects of global financial crisis.

**III. Enhancing liquidity in Debt & Derivatives Markets**

16. Liquid debt markets are essential for both issuers and investors. In the recent years concerted efforts have been made to improve liquidity in debt markets. There have been regular issuances across yield curve, which spans up to 30 years, safe and efficient settlement system with world class infrastructure, a state of art trading system that enables anonymous order matching and a liquid repo market that offers funding options. Hedging and trading instrument are available to enable market participants to freely express their views. Investor base of domestic and foreign investors is expanding and various instruments are being offered to cater to the needs of investors. Though liquidity has improved in G-sec market, the number of securities traded continues to be low. Liquidity is patchy and bonds are traded at a few points, especially at 10 year maturity. The concentration has increased during recent years even though issuances have been spread across the curve and critical mass required for liquidity is built through re-issuances. Liquidity remains a function of bear and bull phases and we see exuberance during bull runs and freezes during a bear phase. We have seen volumes touching over ₹ one lakh crore and plummeting to ₹10,000-15,000 crore.

17. In the recent period, implementing recommendations of the Working Group on Enhancing Liquidity in the Government Securities and Interest Rate Derivatives Markets (Chairman: Shri R. Gandhi) (Gandhi Working Group) has been the priority of the Reserve Bank. Action has been initiated/completed in nearly 70% of the recommendations. The recommendations, such as, truncating the time window for bidding in the primary auction; changing the settlement cycle of primary auctions in Treasury Bills (T-Bills) from T+2 to T+1; conduct of primary auctions in G-Sec as a mix of both uniform-price and

multiple price formats and re-issuances of existing securities in state development loans; standardising Interest Rate Swap (IRS) contracts to facilitate centralised clearing and settlement of these contracts; and migration of secondary market reporting of OTC trades in G-Sec (outright and repo) from PDO-NDS to NDS-OM and CROMS, respectively, have been implemented.

18. Further measures include issuance of Inflation Indexed bonds for institutional as well as retail/individual investors and, introduction of cash settled 10-year Interest Rate Futures. Steps towards active debt management have been taken by undertaking debt switch of securities from 2014-15 and 2015-16 maturity buckets for face value of about ₹ 27,000 crore to longer tenor security. All such initiatives have been taken after extensive market consultations and taking into account the feedback received.

19. It is our expectation that market participants would actively participate in the debt markets and improve liquidity. In this regard, I would discuss about two issues that would have a bearing on liquidity *viz.* market making and short selling.

### III.I *Market making*

20. PDs are mandated to make markets in G-sec and provide liquidity. There is scope for improvement in market making efforts of PDs. Gandhi Working Group has recommended that one of the ways for improving liquidity is to consider allocating specific securities to each PD for market making in them and if required, rotate the stock of securities among the PDs, by turn, at periodic intervals. This would ensure continuous availability of prices for a select group of securities. The Reserve Bank is in consultation with the PDAI and the Government to operationalise this recommendation. It is expected that vigorous efforts will be made by the PDs to provide two way quotes for sufficiently high number of securities to develop liquidity in the market. We plan to operationalise the market making scheme in the next fiscal and expect significant improvement in liquidity. In this context, the present annual minimum turnover ratios of 5 times for Government dated securities and 10 times for T-Bills/CMBs of the average month-end stocks need to reviewed and suitably revised to a higher level.

### III.II *Short selling*

21. The Reserve Bank has allowed short selling in G-sec to enable market participants to express interest rate views. Best practice in regulation demands that short selling should be subject to appropriate controls so as to reduce or minimise the potential risks that could affect the orderly and efficient functioning and stability of financial markets and be subject to a reporting regime that provides timely information to the regulators. Short selling was permitted in a sequential manner to enable market participants to take positions based on emergent interest rate scenarios and cap risks that could emanate from increased short selling. Intraday short selling in G-Sec was permitted in 2006; it was extended to five days in 2007 and then to three months in 2011. Participant-level quantitative limits (0.25 per cent and 0.50 per cent of the outstanding amount respectively for illiquid and liquid securities) have also been prescribed on the short positions to obviate risk of 'squeeze' in the securities and cap the overall risk in the market due to short selling. Appropriate reporting requirements have been prescribed to enable regulators to monitor the build-up of risks in the market. Some market participants expressed view that these regulations are limiting the freedom to express interest rate views and sought a much more liberal regime. The recent regulatory action on limiting short sale in American and European markets underscores the need for appropriate regulation of short selling. The Reserve Bank is, however, constantly reviewing its policy and would consider further relaxations keeping in view the needs of market participants and imperatives of financial stability.

22. In the context of liquidity, I would like to make a broader point which market bodies like FIMMDA & the market participants need to ponder over. Liquidity, like many other market concepts, is a self-fulfilling one. An instrument is as liquid as the participants believe it to be. If more participants believe that an instrument is liquid and evince buying interest, it "becomes" liquid. While the product design, trading systems, regulatory dispensations, *etc.* do have an impact on the liquidity of an instrument, more importantly, it is the activity by the participants that makes the instrument liquid. All it requires is a few participants taking the first step. While we have certain market segments which boast of sizeable trading volume and wider participation, there is a significant skewness in other market segments. It is everybody's interest that we make the markets broad and deep. Just to remind - it is the market-participants that make markets and regulators can only play a facilitator's role.

**IV. Recent measures**

23. I would briefly summarise recent developments with regard to G-Sec, Corporate Bond, money and derivatives markets.

**IV.I *Interest Rate Futures***

24. As announced in the Second Quarter Review of Monetary Policy 2013-14, the Reserve Bank permitted cash settled Interest Rate Futures (IRF) on 10-year Government of India security after extensive consultations with stakeholders. The IRF is unique in design as settlement price is based on a single benchmark bond. The instrument is currently trading on three exchanges. The trading volume, which was very encouraging on the first few days of the introduction, has tapered thereafter. The participation is also subdued as many of the banks are yet to start using the product. The product helps in better management of interest rate risks and market participants can make use of the same. Going forward, based on the experience gained and assessment of the market demand, we can consider similar cash settled interest rate futures on benchmark securities, money market futures, *etc.*

**IV.II *Term Repo***

25. The Reserve Bank introduced variable rate term repo facility in October 2013 to provide market participants with additional access to primary liquidity as well as impart greater flexibility in managing their reserve requirements. The reduced reliance on overnight funds by the banks would hopefully encourage them to actively transact in the term money market, paving the way for development of a liquid term money market. The term repo is now available up to 28 day tenor. Keeping in view the overall liquidity conditions in the banking system, going forward, Reserve Bank may appropriately extend the tenor and nature of term repos.

**IV.III *CP CD Markets***

26. Reserve Bank of India has introduced DvP-I based settlement of all OTC transactions in Certificates of Deposit (CDs) and Commercial Papers (CPs) on the lines of the arrangement already existing in case of settlement of OTC trades in corporate bonds to eliminate the settlement risk. Guidelines on CPs have been comprehensively reviewed. Changes introduced includes changing minimum rating requirement for CP issuance to A3, allowing buy-back of CP through the secondary market and at prevailing market price, *etc.* With regard to CDs, I would like to mention a rather disturbing phenomenon, which I would term as "March Rush". It has been observed for some time that banks raise deposits at exorbitant cost to inflate balance sheets. While this may spruce up appearance of bank's financials, it would have a deleterious impact on money market rates, creating avoidable stress. I suggest that FIMMDA may engage with banks and take steps to avoid such stress.

### IV.IV *Repo in Corporate Debt*

27. To widen the participant base in corporate bond repo market, Scheduled Urban Cooperative banks have been permitted to participate in the instrument. To encourage activity in corporate bond repo, eligible category of collateral has been expanded to include short term instruments like CPs, CDs and NCDs and minimum haircut requirement has been further reduced. There is, however, no activity in the corporate bond repo markets. Progress in signing Global Market Repo Agreement (GMRA) is slow. I request FIMMDA to advise its members to sign GMRA to enable trading in corporate bond repo. In case the progress continues to be slow, the Reserve Bank would examine the option of mandating signing of GMRA as a market development measure.

## V. Emerging issues

28. I would like to share my thoughts on some of the emerging issues that require deeper deliberations as this is the right forum to exercise our minds on these issues as they are likely to have financial system wide impact. It could be very informative to have the market participants' views on these issues. The issues include enhancing investment limit for foreigners in our debt markets, debate over appropriate benchmarks and their regulation, issues emerging out of G-20 declaration on OTC derivatives, legal issues relating to bilateral netting, and extraterritorial application of certain laws enacted in developed countries.

### V.I *Enhancing foreign investment limits in G-Sec and corporate bonds*

29. Pursuing our policy of enhancing foreign investment in domestic financial markets in a calibrated and gradual manner, the total limit for foreign investment in Government Securities has been increased over a period of time to the current limit of USD 30 billion. While being sensitive to the demand for opening markets to foreign investors, the risk-reward trade off needs to be carefully examined. The imperatives of widening and diversifying investor base leading to higher demands for debt instruments need to be kept in view along with the considerations about financial stability and insulation from sudden-stop risks. Going forward our focus would be on encouraging participation of long term investors in our debt markets and reducing the availability of short-term debt instruments for foreign investors who often act as "investment tourists", particularly during period of stress.

### V.II *Financial Benchmarks*

30. The benchmark rates/indices in the financial markets are in the nature of "public goods". They serve as common reference points for pricing of financial instruments. Any attempted manipulation of the benchmarks not only erodes their credibility but also poses serious threat to stability of the financial system as large volume of financial contracts are referenced to the widely used benchmarks. The benchmark rate setting process, therefore, has to be robust with strong governance standards for maintaining the credibility and reliability of the benchmarks. The recent scandals relating to manipulation of several key global benchmarks, *viz.* LIBOR, EURIBOR, TIBOR, London 4 PM FX fixing, *etc.*, have severely impaired the trust of the international community on the financial benchmarks. Regulators and public authorities in several jurisdictions have conducted wide ranging probes involving many major benchmarks and have penalised several banks and brokerage firms for their misconduct. The probes are still on.

31. Meanwhile, various international standard setting bodies, central banks and market regulators have undertaken comprehensive review of the existing benchmark setting system and recommended several reform measures for restoring the credibility of the financial benchmarks. Such reform measures have been undertaken/underway in many jurisdictions. To mention a few major ones; the LIBOR has been

notified as a regulated activity under FSMA (Financial Services and Markets Act 2000) since April 2, 2013 with provisions for criminal sanctions for manipulation of the benchmark. The administration of LIBOR has recently been transferred to the Intercontinental Exchange Group (ICE) Benchmark Administration Limited. The European Commission has issued the draft legislation for regulation of financial benchmarks in the Euro region. The Administrator of EURIBOR, *viz.* EURIBOR-European Banking Federation, has taken several measures to strengthen the governance framework including reducing the representation of the panel banks in the steering committee to minority. The Japanese Banking Association, the administrator of TIBOR, has announced forming a new entity for calculation and publication of TIBOR. The Monetary Authority of Singapore (MAS) has issued proposed regulations of the financial benchmarks containing stringent provisions, such as, licensing of administrators and submitters, designation of key benchmarks, criminal and civil sanction for benchmark manipulations, *etc.*

32. We have initiated similar action in India also. As you all know, the Reserve Bank of India's Committee on Financial Benchmarks (Chairman: Shri P Vijaya Bhaskar) (Vijaya Bhaskar Committee) have submitted its final Report recently. It has recommended several measures for strengthening the governance framework and setting methodology of major Indian Rupee interest rate and foreign exchange benchmarks. Although methodologies used for determination of major Indian benchmarks were found generally satisfactory by the Committee, it has recommended for bringing in several improvements on the lines of international developments. Wherever possible, the benchmark calculation is to be based on observable transactions subject to appropriate threshold. Overnight MIBOR fixing is to be shifted from the existing polling method to volume weighted average of call trades. On the governance of the benchmarks, the Committee has recommended several measures for strengthening the governance frameworks with the benchmark administrators, calculation agents as well as the submitters. Governance structure of FIMMDA and FEDAI with their Boards comprising directors from their member institutions could entail conflicts of interest in the context of benchmark settings. As recommended by the Committee, it would be appropriate for the FIMMDA and FEDAI to create a separate independent structure, either jointly or separately, for administration of the benchmarks. Further, I would like to urge FIMMDA and FEDAI to complete the reality self-check of their governance framework *vis-à-vis* the recommended principles within timeline of three months suggested by the Committee and inform the Reserve Bank for further consideration. They should also initiate necessary actions to strengthen the benchmark setting methodologies. I may also make a mention that it would be highly desirable to enforce some degree of supervisory oversight over the benchmarks as recommended by the Committee. The Reserve Bank is currently examining the recommendations of the Committee for implementation.

### V.III *Valuation of State Development Loans*

33. While on the subject of valuation and benchmarks, I would like to briefly discuss pricing and valuation of State Development Loans (SDLs). Historically, the SDLs are valued at 25 basis points over similar tenor Government of India security. This heuristic yardstick is not in line with best practice and Gandhi Working Group has recommended that the valuation methodology for SDLs may be reviewed. Subsequently, Vijaya Bhaskar Committee has reiterated the suggestion. While examination of these recommendations is underway and no policy decision is taken as yet, I would like to highlight that pricing of SDL by market participants does not seem to be in line with the nature of the instrument. How can one explain the pricing of SDL at spreads higher than those

of highest rated corporate bonds when state governments are sovereigns and carry absolutely no default risk? SDLs are eligible investment for SLR requirement of the banks and carry Zero risk weight. Furthermore, SDLs are eligible investment for institutional investors, such as, insurance companies and pension funds as per the investment guidelines laid down by their respective regulators. The states have initiated fiscal reforms and all of them have enacted fiscal responsibility legislation. Their fiscal health has been relatively better than the Central Government as States, at the aggregate level, have recorded revenue surplus. During 2012-13, twenty three states recorded revenue surplus. Reserve Bank of India is the banker and debt manager for the states. It has been taking steps to improve liquidity in SDLs by announcing quarterly indicative quantum, limited re-issuances, *etc.* SDLs have been made LAF/market repo eligible. In view of the above, it seems odd for the market to charge for large risk premium while pricing SDLs. The pricing anomaly needs to be looked at seriously. For market integrity, the price must reflect true value of the bond and valuation must reflect the market reality.

### V.IV *OTC Derivatives Market Reforms*

34. In September 2009, G-20 leaders declared in Pittsburgh that all standardised OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties (CCPs) by end-2012 at the latest; OTC derivative contracts should be reported to trade repositories and non-centrally cleared contracts should be subject to higher capital requirements. In 2011, the G-20 Leaders agreed to add margin requirements on non-centrally-cleared derivatives to the reform programme. Some progress has been achieved in accomplishment of regulatory reform. The Financial Stability Board (FSB) estimated that approximately 10 per cent of outstanding credit default swaps and approximately 40 per cent of outstanding interest rate derivatives were centrally cleared as of end-August 2012. It also estimated that well over 90 per cent of OTC interest rate and credit derivative contracts are being reported to Trade Repositories (TRs) whereas around 50 per cent of foreign exchange derivatives transactions are being reported to TRs.

35. India is committed to achieve the G-20 reform agenda for OTC derivatives. In order to guide the process of implementation of the key reform measures, an implementation group for OTC derivatives was constituted on the directions of the Sub Committee of the Financial Stability and Development Council (FSDC) with representatives from the Reserve Bank of India and market participants with Shri R. Gandhi, Executive Director, Reserve Bank of India as Chairman. The Implementation Group has submitted its report with a roadmap for implementation of reform measures with regard to OTC derivatives in India with timelines. We have made reasonable progress in implementation of G-20 recommendations in this regard and would work towards taking the process forward. Here, I would like to comment on a few major issues.

#### V.IV.I *Trade Reporting*

36. To ensure transparency in IRS trades, banks and PDs have been mandated to report the inter-bank/PD IRS trade data since August 2007. Forex forwards, swaps and options are mandatorily reported with phased roll-out of trade reporting since July 2012. The last phase was rolled out recently on December 30, 2013 mandating reporting of Inter-bank and client transactions in Currency Swaps, Inter-bank and client transactions in FCY FRA/IRS and Client transactions in INR FRA/IRS. Clearing Corporation of India Ltd. (CCIL) has developed the confidentiality protocols for reporting of client transactions in consultation with FIMMDA and other market representative bodies. The reporting platform for CDS was put in place from the

date of introduction of the instrument itself. Thus, in compliance with the G-20 commitments, trade reporting arrangement for various OTC interest rate, foreign exchange and credit derivatives have since been completed. Reserve Bank of India will periodically assess the extent of use of various OTC derivative instruments and will introduce reporting for other derivative instruments as and when market participants start actively using these instruments. Going forward, the reported OTC derivative transactions will be used for strengthening Reserve Bank of India's conduct of surveillance of OTC derivative markets, financial stability assessments and, micro-prudential supervision of banks and PDs apart from disseminating the price and volume information (anonymised) for enhancing transparency of the Indian OTC derivative markets.

### V.IV.II *Standardisation*

37. Gandhi Working Group has recommended that IRS contracts should be standardised and Swap Execution Facility (SEF) may be introduced for IRS trades. Against the backdrop of G-20 commitment and in order to improve tradability and facilitate migration of IRS contracts to centralised clearing and settlement in future, it has been decided to standardise inter – bank IRS contracts. The IRS contracts shall be standardised in terms of minimum notional principal amount, tenors, trading hours, settlement calculations *etc.* which will be prescribed by FIMMDA in consultation with the market participants. To begin with, standardisation has been made mandatory for Rupee Overnight Index Swap (OIS) contracts from April 1, 2013 and will be extended to other benchmarks in due course. Forex derivatives are currently non-standardised as they are primarily driven by customised client needs. With regard to CDS, the product is standardised since inception. It has been decided that the option of CCP for settlement could be examined once volumes improve and reach critical mass.

### V.IV.III *Swap Execution Facility (SEF)*

38. With regard to introduction of SEF, a trading system for IRS is expected to be operational in the second half of 2014. A related issue is whether these derivative trades can be moved to exchanges. The SEF cannot be compared to exchanges as they are mainly accessed by institutional investors (including dealers-brokers) for trading in specialised products and in large amounts. It is essential to maintain the distinction between exchanges and SEF because exchanges are meant to provide access to retail investors whereas SEFs are for institutional investors who access the market to provide liquidity and/or manage their balance sheets. Exchange traded IRS may not cater to the needs of institutional traders who trade in large lots. The long tenor contracts and management of cash-flows for extended periods of time (*e.g.* 5, 10, 20 years) are uncommon in exchange traded instruments which are possible in OTC trades (*e.g.*, OIS up to 5 year tenor are very active in Indian market). Hence, globally attempts at trading of IRS on exchanges met with little success. For instance, exchange trading of interest rate swaps launched on the Chicago Mercantile Exchange (CME) witnessed minuscule trading volumes. Further, validity of OTC derivatives under Indian laws necessitates that one of the counterparties to the transaction has to be a Reserve Bank of India regulated entity. It is extremely difficult to ensure this condition in an exchange-traded environment.

### V.IV.IV *Migration to Central Clearing/CCPs*

39. Globally broad objective for regulatory reform is that OTC derivative products have to migrate to central clearing. Only products meeting certain conditions, such as, standardisation; relative lack of complexity in contract terms; sufficient market liquidity; and readily available pricing information can migrate to central clearing. Regulators are exploring the possibility of mandating the migration to central clearing and/or

incentivising. For example Basel III capital rules create an incentive to move to central clearing because exposures to a CCP will generally attract a lower capital charge than other bilateral exposures.

40. A large number of legal/operational issues, such as, inter-operability across different CCPs, legal complexity, regulatory uncertainties, applicability of insolvency regimes, default management processes of CCPs and potential increase in collateral requirements are engaging regulators' attention.

41. In India, guaranteed clearing exists for USD/INR forward transactions. Rupee IRS and Forward Rate Agreements (FRA), which form the bulk of interest rate derivative transactions, are currently being centrally cleared in a non-guaranteed mode. An "in principle" decision to bring IRS and FRA transactions in the Indian rupee within the ambit of guaranteed settlement has been taken. Though, it is not mandatory for market participants to clear their trades through CCIL, more than 90 per cent of IRS trades are cleared through CCIL's non-guaranteed settlement system. Therefore moving IRS to central clearing is expected to be smooth.

42. Recently, Reserve Bank has issued guidelines on capital requirements for bank exposures to central counterparties. The guidelines prescribe the capital requirements for banks' exposure to qualified CCPs (QCCPs) and non-qualified CCPs. One of the significant aspects in the guidelines is that it has been proposed to treat the exposures to the Clearing Corporation of India Ltd (CCIL) on net basis. In cases, where the CCIL provides guaranteed settlement, banks may reckon their total replacement cost (MTM) on net basis, *i.e.*, on net replacement cost as part of trade exposure determination. This would provide significant capital relief to banks.

43. In this context, an issue that is receiving close attention of policy makers is increase in concentration risks of the CCPs. It is imperative that the risk management system of the CCP is very robust and compliant with best global standards. In India, it has been our endeavour to benchmark our institutions and practices with international standards. In pursuit of this objective, the CCP in India (*viz.* CCIL) has been evaluated for governance and risk management by domestic and international asessors. Further, Financial Sector Assessment Programme (FSAP) has also evaluated the CCP and found the system to be robust. The CCP has also done a self-assessment of "Principles for Financial Market Infrastructures" (PFMI) published by CPSS-IOSCO. The self-assessment is being evaluated by us. It is essential that periodic assessments may be conducted in view of importance of these institutions for systemic stability.

**V.IV.V *Margining***

44. G-20 leaders have added margin requirements for non-centrally cleared derivatives as a reform measure in 2011 and advised BCBS and IOSCO to develop consistent global standards for these margin requirements. These margin requirements have been finalised and would be implemented. There are, however, concerns that the greater collateralisation of transactions may, in turn, lead to new credit and liquidity risks which would have systemic implications, such as, increased asset encumbrances and possible shortage of safe assets. The regulators are deliberating on these issues. In case of IRS in Indian derivatives market, margins are not posted as per market practice. This practice engenders elevated counterparty risks and systemic risks. The Reserve Bank would shortly initiate steps to mandate margin requirements for IRS. This would make IRS regulation consistent with CDS regulation which mandates margin posting. The mandatory requirements would, however, be introduced after consultations with market participants and implemented in phased manner.

**V.IV.VI *Bilateral netting***

45. The imposition of margins brings us to the issue of bilateral netting with regard to margins posted for derivatives trades and netting of Mark-to-Market (MTM) positions for capital adequacy purpose. While it is universally accepted that close-out netting improves financial market efficiency, legal provisions regarding enforcement of netting arrangements differ across jurisdictions. For close-out netting to work, it needs to be legally enforceable in the jurisdiction in which the defaulting party is incorporated. Reserve Bank is examining the issue and would explore all the possible options including changing the legal framework to resolve the issue.

**V.V *Extraterritorial application of laws and harmonising global regulatory effort***

46. Laws like Dodd Frank Act, EMIR, *etc.* enacted in the wake of financial crisis. have certain provisions that have extraterritorial implications on foreign jurisdictions as they impose registration/recognition, reporting requirements, *etc.* with potential to increase complexity, introduce uncertainty through overlapping and conflicting rules and impose large costs on global OTC derivatives markets. Such provisions have implications for regulatory independence and authority of other countries and have raised concerns regarding the primacy of home country regulators. Though there is recognition of substituted compliance, there is lack of clarity on the implementation of such regime. Convergence of regulatory standards prescribed by G-20 and those of the US, Europe & other advance countries is required so as to limit regulatory arbitrage and at the same time impose lesser cost on the market participants. Regulatory reform initiatives through a globally agreed mechanism of substituted compliance could address such regulatory arbitrage more effectively than extraterritorial legislation. Substituted compliance assessment should be based on the individual jurisdiction's compliance with applicable global standards set by international standard-setting bodies like the CPSS, IOSCO and the BCBS. As responsible member of committee of supervisors, Reserve Bank along with Government of India and other regulators, such as, SEBI and the Indian CCP have been constantly engaging with regulators in developed and emerging markets to resolve these issues.

**V.VI *Regulator-market body interactions & consultations***

47. The relation between the regulator and the regulated market participants is very important as both need to work towards the same goal, *i.e.*, safe and sound financial market for economic development. Hence, it is imperative that there should be effective communication between them. Such communication would aid regulation as the intent of regulatory action and incentives that should guide market behaviour must be clearly understood by the market so that the actions can be suitably modified. In addition to the communication which generally happens through official channels, Reserve Bank undertakes structured interactions to put forth its point of view and elicit market participants' response. For example, pre-monetary policy meetings, bi-monthly meetings with FIMMDA and monthly meetings with PDAI provide opportunity for such interactions. All of us have gained a lot of insights from such meetings. The consultations between the Reserve Bank and the FIMMDA on various issues of policy have not only helped us in understanding the point of view of the participants but have also led to giving greater responsibility on FIMMDA as a market body.

48. Today, apart from coming out with price valuations for G-Sec and non-G-Sec securities such as corporate bonds, FIMMDA has been given added responsibilities such as accrediting brokers in the OTC interest rate derivatives market, publishing daily CDS curve for valuation of open position, constitution and working of the Determination Committee, *etc.* FIMMDA has played a pivotal role in several other

areas, such as, documentation of CDS, repos, CP and CDs, and codifying market practices through "Handbook of Market Practices". FIMMDA has been proactive and started review of the efficacy of benchmarks like MIBOR in wake of the LIBOR controversy. Likewise, PDAI has also been playing a very important role in making our G-Sec market more liquid and in the successful completion of the Government's market borrowing programme every year. The activities of FIMMDA and its role in the underlying market clearly indicate its important self-regulatory role in the concerned markets. In line with, the Committee on Financial Benchmarks recommendations on governance, I would like to urge FIMMDA to strengthen their technological and administrative capabilities to discharge the challenging responsibilities. I would also urge FIMMDA and PDAI to continuously engage with the regulator in a proactive manner drawing upon intensive consultations with their members, other important stakeholders (*e.g.*, the IBA, corporates, retail investors) and cross-country developments and make constructive suggestions for improvement of the markets and also appreciate the concerns of regulators and communicate them to their members appropriately.

49. In addition to regular interactions with market bodies, the Reserve Bank has consistently followed a consultative process while framing guidelines. Draft regulations are placed on the Reserve Bank's website for public comments; and expertise of market participants is regularly sourced by making them members in various committees appointed by the Reserve Bank to examine issues relating to market development and regulation. Markets are dynamic and evolutionary and call for continuous improvisations. Here I would like to highlight that one cannot wait to design a perfect product, as the waiting may be endless. While it is reasonable that the participants' view primarily emanate from their own 'book' (their positions, their experience, *etc.*), it is expected that the suggestions would also be given from the macro perspectives leveraging on the experience. Further feedback/suggestions are required not only from participants whose immediate interests are affected but also from all players including the Indian Banks' Association (IBA) who have a stake in the improvisation of the system.

**VI. Concluding Thoughts**

50. Deep and liquid debt and derivatives markets are essential to ensure a robust and efficient financial system which aids economic development. In India, there exists a very large Government securities market, which needs to be regulated efficiently & effectively to ensure financial stability. The need for such regulation has been underscored by the global financial crisis. Regulation may act as a guiding force in such times by prescribing appropriate rules, or by creating incentives for appropriate behaviour. We in India were reasonably insulated from the global financial crisis, but have been facing challenges. Our regulatory approach has been cautious and calibrated with focus on financial stability and market development. Reforms in the G-Sec market carried out since the early '90s have ensured that the market is a well-organised and appropriately regulated with world class market infrastructure for trading and settlement. Our endeavour has been to promote market transparency, financial soundness of institutions by prudential regulation and orderly market conduct. FIMMDA and PDAI have been playing a pivotal role in such endeavours by providing valuable support and inputs. Our approach to regulation has been appreciated globally and the Reserve Bank of India was awarded the 2012 Dufrenoy Prize for its approach to the regulation of derivatives market, thus facilitating financial innovation in a responsible manner. The global financial reform initiatives have become more onerous. The G-20 reform agenda, which we have committed to implement has significant implications for domestic markets. The proposals to shift OTC

derivatives to trading platforms, creation of trade repositories, migration to central clearing and, mandated margining regime will change the business models and market practices. Issues relating to market integrity (*e.g.* fixing of benchmarks like MIBOR) and, accounting dispensations (*e.g.* requirement of HTM) need to be resolved in non-disruptive manner.

51 To conclude, no country can be an "island" and we need to comply with international best practices in regulation. We will adopt the regulations in a calibrated manner keeping in view domestic circumstances and market dynamics. The markets should, however, be prepared for the transition. This would not only help financial sector but also the real sector. Market bodies like FIMMDA and PDAI along with the IBA have to play a more active and collaborative role with the regulators to take this process forward. I wish the conference great success. I also wish the conference participants all the best for exciting business with serious fun.

# *Regulating Capital Account: Some Thoughts**

## *Harun R Khan*

1. It gives me great pleasure to be with you in this beautiful city of Cape Town for the 9th Annual Conference of the Foreign Exchange Dealers Association of India (FEDAI). Cape Town is a celebrated tourist destination, particularly at this time of the year. The place and time are ideal for mixing business with pleasure. For me, speaking to you, the pleasure is mixed with some trepidation because we are living in times when there is uncertainty all round not only in the unfolding of events but also in the way we think about them. You may be aware that close to this place is a great tourist attraction which is called 'The Cape of Good Hope' for as many as 300 years because it provided a sea–route to India and the East Indies. But, only till opening of the Suez Canal in 1869 when the complexion of East-West sea faring changed. There are thus many events in the course of human history which change dramatically our approach to issues and problems. The events of the past few years – both in the domestic as well as in the global arena - have made us think afresh about many of our approaches to public policy relating to regulation. I intend to discuss some of the current issues relating to our approach to capital account management as it has evolved over time and I beg your indulgence if some questions come up to which answers are not yet as clear as we would wish them to be.

2. The FEDAI, set up in 1958 as a section 25 company, has been a multi-faceted organization, playing an important role in each of its functional domain. It has had immense contribution in development of the interbank forex market, promoting uniform bank-client business practices, training bank personnel working in foreign exchange desks, and most importantly, acting as an interface between the Reserve Bank and the Authorised Dealers. During the last 56 years of its existence it has seen, rather played a major role in, the transition from a fixed exchange rate regime to almost floating exchange rate one; from a non-existent or at best a shallow interbank forex market to one whose activity not infrequently causes the regulator to sit up and take notice, and sometimes act; and from an era when every non-trade forex transaction with a client required a 'Exchange Control Permit' to a time when the Authorised Dealers (ADs) have more power and freedom than they are perhaps willing to exercise.

**Capital controls: old paradigms & new realities**

3. The evolution of the foreign exchange market in India has been shaped by the exchange rate regime and the changing degrees of control. With full convertibility on the current account since 1994 and enactment of Foreign Exchange Management Act, 1999 (FEMA), controls on the capital account have been the principal theme of foreign exchange management during the last two decades. The motivation for imposing controls and restraining the freedom of the residents to transact with non-residents stems from one major concern: addressing the structural imbalances in the balance of payments. But the philosophy and the form of controls have evolved over time. Let me give an example. India has had two major devaluations following severe balance of payment crisis: in 1966 and in 1991. Post 1966 devaluation, we had moved in an inward looking direction with the help of a very stringent exchange control regime. Post 1991 devaluation, however, we moved in the exactly opposite direction: towards more openness on current and capital account and in due course, a legislation with a different objective and a different orientation. This approach has in a sense stood us in good stead. Counterintuitive as it may seem, is it then that greater

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external openness, particularly capital account openness, provides a more stable solution to balance of payments problems? As Robert Aumann says, though in a different context, in his Nobel Prize Lecture: "*You want to prevent war. To do that, obviously you should disarm, lower the level of armaments. Right? No, wrong. You might want to do the exact opposite.*" Let me give another instance of how the thinking changes. In the 1990's it was a widely held normative belief, though not uncontested, that capital controls ought to be avoided and free flow of capital promoted. In the aftermath of the Asian crisis of the late 1990's, the substantive argument did not undergo any change, but was only tempered to the extent that removal of capital controls has to keep pace with strengthening of domestic financial sector. Post the global financial crisis, capital controls have come to be seen as an active tool of macro-prudential policy albeit in difficult situations.

4. Why have any controls on capital account? The history of capital account openness has been chequered. It may be recalled that capital controls were a part of international milieu throughout the Bretton Woods era and it was only in the 1970's that the advanced economies started dismantling them. This was followed by several emerging economies, particularly in Latin America and East Asia. The argument in favour of opening up of the capital account was mainly based on 'allocative efficiency': the capital-scarce but projects-rich developing countries can surely improve their welfare and better their lot with the help of capital inflows. The crisis in several Latin American countries and the East Asian countries in the late 1990's pointed out the destabilizing effect of capital account openness and raised many question about its desirability. Subsequent literature has shown, on the one hand, that capital account openness by itself may not induce growth in absence of appropriate institutions and on the other, capital controls can indeed be used as a macro-prudential tool to restore or promote stability. In the Indian context, we have had two committees – at a gap of about a decade - look into the issues relating to a possible roadmap for fuller capital account convertibility[1]. The macroeconomic preconditions emphasized by these Committees, *viz.*, sustained, low inflation and strong fiscal position have not yet materialized. As mentioned earlier, the issue of free capital flows versus capital controls have evoked a wide range of response over time and the academic literature does not provide clear and consensus view in the matter except some stylized themes, such as, need for capital inflows for augmenting domestic investment, possible destabilizing impacts of free capital/financial flows, improvement in domestic conditions to enable better utilization of capital flows and lessen the possibility of instability, need for capital controls in extreme situations, and need for coordinated capital flows management policy across nations. Considering our state of affairs and realizing that there is no certainty on the consequence of full CAC, we have committed to progressive opening up of the capital account in a calibrated manner for several reasons including greater integration with the global economy, need to finance the persistent current account deficit, and above all to mobilize resources for the investment needs of a growing economy, particularly the infrastructure sector. At the same time, the vulnerabilities of an open emerging economy and the problems of extreme volatility in the exchange rate informs and guides our approach.

**Stability in exchange rates: means & mechanics**

5. The proximate problem that a central bank faces is maintaining a reasonably stable exchange rate, a variable that captures not only the external sector imbalances but also the future expectations of the relevant fundamentals. Empirical studies show that, in the short run, exchange rates behave as asset prices and follow a 'random walk'. Even so, any sharp

[1] Unfortunately, both these Committees' report preceded financial crises, the East-Asian and the Global Financial Crisis, and hence their recommendations were not pursued as seriously as they would have been otherwise.

depreciation in the exchange rate is likely to see large scale capital exodus by the short-term investors before the value of their investment is further eroded. At the same time, through the instrument of derivatives, it is possible for exporters, importers and others to adjust their inter-temporal demand for foreign currency: to either postpone the present demand to a future time or advance the future demand to the present time. Like any other asset price, a sharply falling exchange rate has the tendency to gather quick momentum. The problem of an appreciating currency in the face of surging capital inflows poses a separate set of problems, principal amongst which is loss of export competitiveness.

6. The question then is that whether such situations should invite regulatory response? An influential line of thought in this context is to solve the problem of the impossible trinity by leaving the exchange rate out of reckoning: letting the exchange rate find its own level depending on the market process. Though the merit in this position cannot be logically denied, it may not be an optimal solution in real life because though exchange rate behaves as an asset price, it is an important macroeconomic variable that influences optimal decision making of a large number of economic agents in an economy progressively integrating with the rest of the world. Secondly, sharp movements in the currency capture as well as breed expectations for future, often in a self-fulfilling spiral, and perhaps need to be addressed in the same spirit as sharp and persistent rise in the general price level needs to be addressed lest it entrenches inflationary expectations.

7. The most obvious and immediate tool for dealing with heightened volatility or sharp movement either way is the central bank's intervention operations. For instance, in the face of sharp appreciation, the intervention is directed at mopping up the excess supply of foreign currency in order to preserve export competitiveness. Such operations obviously do have monetary implications and steps to neutralize these involve a cost. On the other hand, intervention in the face of sharp depreciation is a difficult choice for several reasons, including loss of reserves, particularly in a country like India where the external liabilities far exceed the official reserves.

8. As an aside, let me add that the importance of a sufficiently large kitty of official reserves to deal with sudden flow reversals has been underscored time and again. In fact, the large reserves that many emerging market economies have built up post Asian-crisis is often viewed as a bulwark against contagion effects of global crises and risk aversion. Therefore, accumulation of reserves as an objective by itself rather than a byproduct of market actions of the central bank to stabilize the exchange rate is a theme that cannot be dismissed out of hand, more so when there is no assured and easy access to any collective insurance for the EMEs like India.

9. Coming back to our discussion, given the problems with sustained or aggressive intervention in the face of sharp movements in exchange rate– leaving aside its optimality or desirability - what tools do we have to deal with it? Mainly two: modulate capital controls appropriately and restrain the freedom of market participants to carry out derivative transactions which can be used to speculate on the currency and camouflage capital flows. During the periodic bouts of volatility in the Rupee since late-2011, we have used a mix both tools, to which I now turn. You will recall that the Rupee had exhibited relative stability after the post-Lehman volatility of 2009 and traded in a narrow band during most of 2010 and 2011. The volatility started in the second half of 2011 on the wake of US downgrade and related problems. Since then we have had three different spates of volatility: end-July 2011 to mid-December 2011 (about 18% depreciation of INR against USD), end-February 2012 to end-June 2012 (about 12%) and end-April to end-August 2013 (about 19%)[2]. Most emerging market currencies also fell in value during the period and this elicited varying

[2] Source: Bloomberg

response from the respective authorities which included capital controls on the one hand and taking measures to attract relatively longer term flows on the other.

**Capital inflows & outflows: hierarchy of choices**

10. Let me now make some comments on capital controls. Our framework of capital account management, has been more inclined towards capital inflows than capital outflows. In a, capital scarce growing economy with large investment needs, it has been our long-standing policy to encourage capital inflows to augment domestic savings with a bias towards flows that are stable, long term and those that are least prone to sudden stoppages and reversals. Here I would like to highlight our approach to some of the critical elements of capital flows.

*Foreign Direct Investments*

11. Foreign Direct Investment (FDI), characterized by lasting interest and some degree of management control by the investor, is positioned high in the hierarchy of capital inflows not only because of it is resource augmenting but also because it usually brings in better technology and more efficient management and business practices. The framework for FDI, which gets legal sanctity under the regulations notified by the Reserve Bank under FEMA, is set by the Government of India in consultation with the Reserve Bank of India, and the only restriction on FDI pertains to sectoral investment limits - the degree of control that can be ceded to a non-resident- motivated by strategic or socio-economic considerations. The rest of the regulatory framework is a matter of procedural detail, and we have been continuously trying to rationalize and streamline the regime to make it as investor friendly as possible. To illustrate the point, one can cite some of our recent measures, such as, doing away with the regulatory prescription of pricing methodology, introduction of optionality in inward FDI, *etc.*

*Foreign Portfolio Investors*

12. There is a tendency to see inflows on account of foreign portfolio investment as 'hot money' which can cause sudden stoppages or reversals. Over two decades of experience as well as recent studies show that this fear is perhaps exaggerated. Portfolio investment flows do exhibit some volatility and surge either way, but at an aggregate level there is a fair degree of stability. Since its introduction in 1992, the regulatory regime for portfolio investment has evolved over time. You are all aware of the recent simplifications and liberalizations brought about in the scheme in sync with regulations notified by the Securities and Exchange Board of India (SEBI) wherein the Foreign Institutional Investors (FIIs) and Qualified Foreign Investors (QFIs) have been merged into a single class of investors known as Foreign Portfolio Investors (FPI) and simplified the KYC verification norms have been prescribed for opening of bank accounts for the portfolio investors. Foreign portfolio investors were granted access to the Government securities segment of the domestic debt market in 1999. Over the years the scope of their investment has been expanded to include corporate debt and the limits for investments in Government securities and corporate bonds have also been progressively increased. As we have seen, our cautious approach is based on perception of potential risk of sudden stops & swift reversals during periods of uncertainty. The investor appetite in this segment has been biased towards the securities of short term maturity: treasury bills, commercial papers, and bonds maturing in less than a year. Both with a view to developing the market as well as encouraging long term flows, the current policy priority is to encourage investment in bonds of relatively longer duration. Accordingly, we had created, and subsequently expanded, a separate window for long-term foreign investors. We have recently moved towards restricting incremental access to treasury bills and government securities with less than one year residual maturity segments to the foreign portfolio investors. The less than expected response of the foreign investors to the debt instruments even in relation to relatively small limits available to them has presumably also to do with the lack of liquidity in this segment. This is an important goal for us and several steps have been taken and are being contemplated to deal with this problem,

particularly in the light of the recommendation of the Working Group on Enhancing Liquidity in the Government Securities and Interest Rate Derivatives Markets (Chairman: Shri R. Gandhi).

*External Commercial Borrowings*

13. In contrast with foreign investment in rupee-denominated marketable domestic debt securities, External Commercial Borrowings (ECBs) are bi-partite loan contracts denominated in foreign currency and initiated by the domestic borrowers. The approach here has been that since the external liability of the economy should not be allowed to expand excessively, the ECBs need to be allocated, as it were, to their most productive use. This objective is sought to be achieved through a regulatory regime comprising restrictions in regard to quantum of loan, end use, tenor, lender credentials, and cost of borrowing. The last, the ceiling on cost of borrowing, may seem to be superfluous in view of the restriction on the quantum of borrowing. But it has to be appreciated that there is an automatic route for ECB, and it is necessary to address the adverse selection problem so that ECBs do not flow into risky projects. In recent years, keeping in view the need for capital inflows as well as the investment needs, particularly for those in the infrastructure sector and those having forex earning capabilities to service ECBs, we have relaxed the regulatory framework for ECB in several respects.

14. In this context, let us examine the motivation for firms resorting to ECB. If a firm has a foreign currency revenue stream it is optimal for it to borrow in foreign currency as well so that its balance sheet does not carry any currency risk. But if its revenue is all in Rupees, it ought to fully hedge its foreign currency liability and a fully hedged ECB should offer no arbitrage in ideal market conditions. Unhedged foreign currency liability poses a currency risk, potentially explosive in volatile times, and also a risk to its other stake-holders, particularly the domestic lenders. Individual corporate vulnerability could easily aggregate to systemic stability risks. The issue then is: do the domestic lenders assess this risk price it appropriately while granting various facilities to the firms concerned? We are not sure. Hence the regulatory prescription for incremental provisioning and capital requirements has been introduced for bank exposures to firms with unhedged foreign currency liability.

*Non-Resident Deposits*

15. Incentivised deposit accounts for diaspora Indians was one of the earliest measures to strengthen capital inflows. It has served us well when the other forms of capital flows were either non-existent or at best, weak. Though the importance of NRI deposits has relatively declined over time, we still have a fairly friendly set of schemes to encourage the diaspora to use the Indian banking system for their banking as well as savings needs. In fact, in the recent periods of currency volatility, more incentives were offered to such NRI depositors to attract long-term flows.

*Rupee bonds abroad*

16. So far, because of non-convertibility of the Rupee on the capital account, we had been averse to the idea of Rupee-denominated bonds in overseas markets. Such an instrument, to replicate a Rupee-pay-off, will need an onshore Indian asset and further, the investor will require access to the onshore derivative market to hedge her currency risk. Both of these were restricted. Approached by the International Finance Corporation (IFC), and recognizing that there are keen offshore investors with Indian interest which can be tapped, we have permitted Rupee-linked bond to be floated abroad for US$ one billion and proceeds invested in Indian assets. This is a pilot project and the experience, including market impact, will guide us in further expanding such issuances. In fact, some other multilateral institutions are also now evaluating the option of similar bond issuances.

*Regulations on capital outflows*

17. In a capital scarce economy like ours, it is perhaps logical that there should be close monitoring of out-bound investments. The case for overseas direct investment (ODI) rests on permitting Indian entrepreneurs to exploit avenues for profitable

investment abroad. With this in view, we have progressively liberalized the regulatory regime for ODI. But as in case of any investment, ODI must also yield returns over time. Notwithstanding not very satisfactory experience so far in respect of inflow of income from our investments abroad, an investor friendly regulatory regime continues in place. Recent changes in the ODI regulations no way seeks to dent globalization efforts of Indian investors but only that under extraordinary circumstances investments beyond a threshold, other than financing by ECBs, have been moved to the approval route. Going forward, as stability in forex markets becomes well established, we shall be unwinding them partially or fully. The case for portfolio investment by individuals rests on affording an opportunity to Indian residents to diversify their portfolio. We have been progressively liberalizing the facility till the last bout of Rupee volatility when we had to take steps to moderate it. It may be recalled that it was raised substantially to US$ 200,000 per annum when we had massive inflows. Such limit under the Liberalised Remittance Scheme (LRS), used widely for current account transactions and also some capital account transactions, including acquisition of property abroad, was brought down when there were apprehensions of large scale transfers in the face of currency volatility. It must be noted that as a measure of further liberalization setting up of companies abroad by resident individuals now has been permitted under the revised LRS.

18. This brings me to an important issue in foreign exchange regulation, or any regulation for that matter. Any regulatory framework first and foremost has to be predictable and time-consistent. Investment and business is a matter of trust and investors and firms can plan and execute their strategies only if they believe that the regulatory regime will not change in the midway. Since the external factors in the today's world change rapidly, there will be great temptation to adjust the regulatory framework as well. Let me give an example. During 2007-08, we faced an unprecedented surge in capital inflows. Sharp appreciation of the Rupee, Reserve Bank's market operations, consequent liquidity impact and the fiscal cost of sterilization are all in recent memory. Several measures were taken in this milieu, such as, increase in the limits for LRS, allowing foreign companies to raise capital in India through Indian Depository Receipt (IDR), introduction of currency futures, *etc.* The situation changed rapidly post onset of the Global Financial Crisis (GFC), and, after some lull during 2010-11, again post US downgrade, EU crisis, *etc.* Do we unwind all the decisions and measure taken during times of plenty? This, in a way, justifies the approach of cautious gradualism that we have been adopting so far.

*Regulating derivative contracts: onshore & offshore*

19. Now I come to the other tool I mentioned about for controlling Rupee volatility: restriction on derivatives. Our view of derivatives has been to treat them as a tool of risk management and as an instrument of hedging foreign exchange risk. This is reflected in the regulatory regime for forex derivatives in the OTC market which has the following two distinguishing characteristics. First, the ability of a firm or an individual to execute a derivative contract is based on an underlying exposure embodying risk. Second, these contracts, at least those involving Rupee, are predominantly to be executed by physical delivery. Over the years, to enable the firms to manage their foreign exchange risk flexibly and efficiently, several relaxations have been introduced, such as, carrying out derivative transactions on the basis of past performance rather than on the basis of individual underlying contracts, cancelling derivative contracts even as the underlying exposure exists (and getting the benefit or bearing the loss thereof) with scope to rebook the contract against the same exposure, *etc.* These relaxations can potentially be used to take a view on the Rupee when expectation of sharp depreciation (or appreciation), rightly or wrongly, is strong. This aggravates the market conditions. We have often resorted to curtailing the freedom of market participants in respect of booking derivative transactions both to curb panic as well as to stem speculative view taking on the Rupee.

*Non-Deliverable Forward markets*

20. The issue of forex derivatives has become complex because of two reasons. First, there has come to exists a large offshore market in Rupee. Rupee futures are now traded in some of the international exchanges. There is a sizeable Non-Deliverable Forward (NDF) market in Rupee in several international financial centers. This market is opaque and the exact size or details of participants is not known. Our interaction with market participants tend to indicate that the figures published by the Bank for International Settlements (BIS) in the last two triennial surveys may have been over-estimated, but surely they are large enough to impact the domestic market, particularly during periods of heightened volatility. Notwithstanding absence of any clear link between the onshore and offshore markets, it cannot be ruled out that some arbitrage may be happening.

21. What is the reason for an NDF market to exist? The increasing global linkage of the Indian markets on the trade, capital and financial account on the one hand and inadequate or cumbersome access of international agents with Rupee exposure to the onshore domestic market on the other seems to be the obvious answer. There are many investors – mostly portfolio investors – who hold Rupee assets but are either not allowed to hedge their risk in the onshore market, or if allowed, the regime, with restrictions on rebooking of cancelled contracts, may not suit their hedging strategy. There may also be a large home country bias inasmuch as they would prefer an entity in their place or jurisdiction of residence as counterparty rather than an AD in an alien place. The same set of logic holds also for many multinational firms in India who use transfer pricing and/or have centralized treasury. There is also the question of economic/potential exposures in a rapidly globalizing world, where one without explicit foreign exchange exposure, could still be affected by exchange rate movements. Be that as it may, NDF has now warranted closer attention of the regulators.

*Exchange Traded Derivatives*

22. The second issue relates to the on-shore Exchange Traded Derivative (ETD) market introduced in 2008 when the external situation was quite different. The objective was to afford real sector agents - particularly the small entities - an easy, safe, transparent and cost-effective instrument to hedge their currency risk. This market is very different from the over-the-counter (OTC) segment in respect of the two characteristics we mentioned earlier: (a) there is no requirement of underlying exposure for accessing this market and as such, entry as well as exit is unrestricted and (b) contracts are cash settled. In other words, it may be used for hedging, but it is also a perfect instrument for speculation for it makes trading in exchange rate just like trading in any other financial asset. The question that arises is: how can the two markets – the OTC with the regulatory restrictions and the ETD without – coexist? More importantly, will the restrictive measures in the OTC market to control rupee volatility not be rendered completely ineffective if market participants are free to migrate to the ETD segment? With this perspective, at the height of Rupee volatility, we, and, at our request SEBI, were constrained to take several measures in respect of the ETD segment including putting a ceiling on individual positions/ open interest, restricting arbitrage between the two markets through banks and increasing the margin requirements. Here I would like to add that with return of stability in the exchange rate, we have already unwound some of the restrictive measures in the OTC/ ETD market and, in fact, gone further for hegding in the OTC markets (*e.g.* permitting hedging upto US$ 250,000 without any documentation requirements). Similarly some more relaxations in the ETD segment, including permitting participation of foreign investors are under consideration.

23. The emergence and growth of NDF market as well as its possible impact on the domestic market poses two important questions. Should attempts not be made to bring the offshore market in Rupee onshore and thereby add depth to our markets and also possibly, income and employment? Secondly, since NDF market is often seen to be affecting the domestic markets, implying thereby the possibility of arbitrage, should

domestic banks be allowed to participate in this market? Let me add here that in some countries, the central banks are reported to have intervened in the NDF market of their respective currencies to curb the volatility at its root.

24. If the answer to both questions is positive, it requires some fundamental rethinking on the regulatory framework for foreign exchange derivatives. Already, as mentioned above, we are committed to allowing foreign investors access to the ETD segment with minimal restrictions. But will this access be inviting enough to the investors if the futures prices are not tightly linked with the spot prices? But this is possible only by permitting frictionless arbitrage between the two markets. Secondly, if we are to allow access to the offshore markets to domestic entities, it may not serve any purpose if arbitrage between the offshore and onshore markets is blocked. If we are to pursue it to its logical end, this leads us to a situation where there is no restriction on forex derivative transactions in domestic markets and across the borders – either on eligibility, entry and exit of participants or on settlement.

25. Here, what tempers our thinking is the principle I mentioned earlier: the imperative of regulatory consistency and irreversibility over time. Do we have the appetite and wherewithal to tide over any possible future spate of volatility without undoing any relaxations we contemplate bringing about? This consideration argues in favour of moderation, gradualism and pacing our steps. The challenge is to hit an optimal middle path between throwing caution to the wind and allowing excessive caution to prevent any forward movement.

**Concluding thoughts**

26. Having outlined some of our policy dilemmas in respect of capital controls and forex market development and regulations, let me now in conclusion turn to the role FEDAI and its member foreign exchange dealers can play in appreciating the challenges and actively engaging with the regulators. Between the world where they just had to execute a transaction according to an RBI permit and the world where a foreign exchange transaction will be like any other inland rupee transaction except the currency risk falls a large territory where the foreign exchange dealers will have to facilitate external trade and investment related transactions keeping in view the genuine needs of the real sector without losing sight of the prudential requirements. Authorised Dealers will have to constructively engage themselves in appreciation of the evolving regulatory dispensation and, more importantly, provide a friendly, efficient and transparent interface with the end-users. Regulatory framework, of course, has to evolve, amongst others, keeping pace with the way business is done and it is important for Authorized Dealers to be conversant with the purpose and principle behind change in regulatory regime not only for effective implementation but also for providing a conducive atmosphere for doing business. We find many violations of regulations occur not intentionally but due to ignorance or lack of appreciation. There is surely enough scope for bringing in improvement in this regard. The well thought out sessions planned for this conference, in a sense, will provide many insights to our understanding of some of the current issues relating to our financial markets. Lastly, I wish to emphasize that there is a need for establishing highest standard of code and ethics of doing business and guarding against temptations of perverse incentives, particularly in the financial sector. The financial markets and institutions survive and thrive on trust and it must be our constant endeavor to continue to deserve that trust.

Thank you very much for your attention.

# CURRENT STATISTICS

## Contents

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

## No. 1: Select Economic Indicators

| Item | 2012-13 | 2012-13 | | 2013-14 | |
|---|---|---|---|---|---|
| | | Q2 | Q3 | Q2 | Q3 |
| | 1 | 2 | 3 | 4 | 5 |
| **1 Real Sector (% Change)** | | | | | |
| 1.1 GDP | 4.5 | 4.6 | 4.4 | 4.8 | 4.7 |
| 1.1.1 Agriculture | 1.4 | 1.8 | 0.8 | 4.6 | 3.6 |
| 1.1.2 Industry | 0.9 | 0.1 | 2.0 | 1.5 | -1.2 |
| 1.1.3 Services | 6.2 | 6.5 | 6.1 | 5.8 | 6.7 |
| 1.1a Final Consumption Expenditure | 5.2 | 5.5 | 5.0 | 2.7 | 2.8 |
| 1.1b Gross Fixed Capital Formation | 0.8 | -0.6 | 4.4 | 1.8 | -1.1 |

| | 2013-14 | 2013 | | 2014 | |
|---|---|---|---|---|---|
| | | Feb | Mar | Feb | Mar |
| | 1 | 2 | 3 | 4 | 5 |
| 1.2 Index of Industrial Production | .. | 0.6 | 3.5 | -1.9 | .. |
| **2 Money and Banking (% Change)** | | | | | |
| 2.1 Scheduled Commercial Banks | | | | | |
| 2.1.1 Deposits | 14.6 | 12.8 | 14.2 | 16.6 | 14.6 |
| 2.1.2 Credit | 14.3 | 16.3 | 14.1 | 15.7 | 14.3 |
| 2.1.2.1 Non-food Credit | 14.5 | 16.1 | 14.0 | 15.9 | 14.5 |
| 2.1.3 Investment in Govt. Securities | 10.7 | 12.5 | 15.4 | 13.9 | 10.7 |
| 2.2 Money Stock Measures | | | | | |
| 2.2.1 Reserve Money (M0) | 8.8 | 7.5 | 6.2 | 8.8 | 14.4 |
| 2.2.2 Broad Money (M3) | 13.4 | 12.7 | 13.8 | 14.5 | 13.3 |
| **3 Ratios (%)** | | | | | |
| 3.1 Cash Reserve Ratio | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| 3.2 Statutory Liquidity Ratio | 23.0 | 23.0 | 23.0 | 23.0 | 23.0 |
| 3.3 Cash-Deposit Ratio | 4.7 | 5.2 | 4.8 | 5.0 | 4.7 |
| 3.4 Credit-Deposit Ratio | 77.7 | 78.1 | 77.9 | 77.5 | 77.7 |
| 3.5 Incremental Credit-Deposit Ratio | 76.1 | 78.6 | 77.1 | 74.1 | 76.1 |
| 3.6 Investment-Deposit Ratio | 28.7 | 29.9 | 29.7 | 29.2 | 28.7 |
| 3.7 Incremental Investment-Deposit Ratio | 21.8 | 34.6 | 31.9 | 25.5 | 21.8 |
| **4 Interest Rates (%)** | | | | | |
| 4.1 Policy Repo Rate | 8.00 | 7.75 | 7.50 | 8.00 | 8.00 |
| 4.2 Reverse Repo Rate | 7.00 | 6.75 | 6.50 | 7.00 | 7.00 |
| 4.3 Marginal Standing Facility (MSF) Rate | 9.00 | 8.75 | 8.50 | 9.00 | 9.00 |
| 4.4 Bank Rate | 9.00 | 8.75 | 8.50 | 9.00 | 9.00 |
| 4.5 Base Rate | 10.00/10.25 | 9.70/10.50 | 9.70/10.25 | 10.00/10.25 | 10.00/10.25 |
| 4.6 Term Deposit Rate >1 Year | 8.00/9.25 | 7.50/9.00 | 7.50/9.00 | 8.00/9.10 | 8.00/9.25 |
| 4.7 Savings Deposit Rate | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| 4.8 Call Money Rate (Weighted Average) | 8.59 | 7.85 | 8.30 | 7.93 | 8.59 |
| 4.9 91-Day Treasury Bill (Primary) Yield | 8.86 | 8.10 | 8.19 | 9.15 | 8.86 |
| 4.10 182-Day Treasury Bill (Primary) Yield | 8.86 | 8.03 | 8.01 | 9.10 | 8.86 |
| 4.11 364-Day Treasury Bill (Primary) Yield | 8.96 | 7.90 | 7.79 | 8.67 | 8.96 |
| 4.12 10-Year Government Securities Yield | 8.84 | 7.87 | 7.95 | 8.86 | 8.84 |
| **5 RBI Reference Rate and Forward Premia** | | | | | |
| 5.1 INR-US$ Spot Rate (₹ Per Foreign Currency) | 60.10 | 53.77 | 54.39 | 62.07 | 60.10 |
| 5.2 INR-Euro Spot Rate (₹ Per Foreign Currency) | 82.58 | 70.68 | 69.54 | 85.03 | 82.58 |
| 5.3 Forward Premia of US$ 1-month (%) | 9.78 | 8.26 | 7.72 | 9.47 | 9.78 |
| 3-month (%) | 8.79 | 7.96 | 7.57 | 9.09 | 8.79 |
| 6-month (%) | 8.95 | 7.40 | 7.28 | 8.64 | 8.95 |
| **6 Inflation (%)** | | | | | |
| 6.1 Wholesale Price Index | 5.9 | 7.3 | 5.7 | 4.7 | 5.7 |
| 6.1.1 Primary Articles | 9.9 | 10.5 | 7.4 | 6.3 | 7.7 |
| 6.1.2 Fuel and Power | 10.1 | 10.6 | 7.8 | 8.8 | 11.2 |
| 6.1.3 Manufactured Products | 2.9 | 4.8 | 4.3 | 2.8 | 3.2 |
| 6.2 All India Consumer Price Index | 9.49 | 10.9 | 10.4 | 8.0 | 8.3 |
| 6.3 Consumer Price Index for Industrial Workers | 9.71 | 12.1 | 11.4 | 6.7 | 6.7 |
| **7 Foreign Trade (% Change)** | | | | | |
| 7.1 Imports | -7.7 | 1.7 | -3.4 | -17.9 | -2.1 |
| 7.2 Exports | 4.0 | 5.9 | 5.9 | -5.5 | -3.2 |

# Reserve Bank of India

## No. 2: RBI - Liabilities and Assets

(₹ Billion)

| Item | As on the Last Friday/ Friday | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2013-14 | 2013 | 2014 | | | | |
| | | Apr. | Mar. 28 | Apr. 4 | Apr. 11 | Apr. 18 | Apr. 25 |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| **1 Issue Department** | | | | | | | |
| **1.1 Liabilities** | | | | | | | |
| 1.1.1 Notes in Circulation | 12,835.11 | 12,106.71 | 12,835.11 | 12,887.76 | 13,133.87 | 13,276.11 | 13,246.84 |
| 1.1.2 Notes held in Banking Department | 0.17 | 0.15 | 0.17 | 0.10 | 0.11 | 0.13 | 0.11 |
| **1.1/1.2 Total Liabilities (Total Notes Issued) or Assets** | **12,835.28** | **12,106.86** | **12,835.28** | **12,887.85** | **13,133.98** | **13,276.24** | **13,246.94** |
| **1.2 Assets** | | | | | | | |
| 1.2.1 Gold Coin and Bullion | 682.33 | 732.22 | 682.33 | 679.19 | 679.19 | 679.19 | 679.19 |
| 1.2.2 Foreign Securities | 12,141.07 | 11,363.82 | 12,141.07 | 12,195.03 | 12,441.52 | 12,584.05 | 12,555.23 |
| 1.2.3 Rupee Coin | 1.41 | 0.35 | 1.41 | 3.16 | 2.80 | 2.53 | 2.06 |
| 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 | 3,519.56 | 4,721.36 | 3,780.25 | 3,681.65 | 3,632.62 | 3,691.33 |
| 2.1.1.1 Central Government | 534.25 | 103.05 | 534.25 | 150.45 | 60.37 | 1.00 | 1.00 |
| 2.1.1.2 Market Stabilisation Scheme | – | – | – | – | – | – | – |
| 2.1.1.3 State Governments | 0.42 | 0.42 | 0.42 | 0.42 | 0.42 | 0.83 | 0.42 |
| 2.1.1.4 Scheduled Commercial Banks | 3,805.71 | 3,113.32 | 3,805.71 | 3,265.98 | 3,249.79 | 3,266.24 | 3,321.13 |
| 2.1.1.5 Scheduled State Co-operative Banks | 39.04 | 32.22 | 39.04 | 34.48 | 33.94 | 34.11 | 35.34 |
| 2.1.1.6 Non-Scheduled State Co-operative Banks | 5.50 | 2.93 | 5.50 | 5.70 | 4.64 | 4.94 | 5.18 |
| 2.1.1.7 Other Banks | 174.92 | 145.05 | 174.92 | 163.79 | 163.85 | 165.16 | 168.18 |
| 2.1.1.8 Others | 161.52 | 122.58 | 161.52 | 159.42 | 168.63 | 160.35 | 160.07 |
| 2.1.2 Other Liabilities | 8,567.95 | 7,000.89 | 8,567.95 | 8,568.91 | 8,638.63 | 8,647.20 | 8,866.13 |
| **2.1/2.2 Total Liabilities or Assets** | **13,289.32** | **10,520.46** | **13,289.32** | **12,349.16** | **12,320.28** | **12,279.82** | **12,557.46** |
| **2.2 Assets** | | | | | | | |
| 2.2.1 Notes and Coins | 0.17 | 0.15 | 0.17 | 0.10 | 0.11 | 0.13 | 0.11 |
| 2.2.2 Balances held Abroad | 4,588.34 | 3,025.73 | 4,588.34 | 4,740.60 | 4,644.85 | 4,533.41 | 4,801.02 |
| 2.2.3 Loans and Advances | | | | | | | |
| 2.2.3.1 Central Government | – | – | – | – | – | – | – |
| 2.2.3.2 State Governments | 14.88 | 4.85 | 14.88 | 28.40 | 16.38 | 19.45 | 20.81 |
| 2.2.3.3 Scheduled Commercial Banks | 421.78 | 301.64 | 421.78 | 371.88 | 394.14 | 318.69 | 472.48 |
| 2.2.3.4 Scheduled State Co-op.Banks | – | 0.40 | – | – | – | – | – |
| 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 | 6.79 | 77.15 | 74.36 | 71.90 | 78.64 | 79.23 |
| 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 | 6,437.63 | 7,387.75 | 6,326.74 | 6,402.35 | 6,554.13 | 6,421.57 |
| 2.2.6 Other Assets | 799.25 | 743.26 | 799.25 | 807.08 | 790.53 | 775.38 | 762.25 |
| 2.2.6.1 Gold | 619.82 | 665.14 | 619.82 | 616.97 | 616.97 | 616.97 | 616.97 |

## No. 3: Liquidity Operations by RBI

(₹ Billion)

| Date | Liquidity Adjustment Facility | | | MSF | Standing Liquidity Facilities | OMO (Outright) | | Net Injection (+)/ Absorption (-) (1+3+4+5+7-2-6) |
|---|---|---|---|---|---|---|---|---|
| | Repo | Reverse Repo | Term Repo | | | Sale | Purchase | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Mar. 3, 2014 | 116.81 | 97.84 | – | 8.35 | –170.79 | – | – | –143.47 |
| Mar. 4, 2014 | 28.17 | 105.52 | – | 8.30 | 0.64 | – | – | –68.41 |
| Mar. 5, 2014 | 22.70 | 25.54 | – | 6.20 | 97.76 | – | – | 101.12 |
| Mar. 6, 2014 | 224.60 | 78.23 | – | 1.30 | –74.95 | – | – | 72.72 |
| Mar. 7, 2014 | 267.70 | 28.40 | 390.04 | 93.42 | 96.17 | – | – | 818.93 |
| Mar. 10, 2014 | 320.03 | 65.39 | – | 30.50 | 97.37 | – | – | 382.51 |
| Mar. 11, 2014 | 308.25 | 12.43 | – | 22.50 | –99.52 | – | – | 218.80 |
| Mar. 12, 2014 | 294.15 | 15.98 | – | 1.80 | 103.13 | – | – | 383.10 |
| Mar. 13, 2014 | 342.11 | 105.88 | – | 0.20 | 1.42 | – | – | 237.85 |
| Mar. 14, 2014 | 364.71 | 8.14 | 500.06 | 208.25 | –130.95 | – | – | 933.93 |
| Mar. 18, 2014 | 408.13 | 31.88 | – | 160.85 | 237.02 | – | – | 774.12 |
| Mar. 19, 2014 | 409.03 | 24.02 | 100.04 | 119.87 | 2.11 | – | – | 607.03 |
| Mar. 20, 2014 | 398.98 | 27.64 | – | 90.75 | 7.50 | – | – | 469.59 |
| Mar. 21, 2014 | 373.84 | 29.63 | 400.09 | 176.30 | –104.36 | – | – | 816.24 |
| Mar. 24, 2014 | 393.82 | 34.55 | – | 20.35 | 103.62 | – | – | 483.24 |
| Mar. 25, 2014 | 387.33 | 111.28 | – | 2.65 | –50.07 | – | – | 228.63 |
| Mar. 26, 2014 | 367.36 | 216.96 | 100.04 | – | –23.40 | 0.20 | 0.25 | 227.10 |
| Mar. 27, 2014 | 347.51 | 153.49 | – | 4.25 | 17.68 | 0.10 | 0.10 | 215.95 |
| Mar. 28, 2014 | 361.04 | 118.80 | 200.04 | 283.00 | –39.19 | 0.15 | 0.10 | 686.04 |
| Mar. 29, 2014 | – | – | – | 235.10 | – | – | – | 235.10 |
| Mar. 31, 2014 | – | – | – | 219.29 | – | – | – | 219.29 |

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

| Item | 2013-14 | 2013 | 2014 | |
|---|---|---|---|---|
| | | Mar. | Feb. | Mar. |
| | 1 | 2 | 3 | 4 |
| 1 Net Purchase/ Sale of Foreign Currency (US$ Million) (1.1–1.2) | 8,992.00 | 820.00 | –530.00 | 7,782.00 |
| 1.1 Purchase (+) | 52,394.00 | 3,165 | - | 8,752 |
| 1.2 Sale (–) | 43,402.00 | 2,345.00 | 530.00 | 970.00 |
| 2 ₹ equivalent at contract rate ( ₹ Billion) | 586.19 | 40.11 | –30.68 | 502.94 |
| 3 Cumulative (over end-March) (US $ Million) | 8,992.00 | –2,601.00 | 1,210.00 | 8,992.00 |
| ( ₹ Billion) | 586.19 | –153.16 | 83.26 | 586.19 |
| 4 Outstanding Net Forward Sales (–)/ Purchase (+) at the end of month (US$ Million) | –31,030.00 | –11,006.00 | –31,318.00 | –31,030.00 |

### No. 5: RBI's Standing Facilities

(₹ Billion)

| Item | 2013-14 | 2013 | | | | 2014 | | |
|---|---|---|---|---|---|---|---|---|
| | | Mar. 22 | Oct. 18 | Nov. 29 | Dec. 27 | Jan. 24 | Feb. 21 | Mar. 21 |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1 MSF | 176.3 | – | 434.2 | 86.5 | 385.4 | 105.6 | 56.0 | 176.3 |
| 2 Export Credit Refinance for Scheduled Banks | | | | | | | | |
| 2.1 Limit | 568.0 | 412.3 | 436.8 | 472.3 | 488.1 | 533.7 | 542.8 | 568.0 |
| 2.2 Outstanding | 410.4 | 136.3 | 364.5 | 371.5 | 418.1 | 297.9 | 400.2 | 410.4 |
| 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 | 15.2 | 25.0 | 25.7 | 23.6 | 25.5 | 15.7 | 22.2 |
| 4 Others | | | | | | | | |
| 4.1 Limit | – | 50.0 | – | – | – | – | – | – |
| 4.2 Outstanding | – | – | – | – | – | – | – | – |
| 5 Total Outstanding (1+2.2+3.2+4.2) | 608.9 | 151.5 | 823.7 | 483.7 | 827.1 | 428.9 | 471.9 | 608.9 |

As on the Last Reporting Friday

# Money and Banking

### No. 6: Money Stock Measures

(₹ Billion)

| Item | Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays | | | | |
|---|---|---|---|---|---|
| | 2013-14 | 2013 | 2014 | | |
| | | Mar. 22 | Feb. 21 | Mar. 7 | Mar. 21 |
| | 1 | 2 | 3 | 4 | 5 |
| 1 Currency with the Public (1.1 + 1.2 + 1.3 – 1.4) | 12,482.9 | 11,413.7 | 12,399.6 | 12,489.5 | 12,549.0 |
| 1.1 Notes in Circulation | 12,837.4 | 11,725.5 | 12,747.7 | 12,824.9 | 12,903.5 |
| 1.2 Circulation of Rupee Coin | 164.3 | 146.0 | 164.3 | 164.3 | 164.3 |
| 1.3 Circulation of Small Coins | 7.4 | 7.4 | 7.4 | 7.4 | 7.4 |
| 1.4 Cash on Hand with Banks | 526.1 | 465.2 | 519.8 | 507.1 | 526.1 |
| 2 Deposit Money of the Public | 8,081.8 | 7,486.8 | 7,793.3 | 7,899.1 | 8,079.8 |
| 2.1 Demand Deposits with Banks | 8,062.8 | 7,471.7 | 7,778.2 | 7,884.5 | 8,062.8 |
| 2.2 'Other' Deposits with Reserve Bank | 19.1 | 15.1 | 15.1 | 14.6 | 17.0 |
| 3 $M_1$ (1 + 2) | 20,564.7 | 18,900.5 | 20,192.8 | 20,388.6 | 20,628.8 |
| 4 Post Office Saving Bank Deposits | 50.4 | 50.4 | 50.4 | 50.4 | 50.4 |
| 5 $M_2$ (3 + 4) | 20,615.1 | 18,950.9 | 20,243.2 | 20,439.0 | 20,679.2 |
| 6 Time Deposits with Banks | 74,501.7 | 64,887.8 | 73,422.2 | 74,194.6 | 74,501.7 |
| 7 $M_3$ (3 + 6) | 95,066.4 | 83,788.3 | 93,615.0 | 94,583.2 | 95,130.5 |
| 8 Total Post Office Deposits | 259.7 | 259.7 | 259.7 | 259.7 | 259.7 |
| 9 $M_4$ (7 + 8) | 95,326.1 | 84,048.0 | 93,874.7 | 94,842.9 | 95,390.2 |

## 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 | | |
| | | Mar. 22 | Feb. 21 | Mar. 7 | Mar. 21 |
| | 1 | 2 | 3 | 4 | 5 |
| **1 Net Bank Credit to Government** | **30,504.6** | **27,041.5** | **30,224.0** | **30,459.4** | **29,987.0** |
| 1.1 RBI's net credit to Government (1.1.1–1.1.2) | 7,077.5 | 5,854.2 | 6,589.5 | 6,870.6 | 6,559.9 |
| 1.1.1 Claims on Government | 7,862.3 | 6,733.0 | 6,830.4 | 6,872.0 | 7,181.3 |
| 1.1.1.1 Central Government | 7,844.1 | 6,732.6 | 6,825.9 | 6,872.0 | 7,171.0 |
| 1.1.1.2 State Governments | 18.2 | 0.4 | 4.5 | 0.0 | 10.3 |
| 1.1.2 Government deposits with RBI | 784.8 | 878.8 | 240.9 | 1.4 | 621.5 |
| 1.1.2.1 Central Government | 784.4 | 878.3 | 240.5 | 1.0 | 621.0 |
| 1.1.2.2 State Governments | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| 1.2 Other Banks' Credit to Government | 23,427.1 | 21,187.3 | 23,634.5 | 23,588.8 | 23,427.1 |
| **2 Bank Credit to Commercial Sector** | **64,497.0** | **56,681.0** | **62,947.9** | **63,712.3** | **64,494.0** |
| 2.1 RBI's credit to commercial sector | 88.4 | 28.4 | 78.8 | 76.7 | 85.4 |
| 2.2 Other banks' credit to commercial sector | 64,408.6 | 56,652.6 | 62,869.0 | 63,635.7 | 64,408.6 |
| 2.2.1 Bank credit by commercial banks | 60,130.9 | 52,604.6 | 58,617.4 | 59,372.5 | 60,130.9 |
| 2.2.2 Bank credit by co-operative banks | 4,241.8 | 3,994.2 | 4,213.5 | 4,227.5 | 4,241.8 |
| 2.2.3 Investments by commercial and co-operative banks in other securities | 35.9 | 53.7 | 38.2 | 35.7 | 35.9 |
| **3 Net Foreign Exchange Assets of Banking Sector (3.1 + 3.2)** | **18,998.4** | **16,399.8** | **18,875.1** | **18,689.2** | **18,909.2** |
| 3.1 RBI's net foreign exchange assets (3.1.1–3.1.2) | 18,025.3 | 15,613.8 | 17,902.0 | 17,716.1 | 17,936.1 |
| 3.1.1 Gross foreign assets | 18,025.6 | 15,615.1 | 17,902.3 | 17,716.5 | 17,941.9 |
| 3.1.2 Foreign liabilities | 0.3 | 1.3 | 0.4 | 0.4 | 5.8 |
| 3.2 Other banks' net foreign exchange assets | 973.1 | 786.0 | 973.1 | 973.1 | 973.1 |
| **4 Government's Currency Liabilities to the Public** | **171.7** | **153.4** | **171.7** | **171.7** | **171.7** |
| **5 Banking Sector's Net Non-monetary Liabilities** | **19,105.2** | **16,487.4** | **18,603.7** | **18,449.4** | **18,431.4** |
| 5.1 Net non-monetary liabilities of RBI | 8,524.2 | 6,976.8 | 8,897.7 | 8,721.7 | 8,716.4 |
| 5.2 Net non-monetary liabilities of other banks (residual) | 10,581.0 | 9,510.6 | 9,706.0 | 9,727.7 | 9,715.0 |
| **$M_3$ (1+2+3+4–5)** | **95,066.4** | **83,788.3** | **93,615.0** | **94,583.2** | **95,130.5** |

## No. 8: Monetary Survey

(₹ Billion)

| Item | Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays | | | | |
|---|---|---|---|---|---|
| | 2013-14 | 2013 | 2014 | | |
| | | Mar. 22 | Feb. 21 | Mar. 7 | Mar. 21 |
| | 1 | 2 | 3 | 4 | 5 |
| **Monetary Aggregates** | | | | | |
| $NM_1$ (1.1 + 1.2.1+1.3) | 20,452.3 | 18,782.9 | 20,084.4 | 20,279.7 | 20,516.4 |
| $NM_2$ ($NM_1$+ 1.2.2.1) | 52,102.0 | 46,923.7 | 51,218.8 | 51,753.8 | 52,166.1 |
| $NM_3$ ($NM_2$ + 1.2.2.2 + 1.4 = 2.1 + 2.2 + 2.3 – 2.4 – 2.5) | 92,995.3 | 83,534.7 | 91,529.7 | 92,499.5 | 93,059.4 |
| **1 Components** | | | | | |
| 1.1 Currency with the Public | 12,497.3 | 11,427.0 | 12,414.5 | 12,505.6 | 12,563.4 |
| 1.2 Aggregate Deposits of Residents | 78,268.6 | 69,876.0 | 76,842.3 | 77,702.0 | 78,268.6 |
| 1.2.1 Demand Deposits | 7,935.9 | 7,340.8 | 7,654.8 | 7,759.5 | 7,935.9 |
| 1.2.2 Time Deposits of Residents | 70,332.7 | 62,535.1 | 69,187.5 | 69,942.6 | 70,332.7 |
| 1.2.2.1 Short-term Time Deposits | 31,649.7 | 28,140.8 | 31,134.4 | 31,474.2 | 31,649.7 |
| 1.2.2.1.1 Certificates of Deposit (CDs) | 3,741.3 | 3,835.3 | 3,315.3 | 3,340.3 | 3,741.3 |
| 1.2.2.2 Long-term Time Deposits | 38,683.0 | 34,394.3 | 38,053.1 | 38,468.4 | 38,683.0 |
| 1.3 'Other' Deposits with RBI | 19.1 | 15.1 | 15.1 | 14.6 | 17.0 |
| 1.4 Call/Term Funding from Financial Institutions | 2,210.3 | 2,216.6 | 2,257.8 | 2,277.3 | 2,210.3 |
| **2 Sources** | | | | | |
| 2.1 Domestic Credit | 97,269.3 | 85,884.2 | 95,486.1 | 96,413.8 | 96,748.7 |
| 2.1.1 Net Bank Credit to the Government | 29,932.4 | 26,541.1 | 29,651.2 | 29,883.9 | 29,414.8 |
| 2.1.1.1 Net RBI credit to the Government | 7,077.5 | 5,854.2 | 6,589.5 | 6,870.6 | 6,559.9 |
| 2.1.1.2 Credit to the Government by the Banking System | 22,854.9 | 20,686.9 | 23,061.7 | 23,013.3 | 22,854.9 |
| 2.1.2 Bank Credit to the Commercial Sector | 67,336.9 | 59,343.1 | 65,834.9 | 66,529.9 | 67,333.9 |
| 2.1.2.1 RBI Credit to the Commercial Sector | 88.4 | 28.4 | 78.8 | 76.7 | 85.4 |
| 2.1.2.2 Credit to the Commercial Sector by the Banking System | 67,248.5 | 59,314.6 | 65,756.1 | 66,453.2 | 67,248.5 |
| 2.1.2.2.1 Other Investments (Non-SLR Securities) | 4,052.2 | 3,741.1 | 4,056.3 | 4,015.8 | 4,052.2 |
| 2.2 Government's Currency Liabilities to the Public | 171.7 | 153.4 | 171.7 | 171.7 | 171.7 |
| 2.3 Net Foreign Exchange Assets of the Banking Sector | 16,132.5 | 14,831.6 | 15,779.3 | 15,788.0 | 16,043.4 |
| 2.3.1 Net Foreign Exchange Assets of the RBI | 18,025.3 | 15,613.8 | 17,902.0 | 17,716.1 | 17,936.1 |
| 2.3.2 Net Foreign Currency Assets of the Banking System | –1,892.7 | –782.2 | –2,122.7 | –1,928.1 | –1,892.7 |
| 2.4 Capital Account | 15,821.2 | 13,009.3 | 16,056.5 | 15,850.8 | 15,821.2 |
| 2.5 Other items (net) | 4,757.1 | 4,325.2 | 3,850.9 | 4,023.2 | 4,083.2 |

## No. 9: Liquidity Aggregates

(₹ Billion)

| Aggregates | 2013-14 | 2013 | 2014 | | |
|---|---|---|---|---|---|
| | | Mar. | Jan. | Feb. | Mar. |
| | 1 | 2 | 3 | 4 | 5 |
| **1 $NM_3$** | **92,973.4** | **83,575.6** | **90,743.4** | **91,509.1** | **92,973.4** |
| 2 Postal Deposits | 1,553.8 | 1,388.4 | 1,539.9 | 1,553.8 | 1,553.8 |
| **3 $L_1$ ( 1 + 2)** | **94,527.2** | **84,964.0** | **92,283.3** | **93,062.8** | **94,527.2** |
| 4 Liabilities of Financial Institutions | 26.6 | 26.6 | 26.6 | 26.6 | 26.6 |
| 4.1 Term Money Borrowings | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| 4.2 Certificates of Deposit | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| 4.3 Term Deposits | 29.3 | 29.3 | 29.3 | 29.3 | 29.3 |
| **5 $L_2$ (3 + 4)** | **94,556.5** | **84,993.4** | **92,312.7** | **93,092.1** | **94,556.5** |
| 6 Public Deposits with Non-Banking Financial Companies | 128.3 | 106.0 | .. | .. | 128.3 |
| **7 $L_3$ (5 + 6)** | **94,684.8** | **85,099.3** | .. | .. | **94,684.8** |

## 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 | | |
| | | Mar. 22 | Feb. 21 | Mar. 7 | Mar. 21 |
| | 1 | 2 | 3 | 4 | 5 |
| **1 Components** | | | | | |
| 1.1 Currency in Circulation | 13009.0 | 11878.9 | 12919.4 | 12996.6 | 13075.2 |
| 1.2 Bankers' Deposits with the RBI | 4297.0 | 2996.2 | 3316.8 | 3415.1 | 3362.4 |
| 1.2.1 Scheduled Commercial Banks | 4070.8 | 2822.7 | 3120.0 | 3216.8 | 3163.4 |
| 1.3 'Other' Deposits with the RBI | 19.1 | 15.1 | 15.1 | 14.6 | 17.0 |
| Reserve Money (1.1 + 1.2 + 1.3 = 2.1 + 2.2 + 2.3 – 2.4 – 2.5) | 17325.1 | 14890.2 | 16251.3 | 16426.2 | 16454.6 |
| **2 Sources** | | | | | |
| 2.1 RBI's Domestic Credit | 7652.4 | 6099.9 | 7075.3 | 7260.2 | 7063.2 |
| 2.1.1 Net RBI credit to the Government | 7077.5 | 5854.2 | 6589.5 | 6870.6 | 6559.9 |
| 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) | 7059.7 | 5854.3 | 6585.4 | 6871.0 | 6550.0 |
| 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 | 7842.9 | 6730.3 | 6824.6 | 6869.4 | 7169.2 |
| 2.1.1.1.3.1 Central Government Securities | 7832.4 | 6719.8 | 6814.1 | 6858.9 | 7158.7 |
| 2.1.1.1.4 Rupee Coins | 1.3 | 2.3 | 1.4 | 2.6 | 1.8 |
| 2.1.1.1.5 Deposits of the Central Government | 784.4 | 878.3 | 240.5 | 1.0 | 621.0 |
| 2.1.1.2 Net RBI credit to State Governments | 17.8 | – | 4.1 | -0.4 | 9.9 |
| 2.1.2 RBI's Claims on Banks | 486.5 | 217.2 | 406.9 | 312.9 | 417.9 |
| 2.1.2.1 Loans and Advances to Scheduled Commercial Banks | 484.7 | 215.9 | 405.0 | 311.0 | 416.1 |
| 2.1.3 RBI's Credit to Commercial Sector | 88.4 | 28.4 | 78.8 | 76.7 | 85.4 |
| 2.1.3.1 Loans and Advances to Primary Dealers | 25.2 | 15.2 | 24.7 | 13.5 | 22.2 |
| 2.1.3.2 Loans and Advances to NABARD | – | – | – | – | – |
| 2.2 Government's Currency Liabilities to the Public | 171.7 | 153.4 | 171.7 | 171.7 | 171.7 |
| 2.3 Net Foreign Exchange Assets of the RBI | 18025.3 | 15613.8 | 17902.0 | 17716.1 | 17936.1 |
| 2.3.1 Gold | 1296.2 | 1413.8 | 1254.3 | 1302.1 | 1302.1 |
| 2.3.2 Foreign Currency Assets | 16729.3 | 14200.1 | 16647.9 | 16414.1 | 16634.1 |
| 2.4 Capital Account | 8315.7 | 6393.4 | 8557.7 | 8354.0 | 8315.7 |
| 2.5 Other Items (net) | 208.5 | 583.4 | 340.0 | 367.7 | 400.7 |

## No. 11: Reserve Money - Components and Sources

(₹ Billion)

| Item | Outstanding as on March 31/ last Fridays of the month/ Fridays | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2013-14 | 2013 | 2014 | | | | |
| | | Mar. 29 | Feb. 28 | Mar. 7 | Mar. 14 | Mar. 21 | Mar. 28 |
| | 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) | 17,325.1 | 15,582.2 | 16,397.6 | 16,426.2 | 16,982.7 | 16,454.6 | 17,055.3 |
| **1 Components** | | | | | | | |
| 1.1 Currency in Circulation | 13,009.0 | 11,925.6 | 12,883.7 | 12,996.6 | 13,074.9 | 13,075.2 | 13,006.8 |
| 1.2 Bankers' Deposits with RBI | 4,297.0 | 3,620.4 | 3,499.7 | 3,415.1 | 3,890.5 | 3,362.4 | 4,025.2 |
| 1.3 'Other' Deposits with RBI | 19.1 | 36.3 | 14.3 | 14.6 | 17.3 | 17.0 | 23.3 |
| **2 Sources** | | | | | | | |
| 2.1 Net Reserve Bank Credit to Government | 7,077.5 | 6,367.5 | 6,796.3 | 6,870.6 | 7,350.4 | 6,559.9 | 6,863.9 |
| 2.2 Reserve Bank Credit to Banks | 486.5 | 420.1 | 360.6 | 312.9 | 282.8 | 417.9 | 423.5 |
| 2.3 Reserve Bank Credit to Commercial Sector | 88.4 | 30.6 | 78.6 | 76.7 | 78.2 | 85.4 | 88.4 |
| 2.4 Net Foreign Exchange Assets of RBI | 18,025.3 | 15,597.1 | 17,927.9 | 17,716.1 | 17,972.6 | 17,936.1 | 18,034.0 |
| 2.5 Government's Currency Liabilities to the Public | 171.7 | 153.4 | 171.7 | 171.7 | 171.7 | 171.7 | 171.7 |
| 2.6 Net Non- Monetary Liabilities of RBI | 8,524.2 | 6,986.3 | 8,937.5 | 8,721.7 | 8,873.0 | 8,716.4 | 8,526.2 |

## 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 | | |
| | | Mar. 22 | Feb. 21 | Mar. 7 | Mar. 21 |
| | 1 | 2 | 3 | 4 | 5 |
| **1 Components** | | | | | |
| 1.1 Aggregate Deposits of Residents | 74,942.4 | 66,677.8 | 73,514.4 | 74,377.3 | 74,942.4 |
| 1.1.1 Demand Deposits | 7,208.0 | 6,623.0 | 6,925.7 | 7,031.6 | 7,208.0 |
| 1.1.2 Time Deposits of Residents | 67,734.4 | 60,054.8 | 66,588.6 | 67,345.7 | 67,734.4 |
| 1.1.2.1 Short-term Time Deposits | 30,480.5 | 27,024.7 | 29,964.9 | 30,305.5 | 30,480.5 |
| 1.1.2.1.1 Certificates of Deposits (CDs) | 3,741.3 | 3,835.3 | 3,315.3 | 3,340.3 | 3,741.3 |
| 1.1.2.2 Long-term Time Deposit | 37,253.9 | 33,030.1 | 36,623.7 | 37,040.1 | 37,253.9 |
| 1.2 Call/Term Funding from Financial Institutions | 2,210.3 | 2,216.6 | 2,257.8 | 2,277.3 | 2,210.3 |
| **2 Sources** | | | | | |
| 2.1 Domestic Credit | 86,332.5 | 76,376.1 | 85,070.5 | 85,700.6 | 86,332.5 |
| 2.1.1 Credit to the Government | 22,197.6 | 20,036.5 | 22,420.4 | 22,356.6 | 22,197.6 |
| 2.1.2 Credit to the Commercial Sector | 64,134.9 | 56,339.6 | 62,650.1 | 63,344.0 | 64,134.9 |
| 2.1.2.1 Bank Credit | 60,130.9 | 52,604.6 | 58,617.4 | 59,372.5 | 60,130.9 |
| 2.1.2.1.1 Non-food Credit | 59,146.1 | 51,640.4 | 57,551.7 | 58,372.2 | 59,146.1 |
| 2.1.2.2 Net Credit to Primary Dealers | 22.5 | 59.0 | 45.2 | 27.0 | 22.5 |
| 2.1.2.3 Investments in Other Approved Securities | 18.9 | 24.5 | 21.0 | 18.4 | 18.9 |
| 2.1.2.4 Other Investments (in non-SLR Securities) | 3,962.6 | 3,651.5 | 3,966.6 | 3,926.1 | 3,962.6 |
| 2.2 Net Foreign Currency Assets of Commercial Banks (2.2.1–2.2.2–2.2.3) | –1,892.7 | –782.2 | –2,122.7 | –1,928.1 | –1,892.7 |
| 2.2.1 Foreign Currency Assets | 1,495.3 | 919.6 | 1,367.8 | 1,569.1 | 1,495.3 |
| 2.2.2 Non-resident Foreign Currency Repatriable Fixed Deposits | 2,451.4 | 826.8 | 2,537.4 | 2,545.8 | 2,451.4 |
| 2.2.3 Overseas Foreign Currency Borrowings | 936.6 | 875.0 | 953.2 | 951.4 | 936.6 |
| 2.3 Net Bank Reserves (2.3.1+2.3.2–2.3.3) | 3,209.7 | 3,011.7 | 3,170.7 | 3,347.6 | 3,209.7 |
| 2.3.1 Balances with the RBI | 3,163.4 | 2,822.7 | 3,120.0 | 3,216.8 | 3,163.4 |
| 2.3.2 Cash in Hand | 462.4 | 404.9 | 455.7 | 441.9 | 462.4 |
| 2.3.3 Loans and Advances from the RBI | 416.1 | 215.9 | 405.0 | 311.0 | 416.1 |
| 2.4 Capital Account | 7,263.8 | 6,374.2 | 7,257.1 | 7,255.1 | 7,263.8 |
| 2.5 Other items (net) (2.1+2.2+2.3–2.4–1.1–1.2) | 3,233.0 | 3,337.0 | 3,089.2 | 3,210.4 | 3,233.0 |
| 2.5.1 Other Demand and Time Liabilities (net of 2.2.3) | 3,467.1 | 3,241.3 | 3,428.1 | 3,432.1 | 3,467.1 |
| 2.5.2 Net Inter-Bank Liabilities (other than to PDs) | –665.8 | –809.8 | –688.1 | –661.3 | –665.8 |

## No. 13: Scheduled Commercial Banks' Investments

(₹ Billion)

| Item | As on March 21, 2014 | 2013 | 2014 | | |
|---|---|---|---|---|---|
| | | Mar. 22 | Feb. 21 | Mar. 7 | Mar. 21 |
| | 1 | 2 | 3 | 4 | 5 |
| 1 SLR Securities | 22,216.5 | 20,061.0 | 22,369.8 | 22,375.0 | 22,216.5 |
| 2 Commercial Paper | 157.0 | 324.3 | 150.0 | 149.6 | 157.0 |
| 3 Shares issued by | | | | | |
| 3.1 PSUs | 82.9 | 86.8 | 88.6 | 87.7 | 82.9 |
| 3.2 Private Corporate Sector | 336.2 | 338.0 | 334.7 | 334.0 | 336.2 |
| 3.3 Others | 9.4 | 8.7 | 11.2 | 8.5 | 9.4 |
| 4 Bonds/Debentures issued by | | | | | |
| 4.1 PSUs | 804.4 | 460.5 | 775.2 | 765.4 | 804.4 |
| 4.2 Private Corporate Sector | 1,147.9 | 1,026.2 | 1,148.5 | 1,141.6 | 1,147.9 |
| 4.3 Others | 457.4 | 480.8 | 441.9 | 398.2 | 457.4 |
| 5 Instruments issued by | | | | | |
| 5.1 Mutual funds | 391.8 | 436.7 | 474.1 | 449.9 | 391.8 |
| 5.2 Financial institutions | 575.5 | 489.5 | 605.1 | 591.3 | 575.5 |

## 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 | |
| | | Mar. | Feb. | Mar. | | Mar. | Feb. | Mar. |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Number of Reporting Banks | 213 | 218 | 213 | 213 | 146 | 151 | 146 | 146 |
| 1 Liabilities to the Banking System | 1,311.5 | 1,368.2 | 1,181.7 | 1,311.5 | 1,264.5 | 1,331.0 | 1,136.6 | 1,264.5 |
| 1.1 Demand and Time Deposits from Banks | 821.9 | 879.3 | 785.0 | 821.9 | 777.3 | 846.5 | 743.0 | 777.3 |
| 1.2 Borrowings from Banks | 354.8 | 398.0 | 347.8 | 354.8 | 352.5 | 393.6 | 344.8 | 352.5 |
| 1.3 Other Demand and Time Liabilities | 134.8 | 90.9 | 48.8 | 134.8 | 134.7 | 90.9 | 48.8 | 134.7 |
| 2 Liabilities to Others | 86,236.5 | 75,818.5 | 86,189.2 | 86,236.5 | 84,007.9 | 73,837.5 | 83,981.0 | 84,007.9 |
| 2.1 Aggregate Deposits | 79,538.0 | 69,420.0 | 78,691.3 | 79,538.0 | 77,393.9 | 67,504.5 | 76,577.0 | 77,393.9 |
| 2.1.1 Demand | 7,380.9 | 6,783.3 | 7,462.4 | 7,380.9 | 7,208.0 | 6,623.0 | 7,294.0 | 7,208.0 |
| 2.1.2 Time | 72,157.1 | 62,636.7 | 71,228.9 | 72,157.1 | 70,185.9 | 60,881.5 | 69,283.0 | 70,185.9 |
| 2.2 Borrowings | 2,227.7 | 2,227.2 | 2,653.7 | 2,227.7 | 2,210.3 | 2,216.6 | 2,628.1 | 2,210.3 |
| 2.3 Other Demand and Time Liabilities | 4,470.8 | 4,171.3 | 4,844.3 | 4,470.8 | 4,403.7 | 4,116.3 | 4,775.9 | 4,403.7 |
| 3 Borrowings from Reserve Bank | 417.9 | 217.2 | 360.6 | 417.9 | 416.1 | 215.9 | 358.7 | 416.1 |
| 3.1 Against Usance Bills /Promissory Notes | – | – | – | – | – | – | – | – |
| 3.2 Others | 417.9 | 217.2 | 360.6 | 417.9 | 416.1 | 215.9 | 358.7 | 416.1 |
| 4 Cash in Hand and Balances with Reserve Bank | 3,732.8 | 3,320.9 | 3,904.6 | 3,732.8 | 3,625.9 | 3,227.6 | 3,796.3 | 3,625.9 |
| 4.1 Cash in Hand | 473.7 | 414.8 | 507.1 | 473.7 | 462.4 | 404.9 | 493.8 | 462.4 |
| 4.2 Balances with Reserve Bank | 3,259.0 | 2,906.1 | 3,397.5 | 3,259.0 | 3,163.4 | 2,822.7 | 3,302.5 | 3,163.4 |
| 5 Assets with the Banking System | 2,420.3 | 2,448.3 | 2,116.7 | 2,420.3 | 2,046.5 | 2,199.5 | 1,753.1 | 2,046.5 |
| 5.1 Balances with Other Banks | 1,273.6 | 1,051.5 | 1,145.1 | 1,273.6 | 1,145.3 | 960.8 | 1,015.9 | 1,145.3 |
| 5.1.1 In Current Account | 112.9 | 127.6 | 128.4 | 112.9 | 95.4 | 111.9 | 107.4 | 95.4 |
| 5.1.2 In Other Accounts | 1,160.7 | 923.9 | 1,016.7 | 1,160.7 | 1,049.9 | 848.9 | 908.5 | 1,049.9 |
| 5.2 Money at Call and Short Notice | 465.0 | 397.6 | 401.8 | 465.0 | 290.0 | 296.0 | 239.9 | 290.0 |
| 5.3 Advances to Banks | 170.8 | 136.1 | 146.0 | 170.8 | 167.4 | 126.9 | 140.6 | 167.4 |
| 5.4 Other Assets | 511.0 | 863.0 | 423.8 | 511.0 | 443.9 | 815.8 | 356.8 | 443.9 |
| 6 Investment | 22,886.9 | 20,660.3 | 23,042.9 | 22,886.9 | 22,216.5 | 20,061.0 | 22,375.1 | 22,216.5 |
| 6.1 Government Securities | 22,865.4 | 20,633.5 | 23,023.6 | 22,865.4 | 22,197.6 | 20,036.5 | 22,358.8 | 22,197.6 |
| 6.2 Other Approved Securities | 21.5 | 26.7 | 19.3 | 21.5 | 18.9 | 24.5 | 16.4 | 18.9 |
| 7 Bank Credit | 61,984.5 | 54,281.4 | 61,162.5 | 61,984.5 | 60,130.9 | 52,604.6 | 59,330.2 | 60,130.9 |
| 7a Food Credit | 1,095.2 | 1,045.6 | 1,168.3 | 1,095.2 | 984.8 | 964.2 | 1,057.9 | 984.8 |
| 7.1 Loans, Cash-credits and Overdrafts | 59,704.9 | 52,244.1 | 58,914.4 | 59,704.9 | 57,878.7 | 50,591.7 | 57,109.1 | 57,878.7 |
| 7.2 Inland Bills-Purchased | 389.4 | 253.1 | 391.9 | 389.4 | 385.9 | 248.6 | 388.9 | 385.9 |
| 7.3 Inland Bills-Discounted | 1,121.8 | 1,109.9 | 1,099.7 | 1,121.8 | 1,105.8 | 1,094.5 | 1,083.1 | 1,105.8 |
| 7.4 Foreign Bills-Purchased | 267.4 | 216.6 | 266.7 | 267.4 | 263.4 | 214.9 | 262.8 | 263.4 |
| 7.5 Foreign Bills-Discounted | 501.0 | 457.7 | 489.7 | 501.0 | 497.1 | 454.7 | 486.3 | 497.1 |

## 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 |
| | | Mar. 22 | Feb. 21 | Mar. 21 | 2013-14 | 2014 |
| | 1 | 2 | 3 | 4 | 5 | 6 |
| **1 Gross Bank Credit** | **56,572** | **49,642** | **55,193** | **56,572** | **14.0** | **14.0** |
| **1.1 Food Credit** | **912** | **946** | **990** | **912** | **–3.6** | **–3.6** |
| **1.2 Non-food Credit** | **55,660** | **48,696** | **54,203** | **55,660** | **14.3** | **14.3** |
| **1.2.1 Agriculture & Allied Activities** | **6,694** | **5,899** | **6,511** | **6,694** | **13.5** | **13.5** |
| **1.2.2 Industry** | **25,229** | **22,302** | **24,648** | **25,229** | **13.1** | **13.1** |
| 1.2.2.1 Micro & Small | 3,517 | 2,843 | 3,404 | 3,517 | 23.7 | 23.7 |
| 1.2.2.2 Medium | 1,274 | 1,247 | 1,275 | 1,274 | 2.2 | 2.2 |
| 1.2.2.3 Large | 20,438 | 18,211 | 19,970 | 20,438 | 12.2 | 12.2 |
| **1.2.3 Services** | **13,370** | **11,519** | **12,884** | **13,370** | **16.1** | **16.1** |
| 1.2.3.1 Transport Operators | 895 | 796 | 885 | 895 | 12.4 | 12.4 |
| 1.2.3.2 Computer Software | 176 | 169 | 175 | 176 | 3.8 | 3.8 |
| 1.2.3.3 Tourism, Hotels & Restaurants | 392 | 354 | 392 | 392 | 10.5 | 10.5 |
| 1.2.3.4 Shipping | 99 | 82 | 94 | 99 | 20.3 | 20.3 |
| 1.2.3.5 Professional Services | 707 | 564 | 693 | 707 | 25.3 | 25.3 |
| 1.2.3.6 Trade | 3,228 | 2,760 | 3,151 | 3,228 | 17.0 | 17.0 |
| 1.2.3.6.1 Wholesale Trade | 1,701 | 1,501 | 1,665 | 1,701 | 13.3 | 13.3 |
| 1.2.3.6.2 Retail Trade | 1,527 | 1,259 | 1,486 | 1,527 | 21.3 | 21.3 |
| 1.2.3.7 Commercial Real Estate | 1,544 | 1,261 | 1,470 | 1,544 | 22.4 | 22.4 |
| 1.2.3.8 Non-Banking Financial Companies (NBFCs) | 2,946 | 2,603 | 2,819 | 2,946 | 13.2 | 13.2 |
| 1.2.3.9 Other Services | 3,375 | 2,930 | 3,205 | 3,375 | 15.2 | 15.2 |
| **1.2.4 Personal Loans** | **10,367** | **8,976** | **10,159** | **10,367** | **15.5** | **15.5** |
| 1.2.4.1 Consumer Durables | 128 | 84 | 124 | 128 | 53.1 | 53.1 |
| 1.2.4.2 Housing | 5,408 | 4,567 | 5,291 | 5,408 | 18.4 | 18.4 |
| 1.2.4.3 Advances against Fixed Deposits | 641 | 611 | 569 | 641 | 4.9 | 4.9 |
| 1.2.4.4 Advances to Individuals against share & bonds | 38 | 31 | 36 | 38 | 23.8 | 23.8 |
| 1.2.4.5 Credit Card Outstanding | 249 | 249 | 254 | 249 | –0.2 | –0.2 |
| 1.2.4.6 Education | 600 | 550 | 602 | 600 | 9.2 | 9.2 |
| 1.2.4.7 Vehicle Loans | 1,304 | 1,111 | 1,285 | 1,304 | 17.4 | 17.4 |
| 1.2.4.8 Other Personal Loans | 1,998 | 1,774 | 1,999 | 1,998 | 12.6 | 12.6 |
| **1.2A Priority Sector** | **18,781** | **15,398** | **18,073** | **18,781** | **22.0** | **22.0** |
| 1.2A.1 Agriculture & Allied Activities | 6,694 | 5,899 | 6,511 | 6,694 | 13.5 | 13.5 |
| 1.2A.2 Micro & Small Enterprises | 7,511 | 5,623 | 6,933 | 7,511 | 33.6 | 33.6 |
| 1.2A.2.1 Manufacturing | 3,852 | 2,843 | 3,725 | 3,852 | 35.5 | 35.5 |
| 1.2A.2.2 Services | 3,659 | 2,779 | 3,497 | 3,659 | 31.6 | 31.6 |
| 1.2A.3 Housing | 3,034 | 2,672 | 2,985 | 3,034 | 13.5 | 13.5 |
| 1.2A.4 Micro-Credit | 174 | 165 | 175 | 174 | 5.5 | 5.5 |
| 1.2A.5 Education Loans | 579 | 526 | 571 | 579 | 10.1 | 10.1 |
| 1.2A.6 State-Sponsored Orgs. for SC/ST | 2 | 1 | 1 | 2 | 29.0 | 29.0 |
| 1.2A.7 Weaker Sections | 3,862 | 2,734 | 3,580 | 3,862 | 41.3 | 41.3 |
| 1.2A.8 Export Credit | 483 | 422 | 434 | 483 | 14.4 | 14.4 |

## 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 |
| | | Mar. 22 | Feb. 21 | Mar. 21 | 2013-14 | 2014 |
| | 1 | 2 | 3 | 4 | 5 | 6 |
| **1 Industry** | **25,229** | **22,302** | **24,648** | **25,229** | **13.1** | **13.1** |
| **1.1 Mining & Quarrying (incl. Coal)** | **353** | **346** | **357** | **353** | **2.0** | **2.0** |
| **1.2 Food Processing** | **1,480** | **1,174** | **1,454** | **1,480** | **26.1** | **26.1** |
| 1.2.1 Sugar | 348 | 330 | 337 | 348 | 5.5 | 5.5 |
| 1.2.2 Edible Oils & Vanaspati | 213 | 171 | 211 | 213 | 24.7 | 24.7 |
| 1.2.3 Tea | 32 | 26 | 31 | 32 | 25.5 | 25.5 |
| 1.2.4 Others | 887 | 648 | 874 | 887 | 37.0 | 37.0 |
| **1.3 Beverage & Tobacco** | **186** | **165** | **173** | **186** | **12.6** | **12.6** |
| **1.4 Textiles** | **2,040** | **1,835** | **2,000** | **2,040** | **11.1** | **11.1** |
| 1.4.1 Cotton Textiles | 1,011 | 925 | 988 | 1,011 | 9.3 | 9.3 |
| 1.4.2 Jute Textiles | 20 | 22 | 20 | 20 | –8.6 | –8.6 |
| 1.4.3 Man-Made Textiles | 216 | 189 | 214 | 216 | 14.1 | 14.1 |
| 1.4.4 Other Textiles | 793 | 699 | 779 | 793 | 13.4 | 13.4 |
| **1.5 Leather & Leather Products** | **103** | **87** | **100** | **103** | **18.4** | **18.4** |
| **1.6 Wood & Wood Products** | **94** | **77** | **92** | **94** | **21.9** | **21.9** |
| **1.7 Paper & Paper Products** | **331** | **283** | **329** | **331** | **17.2** | **17.2** |
| **1.8 Petroleum, Coal Products & Nuclear Fuels** | **635** | **643** | **571** | **635** | **–1.3** | **–1.3** |
| **1.9 Chemicals & Chemical Products** | **1,677** | **1,592** | **1,571** | **1,677** | **5.3** | **5.3** |
| 1.9.1 Fertiliser | 306 | 269 | 268 | 306 | 13.8 | 13.8 |
| 1.9.2 Drugs & Pharmaceuticals | 492 | 495 | 491 | 492 | –0.7 | –0.7 |
| 1.9.3 Petro Chemicals | 435 | 441 | 363 | 435 | –1.4 | –1.4 |
| 1.9.4 Others | 443 | 387 | 448 | 443 | 14.7 | 14.7 |
| **1.10 Rubber, Plastic & their Products** | **368** | **312** | **364** | **368** | **18.0** | **18.0** |
| **1.11 Glass & Glassware** | **87** | **74** | **87** | **87** | **17.0** | **17.0** |
| **1.12 Cement & Cement Products** | **541** | **459** | **529** | **541** | **18.0** | **18.0** |
| **1.13 Basic Metal & Metal Product** | **3,620** | **3,141** | **3,532** | **3,620** | **15.2** | **15.2** |
| 1.13.1 Iron & Steel | 2,685 | 2,366 | 2,630 | 2,685 | 13.5 | 13.5 |
| 1.13.2 Other Metal & Metal Product | 934 | 775 | 903 | 934 | 20.5 | 20.5 |
| **1.14 All Engineering** | **1,456** | **1,284** | **1,418** | **1,456** | **13.3** | **13.3** |
| 1.14.1 Electronics | 367 | 334 | 349 | 367 | 9.9 | 9.9 |
| 1.14.2 Others | 1,088 | 950 | 1,069 | 1,088 | 14.6 | 14.6 |
| **1.15 Vehicles, Vehicle Parts & Transport Equipment** | **677** | **589** | **673** | **677** | **15.1** | **15.1** |
| **1.16 Gems & Jewellery** | **720** | **611** | **697** | **720** | **17.7** | **17.7** |
| **1.17 Construction** | **614** | **522** | **608** | **614** | **17.7** | **17.7** |
| **1.18 Infrastructure** | **8,398** | **7,297** | **8,286** | **8,398** | **15.1** | **15.1** |
| 1.18.1 Power | 4,883 | 4,158 | 4,847 | 4,883 | 17.4 | 17.4 |
| 1.18.2 Telecommunications | 904 | 878 | 871 | 904 | 3.0 | 3.0 |
| 1.18.3 Roads | 1,574 | 1,313 | 1,551 | 1,574 | 19.9 | 19.9 |
| 1.18.4 Other Infrastructure | 1,036 | 948 | 1,016 | 1,036 | 9.3 | 9.3 |
| **1.19 Other Industries** | **1,850** | **1,810** | **1,807** | **1,850** | **2.2** | **2.2** |

## 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 | | | | | |
|---|---|---|---|---|---|---|
| | 2012-13 | 2012 | 2013 | | | |
| | | Dec. 28 | Nov. 15 | Nov. 29 | Dec. 13 | Dec. 27 |
| | 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) | 356.5 | 339.7 | 365.4 | 367.6 | 368.6 | 410.0 |
| 2 Demand and Time Liabilities | | | | | | |
| 2.1 Demand Liabilities | 127.2 | 120.1 | 129.2 | 129.7 | 132.3 | 131.8 |
| 2.1.1 Deposits | | | | | | |
| 2.1.1.1 Inter-Bank | 25.0 | 19.1 | 18.3 | 17.2 | 17.3 | 14.9 |
| 2.1.1.2 Others | 70.1 | 70.3 | 74.5 | 74.0 | 74.3 | 75.1 |
| 2.1.2 Borrowings from Banks | 10.2 | 11.5 | 12.7 | 12.4 | 13.4 | 13.6 |
| 2.1.3 Other Demand Liabilities | 21.8 | 19.2 | 23.7 | 26.1 | 27.2 | 28.2 |
| 2.2 Time Liabilities | 802.5 | 762.6 | 826.4 | 829.0 | 835.3 | 838.6 |
| 2.2.1 Deposits | | | | | | |
| 2.2.1.1 Inter-Bank | 507.0 | 483.1 | 525.8 | 525.9 | 529.0 | 491.3 |
| 2.2.1.2 Others | 286.4 | 269.4 | 290.8 | 293.6 | 294.3 | 334.8 |
| 2.2.2 Borrowings from Banks | 0.5 | 2.4 | – | – | 2.0 | 2.9 |
| 2.2.3 Other Time Liabilities | 8.6 | 7.6 | 9.8 | 9.4 | 10.0 | 9.6 |
| 3 Borrowing from Reserve Bank | – | – | – | – | – | – |
| 4 Borrowings from a notified bank / State Government | 319.3 | 307.0 | 377.6 | 379.1 | 376.7 | 380.0 |
| 4.1 Demand | 132.1 | 129.2 | 147.9 | 151.6 | 150.2 | 147.5 |
| 4.2 Time | 187.2 | 177.8 | 229.7 | 227.5 | 226.5 | 228.0 |
| 5 Cash in Hand and Balances with Reserve Bank | 44.2 | 34.2 | 36.5 | 34.9 | 34.6 | 35.3 |
| 5.1 Cash in Hand | 2.1 | 2.1 | 2.4 | 2.2 | 2.2 | 2.3 |
| 5.2 Balance with Reserve Bank | 42.1 | 32.0 | 34.1 | 32.7 | 32.4 | 33.0 |
| 6 Balances with Other Banks in Current Account | 7.0 | 5.2 | 7.4 | 6.4 | 6.1 | 7.3 |
| 7 Investments in Government Securities | 269.3 | 266.5 | 280.8 | 282.7 | 280.0 | 281.1 |
| 8 Money at Call and Short Notice | 156.2 | 156.0 | 176.6 | 177.8 | 176.0 | 178.6 |
| 9 Bank Credit (10.1+11) | 365.0 | 335.6 | 365.5 | 363.6 | 365.9 | 366.9 |
| 10 Advances | | | | | | |
| 10.1 Loans, Cash-Credits and Overdrafts | 364.9 | 335.4 | 365.4 | 363.5 | 365.8 | 366.8 |
| 10.2 Due from Banks | 570.8 | 561.9 | 648.2 | 645.4 | 645.5 | 647.0 |
| 11 Bills Purchased and Discounted | 0.1 | 0.2 | 0.1 | 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 | Mar. 13 | Feb. 14 | Mar. 14 | Mar. 13 | Feb. 14 | Mar. 14 | Mar. 13 | Feb. 14 | Mar. 14 |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| **1 Food, beverages and tobacco** | **138.8** | **138.0** | **138.5** | **128.9** | **140.6** | **141.6** | **128.9** | **137.7** | **138.6** | **128.9** | **139.7** | **140.6** |
| 1.1 Cereals and products | 132.9 | 131.9 | 132.6 | 125.8 | 137.7 | 138.7 | 126.1 | 135.7 | 136.0 | 125.9 | 137.2 | 138.0 |
| 1.2 Pulses and products | 118.2 | 115.2 | 117.3 | 115.0 | 120.1 | 120.7 | 113.3 | 116.7 | 117.3 | 114.5 | 119.1 | 119.7 |
| 1.3 Oils and fats | 143.9 | 141.9 | 143.3 | 142.6 | 145.2 | 145.5 | 146.5 | 138.8 | 138.9 | 143.9 | 143.1 | 143.4 |
| 1.4 Egg, fish and meat | 143.1 | 146.8 | 144.4 | 135.2 | 148.0 | 148.3 | 138.1 | 151.3 | 150.9 | 136.2 | 149.1 | 149.2 |
| 1.5 Milk and products | 144.2 | 139.0 | 142.3 | 136.1 | 149.1 | 150.6 | 131.2 | 145.4 | 146.6 | 134.3 | 147.7 | 149.1 |
| 1.6 Condiments and spices | 134.3 | 132.9 | 133.9 | 128.6 | 138.1 | 138.4 | 124.6 | 138.4 | 139.3 | 127.4 | 138.2 | 138.7 |
| 1.7 Vegetables | 161.4 | 157.5 | 160.2 | 123.0 | 145.6 | 147.5 | 116.1 | 125.4 | 127.2 | 120.8 | 139.2 | 141.1 |
| 1.8 Fruits | 155.7 | 147.2 | 152.1 | 141.1 | 164.6 | 168.7 | 139.1 | 152.7 | 158.5 | 140.2 | 159.5 | 164.3 |
| 1.9 Sugar etc | 109.5 | 105.0 | 108.2 | 110.9 | 107.4 | 107.4 | 108.6 | 100.1 | 101.1 | 110.2 | 105.3 | 105.6 |
| 1.10 Non-alcoholic beverages | 135.0 | 136.9 | 135.8 | 128.6 | 138.6 | 139.1 | 131.3 | 140.2 | 140.8 | 129.8 | 139.3 | 139.8 |
| 1.11 Prepared meals etc | 135.0 | 137.8 | 136.4 | 128.4 | 139.1 | 139.7 | 131.9 | 142.2 | 142.1 | 130.1 | 140.6 | 140.9 |
| 1.12 Pan, tobacco and intoxicants | 143.5 | 147.8 | 144.7 | 136.7 | 147.4 | 147.9 | 139.0 | 152.7 | 153.3 | 137.3 | 148.9 | 149.4 |
| **2 Fuel and light** | **136.9** | **133.9** | **135.7** | **130.8** | **139.7** | **140.1** | **129.6** | **136.2** | **136.0** | **130.3** | **138.4** | **138.5** |
| **3 Housing** | **--** | **133.5** | **133.5** | **--** | **--** | **--** | **126.4** | **137.9** | **138.9** | **126.4** | **137.9** | **138.9** |
| **4 Clothing, bedding and footwear** | **144.1** | **144.2** | **144.1** | **136.9** | **149.5** | **150.0** | **137.9** | **148.4** | **149.1** | **137.3** | **149.1** | **149.7** |
| 4.1 Clothing and bedding | 144.8 | 146.0 | 145.2 | 137.6 | 150.3 | 150.9 | 139.4 | 150.4 | 151.0 | 138.2 | 150.3 | 150.9 |
| 4.2 Footwear | 140.0 | 133.8 | 137.7 | 133.2 | 144.5 | 144.9 | 129.2 | 137.0 | 137.4 | 131.8 | 141.8 | 142.2 |
| **5 Miscellaneous** | **128.8** | **125.0** | **127.1** | **123.7** | **132.2** | **132.7** | **120.8** | **127.9** | **128.4** | **122.4** | **130.2** | **130.7** |
| 5.1 Medical care | 124.1 | 122.6 | 123.6 | 119.2 | 127.2 | 127.7 | 119.1 | 125.3 | 125.9 | 119.2 | 126.6 | 127.1 |
| 5.2 Education, stationery etc | 125.7 | 126.9 | 126.4 | 119.6 | 129.2 | 129.8 | 119.4 | 129.5 | 129.8 | 119.5 | 129.4 | 129.8 |
| 5.3 Recreation and amusement | 121.2 | 113.3 | 116.4 | 116.9 | 124.0 | 124.3 | 109.1 | 115.4 | 116.0 | 112.2 | 118.8 | 119.3 |
| 5.4 Transport and communication | 131.0 | 125.3 | 127.8 | 126.3 | 134.1 | 134.7 | 122.2 | 128.2 | 128.6 | 124.0 | 130.8 | 131.3 |
| 5.5 Personal care and effects | 126.2 | 121.6 | 124.3 | 121.0 | 129.3 | 129.9 | 118.1 | 124.2 | 124.9 | 119.8 | 127.2 | 127.9 |
| 5.6 Household requisites | 134.1 | 127.5 | 131.4 | 129.9 | 137.8 | 138.4 | 123.5 | 130.9 | 131.4 | 127.3 | 135.0 | 135.6 |
| 5.7 Others | 145.8 | 148.4 | 146.9 | 136.5 | 151.7 | 152.3 | 140.8 | 153.7 | 154.6 | 138.2 | 152.5 | 153.2 |
| **General Index (All Groups)** | **136.4** | **133.3** | **135.0** | **128.3** | **138.9** | **139.7** | **126.5** | **135.3** | **136.0** | **127.5** | **137.3** | **138.1** |

**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 | |
|---|---|---|---|---|---|---|
| | | | | Mar. | Feb. | Mar. |
| | 1 | 2 | 3 | 4 | 5 | 6 |
| 1 Consumer Price Index for Industrial Workers | 2001 | 4.63 | 236 | 224 | 238 | 239 |
| 2 Consumer Price Index for Agricultural Labourers | 1986-87 | 5.89 | 750 | 704 | 757 | 763 |
| 3 Consumer Price Index for Rural Labourers | 1986-87 | – | 751 | 705 | 759 | 765 |

**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 | |
|---|---|---|---|---|
| | | Mar. | Feb. | Mar. |
| | 1 | 2 | 3 | 4 |
| 1 Standard Gold (₹ per 10 grams) | 29,190 | 29,514 | 30,211 | 29,832 |
| 2 Silver (₹ per kilogram) | 46,637 | 54,995 | 46,383 | 45,978 |

**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 | | |
|---|---|---|---|---|---|---|
| | | | Mar. | Jan. | Feb. (P) | Mar. (P) |
| | 1 | 2 | 3 | 4 | 5 | 6 |
| **1 ALL COMMODITIES** | **100.000** | **177.6** | **170.1** | **179.1** | **178.9** | **179.8** |
| **1.1 PRIMARY ARTICLES** | **20.118** | **241.7** | **223.1** | **238.8** | **238.6** | **240.2** |
| **1.1.1 Food articles** | **14.337** | **238.9** | **214.1** | **233.7** | **232.9** | **235.3** |
| 1.1.1.1 Food Grains | 4.090 | 226.1 | 216.1 | 229.4 | 230.1 | 231.1 |
| 1.1.1.1.1 Cereals | 3.373 | 225.5 | 212.5 | 229.9 | 230.6 | 231.3 |
| 1.1.1.1.2 Pulses | 0.717 | 228.5 | 233.1 | 226.9 | 227.9 | 230.1 |
| 1.1.1.2 Fruits & Vegetables | 3.843 | 244.5 | 186.6 | 209.0 | 203.6 | 210.3 |
| 1.1.1.2.1 Vegetables | 1.736 | 295.1 | 186.8 | 216.8 | 200.7 | 202.8 |
| 1.1.1.2.2 Fruits | 2.107 | 202.9 | 186.4 | 202.4 | 206.1 | 216.5 |
| 1.1.1.3 Milk | 3.238 | 220.6 | 210.2 | 225.7 | 228.4 | 230.1 |
| 1.1.1.4 Eggs, Meat & Fish | 2.414 | 275.9 | 255.6 | 284.9 | 284.0 | 284.2 |
| 1.1.1.5 Condiments & Spices | 0.569 | 245.6 | 222.3 | 265.7 | 265.6 | 264.7 |
| 1.1.1.6 Other Food Articles | 0.183 | 227.9 | 243.1 | 214.8 | 212.2 | 210.7 |
| **1.1.2 Non-Food Articles** | **4.258** | **213.1** | **207.6** | **216.4** | **217.4** | **217.2** |
| 1.1.2.1 Fibres | 0.877 | 239.8 | 219.2 | 245.0 | 248.3 | 238.5 |
| 1.1.2.2 Oil Seeds | 1.781 | 202.7 | 205.1 | 202.2 | 203.7 | 207.5 |
| 1.1.2.3 Other Non-Food Articles | 1.386 | 213.1 | 212.1 | 217.3 | 215.9 | 219.2 |
| 1.1.2.4 Flowers | 0.213 | 190.8 | 151.9 | 213.0 | 214.8 | 196.8 |
| **1.1.3 Minerals** | **1.524** | **347.0** | **351.8** | **349.1** | **352.1** | **350.9** |
| 1.1.3.1 Metallic Minerals | 0.489 | 387.9 | 447.1 | 387.6 | 386.5 | 387.4 |
| 1.1.3.2 Other Minerals | 0.135 | 213.5 | 217.1 | 209.8 | 211.6 | 209.3 |
| 1.1.3.3 Crude Petroleum | 0.900 | 344.7 | 320.3 | 349.1 | 354.4 | 352.3 |
| **1.2 FUEL & POWER** | **14.910** | **205.3** | **191.6** | **212.4** | **212.6** | **213.1** |
| 1.2.1 Coal | 2.094 | 190.8 | 189.7 | 189.8 | 189.8 | 189.8 |
| 1.2.2 Mineral Oils | 9.364 | 225.9 | 213.9 | 235.4 | 235.6 | 236.5 |
| 1.2.3 Electricity | 3.452 | 158.4 | 132.4 | 163.8 | 163.8 | 163.8 |
| **1.3 MANUFACTURED PRODUCTS** | **64.972** | **151.3** | **148.7** | **152.9** | **152.7** | **153.5** |
| **1.3.1 Food Products** | **9.974** | **168.8** | **165.6** | **169.1** | **168.2** | **168.7** |
| 1.3.1.1 Dairy Products | 0.568 | 180.4 | 176.1 | 185.5 | 185.7 | 186.1 |
| 1.3.1.2 Canning, Preserving & Processing of Food | 0.358 | 164.9 | 147.2 | 175.5 | 175.8 | 175.2 |
| 1.3.1.3 Grain Mill Products | 1.340 | 167.9 | 166.4 | 170.3 | 170.4 | 170.5 |
| 1.3.1.4 Bakery Products | 0.444 | 139.0 | 132.4 | 142.5 | 142.2 | 142.3 |
| 1.3.1.5 Sugar, Khandsari & Gur | 2.089 | 183.0 | 184.2 | 179.3 | 177.0 | 178.2 |
| 1.3.1.6 Edible Oils | 3.043 | 147.0 | 146.7 | 147.1 | 146.6 | 146.8 |
| 1.3.1.7 Oil Cakes | 0.494 | 223.7 | 216.5 | 215.8 | 218.0 | 216.2 |
| 1.3.1.8 Tea & Coffee Proccessing | 0.711 | 182.2 | 169.1 | 175.5 | 177.8 | 177.6 |
| 1.3.1.9 Manufacture of Salt | 0.048 | 186.0 | 185.4 | 190.3 | 185.8 | 185.0 |
| 1.3.1.10 Other Food Products | 0.879 | 177.8 | 171.1 | 180.1 | 180.8 | 184.2 |
| **1.3.2 Beverages, Tobacco & Tobacco Products** | **1.762** | **184.8** | **181.6** | **188.1** | **187.6** | **195.1** |
| 1.3.2.1 Wine Industries | 0.385 | 128.3 | 126.6 | 132.4 | 129.0 | 135.5 |
| 1.3.2.2 Malt Liquor | 0.153 | 170.7 | 170.4 | 171.8 | 170.1 | 171.8 |
| 1.3.2.3 Soft Drinks & Carbonated Water | 0.241 | 161.8 | 157.7 | 162.8 | 162.8 | 163.5 |
| 1.3.2.4 Manufacture of Bidi, Cigarettes, Tobacco & Zarda | 0.983 | 215.7 | 210.8 | 229.6 | 219.5 | 229.8 |
| **1.3.3 Textiles** | **7.326** | **138.7** | **133.4** | **140.8** | **140.4** | **141.3** |
| 1.3.3.1 Cotton Textiles | 2.605 | 157.5 | 150.1 | 159.7 | 159.5 | 160.6 |
| 1.3.3.1.1 Cotton Yarn | 1.377 | 173.8 | 164.1 | 176.3 | 176.3 | 178.2 |
| 1.3.3.1.2 Cotton Fabric | 1.228 | 139.2 | 134.3 | 140.9 | 140.7 | 140.8 |
| 1.3.3.2 Man-Made Textiles | 2.206 | 131.6 | 127.5 | 134.5 | 134.3 | 134.1 |
| 1.3.3.2.1 Man-Made Fibre | 1.672 | 131.3 | 127.7 | 134.3 | 134.0 | 133.7 |
| 1.3.3.2.2 Man-Made Fabric | 0.533 | 132.6 | 126.8 | 135.1 | 135.2 | 135.3 |
| 1.3.3.3 Woollen Textiles | 0.294 | 155.1 | 149.8 | 157.9 | 158.1 | 159.4 |
| 1.3.3.4 Jute, Hemp & Mesta Textiles | 0.261 | 183.6 | 181.5 | 185.8 | 185.2 | 185.8 |
| 1.3.3.5 Other Misc. Textiles | 1.960 | 113.3 | 109.0 | 114.3 | 113.2 | 115.1 |
| **1.3.4 Wood & Wood Products** | **0.587** | **178.3** | **174.1** | **179.0** | **182.1** | **183.1** |
| 1.3.4.1 Timber/Wooden Planks | 0.181 | 144.8 | 141.8 | 146.0 | 148.1 | 148.1 |
| 1.3.4.2 Processed Wood | 0.128 | 185.0 | 179.9 | 186.5 | 185.8 | 186.5 |
| 1.3.4.3 Plywood & Fibre Board | 0.241 | 204.5 | 198.9 | 210.1 | 210.1 | 211.3 |
| 1.3.4.4 Others | 0.038 | 153.8 | 151.8 | 154.9 | 154.8 | 160.8 |

## No. 21: Wholesale Price Index (Concld.)

(Base: 2004-05 = 100)

| Commodities | Weight | 2013-14 | 2013 | 2014 | | |
|---|---|---|---|---|---|---|
| | | | Mar. | Jan. | Feb. (P) | Mar. (P) |
| | 1 | 2 | 3 | 4 | 5 | 6 |
| **1.3.5 Paper & Paper Products** | **2.034** | **142.8** | **140.2** | **145.9** | **146.2** | **146.3** |
| 1.3.5.1 Paper & Pulp | 1.019 | 141.5 | 138.5 | 144.8 | 144.6 | 144.9 |
| 1.3.5.2 Manufacture of boards | 0.550 | 131.2 | 130.7 | 132.2 | 132.4 | 131.7 |
| 1.3.5.3 Printing & Publishing | 0.465 | 159.6 | 154.7 | 164.8 | 166.2 | 166.5 |
| **1.3.6 Leather & Leather Products** | **0.835** | **143.1** | **134.7** | **144.4** | **145.3** | **146.0** |
| 1.3.6.1 Leathers | 0.223 | 114.3 | 112.7 | 115.9 | 116.0 | 115.9 |
| 1.3.6.2 Leather Footwear | 0.409 | 159.8 | 148.8 | 160.3 | 160.4 | 160.5 |
| 1.3.6.3 Other Leather Products | 0.203 | 141.4 | 130.3 | 143.7 | 147.3 | 149.8 |
| **1.3.7 Rubber & Plastic Products** | **2.987** | **145.9** | **139.5** | **148.2** | **148.4** | **149.2** |
| 1.3.7.1 Tyres & Tubes | 0.541 | 174.2 | 162.4 | 176.7 | 176.6 | 176.7 |
| 1.3.7.1.1 Tyres | 0.488 | 174.5 | 162.2 | 176.7 | 176.6 | 176.7 |
| 1.3.7.1.2 Tubes | 0.053 | 171.4 | 165.1 | 176.5 | 176.9 | 176.5 |
| 1.3.7.2 Plastic Products | 1.861 | 136.2 | 130.1 | 138.5 | 138.8 | 140.0 |
| 1.3.7.3 Rubber Products | 0.584 | 150.9 | 148.2 | 152.9 | 152.7 | 153.2 |
| **1.3.8 Chemicals & Chemical Products** | **12.018** | **148.7** | **145.9** | **150.9** | **150.8** | **151.1** |
| 1.3.8.1 Basic Inorganic Chemicals | 1.187 | 150.3 | 148.9 | 151.1 | 151.2 | 151.5 |
| 1.3.8.2 Basic Organic Chemicals | 1.952 | 147.1 | 143.0 | 154.3 | 153.8 | 152.4 |
| 1.3.8.3 Fertilisers & Pesticides | 3.145 | 148.2 | 147.7 | 149.0 | 148.8 | 149.1 |
| 1.3.8.3.1 Fertilisers | 2.661 | 152.3 | 152.3 | 153.0 | 152.7 | 152.9 |
| 1.3.8.3.2 Pesticides | 0.483 | 125.7 | 122.5 | 127.2 | 127.2 | 128.3 |
| 1.3.8.4 Paints, Varnishes & Lacquers | 0.529 | 147.5 | 144.4 | 148.7 | 148.9 | 148.7 |
| 1.3.8.5 Dyestuffs & Indigo | 0.563 | 131.6 | 128.1 | 135.6 | 135.0 | 137.7 |
| 1.3.8.6 Drugs & Medicines | 0.456 | 126.8 | 125.4 | 127.3 | 127.3 | 127.2 |
| 1.3.8.7 Perfumes, Cosmetics, Toiletries etc. | 1.130 | 157.3 | 153.3 | 159.1 | 159.6 | 159.7 |
| 1.3.8.8 Turpentine, Plastic Chemicals | 0.586 | 147.1 | 144.3 | 148.4 | 148.5 | 148.6 |
| 1.3.8.9 Polymers including Synthetic Rubber | 0.970 | 141.7 | 136.9 | 142.1 | 142.6 | 144.7 |
| 1.3.8.10 Petrochemical Intermediates | 0.869 | 171.2 | 167.0 | 172.6 | 172.4 | 173.7 |
| 1.3.8.11 Matches, Explosives & other Chemicals | 0.629 | 150.2 | 144.8 | 152.2 | 152.3 | 152.5 |
| **1.3.9 Non-Metallic Mineral Products** | **2.556** | **166.2** | **166.8** | **166.2** | **166.5** | **167.6** |
| 1.3.9.1 Structural Clay Products | 0.658 | 175.9 | 167.6 | 180.2 | 180.3 | 183.2 |
| 1.3.9.2 Glass, Earthenware, Chinaware & their Products | 0.256 | 131.6 | 131.7 | 132.6 | 132.8 | 133.0 |
| 1.3.9.3 Cement & Lime | 1.386 | 167.1 | 172.3 | 164.4 | 164.9 | 165.4 |
| 1.3.9.4 Cement, Slate & Graphite Products | 0.256 | 170.9 | 170.5 | 173.8 | 173.6 | 173.6 |
| **1.3.10 Basic Metals, Alloys & Metal Products** | **10.748** | **164.5** | **164.8** | **166.4** | **166.6** | **167.6** |
| 1.3.10.1 Ferrous Metals | 8.064 | 154.7 | 154.7 | 156.3 | 156.3 | 157.5 |
| 1.3.10.1.1 Iron & Semis | 1.563 | 153.8 | 154.8 | 156.9 | 156.3 | 158.7 |
| 1.3.10.1.2 Steel: Long | 1.630 | 165.6 | 166.9 | 166.0 | 166.6 | 167.0 |
| 1.3.10.1.3 Steel: Flat | 2.611 | 153.8 | 153.5 | 154.9 | 155.2 | 155.8 |
| 1.3.10.1.4 Steel: Pipes & Tubes | 0.314 | 129.8 | 127.4 | 132.1 | 132.1 | 131.8 |
| 1.3.10.1.5 Stainless Steel & alloys | 0.938 | 159.6 | 158.7 | 162.2 | 162.5 | 163.6 |
| 1.3.10.1.6 Castings & Forgings | 0.871 | 142.5 | 141.3 | 142.9 | 142.8 | 144.7 |
| 1.3.10.1.7 Ferro alloys | 0.137 | 155.5 | 153.1 | 159.1 | 156.4 | 159.4 |
| 1.3.10.2 Non-Ferrous Metals | 1.004 | 164.0 | 161.5 | 165.3 | 165.4 | 166.5 |
| 1.3.10.2.1 Aluminium | 0.489 | 137.8 | 134.7 | 139.5 | 139.2 | 140.0 |
| 1.3.10.2.2 Other Non-Ferrous Metals | 0.515 | 188.9 | 186.9 | 189.8 | 190.3 | 191.6 |
| 1.3.10.3 Metal Products | 1.680 | 211.5 | 215.3 | 215.7 | 216.5 | 216.6 |
| **1.3.11 Machinery & Machine Tools** | **8.931** | **131.6** | **129.4** | **132.4** | **132.4** | **132.7** |
| 1.3.11.1 Agricultural Machinery & Implements | 0.139 | 141.7 | 137.6 | 144.4 | 144.4 | 144.3 |
| 1.3.11.2 Industrial Machinery | 1.838 | 150.1 | 147.6 | 150.9 | 151.1 | 151.2 |
| 1.3.11.3 Construction Machinery | 0.045 | 136.9 | 136.7 | 136.9 | 136.9 | 136.9 |
| 1.3.11.4 Machine Tools | 0.367 | 160.1 | 157.9 | 159.9 | 160.5 | 160.4 |
| 1.3.11.5 Air Conditioner & Refrigerators | 0.429 | 115.6 | 113.7 | 115.7 | 117.4 | 119.4 |
| 1.3.11.6 Non-Electrical Machinery | 1.026 | 123.8 | 123.1 | 124.3 | 124.4 | 124.2 |
| 1.3.11.7 Electrical Machinery, Equipment & Batteries | 2.343 | 136.5 | 134.1 | 137.4 | 137.1 | 137.6 |
| 1.3.11.8 Electrical Accessories, Wires, Cables etc. | 1.063 | 150.3 | 144.9 | 151.6 | 151.5 | 151.2 |
| 1.3.11.9 Electrical Apparatus & Appliances | 0.337 | 117.7 | 117.2 | 117.7 | 117.7 | 117.7 |
| 1.3.11.10 Electronics Items | 0.961 | 87.7 | 87.3 | 89.0 | 88.7 | 89.5 |
| 1.3.11.11 IT Hardware | 0.267 | 88.4 | 89.2 | 88.5 | 88.5 | 88.5 |
| 1.3.11.12 Communication Equipments | 0.118 | 95.9 | 93.7 | 95.5 | 95.9 | 95.7 |
| **1.3.12 Transport, Equipment & Parts** | **5.213** | **134.5** | **132.2** | **135.8** | **135.5** | **135.8** |
| 1.3.12.1 Automotives | 4.231 | 134.0 | 131.7 | 135.4 | 135.0 | 135.2 |
| 1.3.12.2 Auto Parts | 0.804 | 133.5 | 131.3 | 134.6 | 134.6 | 135.5 |
| 1.3.12.3 Other Transport Equipments | 0.178 | 150.1 | 149.7 | 151.7 | 151.7 | 151.7 |

**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 | 2011-12 | 2012-13 | April-February | | February | |
|---|---|---|---|---|---|---|---|
| | | | | 2012-13 | 2013-14 | 2013 | 2014 |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| **General Index** | **100.00** | **170.3** | **172.2** | **170.2** | **169.9** | **176.2** | **172.8** |
| **1 Sectoral Classification** | | | | | | | |
| 1.1 Mining and Quarrying | 14.16 | 128.5 | 125.5 | 123.6 | 122.1 | 124.6 | 126.3 |
| 1.2 Manufacturing | 75.53 | 181.0 | 183.3 | 181.1 | 179.7 | 190.8 | 183.7 |
| 1.3 Electricity | 10.32 | 149.3 | 155.2 | 154.4 | 163.9 | 140.5 | 156.7 |
| **2 Use-Based Classification** | | | | | | | |
| 2.1 Basic Goods | 45.68 | 150.0 | 153.6 | 152.3 | 154.7 | 150.2 | 156.1 |
| 2.2 Capital Goods | 8.83 | 267.8 | 251.6 | 243.3 | 237.0 | 285.5 | 235.9 |
| 2.3 Intermediate Goods | 15.69 | 144.4 | 146.7 | 145.6 | 150.3 | 144.3 | 150.4 |
| 2.4 Consumer Goods | 29.81 | 186.1 | 190.6 | 189.0 | 183.7 | 200.7 | 191.6 |
| 2.4.1 Consumer Durables | 8.46 | 295.1 | 301.1 | 300.1 | 263.6 | 289.7 | 262.7 |
| 2.4.2 Consumer Non-Durables | 21.35 | 142.9 | 146.9 | 145.0 | 152.0 | 165.4 | 163.4 |

**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–February | | | |
|---|---|---|---|---|---|
| | 2013-14 (Revised Estimates) | 2012-13 (Actuals) | 2013-14 (Actuals) | Percentage to Revised Estimates | |
| | | | | 2012-13 | 2013-14 |
| | 1 | 2 | 3 | 4 | 5 |
| 1 Revenue Receipts | 10,292.5 | 6,788.3 | 7,836.0 | 77.9 | 76.1 |
| 1.1 Tax Revenue (Net) | 8,360.3 | 5,719.3 | 6,271.3 | 77.1 | 75.0 |
| 1.2 Non-Tax Revenue | 1,932.3 | 1,069.0 | 1,564.6 | 82.4 | 81.0 |
| 2 Capital Receipts | 5,611.8 | 5,407.1 | 6,161.6 | 96.7 | 109.8 |
| 2.1 Recovery of Loans | 108.0 | 105.6 | 105.8 | 75.0 | 97.9 |
| 2.2 Other Receipts | 258.4 | 228.0 | 62.9 | 95.0 | 24.3 |
| 2.3 Borrowings and Other Liabilities | 5,245.4 | 5,073.6 | 5,993.0 | 97.4 | 114.3 |
| 3 Total Receipts (1+2) | 15,904.3 | 12,195.4 | 13,997.6 | 85.2 | 88.0 |
| 4 Non-Plan Expenditure | 11,149.0 | 8,665.2 | 9,908.2 | 86.5 | 88.9 |
| 4.1 On Revenue Account | 10,276.9 | 7,871.5 | 8,996.0 | 85.6 | 87.5 |
| 4.1.1 Interest Payments | 3,800.7 | 2,638.5 | 3,218.4 | 83.3 | 84.7 |
| 4.2 On Capital Account | 872.1 | 793.7 | 912.2 | 96.9 | 104.6 |
| 5 Plan Expenditure | 4,755.3 | 3,530.2 | 4,089.3 | 82.3 | 86.0 |
| 5.1 On Revenue Account | 3,718.5 | 2,877.9 | 3,183.7 | 83.8 | 85.6 |
| 5.2 On Capital Account | 1,036.8 | 652.3 | 905.6 | 76.0 | 87.3 |
| 6 Total Expenditure (4+5) | 15,904.4 | 12,195.4 | 13,997.6 | 85.2 | 88.0 |
| 7 Revenue Expenditure (4.1+5.1) | 13,995.4 | 10,749.4 | 12,179.7 | 85.1 | 87.0 |
| 8 Capital Expenditure (4.2+5.2) | 1,909.0 | 1,446.0 | 1,817.8 | 86.2 | 95.2 |
| 9 Revenue Deficit (7-1) | 3,702.9 | 3,961.1 | 4,343.8 | 101.2 | 117.3 |
| 10 Fiscal Deficit {6-(1+2.1+2.2)} | 5,245.4 | 5,073.6 | 5,993.0 | 97.4 | 114.3 |
| 11 Gross Primary Deficit [10-4.1.1] | 1,444.7 | 2,435.1 | 2,774.6 | 119.2 | 192.1 |

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

## No. 24: Treasury Bills – Ownership Pattern

(₹ Billion)

| Item | 2013-14 | 2013 | 2014 | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Mar. 29 | Feb. 21 | Feb. 28 | Mar. 7 | Mar. 14 | Mar. 21 | Mar. 28 |
| | 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 | 1,422.2 | 866.4 | 889.8 | 879.5 | 1,072.2 | 1,231.5 | 1,101.8 |
| 1.4 Others | 6.6 | 3.7 | 6.2 | 5.3 | 5.0 | 8.2 | 8.7 | 6.6 |
| **2 91-day** | | | | | | | | |
| 2.1 Banks | 286.0 | 345.6 | 192.9 | 208.1 | 215.1 | 262.1 | 269.4 | 286.0 |
| 2.2 Primary Dealers | 286.9 | 248.9 | 302.9 | 310.1 | 322.1 | 332.7 | 315.5 | 286.9 |
| 2.3 State Governments | 381.9 | 282.0 | 618.9 | 613.9 | 586.9 | 521.2 | 481.2 | 381.9 |
| 2.4 Others | 300.3 | 174.4 | 282.1 | 269.8 | 271.7 | 237.2 | 267.3 | 300.3 |
| **3 182-day** | | | | | | | | |
| 3.1 Banks | 270.0 | 234.9 | 200.6 | 240.3 | 208.3 | 272.2 | 226.3 | 270.0 |
| 3.2 Primary Dealers | 255.3 | 207.9 | 285.6 | 289.1 | 298.3 | 276.3 | 276.4 | 255.3 |
| 3.3 State Governments | 74.1 | – | 10.8 | 6.8 | 6.8 | 6.8 | 6.8 | 74.1 |
| 3.4 Others | 164.6 | 199.2 | 172.6 | 139.4 | 162.1 | 130.3 | 176.3 | 164.6 |
| **4 364-day** | | | | | | | | |
| 4.1 Banks | 356.1 | 335.7 | 272.3 | 299.4 | 257.3 | 340.6 | 298.9 | 356.1 |
| 4.2 Primary Dealers | 480.7 | 447.9 | 563.8 | 608.8 | 559.1 | 515.6 | 522.6 | 480.7 |
| 4.3 State Governments | 6.9 | 3.8 | 7.0 | 7.0 | 6.9 | 6.9 | 6.9 | 6.9 |
| 4.4 Others | 523.6 | 517.4 | 503.5 | 431.5 | 533.5 | 493.6 | 538.8 | 523.6 |
| **5 Total** | 4,494.7 | 4,423.5 | 4,285.7 | 4,319.2 | 4,312.6 | 4,475.9 | 4,626.6 | 4,494.7 |

## 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** | | | | | | | | | | |
| 2013-14 | | | | | | | | | | |
| Feb. 26 | 70 | 90 | 133.47 | 107.64 | 76 | 70.00 | 107.64 | 177.64 | 97.77 | 9.1485 |
| Mar. 5 | 80 | 90 | 166.10 | 73.08 | 66 | 80.00 | 73.08 | 153.08 | 97.76 | 9.1905 |
| Mar. 12 | 80 | 89 | 173.44 | 3.07 | 71 | 80.00 | 3.07 | 83.07 | 97.74 | 9.2744 |
| Mar. 19 | 80 | 136 | 462.24 | 1.10 | 28 | 80.00 | 1.10 | 81.10 | 97.76 | 9.1905 |
| Mar. 26 | 80 | 120 | 254.51 | 11.35 | 49 | 80.00 | 11.35 | 91.35 | 97.84 | 8.8550 |
| **182-day Treasury Bills** | | | | | | | | | | |
| 2013-14 | | | | | | | | | | |
| Feb. 26 | 60 | 104 | 200.79 | 0.02 | 55 | 60.00 | 0.02 | 60.02 | 95.66 | 9.0987 |
| Mar. 12 | 60 | 109 | 315.88 | 0.05 | 22 | 60.00 | 0.05 | 60.05 | 95.65 | 9.1206 |
| Mar. 26 | 60 | 83 | 192.66 | 74.08 | 34 | 60.00 | 74.08 | 134.08 | 95.77 | 8.8579 |
| **364-day Treasury Bills** | | | | | | | | | | |
| 2013-14 | | | | | | | | | | |
| Feb. 5 | 60 | 156 | 285.80 | – | 36 | 60.00 | – | 60.00 | 91.79 | 8.9689 |
| Feb. 18 | 60 | 170 | 258.05 | – | 42 | 60.00 | – | 60.00 | 91.76 | 9.0046 |
| Mar. 5 | 60 | 145 | 315.85 | – | 23 | 60.00 | – | 60.00 | 91.74 | 9.0284 |
| Mar. 19 | 60 | 135 | 260.66 | 0.52 | 15 | 60.00 | 0.52 | 60.52 | 91.86 | 8.8857 |

# 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 |
| March | 1, 2014 | 1.00-8.15 | 7.51 |
| March | 3, 2014 | 6.00-8.10 | 7.78 |
| March | 4, 2014 | 6.00-8.15 | 7.76 |
| March | 5, 2014 | 6.00-9.00 | 8.00 |
| March | 6, 2014 | 6.00-8.10 | 7.83 |
| March | 7, 2014 | 6.00-8.50 | 8.03 |
| March | 8, 2014 | 6.00-8.50 | 7.97 |
| March | 10, 2014 | 6.00-8.60 | 7.97 |
| March | 11, 2014 | 6.00-8.35 | 8.05 |
| March | 12, 2014 | 6.00-8.60 | 8.12 |
| March | 13, 2014 | 6.00-9.50 | 8.08 |
| March | 14, 2014 | 1.25-9.25 | 8.62 |
| March | 15, 2014 | 5.00-9.50 | 8.24 |
| March | 18, 2014 | 6.00-9.25 | 8.95 |
| March | 19, 2014 | 6.00-9.05 | 8.92 |
| March | 20, 2014 | 6.00-9.10 | 8.92 |
| March | 21, 2014 | 6.00-10.50 | 8.79 |
| March | 22, 2014 | 5.00-8.25 | 6.74 |
| March | 24, 2014 | 6.00-9.05 | 8.89 |
| March | 25, 2014 | 6.50-10.10 | 8.65 |
| March | 26, 2014 | 6.00-8.80 | 8.18 |
| March | 27, 2014 | 6.50-9.00 | 8.03 |
| March | 28, 2014 | 6.00-14.00 | 9.57 |
| March | 29, 2014 | 5.00-11.03 | 9.70 |
| April | 1, 2014 | 8.80-15.00 | 9.89 |
| April | 2, 2014 | 7.00-9.20 | 8.80 |
| April | 3, 2014 | 6.50-9.00 | 8.34 |
| April | 4, 2014 | 5.00-9.00 | 8.01 |
| April | 5, 2014 | 5.00-8.10 | 6.79 |
| April | 7, 2014 | 6.00-9.10 | 8.39 |
| April | 9, 2014 | 6.50-8.50 | 8.11 |
| April | 10, 2014 | 6.50-8.25 | 7.96 |
| April | 11, 2014 | 6.00-8.35 | 8.04 |
| April | 12, 2014 | 5.00-8.00 | 6.34 |
| April | 15, 2014 | 6.15-8.95 | 8.33 |

## No. 27: Certificates of Deposit

| Item | 2013 | 2014 | | | |
|---|---|---|---|---|---|
| | Mar. 22 | Feb. 7 | Feb. 21 | Mar. 7 | Mar. 21 |
| | 1 | 2 | 3 | 4 | 5 |
| 1 Amount Outstanding (₹ Billion) | 3,896.1 | 3,296.9 | 3,303.8 | 3,349.0 | 3,758.0 |
| 1.1 Issued during the fortnight (₹ Billion) | 877.5 | 357.0 | 286.1 | 751.3 | 908.5 |
| 2 Rate of Interest (per cent) | 8.80-10.12 | 8.41-9.75 | 8.58-10.06 | 8.75-10.27 | 8.94-10.35 |

## No. 28: Commercial Paper

| Item | 2013 | 2014 | | | |
|---|---|---|---|---|---|
| | Mar. 31 | Feb. 15 | Feb. 28 | Mar. 15 | Mar. 31 |
| | 1 | 2 | 3 | 4 | 5 |
| 1 Amount Outstanding (₹ Billion) | 1,092.6 | 1,767.1 | 1,646.0 | 1,653.4 | 1,066.1 |
| 1.1 Reported during the fortnight (₹ Billion) | 192.7 | 351.3 | 292.0 | 414.2 | 250.4 |
| 2 Rate of Interest (per cent) | 8.05-13.42 | 8.33-12.70 | 7.84-13.06 | 7.96-14.18 | 8.64-12.61 |

## No. 29: Average Daily Turnover in Select Financial Markets

(₹ Billion)

| Item | 2013-14 | 2013 | 2014 | | | | |
|---|---|---|---|---|---|---|---|
| | | Mar. 29 | Feb. 28 | Mar. 7 | Mar. 14 | Mar. 21 | Mar. 28 |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1 Call Money | 230.7 | 296.8 | 213.0 | 268.3 | 269.9 | 254.9 | 314.4 |
| 2 Notice Money | 71.6 | 54.0 | 100.8 | 95.8 | 77.7 | 118.5 | 29.1 |
| 3 Term Money | 5.4 | 12.3 | 4.3 | 5.9 | 2.2 | 9.3 | 6.4 |
| 4 CBLO | 1,196.3 | 698.6 | 1,385.8 | 1,352.3 | 1,279.0 | 1,076.4 | 1,293.6 |
| 5 Market Repo | 986.8 | 481.9 | 856.5 | 1,285.1 | 1,048.8 | 1,048.0 | 617.6 |
| 6 Repo in Corporate Bond | 0.3 | – | – | 2.2 | – | – | 0.9 |
| 7 Forex (US $ million) | 50,568 | 79,630 | 58,419 | 58,691 | 58,777 | 55,236 | 67,283 |
| 8 Govt. of India Dated Securities | 662.5 | 511.3 | 379.4 | 493.6 | 427.6 | 294.7 | 286.5 |
| 9 State Govt. Securities | 12.8 | 19.7 | 16.4 | 8.6 | 19.8 | 15.0 | 21.1 |
| 10 Treasury Bills | | | | | | | |
| 10.1 91-Day | 26.7 | 23.3 | 14.5 | 35.5 | 29.5 | 35.2 | 33.0 |
| 10.2 182-Day | 12.9 | 22.3 | 11.7 | 11.6 | 13.0 | 26.3 | 15.0 |
| 10.3 364-Day | 25.4 | 36.9 | 19.0 | 15.2 | 24.1 | 40.3 | 25.8 |
| 10.4 Cash Management Bills | 7.3 | – | – | – | – | – | – |
| 11 Total Govt. Securities (8+9+10) | 740.3 | 613.5 | 441.0 | 564.4 | 514.1 | 411.4 | 381.5 |
| 11.1 RBI | – | 21.6 | 3.4 | 0.1 | – | 1.0 | 1.9 |

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

(Amount in ₹ Billion)

| Security & Type of Issue | 2013-14 | | 2012-13 (Apr.-Mar.) | | 2013-14 (Apr.-Mar.) | | Mar. 2013 | | Mar. 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 | 48 | 138.8 | 53 | 58.1 | 11 | 10.7 | 7 | 21.3 |
| 1A Premium | 43 | 53.2 | 44 | 120.9 | 43 | 53.2 | 10 | 3.8 | 3 | 20.2 |
| 1.1 Prospectus | 38 | 12.4 | 32 | 49.4 | 38 | 12.4 | 8 | 3.5 | 5 | 0.2 |
| 1.1.1 Premium | 30 | 10.7 | 30 | 46.0 | 30 | 10.7 | 8 | 3.1 | 1 | 0.1 |
| 1.2 Rights | 15 | 45.8 | 16 | 89.4 | 15 | 45.8 | 3 | 7.2 | 2 | 21.1 |
| 1.2.1 Premium | 13 | 42.5 | 14 | 74.9 | 13 | 42.5 | 2 | 0.7 | 2 | 20.1 |
| 2 Preference Shares | – | – | – | – | – | – | – | – | – | – |
| 2.1 Prospectus | – | – | – | – | – | – | – | – | – | – |
| 2.2 Rights | – | – | – | – | – | – | – | – | – | – |
| 3 Debentures | 12 | 50.2 | 6 | 22.2 | 12 | 50.2 | – | – | – | – |
| 3.1 Convertible | – | – | – | – | – | – | – | – | – | – |
| 3.1.1 Prospectus | – | – | – | – | – | – | – | – | – | – |
| 3.1.2 Rights | – | – | – | – | – | – | – | – | – | – |
| 3.2 Non-Convertible | 16 | 58.3 | 6 | 22.2 | 16 | 58.3 | – | – | 3 | 6.1 |
| 3.2.1 Prospectus | 15 | 56.4 | 6 | 22.2 | 15 | 56.4 | – | – | 3 | 6.1 |
| 3.2.2 Rights | – | – | – | – | – | – | – | – | – | – |
| 4 Bonds | – | – | – | – | – | – | – | – | – | – |
| 4.1 Prospectus | – | – | – | – | – | – | – | – | – | – |
| 4.2 Rights | – | – | – | – | – | – | – | – | – | – |
| 5 Total (1+2+3+4) | 69 | 116.4 | 54 | 161.0 | 69 | 116.4 | 11 | 10.7 | 10 | 27.4 |
| 5.1 Prospectus | 54 | 70.7 | 38 | 71.6 | 54 | 70.7 | 8 | 3.5 | 8 | 6.3 |
| 5.2 Rights | 15 | 45.8 | 16 | 89.4 | 15 | 45.8 | 3 | 7.2 | 2 | 21.1 |

**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 | | |
|---|---|---|---|---|---|---|---|---|
| | | | Mar. | Nov. | Dec. | Jan. | Feb. | Mar. |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1 Exports | ₹ Billion | 18,928.9 | 1,661.6 | 1,498.8 | 1,618.6 | 1,642.5 | 1,568.2 | 1,804.7 |
| | US $ Million | 312,355.5 | 30,541.4 | 23,929.9 | 26,144.9 | 26,459.2 | 25,201.2 | 29,578.4 |
| 1.1 Oil | ₹ Billion | .. | 298.0 | 298.7 | 296.0 | 282.4 | 294.8 | .. |
| | US $ Million | .. | 5,477.2 | 4,768.9 | 4,780.7 | 4,549.1 | 4,738.2 | .. |
| 1.2 Non-oil | ₹ Billion | .. | 1,363.6 | 1,200.1 | 1,322.7 | 1,360.1 | 1,273.4 | .. |
| | US $ Million | .. | 25,064.3 | 19,161.0 | 21,364.2 | 21,910.1 | 20,463.1 | .. |
| 2 Imports | ₹ Billion | 27,192.1 | 2,227.7 | 2,108.3 | 2,258.4 | 2,247.9 | 2,083.7 | 2,445.8 |
| | US $ Million | 450,949.0 | 40,947.8 | 33,661.0 | 36,478.5 | 36,211.7 | 33,485.5 | 40,085.8 |
| 2.1 Oil | ₹ Billion | 10,137.1 | 729.5 | 812.9 | 862.0 | 818.6 | 853.3 | 963.0 |
| | US $ Million | 167,624.6 | 13,408.2 | 12,979.0 | 13,922.9 | 13,186.6 | 13,711.8 | 15,783.8 |
| 2.2 Non-oil | ₹ Billion | 17,054.9 | 1,498.3 | 1,295.4 | 1,396.4 | 1,429.3 | 1,230.5 | 1,482.8 |
| | US $ Million | 283,324.4 | 27,539.6 | 20,682.0 | 22,555.7 | 23,025.1 | 19,773.7 | 24,302.0 |
| 3 Trade Balance | ₹ Billion | –8,263.1 | –566.2 | –609.5 | –639.8 | –605.4 | –515.5 | –641.1 |
| | US $ Million | –138,593.6 | –10,406.3 | –9,731.1 | –10,333.7 | –9,752.4 | –8,284.2 | –10,507.3 |
| 3.1 Oil | ₹ Billion | .. | –431.5 | –514.2 | –566.0 | –536.2 | –558.4 | .. |
| | US $ Million | .. | –7,931.0 | –8,210.1 | –9,142.2 | –8,637.5 | –8,973.6 | .. |
| 3.2 Non-oil | ₹ Billion | .. | –134.7 | –95.3 | –73.8 | –69.2 | 42.9 | .. |
| | US $ Million | .. | –2,475.3 | –1,521.0 | –1,191.4 | –1,114.9 | 689.4 | .. |

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

## No. 32: Foreign Exchange Reserves

| Item | Unit | 2013 | 2014 | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Apr. 26 | Mar. 21 | Mar. 28 | Apr. 4 | Apr. 11 | Apr. 18 | Apr. 25 |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| **1 Total Reseves** | **₹ Billion** | **16,094** | **18,252** | **18,292** | **18,493** | **18,646** | **18,677** | **18,919** |
| | **US $ Million** | **296,371** | **298,636** | **303,674** | **306,648** | **309,445** | **309,413** | **309,913** |
| 1.1 Foreign Currency Assets | ₹ Billion | 14,335 | 16,568 | 16,612 | 16,818 | 16,968 | 16,999 | 17,237 |
| | US $ Million | 264,028 | 271,394 | 276,406 | 278,806 | 281,552 | 281,536 | 282,029 |
| 1.2 Gold | ₹ Billion | 1,397 | 1,302 | 1,302 | 1,296 | 1,296 | 1,296 | 1,296 |
| | US $ Million | 25,692 | 20,978 | 20,978 | 21,567 | 21,567 | 21,567 | 21,567 |
| 1.3 SDRs | SDRs Million | 2,887 | 2,887 | 2,888 | 2,888 | 2,888 | 2,888 | 2,888 |
| | ₹ Billion | 236 | 272 | 268 | 268 | 270 | 270 | 274 |
| | US $ Million | 4,342 | 4,462 | 4,458 | 4,448 | 4,484 | 4,473 | 4,478 |
| 1.4 Reserve Tranche Position in IMF | ₹ Billion | 125 | 110 | 110 | 110 | 111 | 111 | 112 |
| | US $ Million | 2,309 | 1,801 | 1,831 | 1,827 | 1,842 | 1,837 | 1,839 |

## No. 33: NRI Deposits

(US$ Million)

| Scheme | Outstanding | | | | Flows | |
|---|---|---|---|---|---|---|
| | 2013-14 | 2013 | 2014 | | 2012-13 | 2013-14 |
| | | Mar. | Feb. | Mar. | Apr.-Mar. | Apr.-Mar. |
| | 1 | 2 | 3 | 4 | 5 | 6 |
| **1 NRI Deposits** | **104,108** | **70,823** | **100,247** | **104,108** | **14,844** | **38,892** |
| 1.1 FCNR(B) | 41,848 | 15,188 | 40,963 | 41,848 | 220 | 26,660 |
| 1.2 NR(E)RA | 53,227 | 45,924 | 50,642 | 53,227 | 16,399 | 11,976 |
| 1.3 NRO | 9,034 | 9,710 | 8,642 | 9,034 | –1,775 | 257 |

## No. 34: Foreign Investment Inflows

(US$ Million)

| Item | 2013-14 | 2012-13 | 2013-14 | 2013 | 2014 | |
|---|---|---|---|---|---|---|
| | | Apr.-Mar. | Apr.-Mar. | Mar. | Feb. | Mar. |
| | 1 | 2 | 3 | 4 | 5 | 6 |
| **1.1 Net Foreign Direct Investment (1.1.1–1.1.2)** | **23,770** | **19,819** | **23,770** | **822** | **–60** | **2,908** |
| **1.1.1 Direct Investment to India (1.1.1.1–1. 1.1.2)** | **31,659** | **26,953** | **31,659** | **2,089** | **2,817** | **4,502** |
| **1.1.1.1 Gross Inflows/Gross Investments** | **36,396** | **34,298** | **36,396** | **2,720** | **3,022** | **4,707** |
| 1.1.1.1.1 Equity | 25,283 | 22,884 | 25,283 | 1,616 | 2,109 | 3,625 |
| 1.1.1.1.1.1 Government (SIA/FIPB) | 1,185 | 2,319 | 1,185 | 14 | 52 | 13 |
| 1.1.1.1.1.2 RBI | 14,869 | 15,967 | 14,869 | 1,008 | 1,365 | 3,259 |
| 1.1.1.1.1.3 Acquisition of shares | 8,245 | 3,539 | 8,245 | 503 | 601 | 262 |
| 1.1.1.1.1.4 Equity capital of unincorporated bodies | 984 | 1,059 | 984 | 91 | 92 | 92 |
| 1.1.1.1.2 Reinvested earnings | 9,047 | 9,880 | 9,047 | 911 | 842 | 842 |
| 1.1.1.1.3 Other capital | 2,066 | 1,534 | 2,066 | 194 | 71 | 240 |
| **1.1.1.2 Repatriation/Disinvestment** | **4,737** | **7,345** | **4,737** | **631** | **206** | **206** |
| 1.1.1.2.1 Equity | 4,242 | 6,853 | 4,242 | 619 | 180 | 180 |
| 1.1.1.2.2 Other capital | 495 | 493 | 495 | 12 | 26 | 26 |
| **1.1.2 Foreign Direct Investment by India (1.1.2.1+1.1.2.2+1.1.2.3–1.1.2.4)** | **7,889** | **7,134** | **7,889** | **1,267** | **2,877** | **1,594** |
| 1.1.2.1 Equity capital | 10,530 | 7,101 | 10,530 | 1,420 | 2,944 | 1,358 |
| 1.1.2.2 Reinvested Earnings | 1,167 | 1,189 | 1,167 | 99 | 99 | 99 |
| 1.1.2.3 Other Capital | 3,188 | 4,331 | 3,188 | 280 | 134 | 436 |
| 1.1.2.4 Repatriation/Disinvestment | 6,995 | 5,488 | 6,995 | 531 | 300 | 300 |
| **1.2 Net Portfolio Investment (1.2.1+1.2.2+1.2.3–1.2.4)** | **4,917** | **26,891** | **4,917** | **1,171** | **1,452** | **5,341** |
| 1.2.1 GDRs/ADRs | 20 | 187 | 20 | – | – | – |
| 1.2.2 FIIs | 5,010 | 27,582 | 5,010 | 1,246 | 1,509 | 5,397 |
| 1.2.3 Offshore funds and others | – | – | – | – | – | – |
| 1.2.4 Portfolio investment by India | 114 | 878 | 114 | 75 | 56 | 56 |
| **1 Foreign Investment Inflows** | **28,687** | **46,710** | **28,687** | **1,993** | **1,392** | **8,248** |

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

(US$ Million)

| Item | 2012-13 | 2013 | | 2014 | |
|---|---|---|---|---|---|
| | | Feb. | Dec. | Jan. | Feb. |
| | 1 | 2 | 3 | 4 | 5 |
| **1 Outward Remittances under the LRS** | **1,206.4** | **96.2** | **75.2** | **105.9** | **74.8** |
| 1.1 Deposit | 20.1 | 2.5 | 1.9 | 1.4 | 2.5 |
| 1.2 Purchase of immovable property | 77.7 | 8.0 | 0.5 | 1.3 | 1.4 |
| 1.3 Investment in equity/debt | 236.9 | 18.2 | 11.2 | 7.3 | 10.6 |
| 1.4 Gift | 261.6 | 24.3 | 19.7 | 22.6 | 16.6 |
| 1.5 Donations | 4.5 | 0.1 | 0.2 | 0.1 | – |
| 1.6 Travel | 44.8 | 3.4 | 0.8 | 1.0 | 0.7 |
| 1.7 Maintenance of close relatives | 226.6 | 20.7 | 9.4 | 9.8 | 8.6 |
| 1.8 Medical Treatment | 4.9 | 0.1 | 0.3 | 0.7 | 0.3 |
| 1.9 Studies Abroad | 124.7 | 9.3 | 18.1 | 22.0 | 9.6 |
| 1.10 Others | 204.1 | 9.7 | 13.0 | 39.8 | 24.4 |

## 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 | |
|---|---|---|---|---|---|
| | | | April | March | April |
| | 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 | 78.63 | 72.09 | 72.35 |
| 1.2 REER | 105.57 | 103.21 | 107.99 | 103.78 | 104.15 |
| 2 Export-Based Weights | | | | | |
| 2.1 NEER | 80.05 | 73.56 | 80.47 | 73.13 | 73.37 |
| 2.2 REER | 108.71 | 105.49 | 110.97 | 105.81 | 106.15 |
| **6-Currency Trade Based Weights** | | | | | |
| 1 Base: 2004-05 (April-March) =100 | | | | | |
| 1.1 NEER | 75.54 | 67.56 | 75.97 | 66.27 | 67.10 |
| 1.2 REER | 117.08 | 112.50 | 120.87 | 112.29 | 113.65 |
| 2 Base: 2012-13 (April-March) =100 | | | | | |
| 2.1 NEER | 100.00 | 89.42 | 100.55 | 87.71 | 88.82 |
| 2.2 REER | 100.00 | 96.09 | 103.24 | 95.91 | 97.07 |

**Note:** Real Effective Exchange Rate are based on CPI.

## No. 37: External Commercial Borrowings (ECBs)

(Amount in US$ Million)

| Item | 2013-14 | 2013 | 2014 | |
|---|---|---|---|---|
| | | Mar. | Feb. | Mar. |
| | 1 | 2 | 3 | 4 |
| 1 Automatic Route | | | | |
| 1.1 Number | 573 | 86 | 27 | 42 |
| 1.2 Amount | 12,340 | 3,439 | 662 | 2,175 |
| 2 Approval Route | | | | |
| 2.1 Number | 140 | 16 | 18 | 16 |
| 2.2 Amount | 20,892 | 1,643 | 3,641 | 1,375 |
| 3 Total (1+2) | | | | |
| 3.1 Number | 713 | 102 | 45 | 58 |
| 3.2 Amount | 33,232 | 5,082 | 4,303 | 3,550 |
| 4 Weighted Average Maturity (in years) | 4.88 | 4.56 | 4.32 | 4.02 |
| 5 Interest Rate (per cent) | | | | |
| 5.1 Weighted Average Margin over 6-month LIBOR or reference rate for Floating Rate Loans | 1.98 | 2.31 | 1.70 | 2.02 |
| 5.2 Interest rate range for Fixed Rate Loans | 0.00-12.79 | 0.00-7.40 | 0.00-9.25 | 0.00-5.43 |

## No. 38: India's Overall Balance of Payments

(US $ Million)

| Item | Oct-Dec 2012 (PR) | | | Oct-Dec 2013 (P) | | |
|---|---|---|---|---|---|---|
| | Credit | Debit | Net | Credit | Debit | Net |
| | 1 | 2 | 3 | 4 | 5 | 6 |
| **Overall Balance of Payments(1+2+3)** | **251,313** | **250,532** | **781** | **266,988** | **247,885** | **19,103** |
| **1 CURRENT ACCOUNT (1.1+ 1.2)** | **130,741** | **162,511** | **–31,770** | **138,057** | **142,154** | **–4,097** |
| **1.1 MERCHANDISE** | **74,236** | **132,613** | **–58,378** | **79,795** | **112,947** | **–33,152** |
| **1.2 INVISIBLES (1.2.1+1.2.2+1.2.3)** | **56,505** | **29,898** | **26,608** | **58,262** | **29,207** | **29,054** |
| 1.2.1 Services | 37,063 | 20,417 | 16,646 | 37,643 | 19,523 | 18,120 |
| 1.2.1.1 Travel | 5,050 | 3,010 | 2,039 | 5,091 | 2,748 | 2,343 |
| 1.2.1.2 Transportation | 4,350 | 3,570 | 780 | 4,114 | 3,421 | 693 |
| 1.2.1.3 Insurance | 530 | 552 | –21 | 487 | 290 | 197 |
| 1.2.1.4 G.n.i.e. | 140 | 153 | –13 | 104 | 171 | –67 |
| 1.2.1.5 Miscellaneous | 26,993 | 13,132 | 13,860 | 27,847 | 12,893 | 14,953 |
| 1.2.1.5.1 Software Services | 16,466 | 565 | 15,901 | 17,475 | 654 | 16,821 |
| 1.2.1.5.2 Business Services | 7,135 | 7,906 | –770 | 6,905 | 6,720 | 186 |
| 1.2.1.5.3 Financial Services | 1,195 | 898 | 298 | 1,708 | 1,277 | 432 |
| 1.2.1.5.4 Communication Services | 358 | 250 | 108 | 516 | 219 | 297 |
| 1.2.2 Transfers | 16,778 | 1,017 | 15,762 | 17,649 | 1,269 | 16,380 |
| 1.2.2.1 Official | 287 | 196 | 92 | 401 | 229 | 172 |
| 1.2.2.2 Private | 16,491 | 821 | 15,670 | 17,247 | 1,040 | 16,208 |
| 1.2.3 Income | 2,664 | 8,464 | –5,800 | 2,970 | 8,416 | –5,446 |
| 1.2.3.1 Investment Income | 1,898 | 7,896 | –5,998 | 2,150 | 7,763 | –5,613 |
| 1.2.3.2 Compensation of Employees | 766 | 568 | 198 | 820 | 653 | 167 |
| **2 CAPITAL ACCOUNT (2.1+2.2+2.3+2.4+2.5)** | **119,491** | **88,021** | **31,470** | **128,931** | **105,146** | **23,785** |
| **2.1 Foreign Investment (2.1.1+2.1.2)** | **52,399** | **40,512** | **11,887** | **54,564** | **46,108** | **8,456** |
| 2.1.1 Foreign Direct Investment | 8,659 | 6,554 | 2,106 | 9,689 | 3,623 | 6,066 |
| 2.1.1.1 In India | 7,064 | 2,720 | 4,344 | 7,188 | 1,410 | 5,778 |
| 2.1.1.1.1 Equity | 4,373 | 2,624 | 1,749 | 4,224 | 1,324 | 2,900 |
| 2.1.1.1.2 Reinvested Earnings | 2,590 | – | 2,590 | 2,374 | – | 2,374 |
| 2.1.1.1.3 Other Capital | 101 | 96 | 5 | 590 | 86 | 504 |
| 2.1.1.2 Abroad | 1,595 | 3,834 | –2,238 | 2,501 | 2,213 | 288 |
| 2.1.1.2.1 Equity | 1,595 | 2,123 | –528 | 2,501 | 1,292 | 1,209 |
| 2.1.1.2.2 Reinvested Earnings | – | 297 | –297 | – | 297 | –297 |
| 2.1.1.2.3 Other Capital | – | 1,413 | –1,413 | – | 624 | –624 |
| 2.1.2 Portfolio Investment | 43,740 | 33,959 | 9,781 | 44,875 | 42,485 | 2,390 |
| 2.1.2.1 In India | 43,297 | 33,444 | 9,853 | 44,777 | 42,243 | 2,534 |
| 2.1.2.1.1 FIIs | 43,289 | 33,444 | 9,845 | 44,777 | 42,243 | 2,534 |
| 2.1.2.1.1.1 Equity | 33,735 | 25,617 | 8,118 | 36,278 | 30,057 | 6,221 |
| 2.1.2.1.1.2 Debt | 9,554 | 7,827 | 1,727 | 8,498 | 12,186 | –3,688 |
| 2.1.2.1.2 ADR/GDRs | 8 | – | 8 | – | – | – |
| 2.1.2.2 Abroad | 443 | 515 | –72 | 98 | 242 | –144 |
| **2.2 Loans (2.2.1+2.2.2+2.2.3)** | **41,217** | **30,423** | **10,795** | **31,440** | **28,430** | **3,010** |
| 2.2.1 External Assistance | 1,340 | 996 | 343 | 1,044 | 1,085 | –41 |
| 2.2.1.1 By India | 13 | 84 | –72 | 11 | 62 | –51 |
| 2.2.1.2 To India | 1,327 | 912 | 415 | 1,033 | 1,023 | 10 |
| 2.2.2 Commercial Borrowings | 7,336 | 4,563 | 2,773 | 7,551 | 3,340 | 4,211 |
| 2.2.2.1 By India | 409 | 498 | –89 | 234 | 90 | 144 |
| 2.2.2.2 To India | 6,927 | 4,065 | 2,862 | 7,317 | 3,250 | 4,067 |
| 2.2.3 Short Term to India | 32,541 | 24,863 | 7,678 | 22,846 | 24,005 | –1,159 |
| 2.2.3.1 Suppliers' Credit > 180 days & Buyers' Credit | 30,872 | 24,863 | 6,009 | 22,846 | 23,255 | –409 |
| 2.2.3.2 Suppliers' Credit up to 180 days | 1,669 | – | 1,669 | – | 750 | –750 |
| **2.3 Banking Capital (2.3.1+2.3.2)** | **20,245** | **15,001** | **5,243** | **38,288** | **22,530** | **15,758** |
| 2.3.1 Commercial Banks | 20,245 | 14,964 | 5,281 | 38,100 | 22,530 | 15,570 |
| 2.3.1.1 Assets | 2,688 | 1,540 | 1,148 | 3,191 | 7,811 | –4,620 |
| 2.3.1.2 Liabilities | 17,557 | 13,424 | 4,133 | 34,909 | 14,719 | 20,190 |
| 2.3.1.2.1 Non-Resident Deposits | 15,505 | 12,853 | 2,651 | 33,025 | 11,577 | 21,448 |
| 2.3.2 Others | – | 37 | –37 | 188 | – | 188 |
| **2.4 Rupee Debt Service** | – | – | – | – | – | – |
| **2.5 Other Capital** | 5,630 | 2,085 | 3,545 | 4,638 | 8,077 | –3,439 |
| **3 Errors & Omissions** | **1,081** | **–** | **1,081** | **–** | **585** | **–585** |
| **4 Monetary Movements (4.1+ 4.2)** | – | **781** | **–781** | **–** | **19,103** | **–19,103** |
| 4.1 I.M.F. | – | – | – | – | – | – |
| 4.2 Foreign Exchange Reserves (Increase - / Decrease +) | – | 781 | –781 | – | 19,103 | –19,103 |

## No. 39: India's Overall Balance of Payments

(₹ Billion)

| Item | Oct-Dec 2012 (PR) | | | Oct-Dec 2013 (P) | | |
|---|---|---|---|---|---|---|
| | Credit | Debit | Net | Credit | Debit | Net |
| | 1 | 2 | 3 | 4 | 5 | 6 |
| **Overall Balance of Payments(1+2+3)** | **13,608** | **13,566** | **42** | **16,567** | **15,382** | **1,185** |
| **1 CURRENT ACCOUNT (1.1+ 1.2)** | **7,080** | **8,800** | **–1,720** | **8,567** | **8,821** | **–254** |
| **1.1 MERCHANDISE** | **4,020** | **7,181** | **–3,161** | **4,951** | **7,009** | **–2,057** |
| **1.2 INVISIBLES (1.2.1+1.2.2+1.2.3)** | **3,060** | **1,619** | **1,441** | **3,615** | **1,812** | **1,803** |
| 1.2.1 Services | 2,007 | 1,106 | 901 | 2,336 | 1,211 | 1,124 |
| 1.2.1.1 Travel | 273 | 163 | 110 | 316 | 171 | 145 |
| 1.2.1.2 Transportation | 236 | 193 | 42 | 255 | 212 | 43 |
| 1.2.1.3 Insurance | 29 | 30 | –1 | 30 | 18 | 12 |
| 1.2.1.4 G.n.i.e. | 8 | 8 | –1 | 6 | 11 | –4 |
| 1.2.1.5 Miscellaneous | 1,462 | 711 | 751 | 1,728 | 800 | 928 |
| 1.2.1.5.1 Software Services | 892 | 31 | 861 | 1,084 | 41 | 1,044 |
| 1.2.1.5.2 Business Services | 386 | 428 | –42 | 428 | 417 | 12 |
| 1.2.1.5.3 Financial Services | 65 | 49 | 16 | 106 | 79 | 27 |
| 1.2.1.5.4 Communication Services | 19 | 14 | 6 | 32 | 14 | 18 |
| 1.2.2 Transfers | 909 | 55 | 853 | 1,095 | 79 | 1,016 |
| 1.2.2.1 Official | 16 | 11 | 5 | 25 | 14 | 11 |
| 1.2.2.2 Private | 893 | 44 | 849 | 1,070 | 65 | 1,006 |
| 1.2.3 Income | 144 | 458 | –314 | 184 | 522 | –338 |
| 1.2.3.1 Investment Income | 103 | 428 | –325 | 133 | 482 | –348 |
| 1.2.3.2 Compensation of Employees | 41 | 31 | 11 | 51 | 41 | 10 |
| **2 CAPITAL ACCOUNT (2.1+2.2+2.3+2.4+2.5)** | **6,470** | **4,766** | **1,704** | **8,001** | **6,525** | **1,476** |
| 2.1 Foreign Investment (2.1.1+2.1.2) | 2,837 | 2,194 | 644 | 3,386 | 2,861 | 525 |
| 2.1.1 Foreign Direct Investment | 469 | 355 | 114 | 601 | 225 | 376 |
| 2.1.1.1 In India | 383 | 147 | 235 | 446 | 88 | 359 |
| 2.1.1.1.1 Equity | 237 | 142 | 95 | 262 | 82 | 180 |
| 2.1.1.1.2 Reinvested Earnings | 140 | – | 140 | 147 | – | 147 |
| 2.1.1.1.3 Other Capital | 5 | 5 | – | 37 | 5 | 31 |
| 2.1.1.2 Abroad | 86 | 208 | –121 | 155 | 137 | 18 |
| 2.1.1.2.1 Equity | 86 | 115 | –29 | 155 | 80 | 75 |
| 2.1.1.2.2 Reinvested Earnings | – | 16 | –16 | – | 18 | –18 |
| 2.1.1.2.3 Other Capital | – | 77 | –77 | – | 39 | –39 |
| 2.1.2 Portfolio Investment | 2,368 | 1,839 | 530 | 2,785 | 2,636 | 148 |
| 2.1.2.1 In India | 2,345 | 1,811 | 534 | 2,779 | 2,621 | 157 |
| 2.1.2.1.1 FIIs | 2,344 | 1,811 | 533 | 2,779 | 2,621 | 157 |
| 2.1.2.1.1.1 Equity | 1,827 | 1,387 | 440 | 2,251 | 1,865 | 386 |
| 2.1.2.1.1.2 Debt | 517 | 424 | 94 | 527 | 756 | –229 |
| 2.1.2.1.2 ADR/GDRs | – | – | – | – | – | – |
| 2.1.2.2 Abroad | 24 | 28 | –4 | 6 | 15 | –9 |
| **2.2 Loans (2.2.1+2.2.2+2.2.3)** | **2,232** | **1,647** | **585** | **1,951** | **1,764** | **187** |
| 2.2.1 External Assistance | 73 | 54 | 19 | 65 | 67 | –3 |
| 2.2.1.1 By India | 1 | 5 | –4 | 1 | 4 | –3 |
| 2.2.1.2 To India | 72 | 49 | 22 | 64 | 63 | 1 |
| 2.2.2 Commercial Borrowings | 397 | 247 | 150 | 469 | 207 | 261 |
| 2.2.2.1 By India | 22 | 27 | –5 | 15 | 6 | 9 |
| 2.2.2.2 To India | 375 | 220 | 155 | 454 | 202 | 252 |
| 2.2.3 Short Term to India | 1,762 | 1,346 | 416 | 1,418 | 1,490 | –72 |
| 2.2.3.1 Suppliers' Credit > 180 days & Buyers' Credit | 1,672 | 1,346 | 325 | 1,418 | 1,443 | –25 |
| 2.2.3.2 Suppliers' Credit up to 180 days | 90 | – | 90 | – | 47 | –47 |
| **2.3 Banking Capital (2.3.1+2.3.2)** | **1,096** | **812** | **284** | **2,376** | **1,398** | **978** |
| 2.3.1 Commercial Banks | 1,096 | 810 | 286 | 2,364 | 1,398 | 966 |
| 2.3.1.1 Assets | 146 | 83 | 62 | 198 | 485 | –287 |
| 2.3.1.2 Liabilities | 951 | 727 | 224 | 2,166 | 913 | 1,253 |
| 2.3.1.2.1 Non-Resident Deposits | 840 | 696 | 144 | 2,049 | 718 | 1,331 |
| 2.3.2 Others | – | 2 | –2 | 12 | – | 12 |
| **2.4 Rupee Debt Service** | – | – | – | – | – | – |
| **2.5 Other Capital** | 305 | 113 | 192 | 288 | 501 | –213 |
| **3 Errors & Omissions** | **59** | **–** | **59** | – | **36** | **–36** |
| **4 Monetary Movements (4.1+ 4.2)** | – | **42** | **–42** | – | **1,185** | **–1,185** |
| 4.1 I.M.F. | – | – | – | – | – | – |
| 4.2 Foreign Exchange Reserves (Increase - / Decrease +) | – | 42 | –42 | – | 1,185 | –1,185 |

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

(US $ Million)

| Item | Oct-Dec 2012 (PR) | | | Oct-Dec 2013 (P) | | |
|---|---|---|---|---|---|---|
| | Credit | Debit | Net | Credit | Debit | Net |
| | 1 | 2 | 3 | 4 | 5 | 6 |
| **1 Current Account (1.A+1.B+1.C)** | **130,476** | **162,333** | **–31,857** | **137,707** | **141,930** | **–4,223** |
| **1.A Goods and Services (1.A.a+1.A.b)** | **111,298** | **153,031** | **–41,732** | **117,438** | **132,469** | **–15,032** |
| **1.A.a Goods (1.A.a.1 to 1.A.a.3)** | **74,236** | **132,613** | **–58,378** | **79,795** | **112,947** | **–33,152** |
| 1.A.a.1 General merchandise on a BOP basis | 72,032 | 113,675 | –41,643 | 79,214 | 109,812 | –30,597 |
| 1.A.a.2 Net exports of goods under merchanting | 2,204 | 1,154 | 1,049 | 580 | – | 580 |
| 1.A.a.3 Nonmonetary gold | – | 17,784 | –17,784 | – | 3,135 | –3,135 |
| **1.A.b Services (1.A.b.1 to 1.A.b.13)** | **37,063** | **20,418** | **16,645** | **37,643** | **19,523** | **18,120** |
| 1.A.b.1 Manufacturing services on physical inputs owned by others | 28 | 10 | 18 | 18 | 5 | 13 |
| 1.A.b.2 Maintenance and repair services n.i.e. | 33 | 78 | –45 | 30 | 63 | –33 |
| 1.A.b.3 Transport | 4,350 | 3,570 | 780 | 4,114 | 3,421 | 693 |
| 1.A.b.4 Travel | 5,050 | 3,010 | 2,039 | 5,091 | 2,748 | 2,343 |
| 1.A.b.5 Construction | 252 | 264 | –12 | 299 | 320 | –21 |
| 1.A.b.6 Insurance and pension services | 530 | 552 | –21 | 487 | 290 | 197 |
| 1.A.b.7 Financial services | 1,195 | 898 | 298 | 1,708 | 1,277 | 432 |
| 1.A.b.8 Charges for the use of intellectual property n.i.e. | 71 | 1,084 | –1,012 | 179 | 1,024 | –845 |
| 1.A.b.9 Telecommunications, computer, and information services | 16,928 | 930 | 15,997 | 18,035 | 932 | 17,102 |
| 1.A.b.10 Other business services | 7,135 | 7,906 | –770 | 6,905 | 6,720 | 186 |
| 1.A.b.11 Personal, cultural, and recreational services | 238 | 141 | 97 | 301 | 193 | 109 |
| 1.A.b.12 Government goods and services n.i.e. | 140 | 153 | –13 | 104 | 171 | –67 |
| 1.A.b.13 Others n.i.e. | 1,112 | 1,822 | –710 | 371 | 2,360 | –1,989 |
| **1.B Primary Income (1.B.1 to 1.B.3)** | **2,664** | **8,464** | **–5,800** | **2,970** | **8,416** | **–5,446** |
| 1.B.1 Compensation of employees | 766 | 568 | 198 | 820 | 653 | 167 |
| 1.B.2 Investment income | 1,568 | 7,800 | –6,232 | 1,819 | 7,711 | –5,892 |
| 1.B.2.1 Direct investment | 592 | 4,070 | –3,478 | 824 | 3,469 | –2,645 |
| 1.B.2.2 Portfolio investment | 73 | 1,056 | –983 | 90 | 1,190 | –1,100 |
| 1.B.2.3 Other investment | 102 | 2,674 | –2,571 | 130 | 3,052 | –2,922 |
| 1.B.2.4 Reserve assets | 801 | – | 800 | 775 | – | 775 |
| 1.B.3 Other primary income | 330 | 96 | 234 | 331 | 52 | 279 |
| **1.C Secondary Income (1.C.1+1.C.2)** | **16,513** | **838** | **15,675** | **17,299** | **1,045** | **16,254** |
| 1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs | 16,491 | 821 | 15,670 | 17,247 | 1,040 | 16,208 |
| 1.C.1.1 Personal transfers (Current transfers between resident and/ non-resident households) | 15,827 | 741 | 15,087 | 16,713 | 986 | 15,728 |
| 1.C.1.2 Other current transfers | 663 | 80 | 583 | 534 | 54 | 480 |
| 1.C.2 General government | 22 | 17 | 5 | 52 | 6 | 47 |
| **2 Capital Account (2.1+2.2)** | **669** | **648** | **22** | **406** | **297** | **110** |
| 2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets | 12 | 59 | –46 | 41 | 35 | 6 |
| 2.2 Capital transfers | 657 | 589 | 68 | 365 | 261 | 103 |
| **3 Financial Account (3.1 to 3.5)** | **119,565** | **88,811** | **30,754** | **128,909** | **124,211** | **4,699** |
| **3.1 Direct Investment (3.1A+3.1B)** | **8,659** | **6,554** | **2,106** | **9,689** | **3,623** | **6,066** |
| 3.1.A Direct Investment in India | 7,064 | 2,720 | 4,344 | 7,188 | 1,410 | 5,778 |
| 3.1.A.1 Equity and investment fund shares | 6,963 | 2,624 | 4,339 | 6,598 | 1,324 | 5,274 |
| 3.1.A.1.1 Equity other than reinvestment of earnings | 4,373 | 2,624 | 1,749 | 4,224 | 1,324 | 2,900 |
| 3.1.A.1.2 Reinvestment of earnings | 2,590 | – | 2,590 | 2,374 | – | 2,374 |
| 3.1.A.2 Debt instruments | 101 | 96 | 5 | 590 | 86 | 504 |
| 3.1.A.2.1 Direct investor in direct investment enterprises | 101 | 96 | 5 | 590 | 86 | 504 |
| 3.1.B Direct Investment by India | 1,595 | 3,834 | –2,238 | 2,501 | 2,213 | 288 |
| 3.1.B.1 Equity and investment fund shares | 1,595 | 2,421 | –825 | 2,501 | 1,589 | 912 |
| 3.1.B.1.1 Equity other than reinvestment of earnings | 1,595 | 2,123 | –528 | 2,501 | 1,292 | 1,209 |
| 3.1.B.1.2 Reinvestment of earnings | – | 297 | –297 | – | 297 | –297 |
| 3.1.B.2 Debt instruments | – | 1,413 | –1,413 | – | 624 | –624 |
| 3.1.B.2.1 Direct investor in direct investment enterprises | – | 1,413 | –1,413 | – | 624 | –624 |
| **3.2 Portfolio Investment** | **43,732** | **33,959** | **9,773** | **44,875** | **42,485** | **2,390** |
| 3.2.A Portfolio Investment in India | 43,289 | 33,444 | 9,845 | 44,777 | 42,243 | 2,534 |
| 3.2.1 Equity and investment fund shares | 33,735 | 25,617 | 8,118 | 36,278 | 30,057 | 6,221 |
| 3.2.2 Debt securities | 9,554 | 7,827 | 1,727 | 8,498 | 12,186 | –3,688 |
| 3.2.B Portfolio Investment by India | 443 | 515 | –72 | 98 | 242 | –144 |
| **3.3 Financial derivatives (other than reserves) and employee stock options** | **840** | **1,200** | **–360** | **2,286** | **1,498** | **788** |
| **3.4 Other investment** | **66,325** | **46,309** | **20,016** | **72,059** | **57,502** | **14,557** |
| 3.4.1 Other equity (ADRs/GDRs) | 8 | – | 8 | – | – | – |
| 3.4.2 Currency and deposits | 15,505 | 12,891 | 2,614 | 33,213 | 11,577 | 21,636 |
| 3.4.2.1 Central bank (Rupee Debt Movements; NRG) | – | 37 | –37 | 188 | – | 188 |
| 3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits) | 15,505 | 12,853 | 2,651 | 33,025 | 11,577 | 21,448 |
| 3.4.2.3 General government | – | – | – | – | – | – |
| 3.4.2.4 Other sectors | – | – | – | – | – | – |
| 3.4.3 Loans (External Assistance, ECBs and Banking Capital) | 13,416 | 7,670 | 5,746 | 13,670 | 15,378 | –1,708 |
| 3.4.3.A Loans to India | 12,994 | 7,088 | 5,906 | 13,425 | 15,226 | –1,801 |
| 3.4.3.B Loans by India | 422 | 582 | –160 | 245 | 152 | 93 |
| 3.4.4 Insurance, pension, and standardized guarantee schemes | 8 | 8 | – | 13 | 181 | –168 |
| 3.4.5 Trade credit and advances | 32,541 | 24,863 | 7,678 | 22,846 | 24,005 | –1,159 |
| 3.4.6 Other accounts receivable/payable - other | 4,855 | 885 | 3,970 | 2,317 | 6,361 | –4,043 |
| 3.4.7 Special drawing rights | – | – | – | – | – | – |
| **3.5 Reserve assets** | – | **781** | **–781** | – | **19,103** | **–19,103** |
| 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) | – | 781 | –781 | – | 19,103 | –19,103 |
| **4 Total assets/liabilities** | **119,565** | **88,811** | **30,754** | **128,909** | **124,211** | **4,699** |
| 3.0.1 Equity and investment fund shares | 43,585 | 32,385 | 11,200 | 47,775 | 34,891 | 12,884 |
| 3.0.2 Debt instruments | 71,118 | 54,760 | 16,358 | 78,817 | 63,856 | 14,961 |
| 3.0.3 Other financial assets and liabilities | 4,863 | 1,666 | 3,197 | 2,317 | 25,463 | –23,146 |
| **5 Net errors and omissions** | – | – | **1,081** | – | – | **–585** |

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

(₹ Billion)

| Item | Oct-Dec 2012 (PR) | | | Oct-Dec 2013 (P) | | |
|---|---|---|---|---|---|---|
| | Credit | Debit | Net | Credit | Debit | Net |
| | 1 | 2 | 3 | 4 | 5 | 6 |
| **1 Current Account (1.A+1.B+1.C)** | **7,065** | **8,790** | **–1,725** | **8,545** | **8,807** | **–262** |
| **1.A Goods and Services (1.A.a+1.A.b)** | **6,027** | **8,286** | **–2,260** | **7,287** | **8,220** | **–933** |
| **1.A.a Goods (1.A.a.1 to 1.A.a.3)** | **4,020** | **7,181** | **–3,161** | **4,951** | **7,009** | **–2,057** |
| 1.A.a.1 General merchandise on a BOP basis | 3,900 | 6,155 | –2,255 | 4,915 | 6,814 | –1,899 |
| 1.A.a.2 Net exports of goods under merchanting | 119 | 63 | 57 | 36 | – | 36 |
| 1.A.a.3 Nonmonetary gold | – | 963 | –963 | – | 195 | –195 |
| **1.A.b Services (1.A.b.1 to 1.A.b.13)** | **2,007** | **1,106** | **901** | **2,336** | **1,211** | **1,124** |
| 1.A.b.1 Manufacturing services on physical inputs owned by others | 2 | 1 | 1 | 1 | – | 1 |
| 1.A.b.2 Maintenance and repair services n.i.e. | 2 | 4 | –2 | 2 | 4 | –2 |
| 1.A.b.3 Transport | 236 | 193 | 42 | 255 | 212 | 43 |
| 1.A.b.4 Travel | 273 | 163 | 110 | 316 | 171 | 145 |
| 1.A.b.5 Construction | 14 | 14 | –1 | 19 | 20 | –1 |
| 1.A.b.6 Insurance and pension services | 29 | 30 | –1 | 30 | 18 | 12 |
| 1.A.b.7 Financial services | 65 | 49 | 16 | 106 | 79 | 27 |
| 1.A.b.8 Charges for the use of intellectual property n.i.e. | 4 | 59 | –55 | 11 | 64 | –52 |
| 1.A.b.9 Telecommunications, computer, and information services | 917 | 50 | 866 | 1,119 | 58 | 1,061 |
| 1.A.b.10 Other business services | 386 | 428 | –42 | 428 | 417 | 12 |
| 1.A.b.11 Personal, cultural, and recreational services | 13 | 8 | 5 | 19 | 12 | 7 |
| 1.A.b.12 Government goods and services n.i.e. | 8 | 8 | –1 | 6 | 11 | –4 |
| 1.A.b.13 Others n.i.e. | 60 | 99 | –38 | 23 | 146 | –123 |
| **1.B Primary Income (1.B.1 to 1.B.3)** | **144** | **458** | **–314** | **184** | **522** | **–338** |
| 1.B.1 Compensation of employees | 41 | 31 | 11 | 51 | 41 | 10 |
| 1.B.2 Investment income | 85 | 422 | –337 | 113 | 478 | –366 |
| 1.B.2.1 Direct investment | 32 | 220 | –188 | 51 | 215 | –164 |
| 1.B.2.2 Portfolio investment | 4 | 57 | –53 | 6 | 74 | –68 |
| 1.B.2.3 Other investment | 6 | 145 | –139 | 8 | 189 | –181 |
| 1.B.2.4 Reserve assets | 43 | – | 43 | 48 | – | 48 |
| 1.B.3 Other primary income | 18 | 5 | 13 | 21 | 3 | 17 |
| **1.C Secondary Income (1.C.1+1.C.2)** | **894** | **45** | **849** | **1,073** | **65** | **1,009** |
| 1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs | 893 | 44 | 849 | 1,070 | 65 | 1,006 |
| 1.C.1.1 Personal transfers (Current transfers between resident and/ non-resident households) | 857 | 40 | 817 | 1,037 | 61 | 976 |
| 1.C.1.2 Other current transfers | 36 | 4 | 32 | 33 | 3 | 30 |
| 1.C.2 General government | 1 | 1 | – | 3 | – | 3 |
| **2 Capital Account (2.1+2.2)** | **36** | **35** | **1** | **25** | **18** | **7** |
| 2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets | 1 | 3 | –3 | 3 | 2 | – |
| 2.2 Capital transfers | 36 | 32 | 4 | 23 | 16 | 6 |
| **3 Financial Account (3.1 to 3.5)** | **6,474** | **4,809** | **1,665** | **7,999** | **7,708** | **292** |
| **3.1 Direct Investment (3.1A+3.1B)** | **469** | **355** | **114** | **601** | **225** | **376** |
| 3.1.A Direct Investment in India | 383 | 147 | 235 | 446 | 88 | 359 |
| 3.1.A.1 Equity and investment fund shares | 377 | 142 | 235 | 409 | 82 | 327 |
| 3.1.A.1.1 Equity other than reinvestment of earnings | 237 | 142 | 95 | 262 | 82 | 180 |
| 3.1.A.1.2 Reinvestment of earnings | 140 | – | 140 | 147 | – | 147 |
| 3.1.A.2 Debt instruments | 5 | 5 | – | 37 | 5 | 31 |
| 3.1.A.2.1 Direct investor in direct investment enterprises | 5 | 5 | – | 37 | 5 | 31 |
| 3.1.B Direct Investment by India | 86 | 208 | –121 | 155 | 137 | 18 |
| 3.1.B.1 Equity and investment fund shares | 86 | 131 | –45 | 155 | 99 | 57 |
| 3.1.B.1.1 Equity other than reinvestment of earnings | 86 | 115 | –29 | 155 | 80 | 75 |
| 3.1.B.1.2 Reinvestment of earnings | – | 16 | –16 | – | 18 | –18 |
| 3.1.B.2 Debt instruments | – | 77 | –77 | – | 39 | –39 |
| 3.1.B.2.1 Direct investor in direct investment enterprises | – | 77 | –77 | – | 39 | –39 |
| **3.2 Portfolio Investment** | **2,368** | **1,839** | **529** | **2,785** | **2,636** | **148** |
| 3.2.A Portfolio Investment in India | 2,344 | 1,811 | 533 | 2,779 | 2,621 | 157 |
| 3.2.1 Equity and investment fund shares | 1,827 | 1,387 | 440 | 2,251 | 1,865 | 386 |
| 3.2.2 Debt securities | 517 | 424 | 94 | 527 | 756 | –229 |
| 3.2.B Portfolio Investment by India | 24 | 28 | –4 | 6 | 15 | –9 |
| **3.3 Financial derivatives (other than reserves) and employee stock options** | **45** | **65** | **–19** | **142** | **93** | **49** |
| **3.4 Other investment** | **3,591** | **2,508** | **1,084** | **4,471** | **3,568** | **903** |
| 3.4.1 Other equity (ADRs/GDRs) | – | – | – | – | – | – |
| 3.4.2 Currency and deposits | 840 | 698 | 142 | 2,061 | 718 | 1,343 |
| 3.4.2.1 Central bank (Rupee Debt Movements; NRG) | – | 2 | –2 | 12 | – | 12 |
| 3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits) | 840 | 696 | 144 | 2,049 | 718 | 1,331 |
| 3.4.2.3 General government | – | – | – | – | – | – |
| 3.4.2.4 Other sectors | – | – | – | – | – | – |
| 3.4.3 Loans (External Assistance, ECBs and Banking Capital) | 726 | 415 | 311 | 848 | 954 | –106 |
| 3.4.3.A Loans to India | 704 | 384 | 320 | 833 | 945 | –112 |
| 3.4.3.B Loans by India | 23 | 32 | –9 | 15 | 9 | 6 |
| 3.4.4 Insurance, pension, and standardized guarantee schemes | – | – | – | 1 | 11 | –10 |
| 3.4.5 Trade credit and advances | 1,762 | 1,346 | 416 | 1,418 | 1,490 | –72 |
| 3.4.6 Other accounts receivable/payable - other | 263 | 48 | 215 | 144 | 395 | –251 |
| 3.4.7 Special drawing rights | – | – | – | – | – | – |
| **3.5 Reserve assets** | – | **42** | **–42** | – | **1,185** | **–1,185** |
| 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) | – | 42 | –42 | – | 1,185 | –1,185 |
| **4 Total assets/liabilities** | **6,474** | **4,809** | **1,665** | **7,999** | **7,708** | **292** |
| 3.0.1 Equity and investment fund shares | 2,360 | 1,754 | 606 | 2,965 | 2,165 | 799 |
| 3.0.2 Debt instruments | 3,851 | 2,965 | 886 | 4,891 | 3,962 | 928 |
| 3.0.3 Other financial assets and liabilities | 263 | 90 | 173 | 144 | 1,580 | –1,436 |
| **5 Net errors and omissions** | – | – | **59** | – | – | **–36** |

## No. 42: International Investment Position

(US$ Million)

| Item | As on Financial Year /Quarter End | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2012-13 | | 2012 | | 2013 | | | |
| | | | Dec. | | Sep. | | Dec. | |
| | Assets | Liabilities | Assets | Liabilities | Assets | Liabilities | Assets | Liabilities |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1 Direct Investment Abroad/in India | 119,510 | 233,659 | 118,072 | 224,988 | 120,126 | 218,129 | 119,838 | 226,748 |
| 1.1 Equity Capital and Reinvested Earnings | 84,850 | 223,143 | 84,081 | 215,009 | 83,645 | 207,396 | 82,733 | 215,631 |
| 1.2 Other Capital | 34,660 | 10,517 | 33,991 | 9,979 | 36,481 | 10,733 | 37,105 | 11,117 |
| 2 Portfolio Investment | 1,375 | 196,767 | 1,521 | 185,768 | 1,315 | 171,598 | 1,315 | 177,220 |
| 2.1 Equity | 1,261 | 139,460 | 1,440 | 128,932 | 1,179 | 124,343 | 1,179 | 132,348 |
| 2.2 Debt | 114 | 57,307 | 81 | 56,836 | 136 | 47,255 | 136 | 44,873 |
| 3 Other Investment | 34,822 | 339,517 | 28,677 | 329,825 | 38,021 | 346,517 | 43,849 | 372,125 |
| 3.1 Trade Credit | 3,921 | 88,980 | 5,671 | 84,600 | 8,192 | 89,557 | 10,859 | 88,361 |
| 3.2 Loan | 4,917 | 166,937 | 3,524 | 165,477 | 5,716 | 168,683 | 5,553 | 171,858 |
| 3.3 Currency and Deposits | 13,058 | 71,003 | 6,888 | 67,758 | 10,775 | 75,216 | 13,867 | 98,772 |
| 3.4 Other Assets/Liabilities | 12,926 | 12,597 | 12,592 | 11,990 | 13,338 | 13,061 | 13,570 | 13,134 |
| 4 Reserves | 292,046 | – | 295,638 | – | 277,233 | – | 293,878 | – |
| 5 Total Assets/ Liabilities | 447,753 | 769,943 | 443,907 | 740,582 | 436,695 | 736,243 | 458,879 | 776,093 |
| **6 IIP (Assets - Liabilities)** | | –322,190 | | –296,674 | | –299,549 | | –317,214 |

# Payment and Settlement Systems

## No. 43: Payment System Indicators

| System | Volume (Million) | | | | Value (₹ Billion) | | | |
|---|---|---|---|---|---|---|---|---|
| | 2013-14 | 2014 | | | 2013-14 | 2014 | | |
| | | Jan. | Feb. | Mar. | | Jan. | Feb. | Mar. |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| **1 RTGS** | **81.11** | **7.13** | **6.65** | **8.64** | **904,968.04** | **76,978.21** | **64,943.06** | **99,245.04** |
| 1.1 Customer Transactions | 76.35 | 6.74 | 6.31 | 8.22 | 573,614.03 | 48,899.46 | 42,259.36 | 65,212.63 |
| 1.2 Interbank Transactions | 4.75 | 0.38 | 0.34 | 0.42 | 160,638.37 | 13,022.37 | 10,608.55 | 16,561.21 |
| 1.3 Interbank Clearing | 0.011 | 0.001 | 0.001 | 0.001 | 170,715.64 | 15,056.38 | 12,075.15 | 17,471.20 |
| **2 CCIL Operated Systems** | **2.56** | **0.23** | **0.18** | **0.20** | **600,714.76** | **33,022.54** | **42,524.90** | **53,576.36** |
| 2.1 CBLO | 0.18 | 0.02 | 0.01 | 0.02 | 175,261.92 | 14,459.91 | 11,653.44 | 14,561.71 |
| 2.2 Govt. Securities Clearing | 0.87 | 0.09 | 0.06 | 0.05 | 161,848.24 | 14,539.69 | 10,650.13 | 10,103.22 |
| 2.2.1 Outright | 0.82 | 0.09 | 0.06 | 0.05 | 89,566.99 | 8,435.78 | 5,610.83 | 4,365.67 |
| 2.2.2 Repo | 0.046 | 0.004 | 0.003 | 0.003 | 72,281.26 | 6,103.91 | 5,039.30 | 5,737.56 |
| 2.3 Forex Clearing | 1.51 | 0.13 | 0.11 | 0.13 | 263,604.59 | 4,022.94 | 20,221.33 | 28,911.42 |
| **3 Paper Clearing** | **1,253.97** | **104.14** | **93.89** | **122.58** | **93,003.03** | **7,670.84** | **6,901.06** | **9,058.68** |
| 3.1 Cheque Truncation System (CTS) | 589.32 | 66.76 | 65.28 | 81.26 | 44,203.14 | 4,991.89 | 4,704.40 | 6,295.10 |
| 3.2 MICR Clearing | 438.96 | 20.58 | 12.27 | 14.60 | 31,129.79 | 1,371.23 | 878.19 | 843.52 |
| 3.2.1 RBI Centres | 229.97 | 5.62 | 3.76 | 3.84 | 16,050.82 | 386.83 | 275.54 | 314.42 |
| 3.2.2 Other Centres | 208.99 | 14.96 | 8.51 | 10.76 | 15,078.97 | 984.40 | 602.65 | 529.10 |
| 3.3 Non-MICR Clearing | 225.70 | 16.80 | 16.35 | 26.72 | 17,670.10 | 1,307.73 | 1,318.47 | 1,920.05 |
| **4 Retail Electronic Clearing** | **1,018.79** | **95.41** | **93.00** | **114.18** | **47,415.95** | **4,168.44** | **3,959.35** | **5,673.86** |
| 4.1 ECS DR | 192.91 | 16.55 | 15.61 | 17.74 | 1,267.96 | 113.41 | 112.79 | 126.34 |
| 4.2 ECS CR (includes NECS) | 152.54 | 10.91 | 11.01 | 10.61 | 2,492.19 | 170.30 | 175.96 | 214.79 |
| 4.3 EFT/NEFT | 657.97 | 65.91 | 64.15 | 82.83 | 43,559.98 | 3,871.54 | 3,656.05 | 5,312.23 |
| 4.4 Immediate Payment Service (IMPS) | 15.36 | 2.03 | 2.23 | 3.00 | 95.81 | 13.20 | 14.56 | 20.50 |
| **5 Cards** | **7,219.13** | **638.07** | **591.49** | **674.88** | **22,143.51** | **1,950.42** | **1,778.47** | **2,014.70** |
| 5.1 Credit Cards | 512.03 | 45.85 | 41.06 | 46.40 | 1,556.62 | 143.13 | 128.33 | 147.05 |
| 5.1.1 Usage at ATMs | 2.96 | 0.27 | 0.25 | 0.30 | 16.77 | 1.51 | 1.40 | 1.57 |
| 5.1.2 Usage at POS | 509.08 | 45.58 | 40.81 | 46.11 | 1,539.85 | 141.62 | 126.93 | 145.49 |
| 5.2 Debit Cards | 6,707.10 | 592.22 | 550.43 | 628.48 | 20,586.89 | 1,807.30 | 1,650.14 | 1,867.64 |
| 5.2.1 Usage at ATMs | 6,088.02 | 538.39 | 501.53 | 571.50 | 19,632.72 | 1,722.32 | 1,575.79 | 1,782.29 |
| 5.2.2 Usage at POS | 619.08 | 53.83 | 48.90 | 56.98 | 954.17 | 84.98 | 74.35 | 85.36 |
| **6 Prepaid Payment Instruments (PPIs)** | **144.26** | **13.02** | **13.61** | **15.83** | **79.05** | **6.83** | **7.06** | **8.94** |
| 6.1 m-Wallet | 106.09 | 10.83 | 11.49 | 13.42 | 27.45 | 2.31 | 2.73 | 3.39 |
| 6.2 PPI Cards | 37.65 | 2.15 | 2.08 | 2.37 | 27.88 | 2.57 | 2.70 | 2.98 |
| 6.3 Paper Vouchers | 0.53 | 0.04 | 0.04 | 0.05 | 23.71 | 1.95 | 1.63 | 2.57 |
| **7 Mobile Banking** | **94.71** | **9.52** | **8.86** | **10.74** | **224.18** | **26.25** | **26.36** | **33.91** |
| **8 Cards Outstanding** | **413.63** | **399.33** | **405.63** | **413.63** | – | – | – | – |
| 8.1 Credit Card | 19.21 | 19.00 | 19.05 | 19.21 | – | – | – | – |
| 8.2 Debit Card | 394.42 | 380.33 | 386.58 | 394.42 | – | – | – | – |
| **9 Number of ATMs (in actuals)** | **160055** | **145858** | **150008** | **160055** | – | – | – | – |
| **10 Number of POS (in actuals)** | **1065984** | **1034161** | **1035623** | **1065984** | – | – | – | – |
| **11 Grand Total (1.1+1.2+2+3+4+5+6)** | **9,719.80** | **858.00** | **798.82** | **936.30** | **1,497,608.70** | **108,740.91** | **108,038.74** | **152,106.38** |

## 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. 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) 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 and Yen) 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.

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**.

## Recent Publications of the Reserve Bank of India

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|---|---|---|
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| Name of Publication | Price | |
|---|---|---|
| | India | Abroad |
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| 24. Banking Glossary (2012) | ₹80 (normal)<br>(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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