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GOVERNOR'S STATEMENT

No Fundamental Reason for Rupee Volatility
Raghuram G. Rajan

*No Fundamental Reason for Rupee Volatility**

Raghuram G. Rajan

Good afternoon. There has been some turmoil in financial markets across the world as fears of a sooner-than-anticipated Fed tapering have grown. In India, we have had added volatility as the market has become concerned about policy rates and about oil marketing company demand for dollars.

There are issues we have to worry about and there are issues we should not be so concerned about. It is important that the RBI clarifies its interpretation of economic events and the likely direction of policies at times of uncertainty so that the market worries about the right things and does not get into a tizzy about the wrong ones. That is my goal today.

External Account

First, when the likely taper was announced in May, markets focussed on India partly because of the large size of its Current Account Deficit (CAD). The latest trade data suggest we have made significant progress in curbing the size of the likely deficit for this year.

I am especially happy about the 13.5 per cent increase in dollar exports since last October, the reduction in imports by 14.5 per cent and dramatic reduction in the trade deficit by 48 per cent. Our estimate is that the CAD for this year will be about US$ 56 billion, less than 3 per cent of GDP and US$ 32 billion less than last year.

Of course, some of that compression comes from our strong measures to curb gold imports. One worry is whether gold is being smuggled in sizeable amounts, and is being paid for through the *havala* channel. While we do see a sizeable increase in seizures, we believe gold smuggling has increased from a low base, and is still small.

* Statement by Governor, Raghuram G. Rajan on November 13, 2013.

A new worry that the market has latched on to is whether the much diminished CAD can be funded through capital inflows, given FII outflows. This is a little bit like a dog chasing its tail, because a reason for FII outflows is a worry about whether the CAD can be funded. The only way to address such worries is to do the math.

Last year FII inflows, both debt and equity, accounted for US$ 26 billion. Let me assume that we get no inflows this year, and in fact outflows equal the inflows we got last year. In other words, there is a US$ 52 billion turnaround in FII flows. Remember though that we have US$ 32 billion less of CAD to finance this year, and till yesterday, we raised US$ 18 billion of money through new channels. So if other financing remains the same as last year, which it seems on track for, even if foreign investors pull out significantly more money this year than they have so far, we still can break even on capital flows.

Remember also that the major outflows in summer were debt outflows. That money has not come back, indeed our FII debt exposure, both corporate and sovereign, has come down from US$ 37 billion on May 21 to US$ 19 billion today. I presume what is left is more patient money, but given its diminished size, I do not see its possible exit as a huge risk.

Note that all these calculations include meeting all the demand from the oil marketing companies (OMCs) for dollars! But still there are worries about what will happen to the exchange rate if they are fully back on the market. So let me turn to their demand. The simplest way to think about this is that the RBI sold dollars directly to oil marketing companies starting August 28, 2013, thus ensuring they would not enter the exchange market directly.

As the exchange market stabilised, we allowed oil marketing companies to return and purchase more and more dollars from the markets, starting on October 14. Today, a month later, I am glad to report that the majority of oil marketing company demand for dollars is back on market. The market absorbed the additional demand quite smoothly – in fact, participants did not even know it was back until some talk from the Finance Ministry last week.

There has been some turmoil in currency markets in the last few days but I have no doubt that once markets calm down, the remaining demand will be absorbed easily. We have no intention of rushing this process.

The OMCs have entered a swap arrangement whereby they will have to repay dollars to the RBI on various dates from February 2014 till April 2014. One worry expressed by market participants is whether the OMCs will add to further downward pressure on the rupee when it comes time for them to repay dollars to the RBI.

This to my mind is a non-issue because we have three ways of managing the repayment. One is, of course, for the OMCs to buy dollars in the market. If exchange markets are calmer, this additional demand should be absorbed. But if they are not calmer, we could roll over some portion of the swaps so they mature at a calmer time. But perhaps the easiest option would be for us to settle the swap with the OMCs by making net payments in rupees, and avoid the need for them to go back to the market for dollars. When the time comes, we will choose the most appropriate combination.

Domestic market

Let me turn from the external account to the domestic market. Yesterday's data suggested still weak growth as the IIP numbers came below expectations. The earlier core industry growth numbers suggested an incipient recovery, and the IIP numbers have disappointed a little, partly because of the volatile capital goods sector. Nevertheless, I am still hopeful that the good monsoon and the associated pick up in consumption, the very healthy exports, and the strong growth in the power sector should lead to stronger growth numbers for the second half of the fiscal year.

Turning to inflation, the new CPI index came in at 10.1 per cent. Food inflation is still worryingly high, and the effects of the harvest are still awaited. But looking through the headline numbers, I am somewhat more heartened by the outcome of core CPI inflation, which declined to 8.1 percent from 8.5 percent in September. The momentum for core inflation is also on the decline.

Markets are worried about what these data mean for policy rates. As I have said before, the RBI is concerned about the weak economy as well as high inflation. We believe the weak economy, increases in food supply, and recent policy rate hikes will provide a disinflationary impetus over time, and recent data do not dispel this view.

We will watch the incoming data carefully, especially looking for the effects of the harvest on food prices as well as the second round effects of fuel price increases and exchange rate depreciation, before we make further decisions on interest rates.

RBI to undertake OMOs for ₹8,000 crore on November 18

Finally, the RBI is conscious of the need to keep the system adequately supplied with liquidity, as we indicated in a statement recently, so that productive sectors are well supplied with credit. While borrowing from the MSF facility has come down substantially after the RBI extended the term repo window, market interest rates suggest some liquidity tightness. To alleviate this tightness, we propose to conduct OMOs. On next Monday (November 18), we will undertake an OMO for ₹8,000 crore.

Let me conclude. There is no fundamental reason for volatility in the value of the rupee. We are left with fear about what others will fear and do to explain what is going on. At such times, it makes sense to take a deep breath and examine the fundamentals. I hope you all will do that.

SPEECHES

The Five Pillars of RBI's Financial Sector Policies
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*The Five Pillars of RBI's Financial Sector Policies**

Raghuram G. Rajan

Good evening. I thank the organisers for inviting me. These are challenging times for the Indian economy, but I have dwelt on those near-term challenges elsewhere. Let me turn instead to the opportunities we have to make India a far better place than it is today, focussing in particular on finance.

Much of the world is ageing, facing the demographic tax of having to pay for an increasingly elderly population with a shrinking work force. Much of the world has run out of easy paths to growth. Having built infrastructure everywhere and exploited natural resources to their fullest, many countries are left with building bridges to nowhere to stimulate growth. Much of the world is also well-educated, well-fed, and well-connected through roads, telecommunications, and finance. India is unlike the rest of the world. Our population is young, our infrastructure inadequate, and too many Indians are poorly educated, poorly fed, and poorly connected. But this is precisely why our low-hanging opportunities for betterment are plentiful in the coming years. All we need to do is to pluck them.

So if it is so easy, why are we not there already? This is an important question, but I don't want to go into the political economy of underdevelopment today. Suffice it to say that India is battling the internal interests that held it back in the past. While victory is not assured, we have made sufficient progress that we can look ahead to what we need to do in the next few years to put ourselves firmly back on the path of strong and sustainable growth.

Some would say we need to focus on manufacturing. Others point to the industries we do not have, such as electronics or computer chips, and say that is what we need. Echoes of industrial planning seem to be heard once again in the corridors of power. I am worried because we seem to be reverting to a dialogue of protection and subsidies that we left behind long ago. Our industrial sector is no longer an infant that needs to be molly-coddled. While we should not enter into free-trade agreements that give foreign manufacturers an undue advantage, that is no reason for us to now respond by giving domestic manufacturers protection. We must remember that one domestic producer's advantage from protectionist profits is paid for by the consumer, or shows up as another domestic producer's cost disadvantage.

Instead of targetting specific industries for governmental attention, which risks bringing back all the baggage of the Licence Permit Raj that we have left behind, let us focus on improving the conditions for growth for all. Our measure of success should be the jobs that are created, not by giving government subsidies or protections to labour-intensive industries or sectors but by developing a facilitating, though competitive, environment that will result in the emergence of the best solutions.

This requires a disciplined focus on four issues:

1. We need to improve the quality of our infrastructure, especially the logistical support and power that industry and services need. Grand plans are on the anvil, such as, the Delhi-Mumbai Industrial Corridor. We need to complete such projects on time, and within budget. The success of the New Delhi Metro suggests that timeliness and cost control are not foreign to the Indian psyche.

2. Our youth need education and training for the jobs that will be created. Some of this will be higher degrees, not just computer science but also design or civil engineering. Some of it will be appropriate vocational education that teaches them to be good plumbers and electricians rather than unemployable low-skilled engineers. Teaching our citizens can be a stepping stone to teaching the world. India can be at the forefront of providing mass technology-

* Speech by Governor Raghuram G. Rajan at BANCON 2013 held at Mumbai on November 15, 2013.

enabled education laced with appropriate human inputs to the world.

3. We need better business regulation. This does not always mean less regulation but it means regulation that is appropriate to the objective and that is enforced. I am told that factories in one state are still required to have a snake trap on the factory floor by law, a law that has not been changed since the days factories were surrounded by jungles. The lack of change may be sheer inertia, but it may be more sinister rent-seeking. All too often, we have too much regulation on the books and too little regulation in practice, with the worst of the regulated finding unscrupulous ways around the regulation while the honest are stymied. We have strong labour laws in theory that are meant to protect employees, but in practice we have a very flexible system with no incentive for firms to invest in their workers or hold on to them, and no loyalty towards the firms from workers. This needs to change if we are to have more skilled manufacturing jobs.

4. And finally, we need a better financial system, which will finance the needed infrastructure and the expansion of every producer ranging from the kirana shop owner to the industrialist even as it allows households to save safely with positive real returns, insure themselves against health emergencies or old age costs, and borrow at low cost to finance consumption. Importantly, the financial system should not require constant subsidies to bail it out.

Five Pillars of RBI's Developmental Measures

In the rest of this talk, I want to focus on what we at the Reserve Bank are doing to improve the financial system. We plan to build the Reserve Bank's developmental measures over the next few quarters on five pillars. These are:

1. Clarifying and strengthening the monetary policy framework.

2. Strengthening banking structure through new entry, branch expansion, encouraging new varieties of banks, and moving foreign banks into better regulated organisational forms.

3. Broadening and deepening financial markets and increasing their liquidity and resilience so that they can help allocate and absorb the risks entailed in financing India's growth.

4. Expanding access to finance to small and medium enterprises, the unorganised sector, the poor, and remote and underserved areas of the country through technology, new business practices, and new organisational structures; that is, we need financial inclusion.

5. Improving the system's ability to deal with corporate distress and financial institution distress by strengthening real and financial restructuring as well as debt recovery.

Let me elaborate on each of these measures a little.

First, we are among the large countries with the highest consumer price inflation in the world, even though growth is weaker than we would like it to be. Much of the inflation is concentrated in food and services. Our households are turning to gold because they find financial investments unattractive. At the same time, many industrial corporations are complaining about high interest rates because they cannot pass through their higher costs into higher prices for their products.

We can spend a long time debating the sources of this inflation. But ultimately, inflation comes from demand exceeding supply, and it can be curtailed only by bringing both in balance. We need to reduce demand somewhat without having serious adverse effects on investment and supply. This is a balancing act, which requires the Reserve Bank to act firmly so that the economy is disinflating, even while allowing the weak economy more time than one would normally allow for it to reach a comfortable level of inflation. The weak state of the economy, as well as the good *Kharif* and *Rabi* harvest, will generate disinflationary forces that will help, and we await data to see how these forces are playing out. No single data point or number will determine our next move.

I think the market understands what we are trying to do. But we do need a more carefully spelled out monetary policy framework than we have currently. Action on the framework will follow the submission of the Dr. Urjit Patel Committee report, which is expected to submit its report by end December 2013.

Second, we have already announced measures to free bank branching, and to incentivise foreign banks to incorporate domestically. Going forward, we have to give our public sector banks, which are a national asset, the means to improve their competitiveness. Many of them have made enormous strides in the last decade – for instance, the extent to which they have digitised their operations is extremely praiseworthy – but because competition in the banking sector is likely to increase in the next few years, they cannot rest on their laurels. In the coming months, we will discuss with stakeholders in public sector banks about what needs to be done to further improve their stability, efficiency and productivity.

Third, we need to enlist markets in the aid of banking. Liquid markets will help banks offload risks they should not bear, such as interest rate or exchange risk. They will also allow banks to sell assets that they have no comparative advantage in holding, such as long term loans to completed infrastructure projects, which are better held by infrastructure funds, pension funds, and insurance companies. Liquid markets will help promoters raise equity which is sorely needed in the Indian economy to absorb the risks that banks otherwise end up absorbing. Rather than seeing markets as being inimical to the development of the banking sector, we have to see them as complimentary – of course, this requires you bankers to build on your risk management capabilities so that you can use markets effectively.

In the coming weeks, we will roll out more recommendations of the Gandhi Committee report to improve the liquidity and depth of the G-Sec market. We will then turn to money markets and corporate debt markets. We will introduce new variants of interest rate futures and products like inflation indexed certificates, and work to improve liquidity in derivative markets.

Fourth, we have to reach everyone, however remote or small, with financial services. Financial inclusion does not just mean credit for productive purposes, it means credit for healthcare emergencies or to pay lumpy school or college fees. It means a safe means of remunerated savings, and an easy way to make payments and remittances. It means insurance and pensions. It means financial literacy and consumer protection.

We have made great strides in inclusion, but we are still some distance from our goal. We have adopted a branch based strategy for inclusion, but it is not enough. Too many poor people in so-called "over-banked" urban areas still do not have access to banking services. We have many experiments under way to use technology, mobile phones, new products such as mobile wallets, and new entities as business correspondents to link people up to the formal financial system. Much as with cell phones where we created a frugal Indian model, we need a frugal, trustworthy, and effective Indian model for financial inclusion. The Dr. Nachiket Mor Committee is helping us think through possible models, and I am hopeful that when we outline measures based on its recommendations, our fine banks, NBFCs, IT companies and mobile players will rise to the occasion. At a more detailed level, we have set up committees like the Sambamurthy Committee to advise us on how to expand mobile banking in India through encrypted SMS based funds transfer in any type of handset.

I should emphasise the need for banks like the ones represented in this room to move beyond simply opening bank accounts to ensuring that poor customers are confident and comfortable enough to use them. Innovation in reaching out to the underserved customer, rather than simply posting higher numbers in branches or bank accounts opened, has to be part of our efforts.

And last but not least, we have to deal better with distress: The natural, and worst, way for a bank management with limited tenure to deal with distress is to "extend and pretend" to evergreen the loan, hope it recovers by miracle, or that one's successor has to deal with it. The natural incentive for a promoter to deal with distress is to hold on to equity and control despite having no real equity left, and to stand in the way of all efforts to resolve the underlying project while hoping for an 'Act of God' to bail him out. Not all bankers and promoters succumb to these natural incentives but too many do.

We have to ensure that the system recognises financial distress early, takes steps to resolve it, and ensures fair recovery for lenders and investors. We could wish for a more effective judicial process or a better bankruptcy system, but while we await that, we have to improve the functioning of what we have. In the next few weeks, we will announce measures to incentivise early recognition, better resolution, and fair recovery of distressed loans. We will focus on putting real assets back to work in their best use. Here again, you bankers have a critical role to play by fighting the natural incentives that are built in to the system. You have to help those with genuine difficulty while being firm with those who are trying to milk the system. The RBI will help you with every means at our disposal.

Let me conclude. We are going through a period of great cynicism about what India can do. That cynicism does not just permeate the foreign press and their audiences, but also infects our domestic debate. Every policy is greeted with suspicion and scrutinised for evidence of malfeasance. With no upside to making decisions, it is no wonder that decision making has slowed. The solution, however, cannot come through inaction but through action, action that is, and is seen to be, purposeful, unbiased, and effective. No doubt mistakes will be made, but if the weight of clean actions builds up, the miasma of suspicion that pervades our society today will ebb. The Reserve Bank of India intends to play its part in making this happen.

*Vigilance Administration: Encouraging Probity in Public Life**

K. C. Chakrabarty

Shri A. K. Handa, Chairman, Centre For Integrity, Governance & Training on Vigilance Administration (CIGVA); Shri S. K. Goel, former CMD, UCO Bank; Shri R. V. Verma, Chairman, NHB; other officials of CIGVA; delegates to this seminar on Vigilance Administration, ladies and gentlemen! At the outset, let me congratulate CIGVA and Shri Handa for creating an institutional forum which seeks to strengthen the governance processes with an underlying objective of bringing about qualitative improvements in public service delivery for overall societal benefits. It is, indeed, commendable that CIGVA has been organising these training programmes for generating fresh capacities and for raising the competency levels of personnel involved in vigilance administration so that the standards of ethical conduct are effectively met in all public institutions. The exchange of ideas and anecdotes that happen in such seminars increase our knowledge exponentially and make us aware of issues afflicting the system as a whole.

Introduction

2. The importance of vigilance in our daily life is aptly established in the quote of John Philpot Curran, an Irish orator, politician, lawyer and judge who stated that "The condition upon which God hath given liberty to man is eternal vigilance". Pearl S. Buck, an American writer and novelist had further reinforced the importance of vigilance in our daily life by stating that "When good people in any country cease their vigilance and struggle, then evil men prevail". These observations made years back hold true even today, where one has to be ever vigilant to ensure that no harm befalls him, his family or the society at large. Hence, the need for awareness about vigilance and the various dimensions to it has become all the more critical in the modern public space.

3. The dictionary defines vigilance as being watchful and wary to detect danger; being ever awake and alert. While being vigilant is important in all walks of life, the observance of vigilance becomes more critical in the financial sector and particularly for institutions like banks, which deal with public money. While in my address today, I would draw specific references to the banking sector, the fundamental issues that I intend to raise are pretty much sector neutral as far as the Government and public sector undertakings are concerned. However, though, the vigilance issue is relevant in the private sector as well, the issue does not assume such a big proportion ostensibly on account of expeditious and summary nature of punishments meted out to the guilty.

4. Banks, which act as an intermediary between depositors and lenders, are duty bound to observe the highest standards of safeguards to ensure that money accepted from depositors are not mis-utilised and are put to gainful use or are available with them to be paid on demand. In order to ensure this, banks are not only required to do due diligence on the borrowers but are also expected to put in place appropriate safeguards to ensure that the transactions being undertaken by the staff are as per laid down guidelines. The watchfulness enforced by the vigilance function is required to ensure that public money, which banks hold in fiduciary capacity is not allowed to be misused by the delinquent elements in any manner. Precisely, the same logic holds good for the need for a vigilance function in other public sector enterprises or in the Government as these institutions too are custodians of public funds. In a sense, an effective vigilance is a *sine qua non* for good Governance.

* Keynote address "Vigilance Administration: Encouraging Probity in Public Life" delivered by Dr. K. C. Chakrabarty, Deputy Governor, Reserve Bank of India at a seminar organised by the Centre For Integrity, Governance & Training on Vigilance Administration on November 11, 2013. Assistance provided by Smt. N. Mohana and Shri R. K. Sharma is gratefully acknowledged.

Vigilance Function in banks

5. The need to have a dedicated body to look into vigilance and anti-corruption issues in public sector undertakings was felt way back in the early 1960s when Government of India set up the Committee on Prevention of Corruption [popularly known as Santhanam Committee] on whose recommendation the Central Vigilance Commission (CVC) was set up in February 1964 as an Apex Body with its vigilance units headed by Chief Vigilance Officers. The Commission was since accorded statutory status on August 25, 1998 through the Central Vigilance Commission Ordinance, 1998 which was substituted by Central Vigilance Commission Act, 2003.

6. Public Sector banks fall under the jurisdiction of Central Vigilance Commission on account of their incorporation and operation as public sector entities. Further, the RBI also issued guidelines in May 2011 advising all the private sector banks to evolve suitable structure within their organisation which would scrutinize all cases where any foul play is suspected from vigilance angle. This mechanism is intended to ensure that reckless decisions resulting in loss – of money and reputation – to the bank are identified and suitable action is initiated against the delinquent employees promptly and effectively. The existence of a credible and responsive vigilance system acts as an effective deterrent to disorderly conduct.

7. The guidelines on vigilance administration are issued by the CVC. The Chief Vigilance Officers in the respective organisations have been authorised to decide upon the existence of a vigilance angle in individual cases, at the time of registration of the complaint. Once a complaint has been registered as a vigilance case, it will have to be treated as such till its closure, irrespective of the outcome of the investigation. Although formulation of a precise definition is almost impossible, generally a vigilance angle could be perceptible in cases characterised by:

- commission of criminal offences like demand and acceptance of illegal gratification, possession of disproportionate assets, forgery, cheating, abuse of official position with a view to obtaining pecuniary benefits advantage for self or for any other person;
- irregularities reflecting adversely on the integrity of the public servant;
- lapses involving gross or wilful negligence, recklessness, failure to report to competent authorities, exercise of discretion without or in excess of powers/jurisdiction, cause of undue loss or a concomitant gain to an individual or a set of individuals/a party or parties and flagrant violation of systems and procedures.

I would like to add here that not only the financial propriety of transactions but at times, certain non-financial aspects also need to be examined from a vigilance angle. I will return to this issue in a little while.

8. As in all organisations, vigilance activity in financial institutions is an integral part of the managerial function. The vigilance function should not be seen as an impeding factor in the decision making process in any institution. It should be viewed as internal litmus test to identify the bonafide decisions taken in the institution, irrespective of the fact whether the decision taken has resulted in loss to the institution or not. It is not that all decisions which result in loss to the banks are to be viewed as decisions taken with ulterior motives but, at the same time, the banks need to go into the merits of each decision so that actions taken with ulterior motives and without clear adherence to the laid down procedures can be recognised, segregated and dealt with incisively. The role of the vigilance structure envisaged in the banks has to be to strike a fine balance between the role of risk taking which is the *raison d'être* of banks and the responsibility as trustees of public deposits.

9. The incidence of frauds and levels of NPAs in the banking system have been on an upswing for quite some time now. I would return to these specific issues a little later in my address, but, at this stage I would like to emphasise that the adverse developments like rising incidents of frauds and ballooning of NPAs in the banking sector and similar adverse outcomes like mispricing of national resources in other public sector entities and the Government departments has led to a situation, where vigilance function has become extremely critical to ensure good governance standards and probity in the implementation of projects involving public money. The primary reason for such adverse outcomes is that a large majority of such projects are mainly supported by debt (whatever equity is brought in is mainly money raised as debt or quasi debt) and hence key stakeholders in the project *i.e.,* borrowers, lenders and administrators have virtually no downside risk from the failure of projects, but substantial upside return. Only stakeholders who have some downside risk are the politicians primarily due to compulsions of electoral politics and media gaze, which is, understandably, of very short term nature. There is virtually no accountability for the top decision makers and on most occasions it is only the public interest that is sacrificed. In such an environment, vigilance administration in the public sector undertakings becomes very critical and needs to be carried out with extreme care and clarity.

Three Aspects of Vigilance Administration

10. There are three aspects to the vigilance function – Preventive, Punitive and Participative – (surveillance and detection). In normal course, banks should strengthen preventive vigilance functions by inculcating a sense of honesty and integrity among its employees and establishing internal systems and controls, which would act as a defence against malafide activity. Preventive vigilance function is, perhaps the most crucial and yet, the most challenging of the three aspects of vigilance that I mentioned earlier. It is crucial because it has the potential to prevent lapses from occurring by stemming the rot at the initial stages itself. However, it is challenging because it needs to be a continuous exercise across all levels of the organisation and demands the focussed attention of the management. This involves keeping close watch on the activity profile and the life style of the employees. The employees, who maintain a flashy life style without accounted for means to support such life style, who rarely take leave, who do not share the finer points of work with fellow colleagues, who take extra interest in the work assigned to others, who are ever ready to help vendors dealing with the institution, who are under debt *etc.*, need to be closely watched from a vigilance angle.

11. This should be followed by strengthening participative vigilance function which encompasses reviewing the existing systems and control, identifying lacunae and putting in place sufficient red flags so that the scope for misconduct is minimised and transgressions are detected swiftly. The systems of the institution which allow the employees to take independent decisions without subjecting them to "four eye principle", allowing use of excessive powers without scrutiny, giving unrestrained financial powers to individual employees, allowing employees to change the terms and conditions of any contract without involving the original sanctioning authorities *etc.* need to be reviewed and proper checks and balances need to be put in place to avoid misuse of powers by individual employee for their personal benefit. When the precautions become part of the culture of the organisation, the same also act to improve the surveillance and detection vigilance function in any organisation.

12. To strengthen the preventive vigilance function in any institution, involvement of all stakeholders irrespective of their standing in the institution can play an important part. For example, if any branch manager accommodates any constituent after the office hours for some pecuniary benefit for himself or his close friends, the best source to collate information about the activities of such branch manager may be

subordinate staff who may be present in the office during this period. Similarly any information about the nefarious activities of officials dealing with outside vendors can be collected through market intelligence.

13. Holding periodical workshops and training programmes for the dealing staff on vigilance aspects to sensitise them about the need to be cautious while dealing with outsiders and making them aware about the penal provisions which an employee will be subjected to following detection of his involvement in such nefarious activities is one of the most effective tool of participative vigilance as it instils a sense of responsibility in the minds of employees and serves as a warning against engaging in self enriching activities at the cost of the interests of the organisation.

14. The concept of whistleblower is another effective tool for preventive vigilance which acts as deterrent for the employees to keep themselves away from such activities. The whistleblower is generally an insider who has near full knowledge of the nefarious activities of fellow worker or higher official and can provide clinching evidence against the delinquent employee when required. The management should support the culture of whistleblowers in their organisations so that this channel of information gathering from the inside sources can be nourished and built into an effective arm of the vigilance function.

15. With regard to concept of whistleblower, perhaps it will be appropriate to quote Churchill who had said *"Courage is what it takes to stand up and speak, Courage is also what it takes to sit down and listen"*. I would urge all of you who are present here and are entrusted with vigilance functions in the respective organisations to remember Churchill's words to encourage employees to speak up when they come across activities which are not in the interest of the organisation. The decision makers in the organisation should also show courage by listening to somebody who may be speaking necessary but unpalatable truths.

16. Punitive vigilance is the most important and most dreaded part of the vigilance function in any organisation. The management can use this function to instil a sense of responsibility and accountability amongst its work force. To make this tool really effective, the management should strive to complete the investigation process promptly without any bias and impose penalty which is commensurate with the gravity of the offence committed and the loss suffered by the organisation. For this purpose, there need to be close coordination between the organisation and investigating agencies like police/CBI/CVC. Care should be taken to place bonafide business decisions on different footing from decisions guided by ulterior motive of deriving undue personal benefit from the transactions. This is important to ensure that the decision making ability is not impacted adversely.

Progress in Vigilance Administration In Banking Sector: RBI's Experience

17. Our experience with implementation of these three aspects of vigilance function by the banking industry does not inspire enough confidence. Our observation is that preventive vigilance does not get the desired focus while surveillance and detective vigilance function is almost non- existent. The punitive vigilance aspect is also not implemented with required objectivity and alacrity.

18. In banks, credit related decision making has a very high potential for indulging in unfair and corrupt practices, but at the same time, it is extremely difficult to establish that officials have resorted to such practices. One of the manifestations of the vigilance failure is a sharp increase in the number of high value advance related frauds especially in the public sector banks (Annex 1). In this context, I must admit that there are definitional incongruities surrounding fraud and there is a need to draw a clear distinction between a crystallisation of business risk taken in normal course and a fraud. My own view is that unless the borrower disputes his liabilities or the advance is not utilised for creating any asset or its deployment is in complete

disregard to the purpose for which the sanction and disbursal is made or unless fund is siphoned off by the borrower, the advance should not be treated as a fraud. However, notwithstanding the definitional part, we observe a tendency on part of the sanctioning authorities to brandish their credit appraisal failure as a fraud perpetrated by the borrower. I am not sure how a borrower who has maintained good banking relationship with the banks for a few years suddenly becomes a fraudster. My assessment of the situation is that, in such cases more often than not, it is the failure of the credit appraisal and post disbursement supervision processes which results in accounts becoming non-performing or being classified as fraud. This state of affairs in public sector banks is a reflection of a general lowering of guard by the vigilance administrators in banks.

19. Our analysis of large value frauds (greater than ₹50 crore in value) has thrown up some interesting conclusions like an inordinate delay in declaring the accounts as fraud (Annex 2), covering too many officials in the probe, holding junior officers responsible for frauds *etc.* We have also observed that in frauds in consortium/Multiple Banking arrangements, while some banks do not find any staff accountability, several others do the opposite (Annex 3). Our analysis also suggests that out of 719 officers who were found accountable in 230 large value fraud accounts in the banks over a period of time, 426 officers were up to the rank of Senior Manager, 196 officers were Chief Managers and AGMs, 94 officers were of the rank of DGM, GM and CGM and only 3 Officials were from the Top Management and the Board of Directors. This statistic highlights the skewed nature of our punitive vigilance process and its tendency to focus on the lower level functionaries. Another factor which greatly erodes the efficacy of the vigilance function is the disconnect between the punishment meted out and the offence. We observe that in public sector banks, most of the officials found liable were let off with minor penalties- caution, warning, censure, stoppage of increments for limited period *etc.*, which sends out a wrong message – a message about passive tolerance rather than active intolerance towards misconduct! Incidentally, private and foreign banks operating in India adopt a no-nonsense approach as reflected by the quantum of penalties imposed for similar misdemeanours including dismissal from service.

20. Based on our analysis of large value advance related fraud cases, I would like to highlight following issues for closer scrutiny by the vigilance administration in banks:

i. Dragging in too many people in the ambit of probe not only delays the process but also scuttles the identification of actual perpetrators.

ii. Holding lower rung officials accountable for frauds even though the sanctioning of advances is usually at the level of senior executives/Board.

iii. The officials at junior level should be brought under the ambit of probe for accountability only if there is deficiency at the monitoring/implementation level.

iv. Establishing accountability in all member banks even in the case of consortium/Multiple Banking arrangements where there is common tendency on part of the member banks to absolve themselves of all responsibilities and squarely blame the lead bank for deficient credit appraisal/post-disbursement monitoring.

21. Therefore, what is of essence is the speed with which the fraud is acknowledged, investigations are concluded, staff accountability is fixed and deterrent action is taken. While on the subject of fraud in banks, let me also raise another wider issue. As vigilance officials your focus is on the internal staff but what about the fraudulent borrowers. Who ensures that they are appropriately punished? I feel there is an urgent need to ensure that the system joins hands in punishing the perpetrators of frauds including an outright refusal of banking facilities to them. Similarly, stringent and exemplary action including debarment from further hiring also needs to be taken against professionals like

chartered accountants, lawyers, valuers who aid and abet the fraudulent practices.

Vigilance Administration: The Non-Financial Aspects

22. Let me now come back to the issue of examining non-financial aspects as part of vigilance administration. We see many instances of close relatives of the officials working for the commercial entities which these officials also supervise. As some of you may be aware there is a raging furore and an investigation of J P Morgan by Securities and Exchange Commission in the USA for hiring Chinese 'princelings' (the privileged children of ruling Communist Party leaders) in order to land business in the country. Do we make an analysis of how many of these recruitments are based on merit and how many of these are accommodations? Sooner or later, such issues are also likely to come up for debate in our society. It is important, therefore, that we take cognizance of the problem before it snowballs into a major controversy. Further, there is also this issue of bureaucrats, regulators, supervisors taking up appointments with the entities they regulated/ supervised, soon after their retirement. This is an inherently dangerous practice which needs to be curbed with appropriate polices.

23. Similarly, I have an issue with the concessional pricing extended to the few so called 'special' borrowers on considerations like overall business relationship. Pricing is essentially meant to cover inherent risks and administrative cost. I do not know how business relationship brings down the risks inherent in lending transaction or the cost of administration. In order to eliminate the element of discretion in such transactions, it is essential that the respective Boards/Ministries/ Departments lay down well documented policies/rules for pricing of products and services or national resources. I would urge the vigilance machinery in the institutions to closely focus on this aspect.

24. To my mind, one of the major sources of corruption is spending beyond sanctioned authority by the public institutions. There is virtually no accountability for unnecessary or unethical spending across institutions. The spending is very often hidden in the garb of legal/ audit or regulatory expenses. The problem is more endemic at higher levels where such spending is never questioned. Do you as vigilance officers probe into these spending? In the developed economies, there is a system of disclosing the donations made to political parties, expenses incurred on bureaucracy/regulators/ policy makers *etc.* I wish to raise a debate here on why we should not have similar disclosure norms and transparent practices by our corporates. In the meantime, there is a need for a strong internal control framework for such expenses, which should necessarily be monitored by the organisation's vigilance mechanism.

25. I would also urge the community of vigilance officers not to go overboard and remain circumspect while dealing with corruption cases. One has to be able to draw a distinction between a 'tip' and a 'graft'. It would, perhaps, be in order for the organisations to prepare a code of ethics which should clearly outline the expectations from the employees while dealing with the various stakeholders.

Improving Effectiveness of Vigilance Function

26. This brings us to the basic question of how to make the vigilance function more effective without creating any fear in the mind of employees. In my view, institutions should lay more emphasis on the preventive vigilance aspect so that the problem may be addressed in the initial stages itself. Organisations can benefit by inculcating a sense of honesty and responsibility among its employees. Ownership of the vigilance function should not rest merely with the few officials manning the vigilance department, it should traverse across the length and breadth of the organisation.

27. In this context, it will be appropriate to quote renowned poet Alexander Pope who said "An honest man is the noblest work of God. So my friends, there is no substitute to honesty. Honesty is not a concept or a word. It is a way of life. Honesty pays in life.

Dishonest people may prosper at times but in the end, it is the honest man who wins. Honesty needs no excuses. Honesty leads to mental peace. It answers your conscience. An honest man needs no vigilance. It is meant for people who are black sheep in any organisation. So, let us all pledge to be honest in life, not only in our public dealings as public servants but as human beings to fellow human beings on the earth. One must have a value system and must stick to that on all costs".

28. The second aspect in my opinion would be a clear and transparently professed intolerance for misconduct, by both insiders and outsiders. While well laid down vigilance policy can address the internal requirements, actions such as caution listing of persons involved in fraudulent activity, information sharing within the industry, creation of fraud registries, availability and access to credit bureaus can to a large extent help identify and mitigate threats to vigilance on account of external influences.

29. Thirdly, there is a need to keep yourself updated about what is happening in the industry. Many times people who are posted in vigilance departments feel that there is nothing much to learn apart from the vigilance manual. Some also feel dejected that they are out of the mainstream of the organisation. In my opinion these are very myopic views. People entrusted with vigilance should be as updated as people in marketing. In fact, I may add that people involved in the vigilance function need to be abreast of developments across business lines and verticals as compared to their colleagues in other departments who only need to be updated on developments in their respective operational areas. Only if you know what is happening around you or what is the trend or what are the features of the new product that is being rolled out can you be vigilant and quickly put in safeguards.

30. Finally, management and investigative agencies must be sensitive enough to differentiate between the negative consequences arising out of bonafide decisions and those arising out of malafide intentions. There should be a robust vigilance system in place for prompt investigation and the guilty should be brought to books by imposing exemplary punishment to act as a deterrent for others. No doubt, this is a tough call, particularly when adherence to disclosure requirements and good corporate governance standards may result in adverse publicity and avoidable public enquiry. However, an impartial and adept vigilance function can also serve to enshrine the culture of integrity within the organisation and enhance its reputation and standing in the eyes of the world.

Conclusion

31. An improvement in efficiency of public delivery service and an efficient utilisation of public funds is incumbent upon efficient governance process which, in turn, depends upon a responsive accountability regime. The Governance process can only improve if the organisations have a culture, which encourages officials at all levels, right from the Board downwards, to be accountable for their actions. It is in this context that the vigilance officers have their task cut out. Rather than focussing solely on the punitive aspect, the vigilance machinery has to work on the preventive and participative aspects and have to help promote a culture which breeds probity and integrity.

32. As a concluding thought, my advice to people in vigilance administration is:

- Know the essence of the vigilance function – What is expected of you?
- Evaluate decisions against two tests – Was it for the good of the organisation? Was it done at the cost of the public common good?
- Have an open and inquisitive mind – Be aware of things that may affect the interests and good governance in your respective organisations.
- When the rest of the organisation is looking to push business interests, focus on ensuring that ethics and values are not lost sight of.

33. If you bear the above thoughts in mind while attending to your call of duty, I am sure the objective of vigilance function would have been well served. I once again thank CIGVA and Mr. Handa for inviting me to this seminar and giving me an opportunity to interact with the participants representing a wide cross-section of the public sector. I observe that CIGVA has assembled an impressive set of speakers with vast practical experience and I, therefore, hope that you would have two very interesting days of deliberations. I hope some of the issues that I have raised this morning would be debated during the course of the seminar and some actionable ideas on improving the Governance process in public sector enterprises would emerge from these deliberations. I wish you the very best in all your future endevaours.

Thank you!

Annex 1

Facility wise distribution of large value fraud cases (> ₹50 crore)

Sr. No.	Type of facility	No. of frauds	No. of borrowal accounts	Amount involved	% to total accounts	% to total amount involved
1	Deposit	3	3	604.35	1.30	3.86
2	Advances	53	190	11681.73	82.61	74.51
3	Off Balance Sheet – LCs, Guarantees	5	23	2547.86	10.00	16.25
4	Forex Transactions	7	14	843.09	6.09	5.38
		68	**230**	**15677.03**	**100**	**100**

Bank group wise distribution of large value fraud cases (> ₹50 crore)

Sr. No.	Bank group	No. of borrowal accounts	Amount involved	% of amount involved
1	Public Sector Banks	197	13766.24	87.81
2	Private Sector Banks	26	1244.54	7.94
3	Foreign Banks	7	666.24	4.25
All Banks		**230**	**15677.03**	**100**

Annex 2

Time taken for crystallisation of facility as fraud (Large value fraud cases involving an amount > ₹50 crore)

Sr. No.	Period of crystallisation of account as fraud	Number of cases	Amount involved	Percentage to total
1	Within 1 year	14	1317.49	8.40
2	Above 1 year and up to 3 year	21	2488.68	15.87
3	Above 3 year and up to 5 year	14	1274.92	8.13
4	Above 5 year and up to 10 year	93	3611.85	23.04
5	Above 10 years	88	6984.07	44.55
Total		**230**	**15677.03**	**100.00**

Annex 3

Staff accountability in frauds in major multiple banking consortium arrangements

Sr. No.	Name of A/c	Total banks	Amount involved (In crore)	Amt. Involved in cases where (in crore)			% of amount involved where staff accountability found to total amount involved	Total officers involved	DGMs and above found accountable
				Staff accountability is found	Staff accountability is not found	where examination of Staff accountability is under progress			
1.	A	25	2726.09	862.32 (8)	1362.54 (13)	501.24 (4)	31.63	49	15
2.	B	14	2456.20	508.51 (4)	1096.58 (7)	851.11 (3)	20.70	52	5
3.	C	11	386.09	317.45 (7)	6.38 (1)	55.36 (3)	82.22	57	4
4.	D	20	1003.28	612.63 (11)	206.40 (7)	184.25 (2)	61.06	55	8
5.	E	5	461.88	333.71 (3)	128.71	-	72.25	26	6
6.	F	12	107.58	8.10 (2)	99.48 (10)	-	7.53	4	0
7.	G	11	280.77	63.84 (4)	216.93 (7)	-	22.73	22	3
8.	H	6	192.66	165.54 (5)	27.12 (1)	-	85.92	20	3
9.	I	5	158.21	90.61 (2)	67.60 (3)	-	57.73	3	0
10	J	4	776.25	-	-	776.25	-	-	-
11	K	14	1262.29	-	-	1262.29	-	-	--

Note: All annexures are based on a detailed study conducted by Department of Banking Supervision of the frauds committed in the banking system over the last two decades, where the total amount involved per fraud across all the banks was more than ₹50 crore each. The total number of such frauds across all commercial banks (as outstanding in the books of the banks as on September 30, 2013) was 68 and involved 230 accounts.

*Two Decades of Credit Management in Banks: Looking Back and Moving Ahead**

K. C. Chakrabarty

Shri K. R. Kamath, Chairman, IBA and Chairman, Punjab National Bank; Smt. V. R. Iyer, Chairperson, Bank of India; CMDs of banks, delegates to the BANCON 2013; members of the print and electronic media; my other colleagues from the banking fraternity; ladies and gentlemen! At the outset, let me thank the Indian Banks' Association and the Bank of India for giving me this opportunity to share my thoughts with you from the platform of BANCON. This annual event is the most awaited event on the calendar of bankers as it provides them an opportunity for a free and frank deliberation on contemporaneous issues that the banking community is facing and what the future portends for them. In that sense, the theme chosen for this year's BANCON – "Bank of the future, gearing up to meet the emerging environment" aptly sumps up the purpose of organising this event. I observe that the 'who is who' from the world of banking and finance have spoken on this theme and all of you have a pretty clear vision of what the banks of the future should look like and what you need to do to meet the emerging challenges.

All of you who know me closely, know that, very often, I hold a contrarian view of things. At the present juncture, as a bank supervisor, I am much more concerned about the "future of the banks" than the "banks of the future". Arguably, credit administration and the asset quality of banks is the most significant factor that affects the future of the banks and in my address today, I intend to highlight the concerns surrounding these areas. The purpose of my address today is not to find fault but to encourage introspection and self-criticism, to identify where we have gone wrong in the past and what corrective steps need to be initiated to undo some of the past mistakes and steps that need to be taken to move ahead. To this end, I intend to begin with looking back at historic trends in asset quality and credit management of banks and then use the 'learnings' to suggest a comprehensive solution to tackle the issues.

Introduction

1. In a bank dominated economy such as India, the asset quality of the banking system has important implications for the stability of the overall financial system. The general perception about a bank's health is greatly determined by the level of non-performing advances (NPAs) held in its books. It is, therefore, not surprising that the current spurt in NPAs in banks has attracted a lot of attention.

2. The business of banking essentially involves intermediation – acceptance of deposits and channelling those deposits into lending activities – and credit risk is a direct fallout of this intermediation process. Certain amount of default and impairment of assets are likely to show up in the normal course of banking business and hence, credit risk management assumes a critical role in ensuring that such impairment is contained to a minimum.

3. Needless to say, when banking was simple, credit risk management was also straightforward. Lending decisions were made on impressionistic basis as the banks knew their borrowers and their businesses quite closely and hence they did not appreciate a need to collect and process elaborate information/data for supporting their credit decision making framework. Over time, as banking activities diversified and became more complex and the products became more sophisticated, risks also increased and became more complex. Although, the risks from intermediation became more transmitive and contagious, the evolution in the credit risk management failed to keep pace. The

* Address delivered by Dr. K. C. Chakrabarty, Deputy Governor, Reserve Bank of India at BANCON 2013 on November 16, 2013 in Mumbai. Assistance provided by Ms. Dimple Bhandia and Ms. Vinitha is gratefully acknowledged.

advanced credit risk management necessitated a granular analysis of the risks that the banks were being exposed to; however, they failed to appreciate these requirements and relied on a primitive management information system. To my mind, the failure of the banks to collect and analyse granular data/information on various elements of credit risk is one of the major reasons why the banks failed to foresee the impending problems. This is one theme that would continuously resonate all through my address today.

4. Against this backdrop, let me present my analysis of how Indian banks have dealt with credit risk over the last two decades, the present state of asset quality of Indian banks and the various factors that have contributed to the present situation. The analysis is based on a detailed study of data/information compiled by the RBI from the banks. I would like to thank the banks and their data management teams for providing us extensive data and working closely with my team for facilitating the analysis that I have presented before you today.

5. Credit risk management is interlinked with the regulatory framework and I shall attempt to explore how the regulation at various stages has contributed to the present situation, how market forces have captured the regulation and exacerbated the problem. I would also try to dispel some common myths surrounding the lending to priority sector, small and micro enterprises by providing hard facts. Finally, I will list out the way forward for the regulators, policy makers, banks and bank customers.

Evolution of NPA regulation in India

6. The NPA trends, if studied carefully, can be observed to mirror the changing regulatory landscape. Let me first trace briefly the evolution of NPA regulation in India.

7. Until mid-eighties, the management of NPAs in India was left to the banks and the auditors. As the need for fine tuning regulatory structures to deal with the changing risk-profile of banking was felt, in 1985, the first-ever system of classification of assets for the Indian banking system was introduced. This system, called the 'Health Code' system, involved classification of advances into eight categories ranging from one (Satisfactory) to eight (Bad and Doubtful Debts). A significant change in this evolution process in regulatory instructions, however, came in April 1992 with the introduction of prudential norms on income recognition, asset classification and mathematical methods for the computation of provisioning requirements. A graded norm for NPA recognition was brought-in, beginning with a four quarter norm for classification of advances as non-performing. With the introduction of 90-day norm for classification of NPAs in 2001, the NPA guidelines were brought at par with international standards.

8. Even as the NPA classification norms were being gradually tightened to bring them at par with international standards, the RBI also introduced guidelines on "restructuring of advances" during the early 1990s. The guidelines required that standard assets, where the terms of the loan agreement regarding interest and principal had been renegotiated or rescheduled after commencement of production, be classified as sub-standard. In 2001, the instructions were further strengthened to clarify the asset classification treatment of restructured accounts prior to commencement of production as well.

9. The classification of advances as per the newly introduced "prudential norms" enabled a proper assessment of the extent level of non-performing assets in the Indian banking system for the first time. The initial figures for the NPAs in the system were quite high and hence, created sufficient incentive for the regulators and the banks alike to bring them down to manageable levels. Over time, as the banks introduced improvements in credit risk management systems and processes, the headline NPA ratios declined appreciably (Table 1). Empirical evidence, thus, indicates that increased stringency in regulation facilitated reduction of NPAs.

Table 1: Trend in Non Performing Assets

Period	Average GNPA (in per cent)	Average NNPAs (in per cent)
1997-2001	12.8	8.4
2001-2005	8.5	4.2
2005-2009	3.1	1.2
2009-2013	2.6	1.2
Mar 2013	3.4	1.7
Sep 2013	4.2	2.2

10. After the early 2000s, the pace of introduction/ tightening of regulatory reforms slowed. Regulatory norms were not further tightened during the "good" pre-crisis years which resulted in lowered credit standards and increased delinquencies. On the contrary, the norms were relaxed in some instances post the crisis. Some instances of flip-flop in regulation were also witnessed *e.g.,* changes in norms with regard to usage of floating provisions, relaxation in norms for provisioning coverage ratio, delay in the introduction of dynamic provisioning coverage. Further, the 2008 special dispensation that permitted restructured accounts to be classified as standard has led to skewed incentives for banks/borrowers to resort to restructuring to classify assets, even the un-viable ones, in the standard category and report lower NPA levels.

11. Generally, there is a tendency to ask for relaxation in NPA regulations whenever NPA levels rise. However, the empirical evidence suggests the such relaxations lead to the opposite result. Past experience highlights that stringency in regulation pre-empts any slackening in credit appraisal and monitoring standards by the banks and forces them to be on a constant vigil against impending delinquencies in their asset portfolio. I would mention that the banks should, on the contrary, welcome stricter prudential norms as they aim to become banks of the future.

Trends in asset quality

(i) Trends in NPA ratios

Let us me now turn to the trends in the asset quality of the banking sector. As I mentioned earlier, the introduction of prudential norms resulted in a significant rise in the NPA levels of banks during the early 1990s. Gross NPAs as a percentage of gross advances stood at 19.1 per cent as on March 1994. Thereafter, the ratio progressively declined during the period when the structural reforms were implemented and also through the "boom" years leading up to the global financial crisis. The historical trend in gross and net NPA ratios is indicated in Annex 1. The reduction in NPA levels could be attributed to several factors, including:

- Introduction of prudential norms for asset quality and other regulatory initiatives in the 1990s encouraged improved risk management in banks contributing to improvement in asset quality;
- As interest rates were falling, banks garnered substantial treasury profits which were utilised for writing off NPA accounts;
- Overall good performance of the economy and concomitant rise in credit growth;
- Abundant liquidity conditions;
- Increased restructuring, *etc.*

12. Post the onset of the global financial crisis in 2008, the NPA ratios started increasing, indicating a marked deterioration in asset quality of the banking system. A closer scrutiny of the asset quality, however, reveals considerable divergence between the performances of various bank groups.

13. Initially, the NPA levels of public sector banks (PSBs) and other bank groups displayed a divergent trend. While the Gross NPA (GNPA) ratio for PSBs stood at 21 per cent in 1994; for new private sector banks and foreign banks, the same was between 1 to 2 per cent. Till 2003, while the GNPA ratio for PSBs declined gradually, it increased for other bank groups. During 2003-06, the NPA ratios across all bank groups showed a secular declining trend. Early on in the crisis (during 2007-09), the NPA ratios decoupled – the GNPA ratio of new private sector banks and foreign banks increased

sharply while they continued to decline in case of PSBs. In fact, foreign banks witnessed the highest spurt in NPAs during 2009. The trend, however, reversed after 2009, when NPAs rose significantly for PSBs, while it declined for other bank groups.

14. This divergent trend clearly indicates that the ability to manage asset quality across banks varies markedly and, in the post crisis years in particular, the concerns on asset quality are largely confined to the PSBs.

15. PSBs share a disproportionate and increasing burden in case of NPAs among the bank groups (*i.e.*, share in gross NPAs as compared to share in advances). The share of PSBs in gross NPAs has increased over the last decade and particularly since 2009 (Table 2). NPAs accounted for 85 per cent of the NPAs of the banking system in 2013 as compared to 75 per cent in 2003. During this period, the PSB's share in total bank credit increased only marginally, from 74 per cent to 76 per cent. This is in sharp contrast to the performance of the other segments of the banking system, especially the new private sector banks, whose share in NPAs has fallen from over 14 per cent in 2003 to 8 per cent in 2013.

(ii) Beyond the Headline NPA numbers

16. Any analysis based on the headline NPA numbers *i.e.*, the gross and net NPA ratios, have limitations. These ratios do not reveal the actual dimension of

Table 2: Share of GNPA among Bank Groups

(in per cent)

Bank Group	Mar-03	Mar-07	Mar-08	Mar-09	Mar-13	Sep-13
PSBs	75.4 (74.0)	76.6 (72.8)	71.1 (72.5)	64.5 (75.2)	84.8 (76.2)	86.1 (75.3)
Old Pvt Banks	6.2 (6.2)	5.9 (4.7)	4.6 (4.5)	4.5 (4.3)	2.8 (4.6)	2.8 (5.0)
New Pvt Banks	14.2 (12.8)	12.5 (16.2)	18.7 (16.4)	20.3 (15.0)	8.0 (14.8)	6.8 (14.7)
Foreign Banks	4.2 (6.9)	4.9 (6.4)	5.6 (6.5)	10.7 (5.6)	4.3 (4.5)	4.3 (5.0)

Note: Figures in brackets represent the share in total bank credit

problems of asset quality of banks. A 360-degree view of trends in asset quality requires the capture and analysis of more granular data – activity and segment wise – about the various aspects of NPA management *viz.*, slippages, write offs, recoveries, upgradation, restructuring, *etc.*

17. Till late 90s, the banks captured only basic data about asset quality *i.e.*, gross and net NPA ratios. It is only following the regulatory nudge that the banks started collecting and reporting data on flow of NPAs (fresh accretions and recoveries) from 2001 onwards. Further, it is only recently *i.e.*, since 2009, that collection of more granular data on asset quality like segmental NPAs, write-offs, recoveries *etc.*, has started, primarily due to regulatory impetus. Unfortunately, this initiative in banks was limited to collecting this data for the purpose of reporting to the regulator. Few efforts were made to analyse and use this data internally for improving the quality of internal credit management.

18. Over the next few minutes, I will present an analysis of trends in asset quality and credit management of banks based on this granular data. I will then attempt to draw some inferences from this analysis about the quality of credit management in banks and how it has contributed to the recent trends in asset quality.

(iii) Trends in Slippages and Recovery

19. The flow of NPAs over the last decade shows that while the reduction in NPAs was to the tune of ₹4.9 trillion between 2001 and 2013, the accretions to NPAs were close to ₹6.3 trillion. If the entire period is split into two – 2001-2007 and 2008-2013, some interesting differences emerge. While during the first period, accretions to NPAs and reduction in NPAs are largely matched (₹1.6 trillion of accretions as compared to about ₹1.7 trillion of reductions), during the later period the position altered dramatically with accretions to NPAs far exceeding the reductions (about ₹4.7 trillion of accretions as compared to ₹3.2 trillion of reductions) (Table 3).

Table 3: Trends in Slippages and recovery

(₹ Billion)

	2001-2013	2001-2007	2008-2013
NPAs at Beginning of the period	604	604	505
New Accretion to NPAs during the period	6248	1591	4657
Reduction in NPAs during the period	4920	1690	3230
Due to upgradation	1109	240	869
Due to write-off	2036	739	1297
Due to actual recovery	1775	711	1064
NPAs at End of the period	1932	505	1932

20. Slippages, *i.e.*, fresh accretion to NPAs during the year, provide a better metric to assess the credit management system in banks. While the slippages reduced during early 2000s, they started rising significantly since 2006-07. Growth rate of slippages which was negative till 2005-06, turned sharply positive in 2006-07 reaching a peak of 51.6 per cent in 2011-12. The net slippages (slippages net of recovery during the year) also showed the same trend. Contrary to the popular notion that the rising NPAs are a fallout of the global financial crisis, the data suggests that the credit administration in the banks had started weakening and the asset quality had started deteriorating even before the onset of the crisis. Further, slippages exceeded reduction in NPAs, especially post crisis, as the ratio of reduction in NPAs to slippages fell dramatically – from about 105.3 per cent in 2001-07 to 70.8 per cent in 2007-13. Year wise figures of slippages and reduction from 2001 is indicated in Annex 2.

21. Simultaneously with increased slippages, recovery efforts of the banks suffered compounding the asset quality concerns as evidenced by the increasing trend in the ratio of slippages to recovery and upgradation since 2006-07 and the relative large share of write offs in total reduction in NPAs of banks.The ratio of slippages to recovery and upgradation represents the extent to which banks have been able to reduce their NPAs through recovery efforts. The ratio for the banking sector as a whole deteriorated from a low of 125.4 per cent in 2005-06 to 264.1 per cent during 2009-10 and remained elevated at 257 per cent in 2012-13. Recovery performance also varied widely across banks. This is evident from the divergent slippage and net slippage ratio in different bank groups indicated in Annex 3.

(iv) Trends in Recovery & Write-offs

22. There is evidence of increased use of write-offs by banks to reduce NPAs, which is a pointer to weaknesses in credit management. Write-offs were initially introduced as a tool for banks to manage their tax liabilities on impaired assets. However, they subsequently emerged as a tool for banks to manage their reported gross NPA numbers. Write-offs, in fact, contributed significantly to the reduction in the quantum of gross NPAs (in some years, write-offs accounted for nearly 50 per cent of reduction) as compared to actual recoveries and upgradations. Write-offs as a percentage of terminal reduction (reduction on account of write-offs and actual recovery alone) has consistently been above 50 per cent mark (Annex 4).

23. These practices clearly engender moral hazard issues as they reduce the banks' drive to improve recovery efforts. They also result in leakages in the recovery process. This is evidenced by the fact that, on an average, less than 10 per cent of the total amount written off (including the technical write-off) is recovered (Table 4).

24. Further bearing testimony to the poor recovery efforts of the banking system are the trends in the ratio of upgradation to slippages. Even in the 'good' times, the ratio was never more than 20 per cent – a clear sign of poor standards of credit and recovery administration as well as a certain amount of apathy on the part of banks in expending efforts to revive accounts. The spirit of good credit management is to revive genuine problem accounts and not to retain them as NPAs for an eventual write-off.

Table 4: Write-offs

	Recovery from Written-Off Accounts during the fiscal year ended (₹ Mn)												
	Mar-01	**Mar-02**	**Mar-03**	**Mar-04**	**Mar-05**	**Mar-06**	**Mar-07**	**Mar-08**	**Mar-09**	**Mar-10**	**Mar-11**	**Mar-12**	**Mar-13**
All banks	4,240	5,010	4,790	10,650	17,680	29,020	24,800	31,010	36,860	43,620	50,360	51,910	69,600
PSBs	4,180	4,940	4,630	10,080	16,120	26,990	22,200	28,240	33,720	38,190	44,120	46,560	59,530
OPBs	20	30	50	260	450	840	1,320	1,730	2,170	2,070	2,310	2,010	2,000
NPBs	30	20	40	300	1,110	1,090	1,200	870	920	1,970	3,270	2,940	7,790
FBs	0	10	60	0	0	100	80	160	40	1,390	660	400	290
	Write-offs of NPA during the fiscal year ended (₹ Mn)												
	Mar-01	**Mar-02**	**Mar-03**	**Mar-04**	**Mar-05**	**Mar-06**	**Mar-07**	**Mar-08**	**Mar-09**	**Mar-10**	**Mar-11**	**Mar-12**	**Mar-13**
All banks	64,460	87,110	120,210	135,590	108,230	116,570	116,210	116,530	159,960	250,190	238,960	208,920	322,180
PSBs	55,550	64,280	94,480	113,080	80,480	87,990	91,890	80,190	69,660	111,850	177,940	155,510	270,130
OPBs	3,310	5,880	6,530	5,250	4,640	5,440	6,100	7,240	6,160	8,840	6,820	6,710	8,630
NPBs	5,800	8,960	15,640	12,860	16,820	14,090	12,320	15,770	50,630	67,120	23,360	30,240	34,870
FBs	200	7,980	3,560	4,400	6,280	9,050	5,900	13,340	33,500	62,380	30,830	16,460	8,550

25. Masked in the overall recovery statistics that I have so far discussed, are considerable divergences in trends across different bank groups. The new private sector banks and foreign banks recorded higher slippage ratio (gross and net)[1] immediately after crisis but were able to arrest the increasing trend in slippages through focused attention on credit risk management including exit strategies. In recent years, the ratio has risen sharply for PSBs. This indicates that new private sector banks and foreign banks were able to manage their asset quality better than PSBs as they were quick in identifying NPAs, while PSBs resorted to retrospective restructuring to report lower NPAs initially. This practice eventually tipped the scale against the PSBs and thus, in hindsight, regulatory guidelines also contributed to the decline in the asset quality of the PSBs.

26. The bank group-wise trends in slippages are further re-enforced when the trends in slippages and fresh restructuring are examined. The ratio of slippages and fresh restructuring to advances rose sharply for the PSBs post crisis – from 5.2 per cent in March 2009 to 7.1 per cent in March 2013. The ratio reduced for foreign banks and new private sector banks and stood at a much more robust 1.8 per cent in March 2013.

27. It is, thus, clear that the weaknesses in credit and recovery administration that existed prior to the crisis, especially in the case of PSBs, were not dealt with in a timely manner. The crisis only exacerbated the problem.

28. It is also evident from the above trends that the gross NPA numbers, by themselves, are not a major cause for concern. Viewed in conjunction with the trends in restructuring of advances, however, there are evident and growing concerns about the asset quality of banks in India. In order to better understand the underlying issues, let me now turn to an analysis of the trends in restructuring of advances.

(v) Trends in restructuring

31. Restructured accounts have garnered wide attention in recent times as the quantum of restructured accounts has increased sharply post-crisis. Concerns have emerged from various quarters about the quantum of "forborne" assets and their potential impact on the asset quality of banks. If we look back to the early part of the 2000s, the growth rate in restructured accounts has showed a mixed trend. From 2003 to 2008, the restructured advances ratio was much lower than the

[1] Gross slippage ratio = fresh accretion to NPAs during the year to standard advances at the beginning of the year Net slippage ratio = Slippage ratio net of recoveries.

NPA ratio. There was, however, a sharp uptick in growth rate in 2008-09 due to the one time dispensation with regard to asset classification granted to borrowers by the Reserve Bank with the onset of the crisis. Thereafter, the growth rate of restructured accounts has remained relatively high with the ratio of restructured accounts to standard advances showing a secular increase and the restructured advances ratio remained higher than the GNPA ratio. As on March 31, 2013, the reported GNPA ratio for the banking system was 3.4 per cent. However, the ratio of gross NPAs and restructured accounts to advances was much higher at 9.2 per cent.

32. It is, indeed, appreciated that difficult times warrant some degree of forbearance, some hand-holding to performing and other-wise viable units in tiding over temporary difficulties. There is, however, sufficient evidence, anecdotal and otherwise, that restructuring is often used by banks for 'evergreening' problem accounts to keep the reported NPA levels low. Additionally, there are many instances of:

- unviable units taking recourse to restructuring leading to a situation where deserving and viable units get overlooked, especially in the small-ticket segment; and
- promoters not bringing in/or being compelled to bring in sufficient equity in the project especially in the restructured accounts, which reduces their downside risks in the project.

33. As in the case of the overall NPA ratios and recovery performance, there are significant bank group-wise differences in restructuring. Share of different bank groups in gross advances, NPAs and the restructured standard advances of the banking system since 2002 is given in Annex 5. In fact, the divergence in the asset quality of different bank groups is even more pronounced if restructured standard assets and cumulative write offs are considered along with NPAs, than if gross NPAs are looked at in isolation. To further analyse this trend, I would like to use a ratio namely "impaired assets ratio," which is a ratio of gross NPAs, restructured accounts and cumulative write offs to total advances and which, I believe, is a more robust indicator of asset quality of banks. Between 2009 and 2013, this impaired assets ratio rose sharply from 6.8 per cent to 12.1 per cent in the case of PSBs. In contrast, the ratio fell for new private sector banks and foreign banks and stood at 5.3 per cent and 6.4 per cent respectively in March 2013 (Table 5).

Table 5: Impaired Asset ratio

(in per cent)

Period	PSBs	Old Pvt. Banks	New Pvt. Banks	Foreign Banks
Mar-09	6.8	6.8	6.6	6.5
Mar-10	8.8	7.3	7.3	9.5
Mar-11	8.1	6.1	5.5	7.2
Mar-12	10.0	6.3	5.4	6.6
Mar-13	12.1	6.8	5.3	6.4

34. The relative share of gross NPAs, restructured accounts and cumulative write-offs in total impaired assets of different bank segments (Annex 6) further re-emphasises the point I had made earlier – that banks which are quick in identifying and recognising NPAs are able to better manage their impaired assets. In March 2013, gross NPAs constituted 29 per cent of impaired assets in the case of PSBs while restructured accounts and write-offs constituted 52 per cent and 20 per cent, respectively. In contrast, the shares stood at 36 per cent, 22 per cent and 42 per cent for new private sector banks and at 45 per cent, 2 per cent and 53 per cent for foreign banks (Table 6). These figures clearly illustrate that in case of PSBs, restructuring was used extensively as a tool for NPA management. Such masking of NPA accounts reduces incentives for

Table 6: Share of GNPA, Restructured Accounts and Write-offs in Total Impaired Asset

(in per cent)

	GNPA	Restructured Standard Advances	Cumulative Write-off
PSBs	28.9	51.6	19.5
Old Pvt. Banks	27.6	57.9	14.5
New Pvt. Banks	36.1	21.5	42.4
Foreign Banks	44.6	2.4	53.0

improved credit management, including recovering efforts.

35. The problems with regard to asset quality seem to be concentrated in the old generation banks – the PSBs and the old private banks and I would urge the management of these banks to be sensitive about this trend and be more willing to recognise the problem at the initial stages so that an early resolution of the NPA problem can be found.

36. It is, thus, clear that a clear picture of asset quality across different bank groups can emerge only if restructured accounts and write-offs are reckoned. As I mentioned earlier, write-offs create adverse incentives in the system and hinder recovery efforts in the bank. In the case of restructured accounts, there is a clear need for a relook at the entire gamut of issues – identification of accounts as restructured, determination of the sacrifice, if any, associated, the regulatory treatment of accounts classified as restructured, *etc.* I will return to these issues a little later in my address.

(vi) Trends in asset quality across segments

37. Any analysis of asset quality of the banking system is incomplete without a thorough investigation of the trends in the different segments of the economy. The general expectation is that the impairments in large borrower segments should be lower as banks devote more resources for the administration of large ticket advances as compared to administration of small advances.

38. An analysis based solely on gross NPA ratios would tend to prove the above hypothesis. Gross NPAs numbers suggest that asset quality is a greater concern in respect of the agricultural advances as compared to that of industrial advances. However, if we look at the 'impaired assets ratio', it shows that the asset quality is of a higher concern in the industries segment as compared to the agriculture/retail segments and has deteriorated more significantly for this segment after the crisis. A bank group-wise data on 'impaired assets ratio' across various segments in given in Annex 7.

39. Among the big-ticket advances, infrastructure finance has been affected significantly. Inadequate commercialisation of projects due to various regulatory, administrative and legal constraints and absence or insufficiency of user charges in many projects have put strain on the banks. That infrastructure projects in our country face such constraints is well known. Yet, it is deplorable that banks had not factored in such issues in their credit appraisal or ensured that contingency arrangements are in place for eventualities like inability to procure coal, gas or to acquire land for road projects.

40. Advances to the medium and large segments account for about 50 per cent of total bank advances and of total NPAs indicating that the deterioration in asset quality is driven by the medium and large enterprises. This is also reflected in the 'impaired assets ratio' which stands at 14.8 per cent for medium and large industries as compared to 10.6 per cent for micro and small enterprises as on March 2013.

41. Even in cases of restructuring, there seems to be a distinct bias towards the large-ticket borrowers than the weaker segments of the economy (*i.e.,* micro and small enterprises, agriculture and priority sectors). Statistics on restructured advances shows that the medium and large segments account for over 90 per cent of restructured accounts while the share of micro and small segments keeps dwindling over the years (Annex 8). Further, the large-ticket accounts hold a major share in CDR cases. This runs contrary to the spirit of the allowing the facility of restructuring as economic downturn is more likely to impact the small borrowers who are more vulnerable to business cycles and hence may require restructuring to tide over the temporary problems, as compared to large borrowers. The ground reality is that advances to smaller borrowers, with genuine needs get overlooked and slip into NPA which enables building of a perception that the quantum of non-performing assets is more in the case of small borrowers and hence promotes a rush towards large-ticket advances, ignoring the basic fact that the lower NPAs amongst larger borrowers is

primarily on account of extensive restructuring/write-offs of such accounts. In their scramble to lend to large borrowers, therefore, banks lose out on a massive business opportunity in terms of the small borrowers.

42. One of the common myths about asset quality of banks is that directed lending has significantly contributed to the rising NPAs of banks, as the gross NPA ratio of credit to priority sector is higher than that of the non-priority sector. However, if the impaired assets ratio is considered, then the asset quality of credit to non-priority sector is a greater concern than in the case of the priority sector. This ratio in case of the non-priority sector has also deteriorated to a greater extent in the post crisis period.

43. To summarise, I would say that the perception that agricultural advances or priority sector lending carry more credit risk than the non-priority sector is entirely misplaced and needs to undergo a change. The smaller borrowers are per se not a cause of stress to the banks; rather it is a bias against them that turns them into weak accounts.

Study Conclusions & other issues

44. So far, we have explored the trends and various facets of the asset quality of banks. Let me walk you through the broad 'learnings' that we can draw from our analysis.

(a) **Primitive Information Systems** – At the outset I had highlighted how the evolution of information systems had not kept pace with the changing banking landscape. Improvements in information systems were not in keeping with the increase in asset size of banks and the increasing complexities in credit management. The lack of granular data on slippages, early indications of deterioration in asset quality, segment wise trends, *etc.*, hampered timely detection of problem accounts and weakened banks' credit risk management capabilities. As a result, banks failed to identify the reversal in trends in asset quality in the pre-crisis period. As you would all appreciate, a robust database containing granular information is an imperative for better credit management and hence as part of the Top Management of banks, you must drive your officers towards building up this database and also use the information for the early identification of problem accounts, trends in asset quality, *etc.*

(b) **Higher NPAs not only from the GDP slowdown** – Undoubtedly, the macro-economic environment has a significant influence on the asset quality of banks. The recent deterioration in the asset quality is almost concomitant with the deceleration in the country's growth rate, re-emphasising the oft quoted argument about the cyclicality of asset quality of banks and its linkages with the macroeconomic performance of the economy. However, a closer look at the trends in the growth rate of gross NPAs and in the slippages of Indian banks indicate that the seeds of recent deterioration in asset quality had been sown well ahead of the slowdown in economic growth, *i.e.,* in 2006-08 when most of the asset quality indicators reached their most robust levels. Therefore, the current decline in asset quality cannot be solely attributed to the recent decline in the country's macroeconomic performance. Besides, the deceleration in GDP growth rate, there are other factors/causal relationships which are responsible for the current state of the asset quality of the banking system. I will now touch upon some of these factors in depth.

(c) **Lax credit management** – The analysis reveals that impairment in assets were an offshoot of the deficiencies in credit management that had crept in during the pre-crisis "good years". Banks with higher credit growth in 2004-08 ended up with higher growth in NPAs during 2008-13 period. A bank-wise analysis of credit and NPA growth indicates that the compounded annual growth rate (CAGR) of NPAs during the period 2008-13 was highest in case of banks whose CAGR of credit was also higher during 2004-09. Thus, it was during the pre-crisis years that deficiencies in credit appraisal crept in, credit monitoring was neglected and recovery efforts slowed. Let me elaborate on some of these points with some specific illustrations about the deficiencies in credit appraisal.

- Evidence suggests that the banks were not taking adequate cognisance of the build-up of leverage while sanctioning or renewing limits. In fact, banks' credit appraisal processes failed to differentiate between promoter's debt and equity and over time, promoters' equity contribution significantly declined and leverage increased. In particular, there has been a significant increase in the indebtedness of large business groups in recent years. A study of ten large corporate groups by Credit Suisse has revealed that the share of these ten groups in total banking sector credit more than doubled between 2007 and 2013 even while, the overall debt of these groups rose six times (from under ₹ one trillion to over ₹ six trillion).
- Ironically, the banks were found to be lending more to sectors that had high impairments, pointing to possible lacunae in credit appraisal standards. For example, while the CAGR of credit for the period 2009-2012 for the banking sector was 19 per cent; the segments like iron and steel, infrastructure, power and telecom witnessed much higher credit growth despite the impaired assets ratio for these segments being significantly higher.
- Indian corporates, operating in India and abroad, have been increasingly accessing international debt markets to raise capital. While this is presumably being done to take advantage of the low interest rate in the international markets, in an environment of fluid exchange rate markets, corporates run the risk of incurring losses from adverse movement in exchange rates for their un-hedged exposures. The un-hedged exposures and an eventual increase in interest rates could put pressure on the corporates and eventually spill-over to their lenders.
- Banks are not conducting adequate contingency planning, especially for mitigating project risks. While on the one hand, the stress tests/ simulation models run by banks do not employ extreme stress scenarios; the extent to which the borrower can withstand it and the haircut to be imposed by banks in such cases; on the other hand they also do not factor in possible eventualities like failure of gas based power projects to ensure supply of gas, failure to complete land acquisition for highway projects, failure to acquire environmental clearances *etc.* Banks definitely need to factor in such adverse situations and have a back-up/contingency plan in their appraisal process.
- Restructuring was extended to companies that were facing larger problems of over-leverage and inadequate profitability pointing to possible lack of due diligence in assessing viability while restructuring.
- Further, companies with dwindling debt repayment capacity were raising more and more debt from the system. These trends pose concerns for the asset quality of banks – on one hand, the ability of corporates to service debt was falling and on the other hand, with increased borrowings their exposure to interest rate risk was rising.

A pointer to the potential deterioration in appraisal and credit management standards in banks is the increasing incidence of advance related frauds, especially large value frauds (over ₹500 million) in recent years. Over 64 per cent of the total amount involved in fraud cases reported till March 2013 were advance related. My assessment of the situation is that, in such cases more often than not, it is the failure of the credit appraisal and post disbursement supervision processes which results in accounts being classified as fraud. There appears to be a tendency on part of the sanctioning authorities to brandish their own credit appraisal failures as a fraud perpetrated by the borrower. The moral hazard risks associated with identifying business failures as frauds is that the lacunae in credit appraisal do not surface and fixing of staff accountability becomes a casualty.

(d) Sub-optimal credit management in PSBs – Our analysis reveals that the weaknesses in credit management, which I have dwelled upon at length, were significantly more pronounced in PSBs. In fact, the wide divergences in the asset quality of PSBs and new private sector and foreign banks bears testimony to the fact that the economic downturn is not the sole reason for recent deterioration in the asset quality of banks as all bank groups were not affected to the same extent.

PSBs suffer from some structural deficiencies related to the management and governance arrangements. Instances of lax credit management (credit appraisal, credit supervision, *etc.*) and poor governance and management standards which, though persisting even before the crisis, were not dealt with in time and eventually impacted much more emphatically than was anticipated.

The private sector and foreign banks, on the other hand, were quick to identify the early threats posed by the slowdown and effectively managed them. This is evidenced by a sharp rise in the slippage ratios of private sector and foreign banks in the immediate aftermath of the crisis, but the deterioration was quickly arrested through improved credit management systems and more concerted recovery efforts. In contrast, PSBs failed to respond equally swiftly and have suffered far more significant deterioration in asset quality post crisis. Failure to acknowledge the problem as also inability to look for an early exit route at the incipient stage, used very successfully by some private sector and foreign banks, have likely exacerbated losses for PSBs.

How resilient is our banking system?

45. While I have so far dwelt on the problems that characterise the credit management in Indian banking system, let me count some positives. The first and foremost comforting factor is that we have thrived through much more challenging times in the past in so far as the NPA ratios are concerned. In fact, in March 1994, the NPA levels were much higher than the present level. The aggregate banking system GNPA ratio was 19 per cent in March 1994 and for PSBs was 21 per cent. Against that benchmark, the current position of NPAs in the banking sector is not alarming. In March 2013, the GNPA ratio was 3.4 per cent for banking system and 3.6 per cent for PSBs. Even if we were to consider the impaired assets ratio, for the system as a whole it is much lower at 10.6 per cent while for the PSBs it stands at 12.1 per cent.

46. Another silver lining on the cloudy horizon is provided by the strong capital position of Indian banks. Our stress testing of the banks' asset portfolio (by applying different static credit shocks, including shocks to banks' restructured accounts) as of June 2013, has revealed that the system level CRAR would remain above the required minimum of 9 per cent. However, only under severe shock of 150 per cent on NPA, the Core CRAR would go down to 6 per cent.

47. The relatively lower level of provision coverage ratio (PCR) of banks in India as compared to their global peers is a weak spot in an otherwise fairly resilient Indian banking system. The sad part is that this ratio has seen a declining trend in recent years. A study conducted in the Reserve Bank (covered in the Financial Stability Report of June 2013) assessed that, under stressed macroeconomic conditions, the current provision coverage of banks in India may not be

sufficient to cover expected losses. The PCR presents a more dismal picture when restructured standard advances are also considered, as it stood at just 30 per cent in March 2013 down from 35 per cent in March 2009. Hence, it is essential the banks increase their provision cover from current levels and strengthen their balance sheets.

48. Thus, on the whole while the banks will be able to withstand the present deterioration in asset quality, the rise in slippages and the quantum of restructuring coupled with low PCR levels is a source of worry and over a period of time the situation could pose grater concerns especially if timely corrective actions are not taken.

Recommendations and Way Ahead

49. Let me now turn to the way forward for policy makers and banks on the concerns regarding asset quality I have listed thus far. The recommendations that I am making can be broadly classified into two categories – one set for the short-run and one set for the long-run. In the short-run, the objective should be to address the issues with the existing stock of impaired assets in a time bound manner. The long-run measures will have to deal with issues that are more deep-seated and hence, would require collaborative efforts from all the stakeholders. These involve improvements in systems and processes, in regulatory framework and legal infrastructure, *etc.*

(i) Short-term measures

Review of NPAs/restructured advances

50. In the short-run, an immediate review of the accounts classified as NPAs and those which have been 'restructured' needs to be taken up. It would be critical to assess the viability or otherwise of these accounts on a case-to-case basis. The accounts which are found viable would need to be supported through additional finance/other means in order to ensure turnaround while those found unviable should be taken up for prompt recovery/resolution, so that the loss given default of banks could be minimised.

51. In accounts where restructuring is contemplated, it is essential that the decision is taken within a pre-stipulated time-frame. Further, it needs to be ensured that promoters assume their share of losses without resorting to further borrowing from the banking system or employ structured products for their contribution towards equity. If need be, new promoters should be brought on board to ensure that the down-side risks are equitably shared.

52. As I mentioned earlier, all unviable accounts should be put under time-bound asset recovery drive, sale of assets to ARCs or under the SARFAESI Act, to protect the loss in economic value of the assets. Another option which needs to be explored in such cases is management/ownership restructuring and permitting banks to takeover units where promoters' equity is low or non-existent (and hence the promoters have little interest in rehabilitating the unit); running the unit through an intermediary or agent and then disposing off the unit when it is sufficiently rehabilitated.

53. I strongly feel that the mechanism of restructuring of small accounts needs a special mention in terms of corrective action needed. SMEs and other segments covered under the priority sector are an important segment of the economy as they provide employment to a large number of people. It is important that the viable businesses under these segments facing temporary problems are not discriminated against. The entire approach to restructuring has to be reoriented to show more compassion to the small customers.

(ii) Long-term Measures

Improved credit risk management

54. The first line of defense against deterioration in asset quality of banks is the bank's own credit risk management. If the asset quality profile of the banking system needs to be improved on a sustained basis, then sound and robust credit risk management system needs to be in place in the banks. Credit risk management comprises of different facets like credit appraisal, credit monitoring, efficient system of fixing accountability,

etc. Let me touch upon the improvements required in each of these areas.

(a) Enhance Credit Appraisal – My assessment is that the banks' credit appraisal standards have slackened remarkably over the last few years. To arrest the rapid deterioration in their asset quality, the banks need to focus on certain aspects more rigorously than is currently the case. Let me list a few of them:

- **Group leverage:** Trends in the leverage of the group to which the borrowal firm belongs; the growth in overall indebtedness of the group, particularly borrowings from the banking sector, over the last two/three years must be closely examined. It is important that the leverage at the holding company level is also factored in the appraisal.
- **Source/structure of equity capital:** One of the most crucial aspects in project finance is the source and structure of equity contributed by the promoters. As I mentioned a little earlier, focused attention needs to be given to this area. Banks need to ensure that the promoters' contribution is funded through equity and not debt so that the promoter has sufficient skin in the game. Attention must be paid to the source of equity as, very often, the project is funded through structured borrowings by the promoters at the holding company level within the larger group and which is down streamed as equity in the subsidiaries. There is also a need to examine the borrowers' ability to raise additional equity to tide over adverse situations.
- **Complex project structure:** If the project structure is complex/ring-fenced (as in a SPV structure), then the bank should take extra precautions while assessing such projects and, if necessary, prescribe additional equity requirements to guard its interests.
- **External constraints:** Often projects get delayed or do not reach sufficient commercialisation due to factors beyond the control of promoters/banks *viz.*, regulatory, political and legal constraints like environment and other clearances, *etc.* As banks are taking increasingly larger exposures to infrastructure projects, they must conduct necessary sensitivity analysis and contingency planning while appraising the projects and build adequate safeguards against such external factors.

(b) Need for quicker decision making – Timely decision making is crucial to the success of any project. The appraisal, sanction and disbursement decisions should be timely and fast. Similarly, additional limits/concessions, if needed, should be sanctioned quickly in order to enable the business unit to smoothly tide over the problem.

(c) Strengthen Credit Monitoring – An effective appraisal needs to be backed by efficient monitoring to ensure that the account remains standard and performing. In this regard, developing an early warning mechanism and a comprehensive MIS assumes an important role to enable regular viability assessment.

(d) Enforce Accountability – No amount of rules and regulations would aid in addressing the issues at hand, if their enforceability is weak. Thus, accountability for lapses in credit risk management is as important as the management of credit risk itself. The present system is biased against lower rung officials as, in more cases than not, it is this section of staff that is held accountable for accounts becoming non-performing despite the loan sanction having been done at senior levels or even at Board level. The officials at junior level should be brought under the ambit of probe for accountability only if there is a clear cut case of deficiency at the monitoring/implementation level. In other words, the sanctioning authority must also share the burden of responsibility in case of failed or improper credit monitoring. People ask me whether it is practical for the Board/ Top Management to monitor loans. My answer to that is if you wish to enjoy the authority you must also be willing to accept the responsibility. You may bring in a kind of mechanism which allows you to monitor the performance of loans that you have sanctioned. If you can't do that, please abdicate this responsibility in favour of the branch managers/lower level officials. The accountability framework should also encompass instances of delayed decision making or inaction especially when the delay results in disruption in a unit's working or in its failure due to delayed sanction/ disbursal/renewal/restructuring. Accountability also needs to be fixed on CAs, certified valuers, lawyers, *etc.*, who collude with the borrowers and submit false certifications to facilitate borrowers in availing bank finances.

(e) **Address corporate governance issues in PSBs** – As I had mentioned earlier, there are some inherent structural weaknesses in the corporate governance arrangements in PSBs. These will need to be addressed through a slew of measures such as explicit 'fit and proper' criteria for appointment of top executives, instituting a system of an open, market-wide search for Chairman/other top executives, review of the role of RBI/Government nominee on the Board of PSBs, fixation of tenure of top executives of banks so as to ensure a sufficiently long tenure, market based remuneration for top executives, review of the incentive structure for the executives, greater accountability of the executives and of the Board, *etc.*

Improved information systems

55. As I have said earlier, information systems form the bedrock of credit risk management. Unless the risks are identified, it will not be possible to manage them. Any robust management system necessarily hinges on a strong information base. While the banks have made significant progress in this area, a lot still remains to be done. Let me illustratively talk of some of the further work needed in this area:

- Efforts should be made to capture more exhaustive and granular data. For instance, an MIS for capturing common exposure across banks needs to be developed. Recently, the RBI has initiated efforts in this direction.
- The information system must enable timely detection of problem accounts, flag early signs of delinquencies; facilitate timely information to management on these aspects, *etc.*
- An appropriate coordinating mechanism across departments within a bank and across banks must be developed.
- And, most importantly, the information system of banks should be integrated into decision making, capital planning, business strategies, and reviewing achievements.

Strong Regulatory Framework

56. The onus on addressing the asset quality deterioration does not rest on banks alone and the policy makers also need to take a re-look at the extant regulatory framework for stressed assets. The review will need to address a few hard questions – Are extant instructions about the classification of accounts as impaired too stringent and prohibitive? Are viable units being classified as NPAs? Is the banks' reluctance to extend support to accounts classified as non-performing accelerating the transformation of viable units facing temporary cash flow problems towards non-viability?

57. A thorough relook at the overall regulatory approach in the country is warranted. Regulations should be facilitative, practical and commensurate with the risks involved. At the same time, we must appreciate that it's a tight-rope walk to balance the needs to ensure that viable accounts are supported and that banks are dis-incentivised from ever-greening the advances portfolio.

58. As I hinted earlier, one of the key areas where regulatory prescription needs realignment is that of restructuring. Global practices warrant that restructured accounts should be treated as non-performing. This is a practice which needs to be adopted in India as well keeping in view the extant realties. It is also suggested that simple rephrasing, rescheduling, refinancing, extension of tenure of loans should not be treated as restructured. Similarly, an account should not be treated as restructured if there is a no sacrifice involved on the part of the bank and the bank is satisfied about the realisable value of the collateral. Further, the accounts in respect of which interest is being serviced regularly should not be classified as an NPA. In particular, if the borrower continues to pay a rate of interest above the base rate of the bank, then a mere reduction in the rate of interest being charged from the borrower should not be a sufficient reason for classification of the account as restructured/non-performing. The discretion with regard to treatment of an account as restructured or not should be left to the Board of the bank, based on broad regulatory principles.

59. Another area where reform is needed is technical write-off. The practice of technical write offs of NPAs engenders moral hazard and leakages in the recovery process and needs to be dispensed with. It is much better to pay tax than to distort the system with technical write-off. Further, as I said earlier, there is a need to increase provisioning requirements in line with international norms to ensure the resilience of the banking system

60. The prevalent practices of restructuring accounts to treat them as standard and of technically writing off accounts are not uniformly used across all borrower segments. These practices result in the position of asset quality of banks being mis-reported. Such mis-reporting, in turn, leads to mispricing of risks and inefficient allocation of resources impairing the overall efficiency of the banking system. Hence, my recommendations that all restructured accounts be treated as non-performing in line with global best practices and that the practice of technical write-offs be dispensed with. If, however, these regulatory dispensations have to continue, then it needs to be ensured that these dispensations are made applicable to all segments of bank borrowers. Rules may need to be set out in this regard or, at the very least, some broad principles formulated.

61. Across the world, regulatory frameworks are built on one of two approaches – rules based or principles based approach. In India, though we do not have a declared approach to the regulatory framework, the extant framework is built on an approach which is a blend of rules based and principles based approaches. Overall, the approach appears more discretionary. Although flexibility in regulatory prescription is sometimes coveted, arbitrariness in regulation would lead to the build up of 'fault lines' in the system. A uniform approach – either principle or rule based regulation – needs to be adopted and consistently followed so as to bring the necessary stability in credit risk management practices across banks and eliminate ad-hoc implementation processes.

Reforming legal & institutional structures

62. A facilitative financial sector infrastructure including robust a legal and recovery framework and an effective credit information systems can play a critical role in ensuring that the asset quality of banks remains healthy. On one end of the spectrum are mechanisms such as the Corporate Debt Restructuring (CDRs) which are aimed at rehabilitating viable but temporarily distressed corporate advances. On the other end are mechanisms such as the Debt Recovery Tribunals (DRTs) and the SARFAESI Act which provide a legal framework for dealing with unviable borrowings. In addition, there are Asset Reconstruction Companies (ARCs) which facilitate improved credit risk management by banks by sale of problem loans and creation of a secondary market for such loans. It is, however, sad to note that these frameworks are beset with their own set of problems. Let us critically examine these structures one-by-one.

(a) Corporate Debt Restructuring (CDR) mechanism – There has been major increase in CDR references in the recent period and an exposure-wise breakup of CDR referred cases shows that big-ticket accounts had a dominant share.

There is enough evidence to suggest that the provisions of the CDR mechanism have not been used very judiciously or effectively. While the debtors and creditors seek the benefits of restructuring, they tend to avoid the painful sacrifices in terms of provisioning and promoters' sacrifice. Such circumvention of norms not only camouflage the weakness in the credit portfolio of banks but also weaken their defense against expected losses. The inherent credit weaknesses of such accounts are further aggravated due to lower stake of the promoters. I would go on to add that the availability of standing regulatory forbearance in the matter of CDR has prompted banks to avoid using other means of credit management judiciously.

To my mind, the CDR mechanism needs a thorough overhaul in terms of process, structure, administration and governance. Illustratively,

- Viability of the unit must be established, without any cause for reasonable doubt, prior to restructuring.
- Restructuring or exit must be approved within a definite timeframe.
- Promoters' stake in the project should be ensured upfront through core equity infusion (and not quasi/debt),
- An independent oversight and monitoring system should be in place, especially for large CDR cases, to ensure that the account does not slip up post restructuring. The CDR cell and the banks concerned should coordinate in this aspect.

(b) Debt Recovery Tribunals (DRTs) & other legal provisions – There are concerns about the functioning of DRTs and the enforceability of legal provisions for recovery of loans. The legal system for recovery seems to be defaulter friendly. Inordinate delays hamper effective resolution even as the time lag erodes the value of recoverable assets. Concrete measures *viz.*, setting up of more DRTs and DRATs, full-fledged computerisation of processes, digitisation of records, enforcing strict adherence to timelines, *etc.,* would need to be taken to make these mechanisms more effective The recent amendments to the DRT Act vide the Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act, 2012 (which has been brought into effect from January 15, 2013) are a step forward in this regard. In this context, I will urge the bank management to launch vigorous follow up of the suit filed accounts and hold periodic meetings and interactions with the DRT Chairs to resolve the issues.

(c) Asset Reconstruction Companies (ARCs) – The Reserve Bank had encouraged the setting up of ARCs and put in place a regulatory framework for the same. However, the ARCs have not really taken off. Despite the accelerated increase in NPAs in banks, the incremental flow from banks to ARCs has significantly reduced from ₹130 billion in 2008 to ₹60 billion in 2012[2]. There is a need to review the functioning of the ARCs with a view to revitalising them. Regulatory measures such as clarifying/standardising the NPA auction process, valuation norms, *etc.*, could be contemplated.

(d) Credit Information Companies (CICs) – The first credit information bureau was set up in India about a decade ago with a view to assist in credit risk management of banks and financial institutions at various stages across their customer's life cycle. However, the use of data

[2] Source: Association of ARCs in India

from the CICs has remained restricted to the retail segment and that too mostly by the private and foreign banks.

There is a need to leverage CICs not only for sanctioning purposes but also for monitoring and recovery. At the monitoring stage, CICs can furnish a 360 degree view of customers, thereby enabling portfolio risk assessment and early warning triggers to identify and address delinquency. At the recovery stage, CICs can help entities in reaching their not so easily contactable base, thereby improving recoveries. Let me list some steps to enable broad-based use of CICs:

- Improve the quality of data captured by the credit bureaus and ensure that the data submitted by credit institutions is complete and timely.
- Enlarge the information database of CICs by bringing more and more customer segments under their fold.
- Collate specific information like details of mortgaged assets, previous defaults, recoveries, write-offs, involvement in frauds or other criminal activities, *etc.*
- Share data with other CICs to enable a holistic view of the credit profile of the borrower.
- Build elaborate databases on additional information not directly linked to the credit information which can be used by the lenders to study trend in an industrial sectors, geographic areas and also issue triggers/ warnings to lenders on likely credit events.

Key messages and measures

63. Let me conclude my address by revisiting the key takeaways for all of us:

a. The present level of stressed asset as an outcome is not a large concern in itself but the extant processes, systems and structure of creation/restructuring of stressed assets are a problem. The existing level of NPAs is manageable but if corrective actions to arrest the slide in NPA are not initiated quickly, the stability of financial system could be at risk.

b. Economic slowdown and global meltdown are not the primary reason for creation of stressed assets. In fact, the deficiencies in credit and recovery administration in the system involving banks, borrowers, policy makers, regulators and legal system have led to the present state of affairs.

c. Credit quality has a high positive correlation with the prudential norms and regulations prescribed by the RBI. Lax, soft and flip-flop approach to regulation may have contributed to creation of NPAs and stressed assets in the system by not creating sufficient incentives for the banking system to recognise NPAs and make provisions for stressed assets.

d. Level of leverage of corporate borrowers, high credit growth, lack of equity and instances of advances related fraud cases are also highly correlated. These are the first order derivative of inadequate credit appraisal and recovery management.

e. Appraisal standards are lax for bigger loans both at the time of sanction as also restructuring while the banks tend to be very stringent for smaller borrowers. Also, restructuring and write off processes are highly biased towards bigger loans as compared to smaller loans, even though, the data suggests that credit risk is higher for big-ticket advances than small borrower. Banks need to be more sympathetic to small borrowers and be more stringent in their approach to big borrowers.

f. Banks following the process of recognising NPAs quickly and more aggressively are able to better manage their asset quality.

g. High pace of credit growth in certain segments has resulted in lower credit quality in those segments in subsequent periods.

h. Overall standard and quality of credit management and recovery management is very poor.

i. Time is of essence and timely action based on information needs to be taken everywhere.

Conclusion

64. To sum up, the issues that I have highlighted today require proper attention and concerted efforts by all stakeholders – regulators, policy makers, banks and bank customers. The first and foremost lesson for all of us is that regulatory forbearance is not a panacea for the ills that afflict the credit management environment in the banking sector. Sweeping the problems under the carpet is not a solution. We must be willing to face the situation, learn from our past mistakes and move forward. For this journey to be successful, the banks would need to strengthen their credit appraisal standards and lay greater focus on the quantum of equity brought in by the promoters, the sources of equity and plan for contingency situations in case of large infrastructure projects. The appraisal and approval process for restructuring proposals needs to be improved while ensuring that the benefits of restructuring are also extended to the smaller borrowers. The CDR Mechanism has been grossly mis-utilised and needs a thorough overhaul including setting up of an independent oversight body for approval of proposals as well as for monitoring. For the reasons that I have mentioned earlier in my address, regulatory guidelines on restructuring and technical write-off should be reviewed and these measures should be phased out for ensuring a stronger credit administration and recovery environment. Some concrete steps like careful examination of existing NPAs for determining further course of action – rehabilitation or recovery, would need to be taken in the short-term. Accounts identified as viable will need to be quickly rehabilitated with support from the bank and the borrower including through infusion of new equity from new promoters. Above all, a robust accountability mechanism for all levels of hierarchy in the stakeholders – banks, borrowers, regulators, policy makers and the Government at large – will have to be put in place to ensure that banks' asset quality improves on a sustained basis.

65. I would conclude by reiterating that my address today is not aimed at finding fault but an attempt to initiate a debate and encourage some soul-searching in the banking community about the past mistakes and what we need to do differently going forward. I believe the Top Management of banks present here, borrowers, regulators, policy makers and the Government functionaries, would reflect on the key messages that I have attempted to put across this afternoon and make whole-hearted efforts to ensure that our banks emerge stronger out of the present crisis and are able to become the banks of the future. A quick and determined action is the need of the hour and I wish you all the very best in this endeavour. I once again thank IBA and Bank of India for providing me this opportunity to share my thoughts with all of you.

Thank you!

Annex 1
Bank Group wise Gross NPA Ratio and Net NPA Ratio*

(per cent)

	All Banks		PSBs		OPBs		NPBs		FBs	
	GNPA	NNPA	GNPA	NNPA	GNPA	NNPA	GNPA	NNPA	GNPA	NNPA
Mar 94	19.1	13.7	21.1	14.5	6.9	3.9	N.A.	N.A.	1.5	-0.6
Mar-95	15.3	10.5	17.1	11.4	7.4	4.1	2.2	0.9	1.6	-0.9
Mar-96	13.9	9.2	15.9	9.9	7.0	3.7	0.8	0.5	1.8	-0.2
Mar-97	14.3	9.5	16.4	9.6	8.3	4.7	2.9	2.5	3.6	1.0
Mar-98	13.1	8.9	14.8	8.5	10.2	5.6	3.5	2.6	3.7	0.6
Mar-99	13.3	9.0	14.6	8.0	13.0	7.8	4.6	3.5	5.0	0.9
Mar-00	12.1	8.2	13.4	7.0	11.5	6.4	4.0	2.9	5.5	1.2
Mar-01	11.1	6.3	12.0	5.5	11.9	6.7	5.4	3.2	6.7	1.7
Mar-02	10.4	5.5	11.1	4.5	11.1	7.1	8.9	5.0	5.5	1.9
Mar-03	9.1	4.4	9.4	3.7	8.9	5.4	10.0	4.7	5.3	1.8
Mar-04	7.2	2.8	7.8	2.8	7.6	3.8	5.0	2.4	4.8	1.5
Mar-05	4.9	2.0	5.4	2.0	6.0	2.7	2.9	1.5	3.0	0.9
Mar-06	3.3	1.2	3.7	1.4	4.4	1.7	1.7	0.8	2.1	0.8
Mar-07	2.5	1.0	2.7	1.1	3.1	1.0	1.9	1.0	1.9	0.7
Mar-08	2.3	1.0	2.2	1.0	2.3	0.7	2.5	1.2	1.9	0.8
Mar-09	2.3	1.1	2.0	0.8	2.4	0.9	3.1	1.4	4.3	1.8
Mar-10	2.4	1.1	2.2	0.8	2.3	0.8	2.9	1.1	4.3	1.8
Mar-11	2.3	1.0	2.2	0.8	2.0	0.6	2.3	0.6	2.5	0.7
Mar-12	2.8	1.3	3.0	0.9	1.8	0.6	1.9	0.4	2.7	0.6
Mar-13	3.2	1.6	3.6	1.0	1.9	0.8	1.8	0.5	3.0	1.0

* Based on global operations
PSBs: Public Sector Banks; **OPBs:** Old Private Sector Banks; **NPBs:** New Private Sector Banks;
FBs: Foreign Banks.

Annex 2
Slippages in the Banking System

(₹ crore)

For FY ended	NPAs at the beginning of year	New Accretion to NPAs during the year	Reduction in NPAs during the year	NPAs at the end of the year
Mar-01	60434	19064	15512	63986
Mar-02	63986	24606	17638	70954
Mar-03	70954	21556	23729	68781
Mar-04	68781	24191	28074	64897
Mar-05	64897	21552	27740	58709
Mar-06	58709	21471	28981	51199
Mar-07	51199	26632	27318	50513
Mar-08	50513	34621	28612	56522
Mar-09	56522	53133	40362	69293
Mar-10	69293	65162	49794	84661
Mar-11	84661	69598	56338	97920
Mar-12	97920	106740	62606	142054
Mar-13	142054	136446	85301	193200

Annex 3
Bank Group-wise Slippage and Net Slippage Ratios

(per cent)

Slippage Ratio	All banks	PSBs	OPBs	NPBs	FBs
Mar-01	4.6	4.7	5.5	4.4	3.3
Mar-02	5.1	4.1	4.9	20.5	2.7
Mar-03	3.7	3.6	3.8	3.9	3.5
Mar-04	3.4	3.5	3.2	3.7	2.7
Mar-05	2.5	2.5	2.2	3.4	1.8
Mar-06	1.9	2.0	1.8	1.7	1.5
Mar-07	1.8	1.8	1.8	2.0	1.5
Mar-08	1.8	1.7	1.4	2.1	2.1
Mar-09	2.2	1.8	1.9	3.0	5.5
Mar-10	2.2	2.0	2.2	2.0	5.5
Mar-11	2.1	2.2	1.7	1.3	2.2
Mar-12	2.5	2.8	1.5	1.1	2.3
Mar-13	2.7	3.1	1.8	1.2	1.8
Net Slippage Ratio	**All Banks**	**PSBs**	**OPBs**	**NPBs**	**FBs**
Mar-01	2.2	2.2	3.3	-0.8	3.1
Mar-02	3.2	2.1	3.4	19.6	1.4
Mar-03	1.7	1.6	2.2	2.7	1.6
Mar-04	1.4	1.7	1.4	-0.3	1.2
Mar-05	0.6	0.4	0.5	1.7	0.3
Mar-06	0.4	0.3	0.1	0.7	0.9
Mar-07	0.8	0.6	0.5	1.5	1.0
Mar-08	0.9	0.7	0.5	1.8	1.6
Mar-09	1.2	0.7	1.0	2.4	4.7
Mar-10	1.4	1.2	1.1	1.5	3.9
Mar-11	1.1	1.2	0.7	0.6	0.6
Mar-12	1.5	1.8	0.6	0.5	1.5
Mar-13	1.7	1.9	0.8	0.6	1.1

Slippage Ratio: Fresh accretion to NPAs during the year to standard advances at the beginning of the year

Net slippage ratio is slippage ratio net of recoveries.

Annex 4
Write-offs as a percentage of Terminal Reduction*

Year	Reduction due to Write off (₹ in crore)	Reduction due to Actual Recovery (₹ in crore)	Write off as a %age of Terminal Reduction (1/(1+2))
Mar-01	6,446	7,894	45.0
Mar-02	8,711	6,813	56.1
Mar-03	12,021	7,916	60.3
Mar-04	13,559	11,064	55.1
Mar-05	10,823	12,710	46.0
Mar-06	11,657	12,926	47.4
Mar-07	11,621	11,725	49.8
Mar-08	11,653	11,971	49.3
Mar-09	15,996	14,755	52.0
Mar-10	25,019	14,148	63.9
Mar-11	23,896	18,818	55.9
Mar-12	20,892	21,850	48.9
Mar-13	32,218	24,882	56.4

* Terminal Reduction: Reduction due to write-offs + actual recoveries only

Annex 5

Bank Group-wise share in Gross Advances

	All Banks	PSBs		OPBs		NPBs		FBs	
	Gross Adv (₹ crore)	Gross Adv (₹ crore)	% to Gross Advances (2/1)	Gross Adv (₹ crore)	% to Gross Advances (4/1)	Gross Adv (₹ crore)	% to Gross Advances (6/1)	Gross Adv (₹ crore)	% to Gross Advances (8/1)
	1	2	3	4	5	6	7	8	9
Mar-02	680,925	509,368	74.8	41,738	6.1	79,201	11.6	50,618	7.4
Mar-03	780,492	577,813	74.0	48,611	6.2	99,887	12.8	54,182	6.9
Mar-04	902,026	661,975	73.4	57,908	6.4	119,511	13.3	62,632	6.9
Mar-05	1,188,674	885,659	74.5	70,412	5.9	155,577	13.1	77,026	6.5
Mar-06	1,550,826	1,134,173	73.1	85,154	5.5	232,536	15.0	98,964	6.4
Mar-07	2,013,357	1,465,341	72.8	94,872	4.7	325,273	16.2	127,871	6.4
Mar-08	2,508,239	1,819,428	72.5	113,404	4.5	412,441	16.4	162,966	6.5
Mar-09	3,038,025	2,283,265	75.2	130,334	4.3	454,713	15.0	169,713	5.6
Mar-10	3,545,534	2,733,993	77.1	156,392	4.4	487,713	13.8	167,437	4.7
Mar-11	4,358,191	3,347,093	76.8	187,296	4.3	624,484	14.3	199,318	4.6
Mar-12	5,159,649	3,943,503	76.4	232,918	4.5	748,500	14.5	234,727	4.6
Mar-13	5,989,182	4,561,072	76.2	273,120	4.6	886,023	14.8	268,967	4.5

Annex 5 *(Contd.)*

Bank Group-wise share in GNPAs

	All Banks	PSBs		OPBs		NPBs		FBs	
	GNPA (₹ crore)	GNPA (₹ crore)	% to Total GNPAs (2/1)	GNPA (₹ crore)	% to Total GNPAs (4/1)	GNPA (₹ crore)	% to Total GNPAs (6/1)	GNPA (₹ crore)	% to Total GNPAs (8/1)
	1	2	3	4	5	6	7	8	9
Mar-02	70,954	56,507	79.6	4,635	6.5	7,032	9.9	2,780	3.9
Mar-03	68,781	54,089	75.4	4,308	6.2	7,490	14.2	2,894	4.2
Mar-04	64,897	51,541	79.4	4,392	6.8	5,951	9.2	3,013	4.6
Mar-05	58,709	47,622	81.1	4,201	7.2	4,566	7.8	2,321	4.0
Mar-06	51,199	41,371	80.8	3,740	7.3	4,032	7.9	2,057	4.0
Mar-07	50,513	38,855	76.6	2,969	5.9	6,271	12.5	2,419	4.9
Mar-08	56,522	40,457	71.1	2,557	4.6	10,428	18.7	3,080	5.6
Mar-09	69,293	45,028	64.5	3,072	4.5	13,900	20.3	7,293	10.7
Mar-10	84,661	59,927	70.8	3,622	4.3	13,985	16.5	7,126	8.4
Mar-11	97,920	74,668	76.3	3,695	3.8	14,495	14.8	5,061	5.2
Mar-12	142,054	117,269	82.6	4,200	3.0	14,297	10.1	6,288	4.4
Mar-13	193,200	164,468	84.8	5,210	2.8	15,552	8.0	7,970	4.3

Bank Group-wise share in Restructured Standard Assets (RSA)

	All Banks	PSBs		OPBs		NPBs		FBs	
	RSA (₹ crore)	RSA (₹ crore)	% to Total RSA (2/1)	RSA (₹ crore)	% to Total RSA (4/1)	RSA (₹ crore)	% to Total RSA (6/1)	RSA (₹ crore)	% to Total RSA (8/1)
	1	2	3	4	5	6	7	8	9
Mar-02	9,820	4,212	42.9	765	7.8	4,839	49.3	4	0.1
Mar-03	18,226	7,363	40.4	1,296	7.1	9,488	52.1	79	0.4
Mar-04	17,774	9,276	52.2	1,405	7.9	6,953	39.1	140	0.8
Mar-05	25,304	18,111	71.6	1,123	4.4	6,025	23.8	45	0.2
Mar-06	17,872	11,893	66.5	660	3.7	5,219	29.2	100	0.6
Mar-07	20,090	14,658	73.0	716	3.6	4,697	23.4	19	0.1
Mar-08	26,642	19,739	74.1	1,358	5.1	5,528	20.8	18	0.1
Mar-09	75,199	62,351	82.9	4,219	5.6	7,427	9.9	1,203	1.6
Mar-10	139,488	126,224	90.5	5,548	4.0	6,941	5.0	773	0.6
Mar-11	139,168	129,810	93.3	5,439	3.9	3,465	2.5	454	0.3
Mar-12	218,963	203,637	93.0	8,253	3.8	6,837	3.1	236	0.1
Mar-13	313,003	292,410	93.4	10,917	3.5	9,258	3.0	418	0.1

Annex 6
Status of Impaired Assets

(per cent)

		Mar-09	Mar-10	Mar-11	Mar-12	Mar-13
All Banks	GNPA	2.5	2.5	2.4	2.9	3.4
	Rest Std Advs/Total Gross Advs	3.2	4.3	3.5	4.7	5.8
	(GNPAs + Rest Std Adv+Cum W/O)/(Gross Advs + Cum W/O)	7.7	9.2	8.1	9.8	11.6
	(GNPAs + Rest Std Adv)/Gross Adv	5.7	6.8	5.8	7.6	9.2
PSBs	GNPA	2.1	2.3	2.3	3.2	3.8
	Rest Std Advs/Total Gross Advs	3.6	5.1	4.2	5.7	7.2
	(GNPAs + Rest Std Adv+Cum W/O)/(Gross Advs + Cum W/O)	8.0	9.5	8.7	11.0	13.4
	(GNPAs + Rest Std Adv)/Gross Adv	5.7	7.4	6.6	8.9	11.0
OPBs	GNPA	2.4	2.2	2.0	1.8	1.9
	Rest Std Advs/Total Gross Advs	3.3	3.7	2.9	3.5	4.0
	(GNPAs + Rest Std Adv+Cum W/O)/(Gross Advs + Cum W/O)	6.9	7.3	6.1	6.4	6.8
	(GNPAs + Rest Std Adv)/Gross Adv	5.6	5.9	4.9	5.3	5.9
NPBs	GNPA	3.6	3.2	2.6	2.2	1.9
	Rest Std Advs/Total Gross Advs	1.9	1.6	0.6	1.1	1.2
	(GNPAs + Rest Std Adv+Cum W/O)/(Gross Advs + Cum W/O)	6.6	7.3	5.5	5.4	5.4
	(GNPAs + Rest Std Adv)/Gross Adv	5.5	4.8	3.3	3.2	3.1
FBs	GNPA	4.3	4.3	2.5	2.7	3.0
	Rest Std Advs/Total Gross Advs	0.7	0.5	0.2	0.1	0.2
	(GNPAs + Rest Std Adv+ Cum W/O)/(Gross Advs + Cum W/O)	7.0	9.6	7.3	6.7	6.4
	(GNPAs + Rest Std Adv)/Gross Adv	5.0	4.7	2.8	2.8	3.1

Annex 7
Segment wise Impaired Asset Ratio[3]

(per cent)

Agriculture	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Industries	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13
All Banks	5.4	5.7	6.6	7.6	8.2	All Banks	10.2	11.8	10.0	12.5	16.0
PSBs	6.0	6.3	7.3	8.6	9.2	PSBs	11.0	12.9	11.3	14.3	18.4
OPBs	3.6	3.2	3.5	4.0	4.2	OPBs	10.5	12.2	9.5	10.9	12.4
NPBs	2.7	3.3	3.2	2.6	2.6	NPBs	8.6	7.3	4.1	5.0	5.9
FBs	0.8	0.0	0.1	0.0	0.0	FBs	3.3	3.6	2.8	3.5	4.1
Services	**Mar-09**	**Mar-10**	**Mar-11**	**Mar-12**	**Mar-13**	**Retail**	**Mar-09**	**Mar-10**	**Mar-11**	**Mar-12**	**Mar-13**
All Banks	4.6	5.6	5.1	8.1	10.0	All Banks	7.0	8.2	6.9	6.3	5.5
PSBs	5.0	6.2	5.9	9.6	11.9	PSBs	5.7	5.3	4.5	4.6	4.1
OPBs	5.5	6.1	5.4	6.1	6.6	OPBs	3.6	3.9	3.0	2.2	1.9
NPBs	3.6	3.4	2.3	3.0	3.1	NPBs	8.0	11.5	10.5	9.1	7.7
FBs	2.7	2.8	2.5	3.0	3.0	FBs	13.0	23.7	22.4	19.3	16.7

Others	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13
All Banks	8.2	12.9	13.0	12.6	9.2
PSBs	8.1	14.0	14.7	14.8	11.8
OPBs	7.9	6.9	6.2	5.7	3.4
NPBs	9.1	4.8	3.6	3.0	3.3
FBs	22.4	14.9	8.8	3.5	2.6

[3] (GNPAs + Rest Std Adv+Cum W/O)/(Gross Advs + Cum W/O)

Annex 8
Segment-wise share in Restructured Standard Assets

(per cent)

	2009	2010	2011	2012	2013
Agriculture	4.5	4.4	4.9	3.6	2.9
Industries	66.6	67.4	66.8	68.8	78.0
of which: Micro	2.0	1.3	1.1	0.9	0.6
Small	5.6	4.6	4.7	2.2	1.7
Medium	9.0	6.2	6.8	4.0	3.6
Large	49.9	55.4	54.2	61.7	72.1
Services	9.4	10.0	11.9	18.5	16.5
of which: Micro	0.8	0.6	0.5	0.5	0.4
Small	2.1	1.2	1.4	0.8	0.7
Medium	1.9	1.2	1.5	0.9	1.6
Large	5.2	7.0	8.6	16.4	13.7
Retail	6.2	3.4	3.0	1.7	0.9
Others	13.3	14.9	13.4	7.4	1.7

Note: Figures are for domestic operations unless otherwise stated.

Credit Scoring: An Effective Way to Ensure Availability of Timely and Adequate Credit to Micro and Small Enterprises (MSEs) *

K. C. Chakrabarty

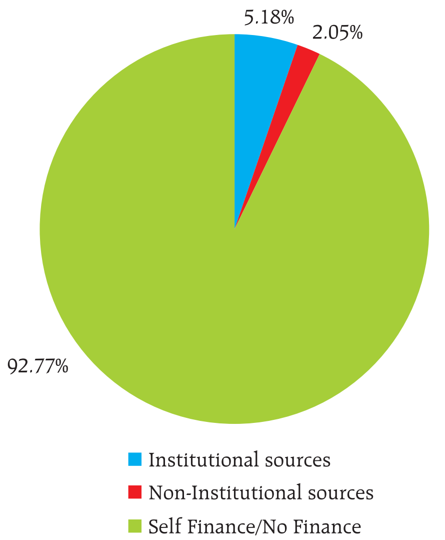
Ms. Jennifer Isern, Manager, South Asia Advisory Services, International Finance Corporation (IFC); Shri S. K. Dubey, CMD, Canara Bank; Shri H. S. U. Kamath, CMD, Vijaya Bank; Smt. Archana Bhargava, CMD, United Bank of India; Shri Ashwini Kumar, CMD, Dena Bank; Shri S. R. Bansal, CMD, Corporation Bank; Shri Sushil Muhnot, CMD, Bank of Maharashtra; Dr. Deepali Pant Joshi, Executive Director, Reserve Bank of India; Executive Directors and other senior officials from various commercial banks; Mr. Suresh Sankaran, Mr. Neil Ramsden and Mr. Cameron Evans, the resource persons from IFC; colleagues from Reserve Bank of India; ladies and gentleman! It is, indeed, a pleasure for me to be amidst you this morning to deliver a keynote address on a very topical issue of ensuring availability of timely and adequate credit to Micro and Small Enterprises (MSEs). It is a subject that is very close to my heart and hence, I am extremely happy to flag off this workshop on credit scoring models which is fundamentally aimed at capacity building in the banking sector by imparting practical know-how to people who are expected to use it in their day-to-day operations.

2. As you are all aware, fostering a dynamic Micro, Small and Medium Enterprise (MSME) sector for sustenance of economic development is a priority for the policy makers, in both developed and emerging economies. In India too, MSME sector plays a pivotal role in generating employment, increasing cross-border trade and fostering the spirit of entrepreneurship. The sector contributes to economic development in a variety of ways such as creating employment opportunities for rural and urban population, providing goods and services at affordable costs by employing innovative solutions and supporting the export initiatives of the country. In fact, it is increasingly being recognised by the policy makers that if India has to regain its high growth trajectory, it needs a vibrant MSME sector. However, it is deplorable that despite recognising a widespread need for supporting the sector, the progress on the ground is extremely lackluster and the extent of financial exclusion in the sector is very high. Part of this reluctance of the formal financial sector to reach out especially to the MSEs arises from their own inability to assess the potential of companies in this sector. It is in this context that credit scoring models can prove to be a valuable tool in better understanding and appraising the sector. As you might have discerned from the schedule, the purpose of today's training workshop is to drive home the advantages of credit scoring model in decision making for lending to the SME sector and the bevy of experienced practitioners from IFC would hold technical sessions through the day to help you understand the nuances of the process. In my address today, I intend to highlight the problems faced by the sector insofar as accessing institutional finance is concerned, give an overview of the credit scoring model and attempt to dispel some common misunderstandings surrounding credit rating and credit scoring models.

3. The statistics compiled in the Fourth Census of MSME sector revealed that only 5.18 per cent of the units (both registered and unregistered) had availed of finance through institutional sources, 2.05 per cent had finance from non-institutional sources and the

* Keynote address delivered by Dr. K. C. Chakrabarty, Deputy Governor, Reserve Bank of India during the Training Workshop on Credit Scoring Model with support from IFC for MSE Lending in Mumbai on November 29, 2013. Assistance provided by Ms. Lily Vadera is gratefully acknowledged.

Chart 1: Financial Exclusion in MSME Sector



Source: Highlights of 4th Census on MSMEs

majority of units *i.e.,* 92.77 per cent had no finance or depended on self finance (Chart 1).

A. Constraints in access to finance by Micro and Small Enterprises

4. As I mentioned earlier, the sector has been facing constraints in accessing finance from the banking sector. This has also partly to do with inadequate penetration of banking facilities in the remote unbanked/under banked areas that the RBI is encouraging banks to bridge through structured Financial Inclusion Plans. Another issue which is a constraining factor is the pricing of credit. In our view, the credit pricing for the MSE sector is not very transparent and also not very affordable. A sample study of the median interest rates charged to borrowers by select major banks as on March 31, 2013 worked out to 13 per cent.

B. Lack of alternate source of finance

5. The ability of MSMEs (especially those involving innovations and new technologies) to access alternate sources of capital like equity finance, angel funds/risk capital is extremely limited. At present, there is almost negligible flow of equity capital into this sector, which poses serious challenge to development of knowledge-based industries, particularly those that are promoted by first-generation entrepreneurs with the requisite expertise and knowledge. Venture/risk capital is, therefore, often a more appropriate financing instrument for high-growth-potential and start-up SMEs. However, access to this type of financing is often not available to them. In the absence of alternate sources of finance, the SMEs' reliance on debt finance is very high. The availability of debt finance, however, is not adequate as viability of these small units is a major issue. Besides, the high reliance on debt, combined with high cost of credit adversely impacts the financial viability of start-ups, particularly in the initial years, thereby threatening their long-term survival and sustainability.

C. Constraints of banks in lending to the sector

6. One of the major challenges faced by the MSMEs and more particularly, the micro and small enterprises, is access to timely and adequate credit from the banking sector. The lenders are reluctant to service the MSEs for a number of reasons, the foremost of which emanates from a general perception amongst banks that the credit risk in lending to small and medium borrowers is very high. This, in itself, is a wrong notion that I have been trying to dispel through my presentations supported by hard data. While the headline numbers of non-performing assets (Gross and Net NPAs) are higher in this segment, if one reckons the extent of restructuring and write-offs that are resorted to in the medium and large borrower segments, the credit risk would appear to be much lower in the MSE sector. A comparative table indicating the extent of NPAs, restructuring and cumulative write-offs in micro and small *vis-à-vis* medium and large segments during the last five years is given

below:

Table 1: Impaired Assets Ratio

(Per cent)

Segment	Mar-2009	Mar-2010	Mar-2011	Mar-2012	Mar-2013
Micro+ Small	10.7	10.6	9.4	9.7	10.6
Medium+ Large	7.8	9.4	8.0	11.2	14.8

Impaired Assets ratio = (GNPA + Restructured Standard Advances + Cumulative write off) to (Total Advances + Cumulative write-off)

Table 2: Restructuring in MSE Segment

(Per cent)

		Mar-2009	Mar-2010	Mar-2011	Mar-2012	Mar-2013
Micro + Small	Gross NPA Ratio	3.63	4.29	3.96	4.44	5.19
	Rest Std Advs/Total Gross Advs	2.99	2.67	2.05	1.69	1.68
Medium + Large	Gross NPA Ratio	1.36	1.60	1.37	2.22	3.25
	Rest Std Advs/Total Gross Advs	4.80	6.39	5.04	7.52	9.80

The data clearly highlights the fact that in the recent scenario of rising impairment of assets in the banking sector, it is the MSEs that have demonstrated better credit discipline resulting in lower impairment.

7. The other reasons why MSEs are regarded as high-risk is on account of insufficient assets and low capitalisation, vulnerability to market fluctuations and high mortality rates. Information opacity arising from MSEs' lack of accounting records, inadequate financial statements or business plans also makes it difficult for potential creditors to assess the creditworthiness of MSE applicants. Besides, high administrative/transaction cost of lending small amounts also queers the pitch for banks insofar as MSE financing is concerned. Notwithstanding the merits of the reasons mentioned above, I would say that a major constraint in the banks' lending stems from the fact that the existing system of banks' credit appraisal and related processes are not geared to appraise the financial requirements of MSE sector.

8. Nonetheless, over the years, there has been a significant increase in credit extended to this sector by the banks. As at the end of March 2013, the total outstanding credit provided by all Scheduled Commercial Banks (SCBs) to the MSE sector stood at ₹6,847 billion as against ₹5,276 billion in March 2012, registering an increase of 29.77 per cent. Despite the increase in financing to the sector there is still a considerable credit gap which needs to be bridged. In terms of the Report of the Private Sector Investment for MSME Sub Group under Working Group for the 12th Five Year Plan (2012-2017) the credit gap as a percentage to total demand is estimated at 56 per cent in 2013-14 for the MSME sector as may be seen from the table below:

Table 3: Estimated Outstanding Credit Demand and Supply of MSMEs

(₹ crore)

Year	Total Demand	Total Supply	Credit Gap in absolute terms	Credit gap as per cent of total demand
2010-11	20,92,500	7,37,161	13,55,339	65
2011-12	23,08,384	8,74,482	14,33,902	62
2012-13	25,41,574	10,38,948	15,02,626	59
2013-14	28,03,628	12,37,539	15,66,089	56
2014-15	30,89,863	14,77,928	16,11,935	52
2015-16	34,05,845	17,69,659	16,36,186	48
2016-17	37,57,755	21,24,644	16,33,111	43

Source: Report of the Private Sector Investment for MSME Sub Group under Working Group for the 12th Five Year Plan (2012-2017).

9. In the absence of alternate source of funding for the sector, the role of banks is very crucial in bridging this funding gap. In this context, it is important for the banks to look beyond their existing customer base and the large corporates and to reach out to the vast number of micro and small enterprises which are presently deprived of bank credit. Alongside extending the reach of their banking services, there would be a need to improve and customise the products offered, fine tune the pricing aspects and enhance the quality

and efficiency of services. For this, banks need to have a proper business plan and delivery model that would harness the benefits of technology. This would help in planning product delivery and building lasting customer relationships which will translate into higher revenues. The costs of banking transactions need to be dramatically reduced just as in so many other fields such as telecom, after the advent of technology.

D. Need for alternate appraisal techniques

10. Having appreciated the criticality of the sector in terms of its contribution to employment generation, manufacturing and exports, it is important for us to ensure that lending to the sector is appropriately stepped up. Here, we need to appreciate that the credit process in case of micro and small entrepreneurs cannot be identical to that of large corporations, where the borrower is able to provide detailed information about business plans and the firm's financial statements and the lender carefully reviews the data using analytics that are time-consuming and expensive. In view of the relatively small size of the loan, banks do not find it worthwhile to conduct an elaborate appraisal of SME credit proposals both in terms of value and profit. Therefore, in order that the banks can quickly conduct appraisal of SME loan proposals without expending too much resources, it would be imperative to ensure the efficiency of the appraisal process. An important dimension to efficiency in the context of lending decisions is the speed with which any individual lending decision is taken. Efficiency is improved by better evaluation of future payment performance so that the lender is able to choose whom to accept and whom not to accept.

11. Financial institutions in the developed countries use a number of different lending techniques to address this challenge and provide funding to small firms. The banks in these countries use a version of a computerised loan-evaluation system, referred to as **credit scoring** to assess would-be borrowers. The credit scoring approach, which is based on use of computer technology and mass production methods, was originally designed to handle consumer loans, but are now being used effectively for lending to small businesses by predicting their potential loan delinquency. Credit scoring offers a modern alternative for the traditional method of evaluating loans for small businesses where loans were approved on the basis of the banker's qualitative judgment and the financial condition carried significant weight in the appraisal process.

12. With a view to expediting the flow of credit to the MSE firms, the RBI, as a proactive measure, issued guidelines in May 2009, advising banks to start using scoring models for making lending decisions in case of all advances up to ₹2 crore. However, despite, our instructions having been issued nearly five years back, we find that use of credit scoring model in the real sense has not really taken-off in India. Our assessment is that perhaps the lack of conceptual clarity on the subject could be one of the reasons for banks' reluctance in using the credit scoring model for making MSE lending decisions. In fact, very often credit scoring is misunderstood or confused with credit rating. In the next segment of my talk today, I would, therefore, attempt to answer three questions *viz.,* What is credit scoring? How it works? And what are its benefits?

E. What is Credit Scoring?

13. Credit scoring is a statistical technique that combines several financial characteristics to form a single score for assessing a borrower's credit worthiness. The score does not predict a company's *ability* to pay, but rather its *willingness* to pay in a timely fashion.[1] The probabilities of

[1] Credit Scoring and the Small Business: A Review and the Need for Research (Longenecker, Carlos W. Moore & J. William Petty).

delinquency, as estimated by the model, are based on the analysis of previous applicants with similar characteristics. Credit scorecards are 'tools used to predict the behavior of new applicants based on the performance of previous applicants' (U. S. Comptroller of the Currency, 1998). Scorecards can also be used to predict the performance of existing accounts, based on past experience of accounts with similar characteristics.

14. Credit scoring is a model applied by banks in their assessment and approval or decline of the loan requests by SMEs. As there is a strong link between the payment behavior of the business owner and that of the business, SME credit scores usually include financial characteristics from both the business and the business owner. Credit scoring is based upon information like how the repayment of the previous loans has gone, what is the current income level of the enterprise, what are the outstanding debts, if any? It focuses on the credit history of the enterprise. As part of the process, the lenders see whether the enterprise/business owner has the reliability and honesty to repay the loan. It also examines how the enterprise has used credit before, its record for repayment of bills, including utility bills, how long the enterprise has been in existence, assets possessed by the enterprise and sustainability and viability of the activities that the unit is engaged in. Credit scoring model draws inputs from historical information on the performance of loans with similar characteristics.

Background of Credit Scoring

15. Credit scores have been widely used for many years in consumer credit markets *e.g.*, mortgages, credit cards, and auto loans. The model has facilitated lending procedures leading to availability of low cost credits and faster decision making yielding significant growth in consumer credit availability. Owing to the similarities of the small business in terms of being individual centric, the principles utilised for making lending decisions to individual borrowers under the credit scoring model were extrapolated to meet the credit requirements of small businesses. In the mid-1990s, Fair Isaac and Company introduced one of the first credit scoring models developed exclusively for SMEs, the Small Business Scoring Service (SBSS). Since then, many SME banks in the U. S. as well as in Canada, the U. K. and Japan, have implemented some type of credit scoring for SME borrowers.

Difference between credit scoring and credit rating

16. Quite often, I have seen bankers talking about credit scoring and credit rating in the same breath. Therefore, before I move any further, let me attempt to clarify the difference between credit scoring and credit rating. I would like to emphasise that these are two entirely distinct concepts and to be employed in distinctly different scenarios. So what are these differences? Credit scoring is a statistical technique that combines several pre-determined characteristics to form a single score to assess a borrower's credit worthiness. The score allocated to any application is the sum of the appropriate weights given by the values that the included characteristics take for that application.

Any two identical applications will always receive the same score. Credit rating, on the other hand, is based more on the experience and judgment of the credit officer and uses financial indicators as key. The objective of scoring is to replicate manual analysis and approval of loans at a lower cost, with greater speed, while the use of credit rating is reliant on manual analysis by credit officers to supplement the rating provided by the tool.

17. To put it simply, credit scoring uses a retail lending approach to credit screening/decision making and is recommended for smaller ticket size loans, where adequate reliable financial data about the

borrower is not available. Credit Rating, on the other hand, is a more appropriate tool for larger, mid-segment or corporate loans which have relevant financial data/business plans that provide the basis for further credit analysis and information. Again, credit scoring is usually a 100 per cent automated mechanism for screening loan applicants on the basis of a pre-defined set of parameters while credit rating is a more subjective and manual method for determining a borrower's ability to repay, based on a pre-determined set of criteria. Further, credit scoring enables clear decision matrix like immediate approvals, declines or gray area loans, which can be reviewed in greater depth. Declined loans are 'knocked out' quickly while strong proposals get quick approval. Additional assessment, if any, would only need to be made in respect of gray area loans or proposals which are neither an unqualified 'yes' or an unqualified 'no'. On the contrary, credit rating requires a similar level of credit analysis for all loan applications and is more comprehensive in nature, hence increasing the transaction cost per loan.

F. How Scoring Model works?

18. The objective of a scoring model is to use a relevant and representative sample to measure loan performance and then develop characteristics that predict performance. The resulting model is integrated into the decision making process. A scoring model applies different weights to the characteristics used to predict the performance. The weights, or values, measure the influence of that characteristic on the outcome. The weights and the level of influence are determined by statistical analysis. Only those characteristics that exert a 'significant' influence are included in the final model. The score allocated to any application is the sum of the appropriate weights given by the values that the included characteristics take for that application. Under this model, any two identical applications will always receive the same score, unlike in the manual underwriting where the decision could change from one lender to the other or also by the same lender depending on the interpretation on a given day.

G. Benefits of Credit Scoring

19. When used appropriately, credit scoring can benefit multiple stakeholders, including lenders, borrowers, and the overall economy. For the lender, scoring leads to process automation which facilitates process improvements leading to many by-products such as improved management information, control and consistency. It also increases the profitability of SME lending by reducing the time and cost required to approve loans and increasing revenues by expanding lending opportunities as lenders can safely approve marginal applicants that an individual underwriter might reject. International evidence has shown that credit scoring can assist in overcoming the inherent benefit/cost trade-off that banks face when deciding whether or not to invest in obtaining information regarding a potential borrower. A study that was meant to test the credit scoring situation in US estimated that the cost of evaluating micro loan applications in the US using credit scoring was reduced to around US$100 compared to a range of US$500-US$1,800 prior to the introduction of credit scoring. The time saving involved meant that banks could focus more time on marginal applications, existing loans that are showing signs of distress and processing more loan applications. Use of credit scoring has also meant that the marginal benefits of taking and maintaining collateral are not justified for small loans.

20. The Bank of England has also acknowledged that there is some evidence of banks being more willing to lend on an unsecured basis when using credit scoring, which potentially improves the access to bank finance for very small and start-up Small and Medium Enterprises.

21. For the borrower, the benefits from credit scoring include increased access to credit and, in some cases, lower borrowing costs. In its study of SME credit scoring's impact on access to credit, the Federal Reserve Bank (FRB) of Atlanta found that, in general, the use of credit scoring increased the amount of credit banks extended to the Small and Medium Enterprises. It found that banks using scoring were more likely to lend to the Small and Medium Enterprises that lacked sufficient financial information for approval through traditional underwriting methods. Presumably, this is due to the inclusion of the business owner's personal information in the scoring process. The study also found that banks using scoring were more likely to lend in low-income areas, a fact it attributed to greater objectivity in the underwriting process.

H. Conclusion

22. Before, I conclude let me re-emphasise that given the extent of exclusion in the SME sector and the criticality of the sector for the economy, banks urgently need to step-up lending to the sector. For evaluating loan proposals and for facilitating SME financing, banks would need to employ low cost and quick decision making alternatives. The use of credit scoring models can go a long way in facilitating lending decisions by reducing costs and increasing service levels, which can deliver great benefits for both the lenders and MSE borrowers.

23. I do hope that the technical session by IFC resource personnel would help clarify your doubts about the credit scoring model and encourage you to adopt a suitable model which would help accelerate credit flow to this sector. Like all new concepts, there needs to be a buy-in of the concept at the Top Management level and today's conference is an attempt in that regard. I believe by the end of today's conference, you would have ample clarity about the concept and usage of credit scoring model in financing to the SME sector. The purpose of organising the Conference would have been well served if we are able to bring about a change in mindset and willingness of the banks about the way they view SME financing. If banks consider lending to SMEs to be a viable business proposition and show the willingness and determination to expand credit coverage to this sector, then credit scoring models can be employed effectively to achieve this objective in a meaningful way. This promises to be a win-win proposition for all the stakeholders: the small and medium enterprises, the lending financial institutions and the overall economy. I once again thank the IFC resource personnel who have enthusiastically supported our endeavour and wish you all a successful deliberation.

Thank you!

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*Training for Commercial Bankers**

G. Gopalakrishna

Honorable Chancellor Shri Vinay Hegde, Professor Dr. Ramananda Shetty, Dr. Shantaram Shetty, Dr. Thingalaya, Shri S.K. Jain, CMD, Syndicate Bank, Shri S.R. Bansal, CMD, Corporation Bank, Shri Anantha krishna, Chairman, Karnataka Bank, ladies and gentlemen. It gives me immense pleasure to inaugurate the academic block of NITTE Institute of Banking and Finance. It is an opportune time as also the need of the hour to enhance professional skills of bankers since we are poised for a big leap-waiting to enfold new banks, new banking structure, perhaps a lot more innovation in banking procedures and a greater contribution to the whole process by information technology. Here is where institutes like NITTE can help in levelling knowledge and awareness and create a level playing field for bankers in terms of skills and attitude.

My thoughts today are focused on the increasing need to integrate the present with the future. The past is passé though it has taught us many lessons. Gone are the days of conventional banking where things could be predicted with reasonable precision. The changing scenario around us and across the world leads to the conclusion that there is an imminent need to keep abreast of everything under the sun when it comes to banking. This then forms the crux of our interaction today-how can such far reaching changes be brought in the mind-sets of millions of bankers who look at these recent developments with awe, interest, curiosity and also with a determination to surmount the impending challenges. One of the main challenges today is to recruit appropriate work force, train them and also retain them. At the same time, it is imperative that we, as bankers, also do not lose sight of the training needs of those who are with us today, have been with us for a considerable period of time and will continue to extend the same sense of loyalty to the institution that they have served. In order that the banks compete in a healthy manner as also enhance the capabilities of their workforce, the utility of training as an essential tool in today's challenging times cannot be undermined. NITTE and other institutions with similar philosophies have a stellar role to play in this context.

What constitutes training? Is it the enhancement of theoretical knowledge or skills – the KASH philosophy: Typically, any programme that aims to embellish an employee's talent has to necessarily understand the prospective trainee's work profile, his specific talents and skills and the level of expertise he has gained in the work area assigned to him. There is thus a need to embark on a path of upgrading skill-sets, knowledge and attitude, all at the same time. The knowledge component is abundant amongst banks, and employees have always been encouraged to attain professional qualifications in various areas of banking and finance. Skill sets may vary amongst different types of banks, each characterised by its own staff pattern, work culture, basic business ethos and practices, requirements of the job and historic trends in evolution. However, banking today is getting increasingly competitive. With large expansion of branch network and new players, there is definitely going to be a clamour for talent today, banks are at the verge of re-inventing themselves and I must say this process of renaissance is not just borne out of an apparent challenge from more players in the field but one that stems from an overpowering need to innovate. The approach to training thus needs a renewed look, heightened passion and the will to see to it that the pace of training, research and development does not slacken in the wake of seemingly better skill-

* Speech of Shri G. Gopalakrishna, Executive Director, RBI at the Inauguration of Academic Block of NITTE Institute of Banking and Finance, NITTE University, Mangalore on November 9, 2013.

The Speaker acknowledges the contribution made to the speech by Shri R. Kesavan.

sets today. Who knows, today's skill set may seem grossly outdated and ancient tomorrow. Thus, training of employees at all levels can play a significant role in embellishing what has come to be known as "KASH" – Knowledge, attitude, skill and habits.

Does training need analysis or do training needs require prior investigation? There is a subtle and understated difference between both precepts. There are no common methods to target all parameters that we seek to develop in an employee – training to enhance knowledge may not be suitable where the need is of enhancing skills; similarly, attitudes and long term changes in habits can only be brought in by attitudinal training interventions. Training needs cannot be purely slotted as those that require only the knowledge component or skill sets of trainees. There could always be a requirement of a judicious combination of all or various elements in KASH that can deliver the goods. Hence, "training needs analysis" and "training needs also require an analysis". What we are trying to underline here is that

(i) The methodology to be adopted for enhancing knowledge, skill, attitude of employees has to be designed after taking into account the precise levels of expertise, development and knowledge levels of the target group. Thus, what kind of training input is essential for a given set of objectives itself requires a thorough understanding.

(ii) The arrival at a precise training need itself requires an analysis. For instance, a need for training employees on KYC/AML aspects cannot be met with a mere hands-on practice on the software solutions being used by banks for such purposes, but by necessarily supplementing such interventions with a firm background of what is required to be looked into when one seeks to ascertain the KYC status of a customer.

What are the various areas which need incisive insights as far as training intervention in banks are concerned? In today's compelling times, we need to look at several things simultaneously –

- exploring leadership skills (attitude based training);
- transformation management (which seeks to combine the best of knowledge, skills and attitude to cope with increasing demands of competition, diversity in products being launched, innovations being done in the field of banking as also requirements of technological proficiency);
- risk management encompassing enterprise wide risk management strategy (that could be best met by an apt combination of risk management precepts, skills, practices and knowledge components);
- banking innovations themselves (there is a need to remain abreast with other players' foray into new types of services and products with an aim to at least equal those initiatives if not better them); and
- information technology based intervention (that would focus predominantly on skills with a significant knowledge quotient as well to ensure application of skills of employees to operate standard solutions and packages, trouble-shoot, improvise and possibly also innovate).

Can training needs be uniform across institutions? Do occasions and opportunities decide training intervention? Obviously training needs cannot be uniform as each bank has a unique structural make-up of its own with a different set of aspirations. What applies to a public sector bank may not be applicable for a different skill set present, say, in foreign banks and new generation private sector banks. Further, training need is also accentuated by the exact realm that the bank is seeking to explore. PSBs have shortage of skills in credit appraisal and risk management, whereas new private banks and foreign banks have better skills in these areas. Training intervention in banks will thus have to be geared towards orienting, facilitating and encouraging more employees to take up positions in such areas to manage the competitive rush.

Innovation in training and innovation in banking – is there a synergy? Any new product launched by a bank generates either competition or replication and the competitive interests definitely determine that innovation per se be seen as a significant field of study by banks. Banks are attuned more often than not, to meet challenges posed by innovative techniques and products launched by fellow players. Thus, initiatives in this field are more reactionary. There has to be an active build-up of skill-sets backed by appropriate encouragement from top management themselves to see as also foresee "innovation in banking" as a new challenge and goal that should constantly be re-aligned with future requirements of customers. In fact, there is a distinct school of thought that also postulates that perhaps banks and financial institutions need separate departments or verticals focusing on "innovation" alone. Such a process of innovation needs rigorous thought process, research and development as part of framing strategies. Innovators' skills will require constant upgrades in terms of peer practices, product designing, test of acceptability by markets, feedback and innovating/improvising further. Thus innovating itself needs training of skill-sets and knowledge levels. The needs can be met better with increased focus on improvising and innovating training inputs and also synergising them with elements of technology, design, statistics, surveys, mathematical models and inter-personal skills in right proportions.

Exploring the training frontier: who is my client – my own employee or my customer? Banks are invariably driven by objectives of furthering customer-centric interests and in the process, furthering their own interests. Modern methods of reaching out to customers range from door to door banking on one hand to accessing customers through such initiatives as electronic banking, on the other. Thus, the two extremes of the spectrum need to be comprehended adequately, which would involve identification of training needs of own employees as also such agents as banking correspondents who aid the process. In the wake of burgeoning NPAs of banks, a view that has often gained currency is borrower education along with lender education. While the former is relatively easier to achieve as banks themselves have the wherewithal to engage their own employees in adoption of prudent lending practices backed by theoretical and practical education on norms, procedures, precautions and supervisory techniques; borrower education is an innovative form of ensuring that the borrowing clientele is trained to meet the larger needs of the bank. Who can deny the fact that banks would stand to benefit if the borrower is equipped with knowledge on adopting prudent borrowing practices, ensuring adequate collaterals and securities and is sufficiently coached on legal issues that may erupt when repayment obligations are not met. In fact, a case in point is the financial inclusion initiative taken by the RBI and banks. Financial literacy campaigns involve "training of minds" of people (mostly the financially excluded) to the encouraging possibilities in maintaining and operating bank accounts, adoption of saving habits, awareness regarding direct benefit transfers, *etc.* Such endeavours, however, can be successful only if the persons who impart such education are also adequately trained.

Training of trainers is an avowed target under the National Training Policy of the Government of India and has found an echo in various institutions including banks. In the RBI, we have had dedicated programmes aimed at faculty development for equipping trainers with conventional and contemporary training techniques, enhancing communication skills, usage of appropriate training tools and devices befitting the target group. The form and technique of training required for a particular purpose is heavily dependent on the sophistication of clientele targeted. Surely, a technique that may appeal to a highly enlightened class of employees may not find favour with relatively lesser educated section of employees or the common man who is being targeted under various financial inclusion projects. Therein lays the essence of 'training needs analysis' which can be best articulated by the trainer himself. An effective trainer who understands the job and its ambit is the one who can drive and derive results. If the teacher himself is under-taught, there can possibly be no transfer of knowledge and skills further. Institutions like NITTE have a greater responsibility in training the trainers in banks, which can be a significant source of mutual learning as well.

Change management and training initiatives – the process of impact evaluation: Change management is perhaps the biggest challenge that institutions face. While skill upgradation can be met with appropriate coaching, one to one and one-to-many training initiatives, the management of change is fraught with attitudinal risks that are difficult to measure at once. It would be futile to assume that dedicated training programmes alone will help in changing attitudes for the better. There are several demands that banks recognize on their own for embellishing their own systems and skills, while there are also others that are ordained by dictates of regulation and supervision. A case in point is the preparedness of banks for the risk based supervision (RBS) process that was launched in the current supervisory cycle commencing from April 2013. There has been a measured approach behind bringing in roughly 30 banks under the RBS ambit. The reasons are manifold and range from technological preparedness, adequacy of risk management techniques and skills and extent of human resource development in banks. The very fact that a certain segment of the banking sector still remains uncovered is an indication of the fact that those waiting to be brought under the fold have to augment their initiatives to better the skill-sets of their employees by way of an active training intervention in appropriate areas including HRD. Training programmes, necessarily, will have to be followed up by a rigorous exercise of "impact evaluation" involving analysis of employee behavior, perceptible changes in operational and behavioural efficiency, observing emerging business practices a little more closely *etc.* Perhaps, the biggest barrier to training initiatives is resistance to change. The most prominent example in this regard was the initial reluctance that banks in India displayed, when computerisation of work processes was introduced in mid-eighties. The ultimate objective of any training that targets the management of change is the ease with which the change is accepted leading to self-actualization for the employee and tangible benefits for the banks.

Towards self-actualization and feedback generation: In an effort to nudge employees to take the next step towards self-actualization and furthering the business interests of banks, some very important steps needed are (i) establishing a 'connect' with the target employees; (ii) expectation setting and preparing the trainees; (iii) setting context and clarifying goals; (iv) ensuring comfort, boosting morale and confidence; (v) forging bonds between the senior and junior level employees to drive the change and last but not the least; and (vi) performance review. Unless there is an objective analysis of results derived from any training program, there is no effective feedback that can trigger betterment in training processes and/or alteration of the training initiative itself. Thus, training has to be invariably accompanied or rather summarised by a feedback that is reliable, easy to generate, objective and certainly not influenced.

How serious are training initiatives in banks? I have reasons to believe that training initiatives receive the utmost attention and is not looked upon as a functional adjunct that is mandatory in nature. Statistics of training practices and philosophies across a cross section of banks in India support my conclusions. I am glad to note that most institutions do follow a regimen of "training needs analysis", to ascertain the specific training need and addressing that need precisely, taking care to cover as many employees as possible. On an average, 60-65 per cent of the employees are invariably covered every year under some or the other training programme, though there are also banks that post an achievement rate as high as 85-90 per cent. On the other side of the spectrum are a few banks which have been able to train not more than 37-40 per cent of their workforce in a given year.

It is particularly heartening to note that training initiatives are not just confined to officer/executive staff alone but encompass all employees. There does exist an active process of delineating programmes and categorizing them as induction (on-boarding of employees), behavioural, functional and leadership training, which leads one to believe that banks are fully alive to the necessity of a multi-dimensional approach to training. There is a profound emphasis on development of "soft skills" amongst development of other skill sets. Further, a follow-up to class room teaching or coaching by way of "on the job" training has been considered to be the most appropriate form of training by most trainers in banks. The effort to build skills on the job and the ability to apply them to practical situations is seen to be a prime training need.

Agreeably and also predictably, most banks have identified training gaps in the areas of credit management, risk management, agriculture programmes, marketing, and foreign exchange. These areas require an equal measure of knowledge of rules, practices and specialized skills for appraisal on one hand and an awareness of markets on the other. These are also some areas where banks have felt a dire need for training by external experts and institutions. An interesting yet compelling train of thought in banks also has "employee superannuation trends" as its focus with an objective to prepare more leaders in banks to take up challenges in the coming years, especially through such aspects as "mentoring". E-learning portals as means to top up training facilities internally has found wider currency in the training curriculum of banks. Certain interesting concepts in training have also emerged in recent times as revealed by such interesting themes as "selling skills", "alternate delivery channels", "product knowledge", "vertical career progression" and "mentoring", thereby signifying banks' intent to adopt the most modern innovations, thinking, employee aspirations and philosophies in training. It would also not be out of place to suggest at this juncture that training has, over the years, evolved as a specialized and noble profession and has emerged as an interesting career prospect as well.

Training for one and training for all: There is also a school of thought that perceives that training is needed only for the line functionaries in the bank. The maxim is entirely untrue. Corporate governance requires as much training as say operational or technological areas. The demands from higher level employees including Board level executives of banks in terms of accountability, responsiveness and competence calls for the need for appropriate training interventions to keep them up-to-date. The RBI's own guidelines on corporate governance postulate that there should be an adequate intervention for new inductees on the Board. More specifically, in order that independent Directors on Boards perform their roles ably and without interference, it would be extremely necessary to train them on such aspects as their powers, responsibility towards the stakeholders and expectations from them that transform with changing times . We, in the RBI have evolved an active process of interfacing with Nominee Directors on Boards of various banks and engage them in suitable interventions, conferences and seminars to disseminate the latest in regulation, supervision and set out their responsibilities and roles in upholding independent stance in decision-making. My emphasis above has been to drive home the point that training needs are felt across various echelons of banks and financial institutions, as also classes and categories of employees. Training efforts only get reinforced with greater co-ordination amongst like-minded institutions; and maintaining an open channel of communication to understand the precise training needs of banks and financial institutions. It would be even more utilitarian to collaborate on training efforts, which we have been adopting with success in the RBI. I hope that NITTE will bring in more specialisation, greater association with national and international training houses of repute and introduce a wide range of topics to choose from. My best wishes are with the institute to build more bridges between the training and trainee fraternity, bring in more innovation and technology in training methodology and target untapped reservoirs of talent in banks and financial institution.

Thank You.

*Financial Inclusion: Journey So Far and Road Ahead**

Deepali Pant Joshi

1. Mr. Tamal Bandopadhyay Deputy Managing Director, Mr. Sukumar, Editor Mint, distinguished guests ladies and gentlemen at the very outset let me say that I am extremely happy to be here with you this beautiful evening and thank the Editor Mint for having me here, to share with you the RBI perspectives on the Financial Inclusion. I extend warm congratulations to Mint on celebrating a decade of engagement with these issues which concern us all.

2. Dr. Raghuram Rajan, has powerfully enunciated that there is a need for broad based diversified growth lading to rapid reduction in poverty. The Reserve Bank plans its developmental initiatives over the next few quarters on five pillars, one important pillar is of Financial Inclusion *i.e.,* "Expanding access to finance to small and medium enterprises, the unorganised sector, the poor, and remote and underserved areas of the country through technology, new business practices, and new organisational structures; that is, we need financial inclusion."

3. The expectations of poor people from the financial system are principally ease of access, security and safety of deposits, low transaction costs, convenient operating time, minimum paper work, ability to transact easily effect frequent deposits, avail quick and easy access to credit and other products including remittances suitable to their income streams and consumption patterns. The provision of uncomplicated, small, affordable products can help bring low income families into the formal financial sector. Low-income households in the informal or subsistence economy often have to borrow from friends, family or usurious moneylenders. They have little awareness and practically no access to financial services that could protect their financial resources in exigent circumstances such as illness, property damage or death of the primary breadwinner. Taking into account their seasonal inflow of income from agricultural operations, migration from one place to another seasonal and irregular work availability and income, the existing financial system needs to be designed to suit their requirements and to be more responsive to their needs. The mainstream financial institutions like banks have an important role to play in this effort not as a social obligation but as a pure business proposition. The push for financial Inclusion has come from the financial regulator/Government at the level of macro policy the Banks have to translate this to concrete outcomes at ground level to spur financial deepening.

4. Having said this let me now walk you through financial inclusion journey so far and the way forward. "Financial Inclusion" was formally articulated by Dr. Y. V. Reddy, the then Governor, RBI, in the annual Policy Statement of 2005-06, Governor while recognising the concerns in regard to the banking practices that tend to exclude rather than attract vast sections of population, urged banks to review their existing practices to align them with the objective of financial inclusion. The main features of the approach involve 'connecting' people with the banking system and not just credit. Financial exclusion is mainly in two ways one is exclusion from the payments system *i.e.,* not having access to a bank account and the second type of exclusion is from formal credit markets requiring the excluded to approach informal and exploitive markets. Taking a cue from the Rangarajan Committee, which first studied the issue of Financial Inclusion in depth, we have defined Financial Inclusion as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections at an affordable cost from mainstream financial institution. As Dr. Chakrabarty, Deputy Governor, RBI explains only the mainstream financial institutions have the capacity

* Speech delivered by Dr. (Smt.) Deepali Pant Joshi, Executive Director, Reserve Bank of India at the Mint Conclave on Financial Inclusion, Mumbai on November 28, 2013.

to provide full services and meet the SCRIPT by extend in the complete breadth of services Savings, Credit, Remittance, Insurance, Pension, Payments transactions. Mainstream institution *i.e.,* banks must fulfill their core function of intermediating and transferring resources from surplus to deficit units but both deficit and surplus units are those with low incomes, consequently the RBI moved swiftly to enforce multiple policy level changes ranging from provision of new products, relaxation of regulatory guidelines and other supportive measures to achieve sustainable and scalable financial inclusion, to ensure that customers who are linked to the banking system is provided with all the basic financial products that are required to enhance their income generation capacity thus helping them to work their own out of poverty.

Milestones of our journey so far

I. Opening of No-Frills accounts: In November 2005, a new concept of basic banking 'no-frills' account with 'nil' or very low minimum balance was introduced to make such accounts accessible to vast sections of the population. In 2012, the nomenclature was changed to Basic Savings Bank Deposit Accounts (BSBDAs) for all individuals with zero minimum balance and facility of ATM card/debit card, there is no charge on deposits and up to four withdrawals in a month are allowed. To summarise, every person has the right to open a basic account. Banks have been advised to provide small overdrafts in such accounts to meet their emergency credit requirement in hassle free manner.

II. Engaging Business Correspondents: In January 2006, the Reserve Bank permitted banks to engage Business Facilitators (BFs) and Business Correspondents (BCs) as intermediaries for providing financial and banking services. The BC Model allows banks to provide door step delivery of services especially to do 'cash in - cash out' transactions, thus addressing the 'last mile' problem. The list of eligible individuals/ entities who can be engaged as BCs is being widened from time to time, we have adopted a test and learn approach to this process. In September 2010, the RBI has allowed for profit organisations excluding NBFCs to operate as BCs. Banks can now leverage on the penetrative network of mobile companies. Mobile network companies have joined hands with banks to make available banking services to India's unbanked population. The agents of mobile companies work as Customer Service Providers (CSPs) and provide BC services, thus expanding the outreach of banks.

III. Use of Technology: Recognising that technology has the potential to address the issues of outreach and credit delivery in rural and remote areas, in a viable manner, commercial banks were advised to implement CBS so as to enable them to make effective use of ICT, to provide door step banking services through BC Model wherein the accounts can be operated by even illiterate customers by using biometrics, thus, ensuring the security of transactions and enhancing the confidence in the banking system. RRBs, having proximity to rural area , have the inherent strength to scale financial inclusion, have also been roped in by bringing them to CBS platform. A robust payment system is an essential adjunct of financial inclusion, this is an extremely important area.

IV. Relaxation on KYC norms: One of the major constraints faced by the common people all along in getting linked to the formal banking system were the strict Know Your Customer (KYC) norms prescribed all these years. KYC requirements for opening bank accounts were relaxed for small accounts in August 2005, thereby simplifying procedure. To facilitate easy opening of accounts especially for small customers, KYC guidelines have been simplified to such an extent that small accounts can be opened without any documentation by just giving a self certification in the presence of bank officials. Further, in order to leverage upon the initiative of UIDAI, the RBI has allowed 'Aadhaar', the unique identification number being issued to all citizens of India, to be used as one of the eligible document for meeting the KYC requirement for opening a bank account. Recently in September 2013, the RBI has allowed banks to provide e-KYC services based on Aadhaar, thus paving the way for account opening of all the people.

V. Simplified branch authorisation: To address the issue of uneven spread of bank branches, in December 2009, domestic scheduled commercial banks were permitted to freely open branches in Tier 3 to Tier 6 centres with population of less than 50,000 under general permission, subject to reporting. In the second quarter review of Monetary policy, branch authorisation has been relaxed to the extent that banks do not require prior permission to open branches even in Tier I centres, subject to reporting.

VI. Opening of branches in unbanked rural centres: To further step up the opening of branches in rural areas, banks have been mandated to open at least 25 per cent of the branches in unbanked rural centres. To help facilitate in achieving this mandate, banks have been advised to open small intermediary brick and mortar structures between the base branch and the unbanked villages. The idea is to create an eco-system for ensuring efficient delivery of services, efficiency in cash management, redressal of customer grievances and closer supervision of BC operations. To further encourage the banks in pursuing this mandate, banks have been advised to consider front-loading (prioritising) the opening of branches in unbanked rural centres over a three year cycle co-terminus with their FIPs. This is expected to facilitate quicker branch expansion in unbanked rural centres.

VII. Roadmap for providing banking services in unbanked villages with population more than 2000: With financial inclusion gaining increasing recognition as a business opportunity and with all banks geared to increase presence, we adopted a phase-wise approach to provide banking services in all unbanked villages in the country. On completion of the first phase where nearly 74,000 villages with population more than 2,000 were provided with a banking outlet, we are now in the second phase where the remaining unbanked villages, numbering close to 4,90,000, are identified in villages less than 2,000 population and allocated to banks, for opening of banking outlets by March 2016.

VIII. Direct Benefit Transfer: The introduction of direct benefit transfer validating identity through Aadhaar will facilitate delivery of social welfare benefits by direct credit to the bank accounts of beneficiaries. The Government proposes to route all social security payments through the banking network using the Aadhaar based platform. 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 and put in place an effective mechanism to monitor and review the progress in implementation of DBT.

IX. Financial Literacy: Financial Literacy is an important adjunct for promoting financial inclusion. We have adopted an integrated approach, wherein our efforts towards Financial Inclusion and Financial Literacy go hand in hand. Through Financial literacy and education, we disseminate information on the general banking concepts to diverse target groups, including school and college students, women, rural and urban poor, pensioners and senior citizens to enable them to make informed financial decisions. To ensure that the initiatives on the supply side are supported by initiatives on the demand side, we have nearly 800 financial literacy centres set up by banks. In addition to this, we are leveraging the infrastructure created at the state level, comprising of State Level Bankers Committee (SLBC) at the Apex which is ably supported by the Lead District Managers (LDMs) at the District level. We have designed a mass scale Financial Literacy Program with an objective to integrate the financially excluded population having low level of income and low literacy level with the formal financial system. Financial Literacy Centres organise outdoor literacy camps which are spread over a period of three months and delivered in three phases wherein along with creating awareness, accounts are also opened in the literacy camps. The program has been received well on the ground as an integrated approach of financial inclusion through creating awareness and providing access simultaneously.

X. Financial Inclusion Plan of banks: We have encouraged banks to adopt a structured and planned approach to financial inclusion with commitment at the highest levels, through preparation of Board approved Financial Inclusion Plans (FIPs). The first phase of FIPs was implemented over the period 2010-2013. The Reserve Bank has used the FIPs to gauge the performance of banks under their FI initiatives. In this direction we have put in place a structured and comprehensive monitoring mechanism for evaluating banks' performance vis-à-vis their targets. To ensure support of the Top Management of the Bank to the FI process and to ensure accountability of the senior functionaries of the bank, one on one annual review meetings, chaired by the Deputy Governor, are held with CMDs/CEOs of banks. A snapshot of the progress made by banks under the 3 year Financial Inclusion Plan (April 2010-March 2013) for key parameters during the three year period indicates that banking outlets increased to nearly 2,68,000 banking as on March 2013 as against 67,694 banking outlets in villages in March 2010. 7,400 rural branches have been opened during this period of 3 years. Nearly 109 million Basic Savings Bank Deposit Accounts (BSBDAs) have been added taking the total number of BSBDA to 182 million. Share of ICT based accounts have increased substantially – Percentage of ICT accounts to total BSBDAs has increased from 25 per cent in March 2010 to 45 per cent in March 2013. About 4,904 lakh transactions have been carried out in ICT based accounts through BCs during the three year period.

After completion of the first plan period, we realised that there is an Access Usage conundrum a large banking network has been created along with the opening of large number of bank accounts. However, we have realised that simply creating the banking infrastructure and opening banking accounts will not fulfill our objectives of achieving total financial inclusion. To take the process, forward banks have been advised to draw up fresh three year Financial Inclusion Plans for the period 2013-16, to ensure involvement of all the stake holders in the FI efforts and to ensure uniformity in the reporting structure under the Financial Inclusion Plan, banks have are to ensure that the FIPs prepared by them are disaggregated and percolated down upto the branch level. The focus under the new plan is to ensure that the large banking network created is utilised for extending other products *viz.,* credit products, which will help make the business more viable for banks. This would also ensure that the large number of accounts opened see an equally large volume of transactions taking place and people reap the benefits of getting linked to the formal financial institutions.

XI. Robust Institutional Mechanism: Over the years one of our major achievements and strength has been the creation of a robust institutional mechanism which would support the roll out of banking services across the country. The Financial Stability and Development Council (FSDC) which is headed by the Finance Minister. Under the aegis of the FSDC a Sub-Group of FSDC headed by the Governor, RBI and within that a Technical Group, headed by Deputy Governor, Dr. K. C. Chakrabarty, exclusively mandated for financial inclusion and financial literacy. In order to gauge the performance of banks and to continuously review the various models adopted under FI, the RBI has constituted a Financial Inclusion Advisory Committee (FIAC), headed by a Deputy Governor, Dr. K.C. Chakrabarty.

XII. Road Ahead Extending the frontiers of the formal financial system: For growth to be truly inclusive requires broadening and deepening the reach of banking. A wider distribution and access of financial services helps both consumers and producers increase welfare and productivity. Such access is especially powerful for the poor as it provides them opportunities to build savings, make investments, avail credit and more important, insure themselves against income shocks and emergencies. As the real economy is dynamic, it is imperative that the banking system is flexible and competitive to cope with multiple objectives and demands made on it by various constituents of the economy. To address the issues of urban poverty we have brought the metropolitan urban areas like Mumbai under the planning and review mechanism of the lead bank scheme.

Now to outline the way forward for meeting our possible dream of Financial Inclusion:

5. **NEW BANK LICENSES:** To ensure that the banking system grows in size and sophistication to meet the needs of a modern economy and for improving access to banking services, we are in the process of evaluation of new bank license applications. They are expected to go beyond simply beefing up infrastructure like handheld devices, smart cards, better vendors and service providers, *etc.,* necessary to scale up the FI activities. These new banks are expected to bring new technology innovative models bring in new business and delivery models which would speed up the roll out of financial services to remote areas.Financial inclusion will work on the ACTA model Accounts, Cash in-Cash Out, transactions and adjacencies which will help to build a revenue stream.

6. **BUSINESS and Delivery Model:** There are many challenges being faced while implementing financial inclusion. Of 2,68,000 banking outlets nearly 2,21,000 are BC *i.e.,* nearly 82 per cent percent. Sustainability and scalability of the BC model is essential. More and more innovative products will have to be introduced which would benefit both banks as well as the rural people and at the same time make the BC model more viable. Review of the cash management practices for delivery of banking services through the branchless modes need to be done for ensuring scaling up of the various models.

7. **Usage of banking services:** Using the first phase of our FI initiative, we have successfully opened 74,000 outlets in the rural areas. Going forward our idea is to enable more transactions in these accounts by providing more credit products, which will not only help rural people to avail of credit at comparatively lower rates of interest but at the same time also make the BC model viable for banks. Skills and capacity building of BC is as important.

8. **Financial Education:** We have adopted an integrated approach for financial inclusion wherein the supply side initiatives will be ably supported by initiatives on the demand side. In this direction, banks will have to support financial literacy and awareness drives to make people understand the benefits of linking with the banking system. Including financial education in the school curriculum so as to educate children about the benefits of banks and banking services. Will go a long way in inculcating responsible banking habits at the young age. In this direction, the Technical Group of the FSDC has already come out with a National Strategy on Financial Education.

9. **Collaborative efforts:** Finally, financial inclusion cannot be achieved without the active involvement of all stakeholders like RBI, other financial regulators, banks, Governments, NGOs, civil societies, *etc.* The current policy objective of inclusive growth with financial stability cannot be achieved without ensuring universal financial inclusion. Banks alone will not be able to achieve this unless an entire support system would be partnering with them in this mission. All the stakeholders need to join hands and make it possible. The support of policymakers, regulators, Governments, IT solution providers and public at large would bring a decisive metamorphosis in Indian banking.

10. As stated by our Governor, Dr. Raghuram Rajan, we have to reach everyone, however remote or small, with financial services. Financial inclusion does not just mean credit for productive purposes; it means credit for healthcare emergencies or to pay lumpy school or college fees. It means a safe means of remunerated savings, and an easy way to make

payments and remittances. It means insurance and pensions. It means financial literacy and consumer protection. I should emphasise the need for banks like the ones represented in this room to move beyond simply opening bank accounts to ensuring that poor customers are confident and comfortable enough to use them. Innovation in reaching out to the underserved customer, rather than simply posting higher numbers in branches or bank accounts opened, has to be part of our efforts. We need a frugal, trustworthy, and effective Indian model for financial inclusion. Our measure of success should be the jobs that are created, not by giving government subsidies or protections to labour-intensive industries or sectors but by developing a facilitating, though competitive, environment that will result in the emergence of the best solutions.This I would suggest the way forward for meeting our dream of financial inclusion. Some of the measures are already in pipeline. We are awaiting the forthcoming recommendations of the Dr. Nachiket Mor Committee, the Dr. Sambamurthy committee will also guide us how to expand mobile banking in India through encrypted SMS based funds transfer in any type of handset. So, in sum, while several challenges do present themselves they catty within them the core of opportunities which will spur development impulses and lead to growth with equity. Thank you for a patient hearing.

Chart 1: Population Group-wise Branches of SCBs

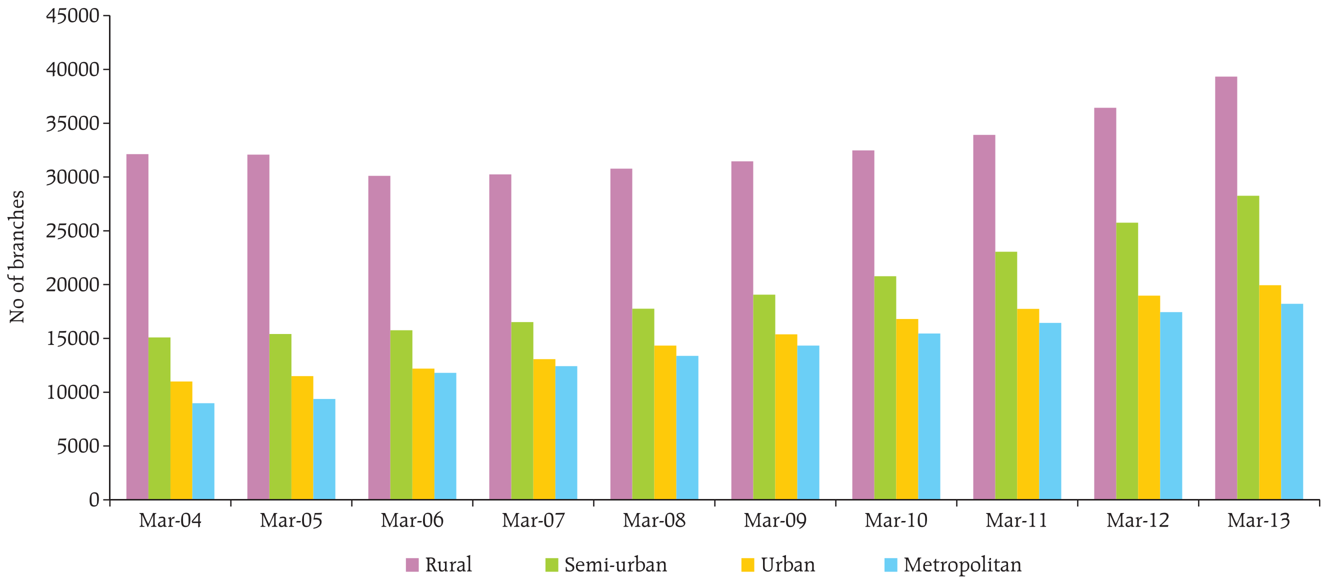
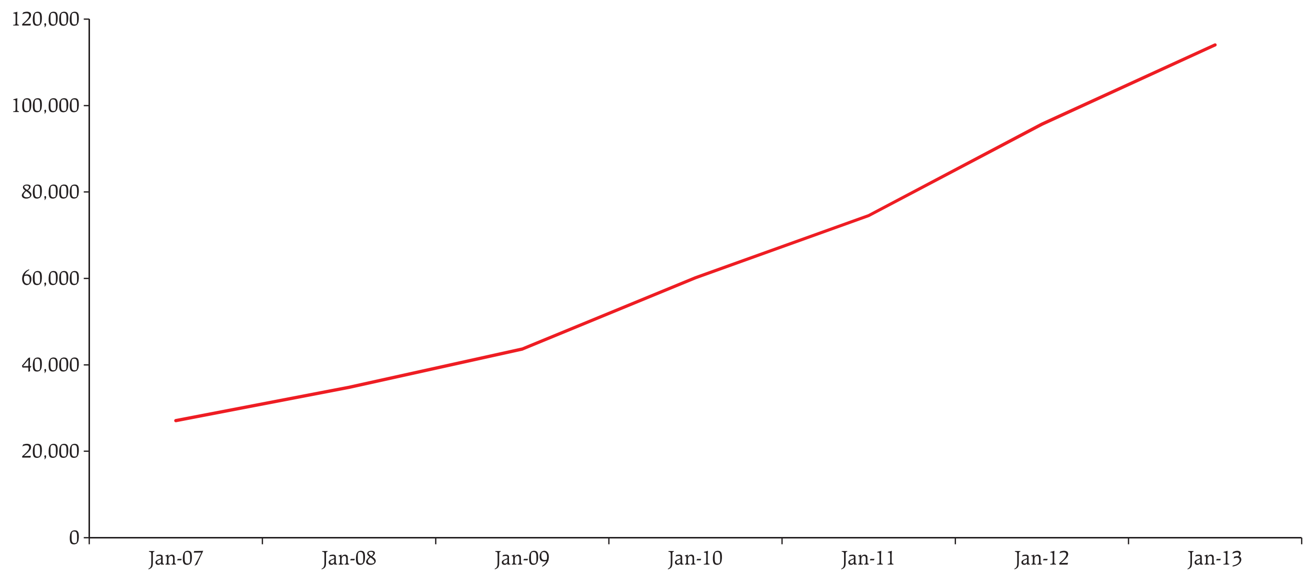


Chart 2: Expansion in No. of ATMs of SCBs



Financial Inclusion Plans – Progress at a glance

Sr. No.	Particulars	Year ended Mar 2010	Year ended Mar 2011	Year ended Mar 2012	Year ended March 2013	Progress April 2010 - March 2013
1	Banking Outlets in Villages - Branches	33,378	34,811	37,471	40,837	7,459
2	Banking Outlets in Villages - BCs	34,174	80,802	141,136	221,341	187,167
3	Banking Outlets in Villages - Other Modes	142	595	3,146	6,276	6,134
4	Banking Outlets in Villages - TOTAL	67,694	116,208	181,753	268,454	200,760
5	Urban Locations covered through BCs	447	3,771	5,891	27,143	26,696
6	Basic Savings Bank Deposit A/c through branches (No. in millions)	60.19	73.13	81.20	100.80	40.61
7	Basic Savings Bank Deposit A/c through branches (Amt. in billions)	44.33	57.89	109.87	164.69	120.36
8	Basic Savings Bank Deposit A/c through BCs (No. in millions)	13.27	31.63	57.30	81.27	68.00
9	Basic Savings Bank Deposit A/c through BCs (Amt. in billions)	10.69	18.23	10.54	18.22	7.53
10	BSBDA Total (in millions)	73.45	104.76	138.50	182.06	108.61
11	BSBDA Total Amt. (in billions)	55.02	76.12	120.41	182.92	127.90
12	OD facility availed in Basic Savings Bank Deposit A/c (No. in millions)	0.18	0.61	2.71	3.95	3.77
13	OD facility availed in Basic Savings Bank Deposit A/c (Amt. in billions)	0.10	0.26	1.08	1.55	1.45
14	KCCs - (No. in millions)	24.31	27.11	30.24	33.79	9.48
15	KCCs - (Amt. in billions)	1,240.07	1,600.05	2,068.39	2,622.98	1,382.91
16	GCCs - (No. in millions)	1.39	1.70	2.11	3.63	2.24
17	GCCs - (Amt. in billions)	35.11	35.07	41.84	76.34	41.23
18	ICT A/Cs-BC- Transaction - No. in millions	26.52	84.16	155.87	250.46	490.49
19	ICT A/Cs-BC- Transactions - Amt. in billions	6.92	58.00	97.09	233.88	388.97

ARTICLES

Flow of Funds Accounts of the Indian Economy:
2010-11 and 2011-12

Survey of Professional Forecasters

Developments in India's Balance of Payments during
First Quarter (April-June) of 2013-14

India's External Debt as at the end of June 2013

South-West Monsoon 2013: A Review
(June 1 to September 30, 2013)

Remittances from Overseas Indians: Modes of Transfer,
Transaction Cost and Time Taken

*Flow of Funds Accounts of the Indian Economy: 2010-11 and 2011-12**

The sectoral and overall saving-investment gaps and the concomitant flow of funds across sectors were influenced by the short-lived pick-up in economic activity in 2009-10 and 2010-11 and the subsequent exchange market volatility and growth slowdown during 2011-12. The increase in aggregate financial claims during 2010-11 was on account of the private corporate business and banking sectors while the reduction in aggregate financial claims in 2011-12 was reflected in the private corporate business and the rest of the world sectors. The financial surplus of the household sector (as a ratio to net national income) declined for the second consecutive year during 2011-12. Loans and advances were the most preferred instruments for financial transactions across sectors, followed by currency and deposits. The finance ratio, the financial inter-relations ratio and the new issues ratio generally moved in tandem with the growth of the real economy.

I. Introduction

This article analyses the Flow of Funds accounts for the two fiscal years, 2010-11 and 2011-12, along with revised/updated data for 2009-10[1].

Over this period, the Indian economy staged a strong yet brief recovery from the downturn witnessed in 2008-09 following the global financial crisis. The revival of growth during 2009-10 and 2010-11 was largely due to coordinated and accommodative fiscal and monetary policy actions. On the other hand, the relapse of economic activity during 2011-12 reflected a host of factors such as deterioration in the domestic investment climate, structural weaknesses in the fiscal accounts, persistently high inflation as well as continued uncertainty and slump in the global macroeconomic environment as the European sovereign debt crisis remained intractable. These developments also impeded a sustained rebound in the domestic equity market that was briefly evident around mid-2010-11. Moreover, while the mutual funds sector recorded net outflow of resources during 2010-11 and 2011-12, the premium income of the life insurance industry decelerated in 2010-11 and, in fact, declined during 2011-12.

Monetary policy was progressively tightened during 2010-11 and the first half of 2011-12 in response to inflationary pressures, but further changes were subsequently put on hold as growth concerns mounted even as inflation softened. Deceleration in exports, spill-over from the fiscal accounts and rising international prices of oil and gold, led to a widening of the current account deficit (CAD) during 2011-12. Exchange markets turned volatile during the second half of 2011-12 on account of global uncertainty, slackening of capital inflows and rising CAD, which prompted foreign currency sales by the Reserve Bank. This accentuated banking system liquidity conditions in the domestic market, constrained, as it were, by build-up of government cash balances, strong growth in currency holdings by households as well as lower growth in bank deposits than that in bank credit to the commercial sector. The Reserve Bank responded with open market operations and a Cash Reserve Ratio (CRR) cut to alleviate liquidity conditions. All these developments were reflected in the changing pattern of flow of funds across the different sectors of the economy.

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

The article is organised as follows. Section II provides an overview of the sectoral (resource) gaps between saving and physical (or real) investment[2]. Section III analyses the trends in the net financial claims issued by the different sectors to finance their resource gaps. Instrument-wise financial flows are discussed in Section IV while select indicators of financial development are covered in Section V. A summary of the findings of the article is set out in Section VI. Detailed Statements relating to FOF have been released separately on the RBI website (www.rbi.org.in). The data on instrument-wise FOF accounts for each of the sectors are presented in Statements 1 to 6. The annual inter-sectoral flows are summarised in Statement 7. Instrument-wise financial flows are summarised for each year separately in Statement 8.

II. Evolution of Sectoral Saving-Investment Gaps

During 2010-11, while the overall resource gap (*i.e.*, the CAD), as a ratio to GDP, remained unchanged *vis-a-vis* the previous year, sectoral resource gaps showed contrasting changes (Table 1). The resource gap of the private corporate sector increased in 2010-11 largely led by the resurgence of private investment activity. On the other hand, the resource gap of the public sector was substantially brought down by the one-off improvement in public sector saving mainly on account of substantial revenues generated from 3G/ Broadband Wireless Access (BWA) spectrum auctions. At the same time, the financial surplus of the household sector declined mainly because saving under life funds came off the peak attained in the previous year. Taking into account the increase in

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

	2003-04 to 2007-08 (Average)	2008-09	2009-10	2010-11	2011-12
1. Private Corporate Sector					
(i) Net Savings	4.4	3.8	4.7	4.3	3.6
(ii) Net Investment	10.3	7.6	8.5	9.8	7.0
(iii) Resource Gap (i-ii)	**-5.9**	**-3.9**	**-3.8**	**-5.4**	**-3.4**
2. Public Sector					
(i) Net Savings	-0.3	-1.9	-2.8	-0.1	-1.3
(ii) Net Investment	5.1	6.6	6.2	5.7	5.3
(iii) Resource Gap (i-ii)	**-5.5**	**-8.5**	**-9.0**	**-5.8**	**-6.6**
3. Household Sector					
(i) Net Savings	22.0	20.1	21.6	20.0	18.8
(ii) Net Investment	9.6	10.0	9.6	9.6	10.8
(iii) Surplus (i-ii)	**12.4**	**10.1**	**12.0**	**10.4**	**8.0**
4. Total					
(i) Net Savings	**26.1**	**22.0**	**23.5**	**24.2**	**21.0**
(ii) Net Investment	**25.0**	**24.2**	**24.3**	**25.1**	**23.0**
(iii) Resource Gap (i-ii)	**1.1**	**-2.2**	**-0.8**	**-0.9**	**-1.9**
5. Valuables	1.2	1.3	1.8	2.1	2.7
6. Errors and Omissions	0.3	-1.2	0.2	-0.1	-0.4
7. Adjusted Resource Gap [4(iii)-5-6]	**-0.4**	**-2.3**	**-2.8**	**-2.8**	**-4.2**

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

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

Source: Central Statistics Office.

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

valuables and 'errors and omissions', the overall resource gap remained the same as that in the previous year but much higher than that during the high growth phase (2003-04 to 2007-08).

In 2011-12, as investment by the private corporate sector dried up, the resource gap of that sector declined, even as private sector profitability (and hence saving) came under pressure. In contrast, the resource gap of the public sector widened in the absence of sustained fiscal correction, even as the public sector investment rate declined. Household financial surplus declined further, impacted by slackening economic activity and persistently high inflation on the one hand, and the increase in physical investment, on the other. Additionally, investment in valuables, largely gold, increased further during the year. On the whole, therefore, the CAD increased sharply during 2011-12.

III. Sectoral Trends in Flow of Funds[3]

In tandem with the revival of the growth process, aggregate funds raised by all the sectors (*i.e.,* their total financial claims) as a ratio to Net National Income (NNI), picked up during 2009-10 and increased further to 67 per cent during 2010-11, as compared with the average of about 60 per cent during the five-year period 2003-04 to 2007-08 (Table 2). With growth slowing down in

Table 2: Financial Claims by Sectors

(₹ Billion)

Sectors	2003-04 to 2007-08 (Average)$	2008-09	2009-10	2010-11	2011-12
1. Domestic non-financial sector (1.1+1.2+1.3)	**17,589**	**13,522**	**18,440**	**24,488**	**25,720**
	(50.0)	(54.1)	(54.0)	(56.6)	(56.8)
1.1 Private Corporate Business	4,646	4,996	8640	14,368	13,700
	(20.4)	(20.0)	(25.3)	(33.2)	(30.2)
1.2. Government	3,320	6,889	7763	7,340	9,201
	(19.9)	(27.6)	(22.7)	(17.0)	(20.3)
Central Government	2,600	3,241	3980	4,192	5,511
	(14.5)	(13.0)	(11.7)	(9.7)	(12.2)
State Government	411	1,344	1,708	1,755	1,820
	(1.8)	(5.4)	(5.0)	(4.1)	(4.0)
1.3. Households	1,690	1,636	2,037	2,780	2,819
	(9.2)	(6.5)	(6.0)	(6.4)	(6.2)
2. Domestic Financial Institutions (2.1 + 2.2)	**7,715**	**11,184**	**13,743**	**16,645**	**19,408**
	(40.3)	(44.8)	(40.3)	(38.5)	(42.8)
2.1. Banking	5,311	8,550	7,426	11,794	14,556
	(28.3)	(34.2)	(21.8)	(27.3)	(32.1)
2.2. Other Financial Institutions	2,404	2,635	6,318	4,851	4,852
	(12.1)	(10.5)	(18.5)	(11.2)	(10.7)
3. Rest of the World	**1,944**	**272**	**1,945**	**2,141**	**169**
	(10.1)	(1.1)	(5.7)	(4.9)	(0.4)
4. All Non-Financial Institutions (1+3)	**11,599**	**13,794**	**20,385**	**26,629**	**25,889**
	(59.7)	(55.2)	(59.7)	(61.5)	(57.2)
5. Total Claims Issued (1+2+3)	**19,314**	**24,978**	**34,128**	**43,274**	**45,296**
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
Percent to NNP	**59.5**	**53.1**	**63.1**	**67.0**	**61.2**

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

[3] Following periodic improvements in the compilation of Flow of Funds data, largely following from the recommendations of the High Level Committee on Estimation of Saving and investment (Chairman: Dr. C. Rangarajan), 2009, such data may not be strictly comparable across the years. The consolidated data for the insurance sector for the FOF accounts has been sourced from the Insurance Regulatory and Development Authority (IRDA) from 2008-09 onwards. In the current FOF accounts for the Indian economy, the coverage of Housing Finance Companies (HFCs) and Mutual Funds has improved significantly. The coverage of HFCs is now universal due to the consolidated data provided by the National Housing Bank. In the case of Mutual Funds, the Securities and Exchange Board of India (SEBI) provided assistance in collecting the data from 33 mutual funds. In the case of the OFI sector, the consolidated data obtained from the Department of Non-Banking Supervision (DNBS), RBI has been used for the first time, instead of the earlier practice of estimating from the survey results of 'Financial and Investment Companies'. In the Co-operative sector, consolidated balance sheet data of State Co-operative Banks and District Central Co-operative Banks were obtained from the Rural Planning and Credit Department (RPCD), RBI.

2011-12, aggregate funds raised by all the sectors, as a ratio to NNI, declined to around 61 per cent.

The increase in total claims issued (as per cent of NNI) during 2010-11 was primarily on account of the private corporate business (PCB) and the banking sectors, even as claims issued by other financial institutions (OFI) and the government sector lost pace. On the other hand, the reduction in total claims issued (as per cent of NNI) in 2011-12 was mainly on account of the PCB and rest of the world (ROW) sectors which offset the increase in the claims issued by the financial sector (banking and OFI) and the central government during the year.

On the whole, the composition of total claims issued shows that the domestic non-financial sector continues to predominate, followed by the domestic financial sector. Within the domestic non-financial sector, claims issued by the PCB sector have almost invariably been higher than those issued by the government or household sectors. On the other hand, within the domestic financial sector, claims issued by the banking sector have exceeded those of the OFI sector. The share of claims issued by the ROW sector in total claims issued by all the sectors has, in general, remained relatively small over the years and declined further in 2011-12. Against this backdrop, the sector-wise changes in the flow of funds are discussed next.

Private Corporate Business Sector

As indicated earlier, the total financial claims issued by the PCB sector increased in 2010-11 but declined in 2011-12 (Table 3). Financial uses of funds by this sector also increased substantially in 2010-11 and moved up further during 2011-12 which largely mirrored the movement in the loans and advances of the private non-financial companies. Reflecting these trends, the net borrowing requirement (or the financial deficit) of the PCB sector increased during 2010-11 but declined during 2011-12.

Table 3: Financing of the Private Corporate Business Sector

(₹ Billion)

Item	2003-04 to 2007-08 (Average) $	2008-09	2009-10	2010-11	2011-12
1. Financial Sources	4,646	4,996	8,640	14,368	13,700
2. Financial Uses	2,890	2,123	3,702	7,042	7,701
3. Financial Deficit (1-2)	**1,756**	**2,874**	**4,938**	**7,326**	**5,999**
	100.0	**100.0**	**100.0**	**100.0**	**100.0**
4. Deficit Financed by Net Issues from the following Sectors					
(i) Banking	945	690	985	1,393	1,445
	(12.1)	(24.0)	(19.9)	(19.0)	(24.1)
(ii) Other Financial Institutions	133	392	1,247	1,732	1,813
	(97.3)	(13.6)	(25.3)	(23.6)	(30.2)
(iii) Government	-202	-317	-281	-519	-268
	(-16.7)	(-11.0)	(-5.7)	(-7.1)	(-4.5)
(iv) Rest of the World	946	527	2,869	3,023	2,614
	(39.5)	(18.3)	(58.1)	(41.3)	(43.6)
(v) Households	88	70	240	205	223
	(6.8)	(2.4)	(4.9)	(2.8)	(3.7)
(vi) Others	-167	1,512	-122	1,493	172
	(-38.5)	(52.6)	(-2.5)	(20.4)	(2.9)

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

The pattern of financing the resource gap of the PCB sector showed an increase in the share of the banking sector during 2011-12. Borrowings from the OFI sector also picked up in 2010-11 and remained strong in 2011-12. Financing by the ROW sector was mainly in the form of investments (FDI and portfolio) as well as external commercial borrowings; portfolio inflows, however, slackened in 2011-12, largely induced by changing perceptions about India's growth prospects. Net financing by the government sector was negative in 2010-11 and 2011-12. On the whole, the resource gap of the PCB sector was predominantly financed by the ROW sector in the recent period, followed by the OFI and banking sectors.

Government Sector

Total financial claims of the government sector declined in 2010-11 but then increased in 2011-12, largely in line with the movement in the net borrowing requirements (*i.e.*, the fiscal deficit) of the central and state governments (Table 4). The banking and the OFI sectors continued to be the major providers of funds to the government sector as a whole during 2010-11 and 2011-12. The share of the banking sector in financing the resource gap of the government increased in 2010-11 mainly on account of loans to Non-Departmental Commercial Undertakings (NDCUs). The share of the banking sector remained high in 2011-12, largely reflecting preference for risk-free investment avenues in an environment weighed down by global uncertainty and slackening private investment even as the funding requirement of the central government increased during the year. The share of OFI, however, declined in 2010-11 and 2011-12. Households' investment in small savings also declined in 2011-12.

Rest of the World Sector

Net financial claims (increase in liabilities minus decrease in liabilities) issued by the ROW sector increased consecutively in 2009-10 and 2010-11, reflecting an improvement in foreign investment by the PCB sector and the Reserve Bank's purchases of foreign currency as part of exchange rate management

Table 4: Financing of the Government Sector

(₹ Billion)

Item	2003-04 to 2007-08 (Average) $	2008-09	2009-10	2010-11	2011-12
1. Financial Sources	3,320	6,889	7,763	7,340	9,201
2. Financial Uses	351	492	995	3,193	3,735
3. Financial Deficit (1-2)	**2,969**	**6,397**	**6,768**	**4,147**	**5,466**
	100.0	**100.0**	**100.0**	**100.0**	**100.0**
4. Deficit Financed by Net Issues from the following Sectors					
(i) Banking	3,89	4014	3,649	2,978	3,947
	(15.7)	(62.7)	(53.9)	(71.8)	(72.2)
(ii) Other Financial Institutions	997	2,797	2,452	1,152	1,466
	(31.2)	(43.7)	(36.2)	(27.8)	(26.8)
(iii) Government	-4	-2	-1	-1	-3
	(-0.2)	(0.0)	(0.0)	(0.0)	(-0.1)
(iv) Rest of the World	164	-143	207	-129	85
	(5.6)	(-2.2)	(3.1)	(-3.1)	(1.6)
(v) Households	918	-54	984	893	191
	(34.5)	(-0.8)	(14.5)	(21.5)	(3.5)
(vi) Others	505	-215	-523	-747	-220
	(13.0)	(-3.4)	(-7.7)	(-18.0)	(-4.0)

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

operations (Table 2). In 2011-12, net financial claims issued by the ROW sector, however, declined sharply largely reflecting the sale of foreign currency by the Reserve Bank in the face of slackening capital inflows.

Movements in net financial assets of the ROW sector (*i.e.,* increase in assets minus decrease in assets) largely reflected the increase in net foreign currency borrowings by the PCB sector and net foreign investment in India (essentially in the PCB sector) during 2010-11. On the other hand, during 2011-12, while non-resident rupee deposits of commercial banks responded positively to the increase in the offered interest rates, net foreign (portfolio) investment in India and foreign currency loans (net) availed by the PCB sector declined as domestic activity weakened and global uncertainty accentuated.

Household sector

Financial sources (or borrowings) of the household sector – predominantly mobilised from commercial banks – have, over the years, remained much smaller than their financial investment. Consequently, the household sector has always been a surplus sector (net lender) in the Indian economy (Table 5). The financial surplus, in absolute terms, of the household sector recovered substantially in 2009-10 and 2010-11, but declined in 2011-12, largely in line with the growth-inflation dynamics. Furthermore, in the face of high inflation, relatively low real returns on financial instruments and heightened uncertainty in financial markets, households have increasingly invested in valuables (mainly, gold) in recent years, which has further impaired their saving in financial assets.

In 2010-11, the increase in financial resources provided by the household sector to the banking sector reflected the pick-up in the growth rates of (i) currency (cash holdings) as economic activity revived and inflation surged, as well as (ii) term deposits, on account of higher interest rates. On the other hand, household investment in the OFI sector declined in 2010-11 on account of deceleration in saving under life funds and disinvestment of mutual fund units, even as private provident and pension funds showed some improvement.

Table 5: Household Sector Financial Surplus

(₹ Billion)

Item	2003-04 to 2007-08 (Average) $	2008-09	2009-10	2010-11	2011-12
1. Financial Sources	1,690	1,636	2,037	2,780	2,819
2. Financial Uses	5,682	7,233	9,750	10,799	9,629
3. Financial Surplus (2-1)	**3,993**	**5,597**	**7,713**	**8,019**	**6,810**
	100.0	**100.0**	**100.0**	**100.0**	**100.0**
4. Surplus made available to the following Sectors					
(i) Banking	1,514	3,546	3,027	4,153	3,637
	(36.4)	(63.4)	(39.2)	(51.8)	(53.4)
(ii) Other Financial Institutions	1,464	2,012	3,296	2,697	2,608
	(35.0)	(35.9)	(42.7)	(33.6)	(38.3)
(iii) Private Corporate Business	88	70	240	205	223
	(2.2)	(1.3)	(3.1)	(2.6)	(3.3)
(iv) Government	924	-31	1150	963	343
	(26.3)	(-0.6)	(14.9)	(12.0)	(5.0)

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

As growth slackened and inflation remained high during 2011-12, currency and term deposits lost momentum. At the same time, however, household borrowings from commercial banks remained more or less steady during the year. This showed up in an absolute decline in household net financial resources provided to the banking sector. Furthermore, apart from further disinvestment of their mutual fund units (under the OFI sector), households redeemed their investment in small savings (under the government sector) during 2011-12.

Banking Sector

Financial claims issued by the banking sector increased substantially in 2010-11 and 2011-12 mainly on account of strong growth in currency (issued by the Reserve Bank) as well as commercial bank deposits held by households. Furthermore, 'other liabilities' of the Reserve Bank increased during 2010-11 and more significantly in 2011-12, reflecting accretion to the currency and gold revaluation account (CGRA) following the depreciation of the Indian rupee against the US dollar.

The build up on the financial asset side ('financial uses') of the banking sector during 2010-11 and 2011-12 essentially reflected (i) increase in the Rupee value of foreign currency assets held by the Reserve Bank; (ii) primary liquidity injection by the Reserve Bank through the liquidity adjustment facility (LAF) and open market operations (OMO), which implied higher growth in the Reserve Bank credit to the government sector; (iii) increase in credit extended by commercial banks to the PCB sector and government commercial undertakings; and (iv) strong growth in commercial bank investment in government dated securities in 2011-12.

A circular flow of funds between banks and mutual funds has been prevalent via the substantial investment of banks in the liquid/short-term debt schemes of mutual funds and the provision of funds by mutual funds to banks through the collateralised borrowing and lending obligation (CBLO) and market repo routes as well as via investment in certificates of deposits (CDs). Recognising the potential systemic risk of such a circular flow of funds in times of stress/liquidity crunch, a prudential cap on the banks investment in the liquid/short term debt schemes of mutual funds was put in place in July 2011. Subsequently, the volume of such circular flows of funds generally moderated. In fact, the incremental amount of CDs issued by scheduled commercial banks declined from ₹1,482 billion in 2009-10 to ₹837 billion in 2010-11 and turned negative (₹52 billion) in 2011-12.

Other Financial Institutions (OFI) Sector

Total financial claims issued by the OFI sector declined in 2010-11 mainly on account of redemption of mutual fund units by households, moderation under life funds subscribed by households and reduction in deposits of financial corporations with the banking sector, partially offset by an increase in borrowings by financial corporations from commercial banks (Table 2). In 2011-12, total financial claims issued by the OFI sector remained largely unchanged despite an increase in issuance of bonds and debentures; this was largely because borrowings from various sectors declined and life funds continued to moderate.

Total financial assets of the OFI sector also moved in tandem with their total financial liabilities. In 2010-11, loans and advances provided by financial corporations to commercial and cooperative banks as well as state governments declined while those provided to the PCB sector increased substantially. Investment by the OFI sector in commercial banks and in bonds issued by government commercial undertakings also declined during the year. Financial assets of the OFI sector recovered in 2011-12, led by strong growth in loans and advances provided to the PCB sector and in deposits of commercial banks, even as investment in the PCB sector and commercial banks declined.

III. Instrument-wise Financial Flows

Trends in the use of different financial instruments show that loans and advances account for the predominant share of total claims issued (Table 6). In fact, during 2011-12, the share of loans and advances

Table 6: Financial Flows by type of Instruments

(₹ Billion)

Instruments	2003-04 to 2007-08 (Average)$	2008-09	2009-10	2010-11	2011-12
1. Currency and Deposits	4,759	7,222	8,143	11,001	11,205
	(25.0)	(28.9)	(23.9)	(25.6)	(24.7)
2. Investments	6,216	5,194	11,167	8,920	11,604
	(31.2)	(20.8)	(32.7)	(20.7)	(25.6)
(a) Central and State Governments' Securities	1,785	3,616	4,427	4,052	6,942
	(10.5)	(14.5)	(13.0)	(9.4)	(15.3)
(b) Other Securities	4,432	1,578	6,740	5,042	4,662
	(20.7)	(6.3)	(19.7)	(11.7)	(10.3)
of which : (i) All Mutual Funds	301	-704	318	-174	-49
	(0.7)	(-2.8)	(0.9)	(-0.4)	(-0.1)
3. Loans and Advances	5,053	6,052	8,942	13,587	12,709
	(25.4)	(24.2)	(26.2)	(31.4)	(28.1)
4. Small Savings	441	-144	395	361	-218
	(3.6)	(-0.6)	(1.2)	(0.8)	(-0.5)
5. Life Fund	964	1,713	3,842	2,226	1241
	(5.1)	(6.9)	(11.3)	(5.1)	(2.7)
6. Provident Fund	617	713	1,289	1,375	1,366
	(3.7)	(2.9)	(3.8)	(3.2)	(3.0)
7. Trade Debt	164	280	-18	361	404
	(0.9)	(1.1)	(-0.1)	(0.8)	(0.9)
8. Foreign claims not elsewhere classified	-154	224	632	567	301
	(-0.7)	(0.9)	(1.9)	(1.3)	(0.7)
9. Other claims not elsewhere classified	1253	3,724	-265	4,702	6,684
	(5.9)	(14.9)	(-0.8)	(10.9)	(14.8)
10. Total Claims Issued	**19,314**	**24,978**	**34,128**	**43,274**	**45,296**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**

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

in total claims was higher than the average during 2003-04 to 2007-08. Currency and deposits are the next most preferred financial instruments. Sharp and contrasting year-to-year changes are generally evident in the shares of investments in government and non-government securities (with the exception of 2010-11, when the shares of both these instruments declined). Corroborating the general trend, the share of government securities increased and that of other securities declined during 2011-12, reflecting increasing preference for risk-free investment avenues in an largely uncertain macro-financial environment, apart from a substantial increase in the government's funding requirements. A disconcerting development is the steady reduction in the shares of instruments of household financial saving *i.e.*, small savings, life funds and provident and pension funds.

IV. Select Indicators of Financial Development

The trends in the various financial development ratios derived from the FOF data *viz.*, the finance ratio, the financial inter-relations ratio, the new issue ratio and intermediation ratio are set out in Table 7 and Chart 1.[4]

It is evident that the finance ratio, financial inter-relations ratio and the new issues ratio have moved in tandem with the growth of the real economy. During 2011-13 the finance ratio and the financial inter-

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

Table 7: Select Indicators of Financial Development

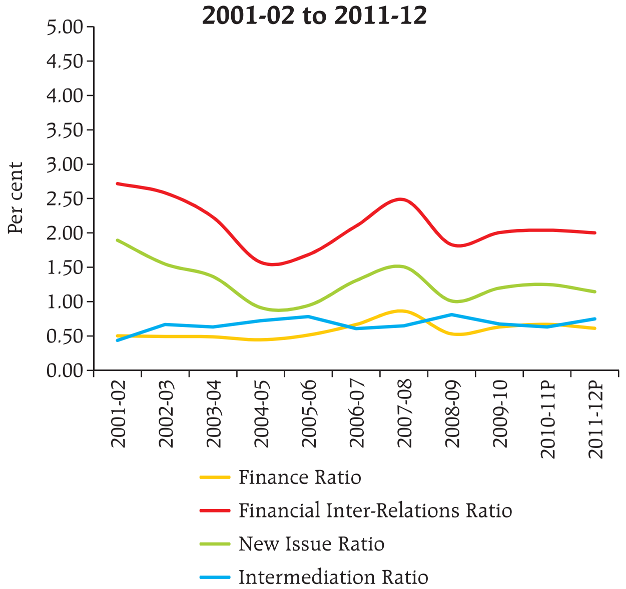
(₹ Billion)

	2003-04 to 2007-08 (Average)$	2008-09	2009-10	2010-11	2011-12
1. Secondary Issues#	7,715	11,184	13,743	16,645	19,408
2. Primary Issues##	11,599	13,794	20,385	26,629	25,889
2.1 Domestic Sectors	9,656	13,522	18,440	24,488	25,720
2.2 Rest of the World	1,944	272	1,945	2,141	169
3. Total Issues (1+2)	19,314	24,978	34,128	43,274	45,296
4. Net Domestic Capital Formation@	9,358	13,662	17,033	21,088	22,647
5. National Income**	30,891	47,054	54,111	64,224	73,999
6. Finance Ratio (Ratio of 3 to 5)	**0.60**	**0.53**	**0.63**	**0.67**	**0.61**
7. Financial Inter-relations Ratio (Ratio of 3 to 4)	**2.01**	**1.83**	**2.00**	**2.05**	**2.00**
8. New Issue Ratio (Ratio of 2 to 4)	**1.21**	**1.01**	**1.20**	**1.25**	**1.14**
9. Intermediation Ratio (Ratio of 1 to 2)	**0.68**	**0.81**	**0.67**	**0.63**	**0.75**
10. Growth in real GDP at factor cost	8.7	6.7	8.4	9.3	6.2

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

relations ratio were at their respective averages during 2003-04 to 2007-08. On the other hand, the intermediation ratio has fluctuated over the years and in the recent period, increased sharply in 2008-09 and 2011-12 when real activity slackened but claims issued by the financial sector had increased substantially.

Chart 1: Financial Development Ratios: 2001-02 to 2011-12



V. Summing Up

- The Indian economy rebounded quite strongly in 2009-10 and 2010-11 but lost momentum in 2011-12 on account of domestic and external factors. These factors impacted the sectoral and overall saving-investment gaps and the concomitant flow of funds across sectors.
- The overall resource gap (or the CAD), as ratio to GDP, remained steady during 2010-11 but then increased in 2011-12. Underlying this was the widening of the resource gap of the public sector (after a one-off improvement in 2010-11) and the dwindling of the financial surplus of the household sector for the second consecutive year, even as the resource gap of the private corporate sector contracted after a temporary expansion in 2010-11.
- In line with the trends in economic activity, total financial claims issued by all the sectors, as ratio to net national income, increased in 2010-11 but declined in the following year, even as it was placed somewhat above the average during 2003-04 to 2007-08.

- The increase in aggregate financial claims during 2010-11 was on account of the PCB and banking sectors while the reduction in aggregate financial claims in 2011-12 was reflected in the PCB and the ROW sectors.
- The composition of aggregate financial claims indicates that over the years, the banking sector has generally predominated, followed by the PCB sector, government sector, OFI sector, household sector and then the ROW sector. During 2011-12, the claims issued (as a ratio to net national income) by the PCB, banking and the government sectors were higher than their respective averages during 2003-04 to 2007-08, while those issued by the ROW, household and the OFI sectors were lower.
- The resource gap of the PCB sector has been predominantly financed by the ROW sector (largely through FDI and portfolio inflows and external commercial borrowings), followed by the OFI and banking sectors.
- The banking and the OFI sectors continue to be the major providers of funds to the government sector in the recent period.
- The financial surplus of the household sector has been largely channelised towards the banking sector, followed by the OFI sector (which includes insurance, mutual funds and provident funds). Household financing of the government sector has depleted over the years, largely reflecting the deflection from small savings.
- Claims issued by the banking sector increased during 2010-11 mainly on account of strong growth in currency and bank deposits.
- Claims issued by the OFI sector dipped during 2010-11 mainly on account of redemption of mutual fund units, moderation under life funds and reduction in deposits of financial corporations with the banking sector. Total financial claims issued by this sector remained largely unchanged in 2011-12 despite an increase in issuances of bonds and debentures.
- In recent years, the OFI sector has generally accounted for less than 10 per cent of the total sources or uses of funds of the banking sector whereas the banking sector has accounted for around 20 per cent of the total sources and uses of funds of the OFI sector.
- Loans and advances have been the most preferred instruments for financial transactions across sectors, followed by currency and deposits. The share of government securities in total claims issued has generally increased reflecting preference for risk-free investment avenues apart from a substantial increase in the government's funding requirements. On the other hand, the shares of instruments of household financial saving *i.e.*, small savings, life funds and provident and pension funds, have declined steadily.
- The finance ratio, the financial inter-relations ratio and the new issues ratio have generally moved in tandem with the growth of the real economy. On the other hand, the intermediation ratio has fluctuated over the years but increased during 2011-12 (and in 2008-09) even as the growth rate slackened, reflecting higher degree of financial intermediation.

*Survey of Professional Forecasters**

The Reserve Bank has been conducting Survey of Professional Forecasters (SPF) since September 2007 at quarterly interval. These forecasters are chosen from those organisations and institutions which have established research set-up and bring out regular updates on Indian economy. The survey asks around 40 forecasters in India and abroad to indicate their expectations in short- to longer-term for macroeconomic indicators in real sector, monetary & banking sector, fiscal sector, financial markets and external sector in India. Based on this survey, median forecasts of selected indicators are published quarterly in the RBI's Macroeconomic and Monetary Developments and the detailed aggregate data are disseminated in the form of a web-article linked to the above document. In this article, forecasts, mainly of growth and inflation for the two financial years 2013-14 and 2014-15 and for the next four quarters are presented based on the latest round. Further, the implicit growth and inflation forecast based on the probability distribution are examined. More importantly, average errors in such forecasts for different periods are evaluated. Apart from the median forecast, weighted average forecast, with weights being determined based on the past forecasting performance of the individual forecasters, has also been worked out. The forecast performance based on the weighted average method was found to be superior than the median based forecasts.

1. Introduction

Forecasts of key macroeconomic indicators, such as output growth, inflation, monetary & banking sector, fiscal sector, financial markets and external sector are important pre-requisites for forward-looking macroeconomic policy making. Availability of reliable and accurate macroeconomic forecasts helps central bank/Government in framing monetary and fiscal policy. Additionally, they are useful to firms in making investment decisions; individuals in making consumption and savings decisions; and labour union and management in negotiating wage agreements. In this context, recent evidence suggests that while there are various methods of forecasting, survey forecasts outperform other forecasting methods[1]. Traditional discussions of the theory of forecasting assume that professional forecasters attempt to minimise their forecast errors by using their training, expertise, and experience. In this respect, several central banks conducts 'Survey of Professional Forecasters (SPF)' on major macroeconomic indicators of short to medium term economic developments as they can signal future risks to price stability and growth, and provide information on how economic agents gauge their risks. Besides, the SPF is just one of the time series used in empirical research on the formation of macroeconomic expectations.

In line with this, the Reserve Bank started the SPF from September 2007, *i.e.*, from the quarter ended Q2:2007-08 on quarterly basis. The results are disseminated through the Reserve Bank's web-site within one month of the end of the quarter. The latest survey, 25th round in the series, was conducted during September 2013 for the second quarter of the current financial year, *i.e.*, for Q2:2013-14.

The SPF does not have a scientific survey design. Forecasters of those organisations are selected, which have an established research set-up and brings out periodic updates on economic developments. These organisations include investment banks, commercial banks, private corporate companies, credit rating agencies, international brokerage houses, select educational institutions, securities firms, asset management companies, *etc.*

The survey schedules are sent to select 40 forecasters every quarter through email. The schedule covers annual as well as quarterly forecasts of major macroeconomic variables. Forecasts of annual indicators

* Prepared in the Statistical Analysis Division of the Department of Statistics and Information Management, Reserve Bnak of India.

[1] Ang, A., G. Bekaertb and M. Wei (2007), "Do macro variables, asset markets, or surveys forecast inflation better?", Journal of Monetary Economics, 54, 1163–1212.

are generally collected for two financial years, while quarterly indicators are collected for four quarters ahead along with the current quarter. The survey also requires forecasters to assign probabilities to possible outcomes of GDP growth and inflation falling in pre-defined ranges. Besides, forecasts of output growth and inflation for the near-term, it also provides forecast for medium- to long-term forecasts. Long-term average forecasts over the next five years and ten years for GDP growth, inflation based on the Wholesale Price Index (WPI) and Consumer Price Index for Industrial Workers (CPI-IW) are collected. Since extreme forecasts values influence the mean forecast, analysis is done mostly using median forecasts.

2. Annual Forecasts for 2013-14 and 2014-15

As per the latest round of the survey for Q2:2013-14, the median forecast of GDP growth rate (at factor cost at constant prices) for 2013-14 is placed at 4.8 per cent. Growth forecast for industry has been placed at 1.3 per cent, while services is predicted to grow by 6.2 per cent. Agriculture and allied activities is projected to grow by 3.7 per cent (Table 1). For 2014-15, GDP is likely to grow by 5.8 per cent, with industry and services are likely to grow by 3.8 per cent and 7.0 per cent, respectively.

For 2013-14, forecasters expect that money supply (M_3) and bank credit will grow by 13 per cent and 15.3 per cent, respectively. Bank credit is forecast to grow by 16 per cent in 2014-15. These projections are in line with the indicative projections of the Reserve Bank. Gross fiscal deficit (GFD) of the centre is projected to be higher than the budget estimate and is placed at 5 per cent of GDP in 2013-14. For 2014-15, fiscal deficit is likely to improve to 4.7 per cent of GDP. The combined GFD of Centre and State Governments is projected at 7.3 per cent of GDP in 2013-14 and is projected to improve to 7 per cent of GDP in 2014-15.

Exports of merchandise goods, in terms of US dollar, is projected to grow by 3.8 per cent in 2013-14 and further by 8.9 per cent in 2014-15. In line with the likely lower GDP growth, import of merchandise goods is projected to fall by 1.9 per cent in 2013-14. Import of goods is projected to grow by 6.4 per cent in 2014-15. The high projected export growth along with a lower import growth is expected to improve the trade deficit to 9.7 per cent of GDP in 2013-14 from 10.6 per cent observed during 2012-13. Trade deficit is further expected to improve to 9.4 per cent of GDP in 2014-15. India is projected to receive US$ 115.0 billion, under invisible account for the year 2013-14, which is likely to improve further to US$ 121.5 billion in 2014-15. With likely improvement in the trade deficit and net invisible receipt, the current account deficit (CAD) is projected to improve to 3.5 per cent of GDP in 2013-14 from 4.8 per cent observed in 2012-13. CAD is likely to further improve to 3.3 per cent of GDP in 2014-15.

Table 1: Median Forecast of Macroeconomic Indicators for 2013-14 and 2014-15

Indicator	2013-14	2014-15
1. GDP at factor cost (growth rate in per cent)	4.8	5.8
1.1. Agriculture and Allied Activities	3.7	3.0
1.2. Industry	1.3	3.8
1.3. Services	6.2	7.0
2. Money Supply (M3) (growth rate in per cent)	13.0	14.1
3. Bank Credit (growth rate in per cent)	15.3	16.0
4. Combined Gross Fiscal Deficit (per cent of GDP)	7.3	7.0
5. Central Govt. Fiscal Deficit (per cent of GDP)	5.0	4.7
6. Export (growth rate in per cent)	3.8	8.9
7. Import (growth rate in per cent)	-1.9	6.4
8. Trade Balance (per cent of GDP)	-9.7	-9.4
9. Net Invisible (US dollar)	115.0	121.5
10. Current Account Balance (per cent of GDP)	-3.5	-3.3

3. Quarterly Forecasts

Latest survey results show improvement in real GDP growth gradually from Q3:2013-14 to Q2:2014-15 (Table 2). While the agriculture & allied activities is likely to grow at a higher rate during the remaining quarters of 2013-14, both industry and services sectors are likely to improve gradually. Inflation based on WPI is projected to remain high at 6.5 per cent till Q1:2014-15 and is projected to fall to 5.8 per cent in Q2:2014-15. The WPI Manufactured Products inflation is projected to go up gradually from 2.5 per cent in

Table 2: Quarterly Forecasts (Median) of Macroeconomic Indicators for Q3:2013-14 to Q2:2014-15

Indicators	Q3: 2013-14	Q4: 2013-14	Q1: 2014-15	Q2: 2014-15
1. GDP at factor cost (growth rate in per cent)	5.0	5.0	5.6	5.8
1.1. Agriculture and Allied Activities	4.1	4.4	3.0	3.0
1.2. Industry	1.4	2.1	3.4	3.3
1.3. Services	6.5	6.5	6.9	7.0
WPI Inflation	6.5	6.5	6.5	5.8
WPI Manufactured Products Inflation	2.5	3.2	3.5	3.7
CPI Industrial Workers Inflation	9.6	9.1	9.3	9.0

Q3:2013-14 to 3.7 per cent in Q2:2014-15. Inflation based on CPI-IW is expected to remain above 9 per cent till Q2:2014-15.

4. Forecasts from Probability Distribution

The forecasters assign probabilities to both annual GDP growth and year-end WPI inflation in the pre-specified range given by the RBI. For 2013-14, the forecasters assigned maximum probability of 0.46 to the range of 4.5-4.9 per cent of GDP growth (Table 3).

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

Growth Range	Forecasts for 2013-14	Forecasts for 2014-15
Below 2.0 per cent	0	0
2.0 to 2.4 per cent	0	0
2.5 to 2.9 per cent	0	0
3.0 to 3.4 per cent	0.01	0
3.5 to 3.9 per cent	0.03	0.01
4.0 to 4.4 per cent	0.19	0.03
4.5 to 4.9 per cent	0.46	0.09
5.0 to 5.4 per cent	0.26	0.27
5.5 to 5.9 per cent	0.04	0.24
6.0 to 6.4 per cent	0	0.27
6.5 to 6.9 per cent	0	0.10
7.0 to 7.4 per cent	0	0
7.5 to 7.9 per cent	0	0
8.0 to 8.4 per cent	0	0
8.5 to 8.9 per cent	0	0
9.0 to 9.4 per cent	0	0
9.5 to 9.9 per cent	0	0
10.0 per cent or more	0	0

Table 4: Mean Probabilities attached to possible outcomes of WPI Inflation

Inflation Range	Forecasts for March 2014	Forecasts for March 2015
Below 0 per cent	0	0
0 to 0.9 per cent	0	0
1.0 to 1.9 per cent	0	0
2.0 to 2.9 per cent	0	0
3.0 to 3.9 per cent	0.01	0.01
4.0 to 4.9 per cent	0.09	0.12
5.0 to 5.9 per cent	0.13	0.44
6.0 to 6.9 per cent	0.42	0.27
7.0 to 7.9 per cent	0.24	0.11
8.0 to 8.9 per cent	0.09	0.04
9.0 to 9.9 per cent	0.01	0.01
10.0 to 10.9 per cent	0	0
11.0 to 11.9 per cent	0	0
12.0 to 12.9 per cent	0	0
13.0 to 13.9 per cent	0	0
14.0 per cent or above	0	0

Based on the probability distribution, the implicit growth forecast is estimated at 4.7 per cent. The forecast of GDP growth, based on the probability distribution, is found to be consistent with the growth forecast indicated earlier. The forecasters assigned highest probability of 0.42 that WPI inflation will fall in the range of 6.0-6.9 per cent in March 2014. For March 2015, maximum probability of 0.44 was assigned that inflation will be in the range of 5.0- 5.9 per cent. Based on the probability distribution, the implicit inflation for March 2014 and March 2015 are estimated to be 6.5 per cent and 6 per cent, respectively.

5. Medium and Long-Term Forecasts

The forecasters arrive at their medium- to long-term inflation forecasts based on all available information including the central bank's likely action and hence can be considered rational[2]. Charts in this section present the median projections (the red line) and the corresponding inter-quartile ranges (the grey area along both sides of the red line). In the initial stage

[2] Mohanty, D. (2012), "The Importance of Inflation Expectations", Reserve Bank of India Monthly Bulletin, December 2012, LXVI(12), 2295- 2303.

of the survey, conducted in the last quarter of 2007-08, *i.e.*, March 2008, the medium term (5-year) and long-term (10-year) GDP growth expectations was around the same level as that of the actual growth. The 5-year annual average GDP growth rate remained same at 8.5 per cent from June 2010 to June 2011 and started to decline gradually thereafter. It has been observed that the median forecast is equal to either third or first quartile many times, suggesting the concentration of the forecast around the median values (Chart 1).

The 10-year annual average GDP growth projection increased from June 2010 to June 2011 and then declined gradually. The inter-quartile range for 10-year growth forecast is found to be relatively higher than the 5-year growth rate forecasts. With persistent decline in the GDP growth from Q4:2010-11, the medium and long-term growth outlook also declined gradually. As per the latest survey, the medium-term and long-term GDP growth expectations declined to 6.5 per cent and 7 per cent, respectively (Chart 2).

The forecast of 5-year annual average point-to-point inflation based on WPI was at 6 per cent in June 2010 and increased gradually to 6.5 per cent in September 2012. With the persistence of near double digit inflation in 2010 and 2011, the medium term inflation expectations went up. Since the last four rounds of the survey, the medium term WPI inflation expectations have declined gradually. For September 2013, the median and the third quartile projections were around 6 per cent. This suggests that majority of the forecasters' expectations of 5-year average WPI inflation was 6 per cent (Chart 3).

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

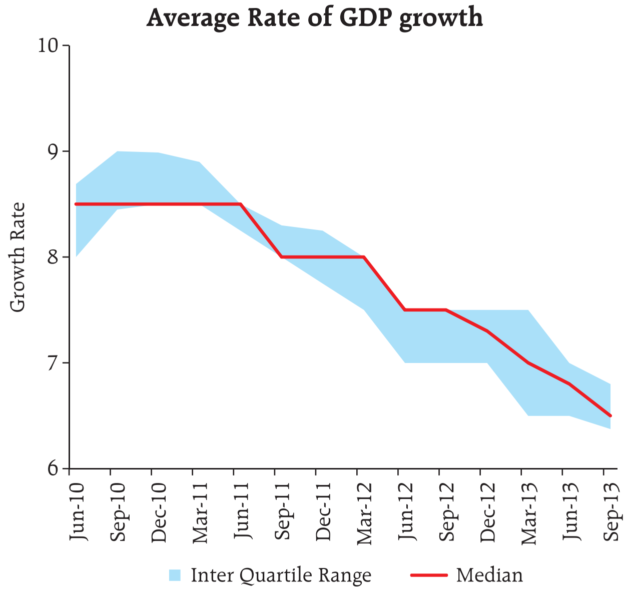


Chart 2: Projections for the 10-year Annual Average Rate of GDP growth

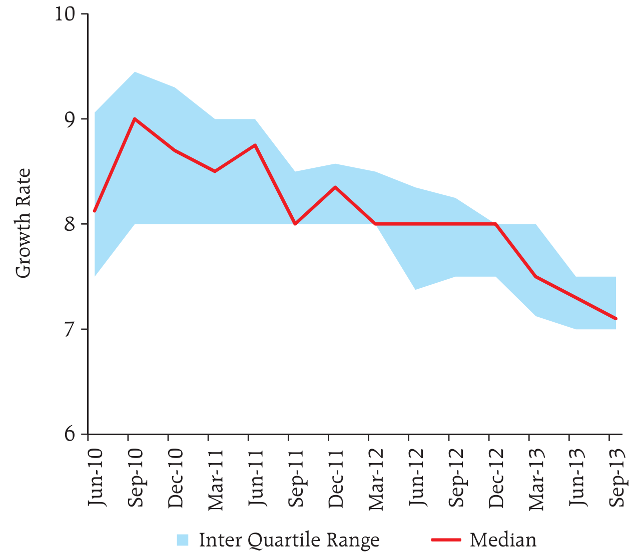


Chart 3: Projections for the 5-year Annual Average Rate of WPI Inflation

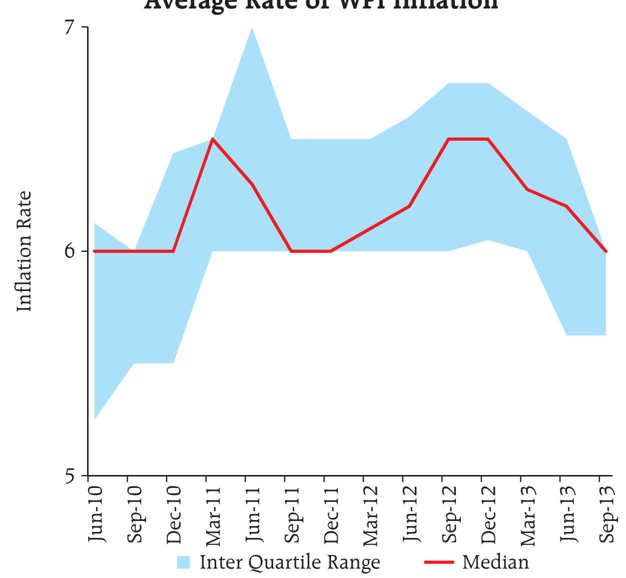


Chart 4: Projections for the 10-year Annual Average Rate of WPI Inflation

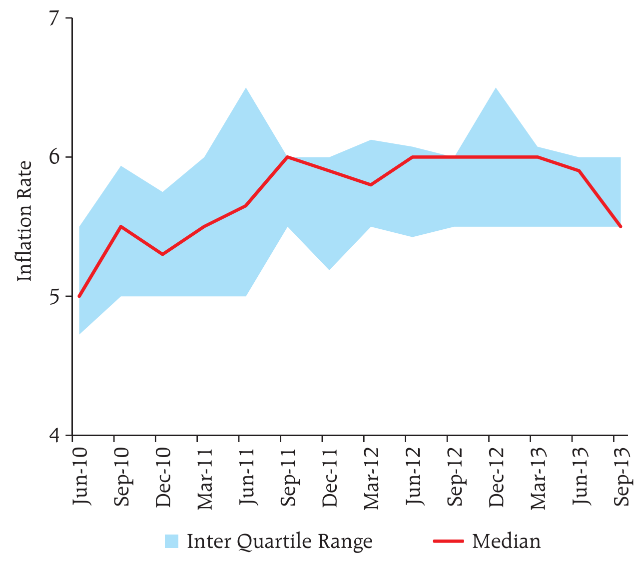
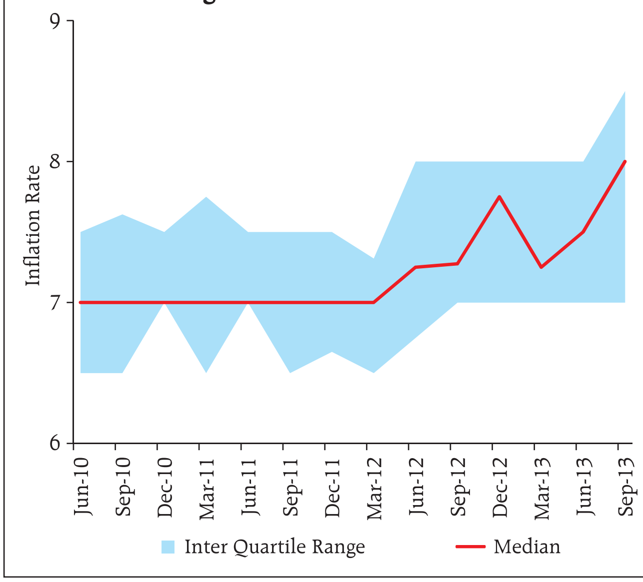


Chart 5: Projections for the 5-year Annual Average Rate of CPI-IW Inflation



The annual average 10-year WPI inflation increased from June 2010 to September 2011, mainly due to high inflation in 2010 and 2011. The forecast of 10-year annual average WPI inflation remained at 6 per cent during the period from June 2012 to March 2013, and declined to 5.5 per cent in the latest round. The median forecast of the latest round is found to be same as that of the first quartile range, suggesting consensus of the forecasters' expectations of 10-year average WPI inflation at 5.5 per cent (Chart 4).

The consumer price (CPI-IW) inflation expectation has mostly remained higher than the WPI inflation expectation. The high persistent CPI-IW inflation has led to an increase in the CPI inflation expectation. At the same time, the differential between WPI and CPI-IW has also widened. The forecast of 5-year annual average inflation based on CPI-IW was at 7 per cent during June 2010 to March 2012, which increased to 7.5 per cent in June 2013. With the persistence of near double digit consumer price inflation in the recent years, the medium term inflation expectations increased to 8 per cent in September 2013. The annual average 10-year CPI inflation was relatively volatile than the 5-year average, which moved within the range of 6.20 per cent to 6.75 per cent. The latest round conducted in September 2013 suggests an increase in the 10-year CPI inflation by 25 basis points to 6.75 per cent from 6.50 per cent (Charts 5 and 6).

6. Performance of Quarterly Growth Forecast

Forecasters provide projections of quarterly growth for 4-quarters ahead, along with the current quarter. Following chart presents the deviation of the median forecast from the actual outturn for the period from

Chart 6: Projections for the 10-year Annual Average Rate of CPI-IW Inflation

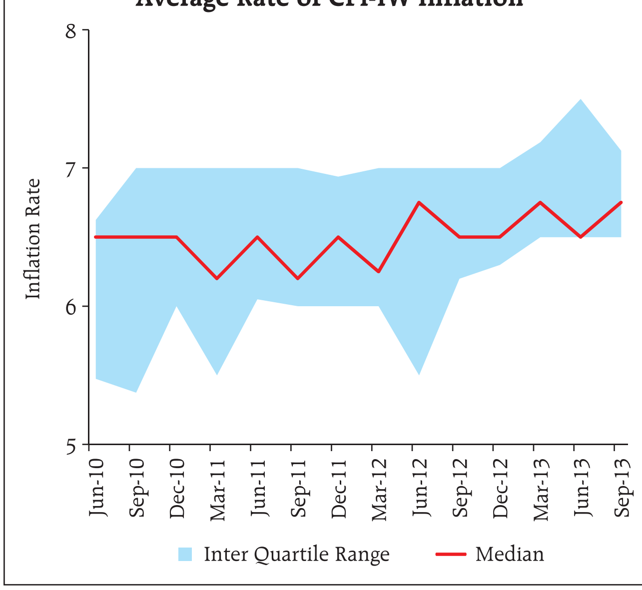
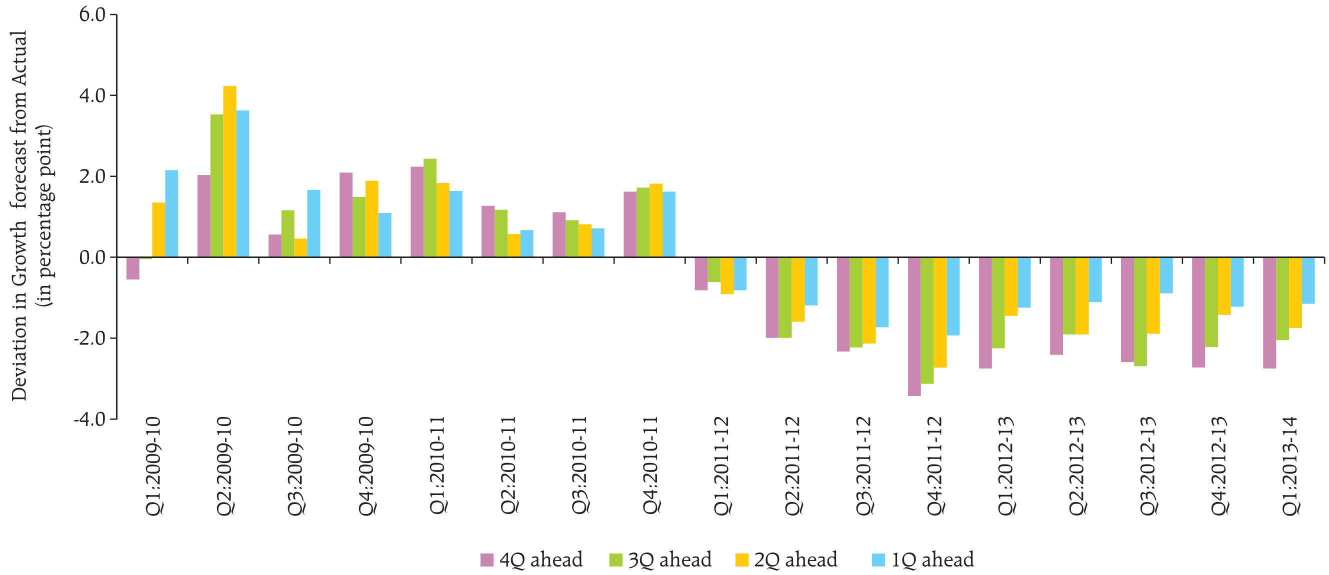


Chart 7: Quarterly Growth Forecast Error



Q1:2009-10 to Q1:2013-14 with different forecast horizon (Chart 7). It has been observed that median forecast tends closer to the actual data as the forecast horizon gets reduced. Thus, the short-term forecasts are revised, reflecting the absorption of the latest available information. In general, the one quarter ahead forecast tend to converge to the actual numbers. The chart further suggests that till the end of the financial year 2010-11, the median forecast underestimated the actual outturns as shown by the positive values of the error, while from 2011-12 onwards, the median forecast errors turned out to be negative, *i.e.*, forecasts are overestimated in the later period.

To assess the growth forecast performance, the Root Mean Square Error (RMSE) based on median forecast has been calculated from Q1:2010-11 to Q1:2013-14 (Table 5). As expected, the RMSE towards the end of the period has been found to be higher. The RMSE for Q2:2012-13 to Q1:2013-14 for different forecast horizon has been found to be lower than the period from Q2:2011-12 to Q1:2012-13, suggesting relative improvement in the forecast performance in the later period.

7. Performance of Quarterly WPI Headline Inflation Forecast

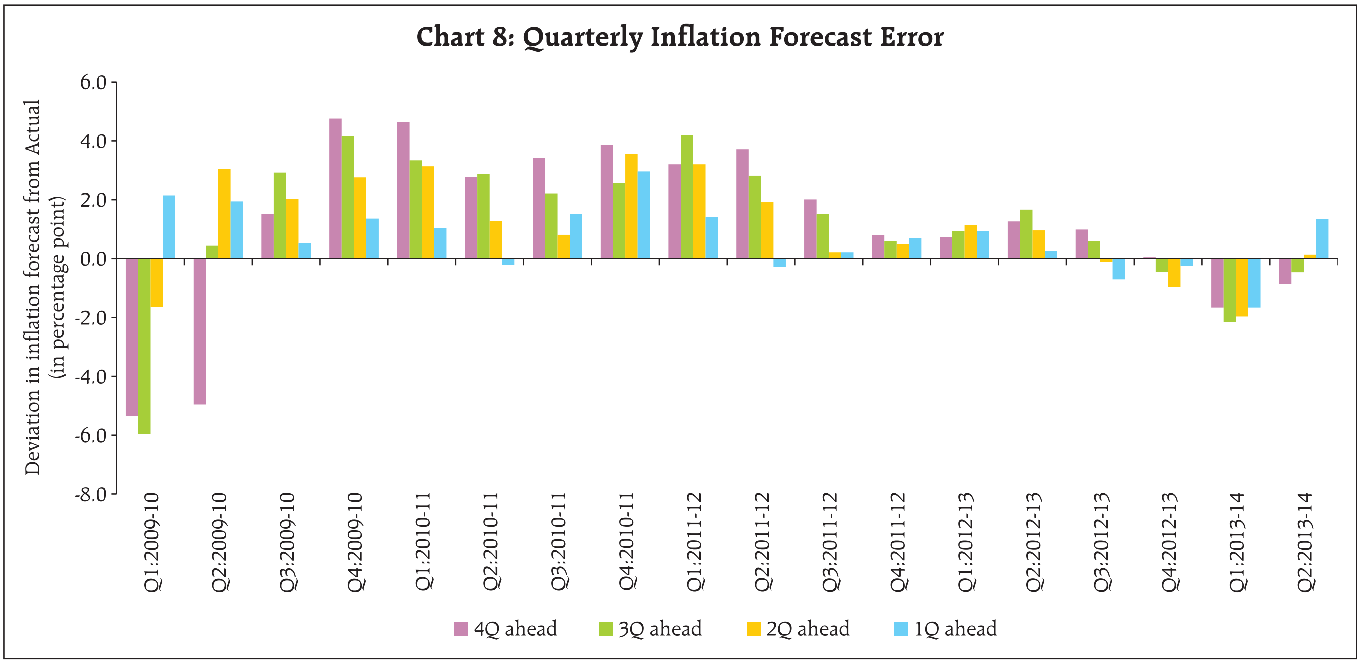
Regarding the forecast of WPI headline inflation, it has also been observed that the median forecast performance improves as the forecast horizon gets shorter (Chart 8). Median forecast error for WPI headline inflation was found to be more till Q2:2011-12 and henceforth started declining gradually till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

Table 5: RMSE of GDP growth Forecast

Forecast Horizon (in quarter) → Period ↓	4-quarter ahead	3-quarter ahead	2-quarter ahead	1-quarter ahead
Q1:2010-11 to Q1:2013-14	2.3	2.1	1.7	1.3
Q2:2011-12 to Q1:2012-13	2.7	2.4	2.0	1.6
Q2:2012-13 to Q1:2013-14	2.6	2.2	1.8	1.1

Table 6: RMSE of WPI inflation Forecast

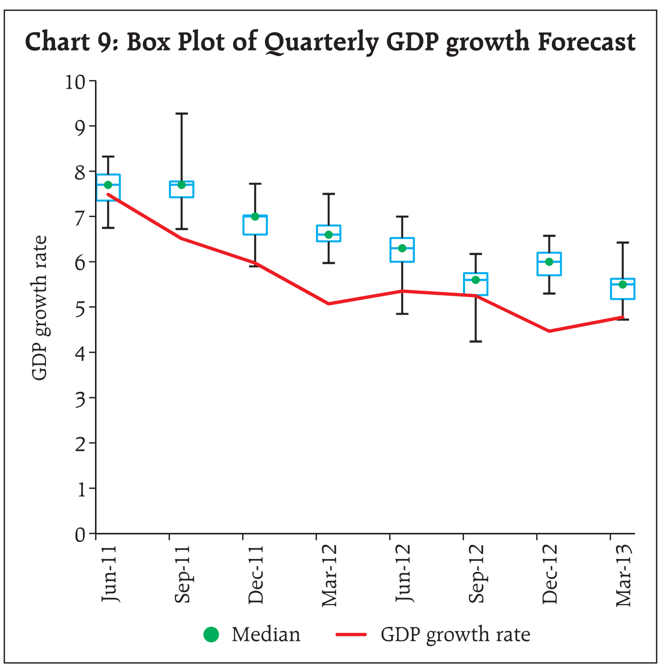
Forecast Horizon → Period ↓	4-quarter ahead	3-quarter ahead	2-quarter ahead	1-quarter ahead
Q1:2010-11 to Q2:2013-14	2.6	2.2	1.8	1.2
Q3:2011-12 to Q2:2012-13	1.3	1.3	0.8	0.6
Q3:2012-13 to Q2:2013-14	1.1	1.2	1.1	1.1

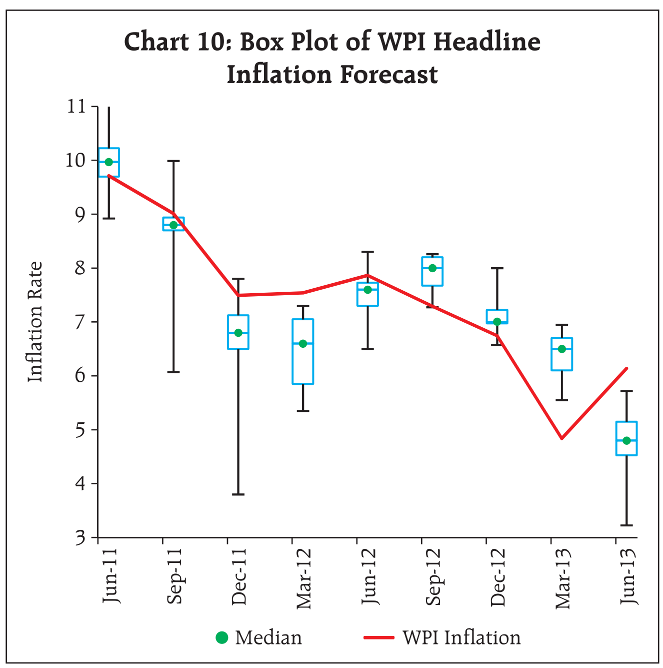


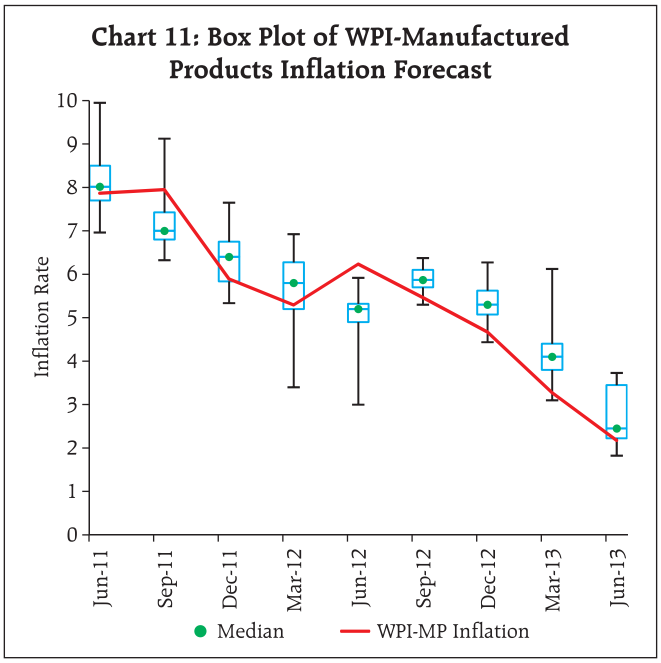
8. Variability of Forecasts

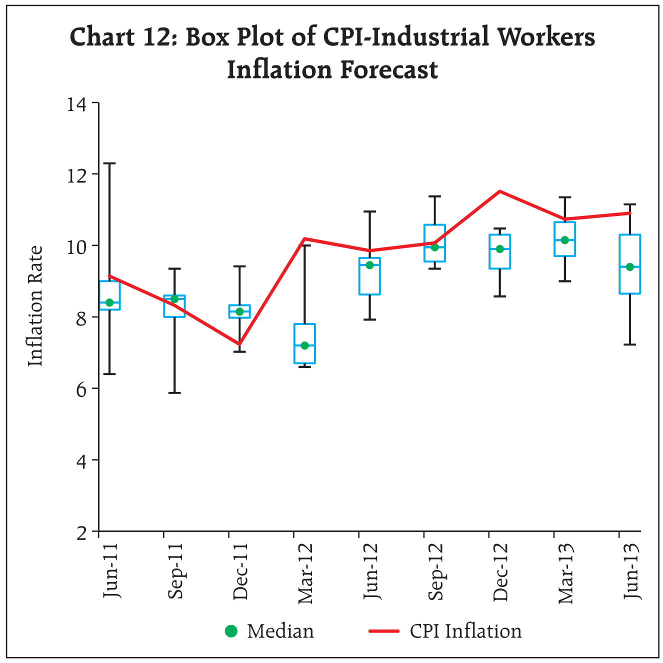
Variability of the forecast was also examined using box plots. Chart 9 present the box plot of one quarter ahead forecast of quarterly GDP growth. The thick line represents the actual growth. The boxes are plotted against the reference survey quarter, while growth is plotted one period ahead. Thus in the Chart, the last point indicates that the survey was conducted in March 2013, while the GDP growth is for the quarter April-June 2013. Box plot for quarterly growth forecast suggests that for most of the time, the actual outturn of GDP growth lies within the maximum and minimum forecast, except in particularly for March 2012 and December 2012 rounds.

Chart 10 and Chart 11 present the box plot of one quarter ahead forecast of WPI headline inflation and









WPI Manufactured Products inflation, respectively. The thick line represents the actual inflation. The boxes are plotted against the reference survey quarter, while inflation is plotted one period ahead. Thus in the Chart, the last point indicates that the survey was conducted in June 2013, while the inflation figure is for the quarter July-September 2013.

Box plot for WPI headline inflation forecast suggests that for most of the time, the actual outturn of WPI inflation lies within the maximum and minimum forecast except for the last two rounds. The forecasts for WPI Manufactured Products inflation are found to be encouraging with the actual data is found to be inside the maximum-minimum limit, with exception for June 2012 round. The Box plot for CPI Industrial Workers also suggests that, except for March 2012 and December 2012 round, the actual observed data lies within the maximum-minimum limit (Chart 12).

9. Forecast based on Weighted Average

As observed outturns have mostly lied within the maximum-minimum limit of the forecasts, an alternative methodology of aggregation of forecasts has been proposed. It is derived as the weighted average of the forecasts, where weight for each forecaster is assigned based on the past errors for different forecast horizon. Accordingly, the weight for the ith forecaster for time 't', with forecast horizon 'h', is defined as,

$$w_{it}(h) = \frac{\left(\frac{1}{{m_{it}}^{h}}\right)}{\sum_{i=1}^{p}\left(\frac{1}{{m_{it}}^{h}}\right)}$$

with ${m_{it}}^{h}$ is the error square committed by the ith forecaster for time 't' with forecast horizon 'h' and is defined as,

$${m_{it}}^{h} = \frac{1}{k}\sum_{j=1}^{k}(A_{t-j} - F_{i,t-j}^{h})^2$$

Where F_{it}^{h} is the forecast by the ith forecaster for time 't' with forecast horizon 'h'. A_t is the observed data for time 't'.

9.1. Forecast based on weighted average for Quarterly GDP Growth

Table 7 presents the RMSE for forecasts of quarterly GDP growth with forecast horizon of 4-quarter, 3-quarter, 2-quarter and 1-quarter ahead for the period from Q2:2012-13 to Q1:2013-14. The empirical findings

Table 7: Root Mean Square of Error of Quarterly GDP growth Forecasts

Inflation	4-quarter ahead		3-quarter ahead		2-quarter ahead		1-quarter ahead	
	Median	WA	Median	WA	Median	WA	Median	WA
GDP growth	7.00	6.25	5.29	3.88	3.06	2.60	1.30	0.96

WA: Weighted Average method

suggest that the RMSE of the weighted average method is lower than the median forecast for different forecast horizon.

The RMSE of GDP growth forecast with a forecast horizon of 4-quarters, based on the weighted average method is estimated to be 6.25, which is lower than the median based forecast RMSE of 7.00. Similarly, with a forecast horizon of 3-quarters, the RMSE based on weighted average method is found to be lower at 3.88 compared to the median based forecast of 5.29.

9. 2. Forecast based on Weighted Average for Quarterly Inflation

Table 8 presents the RMSE for forecasts of WPI headline inflation, WPI Manufactured Products inflation and CPI-IW headline inflation with forecast horizon of 4-quarter, 3-quarter, 2-quarter and 1-quarter ahead for the period from Q3:2012-13 to Q2:2013-14. The empirical findings suggest that the RMSE of the weighted average method is lower than the median forecast for different forecast horizon.

The RMSE of WPI headline inflation forecast with a forecast horizon of 4-quarters, based on the weighted average method is estimated to be 0.85, which is lower than the median based forecast RMSE of 1.18. Similarly, with a forecast horizon of 3-quarters, the RMSE based on weighted average method is found to be lower at 1.11 compared to the median based RMSE of 1.46. Again, the RMSE of WPI Manufactured Products inflation based on the weighted average method is found to be 3.05 for a forecast horizon of 4-quarter, which is lower than the median based RMSE of 3.75. Similarly for a forecast horizon of 1-quarter, the RMSE of weighted average method is estimated to be lower at 0.10 compared to 0.30 for median based forecast.

Also, the estimated RMSE based on the weighted average method of CPI-IW inflation was lower than the median based forecast. For forecast horizon of 4-quarters, the RMSE of the proposed method is estimated at 5.90 compared to 8.59 for the median based forecast. Similarly for 1-quarter ahead forecast, the RMSE of the median forecast is higher at 1.32 compared to 0.56 of the weighted average method.

9. 2. Forecast based on Weighted Average for Annual GDP growth

Annual forecast of GDP growth are provided from the first quarter of the previous financial year to the last quarter of the current financial year. Thus, GDP growth forecast for a particular year is projected eight times. However, in this article analysis has been restricted to the last five forecasts of the annual GDP growth.

Table 8: Root Mean Square of Error of Quarterly Inflation Forecasts

Inflation	4-quarter ahead		3-quarter ahead		2-quarter ahead		1-quarter ahead	
	Median	WA	Median	WA	Median	WA	Median	WA
WPI Headline Inflation	1.18	0.85	1.46	1.11	1.26	1.02	1.29	1.09
WPI Manufactured Products	3.75	3.05	6.42	5.76	1.91	1.29	0.30	0.10
CPI Industrial Workers	8.59	5.90	4.90	2.89	1.62	0.66	1.32	0.56

WA: Weighted Average method

Table 9: Root Mean Square of Error of Annual GDP growth forecast

RMSE	5-quarter ahead		4-quarter ahead		3-quarter ahead		2-quarter ahead		1-quarter ahead	
	Med	WA	Med	WA	Med	WA	Med	WA	Med	WA
2011-12 (AE) & 2012-13	3.93	3.13	3.40	2.85	1.63	1.35	0.56	0.42	0.13	0.08
2011-12 (RE) & 2012-13	4.42	3.81	4.04	3.45	2.11	1.83	0.92	0.78	0.25	0.16
2011-12 (2nd RE) & 2012-13	5.29	4.00	4.63	4.00	2.57	2.29	1.30	1.16	0.45	0.33

Med: Median; WA: Weighted Average method

Table 9 presents the RMSE of annual GDP growth for forecast horizon of 5-quarter to 1-quarter for the two financial years 2011-12 and 2012-13. Here again, the RMSE based on the weighted average method was found to be lower than median estimates for all the forecast horizons.

For the year 2011-12, the official estimates of growth were revised by the Central Statistics Office (CSO) with the incorporation of the new information. As per the advance estimate released on February 7, 2012, the CSO put the growth at 6.9 per cent, which was revised down to 6.5 percent as per the revised estimate released on May 31, 2012. As per the latest available data, the growth for 2011-12 has been further revised down to 6.2 per cent. For the year 2012-13, the CSO has put both advance estimate and revised estimate at 5 per cent. It is observed that the RMSE of forecasts of both the methods increases with the revisions of the data. The error in forecasts of GDP is least when compared with the advance estimate. The median based RMSE for 5-quarter ahead forecast, with the advance estimate of 2011-12, was estimated at 3.93, increased to 4.42 based on the revised estimate, which further increased to 5.29 with the 2^{nd} revised estimate. Similarly, based on the weighted average method for the same forecast horizon, estimated RMSE for advance estimate was 3.13, which increased to 3.81 as per the revised estimate and increased further to 4.00 as per the second revised estimate. Based on the latest available estimate (2011-12 (2^{nd} RE) & 2012-13), the 5-quarter ahead RMSE based on the weighted average method is lower at 4.00 compared to 5.29 for median based forecast.

9. Conclusion

This article presents the trend in forecasts based on the Survey of Professional Forecasters conducted by the Reserve Bank. The recent survey results indicate a lower growth for India in 2013-14 and possible improvement in 2014-15. Inflation pressure from both WPI and CPI-IW is likely to continue till 2013-14. Further, growth outlook for the next five years and 10 years has fallen in the recent survey. For the next five and 10 years, the forecasters expect a fall in the WPI inflation, while CPI-IW inflation is expected to go up for the same period. Also, the implicit forecast of growth, estimated from the probability distribution is found to be consistent with the explicit growth forecast, suggesting the internal consistency of the projections made by the forecasters. As an alternative to the median forecast, a weighted average method of aggregation, with weights given to each forecaster based on past accuracy, was carried out for quarterly growth and inflation and annual growth forecast. The forecast performance based on the proposed weighted average method was found to be superior than the median based forecasts.

*Developments in India's Balance of Payments during First Quarter (April-June) of 2013-14**

The data on India's Balance of Payments (BoP) are published by the Reserve Bank on a quarterly basis with a lag of one quarter. This article presents the analysis of major developments in India's BoP during the first quarter (April-June) of 2013-14.

Balance of Payments during April-June (Q1) of 2013-14

Highlights

- India's current account deficit (CAD) as per cent of GDP widened to 4.9 per cent in Q1 of 2013-14 from 3.6 per cent in Q4 of 2012-13 and 4.0 per cent in Q1 of 2012-13 as trade deficit widened owing to the sharp rise in imports and contraction in merchandise exports.
- Merchandise exports (BoP basis) declined by 1.5 per cent to US$ 73.9 billion in Q1 of 2013-14 as compared with a decline of 4.8 per cent at US$ 75.0 billion in Q1 of 2012-13. In contrast, merchandise imports recorded an increase of 4.7 per cent at US$ 124.4 billion in Q1 of 2013-14 as against a decline of 3.9 per cent at US$ 118.9 billion in Q1 of 2012-13 primarily led by a rise in POL and gold imports.
- As a result, trade deficit (BoP basis) widened further to US$ 50.5 billion in Q1 of 2013-14 from US$ 43.8 billion a year ago.
- Net invisibles, however, recorded a growth of 7.2 per cent in Q1 of 2013-14 as against a decline of 2.6 per cent in Q1 of 2012-13 on account of a rise in net export of services.
- Notwithstanding a net outflow of portfolio investment, inflows under capital and financial account, excluding changes in foreign exchange reserves, rose by 25.2 per cent to US$ 20.5 billion in Q1 of 2013-14 from US$ 16.4 billion in Q1 of the previous year mainly on account of an increase in FDI and loans availed by banks. There was, however, a marginal drawdown of foreign exchange reserves by US$ 0.3 billion in Q1 of 2013-14 as against an accretion of US$ 0.5 billion in Q1 of 2012-13.

India's external sector came under stress in the quarter ending June 2013 as CAD worsened owing to the widening merchandise trade deficit and a slow recovery in net invisibles. Notwithstanding an increase in capital flows, particularly in FDI and bank loans, there was a net drawdown of foreign exchange reserves in Q1 of 2013-14 (Table 1).

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

(US$ Billion)

	Apr-Jun		Jan-Mar
	2013-14 (P)	2012-13 (PR)	2013-14 (P)
1. Goods Exports	73.9	75.0	84.8
2. Goods Imports	124.4	118.9	130.4
3. Trade Balance(1-2)	**-50.5**	**-43.8**	**-45.6**
4. Services Exports	36.5	35.8	37.8
5. Services Imports	19.7	20.8	20.9
6. Net Services (4-5)	**16.9**	**15.0**	**17.0**
7. Goods & Services Balances (3+6)	**-33.6**	**-28.9**	**-28.7**
8. Primary Income, Net (Compensation of employees and Investment Income)	-4.8	-4.9	-5.2
9. Secondary Income, Net (Private Transfers)	16.7	16.8	15.8
10. Net Income (8+9)	**11.8**	**11.9**	**10.6**
11. Current Account Balance (7+10)	**-21.8**	**-16.9**	**-18.1**
12. Capital and Financial Account Balance, Net (Excl. change in reserves)	20.5	16.4	20.5
13. Change in Reserves (-)increase/(+) decrease	0.3	-0.5	-2.7
14. Errors & Omissions (-) (11+12+13)	0.9	1.1	0.3

P: Preliminary; PR: Partially Revised.
Note: Totals may not tally because of rounding off.

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

Goods Trade

- On a BoP basis, merchandise exports declined by 1.5 per cent to US$ 73.9 billion in Q1 of 2013-14 as compared with a decline of 4.8 per cent at US$ 75.0 billion in Q1 of 2012-13.
- India's export performance in Q1 of 2013-14 was mainly affected by a decline in exports of manufacturing items like 'engineering goods', 'gems & jewellery' and also primary products like 'ores and minerals'.
- While exports to countries like the UK, Japan, Korea, Malaysia and Singapore showed considerable improvement in Q1 of 2013-14, exports to major export destinations, *viz.*, the US, China and the UAE either slowed down or declined significantly during the quarter.
- Led by a sharp rise in gold and POL imports, merchandise imports rose by 4.7 per cent to US$ 124.4 billion in Q1 of 2013-14 as against a decline of 3.9 per cent in Q1 of 2012-13 at US$ 118.9 billion.
- Notwithstanding a successive rise in customs duty and other measures to curb gold demand and a moderation of international gold prices by around 12 per cent, demand for gold imports remained strong in Q1 of 2013-14.
- Imports of POL items also grew by 6.6 per cent in Q1 of 2013-14 despite a marginal decline in the international prices of crude oil (Indian basket), reflecting growing domestic consumption of petroleum products.

Trade Deficit

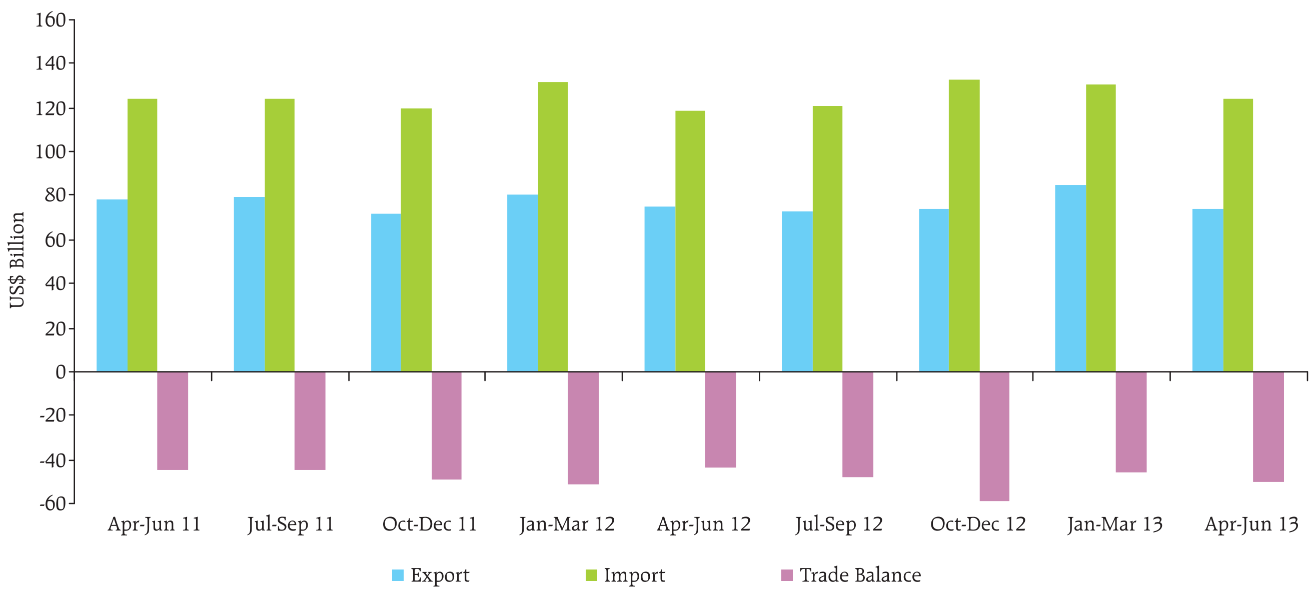
- Moderation in exports coupled with a rise in imports widened the trade deficit to US$ 50.5 billion in Q1 of 2013-14 (about 11.3 per cent of GDP) compared to US$ 43.8 billion (10.2 per cent of GDP) in Q1 of 2012-13 (Chart 1).

Services

During Q1 of 2013-14, net receipts on account of exports of services recorded a growth of 12.6 per cent at US$ 16.9 billion over the corresponding quarter of 2012-13. The decline was mainly on account of rise in exports of services coupled with a pronounced decline in imports of services on a year-on-year basis.

- Services export growth, however, decelerated to 2.1 per cent in Q1 of 2013-14 as compared with 6.1 per cent during the same quarter in the preceding year. While sectors like 'travel',

Chart 1: Quarterly Movements in Trade Balance



'telecommunication, computer and information services', 'financial services', 'professional and management consulting services' played a key role in boosting growth in services of exports, which, however, was partly offset by decline in exports of 'transport', 'charges for intellectual property' and 'technical, trade related and other business services'.

- Import of services, at US$ 19.7 billion, posted a decline of 5.5 per cent in Q1 of 2013-14 as against an increase of of 19.3 per cent in Q1 of 2012-13, mainly on account of a moderation in imports of 'professional and management consulting services', 'technical trade related and other business services' and 'personal cultural and recreational services'.

Income

While net outflow under primary income account moderated marginally in Q1 of 2013-14 at US$ 4.8 billion from US$ 4.9 billion in Q1 of 2012-13, owing to a rise in investment income receipts, net secondary income receipts also remained almost stable at US$ 16.7 billion in Q1 of 2013-14 (Table2).

- During Q1 of 2013-14, receipts on account of investment income, largely representing earnings on foreign currency assets, grew by 21.5 per cent (decline of 26.7 per cent in Q1 of 2012-13). Investment income payments, comprising mainly the interest payments on the external commercial borrowings (ECBs), NRI deposits and profits & reinvested earnings of FDI companies in India, recorded a growth of 5.1 per cent (12.9 per cent in Q1 of 2012-13).
- Net remittances from overseas Indians grew only marginally as there was a sharp rise in remittance payments (by 76 per cent) as compared with remittances receipts (by 6.6 per cent) in Q1 of 2013-14. Thus, net flows of secondary income remained stable in Q1 of 2013-14 as compared to that in Q1 of 2012-13.
- NRI deposits, when withdrawn domestically, form part of private transfers as they become unilateral

Table 2: Disaggregated Items of Current Account (Net)

(US$ Billion)

	Apr-Jun		Jan-Mar
	2013-14 (P)	2012-13 (PR)	2013-14 (P)
1. Goods	**-50.5**	**-43.8**	**-45.6**
2. Services	**16.9**	**15.0**	**17.0**
a. Transport	0.4	0.6	1.1
b. Travel	0.8	0.4	2.8
c. Construction	0.0	-0.0	-0.2
d. Insurance and pension services	0.2	0.3	0.3
e. Financial Services	-0.6	-0.1	-0.1
f. Charges for the use of intellectual property	-1.0	-0.7	-1.1
g. Telecommunications, computer and information services	16.2	15.3	17.3
h. Personal, cultural and recreational services	0.2	0.0	0.1
i. Government goods & services	-0.2	-0.0	-0.2
j. Other Business services	0.6	-0.6	-0.9
k. Others *n.i.e.*	0.1	-0.0	-2.1
3. Primary Income	**-4.8**	**-4.9**	**-5.2**
a. Compensation of Employees	0.2	0.2	0.2
b. Investment Income	-5.1	-5.1	-5.3
4. Secondary Income	**16.7**	**16.8**	**15.8**
a. Personal Transfers	16.2	16.1	15.3
b. Other Transfers	0.6	0.7	0.5
5. Current Account (1+2+3+4)	**-21.8**	**-16.9**	**-18.1**

P: Preliminary; PR: Partially Revised.
Note: Totals may not tally because of rounding off.

Table 3: Inflows and Outflows from NRI Deposits and Local Withdrawals

(US $ Billion)

Year	Inflows	Outflows	Local Withdrawals
2012-13 (P)	65.3	50.5	32.0
2011-12 (PR)	64.3	52.4	32.5
Apr-June 2013-14	18.3	12.8	8.1
Apr-June 2012-13	19.3	12.8	8.1

P: Preliminary. PR: Partially Revised.

transfers and do not have any *quid pro quo.* In Q1 of 2013-14, the share of local withdrawals in total outflows from NRI deposits was 63.1 per cent, almost same as in Q1 of the previous year (Table 3).

- As a proportion of total private transfers, inward remittances for family maintenance increased to 51.0 per cent in Q1 of 2013-14 from 49.0 per cent in Q1 of 2012-13. The share of local withdrawals from NRI deposits, however, declined to 45.3 per cent in Q1 of 2013-14 from 46.4 per cent in the corresponding period (Table 4).

Current Account

- Widening of merchandise trade deficit, along with a slow recovery in net invisibles (income & services), led to worsening of CAD to US$ 21.8 billion in Q1 of 2013-14 from US$ 16.9 billion in Q1 of 2012-13. As a percentage of GDP, CAD worsened to 4.9 per cent in Q1 of 2013-14 from 4.0 per cent in Q1 of 2012-13 (Chart 2).

Table 4: Details of Private Transfers to India

(US$ Billion)

Year	Total Private Transfers	*Of Which:* Inward remittances for family maintenance: Amount	Inward remittances for family maintenance: Percentage Share in Total	Local withdrawals/ redemptions from NRI Deposits: Amount	Local withdrawals/ redemptions from NRI Deposits: Percentage Share in Total
2012-13 (P)	67.6	33.0	48.9	32.0	47.2
2011-12 (PR)	66.1	31.3	47.3	32.5	49.1
Apr-June 2013-14	17.9	9.1	51.0	8.1	45.3
Apr-June 2012-13	17.5	8.5	49.0	8.1	46.4

P: Preliminary. PR: Partially Revised.

Capital & Financial Account

The capital account, which includes, *inter alia,* 'net acquisition of non-produced non-financial assets' and 'other capital receipts including migrant transfers' showed a negligible inflows on a net basis in Q1 of

Chart 2: Movement in Current Account Balance

Table 5: Disaggregated Items of Financial Account (Net)

(US$ Billion)

	Apr-Jun 2013-14 (P)	Apr-Jun 2012-13 (PR)	Jan-Mar 2013 (P)
1. Direct Investment (net)	**6.5**	**3.8**	**5.7**
a. Direct Investment to India	6.5	5.9	7.2
b. Direct Investment by India	0.0	-2.1	-1.4
2. Portfolio Investment	**-0.2**	**-2.0**	**11.3**
a. Portfolio Investment in India	-0.5	-1.7	11.5
b. Portfolio Investment by India	0.2	-0.3	-0.2
3. Other investment	**14.1**	**15.4**	**4.2**
a. Other equity (ADRs/GDRs)	0.0	0.1	0.0
b. Currency and deposits	5.6	6.4	2.8
Deposit-taking corporations, except the central bank (NRI Deposits)	5.5	6.6	2.8
c. Loans*	5.9	3.5	-1.6
c.i. Loans to India	5.4	3.5	-1.6
Deposit-taking corporations, except the central bank	4.7	3.0	-6.3
General government (External Assistance)	0.3	0.1	0.6
Other sectors (External Commercial Borrowings)	0.4	0.4	4.1
c.ii. Loans by India	0.4	0.1	0.0
General government (External Assistance)	-0.1	-0.1	-0.1
Other sectors (ECBs)	0.5	0.1	0.1
d. Trade credit and advances	2.5	5.4	4.5
e. Other accounts receivable/payable-other	0.2	-0.1	-1.5
4. Financial Derivatives	**-0.5**	**-0.6**	**-0.9**
5. Reserve assets	**0.3**	**-0.5**	**-2.7**
Financial Account (1+2+3+4+5)	**20.1**	**16.1**	**17.6**

P: Preliminary; PR: Partially Revised.
*: Includes External Assistance, ECBs and Banking Capital.
Note: Totals may not tally because of rounding off.

2013-14. Notwithstanding a net outflow in portfolio investment, particularly from debt segment of FII, net inflows under capital and financial account (excluding changes in foreign exchange reserves) rose by 25.2 per cent to US$ 20.5 billion in Q1 of 2013-14 from US$ 16.4 billion in Q1 of 2012-13. The rise was mainly on account of increase in FDI and overseas loans availed by banks (Table 5).

- Net FDI inflows witnessed a significant rise in Q1 of 2013-14 to US$ 6.5 billion from US$ 3.8 billion in Q1 of 2012-13, primarily on account of fresh FDI inflows to India and a significant decline in net FDI by India.
- Net FDI to India increased by 9.5 per cent from US$ 5.9 billion in Q1 of 2013-14 to US$ 6.5 billion in Q1 of 2012-13. The rise in FDI to India was reflected under both equity and debt flows.
- However, on a sectoral basis, gross FDI inflows through SIA/FIPB routes have shown a marginal decline owing to a moderated inflows in sectors *viz.*, 'financial services', 'business services', 'electricity and others', 'construction' and 'computer services' (Table 6). FDI from all major source countries (except Singapore) was lower in Q1 as compared with corresponding quarter of 2012-13. In Q1 of 2013-14, Singapore became the largest source of investment along with Mauritius (Table 7).
- Sector wise, gross FDI outflows from India moderated across all sectors ranging from 'financial, insurance, real estate and business services', 'transport, storage and communication services', 'wholesale, retail trade, restaurants and hotels' excluding sectors like 'manufacturing',

Table 6: Sector-wise FDI – Inflows and Outflows

(US$ Billion)

Gross FDI inflows to India#				Gross FDI outflows from India*			
Industry	**2012-13**	**Apr-Jun 2013**	**Apr-Jun 2012**	**Industry**	**2012-13**	**Apr-Jun 2013**	**Apr-Jun 2012**
1	2	3	4	5	6	7	8
Manufacturing	6.5	1.6	1.4	Manufacturing	3.3	0.9	0.8
Financial Services	2.8	0.6	0.7	Financial, Insurance, Real Estate and Business Services	2.7	0.3	0.6
Electricity and others	1.4	0.2	0.4	Transport, Storage and Communication Services	1.7	0.3	0.6
Construction	2.6	0.2	0.3	Agriculture , Hunting, Forestry Fishing and Mining	1.1	0.1	0.1
Business Services	1.6	0.1	0.2	Wholesale, Retail Trade, Restaurants and Hotels	0.7	0.1	0.2
Restaurants and Hotels	0.9	0.1	0.1	Construction	0.6	0.1	0.1
Communication Services	1.5	0.0	0.0	Community, Social and Personal Services	0.3	0.1	0.0
Computer Services	0.7	0.0	0.1	Electricity, Gas and Water	0.1	0.01	0.0
Others	0.3	0.5	0.3	Miscellaneous	0.3	0.0	0.0
Total	**18.3**	**3.3**	**3.5**	**Total**	**10.8**	**1.8**	**2.4**

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

'agriculture, hunting, forestry, fishing and mining', 'construction' which either witnessed a rise in outflow or remained same during the period (Table 6).

- With an increase in gross FDI outflows to Mauritius during Q1 of 2013-14, it became one of the largest recipient countries along with Singapore, Netherlands and the USA (Table 7).

- During Q1 of 2013-14, India's outward FDI through joint ventures and wholly owned subsidiaries stood at US$ 1.8 billion which was around 25 per cent lower than the outward investment made in Q1 of 2012-13. While the investment financed through equity declined by 26.1 per cent during the quarter, the loan component registered a fall of 23.2 per cent from

Table 7: Country-wise FDI – Inflows and Outflows

(US$ Billion)

Gross FDI inflows to India#				Gross FDI outflows from India*			
Country	**2012-13**	**Apr-Jun 2013**	**Apr-Jun 2012**	**Country**	**2012-13**	**Apr-Jun 2013**	**Apr-Jun 2012**
1	2	3	4	5	6	7	8
Mauritius	8.1	0.7	1.1	Mauritius	1.7	0.3	0.2
Singapore	1.6	0.7	0.3	Singapore	1.8	0.3	0.5
Japan	1.3	0.2	0.2	Netherlands	0.9	0.3	0.3
Netherlands	1.7	0.1	0.5	USA	1.4	0.3	0.3
Cyprus	0.4	0.1	0.2	British Virgin Islands	0.5	0.1	0.1
UK	1.0	0.0	0.4	UK	0.5	0.1	0.2
South Korea	0.2	0.0	0.1	UAE	0.6	0.1	0.1
U.S.A	0.5	0.0	0.1	Switzerland	0.5	0.03	0.1
UAE	0.2	0.0	0.1	Australia	0.2	0.02	0.02
Others	3.3	1.5	0.5	Others	2.7	0.3	0.6
Total	**18.3**	**3.3**	**3.5**	**Total**	**10.8**	**1.8**	**2.4**

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

Table 8: India's Outward FDI

(US$ Billion)

Period	Equity*	Loan	Guarantees Invoked	Total
Apr-Jun 2013-14 (P)	0.9 (46.6)	1.0 (53.3)	0.0 (0.0)	**1.8**
Apr-Jun 2012-13 (PR)	1.2 (45.3)	1.3 (54.7)	0.0 (0.0)	**2.4**
2012-13	6.3 (58.3)	4.4 (40.7)	0.1 (-0.3)	**10.8**
2011-12	5.5 (49.0)	5.7 (51.0)	0.0 (0.0)	**11.2**

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

US$ 1.3 billion in Q1 of 2012-13 to US$ 1.0 billion in Q1 of 2013-14 (Table 8).

- Volatile trend in portfolio investment continued during Q1 of 2013-14 despite a moderation in net outflows. While equity investments by FII witnessed a net inflow of US$ 4.9 billion in Q1 of 2013-14 as compared with a net outflow of US$ 1.7 billion in Q1 of 2012-13 (inflow of US$ 9.6 billion in Q4 of 2012-13), net FII investment in debt witnessed a reverse trend. There was a significant outflow of US$ 5.4 billion in Q1 of 2013-14 from the domestic debt market as compared to an outflow of US$ 0.1 billion in Q1 of 2012-13 (inflow of US$ 1.9 billion in Q4 of 2012-13), primarily led by the signaling of a probable tapering of the US quantitative easing by the Fed.

- Net loans availed by banks recorded a rise of 57.5 per cent in Q1 of 2013-14 on a y-o-y basis owing to a rise in fresh borrowings by banks amounting to US$ 4.7 billion in Q1 of 2013-14 from US$ 3.0 billion in Q1 of 2012-13.

- Simultaneous increase in 'external loans availed by non-Government and non-banking sectors', *i.e.*, ECBs and repayments during the quarter led to a marginal rise in net ECBs by 6.5 per cent as against a decline in net ECBs by 86.9 per cent in Q1 of the previous year.

- Net inflows under 'trade credit and advances' declined to US$ 2.5 billion in Q1 of 2013-14 from US$ 5.4 billion in Q1 of 2012-13 owing to a greater rise in repayments relative to fresh credit availed during the quarter.

- Inflows under currency and deposits of commercial banks, *i.e.*, NRI deposits moderated to US$ 5.5 billion in Q1 of 2013-14 from US$ 6.6 billion in Q1 of 2012-13.

- Net capital flows under financial account were almost sufficient to finance the CAD as there was only a marginal drawdown of foreign exchange reserves of US$ 0.3 billion in Q1 of 2013-14 as against an accretion of US$ 0.5 billion in Q1 of 2012-13.

- 'Other receivables/payables' that include 'leads and lags in exports', 'net funds held abroad', 'advances received pending issue of shares under FDI', and 'other capital not included elsewhere' recorded a net inflow of US$ 0.2 billion in Q1 of 2013-14 as against an outflow of US$ 0.1 billion in Q1 of the previous year (Table 9).

Table 9: Details of 'Other Receivables/ Payables' (Net)

(US $ Billion)

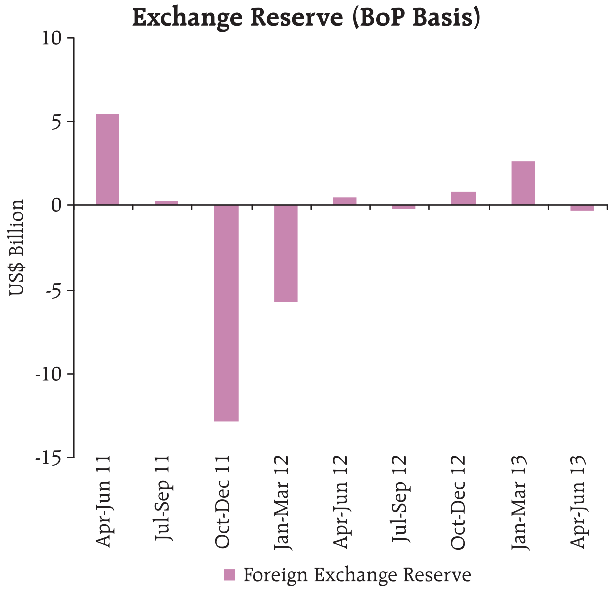
Item	2012-13 (P)	2011-12 (PR)	April-June	
			2013-14 (P)	2012-13 (PR)
Lead and Lags in Exports	-10.8	-10.4	-2.1	-1.0
Net Funds Held Abroad	-8.6	-2.8	-1.2	-1.0
Advances Received Pending Issue of Shares under FDI	9.2	2.7	3.5	1.8
Other capital not included elsewhere#	7.5	3.6	0	0.1
Total	**-2.7**	**-6.9**	**0.2**	**-0.1**

#: Inclusive of derivatives and hedging, migrant transfers SDR allocation, rupee debt service and other capital transfers.
P: Preliminary. PR: Partially Revised.

Reserve Variation

- Net capital inflows were almost sufficient to finance the CAD and there has been a marginal drawdown of foreign exchange reserves to the extent of US$ 0.3 billion in Q1 of 2013-14 as against an accretion of the amount US$ 0.5 billion in the previous year. At the end of June 2013, foreign exchange reserves stood at US$ 282.45 billion (Chart 3).

Chart 3: Variation In India's Foreign Exchange Reserve (BoP Basis)



Difference between DGCI&S and Balance of Payments

- The data on imports based on DGCI&S (custom statistics) and the BoP (banking channel data) are given in Table 10. The discrepancy between the two data sets are likely to get reduced when both the data sets are revised later (Table 10).

Table 10: DGCI&S and the BoP Import Data

(US$ Billion)

Item	2012-13	April-June	
		2013-14	2012-13
1. BoP Imports	502.2	124.4	118.9
2. DGCI&S Imports	491.5	122.6	115.2
3. Difference (1-2)	10.7	1.8	3.7

*India's External Debt as at the end of June 2013**

As per the standard practice, India's external debt statistics for the quarters ending March and June are released by the Reserve Bank of India and those for the quarters ending September and December by the Ministry of Finance, Government of India. The external debt data are released with a lag of one quarter. The external debt data, as compiled in the standard format, as at end-June 2013 in rupees and US dollar terms and revised data for the earlier quarters are available in the RBI Press Release on India's External Debt as at end-June 2013 dated September 30, 2013. The article provides a detailed review of external debt along with the recent policy measures taken by the RBI related to the external debt management and the cross country comparison based on World Bank's database on 'Quarterly External Debt statistics' and 'Global Financial Development' with a focus on 'where does India stand' in terms of different indicators.

With sharp widening of current account deficit during the first quarter of 2013-14 compared to the preceding quarter and increased reliance on debt financing, external debt remained at the elevated level. However, the rise in external debt was more than fully offset by the valuation gains resulting from appreciation of the US dollar against other major currencies and against rupee. Therefore, during April-June 2013, there was absolute decline in the external debt in US dollar terms as compared to the preceding quarter.

Highlights

- India's external debt, as at end-June 2013, was placed at US$ 388.5 billion showing a decline of US$ 3.6 billion or 0.9 per cent over the level at end-March 2013.
- Excluding the valuation gains, the external debt as at end-June would have increased by US$ 5.9 billion over end-March 2013.
- In terms of major components, the share of commercial borrowings continued to be the highest at 30.7 per cent of total external debt, followed by short term debt (24.9 per cent).
- The share of short-term debt in total debt, by original maturity, was 24.9 per cent. However, on residual maturity basis, short-term debt accounted for 43.8 per cent of the total external debt as at end-June 2013.
- The ratio of short-term debt (original maturity) to foreign exchange reserves rose to 34.3 per cent as at end-June 2013 from 33.1 per cent as at end-March 2013.
- The debt denominated in US dollar continued to be the highest with a share of 58.9 per cent in total external debt as at end-June 2013.
- At end-June 2013, the foreign exchange cover to external debt was lower at 72.7 per cent compared with 74.5 per cent at the end of March 2013.

India's External Debt as at end-June 2013

i. India's external debt, as at end-June 2013, was placed at US$ 388.5 billion showing a decline of US$ 3.6 billion or 0.9 per cent over end-March 2013 primarily on account of decline in the level of commercial borrowings as well as bilateral debt and trade credit (Table 1 & Chart 1).

ii. The decline in the stock of commercial borrowings was mainly due to the disinvestment by the FII in the Government securities and corporate bonds during the quarter in the wake of indication given by the US Fed about tapering of quantitative easing.

Valuation Change

i. The valuation change (gain) during first quarter of 2013-14 (April-June) amounted to US$ 9.5 billion reflecting the appreciation of the US dollar against Indian rupee and other major currencies. Thus, excluding the valuation gain, the stock of external debt as at end-June 2013 would have increased by US$ 5.9 billion.

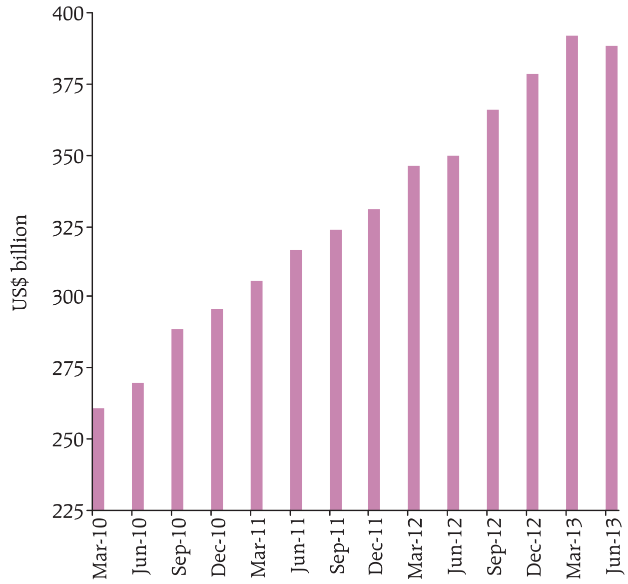
* Prepared in the Division of International Trade & Finance, Department of Economic and Policy Research, Reserve Bank of India.

Table 1: External Debt Outstanding

(US$ Billion)

	Total External Debt	Variation			
		Over corresponding Quarter of Previous year		Over Previous Quarter	
		Amount	Per cent	Amount	Per cent
1	2	3	4	5	6
Mar-11	305.9	44.9	17.2	10.2	3.4
Jun-11	316.2	46.0	17.0	10.3	3.4
Sep-11	323.3	34.8	12.1	7.1	2.2
Dec-11	331.2	35.6	12.0	7.9	2.4
Mar-12	345.8	39.9	13.1	14.6	4.4
Jun-12	349.4	33.2	10.5	3.6	1.0
Sep-12	365.9	42.6	13.2	16.5	4.7
Dec-12	378.5	47.3	14.3	12.5	3.4
Mar-13	392.1	46.3	13.4	13.6	3.6
June-13	388.5	39.1	11.2	-3.6	-0.9

Chart 1: India's Total External Debt



Components of External Debt

i. In terms of major components, the share of commercial borrowings (US$ 119.4 billion) continued to be the highest at 30.7 per cent of total external debt, followed by short-term debt (24.9 per cent) and NRI deposits (18.3 per cent) (Table 2). However, the stock of NRI deposits,

Table 2: External Debt by Component

(US$ Billion)

Item	End-March					End-June	
	1991	2010	2011 (PR)	2012 (PR)	2013 (PR)	2012 (PR)	2013 (P)
1	2	3	4	5	6	7	8
1. Multilateral	20.9 (24.9)	42.9 (16.4)	48.5 (15.8)	50.5 (14.6)	51.6 (13.2)	49.7 (14.2)	51.7 (13.3)
2. Bilateral	14.2 (16.9)	22.6 (8.7)	25.7 (8.4)	26.9 (7.8)	25.2 (6.4)	27.4 (7.8)	24.8 (6.4)
3. IMF	2.6 (3.1)	6.0 (2.3)	6.3 (2.1)	6.2 (1.8)	6.0 (1.5)	6.0 (1.7)	6.0 (1.5)
4. Trade Credit	4.3 (5.1)	16.8 (6.5)	18.6 (6.1)	19.1 (5.5)	17.9 (4.6)	19.2 (5.5)	17.5 (4.5)
5. ECBs	10.2 (12.2)	70.7 (27.1)	88.5 (28.9)	105.1 (30.4)	122.7 (31.3)	104.5 (29.9)	119.4 (30.7)
6. NRI Deposits	10.2 (12.2)	47.9 (18.4)	51.7 (16.9)	58.6 (16.9)	70.8 (18.1)	60.9 (17.4)	71.1 (18.3)
7. Rupee Debt	12.8 (15.3)	1.7 (0.6)	1.6 (0.5)	1.4 (0.4)	1.3 (0.3)	1.2 (0.3)	1.2 (0.3)
8. Long-term Debt (1to 7)	**75.3** (89.8)	**208.6** (79.9)	**240.9** (78.8)	**267.6** (77.4)	**295.4** (75.3)	**269.0** (77.0)	**291.8** (75.1)
9. Short-term Debt	**8.5** (10.2)	**52.3** (20.0)	**65.0** (21.2)	**78.2** (22.6)	**96.7** (24.7)	**80.5** (23.0)	**96.8** (24.9)
Total (8+9)	**83.8** **(100.0)**	**260.9** **(100.0)**	**305.9** **(100.0)**	**345.8** **(100.0)**	**392.1** **(100.0)**	**349.4** **(100.0)**	**388.5** **(100.0)**

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

multilateral debt and short-term debt as at the end of June 2013 was higher as compared with that at end-March 2013.

ii. There has been a rise in almost all the major components of the external debt during April-June 2013 except commercial borrowings, trade credits and bilateral loans (Table 2).

iii. ECB approvals during April-June 2013 at US$ 5.6 billion stood lower than recorded during the same period preceding year (US$ 8.1 billion). However, gross disbursements during the quarter were higher at US$ 5.3 billion as compared to US$ 4.6 billion in the previous year. Net FII investment in Government securities and corporate bonds during the quarter recorded a significant decline as portfolio investment recorded outflows. As stated above, the outflow of FII investment particularly from debt segment was triggered by indication on the possible tapering of quantitative easing by the US Fed on May 22, 2013 (Table 3).

iv. Trade credit components of external debt (both long-term and short-term) showed an increase of US$ 2 billion as at end-June 2013 over end-March 2013 as compared with an increase of US$ 5.5 billion during the corresponding period of preceding year reflecting lower level of imports being financed through trade credits during April-June 2013 as against a year ago.

v. NRI deposits recorded a marginal increase of US$ 0.3 billion to US$ 71.1 billion as at end-June 2013 over end-March 2013 as compared with an increase of US$ 2.3 billion during a year ago. The increase was primarily on account of surge in inflows under NRE deposits while other two schemes *viz.*, FCNR(B) and NRO witnessed net outflows during the period. Higher inflows under NRE deposits reflect the impact of deregulation of interest rates on rupee deposit schemes in December 2011.

vi. Despite increase in the short term trade credit during the quarter, the short-term debt remained almost at the previous quarter level (US$ 96.8 billion) as there was outflow on account of FII investment in the Government T-bills and commercial papers to the tune of US$ 2.3 billion.

Table 3: External Debt – Outstanding and Variation

(US$ Billion)

Item	Outstanding at the end-of			Absolute variation		Percentage Variation	
	Jun 2012 (PR)	Mar 2013 (PR)	Jun 2013 (P)	Jun-13/Jun-12	Jun-13/Mar-13	Jun-13/Jun-12	Jun-13/Mar-13
1	2	3	4	5	6	7	8
1. Multilateral	49.7	51.6	51.7	2.0	0.1	4.1	0.3
2. Bilateral	27.4	25.2	24.8	-2.6	-0.4	-9.6	-1.5
3. IMF	6.0	6.0	6.0	-0.1	0.0	-0.9	0.3
4. Trade Credit	19.2	17.9	17.5	-1.7	-0.4	-8.8	-2.3
5. Commercial Borrowings	104.5	122.7	119.4	14.9	-3.3	14.2	-2.7
6. NRI Deposits	60.9	70.8	71.1	10.2	0.3	16.8	0.4
7. Rupee Debt	1.2	1.3	1.2	0.0	0.0	2.5	-0.7
8. Short term Debt	80.5	96.7	96.8	16.3	0.1	20.3	0.1
Of which							
Short-Term Trade Credit	70.5	86.8	89.2	18.7	2.5	26.6	2.8
Total Debt (1 to 8)	**349.4**	**392.1**	**388.5**	**39.1**	**-3.6**	**11.2**	**-0.9**
Memo Items							
A. Long-Term Debt (1 to 7)	269.0	295.4	291.8	22.8	-3.7	8.5	-1.2
B. Short-Term Debt	80.4	96.7	96.8	16.3	0.1	20.3	0.1

P: Provisional; PR : Partially Revised.

Table 4: Commercial Borrowings

(US$ Billion)

End March	Approv-als#	Gross Disburse-ment	Amortisa-tion	Interest	Total Servicing	ECB Debt Out-standing
1	2	3	4	5	6=(4+5)	7
1990-91	1.9	4.3	2.0	1.4	3.4	10.2
1995-96	6.3	4.3	3.0	1.4	4.4	13.9
2000-01	2.8	9.6	5.3	1.7	7.0	24.4
2001-02	2.7	2.7	4.3	1.5	5.7	23.3
2002-03	4.2	3.5	5.2	1.2	6.4	22.5
2003-04	6.7	5.2	8.2	2.1	10.3	22.0
2004-05	11.5	9.1	3.7	1.0	4.6	26.4
2005-06	17.2	14.3	11.6	3.0	14.6	26.5
2006-07	25.4	20.3	3.8	2.5	6.3	41.4
2007-08	28.9	28.7	6.1	3.7	9.7	62.3
2008-09	15.7	13.2	6.6	4.0	10.5	62.5
2009-10	20.6	14.0	11.5	3.2	14.7	70.7
2010-11 R	25.2	22.3	10.5	3.5	14.0	88.5
2011-12 PR	35.4	28.9	19.8	5.4	25.2	105.1
2012-13 PR	32.0	25.5	16.9	6.3	23.2	122.7
2012-13 PR (Apr-Jun)	8.1	4.6	4.2	1.7	5.8	104.5
2013-14 P (Apr-Jun)	5.6	5.3	4.9	1.3	6.2	119.4

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

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

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

Currency Composition of India's External Debt

i. The US dollar denominated debt continued to be the largest component of India's external debt with a share of 58.9 per cent as at end-June 2013, followed by that in Indian rupee (22.6 per cent), SDR (7.6 per cent), Japanese Yen (6 per cent) and Euro (3.2 per cent) (Table 5).

Instrument-wise Classification of External Debt

i. The instrument-wise classification of India's external debt across the borrower category indicates that loans accounted for 45.6 per cent of total debt outstanding as at end-June 2013 as compared with 45.3 per cent as at end-March 2013 (Table 6).

Table 5: Currency Composition of India's External Debt

(Percentage share in total external debt)

Currency	End-March						End-June
	2008	2009	2010	2011 (R)	2012 (PR)	2013 (PR)	2013 (P)
1	2	3	4	5	6	7	8
US Dollar	55.3	54.1	53.2	53.6	55.0	57.2	58.9
Indian rupee	16.2	15.4	18.7	19.5	21.4	24.0	22.6
Japanese Yen	12.0	14.3	11.5	11.3	9.1	6.3	6.0
SDR	10.6	9.8	10.7	9.7	8.7	7.5	7.6
Euro	3.5	4.1	3.6	3.7	3.7	3.5	3.2
Pound Sterling	2.2	1.9	1.8	1.7	0.9	0.7	1.2
Others	0.2	0.4	0.5	0.5	1.2	0.8	0.5
Total	100	100	100	100	100	100	100

Table 6: Instrument-wise classification of External Debt Outstanding

(US$ Billion)

Borrower	End-March 2012	End-March 2013	End-June 2013
1	2	3	4
A. Government (1+2+3)	**81.9**	**81.7**	**78.4**
1. Short-Term	6.1	3.8	2.1
(i) Money Market Instruments	6.1	3.8	2.1
2. Long-term {(i)+(ii)+(iii)}	69.6	71.9	70.3
(i) Bonds and Notes	5.3	9.6	8.3
(ii) Loans	62.8	60.8	60.7
(iii) Trade Credit	1.6	1.4	1.4
3. Other debt liabilities	6.2	6.0	6.0
(i) IMF	6.2	6.0	6.0
B. Monetary Authority	**0.2**	**0.2**	**0.2**
1. Short-term	0.2	0.2	0.2
(i) Currency and Deposits	0.2	0.2	0.2
C. Non-Government (1+2)	**263.7**	**310.3**	**310.0**
1. Short-Term {(i)+(ii)}	71.9	92.7	94.5
(i) Money Market Instruments	6.8	5.9	5.3
(ii) Trade Credit	65.1	86.8	89.2
2. Long-term{(i)+(ii)+(iii)+(iv)}	191.8	217.6	215.5
(i) Bonds and Notes	25.8	29.2	27.0
(ii) Loans	106.8	116.8	116.5
(iii) Currency and Deposits	58.6	70.8	71.1
(iv) Trade Credits	0.6	0.8	0.8
Total External Debt (A+B+C)	**345.8**	**392.1**	**388.5**

ii. The share of trade credit (long-term and short-term) at 23.5 per cent as at end-June 2013 has been higher as compared to 22.7 per cent as at end-March 2013. The share of currency and deposits at 18.4 per cent of the total India's external debt as at end-June 2013 also witnessed a marginal increase as against 18.1 per cent as at end-March 2013.

iii. On the other hand, the share of 'bonds & notes' in the total India's external debt has declined at end-June 2013 over end-March 2013.

6. Short-term Debt

i. The short-term debt (on original maturity basis) primarily comprises trade credits, FII investment in T-bills and other instruments and borrowings of commercial banks. Trade credit continued to be the predominant component of short-term debt and witnessed an increase during April-June 2013 as compared to the preceding year. On the other hand, there has been a decline in FII investment in T-bills to the tune of US$ 2.3 billion during the quarter.

ii. The share of external liabilities of commercial banks in short-term debt as at end-June 2013 remained at the previous quarter's level of 4.3 per cent, which was, however, higher than the level of end-June 2012 (1.8 per cent). Similarly, the share of FII investment in T-bills and other instruments declined from 5.6 per cent at end-March 2013 to 3.2 per cent at end-June 2013 mainly on account of net sales by FIIs during the period under review. Concomitantly, the share of trade credit in short term debt increased to 92.2 per cent as at end of June 2013 as compared to 89.8 per cent as at end-March 2013 (Table 7).

External Debt by Residual Maturity

i. Based on residual maturity, the short-term debt accounted for 43.8 per cent of total external debt as at end-June 2013. Within the short-term debt (residual maturity), the share of NRI deposits was the highest at 28.1 per cent. The ratio of short-term debt by residual maturity to foreign exchange reserves worked out to 60.2 per cent at end-June 2013 (Table 8).

Government and Non-Government External Debt

i. Government (Sovereign) external debt stood lower at US$ 78.4 billion as at end-June 2013 as against US$ 81.7 billion as at end-March 2013. The share of Government external debt in the total external debt at 20.2 per cent at end-June 2013 was

Table 7: Short-Term Debt by Original Maturity

(US$ Billion)

	End-March			End-June	
	2011	**2012**	**2013**	**2012**	**2013**
1	2	3	4	5	6
A Short-Term Debt	**65.0**	**78.2**	**96.7**	**80.5**	**96.8**
a) Trade-related Credits	58.5	65.1	86.8	70.5	89.2
(i) Above 6 months and up to 1 year	35.3	39.2	59.0	45.2	61.2
(ii) Up to 6 months	23.1	25.9	27.8	25.3	28.1
b) FII Investments in Government Treasury Bills & other instruments	5.4	9.4	5.5	8.3	3.1
c) Investment in Treasury Bills by foreign central banks and international institutions, *etc.*	0.1	0.1	0.1	0.1	0.1
d) External Debt Liabilities of:	1.1	3.6	4.4	1.6	4.3
(i) Central Bank	0.2	0.2	0.2	0.2	0.2
(ii) Commercial Bank	0.9	3.4	4.2	1.4	4.1
B. Imports (during the year/Quarter)*	**383.5**	**499.5**	**502.2**	**118.9**	**124.4**
C. Trade Credits to Imports (%)	**15.2**	**13.0**	**17.3**	**59.3**	**71.7**

* On balance of payment basis.

Table 8: Residual Maturity of External Debt Outstanding as at end-June 2013

(US$ Billion)

Components	Short-term up to one year	Long-term			Total (2) to (5)
		1 to 2 years	2 to 3 years	More than 3 years	
1	2	3	4	5	6
1. Sovereign Debt (long-term) $	5.3	5.5	5.7	59.8	76.3
2. Commercial borrowings (including trade credit) #	20.2	19.9	24.7	79.5	144.3
3. NRI deposits {(i)+(ii)+(iii)}	47.9	8.0	4.0	11.2	71.1
(i) FCNR(B)	11.3	1.5	1.2	1.1	15.1
(ii) NR(E)RA	29.3	5.8	2.5	9.5	47.2
(iii) NRO	7.2	0.8	0.2	0.6	8.9
4. Short-term Debt* (Original maturity)	96.8	0.0	0.0	0.0	96.8
Total (1 to 4)	**170.1**	**33.5**	**34.4**	**150.5**	**388.5**
Memo Items					
Short-term debt (Residual maturity as per cent of total external debt)	**43.8**				
Short-term debt (Residual maturity as per cent of Reserves)	**60.2**				

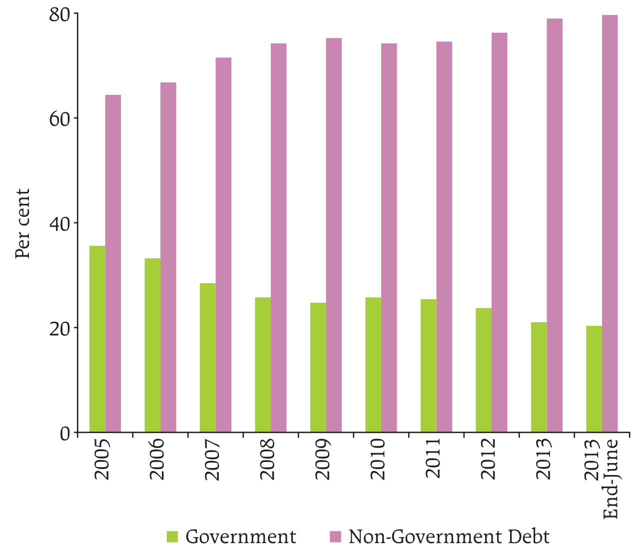
$: Inclusive of FII Investments in Government Securities.

* : Also includes FII investment in sovereign debt and commercial paper.

: Commercial Borrowings are inclusive of trade credit, FII investment in corporate debt instruments and a portion of non-Government multilateral and bilateral borrowing and therefore may not tally with the ECB provided in other Tables under original maturity

Note : Residual Maturity of NRI Deposits is estimated on the basis of returns submitted by authorised dealer.

Chart 2 : Share of Government and Non-Government External Debt



marginally lower than that of 20.8 per cent as at end-March 2013. Concomitantly, the share of non-Government debt in total external debt increased to 79.8 per cent as at end-June 2013 from 79.2 per cent at end- March 2013 (Table 9 & Chart 2).

Debt Service Payments

i. Debt service ratio as measured by the proportion of total debt service payments (principal repayments and interest payments) to current receipts excluding official transfers on balance of

Table 9: Government and Non-Government External Debt

(US$ Billion)

Components	End-March						End-June
	2007	2009	2010	2011	2012PR	2013 PR	2013
1	2	3	4	5	6	7	8
A. Sovereign Debt (I+II)	**49.4**	**55.9**	**67.1**	**76.9**	**81.9**	**81.7**	**78.4**
(As a percentage of GDP)	*5.0*	*5.1*	*4.7*	*4.4*	*4.7*	4.4	4.6
I. External Debt on Government Account under External Assistance	46.2	51.8	55.2	62.3	63.4	61.3	61.1
II. Other Government External Debt @	3.2	4.1	11.8	14.6	18.5	20.3	17.3
B. Non-Government Debt #	**123.0**	**168.6**	**193.9**	**229.0**	**263.9**	**310.4**	**310.2**
(As a percentage of GDP)	*12.5*	*15.2*	*13.5*	*13.1*	*15.0*	16.8	18.1
C. Total External Debt (A+B)	**172.4**	**224.5**	**260.9**	**305.9**	**345.8**	**392.1**	**388.5**
(As a percentage of GDP)	*17.5*	*20.3*	*18.2*	*17.5*	*19.7*	21.3	22.7

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

: Includes external debt of Monetary Authority.

Source: Ministry of Finance, Government of India and Reserve Bank of India.

Table 10: India's External Debt Service Payments

(US $ Billion)

Item	1990-91	2008-09	2009-10	2010-11	2011-12	2012-13	Apr-Jun 2013
1	2	3	4	5	6	7	8
1. External Assistance	2.3	3.4	3.5	3.7	3.9	4.3	0.8
Repayment	1.2	2.4	2.6	2.8	3.1	3.4	0.7
Interest	1.1	1.0	0.9	0.8	0.8	0.8	0.2
2. Commercial borrowings	3.4	10.5	14.7	14.0	25.2	23.2	6.2
Repayment	2.0	6.6	11.5	10.5	19.8	16.9	4.9
Interest	1.4	4.0	3.2	3.5	5.4	6.3	1.3
3. I.M.F.	0.8	0.0	0.0	0.0	0.0	0.0	0.0
Repayment	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Interest	0.1	0.0	0.0	0.0	0.0	0.0	0.0
4. NRI Deposits Interest	1.3	1.5	1.6	1.7	2.3	3.8	1.1
5. Rupee Debt Service Repayments	1.2	0.1	0.1	0.1	0.1	0.1	0.0
6. Total Debt Service (1 to 5)	9.0	15.6	19.9	19.4	31.5	31.3	8.2
Repayment	5.0	9.1	14.2	13.4	23.0	20.4	5.6
Interest	4.0	6.5	5.7	6.1	8.5	10.9	2.6
7. Current Receipts #	25.5	356.2	345.1	446.0	528.4	530.2	130.8
Debt Service Ratio (6/7) (per cent)	35.3	4.4	5.8	4.4	6.0	5.9	6.2

#: Current Receipts minus Official Transfers.
Source: Ministry of Finance, Government of India and Reserve Bank of India.

payments basis. India's debt service payments during April-June 2013 amounted to US$ 8.2 billion as compared to US$ 7.7 billion during the corresponding period previous year.

ii. Higher repayments towards commercial borrowings coupled with decline in current receipts led to worsening of debt service ratio to 6.2 per cent during April-June 2013 from 5.9 per cent in 2012-13. Servicing of commercial borrowings (including principal and interest payments) increased to around 76.1 per cent of total debt service payments during April-June 2013 from about 74.2 per cent during 2012-13 indicating growing recourse to the use of commercial borrowings by the companies to meet their financing requirements (Table 10).

iii. The projected debt service payments at end-June 2013, for ECB including Foreign Currency Convertible Bonds (FCCBs) revealed that the principal repayments during 2013-14 (July-March) and between 2015-16 and 2016-17 would be higher, though they are expected to come down in the subsequent years (Table 11). The projections, however, do not include future debt service obligations arising out of fresh borrowings.

Key Indicators of India's External Debt

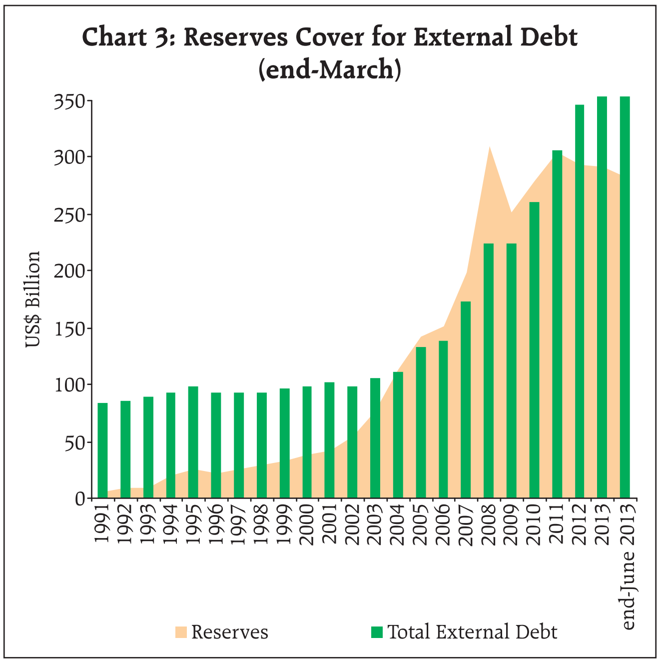
i. Despite decline in the nominal value of external debt as on end-June 2013, almost all the indicators of external debt considered for

Table 11: Projected Debt Service Payments for Commercial Borrowings and FCCBs

(US$ Billion)

Year	Principal	Interest	Total
1	2	3	4
2013-14	13.5	2.6	16.2
2014-15	15.1	3.5	18.6
2015-16	19.2	3.1	22.3
2016-17 and beyond	74.1	9.5	83.6

Note: Projections on debt servicing are based on the end-June 2013 debt outstanding position. Data based on as per schedule indicated in Form-83 and reschedules repayments as reflected in ECB-2 returns received through ADs so far. The projections exclude NRI deposits and FII investment in government debt securities.



assessing external sector vulnerability, witnessed deterioration over end-March 2013. Worsening of vulnerability indicators was mainly due to lower level of GDP, higher debt service payment, decline in foreign exchange reserves and surge in short term debt.

Recent Policy Developments

Taking into account the financing requirements of corporate sector and prevailing liquidity conditions in the domestic and international financial markets, the Ministry of Finance, Government of India, in consultation with the Reserve Bank of India, regularly reviews the policy stance on commercial borrowings and trade credits and introduce various policy measures that are consistent with the debt management objectives. The principal elements of policy for commercial borrowings include: (i) long maturities, (ii) low cost, and (iii) boost investments in infrastructure and export sectors. Recently, various policy measures have been undertaken which can have implication for level and composition of India's external debt.

Table 12: India's Key External Debt Indicators

(Per cent)

Year	External Debt (US $ billion)	Ratio of External Debt to GDP	Debt Service Ratio	Ratio of Foreign Exchange Reserves to Total Debt	Ratio of Concessional Debt to Total Debt	Ratio of Short-Term Debt to Foreign Exchange Reserves	Ratio of Short-Term Debt to Total Debt
1	2	3	4	5	6	7	8
1990-91	83.8	28.7	35.3	7.0	45.9	146.5	10.2
1995-96	93.7	27.0	26.2	23.1	44.7	23.2	5.4
2000-01	101.3	22.5	16.6	41.7	35.4	8.6	3.6
2001-02	98.8	21.1	13.7	54.7	35.9	5.1	2.8
2002-03	104.9	20.3	16.0*	72.5	36.8	6.1	4.5
2003-04	112.6	18.0	16.1**	100.3	35.8	3.9	3.9
2004-05	134.0	18.1	5.9^	105.6	30.7	12.5	13.2
2005-06	139.1	16.8	10.1#	109.0	28.4	12.9	14.0
2006-07	172.4	17.5	4.7	115.6	23.0	14.1	16.3
2007-08	224.4	18.0	4.8	138.0	19.7	14.8	20.4
2008-09	224.5	20.3	4.4	112.2	18.7	17.2	19.3
2009-10	260.9	18.2	5.8	106.9	16.8	18.8	20.1
2010-11PR	305.9	17.5	4.4	99.7	15.5	21.3	21.2
2011-12PR	345.8	19.7	6.0	85.1	13.9	26.6	22.6
2012-13PR	392.1	21.3	5.9	74.5	11.6	33.1	24.7
End-June 2013P	388.5	22.7	6.2	72.7	11.6	34.3	24.9

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

June 2013

End use list of commercial borrowings has been expanded to include the imports of services, technical know-how and payment of license fees as part of the import of capital goods by the companies for use in the manufacturing and infrastructure sectors.

To meet the financial requirement of infrastructure financial companies and other Indian companies engaged exclusively in the infrastructure development, it has been decided that credit enhancement can be provided by eligible non-resident entities to domestic debt raised through issue of INR bonds/debentures by all borrowers eligible to raise ECB under the automatic route with minimum average maturity of the underlying debt instruments with three years.

July 2013

NBFC-AFCs are allowed to avail of commercial borrowings under the automatic route from all recognised lenders with minimum average maturity period of five years in order to finance the import of infrastructure equipment for leasing to infrastructure projects up to 75 per cent of their owned funds subject to maximum of US$ 200 million per financial year. Commercial borrowings above 75 per cent will be considered under approval route.

Indian companies in manufacturing, infrastructure and hotel sector, which have established joint ventures (JV)/wholly owned subsidiaries (WOS)/have acquired assets overseas and are consistent foreign exchange earners can avail of commercial borrowings for repayment of all term loans having average residual maturity of 5 years and above/credit facilities availed from domestic banks for overseas investment in JV/WOS in addition to Capital Expenditure.

August 2013

Public sector Financial Institutions were allowed to raise quasi-sovereign bonds to finance long term infrastructure. It also liberalised commercial borrowings guidelines and permitted PSU oil companies to raise additional funds through commercial borrowings and trade finance.

September 2013

Indian FDI companies are permitted to avail of commercial borrowings under approval route from their foreign equity holder company with minimum average maturity of 7 years for general corporate purposes subject to certain conditions.

The definition of infrastructure sector for the purpose of availing of commercial borrowings has been expanded to take in to account the Harmonised Master List of Infrastructure Sub-sector and Institutional Mechanism as approved by the Government of India.

The end use of commercial borrowings proceeds are permitted for multiple rounds of acquisition of shares in the disinvestment process of PSU shares under the Government disinvestment programme.

Commercial banks are allowed to borrow from their Head Office, overseas branches and correspondence or any other entity and overdraft in Nostro accounts up to a limit of 100 per cent of their unimpaired Tier I capital as at the close of the previous quarter or US$ 10 million, whichever is higher, as against the existing limit of 50 per cent.

Commercial banks have been offered a window to swap fresh FCNR(B) dollar funds with the Reserve Bank. The tenor of the swap will be for three years or more in line with the tenor of the underlying FCNR(B) deposits.

Cross-country Comparison among Top 20 Indebted Countries

i. According to the latest data available on Quarterly External Debt Statistics database, World Bank for end-June 2013, the international comparison of external debt of the twenty most indebted countries indicates that India continues to be the fourth most indebted country (Table 13).

ii. The element of concessionality in India's external debt portfolio as at end-December 2011 was the fourth highest after Pakistan, Indonesia and Philippines.

Table 13: International Comparison of Top Debtor Countries

(US$ Billion)

	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2		2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2
1	2	3	4	5	6	7	8	9	1	2	3	4	5	6	7	8	9
China		685.4			**770.8**				Kazakhstan	123.7	125.4	129.3	132.6	134.6	136.9	139.6	145.4
Russia	527.8	540.6	557.5	574.8	598.9	636.4	690.3	706.1	Thailand	113.0	104.6	117.2	119.7	123.8	130.7	139.1	141.0
Brazil	400.3	404.1	414.4	417.7	428.4	440.6	466.5	476.6	Argentina	139.5	140.7	143.5	143.8	142.6	140.9	138.5	135.0
India	323.3	331.3	345.5	349.1	366.0	378.5	392.1	388.5	Ukraine	123.2	126.2	126.9	129.0	132.4	135.1	136.3	134.4
Turkey	312.5	304.4	317.3	322.4	327.5	339.0	352.0	367.3	Romania	134.8	129.3	134.9	127.1	131.1	133.0	130.6	131.5
Mexico	276.0	286.5	309.9	314.9	334.5	351.2	367.7	362.9	South Africa	107.8	113.1	120.7	121.7	136.5	142.3	140.6	130.4
Poland	336.0	323.3	349.1	334.2	354.6	365.7	357.7	359.0	Chile	94.7	98.7	99.8	101.7	108.5	117.8	119.1	119.8
Indonesia	224.5	225.4	228.8	238.9	243.6	252.4	254.3	258.0	Malaysia	92.0	91.7	93.3	97.3	98.9	98.6	100.5	105.7
Mauritius	..	227.4	228.9	212.5	214.0	211.0	205.2	203.5	Colombia	72.0	75.9	76.8	76.4	80.1	79.1	81.8	83.9
Hungary	214.6	209.3	214.7	205.6	203.9	202.9	196.9	202.8	Croatia	63.4	59.8	61.9	59.4	59.6	59.6	58.1	60.9

Source: Quarterly External Debt Statistics, World Bank.

iii. As at end-December 2011, India's debt service ratio and debt as a percentage of GNI was third lowest.

iv. External debt as a percentage of current receipt of BoP was fifth lowest after Thailand, China, Malaysia and Venezuela.

v. India's position with respect to short term debt to total external debt was eighth highest with Pakistan having the lowest ratio and China the highest ratio of short-term debt to total external debt.

Table 14: Key External Debt Indicators

(Per cent)

	Concessional debt to Total external debt		Short Term to Total External Debt		External debt stocks to GNI		External Debt to Current Receipts		Debt Service Ratio	
Country	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**
1	2	3	4	5	6	7	8	9	10	11
Argentina	2.4	2.7	27.4	14.5	31.2	26.3	132.5	111.9	12.8	13.5
Brazil	3.3	2.9	18.9	10.4	16.7	16.6	146.3	132.6	13.0	14.6
Bulgaria	1.9	2.2	32.0	32.3	106.0	77.9	175.4	109.1	8.2	11.2
Chile	0.3	0.2	30.0	17.8	40.4	41.0	89.5	93.9	17.8	16.0
China	7.0	5.6	63.4	69.6	9.5	9.4	31.2	32.1	11.4	11.4
Colombia	1.9	2.0	13.0	14.3	23.2	24.3	138.1	117.2	15.0	13.1
India	16.8	15.5	21.2	22.9	17.4	18.3	80.7	74.8	8.4	8.7
Indonesia	23.5	21.4	17.5	17.9	28.4	26.0	115.6	99.1	15.0	14.6
Kazakhstan	1.0	1.0	7.6	7.2	91.9	77.9	176.5	132.5	33.1	26.4
Malaysia	4.1	3.2	43.0	46.3	37.1	34.8	35.0	33.5	15.7	11.5
Mexico	1.0	1.1	19.5	17.9	23.8	25.2	75.0	76.4	13.3	14.7
Pakistan	57.7	58.9	4.0	4.2	31.9	27.3	203.5	187.1	7.4	4.9
Philippines	21.2	20.1	8.7	9.2	36.9	33.6	124.7	120.1	17.5	14.4
Romania	5.7	6.8	20.6	22.9	78.2	72.3	226.3	186.4	14.9	14.7
Russia	0.8	0.4	10.1	12.9	35.6	31.1	106.3	88.1	11.1	11.8
South Africa	0.0	0.0	27.2	16.6	28.7	28.4	98.1	92.3	6.1	5.7
Thailand	8.3	8.3	54.0	56.2	26.4	24.0	34.9	29.9	13.6	13.1
Turkey	3.2	3.4	26.6	27.3	41.4	40.1	185.2	162.9	19.8	18.4
Ukraine	1.1	0.9	22.7	24.3	86.3	83.3	164.9	150.9	23.6	20.4
Venezuela	2.6	4.2	27.8	24.6	15.7	21.8	88.0	70.0	7.3	9.1

Source: Global Financial Development online database, World Bank.

*South-West Monsoon 2013: A Review (June 1 to September 30, 2013)**

The South-West monsoon during June-September 2013 was 6 per cent above the long period average (LPA) of 89 cm (average of 1951-2000) as against 8 per cent below LPA last year. This was 8 per cent higher than the India Meteorological Department (IMD) forecast of 98 per cent LPA for the season, and the highest margin by which the season's precipitation has exceeded the LPA in the last nineteen years. Additionally, the monsoon has been accompanied by other favourable factors, namely, on time arrival, well distribution – spatially and temporally, so much so, that 86 per cent of the geographical areas received normal rainfall during June-September covering 30 meteorological sub-divisions out of the total 36, which in turn replenished the major reservoirs of the country to levels higher than the previous year and the normal. These favourable factors have immensely benefited kharif sowing for 2013 which has surpassed the area sown last year and its normal level, the result being higher estimated production of most kharif crops including foodgrains, pulses and oilseeds by 0.9 per cent, 1.7 per cent and 14.8 per cent, respectively, during 2013-14 as per the first advance estimates which are expected to be revised upward as the season progresses. As regards rabi crops, with the reservoir levels continuing to be above normal and the previous year and the North-East monsoon so far turning out to be much above LPA, the prospect of a good harvest has improved. On the whole, the confluence of these favourable factors are expected to significantly boost agricultural growth prospects during 2013-14 to level higher than the previous year.

Introduction

The pattern of rainfall in India can be broadly classified into four seasons *viz.*, South-West monsoon or the summer rainfall during June-September, the post monsoon rainfall or the North-East monsoon during October-December, winter rainfall during January-February and pre-monsoon rainfall during March-May. In general, the summer monsoon accounts for around 75-80 per cent of rainfall in the country, post monsoon around 10 per cent, winter rainfall 3 per cent and pre-monsoon 11 per cent.

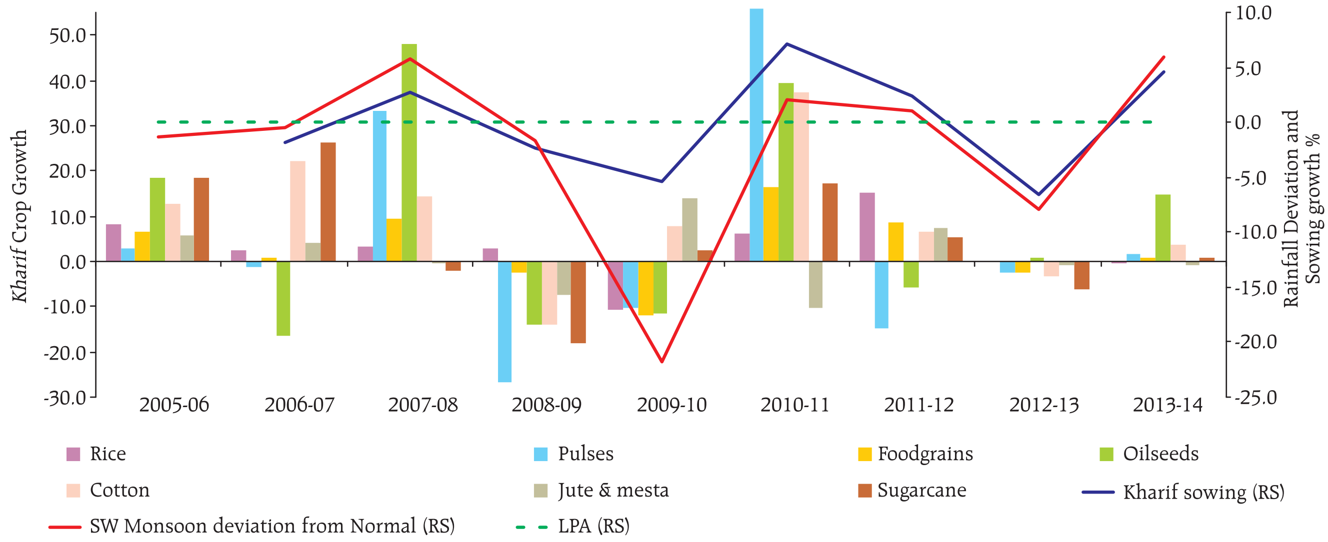
The months of July-August, when the South-West monsoon, the main source of rainfall in the country is at its peak is also a crucial period for *kharif* sowing. Therefore, the on time arrival and even distribution – temporally and spatially, of summer rainfall is essential for a good *kharif* harvest. In the past, it has been observed that whenever the South-West monsoon is deficient *kharif* crops have failed (Chart 1). Since *kharif* season is the main cropping season, its failure often goes uncompensated, the net result being slowdown in the overall growth of agricultural sector. It is in this backdrop that this article provides a detailed review of the performance of South-West monsoon during June-September 2013.

South-West Monsoon 2013: Highlights

- South-West monsoon current advanced over the Andaman Sea 3 days earlier than its normal date of 20th May and set in over Kerala on its normal date of 1st June. The South-West monsoon covered the entire country by 16th June, about 1 month earlier than its normal date of 15th July.
- For the country as a whole, the rainfall for the season (June-September) was 106 per cent of its LPA.
- Seasonal rainfall was 109 per cent of its LPA over North-West India, 123 per cent of its LPA over Central India, 115 per cent of its LPA over South Peninsula and 72 per cent of its LPA over North-East India.
- Out of the total 36 meteorological sub-divisions, 14 sub-divisions constituting 48 per cent of the total area of the country received excess rainfall, 16 sub-divisions (38 per cent of the total area of the country) received normal rainfall and the remaining 6 sub-divisions (14 per cent of the total area of the country) received deficient rainfall.

* Prepared in the Development Studies Division, Department of Economic and Policy Research, Reserve Bank of India.

Chart 1: South-West Monsoon and Kharif Crops



Note: Kharif production for 2013-14 is as per 1st AE.

- Monthly rainfall over the country as a whole was 132 per cent of its LPA in June, 106 per cent of LPA in July, 98 per cent of LPA in August and 86 per cent of LPA in September.
- Out of the total 641 districts, 100 were affected by moderate meteorological drought (seasonal rainfall deficiency of 26 per cent to 50 per cent), while 39 were affected by severe meteorological drought (seasonal rainfall deficiency of 51 per cent to 99 per cent)
- The withdrawal of monsoon from west Rajasthan commenced on 9th September compared to its normal date of 1st September. After 19th, further withdrawal of South-West monsoon was stalled with the successive formation of two low pressure areas and their westward movement across the central parts of the country.

Forecast: South-West Monsoon 2013

The IMD forecasted a normal South-West monsoon at 98 per cent of LPA in its first stage long range forecast for the season (June-September) issued on April 26, 2013 and the subsequent update issued on June 14, 2013 with margins of errors placed at ±5 per cent and *±4 per cent* of LPA, respectively. However, the actual rainfall at 106 per cent of LPA for the season turned out to be even higher than the June update of 102 per cent. The actual rainfall for the second half of the season (August–September) at 94 per cent of LPA was within the forecast limit of 96 per cent with the margin of error of ±8 per cent LPA. The actual rainfall for the months of July, August and September were also within the forecast limits (Table 1).

Table 1: Long Range Forecasts and Actual Rainfall 2013

Region	Period	Date of Issue	Forecast (per cent of LPA)	Actual (per cent of LPA)
All India	June to September	April 26th	98 ± 5	106
All India	June to September	June 22nd	98 ± 4	
North-West India	June to September		94 ± 8	109
Central India	June to September		98 ± 8	123
North-East India	June to September		98 ± 8	72
South Peninsula	June to September		103 ± 8	115
All India	July		101 ± 9	106
All India	August		96 ± 9	98
All India	August to September	August 2nd	96 ± 8	94
All India	September	September 1st	96 ± 13	86

Table 2: Spatial Distribution: Homogeneous Regions 2013

Regions	Actual (mm)	LPA (mm)	Actual to LPA (per cent)
All India	936.7	886.9	106
North-West India	671.8	615	109
Central India	1195.3	974.2	123
North-East India	1037.9	1437.8	72
South Peninsula	825.6	715.7	115

Distribution of Rainfall: South-West Monsoon 2013

As regards the four broad geographical regions of India, the South-West monsoon rainfall was expected to be 94 per cent of its LPA over North-West India, 98 per cent of LPA over Central India and North-East India and 103 per cent of LPA over South Peninsula with a model error of ± 8 per cent. The actual rainfall over North-West India, Central India and South Peninsula was, however, 9 per cent, 23 per cent and 15 per cent above their respective LPAs. Rainfall over the North-East India fell short by 28 per cent of LPA (Table 2).

Spatial Distribution

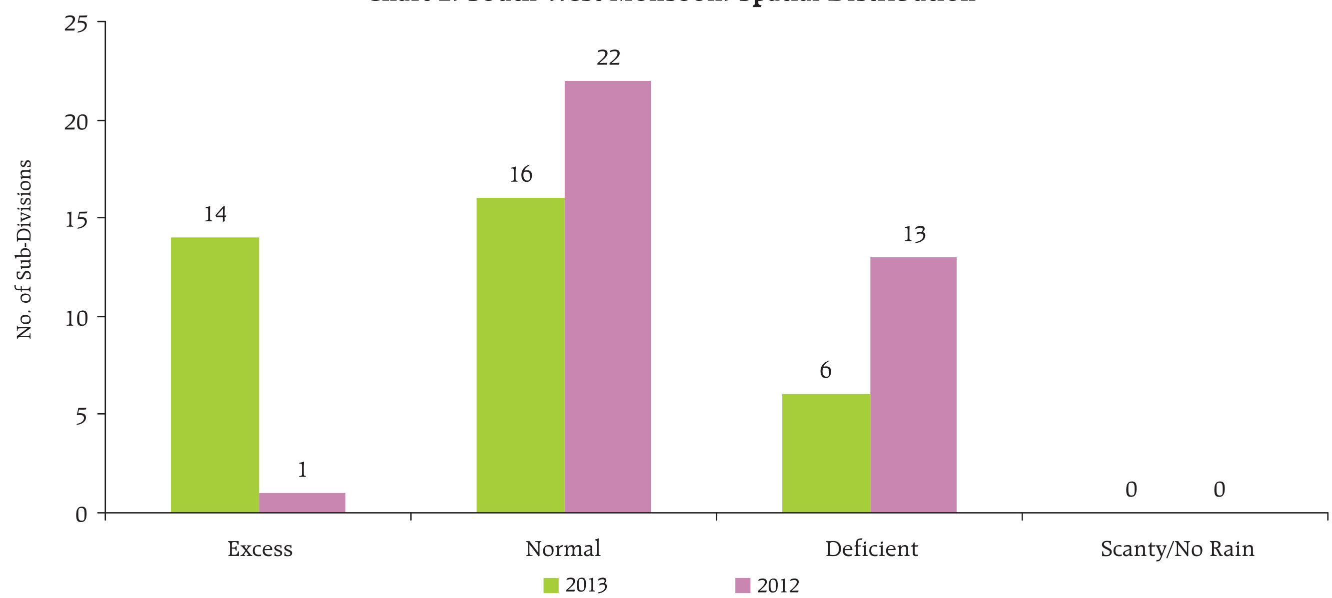
The cumulative rainfall during June-September 2013 was excess/normal in 30 out of the 36 meteorological sub-divisions accounting for 86 per cent of the geographical area of the country. The corresponding positions for the previous year were 23 sub-divisions and 67 per cent, respectively (Chart 2, Table 3 & Statement I).

Table 3: Distribution of Sub-divisions According to Category of Rainfall 2013

Category of Rainfall	Sub-divisions
Excess	Jammu & Kashmir, West Rajasthan, East Rajasthan, West Madhya Pradesh, East Madhya Pradesh, Gujarat Region, Saurashtra & Kutch, Konkan and Goa, Madhya Maharashtra, Vidarbha, A & N Islands, Telangana, South Interior Karnataka and Kerala.
Normal	Sub-Himalayan West Bengal and Sikkim, Gangetic West Bengal, East UP, West UP, Uttarakhand, Punjab, Himachal Pradesh, Odisha, Marathwada, Chhattisgarh, Coastal Andhra Pradesh, Rayalaseema, Tamil Nadu & Puducherry, Coastal Karnataka, North Interior Karnataka, Lakshadweep
Deficient	Arunachal Pradesh, Assam & Meghalaya, Nagaland, Manipur, Mizoram & Tripura, Jharkhand, Bihar, Haryana, Chandigarh & Delhi.

Note: Excess: + 20 per cent or more; Normal: + 19 per cent to – 19 per cent; Deficient: – 20 per cent to – 59 per cent; Scanty: – 60 per cent to – 99 per cent; No Rain: –100 per cent (All with respect to the Long Period Average).
Source: India Meteorological Department.

Chart 2: South-West Monsoon: Spatial Distribution



Temporal Distribution

The monthly rainfall during the last two months (August and September) of the monsoon season was less than their respective LPA values. June and July, however, received above normal rainfall. During most part of the season, 3 sub-divisions in North-East received deficient rainfall. On the other hand, most of the sub-divisions in Central India and neighbouring North-West India and South Peninsula received excess rainfall during the first 3 months of the season. No sub-division experienced scanty rainfall during the first 3 months of the season though 4 sub-divisions received scanty rainfall during September (Table 4).

Table 4: Monthly Rainfall Over the Country – 2013

Months	LPA (mm)	Actual Rainfall (mm)	% Deviation from LPA	Sub-divisions with Deficient/ Scanty Rainfall
June	163.5	216.3	32	3
July	288.9	307.5	6	11
August	261	257	-2	10
September	173.5	149.5	-14	17

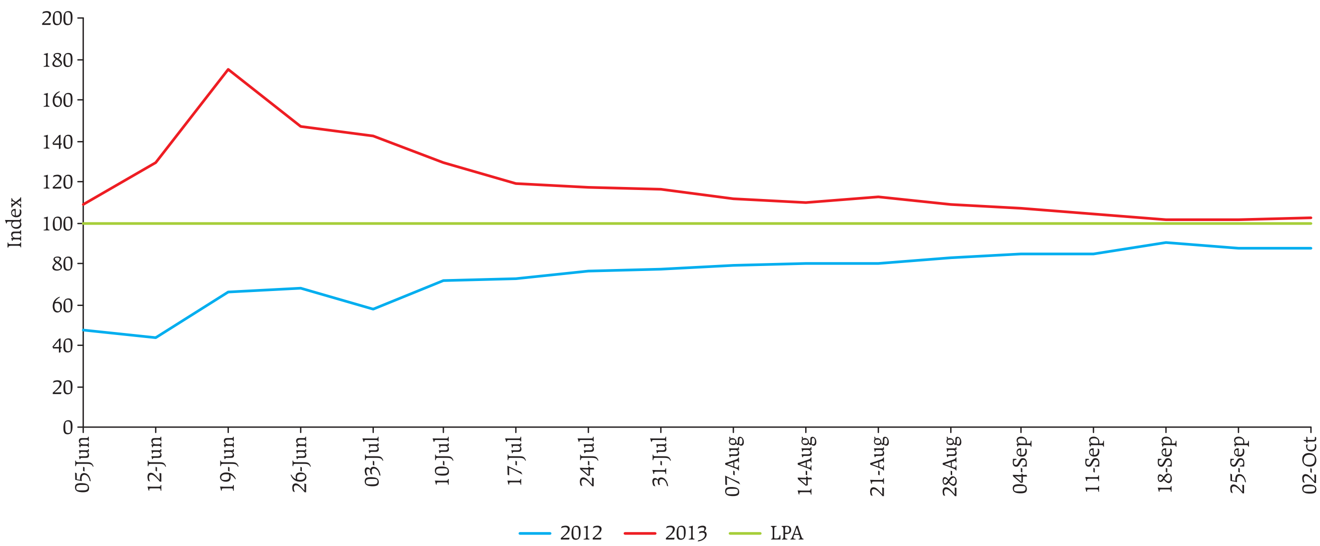
Production Weighted Rainfall Index

The foodgrains production weighted rainfall index (PRN) is constructed by the Reserve Bank, based on the weighted average of actual rainfall received by the States where weights are taken as the average share of foodgrains production of a particular State in the overall foodgrains production[1]. As per this index, the rainfall during South-West monsoon 2013 was 2 per cent above normal as against 13 per cent below normal the previous year (Chart 3).

Reservoir Status

In India, the Central Water Commission monitors the total live water storage in 85 major reservoirs with a full reservoir level (FRL) of 154.87 billion cubic meters (BCM). As on October 3, 2013 the level of water (total storage to live capacity) in these reservoirs was 86 per cent as against 74 per cent during the corresponding period last year and the average of last ten years at 73 per cent (Table 5).

Chart 3: Production Weighted Rainfall Index



Source: Reserve Bank of India.

[1] A Production Weighted Rainfall Index of 100 indicates normal rainfall, where normal represents average of last 10 years' production weighted rainfall.

Table 5: Reservoir Status

Status	01.10.2008	01.10.2009	30.9.2010	29.9.2011	27.9.2012	03.10.2013
	(81 Reservoirs)	(81 Reservoirs)	(76 Reservoirs)	(81 Reservoirs)	(84 Reservoirs)	(85 Reservoirs)
Total Live Storage (BCM)	111.96	90.48	114.45	131.49	115.8	133.48
Percentage to Live Capacity at FRL (Per cent)	74	60	75	87	75	86

Source: Central Water Commission

Progress of Sowing and Kharif Production Estimates

A normal and evenly distributed South-West monsoon, devoid of extreme climatic events facilitated the coverage of area sown to levels higher than the season's normal and the coverage last year. The higher area coverage along with a low base effect is reflected in an improvement in *kharif* crop 2013. The First Advance Estimates 2013-14 of production of foodgrains have placed *Kharif* foodgrains at 129.3 million tonnes, up by 0.9 per cent over the previous year's Fourth Advance Estimates (Table 6). The final figure of *kharif* production in 2013-14 is expected to be higher as estimates get revised upward with the progress of cropping season and availability of more information from the States.

Conclusion

The South-West monsoon during June-September 2013 was 6 per cent above LPA, the highest in 19 years, as against 8 per cent below LPA in the previous year. The timely arrival and uninterrupted distribution of rainfall, temporally and spatially, barring parts of East

Table 6: *Kharif* Production and Sowing 2013-14

(Area in million hectares and production in million tonnes)

Crops	Sowing October 25			Production		Percentage Change	
	Normal as on Date	2013	2012	2013-14*	2012-13@	Sowing 2013 (col 3/col 4)	Production 2013-14 (col 5/ col 6)
1	2	3	4	5	6	7	8
Foodgrains	**67.6**	**68.7**	**65.6**	**129.3**	**128.2**	**4.7**	**0.9**
Rice	36.6	38.4	37.5	92.3	92.8	2.4	-0.5
Coarse Cereals	20.1	19.6	17.8	31.0	29.5	10.1	5.1
Maize	7.3	8.2	7.5	17.8	16.0	9.3	11.3
Pulses	10.9	10.7	10.3	6.0	5.9	3.9	1.7
Tur	3.8	4	3.7	3.0	3.1	8.1	-3.2
Urad	2.4	2.6	2.5	1.3	1.4	4.0	-7.1
Oilseeds	17.8	19.5	17.7	24.0	20.9	10.2	14.8
Groundnut	4.6	4.3	3.9	5.6	3.1	10.3	80.6
Soyabean	9.5	12.2	10.7	15.7	14.7	14.0	6.8
Sugarcane	4.7	4.9	5	341.8	339.0	-2.0	0.8
Cotton#	11.6	11.5	11.7	35.3	34.0	-1.7	3.8
Jute&Mesta##	0.9	0.9	0.9	11.2	11.3	0.0	-0.9
All Crops	102.5	105.5	100.9	**-**	**-**	**4.6**	**-**

#: Million bales of 170 kgs each. ##: Million bales of 180 kgs each. -: Not Available.
*: First Advance Estimates. @: Fourth Advance Estimates
Source: Ministry of Agriculture, GoI.

and North-East region, through June-August contributed to the attainment of higher area coverage during the current *kharif* sowing season. Consequently, the First Advance Estimates for most *kharif* crops in 2013-14 have shown an improvement over last year. With the reservoir position being comfortable, and the North-East monsoon also turning out to be much better than the previous year, the prospect of *rabi* crops have also improved. On the whole, based on these favourable factors, agricultural growth during 2013-14 is expected to record a significant improvement over the previous year.

Statement I: Basic Rainfall Data (Cumulative)

S. No.	Meteorological Subdivisions	June 1, 2012 to September 30, 2012				June 1, 2013 to September 30, 2013			
		Actual	Normal	% DEP.	CAT.	Actual	Normal	% DEP.	CAT.
East & North East India		**1275.3**	**1437.8**	**-11%**		**1037.9**	**1437.8**	**-28%**	
1	Arunachal Pradesh	1752.3	1768	-1%	N	1123.7	1768.0	-36%	D
2	Assam & Meghalaya	1723.7	1792.8	-4%	N	1185.7	1792.8	-34%	D
3	Nagaland, Manipur, Mizoram & Tripura	1030.4	1496.9	-31%	D	973.8	1496.9	-35%	D
4	Sub-Himalayan West B Sikkim	2092.3	2006.2	4%	N	1710.3	2006.2	-15%	N
5	Gangetic West Bengal	956.8	1167.9	-18%	N	1159.9	1167.9	-1%	N
6	Jharkhand	936.3	1091.9	-14%	N	843.5	1091.9	-23%	D
7	Bihar	814	1027.6	-21%	D	723.4	1027.6	-30%	D
North West India		**569.3**	**615**	**-7%**		**671.8**	**615.0**	**9%**	
1	East U.P.	804.6	897.6	-10%	N	864.5	897.6	-4%	N
2	West U.P.	549	769.4	-29%	D	758.6	769.4	-1%	N
3	Uttarakhand	1122.2	1229.1	-9%	N	1374.2	1229.1	12%	N
4	Haryana, Chandigarh & Delhi	283	466.3	-39%	D	363.2	466.3	-22%	D
5	Punjab	266	491.9	-46%	D	480.0	491.9	-2%	N
6	Himachal Pradesh	698	825.3	-15%	N	775.2	825.3	-6%	N
7	Jammu & Kashmir	558.8	534.6	5%	N	651.1	534.6	22%	E
8	West Rajasthan	296.4	263.2	13%	N	335.8	263.2	28%	E
9	East Rajasthan	678.1	615.8	10%	N	778.4	615.8	26%	E
Central India		**934.6**	**974.2**	**-4%**		**1195.3**	**974.2**	**23%**	
1	Orissa	1148	1149.9	0%	N	1120.6	1149.9	-3%	N
2	West Madhya Pradesh	996.4	876.1	14%	N	1277.9	876.1	46%	E
3	East Madhya Pradesh	1021.8	1051.2	-3%	N	1340.7	1051.2	28%	E
4	Gujarat Region	648.3	901	-28%	D	1183.8	901.0	31%	E
5	Saurashtra & Kutch	311.5	473.5	-34%	D	777.3	473.5	64%	E
6	Konkan & Goa	2822.6	2914.3	-3%	N	3502.6	2914.3	20%	E
7	Madhya Maharashtra	543.5	729.3	-25%	D	880.1	729.3	21%	E
8	Marathwada	456.6	682.9	-33%	D	747.3	682.9	9%	N
9	Vidarbha	1031.5	954.6	8%	N	1360.4	954.6	43%	E
10	Chhattisgarh	1228.7	1147.3	7%	N	1160.1	1147.3	1%	N
South Peninsula		**644**	**715.7**	**-10%**		**825.6**	**715.7**	**15%**	
1	Andaman & Nicobar Islands	2052.9	1682.5	22%	E	2152.1	1682.5	28%	E
2	Coastal Andhra Pradesh	655.9	581.1	13%	N	524.1	581.1	-10%	N
3	Telangana	787.3	755.2	4%	N	949.7	755.2	26%	E
4	Rayalaseema	357.3	398.3	-10%	N	420.3	398.3	6%	N
5	Tamil Nadu & Pondicherry	243	317.2	-23%	D	321.6	317.2	1%	N
6	Coastal Karnataka	3088.5	3083.8	0%	N	3620.8	3083.8	17%	N
7	North Interior Karnataka	326.1	506	-36%	D	533.1	506.0	5%	N
8	South Interior Karnataka	508.6	660	-23%	D	826.6	660.0	25%	E
9	Kerala	1547.8	2039.6	-24%	D	2562.5	2039.6	26%	E
10	Lakshadweep	1147.1	998.5	15%	N	1057.2	998.5	6%	N
Country as a whole		**819.5**	**886.9**	**-8%**		**936.7**	**886.9**	**6%**	
Category		**% Area of Country**		**Sub-Divisions**		**% Area of Country**		**Sub-Divisions**	
E : Excess, *i.e.*,+20% or more			0.30%		1		48%		14
N : Normal, *i.e.*,+19% to -19%			67%		22		38%		16
D : Deficient, *i.e.*,-20% to -59%			33%		13		14%		6
S : Scanty, *i.e.*,-60% to -99%			0%		0		0%		0
NR: No Rain, *i.e.* -100%			0%		0		0%		0
TOTAL					**36**				**36**

Statement II: State-wise Distribution of No. of Districts with Excess, Normal, Deficient, Scanty and No Rainfall								
Sr. No.	States	Period from: 01.06.2013 to 30.09.2013						
		E	N	D	S	NR	ND	Total
1	2	3	4	5	6	7	8	9
1	A & N Island (UT)	2	1	0	0	0	0	3
2	Arunachal Pradesh	1	1	11	1	0	2	16
3	Assam	0	10	16	0	0	1	27
4	Meghalaya	0	1	2	3	0	1	7
5	Nagaland	0	2	1	3	0	5	11
6	Manipur	0	2	2	1	0	4	9
7	Mizoram	1	3	2	1	0	2	9
8	Tripura	0	1	3	0	0	0	4
9	Sikkim	0	1	3	0	0	0	4
10	West Bengal	2	12	5	0	0	0	19
11	Orissa	1	22	7	0	0	0	30
12	Jharkhand	0	9	15	0	0	0	24
13	Bihar	1	7	28	2	0	0	38
14	Uttar Pradesh	12	38	20	1	0	0	71
15	Uttarakhand	6	6	1	0	0	0	13
16	Haryana	0	7	13	1	0	0	21
17	Chandigarh (UT)	0	1	0	0	0	0	1
18	Delhi	1	4	3	1	0	0	9
19	Punjab	6	9	5	0	0	0	20
20	Himachal Pradesh	4	6	1	1	0	0	12
21	Jammu & Kashmir	8	7	4	1	0	2	22
22	Rajasthan	20	13	0	0	0	0	33
23	Madhya Pradesh	41	9	0	0	0	0	50
24	Gujarat	20	6	0	0	0	0	26
25	DNH & Daman(UTs)	1	1	0	0	0	0	2
26	Diu(UT)	1	0	0	0	0	0	1
27	Goa	0	2	0	0	0	0	2
28	Maharashtra	22	13	0	0	0	0	35
29	Chhattisgarh	4	10	4	0	0	0	18
30	Andhra Pradesh	5	14	4	0	0	0	23
31	Tamil Nadu	6	18	6	2	0	0	32
32	Pondicherry (UT)	2	0	0	0	0	2	4
33	Karnataka	7	23	0	0	0	0	30
34	Kerala	10	4	0	0	0	0	14
35	Lakshadweep(UT)	0	1	0	0	0	0	1
Total		**184**	**264**	**156**	**18**	**0**	**19**	**641**

E: Excess; N: Normal; D: Deficient; S: Scanty; NR: No Rain; ND: No Data
Source: India Meteorological Department.

*Remittances from Overseas Indians: Modes of Transfer, Transaction Cost and Time Taken**

This study, based on a sample survey of the bank branches across the major centres in India, reveals that electronic wires/SWIFT transfers are the most dominant mode of remitting money to India. The cost of remittances across various modes of transfers has moderated during 2012-13 as compared with the findings of earlier surveys conducted in July 2006 and in September 2009. Gulf region followed by North America continues to be the important source region of remittances to India. Survey shows that while a major portion of remittances received is being utilised for family maintenance, the proportion of remittances for investment purposes has gradually increased.

Introduction

The flow of funds from migrant workers back to their families in their home country is an important source of income in many developing economies. In practice, the transfers are typically recurrent payments by migrant workers who send money to their families in their home country with regular intervals. The recipients often depend on remittances to cover their day-to-day living expenses, to provide a cushion against emergencies and, in some cases, also as a source of fund for small investments.

Workers' remittances have remained an important source of external finance for India since the last three decades. These flows have not only been a dominant component of India's invisible receipts, but also stable in their trend over the years as in the case of many other developing countries. Even during the phase of global financial crisis, remittances remained relatively resilient, unlike capital flows. As per the latest estimates released by the World Bank (2013), the remittance flows to developing countries were around US$ 389 billion in 2012 as against US$ 303 billion in 2009. The share of developing countries in the global remittances flows has increased to 75 per cent in 2012 as compared to 72.5 per cent in 2009. The share of South Asia in total remittances to developing countries and all countries has increased from 24.8 per cent and 17.9 per cent, respectively, in 2009 to 27.5 per cent and 20.6 per cent in 2012, mainly led by India. As per the World Bank projections, the upward trend of these shares are likely to continue.

Remittances essentially represent household income from foreign economies arising mainly from the temporary or permanent movement of workers to source economies. From the balance of payments (BoP) perspective, remittances are funds that flow through formal channels, such as electronic wire, or through informal channels, such as cash carried across borders in pockets. They may consist almost entirely of funds sent by individuals who have migrated to a new economy and have become residents there, and of net compensation of border, seasonal, or other short-term workers who are employed in an economy in which they are not residents. Measurement and analysis of cross border remittances are very complex as they are heterogeneous in nature, with numerous small transactions conducted by individuals through a large variety of channels. According to the International Trade in Remittances: Guide for Compilers and Users, remittances are derived from mainly two components in the BoP – (i) personal transfers, and (ii) compensation of employees. In India, private transfers, which are termed as personal transfers by the IMF, are considered

* Prepared in the Division of International Trade & Finance, Department of Economic and Policy Research (DEPR), Reserve Bank of India, Mumbai. The Survey work was undertaken by the Regional Offices of DEPR and Foreign Exchange Department *viz.*, Ahmedabad, Bengaluru, Bhubaneswar, Chandigarh, Chennai, Hyderabad, Jaipur, Jammu Kochi, Kolkata, Lucknow New Delhi, Patna and Ranchi and the Division of International Trade & Finance, DEPR, CO, Mumbai. Logistic support for survey work was provided by the Regional Economies Monitoring Division, DEPR, CO, Mumbai.

as remittances and the compensation of employees data are separately presented under income account[1].

With a view to track the micro aspects of remittances such as the modes of transfer, transaction cost at receivers' end, speed of delivery, frequency of transfers and utilisation of remittances, the Reserve Bank of India had conducted surveys in July 2006 and in November 2009 and the results of the surveys were published in the November 2006 and April 2010 issues of the RBI Bulletin, respectively.

A similar survey was conducted during January-April 2013 focusing on the following aspects of remittances to India:

- Instruments & arrangement for remittances transfers,
- Speed of remittances *i.e.,* time taken to deliver remittances,
- Cost of remitting the fund,
- Size and frequency of remittances,
- Utilisation of remittances received, and
- Sources of inward remittances.

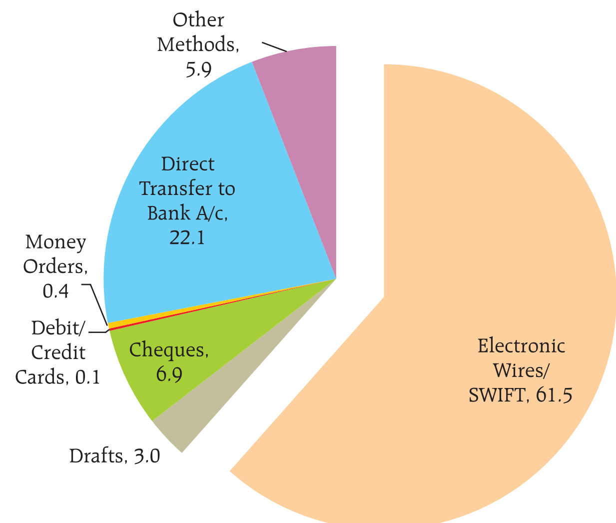
Survey was conducted through a sample of bank branches across major centres in India – Ahmedabad, Bengaluru, Bhubaneswar, Chandigarh, Chennai, Delhi, Hyderabad, Jaipur, Jammu, Kochi, Kolkata, Lucknow, Mumbai, Patna and Ranchi. From the sample information, all-India average was estimated, assigning different weights to each centre based on its share in remittances. Findings of the survey on various aspects of total remittances are set out below:

1. Instruments and Arrangements for Remittance Transfers

The main instruments used by the migrant workers to send remittances to India include Electronic Wires/SWIFT, drafts, cheques, debit/credit cards, money orders and direct transfers to bank accounts. Apart from these instruments, a few banks introduced online remittance transfer facilities which are both cost effective and less time consuming. For example, State Bank of India provides 'SBI Express Remit' to transfer money from USA/UK with 24 X 7 services without visiting any branch/bank. Similarly, ICICI Bank also provides web-based wire transfer facilities called 'Power Transfer' to remit money to India in as short a time as 48 hours. It eliminates the errors associated with a normal wire transfer by giving remitters a printed wire instruction form and a tracking number to monitor the status of remittance transaction online.

The survey, based on the information received from major Authorised Dealers (ADs) branches spread across 15 centers, reveals that electronic wires/SWIFT is still being used as a dominant mode of transferring remittances from abroad by overseas Indians (Chart 1). Although it is argued that the SWIFT/wire transfer is a costlier mean of transfer, particularly for small value remittance transactions, a higher use of this mode can be attributed to a relatively wider network of the Indian bank branches abroad to provide electronic fund transfer as compared to that of money

Chart 1: Instruments used for remittances inflows into India



[1] Private transfers reported in the old format of BoP presentations are now personal transfers under secondary income of new format of standard presentation of BoP (as per the BPM-6 format), compensation of employee under income account of old format has been reclassified under primary income.

Table 1: Instruments used for Sending Remittances to India
(Percentage Share in Total Remittances)

Centre	Electronic Wires/SWIFT	Drafts	Cheques	Debit/Credit Cards	Money Orders	Direct Transfer to Bank Account	Other Methods		Total
1	2	3	4	5	6	7	8	9	10
Ahmedabad	63	3	8	0	0	8	18	0	100
Bengaluru	46	3	2	0	0	26	22	1	100
Bhubaneswar	64	0	2	0	0	34	0	0	100
Chandigarh	66	6	20	0	0	4	2	2	100
Chennai	79	1	8	0	0	2	2	8	100
Hyderabad	93	4	2	0	0	0	1	0	100
Jaipur	70	21	3	0	0	2	4	0	100
Jammu	68	13	4	3	0	12	0	0	100
Kochi	42	9	19	1	2	25	1	0	100
Kolkata	90	3	2	0	0	3	1	0	100
Lucknow	81	5	5	1	0	10	0	0	100
Mumbai	62	2	5	0	0	26	0	6	100
New Delhi	90	2	2	0	0	0	5	0	100
Patna	88	1	4	0	0	6	1	0	100
Ranchi	68	4	6	0	0	0	16	5	100
All India									
2012-13	**62**	**3**	**7**	**-**	**-**	**22**	**2**	**4**	**100**
2009-10	**63**	**10**	**12**	**1**	**-**	**9**	**5**		**100**
2006-07	**53**	**22**	**15**	**-**	**-**	**3**	**7**		**100**

-: nil/negligible

transfer operators (MTOs). The share of direct transfers to bank account and online money transfers is increasing over the years. All India average of remittance transfer through direct credits to bank account and on line money transfers works out to around 22 per cent in 2012-13 as compared to around 14 per cent in 2009. The traditional banking modes of remittance transfer *i.e.*, drafts and cheques which together constitute about 10 per cent of total remittances continued to be other major means of remitting money to India, *albeit* their share has declined over the period.

The pattern of shares of different instruments for remitting money across centers is set out in table 1. The remittance through direct transfer to bank account has been significantly large in four centres, *viz.*, Kochi, Mumbai, Bengaluru and Bhubneswar.

2. Speed of Remittance Transfers

The time taken to deliver the remittances may vary depending on the geographical location of the sender and the recipient, and the mode of transfer used. The time taken in delivering remittances through various modes as gathered through the survey is set out in Table 2.

- On-line money transfers, debit/credit and pre-paid cards are the most efficient modes followed by SWIFT/electronic wires. Remittances made through cheques and drafts are the most time consuming.

3. Cost of Sending Remittances

The cost of remittances can be of two types: (a) explicit cost – amount charged on remitting money, and (b) hidden cost – the implicit charge in the form of exchange rate applied for conversion of foreign currency into domestic funds.

The explicit cost of remitting money in turn has two components *viz.*, (i) charges paid to the overseas MTO or the correspondent bank, and (ii) the cost paid by the receiver domestically in the form of handling

Table 2: Time Taken to Deliver Remittances

(No. of days)

Centre	SWIFT/Electronic Wires	Drafts	Cheques	Debit/Credit Cards	Money Orders	Prepaid cards	Other Methods	
							Online	Exchange House
1	2	3	4	5	6	7	8	9
Ahmedabad	1-4	1-30	7-30	-	-	-	-	
Bengaluru	1-3	7-30	5-28		7-28	-	5	
Bhubaneswar	1-3	7	5-21		-	-	5	
Chandigarh	2-3	14-21	21-25	4	14	4	1	
Chennai	1-5	1-13	15-30	-	-	-	-	
Delhi	1-5	1-30	7-30		-	0	5	1
Hyderabad	1	25	20		-	-	-	
Jaipur	1-3	2-15	2-30		-	-	-	
Jammu	1-3	6-15	6-30	-	-	-	-	
Kochi	1-3	3-25	10-30	1	1-10	1	0-2	
Kolkata	1-4	4-21	21-30		-	0	-	
Lucknow	1-2	5-25	12-36				1-2	
Mumbai	1-10	4-36			-	1	1-5	1
Patna	1-5	1-10	12-36		-	-	1-2	2-5
Ranchi	1-5	1-30	7-36		-	-	2	
All India								
2012-13	**1-10**	**1-36**	**2-36**	**1-4**	**1-28**	**1-4**	**0-5**	**1-5**
2009-10	**1-7**	**1-30**	**3-45**	**1-4**	**1-15**			

charges. The latter includes the charges levied by the receiving bank when the beneficiary is customer of another domestic bank. Charges are also levied when the receiver is in remote locations where the funds are delivered by the receiving bank by making a rupee demand draft.

It is often argued that remittance transactions for family maintenance, which are generally smaller in size, are offered less favourable exchange rate and the cost on this account can be exorbitant for some countries with less developed exchange markets. However, in the Indian context, it is understood that the exchange rates applied for conversion into domestic funds are reasonably transparent and do not constitute the cost in any significant measure. In case of transfer of funds from the Gulf countries that are remitted mainly through exchange houses, conversion into rupees is made at the point of origin and the recipient in India does not bear any cost of converting foreign exchange into rupee.

An attempt was made to collect the information on charges levied by bank to transfer funds from locations such as the US to India. Information was collected from ten commercial banks which had their overseas branches or the correspondent relationship with the remitting overseas banks. As summarised in Table 3, the following are the main points:

- Survey shows that SWIFT is the costliest means of transferring funds. There has been a tapering effect in the cost of remitting as compared with the previous round of survey reflecting increasing competition and introduction of fast money transferring infrastructure. The cost of remitting more than US$ 500 to US$ 1,000 works out to be lower.
- Besides the above mentioned charges paid on remitting funds from overseas locations, the handling charges imposed domestically on rerouting funds to deliver to non-customers or

Table 3: Instrument-wise Cost of Remitting Funds: A Select Case of Some Banks

(US$)

Bank	SWIFT		Drafts		Cheques	
	<=500	<=1000	<=500	<=1000	<=500	<=1000
1	2	3	4	5	6	7
State Bank of India	1 to 15 (0.2-3.0%)		2 to 5 (0.4-1.0%)	8 -1.00%	0.5 to 5 (0.1-1.0%)	1 to 5 (0.1-0.5%)
Bank of India	5 -1%					
Punjab National Bank	3 to 8 (0.6-1.6%)		5 (1.0%)	7 (<1.0%)	0.5 (0.1%)	1 (0.1%)
Axis Bank	1 to 15 (0.2 to 3.0 %)	15 (1.5%)			5 to 8 (1.0-1.6%)	5 to 8 (< 1%)
Oriental Bank of Commerce	5 (1.0%)	5 to 15 (0.5 to 1.5%)			5 (1.0%)	8 (0.8%)
Indian Overseas Bank	1 to10 (0.2 to 2.0%)	2 to 10 (0.2 to 1.0%)	5 (1.0%)	10 (1.0%)	1.25 (0.25%)	2.5 (0.25%)
Canara Bank	5 (1.0%)	10 (1.0%)	5 (1.0%)	10 (1.0%)	1.25 (0.25%)	2.5 (0.25%)
ICICI Bank	2.5 (0.5%)	2.5 (0.25%)	2 (0.4%)	2.5 (0.25%)	2.5 (0.5%)	2.5 (0.25%)
Standard Chartered Bank	1.25 (0.25%)	2.5 (0.25%)	1.25 (0.25%)	2.5 (0.25%)	1.25 (0.25%)	2.5 (0.25%)
Kotak Mahindra Bank	5 to 15 (0.2 to 3.0%)	10 to 20 (1.0-2.0%)	5 (1.0%)	10 (1.0%)	5 (1.0%)	10 (1.0%)
2012-13 (in per cent)	**0.2 – 3.0**	**0.2 – 2.0**	**0.25 – 1.0**	**0.25 – 1.0**	**0.1 – 1.0**	**0.1 – 1.0**
2009-10 (in per cent)	**0.2 – 5.0**	**0.1 – 2.5**	**0.4 – 2.0**	**0.25 – 1.0**	**0.1 – 2.0**	**0.1 – 1.0**
2006-07 (in per cent)	**2.5 – 8.0**	**0.7 – 2.5**	**2.0**	**0.5 – 1.5**	**0.7 – 2.0**	**0.4 – 1.0**

Note: Figure in bracket represents the cost as percentage of the funds remitted.

remote locations are found to be in the range of 0.1-0.5 per cent of the total value of funds.

4. Size and Frequency of Remittances

The average size of remittance reflects a number of factors, such as, the average earning level of the migrants, their skill content, duration of stay (generally an inverse relationship between the duration of stay and the propensity to remit) and economic activity in the host country. Apart from these, the size and frequency of remittances also reflect the utilisation pattern. Frequent remittances of a lesser amount indicate that the remittance is used mostly for family maintenance. However, less frequent and high size of remittances may be directed towards investment purposes rather than for family maintenance needs.

Pattern of size and frequency of remittances across centres are set out in Table 4 and Table 5 respectively.

- The share of transactions with average size of individual remittance of ₹ one lakh and above is relatively higher and accounts for 45 per cent of the total value of remittances and remittances with an average size of less than ₹50 thousand constitute 37 per cent of the total remittances.

In terms of frequency, the survey results indicate that about 60 per cent of the total remittance inflows are received at least once a quarter, while 48 per cent of the total remittances are received with a frequency of two months.

Comparison of size and frequency of remittances during 2012-13 with the preceding survey conducted in 2009-10 shows that while size of remittances has

Table 4: Size of Remittances sent by Overseas Indians
(Percentage share in Total Remittances)

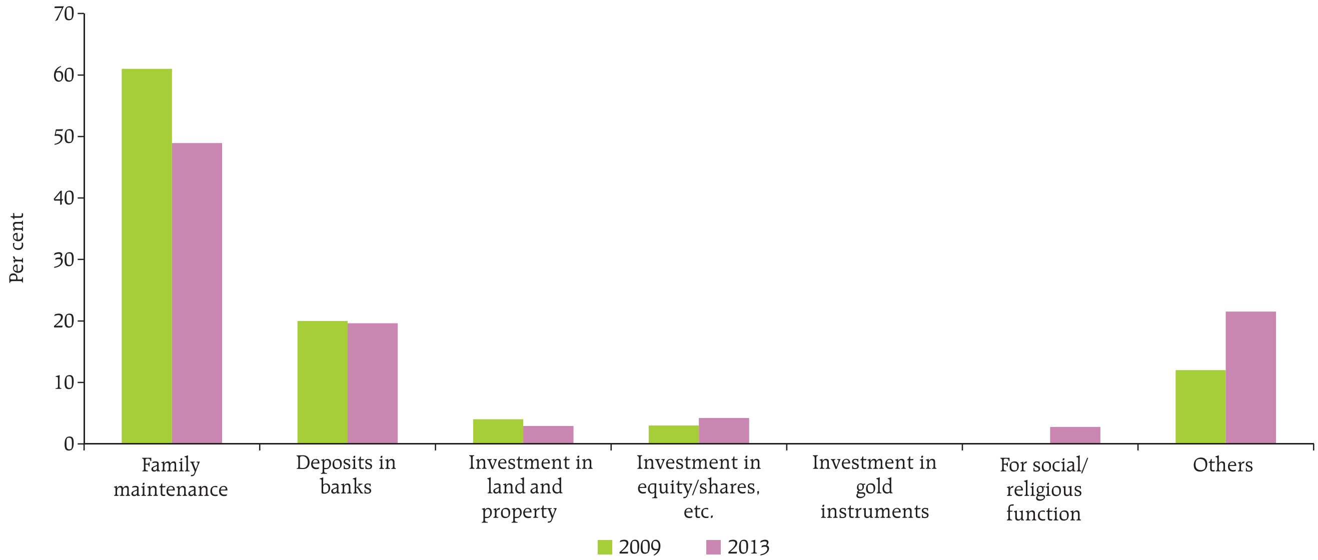
Centre	Less than 1,000	1,000-5,000	5,000-10,000	10,000-20,000	20,000-50,000	50,000-1,00,000	Above 1,00,000	Total
1	2	3	4	5	6	7	8	9
Ahmedabad	0	6	12	13	17	14	39	100
Bengaluru	3	5	6	7	13	33	33	100
Bhubaneswar	0	0	1	2	16	16	65	100
Chandigarh	0	5	5	6	6	7	71	100
Chennai	2	8	9	5	24	12	40	100
Delhi	4	14	2	7	19	30	26	100
Hyderabad	0	1	1	2	10	13	73	100
Jaipur	3	9	14	23	24	13	14	100
Jammu	0	5	10	15	20	12	38	100
Kochi	0	4	6	13	25	22	30	100
Kolkata	1	3	3	3	2	14	75	100
Lucknow	14	5	4	18	4	7	47	100
Mumbai	0	12	3	5	13	15	52	100
Patna	7	12	5	9	13	24	29	100
Ranchi	7	10	10	12	13	15	33	100
All India								
2012-13	**1**	**10**	**4**	**6**	**16**	**18**	**45**	**100**
2009-10	**9**	**6**	**15**	**13**	**15**	**15**	**27**	**100**

increased, frequency of remittances has fallen. These trends seem to suggest that over the years, a higher proportion of remittances are being directed towards investment purposes. This inference is also corroborated by the analysis of responses received on the specific question on utilisation pattern.

Table 5: Frequency of sending Remittances by Overseas Indians
(Percentage share in Total Remittances)

Centre	Once in a Month	Once in 2 Months	Once in 3 Months	Once in 6 Months	Once in a Year	Others	Total
1	2	3	4	5	6	7	8
Ahmedabad	19	4	16	20	31	9	100
Bengaluru	27	6	7	25	10	25	100
Bhubaneswar	63	13	7	5	5	7	100
Chandigarh	15	11	10	23	33	7	100
Chennai	41	16	23	5	11	5	100
Delhi	50	5	3	6	34	3	100
Hyderabad	28	14	23	15	15	6	100
Jaipur	39	11	13	18	10	10	100
Jammu	28	12	26	16	14	3	100
Kochi	59	13	18	5	4	1	100
Kolkata	25	18	12	11	31	3	100
Lucknow	29	9	8	34	20	0	100
Mumbai	31	11	14	20	19	6	100
Patna	37	10	13	11	22	7	100
Ranchi	33	19	13	15	12	7	100
All India							
2012-13	**37**	**11**	**14**	**16**	**17**	**5**	**100**
2009-10	**42**	**11**	**12**	**8**	**13**	**14**	**100**

Chart 2: Average Utilisation Pattern of Remittances Sent to India



5. Utilisation Pattern of Remittances

Survey findings about the possible end-use of the funds remitted by the overseas Indians to their families back home are set out in Table 7 and Chart 2.

- A predominant portion of the remittances received are utilised for family maintenance *i.e.*, to meet the requirements of migrant families regarding food, education, health *etc.* The use of remittances for investment purposes has gradually increased.
- Use of remittances for investment purposes is comparatively large in centres like Hyderabad, Bengaluru, Mumbai, Lucknow, Kolkata and Jammu (Table 6).

Table 6: Utilisation Pattern of Remittances
(Percentage share in Total Remittances)

	Family maintenance	Deposits in banks	Investment in land and property	Investment in equity/shares, *etc.*	Investment in gold instruments	For social/religious function	Others
1	2	3	4	5	6	7	8
Ahmedabad	72	17	1	0	0	6	5
Bengaluru	50	22	2	10	0	5	11
Bhubaneswar	62	16	0	0	0	10	12
Chandigarh	62	14	2	0	0	0	22
Chennai	53	27	0	0	0	1	19
Delhi	50	9	2	2	0	1	35
Hyderabad	61	29	3	3	0	2	3
Jaipur	75	19	3	0	0	2	1
Jammu	60	19	3	3	0	0	15
Kochi	61	28	3	1	0	1	6
Kolkata	44	31	4	1	0	2	17
Lucknow	62	29	6	0	0	0	2
Mumbai	45	18	3	5	0	3	25
Patna	63	11	1	0	0	14	12
Ranchi	63	24	1	0	0	2	10
All India							
2012-13	**49**	**20**	**3**	**4**	**0**	**3**	**21**
2009-10	**61**	**20**	**4**	**3**			**12**
2006-07	**54**	**20**	**10**	**3**			**13**

Table 7: Region-wise Distribution of Private Transfers Inflows to India

(US$ Million)

Period	Gulf Countries	North America	South America	Europe	Africa	East Asia	Others	Total
1	2	3	4	5	6	7	8	9
2009-10	16,431	15,934	2,197	10,446	1,731	2,250	4,647	53,636
2010-11	20,506	19,097	1,449	6,794	1,618	3,734	2,421	55,618
2011-12	24,382	22,706	1,723	8,078	1,923	4,440	2,878	66,129
2012-13	24,934	23,220	1,762	8,260	1,967	4,541	2,943	67,627

6. Source Regions of Remittance Inflows, Tenure of Stay and Currency Compositions

Based on the survey coupled with available information on country profile of non-resident Indian deposits, the region-wise inflows of private transfers to India was estimated for 2012-13 (Table 7). The remittances received from different destinations broadly reveal the migration pattern, skill content of the migrants and the earning levels.

There was a significant increase in private transfers from Gulf region, North America, East Asia, while the proportion of private transfer receipts from Europe, Africa and South America moderated during 2012-13 as compared with that of earlier surveys (Table 7).

- Region wise distribution of remittances across centres surveyed is presented in Table 8. Share of North America has been highest across all centres, except Kochi, Jaipur, Mumbai and Bhubaneswar where remittances from the Gulf region are the highest (Table 8).

Currency Composition

The survey on remittances indicates that about 57 per cent of the total remittance inflows are received in terms of dollar, while 16 per cent of remittances are

Table 8: Source Regions of Remittance Inflows

(Percentage share in Total Remittances)

	Gulf Countries	North America	South America	Europe	Africa	East Asia (including Japan)	Australia/ New Zealand	Total
1	2	3	4	5	6	7	8	9
Ahmedabad	10	40	9	25	12	3	1	100
Bengaluru	14	34	8	17	7	13	7	100
Bhubaneswar	46	30	0	2	0	21	1	100
Chandigarh	37	29	4	14	10	2	5	100
Chennai	13	50	10	9	1	14	3	100
Delhi	23	49	1	14	4	8	2	100
Hyderabad	10	64	8	11	2	2	3	100
Jaipur	66	12	2	6	5	6	3	100
Jammu	39	23	6	17	4	7	4	100
Kochi	63	22	0	8	1	3	3	100
Kolkata	21	49	4	8	5	8	4	100
Lucknow	22	39	14	14	4	3	5	100
Mumbai	36	34	3	13	3	7	5	100
Patna	24	35	2	18	6	10	5	100
Ranchi	30	30	3	24	2	9	2	100
All India								
2012-13	**37**	**34**	**3**	**12**	**3**	**7**	**4**	**100**
2009-10	**27**	**38**	**6**	**18**	**4**	**5**	**2**	**100**
2006-07	**24**	**44**	**6**	**13**	**2**	**8**	**3**	**100**

Table 9: Currency Composition
(Percentage share in Total Remittances)

Centre	Saudi Riyal	UAE Dirham	US Dollar	GB Pound	Euro	Others	Total
1	2	3	4	5	6	7	8
Ahmedabad	0	0	78	11	5	6	100
Bangaluru	1	1	72	6	15	5	100
Bhubaneswar	0	0	94	0	5	1	100
Chandigarh	1	2	35	9	6	47	100
Chennai	1	7	56	3	6	28	100
Delhi	0	1	67	7	6	19	100
Hyderabad	0	0	83	3	9	4	100
Jaipur	0	0	64	3	7	26	100
Jammu	5	4	64	13	11	3	100
Kochi	7	19	46	7	8	13	100
Kolkata	3	0	66	16	14	15	113
Lucknow	6	13	57	8	15	2	100
Mumbai	9	9	57	8	6	10	100
Patna	0	3	70	6	7	14	100
Ranchi	1	7	63	10	9	9	100
All India 2012-13	7	9	57	8	7	12	100

received in Saudi riyal and UAE dirham. The share of Euro and pound sterling are 7 per cent and 8 per cent, respectively (Table 9).

Distribution of Remittances and Tenure of Stay Abroad

The survey indicates that the remittances received from NRIs staying abroad for less than one year varies from negligible to 10 per cent across centres. From balance of payments perspective, this does not qualify for workers' remittances as these inflows are classified under compensation of employees of the primary income (Table 10).

Conclusions

The study based on the sample survey of 'Remittances from Overseas Indians: Modes of Transfer, Transaction Cost and Time Taken' reveals the following important dimensions of inward remittances from overseas Indians:

i. While electronic wires/SWIFT continues to be the dominant mode of transferring remittances by the overseas Indians, in the recent period, there has been a significant increase in the share of remittances transmitted through direct transfer to bank accounts and through on-line mode.

ii. Out of the total remittance transfers to India, the high value remittances (₹50,000 and above)

Table 10: Distribution of remittances from NRIs According to tenure NRIs Stay Abroad
(Per cent)

Centre	less than a year	1-2 year	2-3 year	more than 3 years	Total
1	2	3	4	5	8
Ahmedabad	0	4	22	74	100
Bangaluru	7	10	16	67	100
Bhubaneswar	3	12	34	51	100
Delhi	10	15	25	50	100
Hyderabad	3	5	8	85	100
Jaipur	1	6	9	84	100
Jammu	10	21	30	39	100
Kochi	8	21	34	38	100
Kolkata	8	13	22	58	100
Lucknow	10	15	3	72	100
Mumbai	7	10	25	59	100
Patna	8	27	43	22	100
Ranchi	6	26	21	46	100
All India	7	12	25	53	100

accounted for 63 per cent of the total value of remittance inflows.

iii. The cost of remittances across various modes of transfers has moderated over the years reflecting increasing competition and introduction of fast money transferring infrastructure.

iv. The major sources of remittances are Gulf countries and North America accounting around 37 per cent and 34 per cent of total remittances, respectively. Major portion of remittances to India are dollar denominated (57 per cent) followed by Saudi riyal/UAE dirham (16 per cent).

v. A predominant portion of the remittances received (49 per cent) are utilised for family maintenance. The share of remittances for investment has gradually increased.

CURRENT STATISTICS

Select Economic Indicators

Reserve Bank of India

Money and Banking

Prices and Production

Government Accounts and Treasury Bills

Financial Markets

External Sector

Payment and Settlement Systems

Occasional Series

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

No. 1: Select Economic Indicators

Item	2012-13	2012-13		2013-14	
		Q1	Q2	Q1	Q2
	1	2	3	4	5
1 Real Sector (% Change)					
1.1 GDP	5.0	5.4	5.2	4.4	4.8
1.1.1 Agriculture	1.9	2.9	1.7	2.7	4.6
1.1.2 Industry	1.2	-0.2	0.5	-0.9	1.6
1.1.3 Services	6.8	7.6	7.1	6.2	5.8
1.1a Final Consumption Expenditure	3.9	4.7	4.0	3.0	1.7
1.1b Gross Fixed Capital Formation	1.7	-2.2	1.1	-1.2	2.6

	2012-13	2012		2013	
		Sep	Oct	Sep	Oct
	1	2	3	4	5
1.2 Index of Industrial Production	1.2	-0.7	8.4	2.0	..
2 Money and Banking (% Change)					
2.1 Scheduled Commercial Banks					
2.1.1 Deposits	14.2	13.6	13.4	11.5	14.9
2.1.2 Credit	14.1	15.7	15.8	15.0	16.4
2.1.2.1 Non-food Credit	14.0	15.4	15.4	15.2	16.8
2.1.3 Investment in Govt. Securities	15.4	15.4	15.6	9.3	10.7
2.2 Money Stock Measures					
2.2.1 Reserve Money (M0)	6.0	6.9	5.3	7.7	8.0
2.2.2 Broad Money (M3)	13.5	13.6	13.3	12.5	13.1
3 Ratios (%)					
3.1 Cash Reserve Ratio	4.00	4.50	4.50	4.00	4.00
3.2 Statutory Liquidity Ratio	23.0	23.0	23.0	23.0	23.0
3.3 Cash-Deposit Ratio	4.8	6.0	5.8	5.1	5.0
3.4 Credit-Deposit Ratio	77.9	75.3	75.4	77.7	76.3
3.5 Incremental Credit-Deposit Ratio	77.1	47.1	41.8	74.4	58.0
3.6 Investment-Deposit Ratio	29.7	30.0	30.9	29.4	29.7
3.7 Incremental Investment-Deposit Ratio	31.9	35.7	49.9	24.9	28.9
4 Interest Rates (%)					
4.1 Policy Repo Rate	7.50	8.00	8.00	7.50	7.75
4.2 Reverse Repo Rate	6.50	7.00	7.00	6.50	6.75
4.3 Marginal Standing Facility (MSF) Rate	8.50	9.00	9.00	9.50	8.75
4.4 Bank Rate	8.50	9.00	9.00	9.50	8.75
4.5 Base Rate	9.70/10.25	9.75/10.50	9.75/10.50	9.80/10.25	9.80/10.25
4.6 Term Deposit Rate >1 Year	7.50/9.00	8.50/9.25	8.50/9.00	8.00/9.00	8.00/9.05
4.7 Savings Deposit Rate	4.00	4.00	4.00	4.00	4.00
4.8 Call Money Rate (Weighted Average)	8.30	8.03	8.04	9.46	8.98
4.9 91-Day Treasury Bill (Primary) Yield	8.19	8.14	8.14	9.69	8.77
4.10 182-Day Treasury Bill (Primary) Yield	8.01	8.14	8.07	9.47	8.68
4.11 364-Day Treasury Bill (Primary) Yield	7.79	8.06	8.11	9.46	8.71
4.12 10-Year Government Securities Yield	7.95	8.28	8.21	8.54	8.55
5 RBI Reference Rate and Forward Premia					
5.1 INR-US$ Spot Rate (₹ Per Foreign Currency)	54.39	52.70	54.12	62.78	61.41
5.2 INR-Euro Spot Rate (₹ Per Foreign Currency)	69.54	68.15	70.15	84.67	84.12
5.3 Forward Premia of US$ 1-month (%)	7.72	8.08	7.43	11.66	8.50
3-month (%)	7.57	7.02	6.84	9.91	8.47
6-month (%)	7.28	6.53	6.21	9.03	8.11
6 Inflation (%)					
6.1 Wholesale Price Index	7.4	8.1	7.3	6.5	7.0
6.1.1 Primary Articles	9.8	9.2	7.8	13.5	14.7
6.1.2 Fuel and Power	10.6	12.0	11.7	10.1	10.3
6.1.3 Manufactured Products	5.4	6.5	6.0	2.0	2.5
6.2 All India Consumer Price Index	10.21	9.7	9.8	9.8	10.1
6.3 Consumer Price Index for Industrial Workers	10.43	9.1	9.6	10.7	11.1
7 Foreign Trade (% Change)					
7.1 Imports	0.9	5.8	7.5	-18.8	-14.5
7.2 Exports	-2.1	-6.3	1.7	10.3	13.5

Reserve Bank of India

No. 2: RBI - Liabilities and Assets

(₹ Billion)

Item	As on the Last Friday/ Friday						
	2012-13	2012	2013				
		Nov.	Oct. 25	Nov. 8	Nov. 15	Nov. 22	Nov. 29
	1	2	3	4	5	6	7
1 Issue Department							
1.1 Liabilities							
1.1.1 Notes in Circulation	11,772.18	11,258.41	12,169.03	12,603.07	12,637.13	12,543.63	12,450.25
1.1.2 Notes held in Banking Department	0.08	0.17	0.12	0.11	0.13	0.12	0.13
1.1/1.2 Total Liabilities (Total Notes Issued) or Assets	**11,772.26**	**11,258.58**	**12,169.15**	**12,603.18**	**12,637.26**	**12,543.75**	**12,450.38**
1.2 Assets							
1.2.1 Gold Coin and Bullion	740.85	794.39	715.98	683.07	683.07	683.07	683.07
1.2.2 Foreign Securities	11,019.02	10,451.63	11,440.97	11,908.86	11,941.22	11,848.07	11,755.02
1.2.3 Rupee Coin	1.92	2.10	1.74	0.78	2.50	2.15	1.82
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	4,577.50	3,220.27	3,551.85	3,552.49	3,516.38	3,511.07	3,689.28
2.1.1.1 Central Government	817.59	106.84	1.00	1.00	1.03	1.00	1.01
2.1.1.2 Market Stabilisation Scheme	–	–	–	–	–	–	–
2.1.1.3 State Governments	0.42	0.42	0.42	0.42	3.98	0.42	0.42
2.1.1.4 Scheduled Commercial Banks	3,424.24	2,812.78	3,179.26	3,169.53	3,142.18	3,139.62	3,278.68
2.1.1.5 Scheduled State Co-operative Banks	41.29	31.80	32.79	32.33	33.39	32.08	31.86
2.1.1.6 Non-Scheduled State Co-operative Banks	2.37	1.57	3.13	3.30	3.03	3.06	3.22
2.1.1.7 Other Banks	152.48	139.03	153.51	160.33	153.28	153.63	154.27
2.1.1.8 Others	139.10	127.82	181.74	185.57	179.49	181.25	219.81
2.1.2 Other Liabilities	6,959.83	7,049.32	8,936.73	9,018.17	9,145.32	9,118.90	8,957.03
2.1/2.2 Total Liabilities or Assets	**11,537.33**	**10,269.59**	**12,488.58**	**12,570.67**	**12,661.70**	**12,629.97**	**12,646.31**
2.2 Assets							
2.2.1 Notes and Coins	0.08	0.17	0.12	0.11	0.13	0.12	0.13
2.2.2 Balances held Abroad	3,161.94	3,766.53	4,298.51	4,109.22	4,254.28	4,510.92	4,757.15
2.2.3 Loans and Advances							
2.2.3.1 Central Government	–	–	–	114.86	147.26	–	–
2.2.3.2 State Governments	3.70	1.95	8.64	–	–	–	–
2.2.3.3 Scheduled Commercial Banks	418.66	228.53	444.89	442.63	407.82	427.37	391.01
2.2.3.4 Scheduled State Co-op.Banks	–	–	–	–	–	–	–
2.2.3.5 Industrial Dev. Bank of India	–	–	–	–	–	–	–
2.2.3.6 NABARD	–	–	–	–	–	–	–
2.2.3.7 EXIM Bank	–	–	–	–	–	–	–
2.2.3.8 Others	19.00	42.74	26.99	26.58	27.03	26.00	27.70
2.2.4 Bills Purchased and Discounted							
2.2.4.1 Internal	–	–	–	–	–	–	–
2.2.4.2 Government Treasury Bills	–	–	–	–	–	–	–
2.2.5 Investments	7,185.00	5,466.84	6,800.78	6,966.49	6,937.73	6,781.63	6,589.06
2.2.6 Other Assets	748.93	762.82	908.65	910.78	887.44	883.92	881.26
2.2.6.1 Gold	672.98	721.61	650.39	620.50	620.50	620.50	620.50

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
Oct. 1, 2013	391.52	16.20	–	447.56	2.26	–	–	825.14
Oct. 3, 2013	405.21	0.50	–	321.03	–7.92	–	–	717.82
Oct. 4, 2013	379.68	12.51	–	387.18	–48.66	–	–	705.69
Oct. 7, 2013	403.05	0.04	–	678.21	43.40	–	–	1,124.62
Oct. 8, 2013	402.66	–	–	621.50	–6.30	–	99.74	1,117.60
Oct. 9, 2013	404.98	0.01	–	689.15	–68.30	–	–	1,025.82
Oct. 10, 2013	400.98	0.01	–	662.53	78.34	–	–	1,141.84
Oct. 11, 2013	404.98	0.03	190.01	429.30	–33.14	–	–	991.12
Oct. 14, 2013	405.01	0.03	–	311.00	34.40	–	–	750.38
Oct. 15, 2013	400.61	0.03	–	270.25	–1.00	–	–	669.83
Oct. 17, 2013	405.22	0.03	–	378.89	–6.10	–	–	777.98
Oct. 18, 2013	380.40	2.11	195.02	434.18	–36.50	–	–	970.99
Oct. 21, 2013	407.96	0.01	–	451.26	51.10	–	–	910.31
Oct. 22, 2013	407.86	0.06	–	338.29	8.90	–	–	754.99
Oct. 23, 2013	408.06	5.00	–	315.06	–7.40	–	–	710.72
Oct. 24, 2013	407.94	0.26	–	254.20	0.40	–	–	662.28
Oct. 25, 2013	408.66	–	–	270.29	–25.10	–	–	653.85
Oct. 28, 2013	407.67	0.15	–	185.02	22.42	–	–	614.96
Oct. 29, 2013	407.36	0.47	–	115.45	–3.41	–	–	518.93
Oct. 30, 2013	407.25	0.30	–	89.09	4.78	–	–	500.82
Oct. 31, 2013	408.62	0.75	–	143.10	2.60	–	–	553.57

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

Item	2012-13	2012	2013	
		Oct.	Sep.	Oct.
	1	2	3	4
1 Net Purchase/ Sale of Foreign Currency (US$ Million) (1.1–1.2)	–2,601.00	–95.00	–3,548.00	3,928.00
1.1 Purchase (+)	13,648.00	1,055.00	3,369.00	9,510.00
1.2 Sale (–)	16,249.00	1,150.00	6,917.00	5,582.00
2 ₹ equivalent at contract rate (₹ Billion)	–153.16	–5.95	–231.20	244.82
3 Cumulative (over end-March 2013) (US $ Million)	–2,601.00	–2,152.00	–13,829.00	–9,901.00
(₹ Billion)	–153.16	–115.36	–866.51	–621.68
4 Outstanding Net Forward Sales (–)/ Purchase (+) at the end of month (US$ Million)	–11,006.00	–14,082.00	–9,581.00	–14,459.00

No. 5: RBI's Standing Facilities

(₹ Billion)

Item	2012-13	2012	2013					
		As on the Last Reporting Friday						
		Oct. 19	May 31	Jun. 28	Jul. 26	Aug. 23	Sep. 20	Oct. 18
	1	2	3	4	5	6	7	8
1 MSF	–	–	0.1	–	228.5	559.0	756.8	434.2
2 Export Credit Refinance for Scheduled Banks								
2.1 Limit	412.3	376.9	405.4	394.0	393.8	392.7	422.3	436.8
2.2 Outstanding	136.3	166.1	57.9	113.0	218.6	323.5	349.4	364.5
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	15.2	3.2	10.9	8.1	21.9	25.1	24.6	25.0
4 Others								
4.1 Limit	50.0	50.0	–	–	–	–	–	–
4.2 Outstanding	–	5.3	–	–	–	–	–	–
5 Total Outstanding (1+2.2+3.2+4.2)	151.5	174.6	68.9	121.1	469.0	907.6	1130.8	823.7

Money and Banking

No. 6: Money Stock Measures

(₹ Billion)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2012-13	2012	2013		
		Oct. 19	Sep. 20	Oct. 4	Oct. 18
	1	2	3	4	5
1 Currency with the Public (1.1 + 1.2 + 1.3 – 1.4)	11,447.4	10,653.0	11,672.0	11,602.9	11,897.8
1.1 Notes in Circulation	11,756.4	10,952.9	11,992.4	11,908.7	12,259.4
1.2 Circulation of Rupee Coin	146.0	137.8	154.9	154.9	154.9
1.3 Circulation of Small Coins	7.4	7.4	7.4	7.4	7.4
1.4 Cash on Hand with Banks	462.3	445.2	482.7	468.1	523.9
2 Deposit Money of the Public	7,502.0	6,684.9	7,877.5	7,642.1	7,194.5
2.1 Demand Deposits with Banks	7,469.6	6,668.9	7,837.0	7,605.0	7,158.5
2.2 'Other' Deposits with Reserve Bank	32.4	16.0	40.5	37.1	35.9
3 M_1 (1 + 2)	18,949.4	17,338.0	19,549.5	19,245.0	19,092.2
4 Post Office Saving Bank Deposits	50.4	50.4	50.4	50.4	50.4
5 M_2 (3 + 4)	18,999.8	17,388.4	19,600.0	19,295.5	19,142.6
6 Time Deposits with Banks	64,870.9	61,827.1	68,404.8	70,503.7	70,400.2
7 M_3 (3 + 6)	83,820.2	79,165.1	87,954.3	89,748.7	89,492.4
8 Total Post Office Deposits	259.7	259.7	259.7	259.7	259.7
9 M_4 (7 + 8)	84,079.9	79,424.8	88,214.0	90,008.4	89,752.1

No. 7: Sources of Money Stock (M_3)

(₹ Billion)

Sources	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2012-13	2012	2013		
		Oct. 19	Sep. 20	Oct. 4	Oct. 18
	1	2	3	4	5
1 Net Bank Credit to Government	**27,072.1**	**26,361.3**	**29,039.7**	**29,518.3**	**29,866.5**
1.1 RBI's net credit to Government (1.1.1–1.1.2)	5,905.8	5,551.9	6,798.1	6,637.1	6,971.7
1.1.1 Claims on Government	6,581.4	5,605.2	6,799.6	6,638.5	6,973.1
1.1.1.1 Central Government	6,580.2	5,597.3	6,788.0	6,629.5	6,951.6
1.1.1.2 State Governments	1.2	7.9	11.6	9.0	21.5
1.1.2 Government deposits with RBI	675.6	53.3	1.4	1.4	1.4
1.1.2.1 Central Government	675.2	52.8	1.0	1.0	1.0
1.1.2.2 State Governments	0.4	0.4	0.4	0.4	0.4
1.2 Other Banks' Credit to Government	21,166.3	20,809.4	22,241.5	22,881.2	22,894.9
2 Bank Credit to Commercial Sector	**56,646.6**	**51,973.9**	**59,979.2**	**60,468.6**	**59,952.8**
2.1 RBI's credit to commercial sector	30.6	21.7	37.8	37.7	38.1
2.2 Other banks' credit to commercial sector	56,616.1	51,952.2	59,941.4	60,430.8	59,914.6
2.2.1 Bank credit by commercial banks	52,604.6	48,135.6	56,171.8	56,668.5	56,149.2
2.2.2 Bank credit by co-operative banks	3,968.7	3,759.3	3,717.5	3,719.6	3,723.7
2.2.3 Investments by commercial and co-operative banks in other securities	42.8	57.3	52.1	42.7	41.8
3 Net Foreign Exchange Assets of Banking Sector (3.1 + 3.2)	**16,366.6**	**15,966.8**	**17,225.5**	**16,936.9**	**17,111.2**
3.1 RBI's net foreign exchange assets (3.1.1–3.1.2)	15,580.6	15,511.5	17,022.6	16,734.1	16,908.4
3.1.1 Gross foreign assets	15,580.8	15,511.8	17,023.1	16,734.5	16,908.8
3.1.2 Foreign liabilities	0.2	0.3	0.4	0.4	0.4
3.2 Other banks' net foreign exchange assets	786.0	455.3	202.8	202.8	202.8
4 Government's Currency Liabilities to the Public	**153.4**	**145.2**	**162.3**	**162.3**	**162.3**
5 Banking Sector's Net Non-monetary Liabilities	**16,418.5**	**15,282.2**	**18,452.3**	**17,337.3**	**17,600.4**
5.1 Net non-monetary liabilities of RBI	6,925.0	6,774.7	8,855.7	8,570.2	8,706.2
5.2 Net non-monetary liabilities of other banks (residual)	9,493.4	8,507.6	9,596.6	8,767.2	8,894.2
M_3 (1+2+3+4–5)	**83,820.2**	**79,165.1**	**87,954.3**	**89,748.7**	**89,492.4**

No. 8: Monetary Survey

(₹ Billion)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2012-13	2012	2013		
		Oct. 19	Sep. 20	Oct. 4	Oct. 18
	1	2	3	4	5
Monetary Aggregates					
NM_1 (1.1 + 1.2.1+1.3)	18,834.7	17,238.0	19,484.5	19,180.0	19,027.2
NM_2 (NM_1+ 1.2.2.1)	46,970.6	44,071.6	49,241.1	49,809.5	49,567.7
NM_3 (NM_2 + 1.2.2.2 + 1.4 = 2.1 + 2.2 + 2.3 – 2.4 – 2.5)	83,575.6	78,787.0	88,156.2	89,655.4	89,364.2
1 Components					
1.1 Currency with the Public	11,461.0	10,664.3	11,681.0	11,612.0	11,906.8
1.2 Aggregate Deposits of Residents	69,865.6	66,188.0	73,888.6	75,596.4	74,952.2
1.2.1 Demand Deposits	7,341.3	6,557.7	7,763.0	7,530.9	7,084.5
1.2.2 Time Deposits of Residents	62,524.3	59,630.3	66,125.7	68,065.5	67,867.7
1.2.2.1 Short-term Time Deposits	28,135.9	26,833.6	29,756.6	30,629.5	30,540.5
1.2.2.1.1 Certificates of Deposit (CDs)	3,831.4	3,526.3	3,552.9	4,086.3	3,368.6
1.2.2.2 Long-term Time Deposits	34,388.4	32,796.7	36,369.1	37,436.0	37,327.3
1.3 'Other' Deposits with RBI	32.4	16.0	40.5	37.1	35.9
1.4 Call/Term Funding from Financial Institutions	2,216.6	1,918.7	2,546.0	2,409.9	2,469.2
2 Sources					
2.1 Domestic Credit	85,823.3	80,481.7	91,100.2	92,169.1	92,270.0
2.1.1 Net Bank Credit to the Government	26,579.4	25,911.9	28,581.4	29,060.0	29,408.3
2.1.1.1 Net RBI credit to the Government	5,905.8	5,551.9	6,798.1	6,637.1	6,971.7
2.1.1.2 Credit to the Government by the Banking System	20,673.6	20,360.0	21,783.3	22,422.9	22,436.6
2.1.2 Bank Credit to the Commercial Sector	59,243.9	54,569.8	62,518.8	63,109.1	62,861.7
2.1.2.1 RBI Credit to the Commercial Sector	30.6	21.7	37.8	37.7	38.1
2.1.2.2 Credit to the Commercial Sector by the Banking System	59,213.4	54,548.1	62,481.0	63,071.4	62,823.6
2.1.2.2.1 Other Investments (Non-SLR Securities)	3,674.6	3,586.1	3,407.8	3,516.5	3,787.1
2.2 Government's Currency Liabilities to the Public	153.4	145.2	162.3	162.3	162.3
2.3 Net Foreign Exchange Assets of the Banking Sector	14,775.0	14,268.3	15,800.7	15,561.7	15,534.4
2.3.1 Net Foreign Exchange Assets of the RBI	15,580.6	15,511.5	17,022.6	16,734.1	16,908.4
2.3.2 Net Foreign Currency Assets of the Banking System	–805.6	–1,243.2	–1,222.0	–1,172.4	–1,374.0
2.4 Capital Account	12,869.4	12,900.7	16,060.1	15,803.9	15,867.4
2.5 Other items (net)	4,306.7	3,207.6	2,846.9	2,433.9	2,735.0

No. 9: Liquidity Aggregates

(₹ Billion)

Aggregates	2012-13	2012	2013		
		Oct.	Aug.	Sep.	Oct.
	1	2	3	4	5
1 NM_3	**83,575.6**	**78,787.0**	**87,693.9**	**88,156.2**	**89,364.2**
2 Postal Deposits	1,388.4	1,337.1	1,421.4	1,421.4	1,421.4
3 L_1 (1 + 2)	**84,964.0**	**80,124.1**	**89,115.3**	**89,577.6**	**90,785.6**
4 Liabilities of Financial Institutions	29.3	29.3	29.3	29.3	29.3
4.1 Term Money Borrowings	26.6	26.6	26.6	26.6	26.6
4.2 Certificates of Deposit	0.3	0.3	0.3	0.3	0.3
4.3 Term Deposits	2.5	2.5	2.5	2.5	2.5
5 L_2 (3 + 4)	**84,993.4**	**80,153.4**	**89,144.6**	**89,606.9**	**90,814.9**
6 Public Deposits with Non-Banking Financial Companies	106.0			106.0	
7 L_3 (5 + 6)	**85,099.3**			**89,712.9**	

No. 10: Reserve Bank of India Survey

(₹ Billion)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2012-13	2012	2013		
		Oct. 19	Sep. 20	Oct. 4	Oct. 18
	1	2	3	4	5
1 Components					
1.1 Currency in Circulation	11,909.8	11,098.2	12,154.7	12,071.0	12,421.7
1.2 Bankers' Deposits with the RBI	3,206.7	3,507.7	3,393.8	3,307.3	3,335.7
1.2.1 Scheduled Commercial Banks	3,018.9	3,328.6	3,206.5	3,120.8	3,148.3
1.3 'Other' Deposits with the RBI	32.4	16.0	40.5	37.1	35.9
Reserve Money (1.1 + 1.2 + 1.3 = 2.1 + 2.2 + 2.3 – 2.4 – 2.5)	15,148.9	14,621.9	15,589.0	15,415.4	15,793.3
2 Sources					
2.1 RBI's Domestic Credit	6,339.9	5,739.7	7,259.8	7,089.2	7,428.8
2.1.1 Net RBI credit to the Government	5,905.8	5,551.9	6,798.1	6,637.1	6,971.7
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)	5,905.0	5,544.5	6,787.0	6,628.5	6,950.6
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	6,578.3	5,594.9	6,786.1	6,628.4	6,949.3
2.1.1.1.3.1 Central Government Securities	6,567.8	5,584.4	6,775.6	6,617.9	6,938.9
2.1.1.1.4 Rupee Coins	1.9	2.4	1.9	1.1	2.3
2.1.1.1.5 Deposits of the Central Government	675.2	52.8	1.0	1.0	1.0
2.1.1.2 Net RBI credit to State Governments	0.8	7.5	11.2	8.6	21.1
2.1.2 RBI's Claims on Banks	403.5	166.1	423.9	414.4	419.0
2.1.2.1 Loans and Advances to Scheduled Commercial Banks	403.4	164.8	422.3	412.8	417.1
2.1.3 RBI's Credit to Commercial Sector	30.6	21.7	37.8	37.7	38.1
2.1.3.1 Loans and Advances to Primary Dealers	17.4	169.3	24.6	24.5	25.0
2.1.3.2 Loans and Advances to NABARD	–	–	–	–	–
2.2 Government's Currency Liabilities to the Public	153.4	145.2	162.3	162.3	162.3
2.3 Net Foreign Exchange Assets of the RBI	15,580.6	15,511.5	17,022.6	16,734.1	16,908.4
2.3.1 Gold	1,397.4	1,482.5	1,446.3	1,366.4	1,366.4
2.3.2 Foreign Currency Assets	14,183.4	14,029.2	15,576.5	15,367.9	15,542.2
2.4 Capital Account	6,364.9	6,429.2	8,788.9	8,511.1	8,570.1
2.5 Other Items (net)	560.1	345.4	66.9	59.0	136.1

No. 11: Reserve Money - Components and Sources

(₹ Billion)

Item	Outstanding as on March 31/ last Fridays of the month/ Fridays						
	2012-13	2012	2013				
		Oct. 26	Sep. 27	Oct. 4	Oct. 11	Oct. 18	Oct. 25
	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)	15,148.9	14,495.4	15,528.9	15,415.4	15,649.7	15,793.3	15,740.7
1 Components							
1.1 Currency in Circulation	11,909.8	11,171.4	12,025.0	12,071.0	12,304.4	12,421.7	12,331.3
1.2 Bankers' Deposits with RBI	3,206.7	3,308.9	3,458.7	3,307.3	3,309.0	3,335.7	3,368.7
1.3 'Other' Deposits with RBI	32.4	15.1	45.3	37.1	36.2	35.9	40.7
2 Sources							
2.1 Net Reserve Bank Credit to Government	5,905.8	5,423.4	6,868.2	6,637.1	6,806.1	6,971.7	6,804.2
2.2 Reserve Bank Credit to Banks	403.5	188.3	413.9	414.4	427.6	419.0	446.7
2.3 Reserve Bank Credit to Commercial Sector	30.6	21.7	36.9	37.7	38.5	38.1	38.2
2.4 Net Foreign Exchange Assets of RBI	15,580.6	15,493.4	16,829.1	16,734.1	16,765.4	16,908.4	17,108.3
2.5 Government's Currency Liabilities to the Public	153.4	145.2	162.3	162.3	162.3	162.3	162.3
2.6 Net Non- Monetary Liabilities of RBI	6,925.0	6,776.6	8,781.5	8,570.2	8,550.3	8,706.2	8,818.9

No. 12: Commercial Bank Survey

(₹ Billion)

Item	Outstanding as on last reporting Fridays of the month/ reporting Fridays of the month				
	2012-13	2012	2013		
		Oct. 19	Sep. 20	Oct. 4	Oct. 18
	1	2	3	4	5
1 Components					
1.1 Aggregate Deposits of Residents	66,677.8	63,085.2	70,730.9	72,425.0	71,772.2
1.1.1 Demand Deposits	6,623.0	5,851.7	7,043.5	6,809.6	6,361.8
1.1.2 Time Deposits of Residents	60,054.8	57,233.5	63,687.3	65,615.5	65,410.4
1.1.2.1 Short-term Time Deposits	27,024.7	25,755.1	28,659.3	29,527.0	29,434.7
1.1.2.1.1 Certificates of Deposits (CDs)	3,835.3	3,526.3	3,552.9	4,086.3	3,368.6
1.1.2.2 Long-term Time Deposit	33,030.1	31,478.4	35,028.0	36,088.5	35,975.7
1.2 Call/Term Funding from Financial Institutions	2,216.6	1,918.7	2,546.0	2,409.9	2,469.2
2 Sources					
2.1 Domestic Credit	76,376.1	71,411.7	80,713.2	81,941.4	81,702.8
2.1.1 Credit to the Government	20,036.5	19,719.6	21,145.5	21,786.5	21,798.9
2.1.2 Credit to the Commercial Sector	56,339.6	51,692.0	59,567.7	60,154.9	59,903.9
2.1.2.1 Bank Credit	52,604.6	48,135.6	56,171.8	56,668.5	56,149.2
2.1.2.1.1 Non-food Credit	51,640.4	47,183.4	55,180.3	55,676.5	55,223.8
2.1.2.2 Net Credit to Primary Dealers	59.0	32.4	42.2	34.5	32.3
2.1.2.3 Investments in Other Approved Securities	24.5	27.6	35.6	25.0	25.0
2.1.2.4 Other Investments (in non-SLR Securities)	3,651.5	3,496.4	3,318.1	3,426.9	3,697.4
2.2 Net Foreign Currency Assets of Commercial Banks (2.2.1–2.2.2–2.2.3)	–782.2	–1,243.2	–1,222.0	–1,172.4	–1,374.0
2.2.1 Foreign Currency Assets	919.6	385.1	833.5	1,014.2	971.4
2.2.2 Non-resident Foreign Currency Repatriable Fixed Deposits	826.8	796.0	1,032.7	1,191.8	1,286.1
2.2.3 Overseas Foreign Currency Borrowings	875.0	832.3	1,022.8	994.8	1,059.4
2.3 Net Bank Reserves (2.3.1+2.3.2–2.3.3)	3,011.7	3,554.4	3,214.1	3,123.7	3,201.3
2.3.1 Balances with the RBI	2,822.7	3,328.6	3,206.5	3,120.8	3,148.3
2.3.2 Cash in Hand	404.9	390.6	430.0	415.8	470.1
2.3.3 Loans and Advances from the RBI	215.9	164.8	422.3	412.8	417.1
2.4 Capital Account	6,374.2	6,229.8	7,029.5	7,051.0	7,055.6
2.5 Other items (net) (2.1+2.2+2.3–2.4–1.1–1.2)	3,337.0	2,489.2	2,399.0	2,006.8	2,233.0
2.5.1 Other Demand and Time Liabilities (net of 2.2.3)	3,241.3	2,700.8	3,056.5	2,821.0	2,777.0
2.5.2 Net Inter-Bank Liabilities (other than to PDs)	–809.8	–647.7	–786.5	–779.6	–561.7

No. 13: Scheduled Commercial Banks' Investments

(₹ Billion)

Item	As on March 22, 2013	2012	2013		
		Oct. 19	Sep. 20	Oct. 4	Oct. 18
	1	2	3	4	5
1 SLR Securities	20,061.0	19,626.4	21,115.2	21,811.5	21,823.9
2 Commercial Paper	324.3	371.5	192.6	166.5	154.5
3 Shares issued by					
3.1 PSUs	86.8	75.0	84.9	84.7	84.4
3.2 Private Corporate Sector	338.0	319.6	337.8	338.2	337.8
3.3 Others	8.7	5.8	8.5	8.5	8.5
4 Bonds/Debentures issued by					
4.1 PSUs	460.5	434.2	456.2	450.9	561.7
4.2 Private Corporate Sector	1,026.2	956.7	1,040.9	1,065.0	1,066.2
4.3 Others	480.8	447.3	479.6	483.5	487.7
5 Instruments issued by					
5.1 Mutual funds	436.7	502.9	277.7	355.0	505.0
5.2 Financial institutions	489.5	383.3	495.4	474.6	491.5

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			
	2012-13	2012	2013		2012-13	2012	2013	
		Oct.	Sep.	Oct.		Oct.	Sep.	Oct.
	1	2	3	4	5	6	7	8
Number of Reporting Banks	218	232	214	215	151	165	147	148
1 Liabilities to the Banking System	1,368.2	1,188.0	1,113.0	1,006.9	1,331.0	1,153.9	1,073.4	965.3
1.1 Demand and Time Deposits from Banks	879.3	796.2	749.0	747.8	846.5	765.1	712.9	711.5
1.2 Borrowings from Banks	398.0	324.8	300.9	196.3	393.6	321.7	297.5	191.0
1.3 Other Demand and Time Liabilities	90.9	67.1	63.0	62.8	90.9	67.0	63.0	62.7
2 Liabilities to Others	75,818.5	71,686.3	81,233.5	82,266.1	73,837.5	69,786.6	79,142.0	80,153.8
2.1 Aggregate Deposits	69,420.0	65,796.5	74,345.8	75,526.8	67,504.5	63,965.6	72,337.1	73,493.3
2.1.1 Demand	6,783.3	6,203.5	7,034.6	6,839.6	6,623.0	6,046.5	6,872.2	6,675.2
2.1.2 Time	62,636.7	59,593.0	67,311.2	68,687.1	60,881.5	57,919.1	65,464.9	66,818.0
2.2 Borrowings	2,227.2	2,202.2	2,808.3	2,863.5	2,216.6	2,184.2	2,788.8	2,844.6
2.3 Other Demand and Time Liabilities	4,171.3	3,687.6	4,079.4	3,875.8	4,116.3	3,636.8	4,016.1	3,816.0
3 Borrowings from Reserve Bank	217.2	188.3	413.9	446.7	215.9	187.1	412.3	444.9
3.1 Against Usance Bills /Promissory Notes	–	–	–	–	–	–	–	–
3.2 Others	217.2	188.3	413.9	446.7	215.9	187.1	412.3	444.9
4 Cash in Hand and Balances with Reserve Bank	3,320.9	3,673.1	3,802.8	3,748.9	3,227.6	3,573.3	3,701.8	3,644.2
4.1 Cash in Hand	414.8	458.9	439.7	478.3	404.9	447.7	428.7	464.9
4.2 Balances with Reserve Bank	2,906.1	3,214.1	3,363.1	3,270.6	2,822.7	3,125.6	3,273.1	3,179.3
5 Assets with the Banking System	2,448.3	2,087.6	2,126.5	2,084.4	2,199.5	1,837.0	1,836.8	1,799.0
5.1 Balances with Other Banks	1,051.5	904.0	1,079.8	1,151.0	960.8	805.3	974.8	1,051.1
5.1.1 In Current Account	127.6	111.1	126.0	130.7	111.9	97.1	109.0	115.6
5.1.2 In Other Accounts	923.9	792.9	953.8	1,020.3	848.9	708.2	865.9	935.6
5.2 Money at Call and Short Notice	397.6	332.1	355.3	257.3	296.0	244.1	242.4	143.7
5.3 Advances to Banks	136.1	90.6	147.1	126.1	126.9	76.6	141.8	120.7
5.4 Other Assets	863.0	760.9	544.3	550.0	815.8	711.0	477.8	483.5
6 Investment	20,660.3	20,263.5	21,919.8	22,444.1	20,061.0	19,681.5	21,266.3	21,792.3
6.1 Government Securities	20,633.5	20,233.8	21,896.0	22,416.4	20,036.5	19,654.0	21,244.4	21,767.7
6.2 Other Approved Securities	26.7	29.7	23.8	27.7	24.5	27.6	21.9	24.6
7 Bank Credit	54,281.4	49,740.0	57,975.4	57,869.1	52,604.6	48,184.3	56,199.1	56,077.2
7a Food Credit	1,045.6	1,068.5	1,096.0	1,081.0	964.2	987.2	985.6	970.6
7.1 Loans, Cash-credits and Overdrafts	52,244.1	47,999.0	55,928.5	55,829.7	50,591.7	46,463.0	54,177.8	54,063.4
7.2 Inland Bills-Purchased	253.1	216.2	323.8	356.8	248.6	210.9	320.3	353.3
7.3 Inland Bills-Discounted	1,109.9	936.4	996.4	987.7	1,094.5	925.3	978.6	969.7
7.4 Foreign Bills-Purchased	216.6	193.7	229.1	232.2	214.9	193.5	228.0	231.0
7.5 Foreign Bills-Discounted	457.7	394.6	497.6	462.8	454.7	391.6	494.4	459.8

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

(₹ Billion)

Item	Outstanding as on				Growth (%)	
	Mar. 22, 2013	2012	2013		Financial year so far	Y-o-Y
		Oct. 19	Sep. 20	Oct. 18	2013-14	2013
	1	2	3	4	5	6
1 Gross Bank Credit	**49,642**	**45,261**	**52,969**	**52,796**	**6.4**	**16.6**
1.1 Food Credit	**946**	**879**	**949**	**866**	**–8.5**	**–1.6**
1.2 Non-food Credit	**48,696**	**44,382**	**52,020**	**51,931**	**6.6**	**17.0**
1.2.1 Agriculture & Allied Activities	**5,899**	**5,469**	**6,100**	**6,192**	**5.0**	**13.2**
1.2.2 Industry	**22,302**	**20,326**	**23,715**	**23,565**	**5.7**	**15.9**
1.2.2.1 Micro & Small	2,843	2,473	2,988	3,055	7.5	23.6
1.2.2.2 Medium	1,247	1,336	1,277	1,281	2.7	–4.1
1.2.2.3 Large	18,211	16,517	19,450	19,228	5.6	16.4
1.2.3 Services	**11,486**	**10,249**	**12,553**	**12,472**	**8.6**	**21.7**
1.2.3.1 Transport Operators	796	784	830	848	6.5	8.3
1.2.3.2 Computer Software	169	152	173	178	5.1	17.2
1.2.3.3 Tourism, Hotels & Restaurants	354	341	384	384	8.2	12.5
1.2.3.4 Shipping	82	81	93	93	12.8	15.0
1.2.3.5 Professional Services	564	508	637	671	18.9	32.1
1.2.3.6 Trade	2,760	2,426	2,945	2,978	7.9	22.7
1.2.3.6.1 Wholesale Trade	1,501	1,318	1,545	1,543	2.8	17.0
1.2.3.6.2 Retail Trade	1,259	1,108	1,400	1,435	14.0	29.5
1.2.3.7 Commercial Real Estate	1,261	1,187	1,358	1,437	14.0	21.1
1.2.3.8 Non-Banking Financial Companies (NBFCs)	2,570	2,382	3,070	2,909	13.2	22.1
1.2.3.9 Other Services	2,930	2,390	3,062	2,975	1.5	24.5
1.2.4 Personal Loans	**9,009**	**8,337**	**9,653**	**9,702**	**7.7**	**16.4**
1.2.4.1 Consumer Durables	84	72	96	95	13.8	32.6
1.2.4.2 Housing	4,600	4,283	5,056	5,108	11.1	19.3
1.2.4.3 Advances against Fixed Deposits	611	516	590	566	–7.4	9.6
1.2.4.4 Advances to Individuals against share & bonds	31	27	31	32	2.4	16.0
1.2.4.5 Credit Card Outstanding	249	227	235	234	–6.1	3.1
1.2.4.6 Education	550	537	582	585	6.4	8.9
1.2.4.7 Vehicle Loans	1,111	982	1,186	1,202	8.2	22.4
1.2.4.8 Other Personal Loans	1,774	1,693	1,876	1,880	6.0	11.0
1.2A Priority Sector	**15,398**	**14,141**	**16,445**	**16,685**	**8.4**	**18.0**
1.2A.1 Agriculture & Allied Activities	5,899	5,469	6,100	6,192	5.0	13.2
1.2A.2 Micro & Small Enterprises	5,623	4,994	6,075	6,282	11.7	25.8
1.2A.2.1 Manufacturing	2,843	2,473	2,988	3,055	7.5	23.6
1.2A.2.2 Services	2,779	2,521	3,087	3,226	16.1	28.0
1.2A.3 Housing	2,672	2,542	2,910	2,923	9.4	15.0
1.2A.4 Micro-Credit	165	153	177	171	3.9	12.3
1.2A.5 Education Loans	526	517	558	564	7.2	9.1
1.2A.6 State-Sponsored Orgs. for SC/ST	1	1	1	1	3.2	–2.3
1.2A.7 Weaker Sections	2,734	2,501	3,079	3,155	15.4	26.1
1.2A.8 Export Credit	422	388	464	452	7.0	16.3

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

(₹ Billion)

Industry	Outstanding as on				Growth (%)	
	Mar. 22, 2013	2012	2013		Financial year so far	Y-o-Y
		Oct. 19	Sep. 20	Oct. 18	2013-14	2013
	1	2	3	4	5	6
1 Industry	**22,302**	**20,326**	**23,715**	**23,565**	**5.7**	**15.9**
1.1 Mining & Quarrying (incl. Coal)	**346**	**322**	**324**	**333**	**–3.7**	**3.4**
1.2 Food Processing	**1,174**	**966**	**1,214**	**1,221**	**4.0**	**26.5**
1.2.1 Sugar	330	270	319	313	–5.1	15.8
1.2.2 Edible Oils & Vanaspati	171	136	176	176	3.3	29.2
1.2.3 Tea	26	29	33	34	30.1	16.1
1.2.4 Others	648	530	686	698	7.8	31.7
1.3 Beverage & Tobacco	**165**	**153**	**163**	**163**	**–1.5**	**6.3**
1.4 Textiles	**1,835**	**1,640**	**1,870**	**1,869**	**1.8**	**13.9**
1.4.1 Cotton Textiles	925	821	913	908	–1.8	10.7
1.4.2 Jute Textiles	22	20	21	20	–8.3	–0.5
1.4.3 Man-Made Textiles	189	173	196	196	3.5	13.1
1.4.4 Other Textiles	699	626	740	744	6.4	18.9
1.5 Leather & Leather Products	**87**	**81**	**93**	**95**	**9.3**	**16.8**
1.6 Wood & Wood Products	**77**	**68**	**84**	**86**	**12.5**	**26.5**
1.7 Paper & Paper Products	**283**	**267**	**309**	**313**	**10.7**	**17.2**
1.8 Petroleum, Coal Products & Nuclear Fuels	**643**	**514**	**592**	**602**	**–6.4**	**17.2**
1.9 Chemicals & Chemical Products	**1,592**	**1,312**	**1,715**	**1,607**	**0.9**	**22.5**
1.9.1 Fertiliser	269	174	276	274	2.0	57.7
1.9.2 Drugs & Pharmaceuticals	495	471	537	526	6.2	11.7
1.9.3 Petro Chemicals	441	328	498	400	–9.4	22.0
1.9.4 Others	387	339	405	407	5.3	20.0
1.10 Rubber, Plastic & their Products	**312**	**306**	**333**	**342**	**9.7**	**11.8**
1.11 Glass & Glassware	**74**	**68**	**72**	**80**	**7.6**	**18.3**
1.12 Cement & Cement Products	**459**	**416**	**498**	**495**	**8.0**	**19.1**
1.13 Basic Metal & Metal Product	**3,141**	**2,882**	**3,368**	**3,377**	**7.5**	**17.2**
1.13.1 Iron & Steel	2,366	2,143	2,545	2,556	8.0	19.3
1.13.2 Other Metal & Metal Product	775	739	823	821	5.9	11.1
1.14 All Engineering	**1,284**	**1,177**	**1,382**	**1,373**	**6.9**	**16.7**
1.14.1 Electronics	334	294	325	330	–1.3	12.3
1.14.2 Others	950	883	1,057	1,043	9.8	18.1
1.15 Vehicles, Vehicle Parts & Transport Equipment	**589**	**574**	**656**	**644**	**9.5**	**12.3**
1.16 Gems & Jewellery	**611**	**549**	**703**	**696**	**13.8**	**26.8**
1.17 Construction	**522**	**489**	**547**	**569**	**9.1**	**16.4**
1.18 Infrastructure	**7,297**	**6,679**	**7,943**	**7,887**	**8.1**	**18.1**
1.18.1 Power	4,158	3,601	4,603	4,532	9.0	25.9
1.18.2 Telecommunications	878	894	873	881	0.3	–1.5
1.18.3 Roads	1,313	1,255	1,434	1,460	11.1	16.3
1.18.4 Other Infrastructure	948	930	1,033	1,014	7.0	9.1
1.19 Other Industries	**1,810**	**1,863**	**1,850**	**1,812**	**0.1**	**–2.7**

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			
		Jul. 27	Jun. 14	Jun. 28	Jul. 12	Jul. 26
	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	335.0	364.9	366.7	370.2	374.7
2 Demand and Time Liabilities						
2.1 Demand Liabilities	127.2	118.9	127.0	129.7	127.2	127.1
2.1.1 Deposits						
2.1.1.1 Inter-Bank	25.0	16.8	17.7	23.5	19.2	17.4
2.1.1.2 Others	70.1	70.1	74.1	73.9	74.8	74.5
2.1.2 Borrowings from Banks	10.2	10.6	9.9	10.5	10.3	12.3
2.1.3 Other Demand Liabilities	21.8	21.4	25.3	21.9	23.0	22.9
2.2 Time Liabilities	802.5	745.7	808.6	812.7	819.3	828.6
2.2.1 Deposits						
2.2.1.1 Inter-Bank	507.0	471.0	509.0	512.2	517.0	520.8
2.2.1.2 Others	286.4	264.9	290.8	292.8	295.5	300.2
2.2.2 Borrowings from Banks	0.5	3.1	–	–	–	–
2.2.3 Other Time Liabilities	8.6	6.7	8.7	7.8	6.9	7.7
3 Borrowing from Reserve Bank	–	–	–	–	–	0.3
4 Borrowings from a notified bank / State Government	319.3	286.7	315.1	323.7	338.3	341.8
4.1 Demand	132.1	119.5	128.8	124.1	125.3	129.2
4.2 Time	187.2	167.2	186.4	199.6	213.0	212.6
5 Cash in Hand and Balances with Reserve Bank	44.2	36.1	33.3	37.4	31.7	35.0
5.1 Cash in Hand	2.1	2.0	2.1	2.0	2.0	2.3
5.2 Balance with Reserve Bank	42.1	34.1	31.2	35.3	29.6	32.8
6 Balances with Other Banks in Current Account	7.0	5.9	6.2	9.0	8.2	6.3
7 Investments in Government Securities	269.3	257.0	265.0	267.3	269.2	272.0
8 Money at Call and Short Notice	156.2	137.0	142.3	160.0	153.0	154.4
9 Bank Credit (10.1+11)	365.0	332.7	364.8	364.0	391.9	388.3
10 Advances						
10.1 Loans, Cash-Credits and Overdrafts	364.9	332.6	364.7	363.8	391.7	388.1
10.2 Due from Banks	570.8	488.3	585.1	601.3	612.1	617.3
11 Bills Purchased and Discounted	0.1	0.1	0.1	0.1	0.1	0.1

Price and Production

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

Group/Sub group	2012-13			Rural			Urban			Combined		
	Rural	Urban	Combined	Oct. 12	Sep. 13	Oct. 13	Oct. 12	Sep. 13	Oct. 13	Oct. 12	Sep. 13	Oct. 13
	1	2	3	4	5	6	7	8	9	10	11	12
1 Food, beverages and tobacco	**125.0**	**124.3**	**124.8**	**127.7**	**141.0**	**143.2**	**125.5**	**139.5**	**141.5**	**127.0**	**140.5**	**142.6**
1.1 Cereals and products	117.8	115.2	117.1	119.9	132.8	133.9	117.0	131.6	132.0	119.1	132.5	133.4
1.2 Pulses and products	112.1	113.6	112.6	115.1	118.3	118.5	119.6	114.2	114.4	116.5	117.0	117.2
1.3 Oils and fats	138.5	145.6	140.8	141.0	143.8	143.9	146.5	142.1	141.9	142.8	143.3	143.3
1.4 Egg, fish and meat	128.8	128.8	128.8	130.3	143.9	144.3	129.0	146.7	146.9	129.9	144.8	145.2
1.5 Milk and products	132.6	128.0	130.9	134.4	144.0	144.8	128.9	137.9	139.0	132.4	141.7	142.7
1.6 Condiments and spices	126.1	121.9	124.9	128.1	134.7	135.1	122.4	132.3	132.9	126.4	134.0	134.5
1.7 Vegetables	129.8	121.7	127.2	137.6	180.9	194.1	122.8	179.5	192.5	132.9	180.5	193.6
1.8 Fruits	137.4	135.9	136.7	136.9	153.7	157.8	130.1	138.0	142.4	134.0	146.9	151.2
1.9 Sugar etc	108.9	109.3	109.0	114.5	110.4	110.3	117.2	106.4	105.7	115.3	109.3	109.0
1.10 Non-alcoholic beverages	124.5	124.2	124.4	126.2	134.9	135.9	124.6	136.6	137.2	125.5	135.6	136.5
1.11 Prepared meals etc	124.1	125.2	124.6	125.3	134.9	135.9	125.8	137.6	138.3	125.5	136.2	137.1
1.12 Pan, tobacco and intoxicants	132.2	133.4	132.6	133.6	143.8	144.7	134.2	147.4	148.2	133.8	144.8	145.7
2 Fuel and light	**127.4**	**124.8**	**126.4**	**129.1**	**137.4**	**138.0**	**125.3**	**134.1**	**134.4**	**127.7**	**136.1**	**136.6**
3 Housing	**--**	**121.0**	**121.0**	**--**	**--**	**--**	**121.6**	**133.2**	**134.3**	**121.6**	**133.2**	**134.3**
4 Clothing, bedding and footwear	**131.6**	**132.5**	**131.9**	**132.8**	**143.7**	**145.1**	**133.2**	**143.7**	**145.1**	**132.9**	**143.7**	**145.1**
4.1 Clothing and bedding	132.1	133.8	132.7	133.4	144.3	145.8	134.5	145.5	146.9	133.8	144.7	146.2
4.2 Footwear	128.5	125.0	127.2	129.5	139.8	141.1	125.7	133.4	134.4	128.1	137.5	138.7
5 Miscellaneous	**120.7**	**116.8**	**118.9**	**121.8**	**129.2**	**129.8**	**117.2**	**126.0**	**125.9**	**119.7**	**127.7**	**128.0**
5.1 Medical care	116.6	115.2	116.2	117.7	123.9	124.6	115.6	122.3	122.6	117.0	123.4	123.9
5.2 Education, stationery etc	117.2	116.5	116.8	118.2	126.3	126.8	117.4	127.9	128.3	117.8	127.2	127.6
5.3 Recreation and amusement	114.4	106.6	109.7	115.1	121.1	121.6	106.3	113.6	114.0	109.8	116.6	117.0
5.4 Transport and communication	122.0	117.4	119.4	122.8	132.0	132.2	117.5	127.6	126.7	119.8	129.5	129.1
5.5 Personal care and effects	117.9	115.0	116.7	118.9	126.0	126.7	115.5	121.3	121.8	117.5	124.1	124.7
5.6 Household requisites	127.9	119.8	124.6	129.5	135.0	135.9	120.8	127.9	128.5	126.0	132.1	132.9
5.7 Others	131.5	132.6	131.9	132.5	145.9	147.3	132.9	148.1	149.0	132.7	146.8	148.0
General Index (All Groups)	**124.5**	**121.8**	**123.3**	**126.6**	**137.8**	**139.4**	**122.6**	**134.0**	**135.1**	**124.9**	**136.2**	**137.5**

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

No. 19: Other Consumer Price Indices

Item	Base Year	Linking Factor	2012-13	2012	2013	
				Oct.	Sep.	Oct.
	1	2	3	4	5	6
1 Consumer Price Index for Industrial Workers	2001	4.63	215	217	238	241
2 Consumer Price Index for Agricultural Labourers	1986-87	5.89	672	680	759	766
3 Consumer Price Index for Rural Labourers	1986-87	–	673	681	759	766

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

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

Item	2012-13	2012	2013	
		Oct.	Sep.	Oct.
	1	2	3	4
1 Standard Gold (₹ per 10 grams)	30,164	31,056	30,473	30,710
2 Silver (₹ per kilogram)	57,602	61,072	52,251	49,513

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	2012-13	2012	2013		
			Oct.	Aug.	Sep. (P)	Oct. (P)
	1	2	3	4	5	6
1 ALL COMMODITIES	**100.000**	**167.6**	**168.5**	**179.0**	**179.7**	**180.3**
1.1 PRIMARY ARTICLES	**20.118**	**220.0**	**219.4**	**251.9**	**251.6**	**251.6**
1.1.1 Food articles	**14.337**	**211.8**	**212.7**	**252.4**	**252.3**	**251.4**
1.1.1.1 Food Grains	4.090	207.1	214.1	226.1	227.5	229.2
1.1.1.1.1 Cereals	3.373	199.9	205.0	227.1	227.9	229.6
1.1.1.1.2 Pulses	0.717	241.3	256.5	221.6	225.8	227.8
1.1.1.2 Fruits & Vegetables	3.843	198.4	192.9	290.6	290.6	281.2
1.1.1.2.1 Vegetables	1.736	210.1	204.0	397.2	382.9	363.9
1.1.1.2.2 Fruits	2.107	188.8	183.8	202.9	214.6	213.1
1.1.1.3 Milk	3.238	208.1	209.4	218.4	219.9	220.5
1.1.1.4 Eggs, Meat & Fish	2.414	244.5	244.4	288.0	281.6	287.1
1.1.1.5 Condiments & Spices	0.569	209.5	208.8	231.8	235.6	240.3
1.1.1.6 Other Food Articles	0.183	242.2	248.8	233.6	235.1	232.6
1.1.2 Non-Food Articles	**4.258**	**201.9**	**198.8**	**209.9**	**213.7**	**212.3**
1.1.2.1 Fibres	0.877	208.3	205.0	249.4	257.5	253.0
1.1.2.2 Oil Seeds	1.781	198.0	196.6	193.8	196.5	199.5
1.1.2.3 Other Non-Food Articles	1.386	211.1	206.4	209.3	212.8	204.8
1.1.2.4 Flowers	0.213	148.5	141.5	185.2	183.4	199.2
1.1.3 Minerals	**1.524**	**346.9**	**339.8**	**363.7**	**352.1**	**363.7**
1.1.3.1 Metallic Minerals	0.489	439.0	426.8	390.3	399.5	386.3
1.1.3.2 Other Minerals	0.135	204.7	210.7	215.5	216.3	215.5
1.1.3.3 Crude Petroleum	0.900	318.2	311.9	371.4	346.7	373.6
1.2 FUEL & POWER	**14.910**	**186.5**	**189.8**	**204.7**	**207.5**	**209.4**
1.2.1 Coal	2.094	208.6	210.3	191.5	191.5	191.5
1.2.2 Mineral Oils	9.364	202.5	206.4	224.3	232.4	230.5
1.2.3 Electricity	3.452	129.8	132.4	159.8	149.6	162.8
1.3 MANUFACTURED PRODUCTS	**64.972**	**147.1**	**147.9**	**150.6**	**151.0**	**151.6**
1.3.1 Food Products	**9.974**	**163.5**	**166.7**	**168.9**	**170.0**	**169.8**
1.3.1.1 Dairy Products	0.568	176.1	175.7	177.5	178.4	179.3
1.3.1.2 Canning, Preserving & Processing of Food	0.358	144.0	143.5	163.3	164.1	165.3
1.3.1.3 Grain Mill Products	1.340	156.0	157.4	166.9	168.1	168.3
1.3.1.4 Bakery Products	0.444	130.0	131.9	136.7	136.6	137.0
1.3.1.5 Sugar, Khandsari & Gur	2.089	185.7	197.4	185.2	185.2	183.7
1.3.1.6 Edible Oils	3.043	148.1	148.1	146.1	147.0	147.0
1.3.1.7 Oil Cakes	0.494	210.8	222.5	224.1	223.4	224.9
1.3.1.8 Tea & Coffee Proccessing	0.711	163.3	162.3	188.6	197.3	194.3
1.3.1.9 Manufacture of Salt	0.048	182.2	181.8	185.0	185.0	185.0
1.3.1.10 Other Food Products	0.879	164.6	164.5	177.2	177.2	178.7
1.3.2 Beverages, Tobacco & Tobacco Products	**1.762**	**175.3**	**177.2**	**182.2**	**181.2**	**182.9**
1.3.2.1 Wine Industries	0.385	124.8	125.4	127.1	125.7	127.6
1.3.2.2 Malt Liquor	0.153	171.5	173.6	170.5	170.3	170.6
1.3.2.3 Soft Drinks & Carbonated Water	0.241	152.8	151.3	161.4	161.4	162.9
1.3.2.4 Manufacture of Bidi, Cigarettes, Tobacco & Zarda	0.983	201.3	204.4	210.7	209.5	211.4
1.3.3 Textiles	**7.326**	**131.4**	**131.8**	**137.9**	**138.3**	**139.7**
1.3.3.1 Cotton Textiles	2.605	146.2	146.8	157.2	157.4	158.5
1.3.3.1.1 Cotton Yarn	1.377	157.2	158.2	174.1	174.7	176.4
1.3.3.1.2 Cotton Fabric	1.228	133.9	134.0	138.1	138.0	138.6
1.3.3.2 Man-Made Textiles	2.206	124.1	124.0	130.8	131.5	132.3
1.3.3.2.1 Man-Made Fibre	1.672	124.0	123.6	130.7	131.4	132.2
1.3.3.2.2 Man-Made Fabric	0.533	124.3	125.0	131.0	131.9	132.7
1.3.3.3 Woollen Textiles	0.294	142.6	143.1	153.2	153.8	157.7
1.3.3.4 Jute, Hemp & Mesta Textiles	0.261	177.8	179.9	181.6	182.4	181.4
1.3.3.5 Other Misc. Textiles	1.960	111.9	112.6	112.4	112.3	114.6
1.3.4 Wood & Wood Products	**0.587**	**171.0**	**171.2**	**177.8**	**178.4**	**178.4**
1.3.4.1 Timber/Wooden Planks	0.181	140.5	140.6	143.8	146.0	146.2
1.3.4.2 Processed Wood	0.128	178.9	180.4	185.8	186.3	186.3
1.3.4.3 Plywood & Fibre Board	0.241	193.6	193.2	202.9	202.7	203.0
1.3.4.4 Others	0.038	146.1	147.5	153.2	153.1	150.5

No. 21: Wholesale Price Index (Concld.)

(Base: 2004-05 = 100)

Commodities	Weight	2012-13	2012	2013		
			Oct.	Aug.	Sep. (P)	Oct. (P)
	1	2	3	4	5	6
1.3.5 Paper & Paper Products	**2.034**	**136.6**	**136.5**	**140.9**	**140.8**	**142.3**
1.3.5.1 Paper & Pulp	1.019	135.8	135.6	139.3	139.4	141.1
1.3.5.2 Manufacture of boards	0.550	128.2	128.2	130.4	130.3	132.0
1.3.5.3 Printing & Publishing	0.465	148.2	148.5	156.7	156.3	157.5
1.3.6 Leather & Leather Products	**0.835**	**134.2**	**134.3**	**143.6**	**145.1**	**143.8**
1.3.6.1 Leathers	0.223	112.2	112.2	113.5	112.6	112.3
1.3.6.2 Leather Footwear	0.409	149.8	149.9	161.5	165.0	162.7
1.3.6.3 Other Leather Products	0.203	126.9	126.9	140.8	140.7	140.3
1.3.7 Rubber & Plastic Products	**2.987**	**137.5**	**137.7**	**145.2**	**145.8**	**146.6**
1.3.7.1 Tyres & Tubes	0.541	163.1	163.4	173.7	174.0	175.2
1.3.7.1.1 Tyres	0.488	162.9	163.2	174.1	174.3	175.6
1.3.7.1.2 Tubes	0.053	165.1	165.1	169.9	171.6	171.7
1.3.7.2 Plastic Products	1.861	127.0	127.1	135.7	136.6	136.9
1.3.7.3 Rubber Products	0.584	147.4	147.6	148.8	148.9	151.4
1.3.8 Chemicals & Chemical Products	**12.018**	**143.6**	**144.2**	**148.1**	**148.7**	**148.9**
1.3.8.1 Basic Inorganic Chemicals	1.187	147.8	149.2	150.1	150.4	150.8
1.3.8.2 Basic Organic Chemicals	1.952	140.3	139.7	143.5	143.9	145.3
1.3.8.3 Fertilisers & Pesticides	3.145	144.7	146.3	147.7	147.9	148.4
1.3.8.3.1 Fertilisers	2.661	149.0	150.7	152.0	152.0	152.2
1.3.8.3.2 Pesticides	0.483	121.2	122.1	124.5	125.3	127.3
1.3.8.4 Paints, Varnishes & Lacquers	0.529	143.6	144.1	147.3	147.6	148.1
1.3.8.5 Dyestuffs & Indigo	0.563	126.9	127.3	129.5	130.5	130.3
1.3.8.6 Drugs & Medicines	0.456	124.2	124.4	126.8	126.8	126.9
1.3.8.7 Perfumes, Cosmetics, Toiletries etc.	1.130	151.9	152.2	157.1	157.5	158.1
1.3.8.8 Turpentine, Plastic Chemicals	0.586	140.0	139.8	147.2	148.3	147.8
1.3.8.9 Polymers including Synthetic Rubber	0.970	135.3	134.1	142.2	144.8	142.4
1.3.8.10 Petrochemical Intermediates	0.869	164.2	165.8	173.9	176.1	175.3
1.3.8.11 Matches, Explosives & other Chemicals	0.629	142.6	142.1	150.2	150.7	151.2
1.3.9 Non-Metallic Mineral Products	**2.556**	**163.3**	**164.0**	**165.9**	**164.7**	**164.7**
1.3.9.1 Structural Clay Products	0.658	164.7	164.4	173.2	174.0	175.3
1.3.9.2 Glass, Earthenware, Chinaware & their Products	0.256	130.8	131.3	130.5	129.8	131.6
1.3.9.3 Cement & Lime	1.386	168.6	170.3	168.2	165.7	164.8
1.3.9.4 Cement, Slate & Graphite Products	0.256	163.2	161.8	169.9	169.7	170.2
1.3.10 Basic Metals, Alloys & Metal Products	**10.748**	**166.1**	**166.6**	**162.9**	**163.1**	**164.1**
1.3.10.1 Ferrous Metals	8.064	156.3	156.3	153.1	152.9	154.0
1.3.10.1.1 Iron & Semis	1.563	161.6	162.2	150.1	149.9	150.4
1.3.10.1.2 Steel: Long	1.630	169.7	169.6	163.7	164.5	164.2
1.3.10.1.3 Steel: Flat	2.611	154.2	154.3	152.7	152.3	153.7
1.3.10.1.4 Steel: Pipes & Tubes	0.314	128.0	127.8	127.8	128.7	129.4
1.3.10.1.5 Stainless Steel & alloys	0.938	156.8	156.3	157.7	157.3	159.9
1.3.10.1.6 Castings & Forgings	0.871	138.9	138.0	143.2	142.6	144.6
1.3.10.1.7 Ferro alloys	0.137	151.7	150.7	155.5	150.8	156.6
1.3.10.2 Non-Ferrous Metals	1.004	160.9	161.2	164.2	164.3	164.0
1.3.10.2.1 Aluminium	0.489	134.1	135.0	138.3	138.2	138.6
1.3.10.2.2 Other Non-Ferrous Metals	0.515	186.4	186.1	188.8	189.0	188.3
1.3.10.3 Metal Products	1.680	216.0	219.3	208.9	211.8	212.2
1.3.11 Machinery & Machine Tools	**8.931**	**128.4**	**128.6**	**131.0**	**131.1**	**131.6**
1.3.11.1 Agricultural Machinery & Implements	0.139	137.0	137.4	138.2	142.5	143.9
1.3.11.2 Industrial Machinery	1.838	146.2	146.0	149.2	149.2	149.7
1.3.11.3 Construction Machinery	0.045	135.7	136.3	137.4	136.2	136.2
1.3.11.4 Machine Tools	0.367	154.4	156.4	159.5	159.4	159.8
1.3.11.5 Air Conditioner & Refrigerators	0.429	112.5	113.0	114.2	114.9	116.9
1.3.11.6 Non-Electrical Machinery	1.026	122.9	123.0	123.8	123.8	123.9
1.3.11.7 Electrical Machinery, Equipment & Batteries	2.343	133.0	133.1	135.7	135.8	136.7
1.3.11.8 Electrical Accessories, Wires, Cables etc.	1.063	143.4	143.8	150.1	150.3	149.9
1.3.11.9 Electrical Apparatus & Appliances	0.337	117.4	117.5	118.4	117.5	118.3
1.3.11.10 Electronics Items	0.961	86.7	87.1	86.9	87.5	87.3
1.3.11.11 IT Hardware	0.267	89.2	89.2	88.5	88.5	88.5
1.3.11.12 Communication Equipments	0.118	94.1	93.7	96.3	96.3	96.3
1.3.12 Transport, Equipment & Parts	**5.213**	**129.8**	**130.3**	**133.9**	**134.1**	**135.7**
1.3.12.1 Automotives	4.231	129.0	129.5	133.3	133.6	135.5
1.3.12.2 Auto Parts	0.804	130.2	130.7	133.8	133.2	133.3
1.3.12.3 Other Transport Equipments	0.178	147.3	146.6	149.0	148.9	150.3

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-September		September	
				2012-13	2013-14	2012	2013
	1	2	3	4	5	6	7
General Index	**100.00**	**170.3**	**172.2**	**166.2**	**166.8**	**163.1**	**166.3**
1 Sectoral Classification							
1.1 Mining and Quarrying	14.16	128.5	125.5	120.4	117.4	111.2	114.9
1.2 Manufacturing	75.53	181.0	183.3	176.3	176.4	174.6	175.6
1.3 Electricity	10.32	149.3	155.2	155.0	164.2	149.7	169.0
2 Use-Based Classification							
2.1 Basic Goods	45.68	150.0	153.6	149.8	151.6	144.0	151.8
2.2 Capital Goods	8.83	267.8	251.6	233.8	232.1	248.7	231.7
2.3 Intermediate Goods	15.69	144.4	146.7	145.1	148.9	142.1	147.9
2.4 Consumer Goods	29.81	186.1	190.6	182.5	180.2	177.8	178.8
2.4.1 Consumer Durables	8.46	295.1	301.1	302.5	269.4	303.9	271.0
2.4.2 Consumer Non-Durables	21.35	142.9	146.9	134.9	144.8	127.8	142.2

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

Government Accounts and Treasury Bills

No. 23: Union Government Accounts at a Glance

(Amount in ₹ Billion)

Item	Financial Year	April–October			
	2013-14 (Budget Estimates)	2012-13 (Actuals)	2013-14 (Actuals)	Percentage to Budget Estimates	
				2012-13	2013-14
	1	2	3	4	5
1 Revenue Receipts	10,563.3	4,043.0	4,560.4	43.2	43.2
1.1 Tax Revenue (Net)	8,840.8	3,338.8	3,565.3	43.3	40.3
1.2 Non-Tax Revenue	1,722.5	704.1	995.2	42.8	57.8
2 Capital Receipts	6,089.7	3,751.7	4,659.7	67.6	76.5
2.1 Recovery of Loans	106.5	58.6	64.9	50.3	60.9
2.2 Other Receipts	558.1	13.9	15.9	4.6	2.8
2.3 Borrowings and Other Liabilities	5,425.0	3,679.2	4,578.9	71.6	84.4
3 Total Receipts (1+2)	16,653.0	7,794.7	9,220.1	52.3	55.4
4 Non-Plan Expenditure	11,099.8	5,545.2	6,539.5	57.2	58.9
4.1 On Revenue Account	9,929.1	5,050.1	5,918.2	58.3	59.6
4.1.1 Interest Payments	3,706.8	1,558.5	1,844.2	48.7	49.8
4.2 On Capital Account	1,170.7	495.1	621.3	47.5	53.1
5 Plan Expenditure	5,553.2	2,249.5	2,680.6	43.2	48.3
5.1 On Revenue Account	4,432.6	1,845.4	2,172.4	43.9	49.0
5.2 On Capital Account	1,120.6	404.1	508.2	40.2	45.4
6 Total Expenditure (4+5)	16,653.0	7,794.7	9,220.1	52.3	55.4
7 Revenue Expenditure (4.1+5.1)	14,361.7	6,895.5	8,090.5	53.6	56.3
8 Capital Expenditure (4.2+5.2)	2,291.3	899.2	1,129.6	43.9	49.3
9 Revenue Deficit (7-1)	3,798.4	2,852.5	3,530.1	81.4	92.9
10 Fiscal Deficit {6-(1+2.1+2.2)}	5,425.0	3,679.2	4,578.9	71.6	84.4
11 Gross Primary Deficit [10-4.1.1]	1,718.1	2,120.7	2,734.6	109.4	159.2

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

No. 24: Treasury Bills – Ownership Pattern

(₹ Billion)

Item	2012-13	2012	2013					
		Oct. 26	Sep. 20	Sep. 27	Oct. 4	Oct. 11	Oct. 18	Oct. 25
	1	2	3	4	5	6	7	8
1 14-day								
1.1 Banks	–	–	–	–	–	–	–	–
1.2 Primary Dealers	–	–	–	–	–	–	–	–
1.3 State Governments	1,422.2	850.2	530.3	538.3	555.5	478.2	500.5	725.1
1.4 Others	3.7	10.1	6.8	5.0	–	6.3	7.6	5.7
2 91-day								
2.1 Banks	345.6	480.0	309.6	335.3	305.0	313.3	299.3	352.4
2.2 Primary Dealers	248.9	275.4	260.6	265.1	240.5	245.6	257.8	253.0
2.3 State Governments	282.0	473.6	585.7	661.3	627.5	642.5	642.5	572.5
2.4 Others	174.4	123.2	334.1	303.7	348.4	324.9	386.7	334.9
3 182-day								
3.1 Banks	234.9	251.9	213.4	232.7	232.2	202.7	208.4	241.4
3.2 Primary Dealers	207.9	240.8	209.9	218.1	205.4	239.9	247.5	231.1
3.3 State Governments	–	2.4	4.0	9.8	9.8	9.8	9.8	9.8
3.4 Others	199.2	157.4	177.9	150.5	163.7	168.6	155.3	148.7
4 364-day								
4.1 Banks	335.7	202.9	253.6	284.0	239.6	250.2	203.3	256.6
4.2 Primary Dealers	447.9	598.0	510.9	576.4	528.7	582.7	539.5	653.0
4.3 State Governments	3.8	3.8	6.9	6.9	6.9	6.9	6.9	6.9
4.4 Others	517.4	391.4	538.8	442.8	544.9	480.4	580.4	413.7
5 Total	4,423.5	4,061.1	3,942.4	4,029.9	4,008.1	3,952.0	4,045.5	4,204.7

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										
Oct. 1	60	117	252.31	63.17	60	60.00	63.17	123.17	97.67	9.5686
Oct. 9	60	105	211.24	50.79	48	60.00	50.79	110.79	97.84	8.8550
Oct. 15	60	97	179.36	–	41	60.00	–	60.00	97.83	8.8969
Oct. 23	60	89	196.94	29.07	40	60.00	29.07	89.07	97.86	8.7712
Oct. 30	60	99	262.39	65.54	51	60.00	65.54	125.54	97.90	8.6038
182-day Treasury Bills										
2013-14										
Sep. 25	50	124	263.09	5.80	12	50.00	5.80	55.80	95.49	9.4720
Oct. 9	60	89	199.06	0.01	28	60.00	0.01	60.01	95.81	8.7705
Oct. 23	60	66	192.37	–	20	60.00	–	60.00	95.85	8.6832
364-day Treasury Bills										
2013-14										
Sep. 18	50	137	188.52	0.15	42	50.00	0.15	50.15	91.38	9.4591
Oct. 1	60	116	213.33	–	10	60.00	–	60.00	91.83	8.9213
Oct. 15	60	120	167.56	–	34	60.00	–	60.00	92.01	8.7077
Oct. 30	60	76	132.54	–	50	60.00	–	60.00	92.12	8.5776
Cash Management Bills										

Financial Markets

No. 26: Daily Call Money Rates

(Per cent per annum)

As on			Range of Rates	Weighted Average Rates
			Borrowings/ Lendings	Borrowings/ Lendings
			1	2
October	1,	2013	7.50-9.70	9.48
October	3,	2013	7.50-9.75	9.54
October	4,	2013	7.00-9.60	9.31
October	5,	2013	5.50-7.50	6.84
October	7,	2013	7.25-10.00	9.48
October	8,	2013	7.00-9.10	8.99
October	9,	2013	7.00-9.10	9.00
October	10,	2013	7.00-9.15	9.01
October	11,	2013	7.00-9.10	8.98
October	12,	2013	5.50-8.80	7.16
October	14,	2013	7.50-10.50	9.00
October	15,	2013	7.00-9.10	8.98
October	17,	2013	7.00-9.15	9.00
October	18,	2013	6.50-9.07	8.75
October	19,	2013	5.50-13.00	9.89
October	21,	2013	7.00-9.10	8.98
October	22,	2013	7.00-9.05	8.96
October	23,	2013	7.00-9.05	8.96
October	24,	2013	7.00-9.05	8.96
October	25,	2013	7.00-9.05	8.92
October	26,	2013	4.50-8.50	6.86
October	28,	2013	7.00-9.10	8.93
October	29,	2013	7.00-9.05	8.69
October	30,	2013	7.00-8.80	8.67
October	31,	2013	7.00-8.80	8.69
November	1,	2013	7.00-8.75	8.53
November	2,	2013	6.00-8.00	7.66
November	5,	2013	6.25-8.70	8.11
November	6,	2013	6.00-8.80	7.97
November	7,	2013	6.50-8.75	8.19
November	8,	2013	6.50-8.90	8.53
November	9,	2013	4.30-7.50	6.77
November	11,	2013	7.00-9.00	8.69
November	12,	2013	7.00-8.80	8.72
November	13,	2013	7.00-8.85	8.74
November	14,	2013	7.00-8.80	8.71

No. 27: Certificates of Deposit

Item	2012	2013			
	Oct. 19	Sep. 6	Sep. 20	Oct. 4	Oct. 18
	1	2	3	4	5
1 Amount Outstanding (₹ Billion)	3,531.2	3,010.8	3,215.5	3,367.5	3,377.7
1.1 Issued during the fortnight (₹ Billion)	95.9	272.1	576.2	319.2	32.5
2 Rate of Interest (per cent)	8.10-9.35	9.37-11.95	9.16-11.95	9.45-10.63	8.90-9.85

No. 28: Commercial Paper

Item	2012	2013			
	Oct. 31	Aug. 31	Sep. 15	Sep. 30	Oct. 15
	1	2	3	4	5
1 Amount Outstanding (₹ Billion)	1,941.1	1,182.9	1,081.9	986.4	1,363.1
1.1 Reported during the fortnight (₹ Billion)	244.2	97.6	170.3	267.8	452.7
2 Rate of Interest (per cent)	8.05-12.59	9.50-14.31	8.17-13.80	9.50-13.57	8.03-12.53

No. 29: Average Daily Turnover in Select Financial Markets

(₹ Billion)

Item	2012-13	2012	2013				
		Oct. 26	Sep. 20	Sep. 27	Oct. 4	Oct. 11	Oct. 18	Oct. 25
	1	2	3	4	5	6	7	8
1 Call Money	250.1	192.9	191.9	266.0	227.4	181.8	181.4	183.1
2 Notice Money	73.2	112.6	60.2	67.1	91.4	44.5	72.1	42.5
3 Term Money	9.4	20.4	1.9	3.2	3.0	2.4	1.8	1.7
4 CBLO	832.7	719.7	1,325.2	1,493.6	967.6	1,087.1	1,003.9	1,140.0
5 Market Repo	747.8	761.9	1,123.6	916.7	1,051.5	991.4	1,169.6	912.5
6 Repo in Corporate Bond	0.1	–	–	7.8	–	–	–	–
7 Forex (US $ million)	51,021	51,831	47,887	55,147	55,354	48,086	42,279	43,030
8 Govt. of India Dated Securities	491.3	498.8	407.4	462.6	427.7	679.6	504.2	460.8
9 State Govt. Securities	10.0	15.3	13.2	15.0	8.7	17.9	15.8	11.9
10 Treasury Bills								
10.1 91-Day	20.7	17.4	21.4	36.0	29.0	18.9	32.1	25.3
10.2 182-Day	9.3	11.8	14.6	15.8	6.5	14.7	10.2	12.9
10.3 364-Day	17.2	8.6	21.2	31.6	30.1	12.2	18.3	17.5
10.4 Cash Management Bills	–	–	16.6	26.3	20.3	28.8	5.7	0.1
11 Total Govt. Securities (8+9+10)	548.5	551.9	477.8	560.9	501.9	743.2	580.6	528.3
11.1 RBI	7.3	3.72	1.20	1.31	3.35	21.16	2.36	2.72

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

(Amount in ₹ Billion)

Security & Type of Issue	2012-13		2012-13 (Apr.-Oct.)		2013-14 (Apr.-Oct.)		Oct. 2012		Oct. 2013	
	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	48	138.8	24	72.7	30	33.1	1	0.1	6	0.8
1A Premium	44	120.9	21	64.0	25	30.0	1	0.0	5	0.6
1.1 Prospectus	32	49.4	14	5.2	21	11.4	1	0.1	5	0.8
1.1.1 Premium	30	46.0	12	4.4	18	10.3	1	0.0	5	0.6
1.2 Rights	16	89.4	10	67.5	9	21.7	–	–	1	0.0
1.2.1 Premium	14	74.9	9	59.6	7	19.7	–	–	–	–
2 Preference Shares	–	–	–	–	–	–	–	–	–	–
2.1 Prospectus	–	–	–	–	–	–	–	–	–	–
2.2 Rights	–	–	–	–	–	–	–	–	–	–
3 Debentures	6	22.2	6	22.2	6	28.2	–	–	1	5.0
3.1 Prospectus	6	22.2	6	22.2	6	28.2	–	–	1	5.0
3.2 Rights	–	–	–	–	–	–	–	–	–	–
3.2.1 Convertible	–	–	–	–	–	–	–	–	–	–
3.2.1.1 Prospectus	–	–	–	–	–	–	–	–	–	–
3.2.1.2 Rights	–	–	–	–	–	–	–	–	–	–
3.2.2 Non-Convertible	6	22.2	6	22.2	6	28.2	–	–	1	5.0
3.2.2.1 Prospectus	6	22.2	6	22.2	6	28.2	–	–	1	5.0
3.2.2.2 Rights	–	–	–	–	–	–	–	–	–	–
4 Bonds	–	–	–	–	–	–	–	–	–	–
4.1 Prospectus	–	–	–	–	–	–	–	–	–	–
4.2 Rights	–	–	–	–	–	–	–	–	–	–
5 Total (1+2+3+4)	54	161.0	30	94.8	36	61.3	1	0.1	7	5.8
5.1 Prospectus	38	71.6	20	27.3	27	39.6	1	0.1	6	5.8
5.2 Rights	16	89.4	10	67.5	9	21.7	–	–	1	0.0

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	2012-13	2012	2013				
			Oct.	Jun.	Jul.	Aug.	Sep.	Oct.
		1	2	3	4	5	6	7
1 Exports	₹ Billion	16,343.2	1,274.3	1,385.3	1,524.2	1,656.9	1,750.2	1,680.3
	US $ Million	300,400.7	24,032.9	23,722.8	25,499.0	26,213.1	27,453.4	27,271.0
1.1 Oil	₹ Billion	3,307.9	326.4	252.4	328.6	365.9	422.2	..
	US $ Million	60,859.8	6,156.5	4,321.5	5,497.0	5,789.0	6,621.8	..
1.2 Non-oil	₹ Billion	13,035.3	947.9	1,133.0	1,195.6	1,291.0	1,328.1	..
	US $ Million	239,540.9	17,876.4	19,401.3	20,002.0	20,424.1	20,831.6	..
2 Imports	₹ Billion	26,691.6	2,346.0	2,095.3	2,272.4	2,323.8	2,176.7	2,330.7
	US $ Million	490,736.7	44,243.8	35,880.4	38,016.5	36,763.2	34,143.9	37,827.0
2.1 Oil	₹ Billion	8,918.7	835.9	743.4	761.0	954.1	841.3	937.6
	US $ Million	164,040.6	14,957.7	12,730.1	12,731.4	15,094.6	13,196.2	15,217.6
2.2 Non-oil	₹ Billion	17,772.9	1,510.1	1,351.9	1,511.4	1,369.6	1,335.5	1,393.1
	US $ Million	326,696.1	29,286.1	23,150.3	25,285.0	21,668.6	20,947.7	22,609.4
3 Trade Balance	₹ Billion	–10,348.4	–1,071.7	–710.0	–748.2	–666.9	–426.5	–650.4
	US $ Million	–190,336.0	–20,210.9	–12,157.5	–12,517.5	–10,550.1	–6,690.5	–10,556.1
3.1 Oil	₹ Billion	–5,610.8	–509.4	–491.0	–432.4	–588.2	–419.1	..
	US $ Million	–103,180.8	–8,801.2	–8,408.6	–7,234.4	–9,305.6	–6,574.4	..
3.2 Non-oil	₹ Billion	–4,737.6	–562.2	–218.9	–315.8	–78.7	–7.4	..
	US $ Million	–87,155.2	–11,409.7	–3,748.9	–5,283.1	–1,244.4	–116.1	..

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

No. 32: Foreign Exchange Reserves

Item	Unit	2012	2013					
		Nov. 23	Oct. 18	Oct. 25	Nov. 1	Nov. 8	Nov. 15	Nov. 22
		1	2	3	4	5	6	7
1 Total Reseves	**₹ Billion**	**16,291**	**17,259**	**17,462**	**17,403**	**17,669**	**17,848**	**18,007**
	US $ Million	**294,981**	**281,123**	**282,951**	**281,294**	**282,113**	**283,572**	**286,264**
1.1 Foreign Currency Assets	₹ Billion	14,397	15,484	15,684	15,700	15,961	16,138	16,302
	US $ Million	260,138	252,696	254,503	253,609	254,439	255,904	258,665
1.2 Gold	₹ Billion	1,526	1,366	1,366	1,304	1,304	1,304	1,304
	US $ Million	28,189	21,765	21,765	21,227	21,227	21,227	21,227
1.3 SDRs	SDRs Million	2,886	2,887	2,887	2,887	2,887	2,887	2,887
	₹ Billion	244	273	275	274	277	278	279
	US $ Million	4,403	4,456	4,469	4,423	4,416	4,412	4,421
1.4 Reserve Tranche Position in IMF	₹ Billion	125	135	136	126	127	128	123
	US $ Million	2,251	2,206	2,213	2,035	2,031	2,029	1,951

No. 33: NRI Deposits

(US$ Million)

Scheme	Outstanding				Flows	
	2012-13	2012	2013		2012-13	2013-14
		Oct.	Sep.	Oct.	Apr.-Oct.	Apr.-Oct.
	1	2	3	4	5	6
1 NRI Deposits	**70,823**	**66,880**	**77,996**	**82,543**	**10,210**	**18,902**
1.1 FCNR(B)	15,188	14,830	19,211	24,706	–138	9,518
1.2 NR(E)RA	45,924	41,760	49,692	49,215	11,682	9,317
1.3 NRO	9,710	10,290	9,093	8,621	–1,334	66

No. 34: Foreign Investment Inflows

(US$ Million)

Item	2012-13	2012-13	2013-14	2012	2013	
		Apr.-Oct.	Apr.-Oct.	Oct.	Sep.	Oct.
	1	2	3	4	5	6
1.1 Net Foreign Direct Investment (1.1.1–1.1.2)	**19,819**	**13,193**	**15,393**	**1,213**	**3,290**	**2,048**
1.1.1 Direct Investment to India (1.1.1.1–1. 1.1.2)	**26,953**	**17,461**	**15,979**	**2,023**	**3,424**	**1,998**
1.1.1.1 Gross Inflows/Gross Investments	**34,298**	**21,100**	**18,934**	**2,930**	**3,776**	**2,243**
1.1.1.1.1 Equity	22,884	14,793	13,121	2,033	2,989	1,300
1.1.1.1.1.1 Government (SIA/FIPB)	2,319	1,743	753	418	10	89
1.1.1.1.1.2 RBI	15,967	10,308	6,498	1,195	774	815
1.1.1.1.1.3 Acquisition of shares	3,539	2,138	5,351	328	2,131	323
1.1.1.1.1.4 Equity capital of unincorporated bodies	1,059	604	518	91	74	74
1.1.1.1.2 Reinvested earnings	9,880	5,421	4,937	863	696	791
1.1.1.1.3 Other capital	1,534	886	876	34	91	152
1.1.1.2 Repatriation/Disinvestment	**7,345**	**3,639**	**2,955**	**907**	**352**	**245**
1.1.1.2.1 Equity	6,853	3,247	2,622	875	284	244
1.1.1.2.2 Other capital	493	392	333	32	68	1
1.1.2 Foreign Direct Investment by India (1.1.2.1+1.1.2.2+1.1.2.3–1.1.2.4)	**7,134**	**4,267**	**585**	**810**	**133**	**–50**
1.1.2.1 Equity capital	7,101	3,714	2,135	801	266	334
1.1.2.2 Reinvested Earnings	1,189	694	691	99	98	99
1.1.2.3 Other Capital	4,331	2,690	2,008	441	182	171
1.1.2.4 Repatriation/Disinvestment	5,488	2,830	4,248	532	412	654
1.2 Net Portfolio Investment (1.2.1+1.2.2+1.2.3–1.2.4)	**26,891**	**8,716**	**–7,203**	**2,921**	**145**	**–377**
1.2.1 GDRs/ADRs	187	187	20	8	–	–
1.2.2 FIIs	27,582	9,134	–7,411	2,937	157	–366
1.2.3 Offshore funds and others	–	–	–	–	–	–
1.2.4 Portfolio investment by India	878	605	–188	24	13	11
1 Foreign Investment Inflows	**46,710**	**21,909**	**8,190**	**4,134**	**3,435**	**1,671**

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

(US$ Million)

Item	2012-13	2012	2013		
		Sep.	Jul.	Aug.	Sep.
	1	2	3	4	5
1 Outward Remittances under the LRS	**1,206.4**	**108.8**	**109.9**	**75.8**	**72.2**
1.1 Deposit	20.1	0.5	2.9	3.2	1.3
1.2 Purchase of immovable property	77.7	6.8	20.6	3.0	3.8
1.3 Investment in equity/debt	236.9	20.1	16.2	14.9	9.8
1.4 Gift	261.6	19.4	24.8	17.3	15.9
1.5 Donations	4.5	0.6	0.3	0.2	0.1
1.6 Travel	44.8	4.4	1.0	0.7	1.0
1.7 Maintenance of close relatives	226.6	20.8	13.8	8.8	9.4
1.8 Medical Treatment	4.9	0.4	0.4	0.1	0.4
1.9 Studies Abroad	124.7	15.4	15.5	16.5	14.5
1.10 Others	204.1	20.3	14.5	11.1	16.2

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

Item	2011-12	2012-13	2012	2013	
			November	October	November
	1	2	3	4	5
36-Currency Export and Trade Based Weights (Base: 2004-05=100)					
1 Trade-Based Weights					
1.1 NEER	87.38	78.32	77.70	69.82	68.81
1.2 REER	101.38	94.61	94.30	87.50	86.23
2 Export-Based Weights					
2.1 NEER	89.13	80.05	79.44	71.46	70.42
2.2 REER	104.05	97.42	97.15	89.99	88.69
6-Currency Trade Based Weights					
1 Base: 2004-05 (April-March) =100					
1.1 NEER	84.44	75.55	74.72	65.57	64.78
1.2 REER	111.51	104.95	104.57	92.19	91.09
2 Base: 2012-13 (April-March) =100					
2.1 NEER	111.77	100.00	98.90	86.79	85.75
2.2 REER	106.25	100.00	99.63	87.84	86.79

No. 37: External Commercial Borrowings (ECBs)

(Amount in US$ Million)

Item	2012-13	2012	2013	
		Oct.	Sep.	Oct.
	1	2	3	4
1 Automatic Route				
1.1 Number	825	91	48	41
1.2 Amount	18,395	2,411	800	720
2 Approval Route				
2.1 Number	92	6	13	12
2.2 Amount	13,651	1,894	2,546	1,207
3 Total (1+2)				
3.1 Number	917	97	61	53
3.2 Amount	32,046	4,305	3,346	1,927
4 Weighted Average Maturity (in years)	6.27	6.10	5.65	5.26
5 Interest Rate (per cent)				
5.1 Weighted Average Margin over 6-month LIBOR or reference rate for Floating Rate Loans	2.73	2.68	1.89	2.16
5.2 Interest rate range for Fixed Rate Loans	0.00-12.44	0.00-12.44	0.00-11.00	0.00-10.50

No. 38: India's Overall Balance of Payments

(US $ Million)

Item	Jul-Sep 2012 (PR)			Jul-Sep 2013 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
Overall Balance of Payments(1+2+3)	**236,878**	**237,035**	**–158**	**258,884**	**269,239**	**–10,355**
1 CURRENT ACCOUNT (1.1+ 1.2)	**127,354**	**148,483**	**–21,129**	**138,351**	**143,521**	**–5,170**
1.1 MERCHANDISE	**72,573**	**120,366**	**–47,793**	**81,243**	**114,548**	**–33,305**
1.2 INVISIBLES (1.2.1+1.2.2+1.2.3)	**54,781**	**28,117**	**26,664**	**57,108**	**28,973**	**28,135**
1.2.1 Services	35,023	18,695	16,328	36,665	18,293	18,371
1.2.1.1 Travel	3,954	2,993	961	3,991	3,104	887
1.2.1.2 Transportation	4,220	4,147	74	4,155	3,461	693
1.2.1.3 Insurance	560	304	257	549	285	265
1.2.1.4 G.n.i.e.	149	174	–25	100	274	–174
1.2.1.5 Miscellaneous	26,139	11,078	15,061	27,870	11,169	16,700
1.2.1.5.1 Software Services	16,078	580	15,499	16,988	691	16,297
1.2.1.5.2 Business Services	7,132	6,755	377	7,461	7,052	408
1.2.1.5.3 Financial Services	1,355	1,107	248	1,776	1,035	741
1.2.1.5.4 Communication Services	455	141	314	575	204	371
1.2.2 Transfers	16,921	1,003	15,918	17,346	1,259	16,086
1.2.2.1 Official	37	196	–159	34	230	–196
1.2.2.2 Private	16,884	808	16,076	17,311	1,029	16,283
1.2.3 Income	2,838	8,419	–5,581	3,098	9,420	–6,322
1.2.3.1 Investment Income	2,028	7,885	–5,857	2,296	8,684	–6,388
1.2.3.2 Compensation of Employees	809	534	276	801	736	65
2 CAPITAL ACCOUNT (2.1+2.2+2.3+2.4+2.5)	**109,297**	**88,552**	**20,745**	**120,343**	**125,718**	**–5,375**
2.1 Foreign Investment (2.1.1+2.1.2)	**51,870**	**35,993**	**15,877**	**59,282**	**58,994**	**288**
2.1.1 Foreign Direct Investment	12,301	4,142	8,159	9,804	2,915	6,889
2.1.1.1 In India	10,865	1,342	9,523	8,567	1,058	7,510
2.1.1.1.1 Equity	8,078	1,340	6,738	6,206	852	5,354
2.1.1.1.2 Reinvested Earnings	2,298	–	2,298	2,088	–	2,088
2.1.1.1.3 Other Capital	489	2	487	273	205	68
2.1.1.2 Abroad	1,436	2,800	–1,364	1,237	1,857	–620
2.1.1.2.1 Equity	1,436	1,531	–95	1,237	718	519
2.1.1.2.2 Reinvested Earnings	–	297	–297	–	297	–297
2.1.1.2.3 Other Capital	–	972	–972	–	843	–843
2.1.2 Portfolio Investment	39,569	31,851	7,718	49,478	56,079	–6,602
2.1.2.1 In India	38,946	30,957	7,989	49,348	55,912	–6,564
2.1.2.1.1 FIIs	38,861	30,957	7,904	49,348	55,912	–6,564
2.1.2.1.1.1 Equity	30,426	23,264	7,162	40,806	41,656	–850
2.1.2.1.1.2 Debt	8,435	7,693	741	8,542	14,256	–5,714
2.1.2.1.2 ADR/GDRs	85	–	85	–	–	–
2.1.2.2 Abroad	623	894	–271	130	168	–38
2.2 Loans (2.2.1+2.2.2+2.2.3)	**34,289**	**29,138**	**5,152**	**33,337**	**33,813**	**–476**
2.2.1 External Assistance	1,035	978	57	791	957	–166
2.2.1.1 By India	13	84	–72	11	65	–54
2.2.1.2 To India	1,022	894	128	780	893	–112
2.2.2 Commercial Borrowings	5,864	4,902	962	5,522	3,970	1,552
2.2.2.1 By India	379	629	–250	345	112	233
2.2.2.2 To India	5,485	4,273	1,212	5,177	3,858	1,319
2.2.3 Short Term to India	27,390	23,258	4,133	27,024	28,886	–1,862
2.2.3.1 Suppliers' Credit > 180 days & Buyers' Credit	27,390	22,238	5,153	27,024	28,683	–1,659
2.2.3.2 Suppliers' Credit up to 180 days	–	1,020	–1,020	–	203	–203
2.3 Banking Capital (2.3.1+2.3.2)	**19,770**	**14,279**	**5,491**	**24,108**	**22,402**	**1,706**
2.3.1 Commercial Banks	19,128	14,279	4,849	24,081	22,402	1,679
2.3.1.1 Assets	2,705	1,214	1,491	2,033	7,339	–5,306
2.3.1.2 Liabilities	16,423	13,065	3,358	22,048	15,063	6,985
2.3.1.2.1 Non-Resident Deposits	15,043	12,197	2,846	20,143	11,803	8,340
2.3.2 Others	641	–	641	28	–	28
2.4 Rupee Debt Service	–	1	–1	–	1	–1
2.5 Other Capital	3,369	9,142	–5,774	3,615	10,508	–6,892
3 Errors & Omissions	**226**	**–**	**226**	**190**	**–**	**190**
4 Monetary Movements (4.1+ 4.2)	**158**	**–**	**158**	**10,355**	**–**	**10,355**
4.1 I.M.F.	–	–	–	–	–	–
4.2 Foreign Exchange Reserves (Increase - / Decrease +)	158	–	158	10,355	–	10,355

No. 39: India's Overall Balance of Payments

(₹ Billion)

Item	Jul-Sep 2012 (PR)			Jul-Sep 2013 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
Overall Balance of Payments(1+2+3)	**13,080**	**13,089**	**–9**	**16,114**	**16,759**	**–645**
1 CURRENT ACCOUNT (1.1+ 1.2)	**7,033**	**8,199**	**–1,167**	**8,612**	**8,934**	**–322**
1.1 MERCHANDISE	**4,007**	**6,647**	**–2,639**	**5,057**	**7,130**	**–2,073**
1.2 INVISIBLES (1.2.1+1.2.2+1.2.3)	**3,025**	**1,553**	**1,472**	**3,555**	**1,803**	**1,751**
1.2.1 Services	1,934	1,032	902	2,282	1,139	1,144
1.2.1.1 Travel	218	165	53	248	193	55
1.2.1.2 Transportation	233	229	4	259	215	43
1.2.1.3 Insurance	31	17	14	34	18	16
1.2.1.4 G.n.i.e.	8	10	–1	6	17	–11
1.2.1.5 Miscellaneous	1,443	612	832	1,735	695	1,040
1.2.1.5.1 Software Services	888	32	856	1,057	43	1,014
1.2.1.5.2 Business Services	394	373	21	464	439	25
1.2.1.5.3 Financial Services	75	61	14	111	64	46
1.2.1.5.4 Communication Services	25	8	17	36	13	23
1.2.2 Transfers	934	55	879	1,080	78	1,001
1.2.2.1 Official	2	11	–9	2	14	–12
1.2.2.2 Private	932	45	888	1,078	64	1,014
1.2.3 Income	157	465	–308	193	586	–394
1.2.3.1 Investment Income	112	435	–323	143	541	–398
1.2.3.2 Compensation of Employees	45	29	15	50	46	4
2 CAPITAL ACCOUNT (2.1+2.2+2.3+2.4+2.5)	**6,035**	**4,890**	**1,146**	**7,491**	**7,825**	**–335**
2.1 Foreign Investment (2.1.1+2.1.2)	2,864	1,988	877	3,690	3,672	18
2.1.1 Foreign Direct Investment	679	229	451	610	181	429
2.1.1.1 In India	600	74	526	533	66	467
2.1.1.1.1 Equity	446	74	372	386	53	333
2.1.1.1.2 Reinvested Earnings	127	–	127	130	–	130
2.1.1.1.3 Other Capital	27	–	27	17	13	4
2.1.1.2 Abroad	79	155	–75	77	116	–39
2.1.1.2.1 Equity	79	85	–5	77	45	32
2.1.1.2.2 Reinvested Earnings	–	16	–16	–	19	–19
2.1.1.2.3 Other Capital	–	54	–54	–	52	–52
2.1.2 Portfolio Investment	2,185	1,759	426	3,080	3,491	–411
2.1.2.1 In India	2,151	1,709	441	3,072	3,480	–409
2.1.2.1.1 FIIs	2,146	1,709	436	3,072	3,480	–409
2.1.2.1.1.1 Equity	1,680	1,285	396	2,540	2,593	–53
2.1.2.1.1.2 Debt	466	425	41	532	887	–356
2.1.2.1.2 ADR/GDRs	5	–	5	–	–	–
2.1.2.2 Abroad	34	49	–15	8	10	–2
2.2 Loans (2.2.1+2.2.2+2.2.3)	**1,893**	**1,609**	**284**	**2,075**	**2,105**	**–30**
2.2.1 External Assistance	57	54	3	49	60	–10
2.2.1.1 By India	1	5	–4	1	4	–3
2.2.1.2 To India	56	49	7	49	56	–7
2.2.2 Commercial Borrowings	324	271	53	344	247	97
2.2.2.1 By India	21	35	–14	21	7	15
2.2.2.2 To India	303	236	67	322	240	82
2.2.3 Short Term to India	1,513	1,284	228	1,682	1,798	–116
2.2.3.1 Suppliers' Credit > 180 days & Buyers' Credit	1,513	1,228	285	1,682	1,785	–103
2.2.3.2 Suppliers' Credit up to 180 days	–	56	–56	–	13	–13
2.3 Banking Capital (2.3.1+2.3.2)	**1,092**	**788**	**303**	**1,501**	**1,394**	**106**
2.3.1 Commercial Banks	1,056	788	268	1,499	1,394	104
2.3.1.1 Assets	149	67	82	127	457	–330
2.3.1.2 Liabilities	907	721	185	1,372	938	435
2.3.1.2.1 Non-Resident Deposits	831	674	157	1,254	735	519
2.3.2 Others	35	–	35	2	–	2
2.4 Rupee Debt Service	–	–	–	–	–	–
2.5 Other Capital	186	505	–319	225	654	–429
3 Errors & Omissions	**12**	**–**	**12**	**12**	**–**	**12**
4 Monetary Movements (4.1+ 4.2)	**9**	**–**	**9**	**645**	**–**	**645**
4.1 I.M.F.	–	–	–	–	–	–
4.2 Foreign Exchange Reserves (Increase - / Decrease +)	9	–	9	645	–	645

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

(US $ Million)

Item	Jul-Sep 2012 (PR)			Jul-Sep 2013 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account (1.A+1.B+1.C)	**127,328**	**148,304**	**–20,976**	**138,345**	**143,499**	**–5,153**
1.A Goods and Services (1.A.a+1.A.b)	**107,596**	**139,061**	**–31,465**	**117,908**	**132,842**	**–14,934**
1.A.a Goods (1.A.a.1 to 1.A.a.3)	**72,573**	**120,366**	**–47,793**	**81,243**	**114,548**	**–33,305**
1.A.a.1 General merchandise on a BOP basis	70,723	108,105	–37,381	80,511	110,685	–30,175
1.A.a.2 Net exports of goods under merchanting	1,850	1,172	678	732	–	732
1.A.a.3 Nonmonetary gold	–	11,090	–11,090	–	3,863	–3,863
1.A.b Services (1.A.b.1 to 1.A.b.13)	**35,023**	**18,695**	**16,328**	**36,665**	**18,293**	**18,372**
1.A.b.1 Manufacturing services on physical inputs owned by others	20	14	6	14	7	7
1.A.b.2 Maintenance and repair services n.i.e.	21	121	–100	71	67	5
1.A.b.3 Transport	4,220	4,147	74	4,155	3,461	693
1.A.b.4 Travel	3,954	2,993	961	3,991	3,104	887
1.A.b.5 Construction	240	250	–10	278	286	–8
1.A.b.6 Insurance and pension services	560	304	257	549	285	265
1.A.b.7 Financial services	1,355	1,107	248	1,776	1,035	741
1.A.b.8 Charges for the use of intellectual property n.i.e.	67	1,116	–1,050	107	650	–543
1.A.b.9 Telecommunications, computer, and information services	16,557	803	15,754	17,603	962	16,641
1.A.b.10 Other business services	7,132	6,755	377	7,461	7,052	408
1.A.b.11 Personal, cultural, and recreational services	222	160	63	307	248	59
1.A.b.12 Government goods and services n.i.e.	149	174	–25	100	274	–174
1.A.b.13 Others n.i.e.	525	752	–227	253	863	–610
1.B Primary Income (1.B.1 to 1.B.3)	**2,838**	**8,419**	**–5,581**	**3,098**	**9,420**	**–6,322**
1.B.1 Compensation of employees	809	534	276	801	736	65
1.B.2 Investment income	1,807	7,800	–5,993	2,090	8,645	–6,556
1.B.2.1 Direct investment	604	3,670	–3,066	797	3,237	–2,440
1.B.2.2 Portfolio investment	17	1,391	–1,373	85	2,732	–2,647
1.B.2.3 Other investment	79	2,738	–2,659	43	2,675	–2,632
1.B.2.4 Reserve assets	1,107	2	1,105	1,164	2	1,162
1.B.3 Other primary income	222	86	136	207	39	168
1.C Secondary Income (1.C.1+1.C.2)	**16,895**	**825**	**16,070**	**17,340**	**1,237**	**16,103**
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	16,884	808	16,076	17,311	1,029	16,283
1.C.1.1 Personal transfers (Current transfers between resident and/ non-resident households)	16,288	743	15,545	16,656	976	15,680
1.C.1.2 Other current transfers	596	65	531	655	53	602
1.C.2 General government	11	17	–6	28	208	–180
2 Capital Account (2.1+2.2)	**214**	**462**	**–248**	**94**	**159**	**–65**
2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets	51	27	24	10	22	–12
2.2 Capital transfers	163	435	–272	84	137	–53
3 Financial Account (3.1 to 3.5)	**109,642**	**88,643**	**20,999**	**130,631**	**125,603**	**5,028**
3.1 Direct Investment (3.1A+3.1B)	**12,301**	**4,142**	**8,159**	**9,804**	**2,915**	**6,889**
3.1.A Direct Investment in India	10,865	1,342	9,523	8,567	1,058	7,510
3.1.A.1 Equity and investment fund shares	10,376	1,340	9,037	8,294	852	7,442
3.1.A.1.1 Equity other than reinvestment of earnings	8,078	1,340	6,738	6,206	852	5,354
3.1.A.1.2 Reinvestment of earnings	2,298	–	2,298	2,088	–	2,088
3.1.A.2 Debt instruments	489	2	487	273	205	68
3.1.A.2.1 Direct investor in direct investment enterprises	489	2	487	273	205	68
3.1.B Direct Investment by India	1,436	2,800	–1,364	1,237	1,857	–620
3.1.B.1 Equity and investment fund shares	1,436	1,828	–393	1,237	1,015	222
3.1.B.1.1 Equity other than reinvestment of earnings	1,436	1,531	–95	1,237	718	519
3.1.B.1.2 Reinvestment of earnings	–	297	–297	–	297	–297
3.1.B.2 Debt instruments	–	972	–972	–	843	–843
3.1.B.2.1 Direct investor in direct investment enterprises	–	972	–972	–	843	–843
3.2 Portfolio Investment	**39,484**	**31,851**	**7,633**	**49,478**	**56,079**	**–6,602**
3.2.A Portfolio Investment in India	38,861	30,957	7,904	49,348	55,912	–6,564
3.2.1 Equity and investment fund shares	30,426	23,264	7,162	40,806	41,656	–850
3.2.2 Debt securities	8,435	7,693	741	8,542	14,256	–5,714
3.2.B Portfolio Investment by India	623	894	–271	130	168	–38
3.3 Financial derivatives (other than reserves) and employee stock options	**804**	**1,256**	**–451**	**775**	**2,363**	**–1,588**
3.4 Other investment	**56,887**	**51,304**	**5,583**	**60,220**	**64,246**	**–4,026**
3.4.1 Other equity (ADRs/GDRs)	85	–	85	–	–	–
3.4.2 Currency and deposits	15,685	12,197	3,488	20,171	11,803	8,368
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	641	–	641	28	–	28
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	15,043	12,197	2,846	20,143	11,803	8,340
3.4.2.3 General government	–	–	–	–	–	–
3.4.2.4 Other sectors	–	–	–	–	–	–
3.4.3 Loans (External Assistance, ECBs and Banking Capital)	10,984	7,962	3,022	10,251	15,527	–5,276
3.4.3.A Loans to India	10,592	7,249	3,343	9,895	15,350	–5,455
3.4.3.B Loans by India	392	713	–321	356	177	180
3.4.4 Insurance, pension, and standardized guarantee schemes	8	91	–82	382	322	61
3.4.5 Trade credit and advances	27,390	23,258	4,133	27,024	28,886	–1,862
3.4.6 Other accounts receivable/payable - other	2,742	7,887	–5,145	2,392	7,709	–5,318
3.4.7 Special drawing rights	–	–	–	–	–	–
3.5 Reserve assets	**158**	–	**158**	**10,355**	–	**10,355**
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)	158	–	158	10,355	–	10,355
4 Total assets/liabilities	**109,642**	**88,643**	**20,999**	**130,631**	**125,603**	**5,028**
3.0.1 Equity and investment fund shares	43,674	28,672	15,002	51,623	46,375	5,249
3.0.2 Debt instruments	62,983	52,084	10,899	66,261	71,519	–5,258
3.0.3 Other financial assets and liabilities	2,985	7,887	–4,902	12,747	7,709	5,037
5 Net errors and omissions	**226**	–	**226**	**190**	–	**190**

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

(₹ Billion)

Item	Jul-Sep 2012 (PR)			Jul-Sep 2013 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account (1.A+1.B+1.C)	**7,031**	**8,189**	**–1,158**	**8,611**	**8,932**	**–321**
1.A Goods and Services (1.A.a+1.A.b)	**5,941**	**7,679**	**–1,738**	**7,339**	**8,269**	**–930**
1.A.a Goods (1.A.a.1 to 1.A.a.3)	**4,007**	**6,647**	**–2,639**	**5,057**	**7,130**	**–2,073**
1.A.a.1 General merchandise on a BOP basis	3,905	5,970	–2,064	5,011	6,890	–1,878
1.A.a.2 Net exports of goods under merchanting	102	65	37	46	–	46
1.A.a.3 Nonmonetary gold	–	612	–612	–	240	–240
1.A.b Services (1.A.b.1 to 1.A.b.13)	**1,934**	**1,032**	**902**	**2,282**	**1,139**	**1,144**
1.A.b.1 Manufacturing services on physical inputs owned by others	1	1	–	1	–	–
1.A.b.2 Maintenance and repair services n.i.e.	1	7	–6	4	4	–
1.A.b.3 Transport	233	229	4	259	215	43
1.A.b.4 Travel	218	165	53	248	193	55
1.A.b.5 Construction	13	14	–1	17	18	–1
1.A.b.6 Insurance and pension services	31	17	14	34	18	16
1.A.b.7 Financial services	75	61	14	111	64	46
1.A.b.8 Charges for the use of intellectual property n.i.e.	4	62	–58	7	40	–34
1.A.b.9 Telecommunications, computer, and information services	914	44	870	1,096	60	1,036
1.A.b.10 Other business services	394	373	21	464	439	25
1.A.b.11 Personal, cultural, and recreational services	12	9	3	19	15	4
1.A.b.12 Government goods and services n.i.e.	8	10	–1	6	17	–11
1.A.b.13 Others n.i.e.	29	42	–13	16	54	–38
1.B Primary Income (1.B.1 to 1.B.3)	**157**	**465**	**–308**	**193**	**586**	**–394**
1.B.1 Compensation of employees	45	29	15	50	46	4
1.B.2 Investment income	100	431	–331	130	538	–408
1.B.2.1 Direct investment	33	203	–169	50	201	–152
1.B.2.2 Portfolio investment	1	77	–76	5	170	–165
1.B.2.3 Other investment	4	151	–147	3	166	–164
1.B.2.4 Reserve assets	61	–	61	72	–	72
1.B.3 Other primary income	12	5	8	13	2	10
1.C Secondary Income (1.C.1+1.C.2)	**933**	**46**	**887**	**1,079**	**77**	**1,002**
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	932	45	888	1,078	64	1,014
1.C.1.1 Personal transfers (Current transfers between resident and/ non-resident households)	899	41	858	1,037	61	976
1.C.1.2 Other current transfers	33	4	29	41	3	37
1.C.2 General government	1	1	–	2	13	–11
2 Capital Account (2.1+2.2)	**12**	**26**	**–14**	**6**	**10**	**–4**
2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets	3	2	1	1	1	–1
2.2 Capital transfers	9	24	–15	5	9	–3
3 Financial Account (3.1 to 3.5)	**6,054**	**4,895**	**1,160**	**8,131**	**7,818**	**313**
3.1 Direct Investment (3.1A+3.1B)	**679**	**229**	**451**	**610**	**181**	**429**
3.1.A Direct Investment in India	600	74	526	533	66	467
3.1.A.1 Equity and investment fund shares	573	74	499	516	53	463
3.1.A.1.1 Equity other than reinvestment of earnings	446	74	372	386	53	333
3.1.A.1.2 Reinvestment of earnings	127	–	127	130	–	130
3.1.A.2 Debt instruments	27	–	27	17	13	4
3.1.A.2.1 Direct investor in direct investment enterprises	27	–	27	17	13	4
3.1.B Direct Investment by India	79	155	–75	77	116	–39
3.1.B.1 Equity and investment fund shares	79	101	–22	77	63	14
3.1.B.1.1 Equity other than reinvestment of earnings	79	85	–5	77	45	32
3.1.B.1.2 Reinvestment of earnings	–	16	–16	–	19	–19
3.1.B.2 Debt instruments	–	54	–54	–	52	–52
3.1.B.2.1 Direct investor in direct investment enterprises	–	54	–54	–	52	–52
3.2 Portfolio Investment	**2,180**	**1,759**	**421**	**3,080**	**3,491**	**–411**
3.2.A Portfolio Investment in India	2,146	1,709	436	3,072	3,480	–409
3.2.1 Equity and investment fund shares	1,680	1,285	396	2,540	2,593	–53
3.2.2 Debt securities	466	425	41	532	887	–356
3.2.B Portfolio Investment by India	34	49	–15	8	10	–2
3.3 Financial derivatives (other than reserves) and employee stock options	**44**	**69**	**–25**	**48**	**147**	**–99**
3.4 Other investment	**3,141**	**2,833**	**308**	**3,748**	**3,999**	**–251**
3.4.1 Other equity (ADRs/GDRs)	5	–	5	–	–	–
3.4.2 Currency and deposits	866	674	193	1,256	735	521
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	35	–	35	2	–	2
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	831	674	157	1,254	735	519
3.4.2.3 General government	–	–	–	–	–	–
3.4.2.4 Other sectors	–	–	–	–	–	–
3.4.3 Loans (External Assistance, ECBs and Banking Capital)	607	440	167	638	966	–328
3.4.3.A Loans to India	585	400	185	616	955	–340
3.4.3.B Loans by India	22	39	–18	22	11	11
3.4.4 Insurance, pension, and standardized guarantee schemes	–	5	–5	24	20	4
3.4.5 Trade credit and advances	1,513	1,284	228	1,682	1,798	–116
3.4.6 Other accounts receivable/payable - other	151	436	–284	149	480	–331
3.4.7 Special drawing rights	–	–	–	–	–	–
3.5 Reserve assets	**9**	–	**9**	**645**	–	**645**
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)	9	–	9	645	–	645
4 Total assets/liabilities	**6,054**	**4,895**	**1,160**	**8,131**	**7,818**	**313**
3.0.1 Equity and investment fund shares	2,412	1,583	828	3,213	2,887	327
3.0.2 Debt instruments	3,478	2,876	602	4,124	4,452	–327
3.0.3 Other financial assets and liabilities	165	436	–271	793	480	314
5 Net errors and omissions	**12**	–	**12**	**12**	–	**12**

No. 42: International Investment Position

(US$ Million)

Item	As on Financial Year /Quarter End							
	2012-13		2012		2013			
			Jun.		Mar.		Jun.	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	1	2	3	4	5	6	7	8
1 Direct Investment Abroad/in India	119,510	233,635	114,470	205,461	119,510	233,635	119,492	219,799
1.1 Equity Capital and Reinvested Earnings	84,850	223,143	82,864	196,126	84,850	223,143	83,854	209,058
1.2 Other Capital	34,660	10,492	31,606	9,335	34,660	10,492	35,638	10,741
2 Portfolio Investment	1,375	183,846	1,447	148,580	1,375	183,846	1,375	170,183
2.1 Equity	1,261	139,460	1,430	110,504	1,261	139,460	1,261	131,639
2.2 Debt	114	44,386	17	38,076	114	44,386	114	38,544
3 Other Investment	34,822	339,694	27,232	304,461	34,822	339,694	31,234	341,476
3.1 Trade Credit	3,921	88,974	4,535	72,734	3,921	88,974	6,249	91,419
3.2 Loan	4,917	167,118	3,697	160,738	4,917	167,118	3,743	166,416
3.3 Currency and Deposits	13,058	71,004	6,870	61,048	13,058	71,004	7,987	71,314
3.4 Other Assets/Liabilities	12,926	12,597	12,131	9,941	12,926	12,597	13,255	12,327
4 Reserves	292,046	–	289,737	–	292,046	–	282,454	–
5 Total Assets/ Liabilities	447,753	757,174	432,886	658,502	447,753	757,174	434,555	731,458
6 IIP (Assets - Liabilities)		–309,421		–225,617		–309,421		–296,903

Payment and Settlement Systems

No. 43: Payment System Indicators

System	Volume (Million)				Value (₹ Billion)			
	2012-13	2013			2012-13	2013		
		Aug.	Sep.	Oct.		Aug.	Sep.	Oct.
	1	2	3	4	5	6	7	8
1 RTGS	**68.52**	**6.21**	**6.26**	**6.95**	**1,026,350.05**	**67,557.35**	**77,271.32**	**71,945.40**
1.1 Customer Transactions	63.99	5.81	5.86	6.55	512,997.84	42,652.24	49,130.14	47,057.88
1.2 Interbank Transactions	4.52	0.39	0.40	0.40	163,843.20	12,431.12	13,705.08	11,766.19
1.3 Interbank Clearing	0.009	0.001	0.001	0.001	349,509.02	12,473.99	14,436.09	13,121.33
2 CCIL Operated Systems	**2.26**	**0.19**	**0.20**	**0.21**	**501,598.49**	**49,260.43**	**51,039.70**	**49,084.34**
2.1 CBLO	0.16	0.02	0.02	0.01	120,480.39	17,340.95	16,683.33	13,821.01
2.2 Govt. Securities Clearing	0.70	0.04	0.06	0.07	119,947.98	9,896.36	11,963.83	12,792.81
2.2.1 Outright	0.66	0.04	0.06	0.06	65,920.33	4,247.80	5,792.58	6,277.06
2.2.2 Repo	0.041	0.004	0.004	0.004	54,027.65	5,648.56	6,171.25	6,515.75
2.3 Forex Clearing	1.40	0.13	0.13	0.13	261,170.12	22,023.12	22,392.54	22,470.52
3 Paper Clearing	**1,313.48**	**107.22**	**98.08**	**112.08**	**99,982.25**	**7,754.26**	**7,276.11**	**7,794.27**
3.1 Cheque Truncation System (CTS)	275.04	38.59	40.98	51.26	21,779.52	2,855.52	3,036.51	3,754.68
3.2 MICR Clearing	823.31	47.26	41.18	42.23	57,503.97	3,243.97	3,020.58	2,505.66
3.2.1 RBI Centres	496.81	25.77	22.45	24.00	36,045.97	1,636.27	1,484.37	1,313.57
3.2.2 Other Centres	326.50	21.49	18.73	18.23	21,458.00	1,607.69	1,536.21	1,192.09
3.3 Non-MICR Clearing	215.31	21.37	15.92	18.59	20,898.28	1,654.77	1,219.02	1,533.93
4 Retail Electronic Clearing	**694.07**	**82.73**	**83.74**	**92.25**	**31,881.14**	**3,493.03**	**3,757.17**	**4,209.08**
4.1 ECS DR	176.53	15.42	16.13	15.85	1,083.10	99.21	107.13	100.57
4.2 ECS CR (includes NECS)	122.18	18.91	15.35	18.26	1,771.28	238.78	210.16	241.04
4.3 EFT/NEFT	394.13	47.62	51.25	56.91	29,022.42	3,150.34	3,434.36	3,860.15
4.4 Immediate Payment Service (IMPS)	1.23	0.79	1.02	1.22	4.33	4.71	5.53	7.32
5 Cards	**6,398.35**	**620.92**	**614.45**	**650.13**	**18,637.36**	**1,757.85**	**1,737.61**	**1,920.20**
5.1 Credit Cards	399.13	41.65	40.26	43.53	1,243.93	108.88	120.56	120.26
5.1.1 Usage at ATMs	2.52	0.24	0.23	0.25	14.42	1.39	1.33	1.44
5.1.2 Usage at POS	396.61	41.41	40.04	43.28	1,229.51	107.48	119.23	118.81
5.2 Debit Cards	5,999.21	579.27	574.19	606.60	17,393.44	1,648.97	1,617.05	1,799.95
5.2.1 Usage at ATMs	5,530.16	523.78	520.70	551.66	16,650.08	1,568.79	1,543.18	1,713.08
5.2.2 Usage at POS	469.05	55.49	53.49	54.94	743.36	80.18	73.87	86.86
6 Prepaid Payment Instruments (PPIs)	**66.94**	**14.12**	**13.67**	**10.36**	**79.22**	**6.01**	**6.23**	**6.89**
6.1 m-Wallet	32.70	8.68	8.74	8.14	10.01	2.36	2.33	2.12
6.2 PPI Cards	33.76	5.41	4.90	2.17	49.62	2.02	2.06	2.43
6.3 Paper Vouchers	0.48	0.04	0.04	0.05	19.60	1.63	1.84	2.35
7 Mobile Banking	**53.30**	**6.76**	**7.15**	**7.84**	**59.90**	**14.13**	**15.62**	**19.75**
8 Cards Outstanding	**350.75**	**380.80**	**386.39**	**393.31**	..	..	..	..
8.1 Credit Card	19.55	18.46	18.60	19.12	..	..	..	..
8.2 Debit Card	331.20	362.34	367.79	374.19	..	..	..	..
9 Number of ATMs (in actuals)	**114014**	**126950**	**130290**	**133313**	..	..	..	..
10 Number of POS (in actuals)	**854290**	**981193**	**995941**	**963491**	..	..	..	..
11 Grand Total (1.1+1.2+2+3+4+5+6)	**8,543.60**	**831.37**	**816.40**	**871.97**	**1,329,019.50**	**117,354.94**	**126,652.05**	**121,838.86**

Occasional Series

No. 44: Small Savings

(₹ Billion)

Scheme		2012-13	2012	2013		
			May	Mar.	Apr.	May
		1	2	3	4	5
1 Small Savings	**Receipts**	**1,947.58**	**166.11**	**209.42**	**150.78**	**159.51**
	Outstanding	**6,049.47**	**6,043.77**	**6,049.47**	**6,044.48**	**6,048.13**
1.1 Total Deposits	**Receipts**	**1,684.08**	**145.98**	**161.19**	**131.65**	**142.97**
	Outstanding	**3,679.39**	**3,612.74**	**3,679.39**	**3,688.82**	**3,700.48**
1.1.1 Post Office Saving Bank Deposits	Receipts	839.00	73.27	71.48	73.81	76.41
	Outstanding	378.50	344.59	378.50	376.29	376.10
1.1.2 MGNREG	Receipts	82.89	7.31	18.25	–	–
	Outstanding	–10.73	–0.53	–10.73	–	–
1.1.3 National Saving Scheme, 1987	Receipts	1.41	0.03	1.00	0.02	0.01
	Outstanding	39.63	39.46	39.63	39.14	38.79
1.1.4 National Saving Scheme, 1992	Receipts	–0.01	–	0.08	0.01	–
	Outstanding	3.26	3.93	3.26	3.19	3.11
1.1.5 Monthly Income Scheme	Receipts	190.49	17.23	15.75	12.29	13.80
	Outstanding	2,017.87	2,043.89	2,017.87	2,016.96	2,017.41
1.1.6 Senior Citizen Scheme	Receipts	19.78	1.29	1.90	1.96	1.76
	Outstanding	240.93	261.76	240.93	237.00	236.09
1.1.7 Post Office Time Deposits	Receipts	191.53	16.14	17.86	16.40	18.76
	Outstanding	330.09	281.64	330.09	333.95	338.54
1.1.7.1 1 year Time Deposits	Outstanding	213.36	174.84	213.36	216.69	220.49
1.1.7.2 2 year Time Deposits	Outstanding	14.75	13.22	14.75	14.93	15.11
1.1.7.3 3 year Time Deposits	Outstanding	39.89	42.83	39.89	39.45	39.07
1.1.7.4 5 year Time Deposits	Outstanding	62.09	50.75	62.09	62.88	63.87
1.1.8 Post Office Recurring Deposits	Receipts	358.99	30.71	34.87	27.16	32.23
	Outstanding	679.62	637.72	679.62	682.07	690.22
1.1.9 Post Office Cumulative Time Deposits	Outstanding	–	0.06	–	–	–
1.1.10 Other Deposits	Outstanding	0.22	0.22	0.22	0.22	0.22
1.2 Saving Certificates	**Receipts**	**191.29**	**15.54**	**24.59**	**11.93**	**12.05**
	Outstanding	**1,958.87**	**2,072.42**	**1,958.87**	**1,946.57**	**1,938.59**
1.2.1 National Savings Certificate VIII issue	Receipts	191.02	15.33	25.83	11.68	12.03
	Outstanding	647.19	560.10	647.19	650.73	657.23
1.2.2 Indira Vikas Patras	Receipts	–	–	–	–	–
	Outstanding	9.07	8.92	9.07	9.05	9.05
1.2.3 Kisan Vikas Patras	Receipts	0.27	0.21	–1.24	0.25	0.02
	Outstanding	1,283.75	1,503.25	1,283.75	1,266.05	1,249.04
1.2.4 National Saving Certificate VI issue	Outstanding	–0.75	–0.79	–0.75	–0.75	–0.75
1.2.5 National Saving Certificate VII issue	Outstanding	–0.64	–0.49	–0.64	–0.69	–0.68
1.2.6 Other Certificates	Outstanding	20.25	1.43	20.25	22.18	24.70
1.3 Public Provident Fund	**Receipts**	**72.21**	**4.59**	**23.64**	**7.20**	**4.49**
	Outstanding	**411.21**	**358.61**	**411.21**	**409.09**	**409.06**

Source: Accountant General, Post and Telegraphs.

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

(Per cent)

Category	2012		2013		
	Sep.	Dec.	Mar.	Jun.	Sep.
	1	2	3	4	5
1 Commercial Banks	33.91	33.98	34.50	34.47	36.34
2 Bank-Primary Dealers	10.63	9.98	9.36	9.38	8.36
3 Non-Bank PDs	0.10	0.15	0.11	0.08	0.04
4 Insurance Companies	21.30	19.54	18.56	19.20	19.27
5 Mutual Funds	0.55	1.20	0.68	1.24	1.61
6 Co-operative Banks	3.03	2.89	2.81	2.78	2.73
7 Financial Institutions	0.37	0.64	0.75	0.63	0.71
8 Corporates	1.61	1.62	1.14	1.20	1.19
9 FIIs	1.10	1.24	1.61	1.59	1.40
10 Provident Funds	7.19	7.12	7.37	7.19	7.20
11 RBI	16.02	15.95	16.99	18.22	16.83
12 Others	4.20	5.68	6.12	4.02	4.32

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 2010-11 is a moving one, which gets updated every year. Methodological details are available in December 2005 issue of the Bulletin.

Table No. 37

Based on applications for ECB/Foreign Currency Convertible Bonds (FCCBs) which have been allotted loan registration number during the period.

Table Nos. 38, 39, 40 & 41

Explanatory notes on these tables are available in December issue of RBI Bulletin, 2012.

Table No. 43

1.3: Pertain to multilateral net settlement batches.

3.1: Pertain to two centres - New Delhi and Chennai.

3.3: Pertain to clearing houses managed by 21 banks.

6: Available from December 2010.

7: Include IMPS transactions.

Table No. 44

1.1.1: Receipts include interest credited to depositors' account from time to time.

1.1.9: Relate to 5-year, 10-year and 15-year cumulative time deposits. Exclude Public Provident Fund.

1.2.4 to 1.2.6: Negative figures are due to rectification of misclassification.

1.3: Data relate to Post Office transactions.

Table 45

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

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

Indicative Calendar for Bulletin Articles, 2014

S. No.	Article	Release Month
1	Finances of Foreign Direct Investment Companies: 2011-12	January
2	India's Foreign Trade during April-September 2013	
3	Annual Census on Foreign Liabilities and Assets of Indian Companies: 2012-13	February
4	Performance of Private Corporate Business Sector during First Half of 2013-14	
5	Survey on Computer Software & Information Technology Services Exports: 2012-13	March
6	Developments in India's Balance of Payments: July-September 2013	
7	International Trade in Banking Services: 2012-13	
8	India's Foreign Trade during April-December 2013	April
9	Composition and Ownership Pattern of Deposits with Scheduled Commercial Banks: March 2013	
10	Order Books, Inventories and Capacity Utilisation Survey for Quarters October 2012 to September 2013	
11	North-East Monsoon 2012: A Review (October-December 2013)	
12	Investment Portfolio of Scheduled Commercial Banks: March 2013	May
13	Finances of Non-Government Non-Financial Public Limited Companies: 2012-13	June
14	Developments in India's Balance of Payments: October-December 2013	
15	Inflation Expectations Survey of Households: 2013-14	
16	International Banking Statistics for March, June, September and December 2013	July
17	India's Foreign Trade during 2013-14	
18	Industrial Outlook Survey for the Quarters during 2013-14	
19	Corporate Investment: Growth in 2013-14 and Prospects for 2014-15	September
20	Developments in India's Balance of Payments: January-March 2014	
21	India's External Debt at end-March 2014	
22	Union Budget 2014-15: An Assessment	
23	Consumer Confidence Survey: 2013-14	
24	Performance of Private Corporate Business Sector: 2013-14	October
25	Performance of Financial and Investment Companies: 2012-13	
26	Monthly Seasonal Factors of Select Economic Time Series: 2013-14	
27	India's Foreign Trade during April-June 2014	
28	Housing Price Index: 2013-14	
29	Finances of Non-Government Non-Financial Private Limited Companies: 2012-13	November
30	Flow of Funds Accounts of the Indian Economy: 2012-13	December
31	Developments in India's Balance of Payments during April-June 2014	
32	India's External Debt at end-June 2014	
33	Survey of Professional Forecasters: 2014-15	
34	South-West Monsoon: A Review (June-September 2014)	

Recent Publications of the Reserve Bank of India

Name of Publication	Price	
	India	Abroad
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2. Weekly Statistical Supplement to RBI Monthly Bulletin 2014	₹20 per copy (over the counter) ₹1200 (one-year subscription)	US$ 120 one-year subscription (inclusive of air mail charges)
3. Report on Trend and Progress of Banking in India 2012-13	₹270 per copy (over the counter) ₹310 per copy (including postal charges) ₹240 per copy (concessional including postage) ₹200 per copy (concessional price over the counter)	US$ 11 per copy (inclusive of air mail courier charges)
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Name of Publication	Price	
	India	Abroad
9. CD Compendium of Articles on State Finances (1950-51 to 2010-11)	₹280 (over the counter) ₹305 (inclusive of postal charges) ₹210 (concessional) ₹235 (concessional inclusive of postage)	US$ 8 (air mail book post charges)
10. Perspectives on Central Banking Governors Speak (1935-2010) Platinum Jubilee	₹1400 per copy (over the counter)	US$ 50 per copy (inclusive of air mail charges)
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16. Selected Banking Indicators 1981 to 2002 (On CD-ROM)	₹250 per CD (over the counter) ₹300 per CD (including postal charges)	US$ 75 (per CD)
17. Statistical Tables Relating to Banks in India 2011-12	₹250 per copy (over the counter) ₹560 (inclusive of postage)	US$ 75 per copy (inclusive of courier charges)
18. Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks 2013 1. March 2. June	₹65 per copy (normal) ₹105 per copy (inclusive of postal charges)	US$ 10 per copy (inclusive of courier charges)
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